

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

CONDOMINIUM PROJECT NAME	EQUUS
Project Address	1696 Ala Moana Boulevard, Honolulu, Hawaii 96815
Registration Number	6453 (Conversion)
Effective Date of Report	December 13, 2007
Developer(s)	Hawaii Polo Inn, LLC (the Developer for Fee Simple Sales) Driftwood Hotel, Inc. (the Developer for Leasehold Transfers to its Shareholders desiring to exchange their individual unit space leases for condominium unit leases)

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 5148, Hawaii Revised Statutes, as amended from time to time. The law defines "material facts" to mean "any fact, defect, or condition, past or present that to a reasonable person, would be expected to measurably affect the value of the project, unit, or property being offered or proposed to be offered for sale."

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

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

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

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

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

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

PART I

1. **Project is a Conversion of a Non-Conforming Hotel; Special Use Restrictions.** This Project is a non-conforming hotel that is being converted to condominium status. For further information in this regard, please refer to Sections 1.14 and 1.15 of, and Exhibit D attached to, this Public Report. All units in the Project are also subject to special use restrictions, including the following: all units are hotel lodging units in which kitchens are not allowed and which may not be occupied as permanent residences. However, an Owner may personally occupy his or her unit for no more than sixty (60) days in any given twelve month period, and each Owner is free to make his or her own arrangements for the management and/or rental of his or her unit. Again, please see Exhibit D for further information.

2. **Release of Existing Master Lease, Master Sublease and Individual Unit Space Leases.** The Project is presently subject to a master lease, a master sublease and individual unit space leases (collectively the "leases", see Part B of Exhibit E attached to this Public Report) which will be released upon each sale or lease of a condominium unit, except in the circumstance stated below in paragraph 6.D of Part II.

3. **Leasehold Developer DHI and Its Shareholders.** Driftwood Hotel, Inc. ("DHI") is deemed the leasehold developer. It owns the lessee's interest under the master sublease and the lessor's interests under the individual unit space leases. DHI's Shareholders own the lessee's interest under the individual unit space leases. DHI is not making any offer or other arrangement regarding a condominium unit except to DHI Shareholders as stated below in Part II.

4. **Fee Simple Developer HPI.** Hawaii Polo Inn, LLC ("HPI") is deemed the fee simple developer. It is the owner of the fee simple interest and the lessor's interest under the master lease.

5. **Fee Simple Purchase Offers to Prospective Buyers.** HPI is offering to sell fee simple units free and clear of all leases and blanket liens on the following basis:

- HPI is offering to sell to each DHI Shareholder the units which are now subject to the individual unit space leases held by such Shareholder, as outlined below in Part II.
- HPI is offering to sell to prospective buyers who are not DHI Shareholders all units that are not, as outlined in Part II below, either purchased by DHI Shareholders or made subject to condominium unit leases to DHI Shareholders or DHI itself.
- DHI in conjunction with HPI is offering leasehold condominium units **to DHI Shareholders only** as outlined below in Part II. They are **not** offering leasehold condominium units to prospective buyers who are **not** DHI Shareholders

For more information regarding the purchase contract for fee simple unit sales, see attached Exhibit "I".

PART II – SPECIAL DISCLOSURES FOR DHI SHAREHOLDERS

6. **Arrangements Made For and Approved by DHI Shareholders.** The following arrangements were presented to and unanimously approved by DHI's Shareholders at their annual meeting in 2007.

A. **Offer to Purchase a Unit in Fee Simple.** HPI is offering to sell to each of DHI's Shareholders the fee simple interest in his or her unit in the Project free and clear of all leases and blanket liens on the following basis:

[1] Each Shareholder is free to choose whether or not to become a fee simple buyer of his or her unit by signing the purchase contract. Each such Shareholder would have all of the consumer rights and protections afforded by Hawaii's Condominium Property Regime law (Chapter 514B, HRS), including the right to receive and the opportunity to review the Public Report and to cancel the purchase contract.

[2] Each such Shareholder electing to execute and close on a purchase contract would be required:

[a] to pay the purchase price for his or her Unit in fee simple, and

[b] to surrender to DHI his or her share of stock in DHI and his or her individual unit space lease.

[3] Upon the closing of the sale and recordation of the deed of his or her unit, such Shareholder would become and have the rights, including the right to vote, of a member in the association for the Project.

B. Offer to Exchange an Individual Unit Space Lease for a Condominium Unit Lease. To each Shareholder electing not to execute and close on a fee simple purchase contract for his or her unit, DHI is offering to cause an exchange of such Shareholder's individual unit space lease for a leasehold unit lease to be issued by HPI free and clear of all leases and blanket liens on the following basis:

[1] Each Shareholder is free to choose whether or not to exchange by signing the acquisition contract. Each such Shareholder would have all of the consumer rights and protections afforded by Hawaii's Condominium Property Regime law (Chapter 514B, HRS), including the right to receive and the opportunity to review the Public Report and to cancel the acquisition contract.

