

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

|                          |   |
|--------------------------|---|
| CONDOMINIUM PROJECT NAME | WAIALUA WAI VILLAS                                  |
| Project Address          | 66-449 Waiialua Beach Road<br>Haleiwa, Hawaii 96712 |
| Registration Number      | 6430 (Conversion)                                   |
| Effective Date of Report | <b>November 5, 2007</b>                             |
| Developer(s)             | Waiialua Development, Inc.                          |

**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 commended 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.

---

*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.]

1. This Public Report does not constitute an approval of the project by the Real Estate Commission or any other governmental agency.

2. This Project does not involve the sale of individual subdivided lots. The land area beneath and immediately adjacent to each Unit as shown on the Condominium Map is designated as a limited common element and does not represent a legally subdivided lot. The dotted lines on the Condominium Map merely represent the approximate location of the limited common element assigned to each Unit.

3. Facilities and improvements normally associated with county approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owner and emergency traffic, drainage facilities, etc., may not necessarily be provided for, and services such as County street maintenance and trash collection will not be available for interior roads and driveways.

4. No warranties are given to the purchaser as to the construction, materials or workmanship of the Project. The Project is being sold in "as is" condition.

5. Unit C has a 76.6% common interest and as such the owner of Unit C may amend the Declaration of Condominium Property Regime and the By-Laws of the Association of Unit Owners of the project without the consent of the other Unit owners. Additionally, no meeting of the Association of Unit Owners can be held or action taken without the participation of the owner of Unit C. The Developer intends to retain Unit C and has reserved certain rights to further develop Unit C, as provided for in Section R of the Declaration of Condominium Property Regime.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW ALL DOCUMENTS REGARDING THIS CONDOMINIUM PROJECT FOR FURTHER INFORMATION WITH REGARDING TO THE FOREGOING.

## TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| Preparation of this Report .....   | 1           |
| General Information On Condominiums .....  | 2           |
| Operation of the Condominium Project.....  | 2           |
| 1. THE CONDOMINIUM PROJECT .....   | 3           |
| 1.1 The Underlying Land.....   | 3           |
| 1.2 Buildings and Other Improvements.....  | 3           |
| 1.3 Unit Types and Sizes of Units.....   | 3           |
| 1.4 Parking Stalls .....   | 4           |
| 1.5 Boundaries of the Units.....   | 4           |
| 1.6 Permitted Alterations to the Units .....   | 4           |
| 1.7 Common Interest.....   | 4           |
| 1.8 Recreational and Other Common Facilities .....   | 4           |
| 1.9 Common Elements.....   | 5           |
| 1.10 Limited Common Elements.....  | 5           |
| 1.11 Special Use Restrictions .....  | 5           |
| 1.12 Encumbrances Against Title .....  | 5           |
| 1.13 Uses Permitted by Zoning and Zoning Compliance Matters .....  | 6           |
| 1.14 Other Zoning Compliance Matters .....   | 6           |
| 1.15 Conversions .....   | 7           |
| 1.16 Project In Agricultural District.....   | 8           |
| 1.17 Project with Assisted Living Facility .....   | 8           |
| 2. PERSONS CONNECTED WITH THE PROJECT .....  | 9           |
| 2.1 Developer.....   | 9           |
| 2.2 Real Estate Broker .....   | 9           |
| 2.3 Escrow Depository .....  | 9           |
| 2.4 General Contractor.....  | 9           |
| 2.5 Condominium Managing Agent.....  | 9           |
| 2.6 Attorney for Developer .....   | 9           |
| 3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS .....   | 10          |
| 3.1 Declaration of Condominium Property Regime .....   | 10          |
| 3.2 Bylaws of the Association of Unit Owners .....   | 10          |
| 3.3 Condominium Map.....   | 10          |
| 3.4 House Rules.....   | 11          |
| 3.5 Changes to the Condominium Documents .....   | 11          |
| 3.6 Rights Reserved by the Developer to Make Changes to the Condominium Project or<br>Condominium Documents..... | 11          |
| 4. CONDOMINIUM MANAGEMENT .....  | 12          |
| 4.1 Management of the Common Elements .....  | 12          |
| 4.2 Estimate of the Initial Maintenance Fees.....  | 12          |
| 4.3 Utility Charges to be Included in the Maintenance Fee .....  | 12          |
| 4.4 Utilities to be Separately Billed to Unit Owner .....  | 12          |
| 5. SALES DOCUMENTS .....   | 13          |
| 5.1 Sales Documents Filed with the Real Estate Commission.....   | 13          |
| 5.2 Sales to Owner-Occupants .....   | 13          |
| 5.3 Blanket Liens.....   | 13          |
| 5.4 Construction Warranties .....  | 13          |
| 5.5 Status of Construction, Date of Completion or Estimated Date of Completion .....                             | 14          |

**TABLE OF CONTENTS**

Page

5.6 Developer’s Use of Purchaser Deposits to Pay for Project Construction Costs Before Closing or Conveyance ..... 14

    5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance ..... 14

    5.6.2 Purchaser Deposits Will Be Disbursed Before Closing ..... 14

5.7 Rights Under the Sales Contract ..... 16

5.8 Purchaser’s Right to Cancel or Rescind a Sales Contract ..... 16

    5.8.1 Purchaser’s 30-Day Right to Cancel a Sales Contract ..... 16

    5.8.2 Right to Cancel a Sales Contract if Completion Deadline Missed ..... 17

    5.8.3 Purchaser’s Right to Rescind a Binding Sales Contract After a Material Change . 17

6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT ..... 18

EXHIBIT A: Description of Units and Boundaries of Units

EXHIBIT B: Description of Common Elements and Limited Common Elements

EXHIBIT C: Description of Encumbrances

EXHIBIT D: Summary of Sales Contract

EXHIBIT E: Summary of Escrow Agreement

EXHIBIT F: Statement by Developer Regarding the Present Condition of Structural Components and Mechanical and Electrical Installations; Exhibit 1 - Architect's Condition Report

EXHIBIT G: Letter from City and County of Honolulu, Dept. of Planning and Permitting, dated November 30, 2006, regarding compliance

EXHIBIT H: Estimated Maintenance Fee & Operating Expenses of Association

## **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                                     |   |   |
| Address of Project   | 66-449 Waiialua Beach Road, Haleiwa, Hawaii 96712 |   |
| Address of Project is expected to change because                                       |   |   |
| Tax Map Key (TMK)  | (1) 6-6-021-001                                   |   |
| Tax Map Key is expected to change because  | Each unit will be assigned a new CPR number       |   |
| Land Area  | 9.627 acres                                       |   |
| Developer's right to acquire the Property if Developer is not the Fee Owner (describe) |   |   |

