

**DEVELOPER'S PUBLIC REPORT  
FOR A CONDOMINIUM**

|                          |  |
|--------------------------|--|
| CONDOMINIUM PROJECT NAME | KALANI CONDOMINIUMS                      |
| Project Address          | 464 Kalanikoa Street, Hilo, Hawaii 96720 |
| Registration Number      | 6366 (Conversion)                        |
| Effective Date of Report | September 6, 2007                        |
| Developer                | Kalani Development LLC                   |

**Preparation of this Report**

The Developer prepared this report to disclose relevant information, including "material facts", that are reasonably known to the Developer about the condominium project covered by this report. This report has been prepared pursuant to the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, as amended from time to time. The law defines "material facts" to mean "any fact, defect, or condition, past or present that to a reasonable person, would be expected to measurably affect the value of the project, unit, or property being offered or proposed to be offered for sale."

This report has not been prepared or issued by the Real Estate Commission or any other governmental agency. The issuance by the Commission of an effective date for this Developer's Public Report (1) does not mean that the Commission approves or disapproves of the project; (2) does not mean that the Commission thinks that either all material facts or all pertinent changes, or both, about the project have been fully or adequately disclosed; and (3) is not the Commission's judgment of the value or merits of the project.

This report may be used by the Developer for promotional purposes only if it is used in its entirety. No person shall advertise or represent that the Commission has approved or recommended the project, this report or any of the documents submitted with Developer's application for registration of this project.

This report will be amended if, after the effective date of this report, any changes, either material or pertinent changes, or both, occur regarding the information contained in or omitted from this report. In that case, the Developer is required to submit immediately to the Commission an amendment to this report or an amended Developer's Public Report, clearly reflecting the changes, including any omitted material facts, together with such supporting information as may be required by the Commission. In addition, the Developer may choose at any time to change or update the information in this report. Annually, at least thirty days prior to the anniversary date of the Effective Date of this report, the Developer shall file an annual report to update the material contained in this report. If there are no changes, the Developer is required to state that there are no changes. The Developer's obligation to amend this report or to file annual reports ends when the initial sales of all units in the project have been completed.

Purchasers are encouraged to read this report carefully and to seek professional advice before signing a sales contract for the purchase of a unit in the project.

Signing a sales contract may legally bind a purchaser to purchase a unit in the project, though a purchaser may have rights to cancel or rescind a sales contract under particular circumstances that may arise.

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*This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.*

## **SPECIAL ATTENTION**

**[Use this page for special or significant matters which should be brought to the purchaser's attention and that are not covered elsewhere in this report.]**

### **CONDOMINIUM NOT YET CREATED; SALES CONTRACT NOT BINDING.**

Developer has not yet recorded the Declaration, Bylaws and Condominium Map for this condominium project (collectively the "condominium documents"). This means that the condominium project has not yet been created and will not exist until the condominium documents are recorded with the Bureau of Conveyances of the State of Hawaii.

As a result, any sales contract entered into by Buyer is non-binding and may be cancelled at any time. Upon cancellation, Buyer shall be entitled to a prompt and full refund of all monies paid.

The sales contract between Buyer and Developer will become binding when ALL of the following events occur:

- (a) The condominium documents have been recorded;
- (b) A copy of an amended public report with an effective date issued by the Real Estate Commission has been delivered to the Buyer, along with copies of the recorded condominium documents; and
- (c) The Buyer has waived Buyer's 30-day right to cancel the sales contract.

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## **General Information On Condominiums**

A condominium is a special form of ownership of real property. To create a condominium in Hawaii after July 1, 2006, the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, must be followed. In addition, certain requirements and approvals of the county in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land and/or the building(s) and other improvements are leased to the purchaser. The lease for the land usually requires that at the end of the lease term, the lessees (unit owners) deliver their interest in the land to the lessor (fee property owner).

If you are a typical condominium unit owner, you will have two kinds of ownership: (1) ownership in your individual unit; and (2) a percentage interest in the common elements.

You will be entitled to exclusive ownership and possession of your unit. Subject to the documents governing them, condominium units may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift or operation of law.

Your unit will, however, be part of the group of units that comprise the condominium project. Study the project's Declaration of Condominium Property Regime, Bylaws of the Association of Unit Owners, Condominium Map and House Rules, if any, which are being concurrently delivered to you with this report. These documents contain important information on the use and occupancy of the units and the common elements of the project, as well as the rules and regulations of conduct for unit owners, tenants and guests.

### **Operation of the Condominium Project**

The Association of Unit Owners is the entity through which unit owners may take action with regard to the administration, management and operation of the condominium project. Each unit owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as a unit owner. The Board and officers can take certain actions without the vote of the unit owners. For example, the Board may hire and fire employees, increase or decrease maintenance fees, adopt budgets for revenues, expenses and reserves and regulate the use, maintenance, repair and replacement of common elements. Some of these actions may significantly impact the unit owners.

Until there is a sufficient number of purchasers of units to elect a majority of the Board, it is likely at first that the Developer will effectively control the affairs of the Association. It is frequently necessary for the Developer to do so during the early stages of development and the Developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective purchasers should understand that it is important to all unit owners that the transition of control from the Developer to the unit owners be accomplished in an orderly manner and in a spirit of cooperation.

**1. THE CONDOMINIUM PROJECT**

**1.1 The Underlying Land**

|  |  |   |
|--|--|---|
| Fee Simple or Leasehold Project  | <input checked="" type="checkbox"/> Fee Simple | <input type="checkbox"/> Leasehold (attach Leasehold Exhibit) |
| Developer is the Fee Owner   | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No                                   |
| Fee Owner's Name if Developer is not the Fee Owner                                     | N/A  |   |
| Address of Project   | 464 Kalanikoa Street, Hilo, Hawaii 96720       |   |
| Address of Project is expected to change because                                       | N/A  |   |
| Tax Map Key (TMK)  | (3) 2-2-035-026                                |   |
| Tax Map Key is expected to change because  | N/A  |   |
| Land Area  | 22,900 square feet                             |   |
| Developer's right to acquire the Property if Developer is not the Fee Owner (describe) | N/A  |   |

**1.2 Buildings and Other Improvements**

|  |                              |
|--|------------------------------|
| Number of Buildings  | 1                            |
| Floors Per Building  | 3                            |
| Number of New Building(s)  | 0                            |
| Number of Converted Building(s)  | 1                            |
| Principal Construction Materials (concrete, wood, hollow tile, steel, glass, etc.) | Concrete, wood, metal, glass |

**1.3 Unit Types and Sizes of Units**

| Unit Type      | Quantity | BR/Bath | Net Living Area | Net Other Areas | Other Areas (lanai, garage, etc.) | Total Area |
|----------------|----------|---------|-----------------|-----------------|-----------------------------------|------------|
| A              | 3        | 2/1     | 725 sq. ft.     | 96.66 sq. ft.   | lanai                             | 821.66 SF  |
| B              | 15       | 2/1     | 720 sq. ft.     | 96 sq. ft.      | lanai                             | 816 SF     |
| C              | 3        | 2/1     | 730 sq. ft.     | 97.33 sq. ft.   | lanai                             | 827.33 SF  |
| D              | 3        | 3/1     | 845 sq. ft.     | 119.33 sq. ft.  | lanai                             | 964.33 SF  |
|                |          |         |                 |                 |                                   |            |
|                |          |         |                 |                 |                                   |            |
| See Exhibit A. |          |         |                 |                 |                                   |            |

|    |                              |
|----|------------------------------|
| 24 | <b>Total Number of Units</b> |
|----|------------------------------|

Note: Net Living Area is the floor area of the unit measured from the interior surface of the perimeter walls of the unit. Other documents and maps may give floor area figures that differ from those above because a different method of determining floor area may have been used.

**1.4 Parking Stalls**

|   |    |
|---|----|
| Total Parking Stalls in the Project:  | 24 |
| Number of Guest Stalls in the Project:  | 0  |
| Number of Parking Stalls Assigned to Each Unit:   | 1  |
| Attach Exhibit <u>B</u> specifying the Parking Stall number(s) assigned to each unit and the type of parking stall(s) (regular, compact or tandem and indicate whether covered or open).  |    |
| If the Developer has reserved any rights to assign or re-assign parking stalls, describe such rights. Developer reserves the right to convey or otherwise designate any parking stall not designated herein as a Limited Common Element to be appurtenant to and/or for the exclusive use of any Apartment in the Project, or for use as a guest parking stall for the Project. (See Section F of Declaration). |    |

**1.5 Boundaries of the Units**

|   |
|---|
| <p><b>Boundaries of the unit:</b><br/>         Unit boundaries comprise of total square footage of enclosed portions of the apartment from the midpoint of all interior perimeter walls of the apartment to the exterior outer wall fronting the lanai, including lanai, and no reduction is made to account for interior load-bearing walls, ducts, vents, shafts and the like located within the perimeter walls.</p> |
|---|

**1.6 Permitted Alterations to the Units**

|  |
|--|
| <p><b>Permitted alterations to the unit (if the unit is defined as a non-physical or spatial portion of the project, also describe what can be built within such portion of the project):</b><br/>         Install, modify, remove Partitions &amp; Mezzanines; Paint, paper, panel, plaster, tile, finish &amp; other work on the interior surfaces of Ceilings, Floors, Walls; Finish, alter or substitute Plumbing, Electrical or Other Fixtures attached to said ceilings, floors, walls; all being SUBJECT to approval of the Board as may be required.</p> |
|--|

**1.7 Common Interest**

|   |
|---|
| <p><b>Common Interest:</b> Each unit will have a percentage interest in the common elements appurtenant to each unit. This interest is called the "common interest". It is used to determine each unit's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by unit owners. The common interest for each unit in this project, as described in Declaration, is:</p> |
| <p>Described in Exhibit <u>C</u>.</p>   |
| <p>As follows:</p>  |

**1.8 Recreational and Other Common Facilities (Check if applicable):**

|                                     |                          |
|-------------------------------------|--------------------------|
| <input type="checkbox"/>            | Swimming pool            |
| <input checked="" type="checkbox"/> | Laundry Area             |
| <input type="checkbox"/>            | Storage Area             |
| <input type="checkbox"/>            | Tennis Court             |
| <input type="checkbox"/>            | Recreation Area          |
| <input type="checkbox"/>            | Trash Chute/Enclosure(s) |
| <input type="checkbox"/>            | Exercise Room            |
| <input type="checkbox"/>            | Security Gate            |
| <input type="checkbox"/>            | Playground               |
| <input type="checkbox"/>            | Other (describe):        |

**1.9 Common Elements**

**Common Elements:** Common elements are those parts of the condominium project other than the individual units and any other real estate for the benefit of unit owners. Although the common elements are owned jointly by all unit owners, those portions of the common elements that are designated as limited common elements (see Section 1.10 below) may be used only by those units to which they are assigned. In addition to the common facilities described in Section 1.8 above, the common elements for this project, as described in the Declaration, are set forth below.

Described in Exhibit D .

Described as follows:

| Common Element | Number |
|----------------|--------|
| Elevators      | 0      |
| Stairways      | 3      |
| Trash Chutes   | 0      |

**1.10 Limited Common Elements**

**Limited Common Elements:** A limited common element is a portion of the common elements that is reserved for the exclusive use of one or more but fewer than all units in the project.

Described in Exhibit D .

Described as follows:

**1.11 Special Use Restrictions**

The Declaration and Bylaws may contain restrictions on the use and occupancy of the units. Restrictions for this project include, but are not limited to, those described below.

|                                     |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | <b>Pets:</b> None, except birds & fish, and as provided under the Americans With Disabilities Act. |
|                                     | <b>Number of Occupants:</b>  |
| <input checked="" type="checkbox"/> | <b>Other:</b> Use, occupancy, etc., as described in the Declaration, Bylaws, and House Rules.      |
|                                     | <b>There are no special use restrictions.</b>  |

**1.12 Encumbrances Against Title**

An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of a unit in the project. Encumbrances shown may include blanket liens which will be released prior to conveyance of a unit (see Section 5.3 on Blanket Liens).