[2] Each such Shareholder electing to exchange would be required:

[a] to surrender to DHI his or her share of stock in DHI and his or her individual unit space lease which expires in 2015;

[b] to execute a note and mortgage on that unit (in the form also presented at the Shareholder's 2007 annual meeting in favor of DHI evidencing and securing such Shareholder's obligation to pay his or her share of the repairs and renovations to the Project previously authorized by DHI's Shareholders.

[3] Upon the closing of the sale and recordation of the condominium unit lease of such Shareholder's unit which DHI will cause HPI to issue and recordation of the mortgage in favor of DHI on such Shareholder's unit, such Shareholder would become a leasehold condominium owner. The condominium unit lease would expire in 2015 and would be for the same rental and be substantially on the same terms and conditions as stated in the existing individual unit space lease held by such Shareholder except that such Shareholder would become and have the rights, including the right to vote, of a member in the association for the Project for the term of the condominium unit lease.

C. If All DHI Shareholders Purchase or Exchange. If all Shareholders purchase or exchange, DHI will be dissolved after all of the Shareholders surrender their individual unit space leases and shares of stock in DHI.

D. If Some DHI Shareholders Do Not Purchase or Exchange. If some Shareholders do not purchase or exchange, DHI will receive from HPI, free and clear of the master lease and all leases except the individual unit space and blanket liens, and will hold condominium unit leases for those units that will remain subject to individual unit space leases held by the remaining Shareholders. Each such remaining Shareholder will continue to hold his or her shares of stock in DHI and his or her individual unit space lease until 2015 when all the individual unit space leases will expire, and DHI will be dissolved.

E. Exhibit "I". For more information regarding the purchase contract and the acquisition contract, see Exhibit "I" attached to this Public Report.

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General Information On Condominiums

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

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

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

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

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

Operation of the Condominium Project

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

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

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

1. THE CONDOMINIUM PROJECT

1.1 The Underlying Land

Fee Simple or Leasehold Project	<input checked="" type="checkbox"/> Fee Simple – For sales from Hawaii Polo Inn, LLC <input checked="" type="checkbox"/> Leasehold – For transfers from Driftwood Hotel, Inc.
Developers are the Fee Owner and Lease Holder	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Fee Owner's Name if Developer is not the Fee Owner	Hawaii Polo Inn, LLC – Fee Owner
Lease Holder's Name	Driftwood Hotel, Inc. – Sublease Holder
Address of Project	1696 Ala Moana Boulevard, Honolulu, Hawaii 96815
Address of Project is expected to change because	N/A
Tax Map Key (TMK)	(1) 2-6-011-020
Tax Map Key is expected to change because	N/A
Land Area	6,864 sq. ft.
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	N/A

1.2 Buildings and Other Improvements

Number of Buildings	1
Floors Per Building	10
Number of New Building(s)	0
Number of Converted Building(s)	1
Principal Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	Concrete, steel, glass, and allied materials

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	42	1	308 sq. ft	-	-	308 sq. ft
B	28	1	253 sq. ft	-	55 sq. ft (lanai)	308 sq. ft
C	1	1	308 sq. ft	-	-	308 sq. ft
D	1	1	308 sq. ft	-	-	308 sq. ft
Commercial numbered C-1	1	0	204 sq. ft	-	-	204 sq. ft
See Exhibit A.						

73	Total Number of Units
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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:	15
Number of Guest Stalls in the Project:	See page 18
Number of Parking Stalls Assigned to Each Unit:	0
Attach Exhibit <u>B</u> specifying the Parking Stall number(s) assigned to each unit and the type of parking stall(s) (regular, compact or tandem and indicate whether covered or open). N/A	
If the Developer has reserved any rights to assign or re-assign parking stalls, describe such rights. As the owner of Unit C-1 to which the basement parking area is appurtenant as a limited common element, the Developer Hawaii Polo Inn, LLC has reserved the right to operate the parking area, including the parking stalls, as a commercial parking facility. See page 18.	

1.5 Boundaries of the Units

Boundaries of the unit: 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): See Exhibit B.
--

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 <u>C</u>
As follows:

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

<input checked="" 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

<p>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.</p>	
<p>Described in Exhibit C.</p>	
<p>Described as follows:</p>	
Common Element	Number
Elevators	1
Stairways	2
Trash Chutes	0

1.10 Limited Common Elements

<p>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.</p>
<p>Described in Exhibit C.</p>
<p>Described as follows:</p>

1.11 Special Use Restrictions

<p>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.</p>	
<input checked="" type="checkbox"/>	Pets: See Exhibit D
<input checked="" type="checkbox"/>	Number of Occupants: See Exhibit D
<input checked="" type="checkbox"/>	Other: See Exhibit D
<input checked="" type="checkbox"/>	There are special use restrictions, see Exhibit D.