## 1.2 Buildings and Other Improvements

|  |  |
|--|--|
| Number of Buildings  | 3  |
| Floors Per Building  | Unit A - 2 floors; Unit B - 1 floor; Unit C - 1 floor  |
| Number of New Building(s)  | 0  |
| Number of Converted Building(s)  | 3  |
| Principal Construction Materials (concrete, wood, hollow tile, steel, glass, etc.) | Unit A: Wood, sheet rock, glass windows & other bldg materials<br>Unit B: Wood posts, shade cloth<br>Unit C: Wood posts, shade cloth |

## 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               | 1        | 2/2     | 2,028 sf        | 408 sf          | Work Room                         | 4,800 sf   |
|                 |          |         |                 | 1,176 sf        | Garage                            |            |
|                 |          |         |                 | 1,188 sf        | Deck                              |            |
| B               | 1        | 0/0     | 0               | 24 sf           | Shed                              | 24 sf      |
| C               | 1        | 0/0     | 0               | 96 sf           | Shed                              | 96 sf      |
| See Exhibit A . |          |         |                 |                 |                                   |            |

|   |                              |
|---|------------------------------|
| 3 | <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:  | 3   |
| Number of Guest Stalls in the Project:  | 0   |
| Number of Parking Stalls Assigned to Each Unit:   | Unit A (3); Units B & C have the right to park cars** |
| Attach Exhibit <u>  A  </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. The Developer has reserved the right to re-assign all parking stalls appurtenant to Unit C. |   |
| **within their respective limited common areas.   |   |

**1.5 Boundaries of the Units**

|   |
|---|
| Boundaries of the unit:<br><br>See Exhibit A. |
|---|

**1.6 Permitted Alterations to the Units**

|  |
|--|
| 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):<br>Each Unit Owner may alter the structure and any other improvements located within their Unit's limited common element land area as provided in Section Q of the Declaration of Condominium Property Regime. |
|--|

**1.7 Common Interest**

|   |
|---|
| <u>Common Interest</u> : 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: |
| Described in Exhibit _____.   |
| As follows:<br>Unit A: 11.7%<br>Unit B: 11.7%<br>Unit C: 76.6%  |

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

|                          |                          |
|--------------------------|--------------------------|
| <input type="checkbox"/> | Swimming pool            |
| <input 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 B.

Described as follows:

| Common Element | Number |
|----------------|--------|
| Elevators      | 0      |
| Stairways      | 0      |
| 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 B.

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 type="checkbox"/>            | Pets:                                  |
| <input type="checkbox"/>            | Number of Occupants:                   |
| <input type="checkbox"/>            | Other:                                 |
| <input checked="" type="checkbox"/> | There are no special use restrictions. |

**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 C describes the encumbrances against title contained in the title report described below.

Date of the title report: August 13, 2007

Company that issued the title report: First American Title 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           |
| <input checked="" type="checkbox"/>  | Residential                | 1            | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            | Country District |
| <input type="checkbox"/>   | Commercial                 |              | <input type="checkbox"/> Yes            | <input type="checkbox"/> No            |                  |
| <input type="checkbox"/>   | Mix Residential/Commercial |              | <input type="checkbox"/> Yes            | <input type="checkbox"/> No            |                  |
| <input type="checkbox"/>   | Hotel                      |              | <input type="checkbox"/> Yes            | <input type="checkbox"/> No            |                  |
| <input type="checkbox"/>   | Timeshare                  |              | <input type="checkbox"/> Yes            | <input type="checkbox"/> No            |                  |
| <input type="checkbox"/>   | Ohana                      |              | <input type="checkbox"/> Yes            | <input type="checkbox"/> No            |                  |
| <input type="checkbox"/>   | Industrial                 |              | <input type="checkbox"/> Yes            | <input type="checkbox"/> No            |                  |
| <input type="checkbox"/>   | Agricultural               |              | <input type="checkbox"/> Yes            | <input type="checkbox"/> No            |                  |
| <input type="checkbox"/>   | Recreational               |              | <input type="checkbox"/> Yes            | <input type="checkbox"/> No            |                  |
| <input checked="" type="checkbox"/>  | Other(specify)             | 2 (Shed)     | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            | Country District |
| Is/Are this/these use(s) specifically permitted by the project's Declarations or Bylaws? |                            |              | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |                  |
| Variances to zoning code have been granted.  |                            |              | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> 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   |
|---|
| <p>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.</p> <p>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.</p> <p>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.</p> |

|            | Conforming                          | Non-Conforming           | Illegal                  |
|------------|-------------------------------------|--------------------------|--------------------------|
| Uses       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Structures | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lot        | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

|  |
|--|
| <p>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:</p> |
|--|

**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><br/> <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 F attached.</p> |  |
| <p>Developer's statement of the expected useful life of each item reported above:</p> <p>See Exhibit F attached.</p>  |  |
| <p>List of any outstanding notices of uncured violations of any building code or other county regulations:</p> <p>N/A</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>G</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:</p>   |

**1.16 Project In Agricultural District**

|   |   |
|---|---|
| <p><b>Is the project in an agricultural district as designated by the land use laws of the State of Hawaii?</b><br/> <b>If answer is "Yes", provide information below.</b></p>  | <p><input type="checkbox"/> 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 type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>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 type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.</p> |   |
| <p>Other disclosures and information:</p>   |   |

**1.17 Project with Assisted Living Facility**

|   |   |
|---|---|
| <p><b>Does the project contain any assisted living facility units subject to Section 321-11(10), HRS?</b><br/> <b>If answer is "Yes", complete information below.</b></p> | <p><input type="checkbox"/> 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(s)</b></p>  | <p>Name: Waialua Development, Inc.</p> <p>Business Address: 66-449 Waialua Beach Rd, Haleiwa HI<br/>96712</p> <p>Business Phone Number: (808) 637-8380<br/>E-mail Address: evon@avisassoc.com</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>Evon Avis - President/Director</p>   |
| <p><b>2.2 Real Estate Broker</b></p>  | <p>Name: 808 Real Estate, LLC<br/>Business Address: 43 Oneawa Street, #202<br/>Kailua, HI 96734</p> <p>Business Phone Number: (808) 942-4663<br/>E-mail Address: joann@hawaii.rr.com</p>          |
| <p><b>2.3 Escrow Depository</b></p>   | <p>Name: First American Title Company<br/>Business Address: 1177 Kapiolani Blvd., Hon., HI 96814</p> <p>Business Phone Number: (808) 457-3783</p>   |
| <p><b>2.4 General Contractor</b></p>  | <p>Name: N/A<br/>Business Address:</p> <p>Business Phone Number:</p>  |
| <p><b>2.5 Condominium Managing Agent</b></p>  | <p>Name: Self-managed by the Association<br/>Business Address:</p> <p>Business Phone Number:</p>  |
| <p><b>2.6 Attorney for Developer</b></p>  | <p>Name: Jonathan S. Durrett<br/>Business Address: 841 Bishop St., #702, Hon., HI 96813</p> <p>Business Phone Number: (808) 526-0892</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 |
|-------------------------------------|------------------|-----------------|
| Land Court                          | August 1, 2007   | 3639346         |