Exhibit E describes the encumbrances against title contained in the title report described below.

Date of the title report: May 25, 2007

Company that issued the title report: Fidelity National Title Insurance Company

**1.13 Uses Permitted by Zoning and Zoning Compliance Matters**

| Uses Permitted by Zoning   |                            |              |                         |     |        |        |
|--|----------------------------|--------------|-------------------------|-----|--------|--------|
|  | Type of Use                | No. of Units | Use Permitted by Zoning |     | Zoning |        |
| X  | Residential                | 24           | X                       | Yes | No     | CG-7.5 |
|  | Commercial                 |              |                         | Yes | No     |        |
|  | Mix Residential/Commercial |              |                         | Yes | No     |        |
|  | Hotel                      |              |                         | Yes | No     |        |
|  | Timeshare                  |              |                         | Yes | No     |        |
|  | Ohana                      |              |                         | Yes | No     |        |
|  | Industrial                 |              |                         | Yes | No     |        |
|  | Agricultural               |              |                         | Yes | No     |        |
|  | Recreational               |              |                         | Yes | No     |        |
|  | Other(specify)             |              |                         | Yes | No     |        |
| Is/Are this/these use(s) specifically permitted by the project's Declarations or Bylaws? |                            |              | X                       | Yes | No     |        |
| Variances to zoning code have been granted.  |                            |              |                         | Yes | X      | No     |
| Describe any variances that have been granted to zoning code.                            |                            |              | N/A                     |     |        |        |

**1.14 Other Zoning Compliance Matters**

**Conforming/Non-Conforming Uses, Structures and Lots**

In general, a non-conforming use, structure or lot is a use, structure or lot that was lawful at one time but that does not now conform to present zoning requirements. Under present zoning requirements, limitations may apply to extending, enlarging or continuing the non-conformity and to altering and repairing non-conforming structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

If a variance has been granted or if uses, structures or lots are either non-conforming or illegal, the purchaser should consult with county zoning authorities as to possible limitations that may apply in situations such as those described above.

A purchaser may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure or lot.

|            | Conforming | Non-Conforming | Illegal |
|------------|------------|----------------|---------|
| Uses       | X          |                |         |
| Structures | X          |                |         |
| Lot        | X          |                |         |

If a non-conforming use, structure or lot exists in this project, this is what will happen under existing laws or codes if the structure is damaged or destroyed:

N/A

**1.15 Conversions**

|  |  |
|--|--|
| <p><b>Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.</b></p>  | <p><input checked="" type="checkbox"/> <b>Applicable</b></p> <p><input type="checkbox"/> <b>Not Applicable</b></p> |
| <p>Developer's statement, based upon a report prepared by a Hawaii-licensed architect or engineer, describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the units:</p> <p>See Exhibit J.</p> |  |
| <p>Developer's statement of the expected useful life of each item reported above:</p> <p>See Exhibit J.</p>  |  |
| <p>List of any outstanding notices of uncured violations of any building code or other county regulations:</p> <p>None.</p>  |  |
| <p>Estimated cost of curing any violations described above:</p> <p>N/A</p>   |  |

|   |
|---|
| <p><b>Verified Statement from a County Official</b></p>   |
| <p>Regarding any converted structures in the project, attached as Exhibit <u>F</u> is a verified statement signed by an appropriate county official which states that either:</p> <p>(A) The structures are in compliance with all zoning and building ordinances and codes applicable to the project at the time it was built, and specifying, if applicable:</p> <ul style="list-style-type: none"> <li>(i) Any variances or other permits that have been granted to achieve compliance;</li> <li>(ii) Whether the project contains any legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes; and</li> <li>(iii) Any violations of current zoning or building ordinances or codes and the conditions required to bring the structure into compliance;</li> </ul> <p>or</p> <p>(B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.</p> |
| <p>Other disclosures and information: N/A</p>   |

**1.16 Project In Agricultural District**

|   |   |
|---|---|
| <p>Is the project in an agricultural district as designated by the land use laws of the State of Hawaii?<br/>If answer is "Yes", provide information below.</p>   | <p>Yes<br/><input checked="" type="checkbox"/> No</p> |
| <p>Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable state and county land use laws? <input checked="" type="checkbox"/> Yes      No<br/>If the answer is "No", provide explanation.</p>  |   |
| <p>Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable county real property tax laws? <input checked="" type="checkbox"/> Yes      No<br/>If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.</p> |   |
| <p>Other disclosures and information:<br/><br/>N/A</p>  |   |

**1.17 Project with Assisted Living Facility**

|  |   |
|--|---|
| <p>Does the project contain any assisted living facility units subject to Section 321-11(10), HRS?<br/>If answer is "Yes", complete information below.</p> | <p>Yes<br/><input checked="" type="checkbox"/> No</p> |
| <p>Licensing requirements and the impact of the requirements on the costs, operations, management and governance of the project.</p>                       |   |
| <p>The nature and the scope of services to be provided.</p>  |   |
| <p>Additional costs, directly attributable to the services, to be included in the association's common expenses.</p>                                       |   |
| <p>The duration of the provision of the services.</p>  |   |
| <p>Other possible impacts on the project resulting from the provision of the services.</p>   |   |
| <p>Other disclosures and information.</p>  |   |

**2. PERSONS CONNECTED WITH THE PROJECT**

|   |   |
|---|---|
| <p><b>2.1 Developer</b></p>   | <p><b>Name:</b> KALANI DEVELOPMENT LLC<br/> <b>Business Address:</b><br/> 116 Hualalai St., Suite 200, Hilo HI 96720<br/> <br/> <b>Business Phone Number:</b> (808) 933-2514<br/> <b>E-mail Address:</b></p>                                  |
| <p>Names of officers and directors of developers that are corporations; general partners of a partnership; partners of a limited liability partnership (LLP); or a manager and members of a limited liability company (LLC) (attach separate sheet if necessary).</p> | <p>Lucas Clebsch, Manager<br/> Margaret Clebsch, Member<br/> Steven Grey, Member</p>  |
| <p><b>2.2 Real Estate Broker</b></p>  | <p><b>Name:</b> JTU, Inc., dba CENTURY 21 HOMEFINDERS OF HAWAII<br/> <b>Business Address:</b><br/> 586 Kanoelehua Ave., Suite 100, Hilo HI 96720-4555<br/> <br/> <b>Business Phone Number:</b> (808) 443-3743<br/> <b>E-mail Address:</b></p> |
| <p><b>2.3 Escrow Depository</b></p>   | <p><b>Name:</b> FIDELITY NATIONAL TITLE &amp; ESCROW OF HAWAII<br/> <b>Business Address:</b><br/> 1255 Kilauea Ave., Suite 200A, Hilo HI 96720<br/> <br/> <b>Business Phone Number:</b> (808) 935-0909</p>                                    |
| <p><b>2.4 General Contractor</b></p>  | <p><b>Name:</b><br/> <b>Business Address:</b> N/A<br/> <br/> <b>Business Phone Number:</b></p>  |
| <p><b>2.5 Condominium Managing Agent</b></p>  | <p><b>Name:</b> DAY-LUM RENTALS &amp; MANAGEMENT, INC.<br/> <b>Business Address:</b><br/> 2 Kamehameha Ave., Hilo HI 96720<br/> <br/> <b>Business Phone Number:</b> (808) 935-4152</p>  |
| <p><b>2.6 Attorney for Developer</b></p>  | <p><b>Name:</b> TSUKAZAKI YEH &amp; MOORE<br/> <b>Business Address:</b><br/> 85 W. Lanikaula St., Hilo HI 96720-4199<br/> <br/> <b>Business Phone Number:</b> (808) 961-0055</p>  |

### 3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances (Regular System) or filing in the Office of the Assistant Registrar of the Land Court, or both, a Declaration of Condominium Property Regime, a Condominium Map and the Bylaws of the Association of Unit Owners. The Condominium Property Act (Chapter 514B, HRS), the Declaration, Bylaws and House Rules control the rights and obligations of the unit owners with respect to the project and the common elements, to each other, and to their respective units.

#### 3.1 Declaration of Condominium Property Regime

|   |                                   |                 |
|---|-----------------------------------|-----------------|
| The Declaration of Condominium Property Regime contains a description of the land, buildings, units, common interests, common elements, limited common elements, and other information relating to the condominium project. |                                   |                 |
| Land Court or Bureau of Conveyances   | Date of Document                  | Document Number |
| Bureau of Conveyances   | (Declaration is not yet recorded) |                 |

|  |                  |                 |
|--|------------------|-----------------|
| Amendments to Declaration of Condominium Property Regime |                  |                 |
| Land Court or Bureau of Conveyances                      | Date of Document | Document Number |
| N/A  |                  |                 |
|  |                  |                 |
|  |                  |                 |

#### 3.2 Bylaws of the Association of Unit Owners

|  |                              |                 |
|--|------------------------------|-----------------|
| The Bylaws of the Association of Unit Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Unit Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters that affect how the condominium project will be governed. |                              |                 |
| Land Court or Bureau of Conveyances  | Date of Document             | Document Number |
| Bureau of Conveyances  | (Bylaws is not yet recorded) |                 |

|  |                  |                 |
|--|------------------|-----------------|
| Amendments to Bylaws of the Association of Unit Owners |                  |                 |
| Land Court or Bureau of Conveyances                    | Date of Document | Document Number |
| N/A  |                  |                 |
|  |                  |                 |
|  |                  |                 |

#### 3.3 Condominium Map

|  |                           |  |
|--|---------------------------|--|
| The Condominium Map contains a site plan and floor plans, elevations and layout of the condominium project. It also shows the floor plan, unit number and dimensions of each unit. |                           |  |
| Land Court Map Number  | N/A                       |  |
| Bureau of Conveyances Map Number   | (map is not yet recorded) |  |
| Dates of Recordation of Amendments to the Condominium Map:   |                           |  |
| N/A  |                           |  |

**3.4 House Rules**

|  |   |
|--|---|
| <p>The Board of Directors may adopt rules and regulations (commonly called "House Rules") to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the Developer. Changes to House Rules do not need to be recorded to be effective.</p> |   |
| <p>The House Rules for this project:</p>   |   |
| Are Proposed   | X |
| Have Been Adopted and Date of Adoption   |   |
| Developer does not plan to adopt House Rules   |   |

**3.5 Changes to the Condominium Documents**

| <p>Changes to Condominium Documents: Changes to the Declaration, Bylaws and Condominium Map are effective only if they are duly adopted and recorded. Where permitted, the minimum percentages of the common interest that must vote for or give written consent to changes to the Declaration, Bylaws and Condominium Map are set forth below. The percentages for any individual condominium project may be more than the minimum set by law if the Declaration or Bylaws for the project so provide.</p> |                    |                  |
|---|--------------------|------------------|
| Document  | Minimum Set by Law | This Condominium |
| Declaration   | 67%                | 67%              |
| Bylaws  | 67%                | 67%              |

**3.6 Rights Reserved by the Developer to Make Changes to the Condominium Project or Condominium Documents**

|   |  |
|---|--|
|   | <p>No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).</p>   |
| X | <p>Developer has reserved the right to change the Declaration, Bylaws, Condominium Map and House rules (if any) and to add to or merge the project or to develop the project in one or more phases, and such rights are summarized as follows:</p> <p style="text-align: center;">See Exhibit K.</p> |

#### 4. CONDOMINIUM MANAGEMENT

##### 4.1 Management of the Common Elements

|  |  |
|--|--|
| <b>Management of the Common Elements:</b> The Association of Unit Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project. |  |
| <b>The Initial Condominium Managing Agent for this project is (check one):</b>   |  |
| <input checked="" type="checkbox"/>  | Not affiliated with the Developer              |
| <input type="checkbox"/>   | None (self-managed by the Association)         |
| <input type="checkbox"/>   | The Developer or an affiliate of the Developer |
| <input type="checkbox"/>   | Other (explain)                                |