1.12 Encumbrances Against Title

<p>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).</p>
<p>Exhibit E describes the encumbrances against title contained in the title report described below.</p>
<p>Date of the title report: December 13, 2007</p>
<p>Company that issued the title report: Title Guaranty of Hawaii, Inc.</p>

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 type="checkbox"/> Residential		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input checked="" type="checkbox"/> Commercial	1 (grandfathered)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Apartment Precinct
<input type="checkbox"/> Mix Residential/Commercial		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input checked="" type="checkbox"/> Hotel	71 (grandfathered)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	Apartment Precinct
<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)	1 (commercial/hotel)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Apartment Precinct
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.		Not Applicable		

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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Structures	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lot	<input type="checkbox"/>	<input checked="" 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: See Exhibit B</p>			

1.15 Conversions

<p>Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.</p>	<p><input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable</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>Developer's statement of the expected useful life of each item reported above:</p>	
<p>List of any outstanding notices of uncured violations of any building code or other county regulations: N/A</p>	
<p>Estimated cost of curing any violations described above: N/A</p>	

<p>Verified Statement from a County Official</p>
<p>Regarding any converted structures in the project, attached as Exhibit F 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"> (i) Any variances or other permits that have been granted to achieve compliance; (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 (iii) Any violations of current zoning or building ordinances or codes and the conditions required to bring the structure into compliance; <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>Is the project in an agricultural district as designated by the land use laws of the State of Hawaii? If answer is "Yes," provide information below.</p>	<p><input type="checkbox"/> Yes <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: N/A</p>	

1.17 Project with Assisted Living Facility

<p>Does the project contain any assisted living facility units subject to Section 321-11(10), HRS? If answer is "Yes," complete information below.</p>	<p><input type="checkbox"/> Yes <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>2.1 Developers:</p>	<p>Name: Hawaii Polo, LLC (for fee simple unit sales) Business Address: 1696 Ala Moana Blvd., Honolulu, HI 96815 Business Phone Number: (808) 949-0061 E-mail Address:</p> <p>Name: Driftwood Hotel, Inc. (for transfers to its shareholders electing to exchange their proprietary space leases for unit leases) Business Address: 1696 Ala Moana Blvd., Honolulu, HI 96815 Business Phone Number: (808) 949-0061 E-mail Address:</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><u>Regarding Hawaii Polo Inn, LLC:</u> Michael K. Dailey, Manager/Member; Becca Dailey, Manager/Member, Devon Dailey, Manager/Member, Mariah Dailey, Manager/Member</p> <p><u>Regarding Driftwood Hotel, Inc.</u> Michael K. Dailey, President/Treasurer/Director Elizabeth Dailey, Vice President/Director Becca Dailey, Secretary/Director</p>
<p>2.2 Real Estate Broker</p>	<p>Name: HHOC, LLC Business Address: 1696 Ala Moana Boulevard, Honolulu HI 96815 Business Phone Number: (808) 391-1689 E-mail Address: edwardreinhart@hotmail.com</p>
<p>2.3 Escrow Depository</p>	<p>Name: Title Guaranty Escrow Services Inc. Business Address: 235 Queen Street, Honolulu HI 96813 Business Phone Number: (808) 521-0211 E-mail Address: Ishimizu@TGHAWAII.com</p>
<p>2.4 General Contractor</p>	<p>Name: N/A Business Address: Business Phone Number: E-mail Address:</p>
<p>2.5 Condominium Managing Agent</p>	<p>Name: Honolulu Hotel Operating Corporation Business Address: 1696 Ala Moana Boulevard, Honolulu, Hawaii 96815 Business Phone Number: (808) 949-0061 E-mail Address: hawaiipolo@cs.com</p>
<p>2.6 Attorney for Developer</p>	<p>Name: Bays Deaver Lung Rose & Holma Attn: Robert E. Warner Business Address: 1099 Alakea Street, 16th Floor, Honolulu, HI 96813 Business Phone Number: (808) 523-9000 E-mail Address: rwarner@legalthawaii.com</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	November 13, 2007	3691026

Amendments to Declaration of Condominium Property Regime		
Land Court or Bureau of Conveyances	Date of Document	Document Number

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	November 13, 2007	3691027

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	1935
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:	<input type="checkbox"/>
Are Proposed	<input type="checkbox"/>
Have Been Adopted and Date of Adoption	<input checked="" type="checkbox"/>
Developer does not plan to adopt House Rules	<input type="checkbox"/>

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"/>	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: See Exhibit G

4. CONDOMINIUM MANAGEMENT

4.1 Management of the Common Elements

<p><u>Management of the Common Elements:</u> 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 type="checkbox"/>	None (self-managed by the Association)
<input checked="" type="checkbox"/>	The Developer or an affiliate of the Developer
<input type="checkbox"/>	Other (explain)

4.2 Estimate of the Initial Maintenance Fees

<p><u>Estimate of the Initial Maintenance Fees:</u> 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 H 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 checked="" type="checkbox"/>	Electricity for the common elements
<input type="checkbox"/>	Gas for the common elements
<input checked="" type="checkbox"/>	Water
<input checked="" type="checkbox"/>	Sewer
<input checked="" 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 type="checkbox"/>	Electricity for the Unit only
<input type="checkbox"/>	Gas for the Unit only
<input type="checkbox"/>	Water
<input type="checkbox"/>	Sewer
<input type="checkbox"/>	TV cable
<input type="checkbox"/>	Other (specify)

5. SALES DOCUMENTS

5.1 Sales Documents Filed with the Real Estate Commission

Sales Documents on file with the Commission include, but are not limited to, the following:	
<input checked="" type="checkbox"/>	Specimen Sales Contracts Exhibit I contains a summary of the pertinent provisions of the sales contracts. Including but not limited to any rights reserved by the Developer.
<input checked="" type="checkbox"/>	Escrow Agreements dated: July 17, 2007 Name of Escrow Company: Title Guaranty Escrow Services, Inc. Exhibit I contains a summary of the pertinent provisions of the escrow agreements.
<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. N/A
<input type="checkbox"/>	Developer has designated the units for sale to Owner-Occupants in this report. See Exhibit _____.
<input type="checkbox"/>	Developer has or will designate the units for sale to Owner-Occupants by publication.