#### Amendments to Declaration of Condominium Property Regime

| Land Court or Bureau of Conveyances | Date of Document | Document Number |
|-------------------------------------|------------------|-----------------|
| Land Court                          | October 29, 2007 | 3674618         |
|                                     |                  |                 |
|                                     |                  |                 |

#### 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 |
|-------------------------------------|------------------|-----------------|
| Land Court                          | August 1, 2007   | 3639347         |

#### Amendments to Bylaws of the Association of Unit Owners

| Land Court or Bureau of Conveyances | Date of Document | Document Number |
|-------------------------------------|------------------|-----------------|
|                                     |                  |                 |
|                                     |                  |                 |
|                                     |                  |                 |

#### 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                                      | 1907 |
| Bureau of Conveyances Map Number                           |      |
| Dates of Recordation of Amendments to the Condominium Map: |      |

**3.4 House Rules**

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.

The House Rules for this project:

|  |  |   |
|--|--|---|
| Are Proposed                                 |  |   |
| Have Been Adopted and Date of Adoption       |  |   |
| Developer does not plan to adopt House Rules |  | ✓ |

**3.5 Changes to the Condominium Documents**

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.

| 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**

|                                     |   |
|-------------------------------------|---|
| <input type="checkbox"/>            | No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).   |
| <input checked="" type="checkbox"/> | <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>Developer has reserved the right to file an amendment as provided for in Section O of the Declaration of Condominium Property Regime.</p> <p>Developer has the option to construct additional units, to consolidate additional increments, to withdraw areas, to reconfigure common elements, and to grant easements and rights of ways as provided for in Section R of the Declaration of Condominium Property Regime. See page 18c for further information.</p> |

## 4. CONDOMINIUM MANAGEMENT

### 4.1 Management of the Common Elements

|   |  |
|---|--|
| <p><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.</p> |  |
| <p>The Initial Condominium Managing Agent for this project is (check one):</p>  |  |
| <input type="checkbox"/>  | Not affiliated with the Developer              |
| <input checked="" 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

|   |
|---|
| <p><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.</p> |
| <p>Exhibit <u>H</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.</p>   |

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

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

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

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

## 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: |   |
| <input checked="" type="checkbox"/>   | Specimen Sales Contract<br>Exhibit <u>  D  </u> contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.        |
| <input checked="" type="checkbox"/>   | Escrow Agreement dated: August 23, 2007<br>Name of Escrow Company: First American Title Company<br>Exhibit <u>  E  </u> contains a summary of the pertinent provisions of the escrow agreement. |
| <input type="checkbox"/>  | 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.

|                          |   |
|--------------------------|---|
| <input type="checkbox"/> | The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B.            |
| <input type="checkbox"/> | Developer has designated the units for sale to Owner-Occupants in this report.<br>See Exhibit <u>      </u> . |
| <input type="checkbox"/> | 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.

|                                     |   |
|-------------------------------------|---|
| <input type="checkbox"/>            | There are <u>no blanket liens</u> affecting title to the individual units.    |
| <input checked="" type="checkbox"/> | 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     | Purchaser's interest may be terminated, in which event Purchaser will be entitled to a refund of deposit less an escrow cancellation fee. |
|              |   |

### 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:

None. There are no warranties, express or implied, being made by Developer. Sales are "as is".

Appliances:

None. There are no warranties, express or implied. Sales are "as is".

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

|  |  |
|--|--|
| Status of Construction:  | Units A, B and C were built in 2001.   |
| 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:                    |  |
| Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract: |  |

**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):

|  |   |
|--|---|
| <b>Box A</b><br><input type="checkbox"/> | <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>   |
| <b>Box B</b><br><input type="checkbox"/> | <p>The Developer has <b>not</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

1. NOT A SUBDIVISION. This is a condominium project which should not be confused with a subdivision. A purchaser of a Unit will be conveyed a Unit together with an "undivided" percentage interest in the common elements of the project. The entire parcel of land upon which the project is situated is designated as a common element. That portion of the common element which each purchaser has the exclusive right to use is called a limited common element or area, but is NOT a separate, legally subdivided lot.

2. MAINTENANCE FEES. Developer believes that there will be no maintenance fees. All costs pertaining to each Unit and its respective common element, including but not limited to, cost of landscaping, maintenance, repair, replacement and improvement shall be borne entirely by the respective Unit owner. All utilities are separately metered. Based on the foregoing, there is no schedule of maintenance fees to this Public Report.

Section 514B-143, Hawaii Revised Statutes, requires the Association of Unit Owners to purchase fire insurance to cover the improvements of the Project, and that the premiums for the insurance be common expenses. Developer anticipates that the Association will elect to permit individual Unit owners to obtain and maintain separate policies of fire insurance and name the Association as an additional insured. In such case, fire insurance premiums will be the responsibility of individual Unit owners and not common expenses. Prospective purchasers should consult with their own insurance professionals to obtain an estimate for individual fire and hazard insurance.

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

4. DEPARTMENT OF PLANNING AND PERMITTING. Department of Planning and Permitting's letter dated November 30, 2006 is attached hereto as Exhibit G. The letter indicates that the structures met all applicable codes at the time of construction.

5. SHORELINE MANAGEMENT AREA. The project is within the Shoreline Management Area boundaries for the City and County of Honolulu, and is within a tsunami inundation area. According to the Federal Emergency Management Agency National Flood Insurance Program, the property is within Flood Zone V. These designations impact on insurance issues and County permit issues. Purchasers are encouraged to consult with the appropriate governmental agencies and their attorneys before purchasing a Unit in the project.