##### 4.2 Estimate of the Initial Maintenance Fees

|  |
|--|
| <b>Estimate of the Initial Maintenance Fees:</b> The Association will make assessments against your unit to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your unit and the unit may be sold through a foreclosure proceeding. Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided. |
| Exhibit <u>G</u> contains a breakdown of the estimated annual maintenance fees and the monthly estimated maintenance fee for each unit, certified to have been based on generally accepted accounting principles, with the Developer's statement as to when a unit owner shall become obligated to start paying the unit owner's share of the common expenses.   |

##### 4.3 Utility Charges to be Included in the Maintenance Fee

|   |                                     |
|---|-------------------------------------|
| <b>If checked, the following utilities are included in the maintenance fee:</b> |                                     |
| <input checked="" type="checkbox"/>   | Electricity for the common elements |
| <input type="checkbox"/>  | Gas for the common elements         |
| <input checked="" type="checkbox"/>   | Water                               |
| <input checked="" type="checkbox"/>   | Sewer                               |
| <input type="checkbox"/>  | TV cable                            |
| <input checked="" type="checkbox"/>   | Other (specify) Rubbish disposal    |

##### 4.4 Utilities to be Separately Billed to Unit Owner

|   |                               |
|---|-------------------------------|
| <b>If checked, the following utilities will be billed to each unit owner and are not included in the maintenance fee:</b> |                               |
| <input checked="" type="checkbox"/>   | Electricity for the Unit only |
| <input type="checkbox"/>  | Gas for the Unit only         |
| <input type="checkbox"/>  | Water                         |
| <input type="checkbox"/>  | Sewer                         |
| <input checked="" type="checkbox"/>   | TV cable                      |
| <input type="checkbox"/>  | Other (specify)               |

## 5. SALES DOCUMENTS

### 5.1 Sales Documents Filed with the Real Estate Commission

|   |  |
|---|--|
| Sales Documents on file with the Commission include, but are not limited to, the following: |  |
| X   | Specimen Sales Contract<br>Exhibit <u>H</u> contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.                             |
| X   | Escrow Agreement dated: January 19, 2007<br>Name of Escrow Company: Fidelity National Title & Escrow of Hawaii, Inc.<br>Exhibit <u>I</u> contains a summary of the pertinent provisions of the escrow agreement. |
|   | Other  |

### 5.2 Sales to Owner-Occupants

If this project contains three or more residential units, the Developer shall designate at least fifty percent (50%) of the units for sale to Owner-Occupants.

|   |  |
|---|--|
| X | The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B. |
|   | Developer has designated the units for sale to Owner-Occupants in this report.<br>See Exhibit      |
| X | Developer has or will designate the units for sale to Owner-Occupants by publication.              |

### 5.3 Blanket Liens

Blanket Liens: A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project or more than one unit that secures some type of monetary debt (such as a loan) or other obligation. Blanket liens (except for improvement district or utility assessments) must be released as to a unit before the developer conveys the unit to a purchaser. The purchaser's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the unit to the purchaser.

|   |   |
|---|---|
|   | There are <u>no blanket liens</u> affecting title to the individual units.    |
| X | There are <u>blanket liens</u> that may affect title to the individual units. |

| Type of Lien                    | Effect on Purchaser's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance  |
|---------------------------------|---|
| Mortgage (Doc. No. 2007-020050) | If Developer defaults, Lender may take possession of the properties, may elect to sell all of the properties; may file suit against Developer for enforcement payment and to foreclose the mortgage. Buyer's deposits shall be returned to Buyer. |
| Mortgage (Doc. No. 2007-020051) |   |

### 5.4 Construction Warranties

Construction Warranties: Warranties for individual units and the common elements, including the beginning and ending dates for each warranty (or the method of calculating them), are as set forth below:

**Building and Other Improvements:**  
Plumbing & Electrical: American Home Shield

**Appliances:**  
American Home Shield

Warranties to begin upon transfer of unit to owner and shall be good for one year (365 days).  
See Exhibit L.

**5.5 Status of Construction, Date of Completion or Estimated Date of Completion**

|   |
|---|
| Status of Construction:<br>Existing apartment building was constructed in 1973.   |
| Completion Deadline: If a sales contract for a unit is signed before the construction of the unit has been completed, or, in the case of a conversion, completion of any repairs, does not occur by the completion deadline set forth below, one of the remedies available to a purchaser is a cancellation of the purchaser's sales contract. The sales contract may include a right of the Developer to extend the completion deadline for force majeure as defined in the sales contract. The sales contract may also provide additional remedies for the purchaser. |
| Completion Deadline for any unit not yet constructed, as set forth in the sales contract:<br><br>N/A  |
| Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract:<br><br>N/A   |

**5.6 Developer's Use of Purchaser Deposits to Pay for Project Construction Costs Before Closing or Conveyance**

The Developer is required to deposit all moneys paid by purchasers in trust under a written escrow agreement with a Hawaii licensed escrow depository. Escrow shall not disburse purchaser deposits to the Developer or on behalf of the Developer prior to closing, except if a sales contract is canceled or if Developer has met certain requirements, which are described below.

**5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance**

|                                     |   |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | The Developer hereby declares by checking the box to the left that it shall use its own funds to complete the construction of the condominium project by the date indicated in Section 5.5 of this report, and the Developer, pursuant to its own analysis and calculations, certifies that it has sufficient funds to complete the construction of the condominium project.<br>If the box to the left is checked, Sections 5.6.2 and 5.7, which follow below, will not be applicable to the project. |
|-------------------------------------|---|

**5.6.2 Purchaser Deposits Will Be Disbursed Before Closing**

|  |   |
|--|---|
| Hawaii law provides that, if certain statutory requirements are met, purchaser deposits in escrow under a binding sales contract may be used before closing to pay for certain project costs. For this project, the Developer indicates that purchaser deposits may be used for the following purposes (check applicable box): |   |
| <input type="checkbox"/>   | For new construction: to pay for project construction costs described in the Developer's budget and approved by the Developer's lender or an otherwise qualified, financially disinterested person; or          |
| <input type="checkbox"/>   | For conversions: to pay for repairs necessary to cure violations of county zoning and building ordinances and codes, for architectural, engineering, finance and legal fees, and for other incidental expenses. |

In connection with the use of purchaser deposits (check Box A or Box B):

|  |  |
|--|--|
| <p><b>Box A</b><br/><input type="checkbox"/></p> | <p>The Developer has submitted all information and documents required by law and the Commission prior to the disbursement of purchaser deposits before closing. This means that the Developer may use such deposits before closing. If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report.</p> <p>If Box A is checked, you should read and carefully consider the following notice, which is required by law:</p> <p><b><u>Important Notice Regarding Your Deposits:</u> Deposits that you make under your sales contract for the purchase of the unit may be disbursed before closing of your purchase to pay for project costs, construction costs, project architectural, engineering, finance, and legal fees, and other incidental expenses of the project. While the developer has submitted satisfactory evidence that the project should be completed, it is possible that the project may not be completed. If your deposits are disbursed to pay project costs and the project is not completed, there is a risk that your deposits will not be refunded to you. You should carefully consider this risk in deciding whether to proceed with your purchase.</b></p>  |
| <p><b>Box B</b><br/><input type="checkbox"/></p> | <p>The Developer has <b><u>not</u></b> submitted all information and documents required by law and the Commission, and, until all such information and documents are submitted, thus, the Developer cannot use purchaser deposits.</p> <p>If the Developer later submits all information and documents required by law and the Commission for the use of purchaser deposits, then the Developer must provide an amendment to this report or an amended developer's public report to each purchaser who has signed a sales contract. At such time, the <b><u>Important Notice Regarding Your Deposits</u></b> set forth immediately above will apply to all purchasers and will be restated in the amendment to this report or an amended developer's public report. When an effective date for such an amendment or an amended developer's public report is issued, <b><u>you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment.</u></b> (This, however, does not affect your right to rescind for material changes or any other right you may have to rescind or cancel the sales contract, as described in Section 5.8 below.) If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report.</p> <p>You should understand that, although the <b><u>Important Notice Regarding Your Deposits</u></b> set forth above does not currently apply to you, it might apply to you in the future, and, therefore, you should read and carefully consider it now to ensure that you understand the risk involved in deciding whether to proceed with your purchase.</p> |

**Material House Bond.** If the Developer has submitted to the Commission a completion or performance bond issued by a material house instead of a surety as part of the information provided prior to the use of purchaser deposits prior to closing or conveyance of a unit, the Developer shall disclose the same below and disclose the impact of any restrictions on the Developer's use of purchaser deposits.

## 5.7 Rights Under the Sales Contract

Before signing the sales contract, prospective purchasers should carefully review all documents relating to the project. These include but are not limited to the documents listed below. Items 2, 3 and 4 are made a part of this public report, as well as Item 5, if any, and are being delivered to you with this report.

|    |  |
|----|--|
| 1. | <b>Developer's Public Report</b>   |
| 2. | <b>Declaration of Condominium Property Regime (and any amendments)</b>   |
| 3. | <b>Bylaws of the Association of Unit Owners (and any amendments)</b>   |
| 4. | <b>Condominium Map (and any amendments)</b>  |
| 5. | House Rules, if any  |
| 6. | Escrow Agreement   |
| 7. | Hawaii's Condominium Property Act (Chapter 514B, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended), provided that rules and regulations under Chapter 514B have not yet been adopted. |
| 8. | Other:   |

Copies of the condominium and sales documents and amendments made by the Developer are available for review through the Developer or through the Developer's sales agent, if any. The Condominium Property Regime law (Chapter 514B, HRS) and the Administrative Rules (Chapter 107, HAR), are available online. Please refer to the following sites:

Website to access official copy of laws: [www.capitol.hawaii.gov](http://www.capitol.hawaii.gov)

Website to access rules: [www.hawaii.gov/dcca/har](http://www.hawaii.gov/dcca/har)

## 5.8 Purchaser's Right to Cancel or Rescind a Sales Contract

A purchaser's right to cancel a sales contract or to rescind a sales contract may arise under varying circumstances. In the sections below, some circumstances that will give rise to a purchaser's right to cancel or rescind are described, together with what a purchaser must do if the purchaser wishes to exercise any of the rights.

### 5.8.1 When a Sales Contract becomes Binding and Purchaser's 30-Day Right to Cancel a Sales Contract

A sales contract signed by a purchaser and the developer will not become binding on a purchaser or the Developer until the following events have taken place:

(1) The purchaser has signed the sales contract.

(2) The Developer has delivered to the purchaser a true copy of the developer's public report with an effective date issued by the Commission, together with all amendments to the report as of the date of delivery, and the project's recorded Declaration and Bylaws, House Rules (if any), the Condominium Map and any amendments to them to date (all of which are a part of the developer's public report). If it is impracticable to include a letter-sized Condominium Map, the Developer must provide written notice of an opportunity to examine the Condominium Map.

(3) The Developer has delivered to the purchaser a notice of the purchaser's 30-day cancellation right on a form prescribed by the Commission.

(4) The purchaser does at least one of the following:

(a) Waives the purchaser's right to cancel the sales contract within 30 days from receipt of the notice of the purchaser's 30-day cancellation right; or

- (b) Allows the 30-day cancellation period to expire without exercising the right to cancel; or
- (c) Closes the purchase of the unit before the 30-day cancellation period expires.

The purchaser or the Developer may cancel the sales contract at any time during the 30-day cancellation period, and the sales contract will be canceled and the purchaser's deposits returned to the purchaser, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of \$250.

### **5.8.2 Right to Cancel a Sales Contract if Completion Deadline Is Missed**

In addition to the purchaser's 30-day cancellation right described in Section 5.8.1 above, when a sales contract is signed before completion of construction of a project, the purchaser will have the right to cancel if the unit is not completed by certain deadlines. In conversion projects, there must be a deadline for completion of any required repairs. Every sales contract shall contain an agreement of the Developer that the completion of construction shall occur on or before the completion deadline, and that completion deadline is set forth in this report in Section 5.5. The sales contract shall provide that the purchaser may cancel the sales contract at any time after the specified completion deadline, if completion of construction does not occur on or before the completion deadline, as the same may have been extended. Upon a cancellation, the purchaser's deposits shall be refunded, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of \$250.00.