5.3 Blanket Liens

<u>Blanket Liens</u> : 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.

<u>Type of Lien</u>	Effect on Purchaser's Interest and Deposit if Developer Defaults Or Lien is Foreclosed Prior to Conveyance
Mortgages	The lien is superior to the interests of the buyers of apartments, and foreclosure of the lien would foreclose buyer's interest. If a buyer's interest is foreclosed, the buyer's deposit will be returned, less any escrow cancellation fee.

5.4 Construction Warranties

<u>Construction Warranties</u> : 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:
<u>Building and Other Improvements</u> : Developer will assign all construction, manufacturer and vendor warranties for the buildings and other improvements given by or to the contractor. The nature and extent of such warranties are not yet known.
<u>Appliances</u> : Developer will assign all appliance and vendor warranties for fixtures installed in the units. The nature and extent of such warranties are not yet known.

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

Status of Construction: The building and all units were completed in the 1960s. Renovations have been completed in 2007 for the building and all units except for Units numbered 302, 1001, 1002, 1003, 1004, 1005, 1006, 1007 and 1008.
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: March 31, 2008 for renovation of Units 302, 1001, 1002, 1003, 1004, 1005, 1006, 1007 and 1008.

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. 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.
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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 : N/A	
<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 use of purchaser deposits (check Box A or Box B):

<p>Box A <input type="checkbox"/></p>	<p>The Developer has submitted all information and documents required by law and the Commission prior to the disbursement of purchaser deposits before closing. This means that the Developer may use such deposits before closing. If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report.</p> <p>If Box A is checked, you should read and carefully consider the following notice, which is required by law:</p> <p><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.</p>
<p>Box B <input type="checkbox"/></p>	<p>The Developer has not 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 <u>Important Notice Regarding Your Deposits</u>, 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, <u>you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment.</u> (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 <u>Important Notice Regarding Your Deposits</u> 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 part of this public report, as well as Item 5, if any, and are being delivered to you with this report.

1. **Developers' Public Report**
2. **Declaration of Condominium Property Regime (and any amendments)**
3. **Bylaws of the Association of Unit Owners (and any amendments)**
4. **Condominium Map (and any amendments)**
5. House Rules, if any
6. Escrow Agreements
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: N/A

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

Website to access rules: 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;
- (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 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

A. Parking. The basement parking area, including the parking stalls, will be operated as a commercial parking garage. It will be available only to guests at the Project, with the parking rates to be commensurate with prevailing rates in Waikiki.

B. Mail. Mail addressed to unit owners at the Project will be held and made available to owners at the Front Desk Unit No. C-1, or at the written request of a unit owner, forwarded to that owner at the mailing address requested.

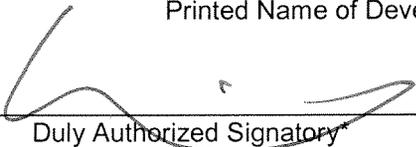
C. Lease and Sublease. The Project is subject to a Lease and Sublease that are described in Part B of Exhibit E and which must be released as to each unit before the Developer conveys that unit to a purchaser as is stated in Section 5.3 and said Part B. Additionally, the Lessee/Sublessor and the Lessee must make the Lease and Sublessee subject to the Project and the documents created the condominium by a joinder to be filed of record before any unit is conveyed by the Developer. It is anticipated that the joinder will be filed on or before December 21, 2007.

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.

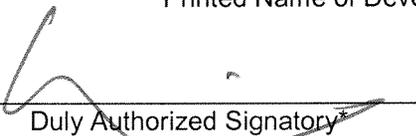
The Developer hereby certifies that all the information contained in this report and the exhibits attached to this report and all documents to be furnished by the Developer to purchasers concerning the project have been reviewed by the Developer and are, to the best of the Developer's knowledge, information 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.

Hawaii Polo Inn, LLC
Printed Name of Developer

By:  DEC - 7 2007
Duly Authorized Signatory Date

Michael K. Dailey, Manager
Printed Name & Title of Person Signing Above

Driftwood Hotel, Inc.
Printed Name of Developer

By:  DEC - 7 2007
Duly Authorized Signatory Date

Michael K. Dailey, President
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and 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
to
DEVELOPER'S PUBLIC REPORT FOR
EQUUS CONDOMINIUM

The Building, the Units located in the Building and other Improvements are as shown and depicted on the Condominium Map and as described below; *provided, however*, if the descriptions and divisions set forth in this Exhibit A conflict with the depictions and divisions shown on the Condominium Map, the Condominium Map shall control; *provided, further*, that the Condominium Map is intended only to show a site plan, the layout, location, Unit numbers and dimensions of the Units and elevations of the Buildings and is not intended and shall be not deemed to contain or make any other representation or warranty.