6. OWNERS' RESERVED RIGHT TO CHANGE THE UNITS. Notwithstanding anything to the contrary contained herein, the owner of either Unit A or Unit B, including the Developer herein if an owner of one of those Units, shall have the right, with the consent of any mortgagee affecting said Unit, to remove, redesign, improve, renovate, make additions to, enlarge, replace with a new Unit, or restore his or her Unit on the limited common elements appurtenant to such Unit at such Unit owner's sole option at any time and from time to time, without the consent of the Association, the other owners of Units, any lien holder thereof, or anyone with an interest in the Project, and pursuant to plans and conditions set forth herein.

1. Rights With Respect to Construction. Subject to the provisions hereinabove, each owner, his or her contractors and subcontractors, and their respective employees and agents, shall have the right, and an easement therefore in favor of the owner and his or her successors and assigns, from time to time, to enter upon and use the common elements of the Project and to do all things reasonably necessary, desirable, or useful for designing, developing, constructing, or completing the removal, redesign, improvement, renovation, or rebuilding of his or her Unit, subject to the following terms and conditions:

(a) Any redesign, improvement, renovation, addition or replacement shall (i) be made in accordance with plans and specifications prepared by an architect duly licensed in the State of Hawaii, (ii) shall be made within the limited common elements appurtenant to such Unit and in compliance with any setback or easement areas, if any, and (iii) in compliance with all governmental regulations, including but not limited to all applicable zoning and building codes and ordinances; provided, however, that such plans and specifications shall not provide for the alteration or demolition of any portion of any other Unit in the Project, the limited common elements appurtenant thereto, or any of the common elements;

(b) All such removal, redesign, improvement, renovation, addition or replacement shall be at the sole cost and expense of the Unit owner and shall be completed expeditiously and in a manner that will not unreasonably interfere with the use or enjoyment of the Project by the other Unit owners and occupants thereof;

(c) The owner removing, redesigning, improving, renovating, adding to or replacing his or her Unit shall maintain at his or her own expense builder's all-risk insurance in an amount not less than the estimated cost of construction and naming the Association as an additional insured;

(d) The owner removing, redesigning, improving, renovating, adding to or replacing his or her Unit shall be required to install separate installations and meters or, if separate meters are not obtainable, submeters, for services, such as water, electricity, sewer, and any other utility or service to the Unit affected thereby, and shall have the right to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for such services, and when applicable, to add, delete, relocate, realign, reserve, and grant easements and rights-of-way over, under and upon the common elements as necessary or desirable in connection therewith, provided that services used by the other Unit(s) shall not be unreasonably and materially impaired;

(e) The Unit owner, his or her contractors and subcontractors, and their respective employees and agents, shall not cause any interruption other than a temporary interruption in the service of utilities to the Project and shall use reasonable efforts, consistent with maintaining the progress of design, development, construction and completion of the rebuilding or redesigning of the Unit, so as to minimize interference with the use and enjoyment of the Project by the other Unit owners and occupants thereof; and

(f) No owner shall also be allowed, without the express written consent of the other Unit owners, to construct any addition or alteration which would cause his or her Unit to exceed the proportionate share of the maximum allowable floor area and/or buildable area for the lot. Said proportionate share shall be equal to the maximum floor area for the lot multiplied by the percentage of common interest in the Project appurtenant to such Unit.

(g) The owner of Unit B shall be restricted to replacing his or her Unit with one (1) dwelling structure only and said structure shall only be located within that certain 10,000 square foot area located within the limited common element area appurtenant to Unit B on said Condominium Map as the "10,000 S.F. Future Building Area". Unit B will be serviced by its own septic system and such system must be installed at the expense of the owner of Unit B.

2. Amendment to the Declaration and Condominium Map. If any owner removes, redesigns, improves, renovates, adds to or replaces his or her Unit, different in any respect from the description of said Unit in the Declaration or as shown on the Condominium Map, then, upon completion thereof, the owner shall amend the Declaration setting forth at least the following:

the number of stories in the Unit,

the layout, location, and numbers or other identifying information of the limited common elements, if any, of the new, redesigned or renovated Unit, and

any such other matters as may be necessary or as may be required by law to effectuate the construction of the new, redesigned or renovated Unit and/or the operation of the property as a condominium project, but not inconsistent with the Act.

The Unit owner shall also amend the Condominium Map setting forth at least the following:

(a) a site plan depicting the location, layout and access for the Unit to a public road or to a common element leading to a public road,

(b) elevations and floor plans of the new, redesigned or renovated Unit, showing the layout, location, boundaries and dimensions of the new, redesigned or renovated Unit,

(c) plans showing the location, layout and stall numbers, if applicable, of any parking stalls for the new, redesigned or renovated Unit,

(d) the layout, location, and numbers or other identifying information of the limited common elements, if any, of the new, redesigned or renovated Unit, unless specifically described in the Declaration or any amendment thereto,

(e) bearing a statement of a licensed architect, engineer, or surveyor certifying that the plans are consistent with the plans of the new, redesigned or renovated Unit as filed with the government official having jurisdiction over the issuance of permits for the construction of buildings in the county in which the Project is located, and stating that to the best of the architect's, engineer's, or surveyor's knowledge, that the plans for the new, redesigned or renovated Unit depict the layout, location, dimensions, and number of the Unit substantially as built, and

(f) any such other matters as may be necessary or as may be required by law to effectuate the construction of the new, redesigned or renovated Unit and/or the operation of the property as a condominium project, but not inconsistent with the Act.

The amendment shall be signed by the Unit owner, recorded in the Bureau of Conveyances and/or Land Court, as the case may be, and a copy of the recorded amendment, together with a copy of the plans recorded therewith, shall be provided to the Association promptly upon request thereof.

Each and every individual acquiring an interest in the Project, including the holder(s) of any lien(s) thereof, by such acquisition, consents to the removal, redesign, improvement, renovation, addition or replacement, and to the recording of any and all documents or instruments necessary to effectuate the same, including any amendment to the Declaration and/or the Condominium Map; and agrees to execute, deliver and record such documents and instruments and to do any and all such other things as may be necessary to effect the same; and appoints the owner of the Unit so removed, redesigned, improved, renovated, added to or replaced, as his or her attorney-in-fact, with full power of substitution, to execute, deliver and record such documents and instruments and to do such things on his or her behalf, which grant of such power, being coupled with an interest, is irrevocable until December 31, 2026, and shall not be affected by the disability of such party or parties; and shall be binding upon every party's successors in interest and assigns.

The rights set forth in this Section for the benefit of a Unit owner, including the Developer if an owner of a Unit in the Project, may not be amended without the expressed written consent of such owner or the Developer, if an owner of a Unit in the Project.