### **5.8.3 Purchaser's Right to Rescind a Binding Sales Contract After a Material Change**

If a "material change" in a project occurs after a purchaser has signed a sales contract that has become binding, the purchaser will have a 30-day right to rescind after notification and description of the material change. A material change is defined in the Condominium Property Act to be any change that "directly, substantially and adversely affects the use or value of (1) a purchaser's unit or appurtenant limited common elements; or (2) those amenities of the project available for the purchaser's use."

The purchaser will be informed of the material change by the developer on a form prescribed by the Commission containing a description of the material change.

After notice of the material change, the purchaser may waive the right to rescind by:

- (1) Checking the waiver box on the rescission form; or
- (2) Letting the 30-day rescission period expire, without taking any action to rescind; or
- (3) Closing the purchase of the unit before the 30-day rescission period expires.

The rescission form must be signed by all purchasers of the affected unit and delivered to the developer no later than midnight of the 30<sup>th</sup> calendar day after the purchasers received the rescission form from the developer. Purchasers who validly exercise the right of rescission shall be entitled to a prompt and full refund of any moneys paid.

A rescission right shall not apply in the event of any additions, deletions, modifications and reservations including, without limitation, the merger or addition or phasing of a project, made pursuant to the terms of the project's Declaration.

These provisions shall not preclude a purchaser from exercising any rescission rights pursuant to a contract for the sale of a unit or any applicable common law remedies.

## **6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT**

Disclosure is hereby made that Margaret Clebsch (aka Maggie Clebsch), being one of the members of the Developer Kalani Development LLC, holds an active real estate sales license in the State of Hawaii. She is affiliated with JTU, Inc., dba Century 21 Homefinders of Hawaii, the real estate company handling the sale of the units in this Project.

The Developer declares subject to the penalties set forth in Section 514B-69, HRS, that this project conforms to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located, all in accordance with Sections 514B-5 and 32(a)(13), HRS.

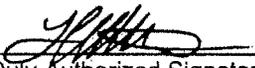
For any conversion, if any variances have been granted, they are specified in Section 1.14 of this report, and, if purchaser deposits are to be used by the Developer to cure any violations of zoning, permitting requirements or rules of the county in which the project is located, the violation is specified in Section 1.15 of this report, along with the requirements to cure any violation, and Section 5.5 specifies the date by which the cure will be completed.

The Developer hereby certifies that all the information contained in this report and the exhibits attached to this report and all documents to be furnished by the Developer to purchasers concerning the project have been reviewed by the Developer and are, to the best of the Developer's knowledge, information and belief, true, correct and complete. The Developer hereby agrees promptly to amend this report to report and include either or all material facts, material or pertinent changes to any information contained in or omitted from this report and to file annually a report to update the material contained in this report at least 30 days prior to the anniversary date of the effective date of this report.

KALANI DEVELOPMENT LLC

Printed Name of Developer

By:

  
Duly Authorized Signatory\*

9/5/07

Date

Lucas Clebsch, Its Manager

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Hawaii

Planning Department, County of Hawaii

\*Must be signed for a corporation by an officer; for a partnership or limited liability partnership (LLP) by the general partner; for a limited liability company (LLC) by the manager or an authorized member; and for an individual by the individual.

# EXHIBIT "A"

## KALANI CONDOMINIUMS UNIT TYPES & SIZES OF UNITS

| <i>Unit No.</i> | <i>Unit Type</i> | <i>Bedroom/<br/>Bath</i> | <i>Net Living Area<br/>(sq. ft.)</i> | <i>Net Other<br/>Areas (sq. ft.)</i> | <i>Other Areas</i> | <i>Unit Area<br/>(sq. ft.)</i> |
|-----------------|------------------|--------------------------|--------------------------------------|--------------------------------------|--------------------|--------------------------------|
| 101             | A                | 2/1                      | 725                                  | 96.66                                | lanai              | 821.66                         |
| 102             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 103             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 104             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 105             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 106             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 107             | C                | 2/1                      | 730                                  | 97.33                                | lanai              | 827.33                         |
| 108             | D                | 3/1                      | 845                                  | 119.33                               | lanai              | 964.33                         |
| 201             | A                | 2/1                      | 725                                  | 96.66                                | lanai              | 821.33                         |
| 202             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 203             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 204             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 205             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 206             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 207             | C                | 2/1                      | 730                                  | 97.33                                | lanai              | 827.33                         |
| 208             | D                | 3/1                      | 845                                  | 119.33                               | lanai              | 964.33                         |
| 301             | A                | 2/1                      | 725                                  | 96.66                                | lanai              | 821.66                         |
| 302             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 303             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 304             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 305             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 306             | B                | 2/1                      | 720                                  | 96                                   | lanai              | 816                            |
| 307             | C                | 2/1                      | 730                                  | 97.33                                | lanai              | 827.33                         |
| 308             | D                | 3/1                      | 845                                  | 119.33                               | lanai              | 964.33                         |

# EXHIBIT "B"

## KALANI CONDOMINIUMS PARKING STALLS

| <i>Unit No.</i> | <i>Assigned Parking Stall No.</i> | <i>Type of Parking Stall (regular, compact or tandem)</i> | <i>Covered or Open Parking Stall</i> |
|-----------------|-----------------------------------|---|--------------------------------------|
| 101             | 5                                 | regular   | open                                 |
| 102             | 4                                 | regular   | open                                 |
| 103             | 3                                 | regular   | open                                 |
| 104             | 2                                 | regular   | open                                 |
| 105             | 1                                 | regular   | open                                 |
| 106             | 22                                | regular   | open                                 |
| 107             | 23                                | regular   | open                                 |
| 108             | 24                                | regular   | open                                 |
| 201             | 6                                 | regular   | open                                 |
| 202             | 7                                 | regular   | open                                 |
| 203             | 8                                 | regular   | open                                 |
| 204             | 9                                 | regular   | open                                 |
| 205             | 10                                | regular   | open                                 |
| 206             | 11                                | regular   | open                                 |
| 207             | 12                                | regular   | open                                 |
| 208             | 13                                | regular   | open                                 |
| 301             | 14                                | regular   | open                                 |
| 302             | 15                                | regular   | open                                 |
| 303             | 16                                | regular   | open                                 |
| 304             | 17                                | regular   | open                                 |
| 305             | 18                                | regular   | open                                 |
| 306             | 19                                | regular   | open                                 |
| 307             | 20                                | regular   | open                                 |
| 308             | 21                                | regular   | open                                 |

## EXHIBIT "C"

### KALANI CONDOMINIUMS COMMON INTEREST

| <i>Unit No.</i> | <i>Common Interest %</i> | <i>Unit No.</i> | <i>Common Interest %</i> | <i>Unit No.</i> | <i>Common Interest %</i> |
|-----------------|--------------------------|-----------------|--------------------------|-----------------|--------------------------|
| <b>101</b>      | 4.072467859              | <b>201</b>      | 4.072467859              | <b>301</b>      | 4.072467859              |
| <b>102</b>      | 4.072467859              | <b>202</b>      | 4.072467859              | <b>302</b>      | 4.072467859              |
| <b>103</b>      | 4.072467859              | <b>203</b>      | 4.072467859              | <b>303</b>      | 4.072467859              |
| <b>104</b>      | 4.072467859              | <b>204</b>      | 4.072467859              | <b>304</b>      | 4.072467859              |
| <b>105</b>      | 4.072467859              | <b>205</b>      | 4.072467859              | <b>305</b>      | 4.072467859              |
| <b>106</b>      | 4.072467859              | <b>206</b>      | 4.072467859              | <b>306</b>      | 4.072467859              |
| <b>107</b>      | 4.072467859              | <b>207</b>      | 4.072467859              | <b>307</b>      | 4.072467859              |
| <b>108</b>      | 4.826058316              | <b>208</b>      | 4.826058316              | <b>308</b>      | 4.826058316              |

# EXHIBIT "D"

## KALANI CONDOMINIUMS COMMON ELEMENTS & LIMITED COMMON ELEMENTS

### A. The Common Elements of the Project include:

1. The Land, in fee simple, and any and all easements and appurtenances thereto.
2. All foundations, columns, girders, beams, supports, unfinished perimeter, portions of party and load-bearing walls, roofs, stairs and stairways, and entrances and exits of the building.
3. All driveways, sidewalks, parking areas, yards, gardens, trash areas, loading zones, recreational facilities, storage spaces, and outdoor cooking areas, if any.
4. All grounds and landscaping, if any, whether within or appurtenant to the Project.
5. All ducts, sewer lines, electrical equipment, wiring, pipes and other appurtenant transmission facilities over, under and across the Project which serve more than one Apartment for services such as power, light, water, gas, sewer, refuse, telephone and radio and television signal distribution.
6. Any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance and safety, or normally in common use.
7. Any area labeled as a common area on the Condominium Map.

### B. The Limited Common Elements of the Project include:

1. Each Apartment has as a Limited Common Element all of any ducts, pumps, valves, sewer lines, drain lines, electrical equipment, cables, wiring, chutes, pipes, shafts, wires, conduits or other utility services lines which are utilized for or serve only such Apartment.
2. Each Apartment has as a Limited Common Element a parking stall, which stall shall be assigned to the Apartment as set forth in the Declaration.
3. Each Apartment has as a Limited Common Element a lanai as set forth in the Declaration and shown on the Condominium Map.

# EXHIBIT "E"

## KALANI CONDOMINIUMS ENCUMBRANCES AGAINST TITLE

The following are encumbrances against title to the Project that are contained in the title report dated May 25, 2007, issued by Fidelity National Title Insurance Company:

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. Any facts, rights, interests or claims which a correct survey would disclose and which are not disclosed by the public records.
3. Any unrecorded leases and matters arising from or affecting the same.
4. A mortgage to secure an indebtedness as shown below, and any other obligations secured thereby:

Amount: \$1,739,050.00  
Dated: January 22, 2007  
Loan No.: (none shown)  
Mortgagor: Kalani Development LLC, a Hawaii limited liability company  
Mortgagee: Jeffrey Allen Schaper, single, and Harold Robert Kane, single, as Joint Tenants  
Recorded: February 2, 2007 in the Bureau of Conveyances of the State of Hawaii as Document No. 2007-020050

5. A mortgage to secure an indebtedness as shown below, and any other obligations secured thereby:

Amount: \$160,950.00  
Dated: January 26, 2007  
Loan No.: (none shown)  
Mortgagor: Kalani Development LLC, a Hawaii limited liability company  
Mortgagee: Day-Lum, Inc., a Hawaii corporation  
Recorded: February 2, 2007 in the Bureau of Conveyances of the State of Hawaii as Document No. 2007-020051

6. For information regarding real property taxes and assessments, your attention is directed to the County of Hawaii, Department of Finance, Real Property Tax Division, 101 Pauahi Street, Suite 4, Hilo, Hawaii 96720, telephone (808) 961-8201.

# **EXHIBIT “F”**

KALANI CONDOMINIUMS

**VERIFIED STATEMENT FROM COUNTY OFFICIALS**  
**regarding any converted structures in the project**

[see attached letters, dated May 15 and 24, 2007, from County of Hawaii]

Harry Kim  
Mayor



Christopher J. Yuen  
Director  
Brad Kurokawa, ASLA, LEED™ AP  
Deputy Director

## County of Hawaii

### PLANNING DEPARTMENT

Aupuni Center • 101 Pauahi Street, Suite 3 • Hilo, Hawaii 96720  
Phone (808) 961-8288 • Fax (808) 961-8742

May 15, 2007

Mr. R. Ben Tsukazaki, Esq.  
Ms. Jamae K. K. Kawauchi, Esq.  
Tsukazaki Yeh & Moore  
85 W. Lanikaula Street  
Hilo, Hawaii 96720-4199

Dear Mr. Tsukazaki & Ms. Kawauchi:

Proposed Condominium Property Regime  
CPR Project: Kalani Condominiums  
Tax Map Key: (3) 2-2-035:026; Waiakea Houselots, South Hilo, Hawaii

This is in response to your letter dated March 16, 2007, in which you requested a written statement from this office, pursuant to the requirements of Hawaii Revised Statutes §514A-40(b)(1), regarding the referenced condominium project. We provide our comments below.