A. DESCRIPTION OF BUILDINGS AND OTHER IMPROVEMENTS, INCLUDING PARKING STALLS.

Equus has one (1) ten (10) story building without basement located at 1696 Ala Moana Boulevard on the northeast or “mauka” (meaning mountain) side in Waikiki, Oahu, Hawaii. The building contains a total of seventy three (73) units, seventy-two (72) of which are hotel units (“**lodging units**”), and one (1) of which is a “**commercial unit**.” Other improvements include: a driveway from Ala Moana Boulevard to the commercial parking facility on the ground level, a main exterior entrance stairway from the public sidewalk on the ground level to the second floor, a swimming pool located on the second floor, an elevator running between the second and tenth floors, two interior stairways running from the ground level to the tenth floor, various equipment and electric rooms and facilities, a maid’s storage rooms on each of floors three through ten, and planters. There are fifteen (15) parking stalls located on the ground level. They are limited common elements to the commercial unit. The ground level, including these stalls, will be operated as a commercial parking garage for hotel guests of the Condominium.

B. DESCRIPTION OF UNITS.

1. Number, Location, Access to Grounds. The one commercial unit is the “**front desk unit**,” is located on the second floor, is numbered C-1 and has access through a common element reception area on the second floor and then via the main exterior entrance stairway to a public sidewalk. Eight (8) lodging units are located on each of second thru tenth floors. Lodging units located on each of the third thru tenth floors have access over the common element hallway on that floor to the second floor via the elevator and the two interior stairways. From the second floor there is access to a public sidewalk for all lodging units via the main exterior entrance stairway and one of the interior stairways. [Note: The Association is leasing Units 202 and 203 for use as a lobby and breakfast/meeting area for hotel guests.]

Lodging units are identified by a three digit number. The first digit is “2” through “10” depending on the location of the unit on one of the second through tenth floors, followed by the numbers “01” through “08,” inclusive, indicating each unit’s relative location on the floor. Units numbered “01” and “08” are end units, with units numbered “01” being on the Ala Moana Boulevard end of the building. For example, Apartment 301 is on the third floor and is an end unit facing Ala Moana Boulevard.

2. Unit Descriptions and Areas.

[a] Lodging Units. The lodging units are divided into four (4) types, Type A, Type B, Type C and Type D.

All the lodging units include a living/bedroom area, a bathroom, a kitchenette and a closet, except that in accordance with an agreement between the Developer Hawaii Polo Inn, LLC and the Association Units 202 and 203 are presently configured and used as a lobby area and breakfast area, respectively.

There are forty-two (42) Type A Units numbered as follows: 203 thru 208; 301, 304, 305 and 308; 401, 404, 405 and 408; 501, 504, 505 and 508; 601, 604, 605 and 608; 701, 704, 705 and 706; 801, 804, 805 and 808; 901, 904, 905 and 908; and 1001 thru 1008. There is one (1) Type C Unit which is numbered 201, and one (1) Type D Unit which is numbered 202 and is being leased to the Association as a lobby area. Each Type A, C and D unit has an interior net living area of approximately 308 square feet, as measured from the interior surface of its perimeter walls and other improvements, does not have a lanai, and has substantially the same configuration and layout, except that: each of the Type A Units with the numbers "01" and "08" and the Type C Unit have a window as shown on the Condominium Map; some Type A units are otherwise the mirror (reverse) images of others as shown on the Condominium Map; and the Type C Unit and the Type D Unit have slightly different interior configurations as shown on the Condominium Map.

There are twenty eight (28) Type B Units numbered as follows: 302, 303, 306 and 307; 402, 403, 406 and 407; 502, 503, 506 and 507; 602, 603, 606 and 607; 702, 703, 706 and 707; 802, 803, 806 and 807; and 902, 903, 906 and 907. Each Type B Unit has a has a net living area of 253 square feet, and a lanai with a net living area of 55 square feet, for a total net floor area of 308 square feet. All Type B Units have substantially the same configuration and layout, except that some are mirror images of others.

[b] Commercial (Front Desk) Unit. This unit includes concession and office areas and a front desk, has an interior net area, as measured from the interior surface of its perimeter walls and other improvements as stated below, of approximately 204 square feet, and is numbered "C-1".

3. Unit Boundaries, Space and Improvements. Each lodging unit and to the extent applicable Unit C-1 is bounded: (1) by the unfinished or undecorated interior surfaces of its floor and ceiling, (2) by the unfinished or undecorated interior surface of perimeter walls between a Unit and a Common Element (except for Unit 202, where the perimeter wall between the unit and the common element hallway has been removed so that it may be used as a lobby area, the boundary is a line running between the unfinished or undecorated interior surfaces of said perimeter walls of the two units adjoining Unit 202, (3) by the centerline of perimeter walls between units and (4) the unfinished or undecorated exterior surfaces of the lanais, if any, and the exterior of all windows, other glass enclosures and doors along the perimeter. However, if there is a conflict between the preceding provisions and what is shown on the Condominium Map, what is shown on the Condominium Map shall control. Each unit consists of all space within its boundaries and except as follows all improvements within its boundaries:

[a] Improvements that are part of each unit include: (i) the finished or decorated interior surfaces of such perimeter walls, floor and ceiling, and any and all non-load bearing walls, columns and other non-structural members within the boundaries of that Unit; and (ii) any and all windows, other glass enclosures and doors along the perimeter.