7. **DEVELOPER'S RESERVED RIGHTS.** The Developer's Reserved Rights outlined in Section R of the Declaration, are necessary and/or helpful to developing the Project over time. The Developer may exercise the Developer's Reserved Rights stated in the Declaration separately or in one or more combinations and at one or more times, at the Developer's sole discretion. The Developer has no duty or obligation to exercise the Developer's Reserved Rights. The Developer may exercise the Developer's Reserved Rights until the expiration of the Development Period.

1. The Developer may exercise any of the Developer's Reserved Rights stated in the Declaration (including without limitation the Developer's Reserved Rights set forth in Section R inclusive) without being required to obtain the approval, consent, or joinder of anyone else and without the knowledge of anyone else. This includes but is not limited to the Association of Unit Owners, any lender, or any other Unit Owner or other person acquiring an interest in the Project. When a person or entity acquires an interest in an Unit or any other interest in the Project, said person or entity automatically:

(a) Takes said person's or entity's interest subject to the Developer's Reserved Rights and each and every exercise and/or assignment of them.

(b) Acknowledges, approves, consents to, agrees to and accepts (i) the Developer's Reserved Rights and the exercise of them from time to time; (ii) that such exercise may change the Project; (iii) that such exercise may result in the recalculation of the common interest of some or all Units in some cases; (iv) that the Developer can file and/or record any and all documents that the Developer deems necessary or convenient to the exercise of its rights, including but not limited to any amendment to the condominium documents.

(c) Agrees, promptly after being asked to do so, to join in, consent to, sign, have notarized, deliver and record all documents and do all other things that the Developer in its sole discretion determines to be necessary or convenient to the exercise of the Developer's Reserved Rights or to accomplish the purpose for which those rights were reserved (as determined by the Developer).

(d) Appoints the Developer as said person's or entity's attorney-in-fact with full power of substitution to execute such documents and do such other things on said person's or entity's behalf, which grant of such power, being coupled with an interest, is irrevocable and shall not be affected by the disability of any such party. The Developer cannot use its power of attorney under Section R of the Declaration to waive or release any right an Owner or other interested person might have under the Act, to cancel the purchase of a unit, or to mortgage an Owner's Unit.

2. Developer's Reserved Right to Create New Units. Any other provision in the Declaration or the By-Laws notwithstanding, the Developer shall have the right (but not the obligation) at its sole discretion under Section R of the Declaration, to create one or more new Units in the Project and to create and designate common elements and limited common elements appurtenant to any New Unit. The Developer may do this more than once and at any time prior to the expiration of the Development Period.

3. Limits on Developer's Reserved Rights to Create New Units. The Developer's Reserved Rights in Section R of the Declaration are subject to the following terms and conditions:

(a) Developer may only create new Units in the Undeveloped Land Area (as defined in Section

V(21).

(b) The total number of Units in the Project may not exceed the limits contained in the zoning code applicable to the Land. Developer reserves the right to create new Units, including without limitation, the right to develop up to a maximum of seven (7) additional units under a Country Cluster permit in the Undeveloped Land Area.

(c) The Developer must pay all costs of creating the new Units and designating or converting the use of common elements or limited common elements; provided, however, that if the Developer shall sell all or any portion of the Undeveloped Land Area prior to the construction of the new Units, the new owner or owners shall be responsible for the payment of all costs of constructing the new Units.

4. Extent of Developer's Reserved Right to Create New Units. Subject to the above limitation, the Developer's Reserved Right to create New Units include the right to do anything necessary or convenient to create the new Units or to designate or convert the use of common elements or limited common elements, including but not limited to the right to do the following:

(a) to execute and record one or more amendments to the Declaration and Condominium Map, that describes the new Units. The amendment shall include a certificate signed by a registered architect or professional engineer as specified in Section 514B-34 of the Act.

(b) to allocate a portion of the common interest currently assigned to the Reserved Unit to the new Units by executing and recording an amendment to the Declaration.

(c) to designate or convert the rise of common elements or limited common elements to new Units by recording an amendment to the Declaration.

(d) to amend any previously recorded deed or other document conveying or encumbering a Unit so that it conforms with the revised Declaration and/or to record a new deed or conveyance document for that purpose. For example, if the Developer creates new Units, it may need to adjust the common interest of each existing Unit. If so, the Office of the Assistant Registrar of the Land Court of the State of Hawaii or the Bureau of Conveyances of the State of Hawaii, as the case may be, may require the Developer to change the deeds for existing Units to reflect the such change in common interest or it may require that the Developer issue replacement deeds reflecting such change in common interest.

5. Impact of Exercise of Developer's Reserved Right to Create New Units. Upon the recordation of an amendment to the Declaration and the Condominium Map as outlined above, the following will take place:

(a) The new Units will become condominium Units and will be part of the Project for all intents and purposes. The limited common elements will be appurtenant to the new Units to which they are assigned. The owner of a new Unit may deed it, lease it or otherwise encumber it just the same as if the new Unit had been created from the beginning of the Project.

(b) The Developer will be the owner of each new Unit and its common interest until the Developer conveys it to someone else. Nobody else except the Developer will have any legal or equitable rights in or to the new Units and its common elements.

(c) The Owners of all Units (including the new Units) will have the right to use the common elements of the Project to the same extent and subject to the same limits, just as if the Project had been developed with the new Units from the beginning.

6. Developer's Reserved Right to Construct New Improvements. Any other provision in the Declaration or the By-Laws notwithstanding, the Developer shall have the right (but not the obligation) at its sole discretion under Section R of the Declaration, at any time to design, designate, develop, build, add to and complete new improvements ("New Improvements") on the Land. The Developer may do this more than once and at any time prior to the expiration of the Development Period.

7. Limits on Developer's Reserved Rights to Construct New Improvements. The Developer's reserved rights in Section R of the Declaration are subject to the following terms and conditions:

(a) A licensed architect or engineer must prepare plans and specifications for the New improvements. The Developer must obtain all necessary governmental approvals and permits for the New Improvements. The Developer must build the New Improvements substantially in accordance with the plans and specifications.

(b) The plans and specifications for the New Improvements shall not require any material change to or the demolition of any existing Unit or limited common element, except if that Unit and limited common element is owned by the Developer. The Developer has a right to connect to, use, relocate and/or realign improvements to the Project to provide electricity, hot and cold water, air conditioning, access and other utilities and services, and when applicable, to designate, grant, convey, transfer, cancel, relocate and otherwise deal with any easements over, under, across or through the common elements of the Project as necessary and desirable. The Developer must do this in a way that does not cause any permanent interruption in the service of utilities to any other part of the Project.