1. The existing apartment building on the property was constructed in 1973. Plan Approval for the construction of the 3-story, 24-unit apartment building was approved by the Planning Department on August 10, 1972.
2. Aside from the issuance of Plan Approval on August 10, 1972, we have no record of any other permit or approval being issued by this office regarding the subject property.
3. Based on the condominium map submitted with your letter, we find that the existing building is consistent with the Plan Approval issued in 1972 and is a permitted use within the General Commercial-7,500 square feet minimum lot size (CG-7.5) zoned district. However, without a thorough on-site inspection of all improvements and uses on the subject property, we are not able to issue a definitive finding that there are no violations of the Zoning Code occurring on the property.
4. The subject property, consisting of approximately 22,900 square feet, is zoned CG-7.5. Pursuant to Section 23-123 of the Hawaii County (Subdivision) Code, the County's Condominium Property Regime requirements do not apply to the subject property.

*Hawai'i County is an Equal Opportunity Provider and Employer*

Mr. R. Ben Tsukazaki, Esq.  
Ms. Jamae K. K. Kawauchi, Esq.  
Tsukazaki Yeh & Moore  
Page 2  
May 15, 2007

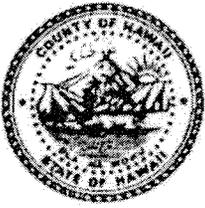
Should you have questions, please feel welcome to contact Daryn Arai at 961-8288.

Sincerely,



CHRISTOPHER J. YUEN  
Planning Director

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# BUILDING DIVISION – DPW

COUNTY OF HAWAII – 101 Pauahi Street, Suite 7 – Hilo, Hawai'i 96720

Hilo Office (808) 961-8331 • Fax (808) 961-8410

Kona Office (808) 327-3520 • Fax (808) 327-3509

Date: May 24, 2007

Tsukazaki, Yeh and Moore  
Attorneys at Law  
A Limited Liability Law company  
85 W. Lanikaula Street  
Hilo, HI 96720-4199

SUBJECT: Condominium Registration  
T.M.K.: (3) 2-2-035-026

This is to inform you that our records on file, relative to the status of the subject, discloses that:

- No \_\_\_\_\_ permit was issued for work done on the premise.
- No building permit was issued for the change of occupancy.
- At the time of completion, the subject complied to all building regulations that were in effect.
- Variance from any building regulation (Building, Electrical, Plumbing, or Sign) was/was not granted.
- The following violation(s) still outstanding:
  - Building       Electrical       Plumbing       Sign
- Others: \_\_\_\_\_

This status report reflects Building Division records on file only and does not include information from other agencies or departments. You should check directly with any other agencies or departments that may have jurisdictions in this matter.

Should you have any questions regarding matters contained herein, please feel free to contact us.

*Brian Kajikawa*  
for BRIAN KAJIKAWA  
Division Chief

Rev. 2/01

BD-10



# EXHIBIT "G"

## KALANI CONDOMINIUMS ESTIMATE OF INITIAL MAINTENANCE FEES

| <u>Unit No.</u> | <u>Estimated<br/>Monthly Fee</u> | <u>x 12 months =</u> | <u>Estimated<br/>Annual Fee</u> |
|-----------------|----------------------------------|----------------------|---------------------------------|
| 101             | \$282.12                         |                      | \$3,385.44                      |
| 102             | \$282.12                         |                      | \$3,385.44                      |
| 103             | \$282.12                         |                      | \$3,385.44                      |
| 104             | \$282.12                         |                      | \$3,385.44                      |
| 105             | \$282.12                         |                      | \$3,385.44                      |
| 106             | \$282.12                         |                      | \$3,385.44                      |
| 107             | \$282.12                         |                      | \$3,385.44                      |
| 108             | \$335.60                         |                      | \$4,027.20                      |
| 201             | \$282.12                         |                      | \$3,385.44                      |
| 202             | \$282.12                         |                      | \$3,385.44                      |
| 203             | \$282.12                         |                      | \$3,385.44                      |
| 204             | \$282.12                         |                      | \$3,385.44                      |
| 205             | \$282.12                         |                      | \$3,385.44                      |
| 206             | \$282.12                         |                      | \$3,385.44                      |
| 207             | \$282.12                         |                      | \$3,385.44                      |
| 208             | \$335.60                         |                      | \$4,027.20                      |
| 301             | \$282.12                         |                      | \$3,385.44                      |
| 302             | \$282.12                         |                      | \$3,385.44                      |
| 303             | \$282.12                         |                      | \$3,385.44                      |
| 304             | \$282.12                         |                      | \$3,385.44                      |
| 305             | \$282.12                         |                      | \$3,385.44                      |
| 306             | \$282.12                         |                      | \$3,385.44                      |
| 307             | \$282.12                         |                      | \$3,385.44                      |
| 308             | \$335.60                         |                      | \$4,027.20                      |
| <b>Total:</b>   | <b>\$6,931.32</b>                |                      | <b>\$83,175.84</b>              |

**KALANI APARTMENTS ASSOCIATION OF OWNERS  
PROPOSED 2007 OPERATING BUDGET**

21 Units @ \$282.12 MF  
3 Units @ \$335.60 MF  
2007 ANNUAL BUDGET

Prepared by: Day-Lum Rentals & Management, Inc.

|                         |                     |
|-------------------------|---------------------|
| <u>INCOME</u>           |                     |
| Maintenance Fee         | \$ 83,175.84        |
| Late Fee                | 100.00              |
| Laundry Income          | 1,500.00            |
| <b>TOTAL INCOME</b>     | <b>\$ 84,775.84</b> |
| EXPENSES –              |                     |
| DISBURSEMENTS           |                     |
| <u>MAINT/REPAIRS</u>    |                     |
| Building Maintenance    | \$ 3,000.00         |
| Fire Protection         | 300.00              |
| Grounds Maintenance     | 2,500.00            |
| Pest Control            | 500.00              |
| Plumbing                | 500.00              |
| <b>Sub-Total</b>        |                     |
| <b>MAINT/REPAIRS</b>    | <b>\$ 6,800.00</b>  |
| <u>SERVICE/UTILITY</u>  |                     |
| Electricity             | \$ 5,000.00         |
| Rubbish                 | 7,000.00            |
| Sewer                   | 7,000.00            |
| Water                   | 7,000.00            |
| <b>Sub-Total</b>        |                     |
| <b>SERVICE/UTILITY</b>  | <b>\$ 26,000.00</b> |
| <u>ADMIN/GENERAL</u>    |                     |
| Annual Meeting          | \$ 200.00           |
| Audit                   | 1,500.00            |
| Insurance – General     | 12,000.00           |
| Insurance – D & O       | 1,500.00            |
| Legal/Professional      | 500.00              |
| Management Fee          | 4,800.00            |
| Taxes/Condo Regist.     | 150.00              |
| Miscell. Expenses       | 50.00               |
| <b>Sub-Total</b>        |                     |
| <b>ADMIN/GENERAL</b>    | <b>\$ 20,700.00</b> |
| <b>OPER. EXP. TOTAL</b> | <b>\$ 53,500.00</b> |
| <b>EST. RESERVE</b>     | <b>\$ 29,675.84</b> |
| <b>TOTAL EXPENSES</b>   | <b>\$ 83,175.84</b> |

Note: The expenses for this Proposed Operating Budget are based on actual expenses for Kalani Apartment when operated as a rental building in 2005, 2006 and 2007 year-to-date.

**The unit owner shall become obligated to start paying the unit owner's share of the common expenses at closing of escrow, whereupon the unit owner shall be required to make two (2) months of payment on common expenses.**

I, Nancy Cabral, as agent for and/or employed by Day-Lum Rentals & Management, Inc., the condominium managing agent for the "KALANI CONDOMINIUMS" condominium project, hereby certify that the above estimates of initial annual maintenance fee assessments and the monthly estimated maintenance fee for each unit were prepared based upon generally accepted accounting principles.

August 30, 2007  
Date

Nancy Cabral  
NANCY CABRAL

The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514B-148, Hawaii Revised Statutes, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. Developer discloses that no reserve study has been conducted in accordance with §514B-148, Hawaii Revised Statutes, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules.

Pursuant to §514B-148, Hawaii Revised Statutes, a new association need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

# EXHIBIT "H"

## KALANI CONDOMINIUMS SUMMARY OF SALES CONTRACT

(pertinent provisions, including rights reserved by the Developer)

The specimen Sales Contract, filed with the Real Estate Commission, provides for, among other things, a description of the Apartment to be sold, the closing costs, the time, manner and place of payment, the Purchaser's obligations regarding financing, the Seller's warranties and disclaimers regarding the Condominium Map and the Project, and the remedies of the Seller and of the Purchaser in the event of a default under the Sales Contract.

Among other provisions, the specimen Sales Contract provides:

1. Binding Agreement: That the Sales Contract shall be binding when
2. Escrow: The Seller has entered into an Escrow Agreement with Fidelity National Title & Escrow of Hawaii, Inc. ("Escrow"), covering the deposit with Escrow of all funds paid by the Purchaser under the Sales Contract and the disbursement of funds by Escrow. In the event that a purchase contract is cancelled, Escrow may charge a cancellation fee on account of escrow services performed, not to exceed \$250.
3. Payments: The Sales Contract requires the Purchaser to pay the total purchase price by a series of payments prior to Closing, as follows: Purchaser shall make a deposit when Purchaser signs the Sales Contract. The balance shall be due on or before Closing.
4. Deposits: The Sales Contract provides that the Purchaser's Deposits shall be placed into an interest bearing account with all of the interest to be credited to Seller.
5. Closing Costs: The Sales Contract provides that closing costs and expenses shall be allocated as follows:
  - a. Seller shall pay 60% on title insurance; 50% escrow fees
  - b. Purchaser shall pay 40% on title insurance; 50% escrow fees
6. Assignment: The Sales Contract provides that it may not be assigned by Purchaser, in whole or in part, without the prior written consent of Seller, which consent may be withheld by Seller in its sole and absolute discretion. Any assignment of the Sales Contract made without Seller's written consent is void and of no legal effect. Notwithstanding the foregoing, Purchaser may assign its rights under the Sales Contract to affiliated entities for estate planning purposes without the consent of Seller, provided that any such assignment shall not release Purchaser from its obligations under the Sales Contract.

7. Dispute Resolution: The Sales Contract provides that any dispute by or between Seller and Purchaser arising out of or incident to the Sales Contract, or the development or management of the Project, the sale of the Apartment or the use or occupancy thereof, or any other aspect of the relationship between Seller and Purchaser regarding the Project which is raised or otherwise asserted after Closing shall be submitted to mediation and, if necessary, to arbitration in accordance with the terms, conditions and procedures set forth in the Sales Contract. The Sales Contract also provides that any dispute by or between Seller and Purchaser arising out of or incident to the Sales Contract that is raised or otherwise asserted before Closing need not be submitted to arbitration, and Seller and Purchaser shall be free to pursue such dispute, as otherwise provided herein, in proceedings in a court of competent jurisdiction, provided that any judicial proceedings initiated shall be conducted in Hilo, Hawaii. Notwithstanding the foregoing, claims by Purchaser, Seller and/or the Association against a contractor for construction defects, as such terms are defined in Hawaii Revised Statutes Chapter 672E ("Contractor Repair Act"), shall be handled in accordance with the provisions of the Contractor Repair Act. The dispute resolution procedures set forth in the Sales Contract shall be modified as necessary to comply with the provisions of the Contractor Repair Act.

THE FOREGOING IS ONLY A SUMMARY OF SOME OF THE KEY TERMS OF THE SALES CONTRACT. IT IS INCUMBENT UPON THE PROSPECTIVE PURCHASER TO READ THE FULL TEXT OF THE SALES CONTRACT WITH CARE.

# EXHIBIT "I"

## KALANI CONDOMINIUMS SUMMARY OF ESCROW AGREEMENT

A copy of the executed Escrow Agreement for the Project between Fidelity National Title & Escrow of Hawaii, Inc. ("Escrow") and Developer has been filed with the Real Estate Commission. The Escrow Agreement provides for the deposit of the funds of a purchaser of an Apartment ("Purchaser") pursuant to the Sales Contract, and also provides for the retention or disbursement of the funds.