[b] **Improvements that are not part of each unit.** being instead Common Elements, include: (i) all fire sprinklers and all other pipes, wires, conduits, or other utility or service lines, if any, that run through that unit but which are utilized for or serve more than that one unit; and (ii) all load bearing walls, columns and other structural members within the boundaries of that unit and (iii) the perimeter and party walls, lanai railings, if any, and the floors and ceilings themselves, except for their finished or decorated interior surfaces which are part of that unit.

END OF EXHIBIT A

EXHIBIT “B”
to
DEVELOPERS’ PUBLIC REPORT FOR EQUUS CONDOMINIUM

Introduction:

The Condominium is currently located in the Waikiki Special District, apartment precinct zoning district. The current zoning for the Condominium does not permit hotel use and the hotel is operated, to the best of Developer's knowledge, as a nonconforming hotel use. The Condominium building itself and the lot on which it is located are also non-conforming.

Reference is also made to Sec. 21-4.110 of the LUO on nonconformities which, among other things, imposes several constraints on non-conforming structures and strict limits on nonconforming uses. Among other things:

(a) Sec. 21-4.110(b)(1) provides that “if that portion of a structure which is nonconforming is destroyed by any means to an extent of more than 50 percent of its replacement cost at the time of destruction, it shall not be reconstructed except in conformity with the provisions of this chapter.”

(b) Sec. 21-4.110(b)(3) provides that “any nonconforming structure may be repaired, expanded or altered in any manner which does not increase its nonconformity”, and Sec.21-4.110(b)(3) provides that “[w]ork may be done on any structured devoted in whole or in part to any nonconforming use, provided that work on the nonconforming use portion shall be limited to ordinary repairs . . . [f]urther, ordinary repairs shall not exceed 10 percent of the current replacement cost of the structure within a 12-month period, and the floor area of the structure, as it existed on October 22, 1986, or on the date of any subsequent amendment to this chapter [of the LUO] pursuant to which a lawful use became nonconforming, shall not be increased.”

(c) Sec. 21.4.110(b)(1)(C) provides that “no nonconforming structure that is voluntarily razed or required by law to be razed . . . may thereafter be restored except in full conformity with the provisions of this chapter; and Sec. 21-4.110 (c)(2) provides that “any nonconforming use that is discontinued for any reason for 12 consecutive months, or for 18 months during any three-year period, shall not be resumed; however, a temporary cessation of the nonconforming use for purposes of ordinary repairs for a period not exceeding 120 days during any 12-month period shall not be considered a discontinuation.”

If the Condominium fails to meet any part of the definition of a hotel under the LUO or otherwise become non-compliant with Sec. 21-4.110, its current use as a hotel may become unlawful. No representations or other assurances can be given as to whether any other use would be lawful given the age of the building and any other relevant factors. Therefore, a primary purpose of the following provisions on additions and alternation of the Condominium is to continue the status of the Condominium as a nonconforming structure.

Restrictions on Additions and Alterations:

1. Generally. No owner or occupant of any unit in the Condominium shall do anything that will increase the number of lodging units or the building floor area of the Condominium, or place or maintain any fixture, appliance or device of any kind for heating or cooking food in

addition to those provided or that would otherwise adversely affect the legal non-conforming status of the structure. In the event that any owner or occupant of a lodging unit breaches this restriction and does not cure the breach within twenty-four (24) hours after notice from the Board to do so, the Board shall have a right of access to the lodging unit to remove the offending fixture, appliance or device and by accepting a conveyance to the lodging unit or taking occupancy of the unit, all owners and occupants waive any claim for trespass or otherwise in connection with such entry or removal. Without limitation of the foregoing, no unit may be included in a travel club or time share operation except as specifically approved by the Board and Developer.

2. Repair Limitation. Insofar as the hotel structure is nonconforming under current LUO codes and restrictions, repairs and improvements requiring a building permit from the City and County that are undertaken annually may be restricted in their dollar volume based on the nature of use (and the assessment of that use by the City and County of Honolulu) of the portion of the structure being repaired, modified, or improved. Under no circumstances shall collective repairs undertaken in any given 12 month period exceed the dollar limitation specified in the LUO.