(c) The Developer must pay all costs and expenses for the design, development and construction of the New Improvements; provided, however, that if the Developer shall sell all or any portion of the Undeveloped Land Area prior to the construction of the New Improvements, the new owner or owners shall be responsible for the payment of all costs of constructing the New Improvements. The Developer makes no promise as to when construction of any new Units will commence or be completed. Until construction of the new Units is substantially completed, the cost associated with any new Units, common elements and limited common elements shall be the sole responsibility of the Developer, except as provided for in Section B. Developer shall be solely responsible for all costs and expenses to reasonably maintain, repair, upkeep and provide security for the Undeveloped Land Area. For safety and other reasons, the Developer may elect to fence off screen or otherwise secure the Undeveloped Land Area and to severely limit and restrict access to such Undeveloped Land Area by all other Unit Owners and any other person. Each Unit Owner and every other interested person: (i) agrees to stay out of the Undeveloped Land Area and any specifically fenced areas until access to such area is specifically authorized by the Developer, and to see that the Unit Owner's representatives, licensees and invitees also do so; (ii) acknowledges and agrees that the ongoing construction will result in noise, dust and increased traffic in and around the Project for a period of time; (iii) acknowledges and agrees that care must be taken around construction sites, as certain hazardous conditions relating to the construction may exist for a period of time; (iv) acknowledges and agrees that Developer will make efforts to minimize dust but that dust and debris is an inevitable result of the ongoing construction; (v) waives any rights, claims or actions which the Unit Owner might otherwise have against the Developer as a result of any damage to Unit Owners' real or personal property, any inconvenience, annoyance or nuisance cause by any such ongoing activities.

(d) The Developer shall arrange and pay for builder's risk insurance and general liability insurance. The insurance must stay in effect during the entire construction period. Developer must provide the Managing Agent proof of insurance via a certificate of insurance showing the Association as the certificate holder.

(e) The Developer shall amend the Declaration and the Condominium Map to designate and show any New Improvements. Upon the recordation of such an amendment the New Improvements will be part of the Project as though they had been built at the beginning.

8. Extent of Developer's Reserved Rights to Construct New Improvements. Subject to the above limitations, the Developer shall have the absolute right to do the following:

(a) To have the exclusive right to control, manage, and conduct the design, development, construction, addition and completion of the New improvements on the Land even after Developer deeds Units to others.

(b) To remove, change or add common elements or to convert the use of common elements to another purpose.

- (c) To connect the New Improvements to utilities of the Project.
- (d) To build a fence around the construction area and to have the exclusive use and control of the area enclosed by the fence, and to make all Unit Owners, their representatives, licensees and invitees stay out of that area until the construction is finished.
- (e) To obtain all permits, licenses, and approvals necessary or convenient to the development, construction, completion and/or operation and use of the Project.
- (f) To coordinate the work and activities of the contractors, subcontractors, architects, engineers, laborers, suppliers, and others to complete the Project in accordance with the Developer's objectives on time, costs and quality.
- (g) To exercise all rights and make all decisions of the "Owner" or the "developer" or similar contracting party (including but not limited to all rights and decisions with respect to litigation and arbitration of claims arising thereunder or in connection therewith, and the compromise thereof) with respect to all contracts now or later signed in connection with the development and construction of the Project.
- (h) To review and approve necessary or desirable changes and requests for changes and change orders with respect to the Project.
- (i) To publish and file the notice of completion in accordance with Section 507-43 of the Hawaii Revised Statutes, as amended.
- (j) To approve and direct the replacement of any New Improvements that are under construction and that are damaged by fire or something else. This includes the right to settle any insurance claims made under any insurance policy that the Developer buys or arranges.
- (k) To amend the Declaration and Condominium Map as necessary or convenient to show the New improvements.
- (l) To amend any previously recorded deed or other document conveying or encumbering a Unit so that it conforms with the revised Declaration and/or to record a new deed or conveyance document for that purpose.
- (m) To add, delete, reconfigure, relocate, realign, reserve, and grant all easements and rights-of-way, and to otherwise make alterations in and use the common elements for such development and construction, and to designate limited common elements over, under and on the common elements, as may be necessary or desirable with respect to the construction or use of the additional increments, including but not limited to easements and rights-of-way for utilities, cesspools, sanitary and storm sewers, sewage treatment plants, refuse disposal, driveways, parking areas and roadways; provided, that such easements, rights-of-way, and limited common elements shall not be located on or within the existing Units or their appurtenant limited common elements, and, upon completion, shall not unreasonably and materially impair the use of the existing Units

9. Restricted Access to Construction Site. During the construction period, each Unit Owner must:  
(a) remain outside of any fenced construction area: (b) not directly or indirectly do or attempt to do anything that would or could affect or interfere with the development, construction and completion of the New Improvements.

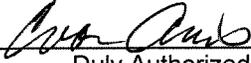
The Developer declares subject to the penalties set forth in Section 514B-69, HRS, that this project conforms to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located,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

WAIALUA DEVELOPMENT, INC.

Printed Name of Developer

By:  August 30, 2007  
Duly Authorized Signatory\* Date

Evon Avis, President

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City & County of Honolulu

Planning Department, City & County of Honolulu

**\*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

### DESCRIPTION OF UNITS AND BOUNDARIES OF UNITS

Three (3) separate and distinct freehold estates, deemed to include the entire structure and all improvements located therein, are bounded by and including the decorated or finished surfaces of the exterior of the perimeter walls, including all exterior doors and windows, by the exterior surfaces of the respective roofs thereof, and inclusive of the floor and ceiling of each of the buildings in the Project, together with any entries, porches, steps, stairs, lanais, decks, laundry areas, carports, or other improvements physically attached to the building.

(a) Unit A contains two-stories in which there a Work Room, Storage, Work Area, and the Garage with three (3) regular-sized parking spaces located on the first floor. The second floor consists of a Living room, a Dining Room, a Kitchen, two (2) Bedrooms, two (2) Baths, and two (2) Decks, as shown on said Condominium Map. Unit A contains a net living area of approximately 2,028 square feet, the Garage contains an area of approximately 1,176 square feet, the two (2) Decks contain an area of approximately 1,188 square feet, and the Work Room contains an area of approximately 408 square feet. There are three (3) covered parking stalls located in the limited common element land area.

(b) Unit B contains one story and is a shed consisting of approximately 24 square feet, as shown on said Condominium Map. Parking for Unit B is located within the limited common element area appurtenant to Unit B.

(c) Unit C contains one story and is a shed consisting of approximately 96 square feet, as shown on said Condominium Map. Parking for Unit C is located within the limited common element area appurtenant to Unit C.