The Escrow Agreement specifically permits the disbursement of Purchaser's funds under a Sales Contract prior to closing, subject to certain conditions, to pay for certain Project costs, including...

The Escrow Agreement provides in part that any interest earned on money on deposit shall be paid to the parties in accordance with the terms of the Sales Contract. Unless Purchaser has waived or is deemed to have waived the right to a refund, Purchaser shall be entitled to a refund of Purchaser's Deposits held by Escrow, less certain cancellation fees and costs (*e.g.*, escrow cancellation fees, loan processing fees, cost of credit reports, *etc.*) as provided in the Sales Contract, Escrow Agreement and Chapter 514B, Hawaii Revised Statutes, as amended, if any one of the following occurs:

- (1) Developer and Purchaser have requested Escrow in writing to return to Purchaser the Purchaser's Deposits held by Escrow; or,
- (2) Developer has notified Escrow of Developer's exercise of the option to cancel or rescind the Sales Contract pursuant to any cancellation or rescission provided therein or available to Developer; or,
- (3) Purchaser has notified Escrow of Purchaser's exercise of Purchaser's right to cancel or rescind the Sales Contract under Hawaii Revised Statutes Sections 514B-86 and 87.

The total amount of such cancellation fees shall not exceed Two Hundred Fifty Dollars (\$250) so long as the cancellation occurs prior to the time the Sales Contract becomes effective (following issuance of the Final Public Report).

Under the Escrow Agreement, no disbursement of funds can be made to the Developer until the Sales Contract becomes effective under the provisions of Chapter 514B, Hawaii Revised Statutes.

THE FOREGOING IS ONLY A SUMMARY OF SOME OF THE KEY TERMS OF THE ESCROW AGREEMENT. IT IS INCUMBENT UPON THE PROSPECTIVE PURCHASER TO READ THE EXECUTED ESCROW AGREEMENT WITH CARE.

# EXHIBIT "J"

## KALANI CONDOMINIUMS DEVELOPER'S DISCLOSURE STATEMENT

1. (a) Project: Kalani Condominiums  
464 Kalanikoia Street  
Hilo, Hawaii 96720
- (b) Developer: Kalani Development LLC  
116 Hualalai Street, Suite 200  
Hilo, Hawaii 96720  
Telephone: (808) 933-2514
- (c) Managing Agent: Day-Lum Rentals & Management, Inc.  
2 Kamehameha Avenue  
Hilo, Hawaii 96720  
Telephone: (808) 935-4152

2. Breakdown of annual maintenance fees and monthly estimate costs for each unit are more fully described on *Exhibit "G"* attached hereto (revised and updated every twelve (12) months and certified to have been based on generally accepted accounting principles).

*Note:* Developer discloses that no reserve study was done in accordance with Chapter 514B-148, Hawaii Revised Statutes, and replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

3. USE OF UNITS:

The Project consists of twenty-four (24) units which shall be occupied and used only for residential purposes by the respective owners thereof, their tenants, families, domestic servants and social guests and for any other purpose permitted by the land use ordinance for the County of Hawaii then in effect.

4. EXISTING STRUCTURES BEING CONVERTED:

The Developer states that:

- (a) Based on a report by Neil C. Erickson, Licensed Professional Architect No. AR 7428, the Developer states that (i) subject to normal wear and tear commensurate with its age, the building appears to be in relatively good structural condition

consistent with its age; and (ii) subject to normal wear and tear, the electrical and plumbing systems are operable and in good working order consistent with their age.

- (b) The Developer makes no statement with respect to the exact measurements of the condominium as depicted on the condominium map.
- (c) The Developer makes no statement with respect to the useful life of each item set forth in paragraph 5(a).
- (d) The Developer is not giving any warranty on the materials and workmanship of the existing structures or the Units. However, the Developer will provide a warranty on the plumbing and electrical systems, as well as the appliances, of the individual units through American Home Shield Corporation. Warranties to begin upon transfer of unit from the Developer to the new unit owner and shall be good for one year (365 days). See **Exhibit L** (sample contract of the AHS Home Warranty) for specific terms and conditions.
- (e) There are no outstanding notices of uncured violations of building code or other municipal regulations.
- (f) The Developer makes note that, as observed by the property manager of this former rental property, the roof has been patched in the past 5 years. No repairs have been necessary in the past year. However, in case of further repairs becoming necessary, the Developer is funding the maintenance budget to cover the costs of repairs up to \$120,000 within 6 months of the sale of the last unit. Developer reserves the right to make repairs to the roof in lieu of funding the maintenance budget.

# EXHIBIT "K"

## KALANI CONDOMINIUMS RIGHTS RESERVED BY DEVELOPER

Developer has reserved the following rights to change the Declaration, Bylaws or Condominium Map:

- (1) As set forth in **Section N (Reservation of Rights by Developer), Subsection 1 (Grant of Easements)** of the Declaration, Developer reserves to itself the non-exclusive right to grant from time to time within the Common Elements, easements and rights-of-way over, under, and across the Common Elements for utilities, sanitary and storm sewers, drains, cable television and other utility services, provided that such easements, their use, relocation, realignment, or cancellation shall not materially impair or interfere with the use of any Apartment.
- (2) As set forth in **Section N (Reservation of Rights by Developer), Subsection 2 (Amendment of Declaration, Bylaws and/or Condominium Map)** of the Declaration, in order to carry out the provisions of or exercise the rights, powers, or privileges reserved to itself in the Declaration, the Developer expressly reserves the right to file any amendments to the Declaration, Bylaws and/or the Condominium Map for the Project to describe any changes to the Apartments or Common Elements therein described at any time, notwithstanding the lease, sale or conveyance of any or all of the Apartments in the Project, and Declarant may execute, file and deliver any such amendment to the Declaration, Bylaws and/or the Condominium Map for the Project and to such Apartment Deeds as may have been issued, and any and all other instruments necessary or desirable.
- (3) As set forth in **Section N (Reservation of Rights by Developer), Subsection 3 (Reserved Right to Reduce or Increase the Total Number of Apartments in the Project)** of the Declaration, notwithstanding any other provision in the Declaration to the contrary, Developer reserves the right, but shall not be obligated to, at any time, reduce or increase the total number of buildings and/or Apartments comprising the Project.
- (4) As set forth in **Section N (Reservation of Rights by Developer), Subsection 4 (Reservation to Construct and Sell Apartments)**, of the Declaration, in connection with, and to the extent necessary for the development and construction of phases following the transfer of ownership of any Apartment to an individual or entity other than Developer, Developer shall have the right to enter upon the Project premises with employees, agents and contractors for all purposes reasonably necessary for or useful to constructing and completing all phases of the Project in accordance with this Declaration and the Condominium Map.

- (5) As set forth in **Section O (Amendment of Declaration), Subsection 1 (In General)** of the Declaration, Developer acting alone may amend the Declaration to file the "as built" verified statement (with plans, if applicable) required by Chapter 514B, Hawaii Revised Statutes, so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans theretofore filed fully and accurately depict the layout, location, Apartment numbers and dimensions of the Apartments as built, or, so long as any plans filed therewith involve only immaterial changes to the layout, location, Apartment numbers, or dimensions of the Apartments as built. At any time prior to the first recording in the Bureau of Conveyances of a conveyance or transfer (other than for security) of an Apartment and its appurtenances to a party not a signatory hereto, the Declarant may amend this Declaration, the other Project Documents and/or the Condominium Map in any manner without approval or consent of any Apartment purchaser.
- (6) As set forth in **Section O (Amendment of Declaration), Subsection 2 (Amendments Required by Law)** of the Declaration, Declarant may amend this Declaration, the Bylaws and/or the Condominium Map, without the approval, consent or joinder of any person or group of persons, including the Association, any Apartment Owner or mortgagee, lienholder, Apartment purchaser of any other person who may have an interest in the Project, to make such amendments as may be required by law, the Real Estate Commission of the State of Hawaii, by any title insurance company issuing a title insurance policy on the Project or any of the Apartments, by any institutional lender lending funds on the security of the Project or any of the Apartments, or by any governmental agency (including without limitation the VA, HUD, FNMA and/or FHLMC); provided, however, that, except as otherwise provided herein, no such amendment which would change the common interest appurtenant to an Apartment or substantially change the design, location or size of an Apartment or the Building in which it is located shall be made without the consent to such amendment by all persons having an interest in such Apartment.
- (7) As set forth in **Section O (Amendment of Declaration), Subsection 3 (Amendment Relating to Alteration or Incremental Development)** of the Declaration, Declarant may amend this Declaration (and when appropriate the Condominium Map) as provided in Paragraphs M.2, N.2, N.3 and N.4 of the Declaration, without the approval, consent or joinder of any person or group of persons, including the Association, any Apartment Owner or any mortgagee, lienholder, Apartment purchaser or any other person who may have an interest in the Project or in any Apartment.
- (8) As set forth in **Section O (Amendment of Declaration), Subsection 4 (Provisions for Benefit of Declarant)**, of the Declaration, any amendment affecting any provision of this Declaration which is for the express benefit of Declarant shall require the written consent and joinder of Declarant, together with such other approval requirements as set forth in this Paragraph.

# EXHIBIT "L"

## KALANI CONDOMINIUMS AMERICAN HOME SHIELD WARRANTY

### Get to know your **AHS Home Warranty**

To get the most out of your AHS Home Warranty, please read the following sample contract. We want you to realize the full value of your warranty and the coverage provided. Make sure you know what your warranty covers and what it doesn't. Coverage varies from state to state. So, please read your contract carefully to see what's covered and what's not. Some of the most common customer inquiries are listed below.

#### Services which are sometimes NOT COVERED



**Sewer stoppages** caused by tree roots outside your house are not covered under some plans. **Faucet repairs** in the kitchen, bathroom, or utility sink are only covered under some plans. **Garage door opener, refrigerators, ice makers and clothes washer repairs** vary based on your specific coverage.

#### Covered services that may be DENIED



**Improper maintenance** of your appliance or home system may result in a denial of service. **Improper installation** of an item that results in damage may result in a denial of service. **Unusual wear and tear** caused by negligence or mistreatment may result in a denial of service. **Code violations** of a home system or structure such as outdated electrical or faulty plumbing may result in a denial of service or incur additional costs.

#### ADDITIONAL COSTS you may incur from certain services



**Haul away** of items such as a broken water heater or dishwasher may incur a cost under some plans. **Modifications** because of service (such as moving kitchen cabinets to install a new refrigerator) may incur a cost. **Code violations or upgrades** may incur a cost. **Permit fees** may incur an additional cost, but may be covered under some plans. **Freon recapture** may incur an additional cost, but may be covered under some plans.

These coverage examples are merely illustrations to assist you in understanding your contract, and coverage will be determined based on actual terms and conditions in your contract.

### SAMPLE CONTRACT

AMERICAN HOME SHIELD CORPORATION ("AHS")  
P.O. BOX 849, CARROLL, IA 51401

#### A. COVERAGE

1. During the coverage period, AHS will arrange for an AHS authorized service contractor (Service Contractor) to repair or replace the systems and appliances stated as covered in accordance with the terms and conditions of this contract so long as the systems and appliances:

- Are located within the confines of the main foundation of the home or attached or detached garage (with the exception of the air conditioner and pool and/or spa equipment, if selected);
- Become inoperative due to normal wear and tear;
- Are in good working order on the Effective Date of this contract (as defined below); and
- Are properly maintained and installed throughout the term of this contract for proper diagnosis.

2. This contract only covers single family resale homes, new construction homes, and condominiums/townhomes/mobile homes (including manufactured housing) under 5,000 square feet, unless an

alternative dwelling type (i.e. 5,000 square feet up to 10,000 square feet, or multiple units) is applied for by calling the Sales phone number on the Contract Agreement page, and the appropriate fee is paid. Coverage is for owned or rented residential property, not commercial property or residences used as businesses, including, but not limited to, day care centers, fraternity/sorority houses, and nursing/care homes.