3. Rights of Persons with Disabilities. Subject to the provisions of the Declaration, each owner shall have the right to modify the owner's unit and the Board has the right to modify the route over the common elements leading to the front door of the unit, at the owner's sole cost and expense, in order to facilitate access to the unit by persons who are blind, visually handicapped, deaf, or physically disabled, or to alter conditions which could be hazardous to such persons. The rights granted by this Section are further subject to the following conditions: **(a)** the modifications shall be consistent with applicable building code requirements; **(b)** the modifications shall be consistent with the intent of otherwise applicable provisions of the Declaration pertaining to safety or the aesthetic integrity of the Condominium; **(c)** the modifications which are external to the unit shall not prevent reasonable passage by other owners or invitees on the Condominium, and shall be removed by the owner when the unit is no longer occupied by persons requiring those modifications; **(d)** any owner who intends to modify an unit pursuant to this Section shall submit their plans and specifications to the Board for review to determine whether the modifications comply with the provisions of the Declaration; and **(e)** any change in the exterior appearance of an unit shall be in accordance with the provisions of the Declaration and all applicable provisions of law. Any owner with a disability desiring such a modification shall make such request, in writing, to the Board. That request shall set out, with specificity and in detail, the nature of the request and the reason that the requesting party needs to be granted such the modification. The Board shall not unreasonably withhold or delay its consent to such request and the Board shall not deny approval of the proposed modifications under this Section without good cause.

PROTECTION OF LEGAL NON-CONFORMING STATUS. NO MATTER WHAT ELSE THE DECLARATION SAYS, NO ADDITION OR ALTERATION WILL BE PERMITTED THAT WILL INCREASE THE NUMBER OF UNITS IN THE CONDOMINIUM OR THE FLOOR AREA OF THE BUILDING AND NO ADDITION OR ALTERATION WILL BE PERMITTED THAT MAY OTHERWISE ADVERSELY AFFECT THE LEGAL NON-CONFORMING STATUS OF THE CONDOMINIUM.

End of Exhibit B

EXHIBIT C
to
DEVELOPERS' PUBLIC REPORT FOR EQUUS CONDOMINIUM

A. DESCRIPTION OF COMMON AND LIMITED COMMON ELEMENTS.

1. **The Common Elements** of the Condominium consist of the following as well as the Limited Common Elements described below:

- (a) The underlying land in fee simple;
- (b) Swimming pool and deck, and the lobby area on the second floor;
- (c) All walkways, driveways, stairways, the elevator, and all storage, electrical, mechanical rooms, closets and vaults;
- (d) All grounds, landscaping, planters and refuse facilities;
- (e) All foundations, floor slabs, columns, girders, beams, supports, roofs, awnings, perimeter, party walls and partitions (excluding the finishes thereon);
- (f) All vents, shafts, sewer lines, water lines, pipes, cables, conduits, ducts, electrical equipment, wiring and other central and appurtenant transmission facilities and installations on, above, over, under and across the Condominium, including, without limitation, those providing electricity, light, gas (if any), water, air conditioning, sewer, refuse, drainage, irrigation, telephone, and radio and television signal distribution (if any) serving more than one unit; and
- (g) Any and all other apparatus and installations existing for common use by more than one unit, and any and all other parts of the Condominium necessary or convenient to its existence, maintenance or safety, or normally in common use.

The Common Elements do not and will not include: (1) parking stalls (they are located on the ground level, are limited common elements appurtenant to Unit C-1, and will be operated as a commercial parking garage for hotel guests at the Condominium) or (2) the equipment installed on the roof pursuant to any and all licenses now or later granted by the Developer Hawaii Polo Inn, LLC, including without limitation equipment installed pursuant to that certain unrecorded PCS Site License Agreement dated August 7, 2001 between DHI and Sprintcom, Inc. As part of its Reserved Rights, Hawaii Polo Inn, LLC has reserved the rights, privileges, benefits and other prerogatives accruing under said PCS Site License Agreement and any and all other such agreements and licenses, and has the right to grant and otherwise deal with and handle other agreement and licenses for the installation and maintenances of various equipment on the roof.

2. **The Limited Common Elements** include the following:

(a) **Limited Common Elements Appurtenant to all Lodging Units.** All Common Elements located above the floor level of the first floor (the parking level), including without limitation the swimming pool and deck, all stairways, corridors, hallways and passageways leading to the second thru tenth floors and to the swimming pool, and the elevator, are limited common elements appurtenant to all of the lodging units.

(b) **Limited Common Elements Appurtenant to C-1.** The surface area of the first (ground) floor parking level, including the 15 parking stalls, as shown on the Condominium Map, is a limited common element appurtenant to C-1.

B. COMMON INTERESTS AND EXPENSES FOR EACH UNIT.

1. **Lodging Units.** Each lodging unit has a common interest of 1.375 percent.
2. **Front Desk Unit (“C-1”).** Front Desk Unit has a common interest of 1.0 percent.

The Common Interest appurtenant to each unit is based on the percentage that the net floor area of that Unit bears to the total net floor areas of all Units, rounded up or down to the nearest thousandth of one percent (0.001%) if and as necessary to achieve a total of one hundred percent (100%) for all units. Said net floor areas are approximations based on the floor plan of each unit that is part of the Condominium Map. They are not exact or based on actual measurements of the units themselves, and are net areas, meaning that they are calculated from the interior surface of all perimeter walls and other perimeter improvements, and not from the boundaries established for each unit.

Each unit shall bear a share of the expenses (“**Common Expenses**”) relating to the Common Elements (excluding expenses related to the Limited Common Elements as described above in Section A.2) and to the administration of the affairs of the Association based on its Common Interest.