Each Unit shall also include all pipes, wires, conduits, and other utility and service lines contained wholly within such Unit and which are utilized exclusively by and serve only such Unit.

## **EXHIBIT B**

### **DESCRIPTION OF COMMON ELEMENTS**

The common elements shall consist of all portions of the Project except the Units above described, and shall specifically include, but not be limited to:

- (a) The Land in fee simple.
- (b) That certain Common Element Roadway (the "Roadway") containing an area of approximately 30,610 square feet, more or less, providing access to the Units from Waialua Beach Road; subject to the Developer's reserved right to increase or decrease the size of said Roadway, and to realign and/or relocate said Roadway as provided in Section R, hereinbelow.
- (c) All pipes, wires, conduits, and other utility and service lines which are utilized for or serve all of the Units in the Project.
- (d) Any and all other apparatus and installations of common use, and all other parts of the Project necessary or convenient to its existence, maintenance, and safety, or normally in common use.

### **DESCRIPTION OF LIMITED COMMON ELEMENTS**

Certain parts of the common elements are hereby set aside and reserved for the exclusive use of the Units and shall constitute limited common elements appurtenant thereto. Each Unit shall have an exclusive easement for the use of the limited common elements appurtenant thereto, except as otherwise provided herein. The cost of maintenance, repair, upkeep, and replacement of each limited common element shall be assessed to the owner of the Unit to which such limited common element is appurtenant. The limited common elements shall be appurtenant to each of the Units as follows:

- (a) That certain 44,474 square feet, more or less, of the real property of the Project which includes the real property upon which Unit A is situated, as shown on said Condominium Map, inclusive of the airspace located above such area, shall constitute a limited common element appurtenant to and for the exclusive use of Unit A.
- (b) That certain 44,892 square feet, more or less, of real property of the Project which includes the real property upon which Unit B is situated, inclusive of the airspace located above such area, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit B.

(c) That certain 293,533 square feet, more or less (“Undeveloped Land Area”), of real property of the Project which includes the real property upon which the Reserved Unit is situated, inclusive of the airspace located above such area, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of the Reserved Unit. The Developer intends to construct new units and/or new improvements, as outlined in Section R of this Declaration. The Developer reserves the right, but not the obligation, to redesignate the Reserved Unit as outlined in Section R of this Declaration.

(d) All pipes, wires, conduits, and other utility and service lines not contained within a Unit but used by and servicing one (1) Unit or more Units, but less than all the Units, shall be a limited common element appurtenant to and for the exclusive use of the Unit or Units using and serviced by such pipes, wires, conduits, and other utility and service lines.

## EXHIBIT C

### DESCRIPTION OF ENCUMBRANCES

1. Real property taxes that may be due and owing. Reference is made to the Tax Assessor's Office, City and County of Honolulu.
2. Terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the Indemnification and Hold Harmless Covenants dated August 11, 1998, filed in said Office as Document No. 2481463.
3. Terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the Declaration of Restrictive Covenants dated August 14, 1998, filed in said Office as Document No. 2481464.
4. Location of the seaward boundary in accordance with the laws of the State of Hawaii and shoreline setback line in accordance with County regulation and/or ordinance and the effect, if any, upon the area of the land described herein.
5. Mortgage in favor of Meridian Mortgage, Inc., a Hawaii corporation, by instrument dated May 6, 2005, filed in said Office as Document No. 3267697.
6. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the Declaration of Condominium Property Regime for "Waialua Wai Villas" condominium project dated August 1, 2007, filed in said Office as Document No. 3639346, as amended by instrument dated October 29, 2007, filed in said Office as Document No. 3674618, and Condominium Map No. 1907, and any amendments thereto.
7. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the By-Laws of the Association of Unit Owners dated August 1, 2007, filed in said Office as Document No. 3639347.

## EXHIBIT D

### SUMMARY OF SALES CONTRACT

1. Seller may terminate Sales Contract and refund to Buyer all money Buyer has paid without interest, if Seller determines that Buyer's ability to make payments or if the financial ability of Buyer has decreased at the time the credit report is updated.
2. Risk of loss to the unit and percentage interest in the common elements will be borne by Seller until the date of final closing at which time risk of loss will be borne by Buyer.
3. The contract will not be assignable without the prior written consent of Seller and any attempt to assign without this consent will be null and void.
4. Seller reserves the right to modify the Declaration, By-Laws, House Rules, Escrow Agreement and Unit Deed, provided that these modifications do not increase the Buyer's share of common expenses, reduce the obligations of Seller for common expenses on unsold units, reduce the size of the units, increase the cost of the units, or impair or modify any obligations given or undertaken by Seller. Seller also reserves the right to make minor changes that may improve the unit.
5. Seller may appoint the initial management agent for the Project.
6. Seller reserves the right to exercise all of the power of the Association until the election of the Board of Directors and officers of the Association of Unit Owners and may vote and exercise all the powers of the Board and officers of the Association including voting of owners of units remaining unsold.
7. Buyer may have the right to rescind the Sales Contract and obtain a refund of all money paid by Buyer without interest if there is any material change in the Condominium (other than any additions, deletions, modifications and reservations including, without limitation, the merger of increments accomplished pursuant to the terms of the Condominium Declaration) which directly, substantially, and adversely affects the use or value of the unit or the limited common elements appurtenant thereto.
8. If the Buyer defaults when a payment is required, the Seller will notify the Buyer by registered mail of such default. If the default is not cured within seven (7) days after mailing the notice, the Sales Contract may be terminated by Seller with written notice to Buyer. If this occurs, the money paid by the Buyer will belong to the Seller as liquidated damages.

## EXHIBIT E

### SUMMARY OF ESCROW AGREEMENT

Seller has entered into an Escrow Agreement dated August 23, 2007, with First American Title Company. The Escrow Agreement sets up an arrangement under which the deposits which a Buyer makes under a Purchase Contract will be held by a neutral party ("Escrow"). Under the Escrow Agreement the following will or may happen:

- (a) Seller will require all payments due to be made to Escrow.
- (b) All money received by Escrow will be deposited in an interest-bearing account in a federally-insured bank or savings and loan institution. All interest earned in the account will be credited to the account of the Seller.
- (c) If the Buyer under a reservation as an owner-occupant is not offered an unit or if the Buyer refuses to enter into a Purchase Contract, Escrow will promptly refund the deposit made by Buyer without interest. If Buyer enters into Purchase Contract but rescinds the Purchase Contract because of hardship or because the Buyer no longer intends to be an owner-occupant, Seller will cancel Purchase Contract and Escrow will promptly return all money to Buyer without interest and less the cancellation fee.
- (d) Escrow will not disburse Buyer's funds until Seller has notified Escrow that Buyer's Purchase Contract has become effective and a Developer's Public Report has been issued by the Real Estate Commission and Escrow has received a copy of Buyer's receipt for the Developer's Public Report.
- (e) Escrow will from time to time make disbursements from the Escrow fund to pay for construction costs, to other persons for architectural, engineering, financing, advertising, legal fees and other expenses, but not for selling expenses or brokerage fees relating to the sales of any unit.
- (f) If Buyer is in default under the Purchase Contract, Escrow will promptly give to Buyer notice of the default.
- (g) Escrow is relieved from all liability for acting in accordance with the terms of the Escrow Agreement.