3. This contract describes the basic coverage and options available for domestic grade appliances and systems. Domestic grade items are those that were manufactured and marketed solely for installation and use in a residential family dwelling. For the specific coverage selection on your home, see the Contract Agreement page. Coverage includes only the items stated as covered and excludes all others. Coverage is subject to limitations and conditions specified in this contract. **Please read your contract carefully.**

#### B. CONTRACT TERM

1. Seller's coverage for the listing and sale (escrow) period starts upon issuance of a contract number by AHS (Effective Date), and continues for 180 days or close of sale (escrow) or termination of listing (whichever occurs first). In the event that close of sale (escrow) does not occur in such 180-day period, AHS may, in its sole discretion, extend the seller's coverage period. If the application is received as a telephone or web application, then coverage will start immediately upon issuance of a contract number by AHS. Seller's coverage includes systems and appliances in Sections D and E, if appropriate fees are paid. For the seller to receive optional listing coverage (Section E), the seller agrees to provide the appropriate fees for the buyer.

2. Buyer's coverage begins at close of sale (escrow), provided plan fee is paid to AHS (Effective Date), and continues for one (1) year after close of sale (escrow). Any payments made by AHS during the seller's coverage period (if

applicable) for the repair or replacement of any covered item shall apply against any "per contract" or "per covered item" dollar limitations set forth herein. Any exclusion, denial or suspension of service made by AHS during the seller's coverage period of any covered item shall apply against the buyer's coverage as set forth herein unless such item is repaired or replaced.

3. Contract term for new construction homes shall begin one (1) year after close of sale (escrow) and continues three (3) years from that date, provided plan fee is paid.

4. Lease option coverage (available for lessee only) begins upon receipt of application and contract fees by AHS and continues for one (1) full year.

#### C. CUSTOMER SERVICE – TO REQUEST SERVICE CALL: 1-800-776-4663 OR VISIT [www.AHSservice.com](http://www.AHSservice.com)

1. You must notify AHS for work to be performed under this contract as soon as the problem is discovered. AHS will accept service calls 24 hours a day, 7 days a week at 1-800-776-4663 or online at [www.ahsservice.com](http://www.ahsservice.com). **Notice of any service request must be given to AHS prior to expiration of this contract.**

2. Upon request for service, AHS will contact a Service Contractor within four (4) hours during normal business hours and forty-eight (48) hours on weekends and holidays. The Service Contractor will promptly contact you to schedule a mutually convenient appointment during normal business hours. **AHS will determine what repairs constitute an emergency and will make reasonable efforts to expedite emergency service. If you should request AHS to perform non-emergency service outside of normal business hours, you will be responsible for payment of additional fees, including overtime.**

3. **AHS has the right to select the Service Contractor, which may be a service company affiliated with AHS, to perform the service. AHS will not reimburse for services performed without its prior approval.**

4. You will pay \$55 for each trade service call, or the actual cost, whichever is less. Additional charges may apply to certain repairs and replacements. The trade service call fee is for each call dispatched and scheduled to be run (except

as noted in Section C.6.) including, but not limited to, trade service calls wherein coverage is (in whole or in part) granted, excluded, limited or denied. Please note: the trade service call fee applies in the event you fail to be present at the scheduled time of the trade service call or in the event you cancel a call at the time the Service Contractor is in route to your home or the Service Contractor has already arrived at your home. The trade service call fee will be due and payable to the Service Contractor (or to AHS) at the time of the scheduled trade service call. AHS will not respond to any new requests for service until any previous outstanding trade service call fees are paid in full.

5. **At the time the work begins and at appropriate time(s) thereafter, certain repairs and replacements may require you to allow a state or local building inspector access to your home.** Failure to pay any required permit fee or to allow access to your home by the building inspector, will result in suspension of coverage (for that specific repair or replacement) until such time as the permit fee is paid or access is granted (as applicable). At that time, coverage will be reinstated; however, the contract term will not be extended.

6. If service work performed under this contract should fail, AHS will make the necessary repairs without an additional trade service call fee for a period of 90 days on parts and 30 days on labor.

**D. COVERED SYSTEMS AND APPLIANCES**

The following systems and appliances are covered for the home seller and home buyer. Certain limitations of liability apply to covered systems and appliances (see Sections A and G).

-  **1. CEILING FANS**  
COVERED: All components and parts.
-  **2. DISHWASHER**  
COVERED: All components and parts, except:  
NOT COVERED: Racks - Baskets - Rollers.
-  **3. GARBAGE DISPOSAL**  
COVERED: All components and parts, including entire unit.
-  **4. BUILT-IN MICROWAVE OVEN**  
COVERED: All components and parts, except:  
NOT COVERED: Interior linings - Door glass - Shelves - Portable or counter top units - Meat probe assemblies - Rotisseries - Clocks.
-  **5. ONE KITCHEN REFRIGERATOR (must be located in the Kitchen)**  
COVERED: All components and parts, except:  
NOT COVERED: Racks - Shelves - Drawers - Ice makers, ice crushers, beverage/water dispensers and their respective equipment - Interior thermal shells - Food spoilage - Freezers which are not an integral part of the refrigerator - Multi-media center.
-  **6. RANGE/OVEN/COOKTOP (Gas or Electric)**  
COVERED: All components and parts, except:  
NOT COVERED: Clocks (unless they affect the function of the oven) - Meat probe assemblies - Rotisseries - Racks - Handles - Knobs - Sensi-heat burners will only be replaced with standard burners.  
**NOTE FOR SELLER: Washer/Dryer are subject to a combined \$250 maximum coverage limitation during the listing period.**

-  **7. CLOTHES WASHER**  
COVERED: All components and parts, except:  
NOT COVERED: Plastic mini-tubs - Soap dispensers - Filter screens - Knobs and dials - Damage to clothing - Drawers.
-  **8. CLOTHES DRYER (Gas or Electric)**  
COVERED: All components and parts, except:  
NOT COVERED: Venting - Lint screens - Knobs and dials - Dryer cabinet fragrance/humidity center, hangers, shelves, rods, hooks, and cabinet liner - Damage to clothing - Racks - Drawers.
-  **9. PLUMBING SYSTEM**  
COVERED: Leaks and breaks of water, drain, gas, waste or vent lines, except if caused by freezing or roots - Toilet tanks, bowls and related mechanisms (builder's standard is used when replacement is necessary), toilet wax ring seals - Valves for shower, tub, and diverter, angle stops, risers and gate valves - Permanently installed sump pumps (ground water only) - Built-in bathtub whirlpool motor and pump assemblies.  
NOT COVERED: Stoppages - Collapse or damage to water, drain, gas, waste or vent lines caused by freezing or roots - Faucets and fixtures - Bathtubs and showers - Shower enclosures and base pans - Sinks - Toilet lids and seats - Caulking or grouting - Septic tanks - Water softeners - Pressure regulators - Inadequate or excessive water pressure - Flow restrictions in fresh water lines caused by rust, corrosion or chemical deposits - Sewage ejector pumps - Holding or storage tanks - Saunas or steam rooms - Hose bibs - Whirlpool jets.  
**NOTE: Where covered repairs require access to plumbing systems, AHS will only provide access to plumbing systems through unobstructed walls, ceilings or floors, and will return access openings to a rough finish. Obstructions include, without limitation, built-in appliances, systems, cabinets, and floor coverings. AHS will cover up to \$500 for access, diagnosis, repair or replacement (including returning access openings to a rough finish) to any portion of a plumbing system that is inaccessible because of concrete. See Section B. for length of contract term.**
-  **10. ELECTRICAL SYSTEM**  
COVERED: All components and parts, including built-in exhaust fans, except:  
NOT COVERED: Fixtures - Door bells - Alarms - Intercom or speaker systems - Central vacuum systems - Audio/video/computer wiring or cable - Telephone wiring - Inadequate wiring capacity - Power failure or surge - Garage door openers - Direct current (D.C.) wiring or components and/or low voltage systems including wiring and relays - Circuit overload.

**E. OPTIONAL COVERAGE FOR THE HOME BUYER AND HOME SELLER**

(AVAILABLE UPON PAYMENT OF ADDITIONAL CONTRACT FEE)

**NOTE BUYER ONLY: Home buyer may purchase any optional coverage for up to 30 days after the Effective Date (see Section B). However, coverage shall not commence until receipt of payment by AHS and such coverage shall expire upon expiration of contract term in Section B. Limitations of liability specified in Sections A and G shall apply.**

For new construction coverage, home buyer may purchase optional coverage up to 30 days after close of sale (escrow) provided such item was supplied by the home builder or developer (must be new). Optional coverage may be obtained after the initial 30 day period provided item is brand new and proof of brand new purchase is submitted to AHS. Contract term shall begin after the expiration of the manufacturer's warranty and will continue for the remainder of the contract. However, the coverage period shall begin 365 days from close of sale (escrow) and continues three (3) years from that date, provided contract fee is paid. Limitations of liability specified in Sections A and G shall apply.

-  **1. BUILT-IN EXHAUST FANS**  
COVERED: All components and parts, except:  
NOT COVERED: Exhaust fans used for radon - Heating or lighting components.
-  **2. GARAGE DOOR OPENER**  
COVERED: Wiring - Motor - Switches - Receiver unit - Rail/Trolley assembly.  
NOT COVERED: Doors - Hinges - Springs - Remote transmitters - Track assembly.
-  **3. TRASH COMPACTOR**  
COVERED: All components and parts, except:  
NOT COVERED: Lock and key assemblies - Removable buckets.

**F. OPTIONAL COVERAGE FOR THE HOME BUYER**

(AVAILABLE UPON PAYMENT OF ADDITIONAL CONTRACT FEE)

**NOTE: Home buyer may purchase any optional coverage for up to 30 days after the Effective Date (see Section B). However, coverage shall not commence until receipt of payment by AHS and such coverage shall expire upon expiration of contract term in Section B. Limitations of liability specified in Sections A and G shall apply.**

For new construction coverage, home buyer may purchase optional coverage up to 30 days after close of sale (escrow) provided such item was supplied by the home builder or developer (must be new). Optional coverage may be obtained after the initial 30 day period provided item is brand new and proof of brand new purchase is submitted to AHS. Contract term shall begin after the expiration of the manufacturer's warranty and will continue for the remainder of the contract. However, the coverage period shall begin 365 days from close of sale (escrow) and continues three (3) years from that date, provided contract fee is paid. Limitations of liability specified in Sections A and G shall apply.