(h) The compensation of Escrow shall be based on the scheduled rate, plus Hawaii general excise tax for each unit sold under a binding Purchase Contract and of which a deed has been fully recorded in the Bureau of Conveyances of the State of Hawaii; provided, however, that if Escrow shall for any reason without fault on its part to be required to change, subsequent to the commencement of pre-closings for the Project, any closing statement or document previously approved as to form and figures by the Seller, Seller agrees to pay an additional charge for each such statement or document which is changed.

**EXHIBIT F**

**STATEMENT BY DEVELOPER REGARDING THE  
PRESENT CONDITION OF STRUCTURAL COMPONENTS  
AND MECHANICAL AND ELECTRICAL INSTALLATIONS AT  
WAIALUA WAI VILLAS**

The undersigned, being the developer of the Waialua Wai Villas condominium project, and pursuant to HRS §514B-84(1)(A), hereby represents that the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the project are as described in the architect's report attached hereto as Exhibit 1 and incorporated herein by reference, and that the undersigned makes no representations as to the expected useful life of such structural components or mechanical or electrical installations.

Dated: Honolulu, Hawaii, August 10, 2007.

**WAIALUA DEVELOPMENT, INC.**

By *Evon Avis*  
Evon Avis  
Its President

**EXHIBIT 1**

**ARCHITECT'S CONDITION REPORT**

The undersigned, being a licensed architect within the State of Hawaii and bearing Registration Number AR-9902, has inspected the dwellings at the "WAIALUA WAI VILLAS" condominium project situate at 66-449 Waialua Beach Road, Haleiwa, Hawaii 96712, and identified by Tax Map Key No. (1) 6-6-021-001. Unit A is a dwelling which was built in 2003 and may be occupied for residential use. Units B and C are sheds consisting of approximately 24 sq. ft. and 96 sq. ft., respectively.

The inspection of Unit A included the visible exterior roof, visible foundation, visible electrical and plumbing systems, and I find that the systems and components of the structures, including visible structural, visible electrical and visible plumbing, appear to be in satisfactory condition for the stated age thereof and appear to be in sound condition. The structural and related systems and components of Unit A have an expected useful life in excess of approximately 30 years.

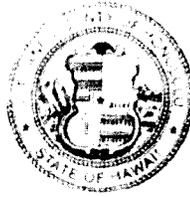
This is not a warranty of compliance with all rules and regulations, only a warranty that inspection was made and no violations appear to exist. No right shall accrue to any third party for subsequent discovery of any problems with code compliance or for future changes in such code(s).

  
RAYMOND L. AVIS

Subscribed and sworn to before me this  
10<sup>th</sup> day of August, 2007.

  
\_\_\_\_\_  
Notary Public, State of Hawaii  
Jeane R. Hiraio  
\_\_\_\_\_  
Print or type name  
My commission expires: 1-30-2009

CITY AND COUNTY OF HONOLULU



DAVID K. TANIGUCHI  
DEPUTY DIRECTOR

2005/ELOG-2471(RLK)

November 30, 2006

Ms. Evon Avis, President  
Waiialua Development, Inc.  
66-449 Waiialua Beach Road  
Haleiwa, Hawaii 96712

Dear Ms. Avis:

Subject: Condominium Conversion Project  
66-449 Waiialua Beach Road  
Tax Map Key: 6-6-021: 001

This is in response to your letter dated October 17, 2005, requesting verification that the structure on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the two-story single-family detached dwelling with three (3) all-weather-surface off-street parking spaces and crushed rock driveway met all applicable code requirements when it was constructed in 2001 on this 419,352 square-foot Country District zoned lot.

For your information, the Department of Planning and Permitting cannot determine all legal nonconforming uses or structures, as a result of the adoption or amendment of any ordinance or code.

No variances or other permits were granted to allow deviations from any applicable codes.

Conversion to a condominium property regime (CPR) is not recognized by the City and County as an approved subdivision. CPR delineates ownership; it does not create separate lots of record for subdivision and zoning purposes.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-Family Code Enforcement Branch at 527-6341.

Very truly yours,

  
Henry Eng, FAICP, Director  
Department of Planning and Permitting

HE tt

cc: [illegible]

EXHIBIT G

**EXHIBIT H**

**ESTIMATED MAINTENANCE FEE & OPERATING EXPENSES OF ASSOCIATION**  
(For Period August 1, 2007 to July 31, 2008)  
As Prepared by Developer

Estimated Annual Expenses

|                               |           |            |
|-------------------------------|-----------|------------|
| Ground Maintenance            |           |            |
| Water/Sewer                   | \$        | -0-        |
| *Electricity:                 |           | -0-        |
| **Fire/Liability Insurance:   |           | -0-        |
| Management Fee:               |           | -0-        |
| Miscellaneous                 |           | -0-        |
| <b>TOTAL ANNUAL EXPENSES:</b> | <b>\$</b> | <b>-0-</b> |

Estimated Monthly Expenses \$ -0-

Estimated Monthly Maintenance Fee  
For Each Apartment \$ -0-

\*All utilities will be separately metered or otherwise charged, and the common elements will incur no separate utility charges.

\*\*Section 514B-143, Hawaii Revised Statutes, requires the Association of Unit Owners to purchase fire insurance to cover the improvements of the Project, and that the premiums for the insurance be common expenses. Developer anticipates that the Association will elect to permit individual Unit owners to obtain and maintain separate policies of fire insurance and name the Association as an additional insured. In such case, fire insurance premiums will be the responsibility of individual Unit owners and not common expenses.

The Developer certifies that the maintenance fees and costs as estimated by the Developer is based on generally accepted accounting principles.

**WAIALUA DEVELOPMENT, INC.**

By Evon Avis  
Evon Avis  
Its President

“Developer”