-  **1. SUMP PUMP**  
COVERED: Permanently installed sump pump for ground water only.  
NOT COVERED: Sewage ejector pump.
-  **2. CENTRAL AIR CONDITIONING/COOLER**  
(Maximum of 2 systems)  
**NOTE: Coverage available on cooling systems not exceeding a five (5) ton capacity and designed for residential application.**  
COVERED: Ducted electric wall air conditioning systems - Water evaporative cooler system - Ducted electric central air conditioning systems including: condenser; metering devices (i.e. thermal expansion valves); furnace transition; evaporator coils and drain lines; air handling unit; air handling transition; secondary drain pan and lines; and refrigerant lines are covered. Any of the foregoing covered components as well as plenum, indoor electrical, and duct connections are also covered when AHS determines that upgrading a ducted electric central air conditioning system is required to maintain compatibility with equipment manufactured to be 13 SEER (Seasonal Energy Efficiency Ratio) and 77 HSPF (Heating Seasonal Performance Factor) compliant, or compliant with higher SEER or HSPF requirements.  
NOT COVERED: Gas air conditioning systems - Condenser casings - Registers and grills - Filters - Electronic air cleaners - Non-ducted self contained window/wall units - Water towers - Humidifiers - Roof jacks or stands - Evaporative cooler pads - Flues - Vents - Improperly sized air conditioning unit - Chillers and chiller components - Ductless split air conditioning - Heat strips - Heat pumps - Systems with improperly matched condensing unit and evaporative coil per manufacturer's specifications - Improper use of metering devices (i.e. thermal expansion valves).
-  **3. DUCTLESS SPLIT AIR CONDITIONING SYSTEM**  
COVERED: Ductless split air conditioning systems including: condenser; metering devices (i.e. thermal expansion valves); evaporator coils and drain lines; air handling unit; secondary drain pan and lines; and refrigerant lines are covered. Any of the foregoing covered components as well as plenum, indoor electrical, and duct connections are also covered when AHS determines that upgrading a ductless split air conditioning system is required to maintain compatibility with equipment manufactured to be 13 SEER (Seasonal Energy Efficiency Ratio) and 77 HSPF (Heating Seasonal Performance Factor) compliant, or compliant with higher SEER or HSPF requirements.  
NOT COVERED: Ducted electric central air conditioning - Ducted electric wall air conditioning - Non-ducted self contained window/wall units - Condenser casings - Filters - Electronic air cleaners - Humidifiers - Improperly sized

- air conditioning systems - Heat pumps or heat strips - Systems with improperly matched condensing unit and evaporative coil per manufacturer's specifications - Improper use of metering devices (i.e. thermal expansion valves).
-  **4. WINDOW AND/OR WALL AIR CONDITIONING/COOLER**  
COVERED: All components and parts of up to two wall and/or window units (each unit must have a rating of 10,000 BTU's or greater for coverage to apply).  
NOT COVERED: Central (ducted) air conditioning systems - Ductwork - Air conditioners with a rating of less than 10,000 BTU's - Air conditioners over the limit of two unless additional fee is paid within 30 days from close of sale (escrow) - Heat pumps.
-  **5. DUCTWORK**  
(AVAILABLE ONLY IN CONJUNCTION WITH CENTRAL AIR OPTION.)  
COVERED: Ducts from heating and/or cooling unit to point of attachment at registers or grills and flex ductwork.  
NOT COVERED: Registers or grills - Insulation - Asbestos-insulated ductwork - Dampers - Improperly sized ductwork - Diagnostic testing of, or locating leaks to ductwork, including, without limitation, as required by any federal, state or local law, regulation, or ordinance, or when required due to the installation or replacement of system equipment.  
**NOTE: Where covered repairs require access to ductwork, AHS will only provide access to, and sealing of ductwork through unobstructed walls, ceilings or floors, and will return access openings to a rough finish. Obstructions include, without limitation, built-in appliances, systems, cabinets, and floor coverings. If the ductwork is accessible only through a concrete floor, wall or ceiling, AHS will cover up to \$500 for access to, sealing of other repair to, or replacement of such ductwork, (including returning access openings to a rough finish). If any ductwork that is inaccessible due to concrete or other obstructions requires repair or replacement as a result of diagnostic testing, AHS will not cover such repair or replacement. See Section B. for length of contract term.**
-  **6. POOL AND/OR SPA EQUIPMENT (excludes portable or above ground spas)**  
COVERED: Both pool and built-in spa equipment (exterior hot tub and whirlpool) are covered if they utilize common equipment. If they do not utilize common equipment, then only one or the other is covered unless an additional fee is paid. Coverage applies to above ground, accessible, working components and parts of the heating, pumping, and filtration system as follows: Heater - Pump - Motor - Filter - Filter timer - Gaskets - Blower - Timer - Valves, limited to back flush, actuator, check, 2-way and 3-way valves - Relays and switches - Pool sweep motor and pump - Above ground plumbing pipes and wiring.  
NOT COVERED: Lights - Liners - Structural defects - Solar equipment - Jets - Ornamental fountains, waterfalls and their pumping systems - Pool cover and related equipment - Fill line and fill valves - Built-in or detachable cleaning equipment such as, but not limited to, pool sweeps, pop-up heads, turbo valves, skimmers, chlorinators, and ionizers - Fuel storage tanks - Disposable filtration mediums - Heat pump - Portable or above ground spas - Multi-media centers.
-  **7. WATER HEATER (Gas, Electric, or Oil)**  
COVERED: All components and parts, including circulating pumps, except:  
NOT COVERED: Solar water heaters - Solar components - Ancillary holding or storage tanks - Noise - Fuel storage tank and energy conservation unit - Flues and vents - Thermal expansion tanks - Instant hot water dispenser.

**G. LIMITATIONS OF LIABILITY**

- The following are not covered for the home seller or for the home buyer: (a) malfunction or improper operation due to rust or corrosion of appliances, central air conditioning systems/coolers, ductless split air conditioning systems, or pools/spas.
- Collapsed ductwork, provided additional contract fees are paid, is not covered for the first 30 days after the Effective Date (see Section B) for the home buyer.
- You may be charged an additional fee by the Service Contractor to dispose of an old appliance, system or component, including, but not limited to the following items: condensing units, evaporator coils, compressors, capacitors, refrigerators, freezers, water heaters, and any system or appliance which contains dangerous or hazardous materials.
- AHS is not responsible for providing or closing access to covered items except as noted in Sections D.9. and F.5.
- AHS is not liable for restoration of any wall coverings, floor coverings, cabinets, counter tops, tiling, paint, or the like, nor the repair of any cosmetic defects.
- AHS is not responsible for electronic or computerized home management systems including, but not limited to, energy, lighting, security, appliances, entertainment, comfort or audio systems.
- AHS is not responsible or liable for secondary, incidental and/or consequential loss or damage resulting from the malfunction of any covered item including, but not limited to, food spoilage, loss of income, utility bills, additional living expenses, personal and/or property damage, or authorized contractor's service or delay in service.
- AHS is not responsible or liable for any delay in service or failure to provide service caused by conditions beyond its control, including, but not limited to, delays in obtaining, or shortages of, parts and/or equipment, or labor difficulties.
- AHS is not responsible or liable for repair of conditions or replacement caused by chemical or sedimentary build up, misuse or abuse, failure to clean or maintain, missing parts, structural changes, fire, freezing, electrical failure or surge, water damage, lightning, mud, earthquake, soil movement, storms, accidents, pet damage, pest damage, acts of God, or failure due to excessive or inadequate water pressure.
- AHS has the sole right to determine whether a covered system or appliance will be repaired or replaced. AHS is responsible for installing replacement equipment of similar features, capacity, and efficiency, but not for matching dimensions, brand or color. Except when repairing or upgrading covered systems to maintain compatibility with equipment manufactured to be 13 SEER or 7.7 HSPF compliant, or compliant with any higher SEER or HSPF requirements, AHS is not responsible or liable for upgrades, components, parts or equipment required due to: (a) the incompatibility of the existing equipment with the replacement system or appliance or component or any part thereof; or (b) any new type of chemical or material utilized to run the replacement equipment including, but not limited to, differences in technology, refrigerant requirements, or efficiency as mandated by federal, state, or local governments.

AHS is not responsible or liable for the cost of construction, carpentry, or other modifications made necessary by the existing equipment or installing different equipment.

- AHS is not responsible or liable for repairs related to inadequacy, lack of capacity, misuse, improper installation, previous repair or design, manufacturer's defect, and any modification to the system or appliance. AHS does not perform routine maintenance. You are responsible for providing maintenance and cleaning on covered items as specified by the manufacturer to ensure continued coverage on such items. For example: heating and air conditioning systems require periodic cleaning and/or replacement of filters and cleaning of evaporator and condenser coils. Water heaters require periodic flushing.
- AHS reserves the right to obtain a second opinion at its expense.
- This contract does not cover appliances or systems deemed or classified by the manufacturer as commercial.
- AHS is not responsible for any repair, replacement, installation, or modification of any covered system, appliance, or component or part thereof: (a) that has been, or is, determined to be defective by the Consumer Product Safety Commission or the manufacturer; (b) that a manufacturer has issued, or issues, a warning or recall; (c) that has a malfunction caused by the manufacturer's improper design, use of improper materials, formula, manufacturing process or other manufacturing defect; or (d) while still under an existing manufacturer's, distributor's, or in-home warranty.
- AHS reserves the right to provide pre-approved reimbursement of itemized costs or cash back in lieu of repair or replacement. Both pre-approved reimbursement of itemized costs and cash back in lieu of repair or replacement will be based on what AHS would ordinarily expect to pay for the same parts and labor, which may be less than retail or your actual cost. Acceptable proof of your actual itemized costs must be provided to AHS before any reimbursement amount may be paid.
- AHS reserves the right to rebuild a part or component, or replace with a rebuilt part or component.
- AHS is not under any circumstances liable for the diagnosis, repair, removal or remediation of mold, mildew, bio-organic growth, rot or fungus, or any damages resulting from or related to mold, mildew, rot or fungus, even when caused by or related to the malfunction, repair or replacement of a covered system or appliance.
- AHS will not contract to perform service nor pay costs involving hazardous or toxic materials including, but not limited to, asbestos, mold, lead paint, and sanitation of sewage spills. AHS will pay costs related to the disposal of refrigerants or contaminants when disposing of an old appliance, system or component.
- This contract does not cover fees associated with use of cranes needed to install or remove any equipment located on the roof top.
- AHS is not responsible for like-for-like replacement of appliances if the appliance contains any features that do not contribute to the appliance's primary function including, without limitation, TVs or radios in refrigerators.

**H. LAWS, REGULATIONS AND CODE REQUIREMENTS**

Except when repairing or upgrading covered systems to maintain compatibility with equipment manufactured to be 13 SEER or 7.7 HSPF compliant, or compliant with any higher SEER or HSPF requirements, AHS is not responsible for any upgrades, work, testing or costs required to comply with any federal, state, or local laws, regulations or ordinances or utility regulations, or to meet current building or zoning code requirements, or to correct for code violations. AHS is

not responsible for service when permits cannot be obtained, nor will it pay any costs relating to permits. AHS policy is to abide by all current federal, state, and local laws, regulations and guidelines. AHS will not be responsible for any liability arising from repairs or replacements that violate any such laws, regulations, or guidelines.

**I. MULTIPLE UNITS AND INVESTMENT PROPERTY**

1. If this contract is for a duplex, triplex, or fourplex dwelling, then all unit(s) within such dwelling must be covered by one AHS contract for protection to apply to common systems. Should any unit within such dwelling not be covered as part of the one AHS contract, then AHS is not liable for common systems or appliances.

2. If this contract is for a dwelling within a multiple unit of five (5) dwelling units or more, then only items contained within the confines of each individual unit are covered. Common systems and appliances are not covered.

3. Except as otherwise provided in this section, common systems and appliances are not covered.

**J. TRANSFER OF CONTRACT AND RENEWALS**

1. If the covered property changes ownership during the contract term, please call the Sales phone number on the Contract Agreement page for further information to transfer coverage to the new owner.

2. This contract may be renewed at the option of AHS. In that event, you will be notified of the prevailing rates and terms for renewal.

**K. CANCELLATION**

1. The contract holder may return this contract within 30 days of the time this contract is mailed or within 20 days of delivery if this contract is delivered to the contract holder at the time of sale (escrow). If no claim has been made, this contract is deemed void and AHS shall refund to the provider of funds the full purchase price of the service contract. If a claim has been made, any refund due may be credited to any outstanding balance of the amount and any excess shall be refunded to the provider of funds. The right to void this contract is not transferable and shall apply only to the original contract purchaser and only if no claim has been made prior to its return to AHS. A 10% penalty per month shall be added to a refund that is not paid or credited within 45 days after the return of this contract to AHS.

2. If AHS cancels this contract, AHS shall mail a written notice that states the effective date of cancellation to the contract holder at the last known address of the contract holder at least 5 days prior to the cancellation. Prior notice is

not required if the reason for cancellation is nonpayment of AHS' fees, a material misrepresentation by the contract holder, or a substantial breach of duties by the contract holder relating to the covered product or its use.

3. If this contract is cancelled by AHS, then the provider of funds shall be entitled to a pro rata refund of the paid contract fees for the unexpired term, less administrative fees up to \$35 for issuance of this contract, and less any balance owed to AHS including claims costs.

4. If the contract fees are billed through a mortgage loan that is later sold or paid in full, then uninterrupted coverage can be arranged by immediately calling (800) 247-4749 to establish an alternate payment method. This contract will be deemed cancelled if the contract holder fails to initiate such payment arrangements within 30 days.

**L. MISCELLANEOUS**

Obligations of the provider under this service contract are backed by the full faith and credit of the provider.