However, so long as Unit Nos. 202 and 203 are being rented by the Condominium Association for use as a lobby and breakfast/meeting area for hotel guests at the Condominium, the Association shall assume and pay, at the expense of all other seventy (70) lodging units (excluding Unit C-1), the Common Expenses otherwise attributable to Unit Nos. 202 and 203. This means in effect that each of these seventy (70) lodging units shall pay a share of Common Expenses equal to 1.375% plus 1/70 of 2.750%.

C. PERCENTAGE OF EXPENSES FOR LIMITED COMMON ELEMENTS APPURTENANT TO ALL LODGING UNITS OR APPURTENANT TO UNIT C-1.

Expenses related to the limited common elements appurtenant to all of the lodging units as described in Section A.2(a) above (“**Lodging Units’ Limited Common Expenses**”) as well as those related to the limited common elements appurtenant to Unit C-1 as described in Section A.2(b) above (“**Commercial Unit Limited Common Expenses**”) are not included in Common Expenses and will instead be assessed to and payable by the lodging units only and to C-1, respectively.

Each lodging unit shall bear a proportionate share equal to 1/72 of Lodging Units Limited Common Expenses. However, so long as Unit Nos. 202 and 203 are being rented by the Association as a lobby and breakfast/meeting area for hotel guests at the Condominium, the Association shall assume and pay, at the expense of all other seventy (70) lodging units, the Lodging Units Limited Common Expenses otherwise attributable to Unit Nos. 202 and 203. This means in effect that each of these seventy (70) lodging units shall pay a share of Lodging Units Limited Common Expenses equal to 1/70.

Unit C-1 shall pay one hundred percent (100%) of Commercial Unit Limited Common Expenses.

END OF EXHIBIT C

EXHIBIT D
to
DEVELOPERS' PUBLIC REPORT FOR EQUUS CONDOMINIUM

Introduction:

The Condominium is currently located in the Waikiki Special District, apartment precinct zoning district. The current zoning for the Condominium does not permit hotel use and the hotel is operated, to the best of Developer's knowledge, as a nonconforming hotel use. The City and County of Honolulu Land Use Ordinance (the "LUO") as currently in effect defines a hotel and lodging unit in Sec. 21-10.1 as follows:

(a) "Hotel" means "a building or group of buildings containing lodging and/or dwelling units in which 50 percent or more of the units are lodging units. A hotel includes a lobby, clerk's desk or counter with 24-hour clerk service and facilities for registration and keeping of records relating to hotel guests."

(b) "Lodging unit" means "a room or rooms connected together, constituting an independent living unit for a family which does not contain any kitchen. Unless specifically permitted in use regulations, 'lodging unit' shall not include a unit used for time sharing or a transient vacation unit as defined in [the LUO]."

If the Condominium fails to meet any part of the definition of a hotel under the LUO or otherwise become non-compliant with Sec. 21-4.110, its current use as a hotel may become unlawful. No representations or other assurances can be given as to whether any other use would be lawful given the age of the building and any other relevant factors. Therefore, a primary purpose of the following provisions on use of the Condominium is to continue the status of the Condominium as a nonconforming hotel.

Permitted Uses and Restrictions on Use:

The Condominium and each of the Units are intended for and shall be restricted to the following purposes and uses and shall be subject to such other limitations on use and restrictions as are set forth in this Exhibit and elsewhere in the Declaration:

1. **Generally.** Each Unit shall be occupied and used only as provided in this Exhibit and elsewhere in the Declaration. An Owner may personally occupy his Unit for no more than sixty (60) days in any given twelve month period and may rent his Unit to any third party for any period subject to applicable zoning and any rules promulgated under the zoning, *provided* that the rental agreement is in writing; *provided, further,* that the lodging units shall not be used as permanent residences. The Owner shall provide each rental tenant with a copy of the Declaration and Bylaws, as amended, available for the tenant's review. A copy of any rental agreement for a period exceeding a thirty (30) day period shall be provided to the Association. An Owner who rents his Unit shall at all times remain primarily and severally liable to all other Owners and to the Association for any failure on the part of such Owner's 'tenant(s) to observe and comply with all provisions of this Declaration, the Bylaws, and all other applicable laws. Nothing in the Condominium Documents shall restrict an Owner in selecting one or more agents of his or her choice for the management and/or rental of his or her unit.

2. Lodging Units. All lodging units shall be used only as hotel rooms (i.e., as dwelling units or lodging units as defined by the LUO), except that Unit No. 201 and Unit Nos. 202 and 203 may also be used as an office, a lobby area and breakfast area, respectively. No Owner or occupant of any Unit in the Condominium shall use or do anything in his Unit that will increase the number of lodging units in the Condominium, or place or maintain any fixture, appliance or device of any kind for heating or cooking food in addition to those provided or cause the Condominium to lose its status as a legal nonconforming hotel. In the event that any Owner or occupant of a lodging unit breaches this restriction and does not cure the breach within twenty-four (24) hours after notice from the Board to do so, the Board shall have all the rights and remedies provided by law and in equity to cure such breach, including without limitation right of access to the lodging unit to remove the offending use, fixture, appliance or device. By accepting a deed to the Unit or taking occupancy of the Unit, all Owners and occupants waive any claim for trespass or otherwise in connection with such entry or removal. Without limitation of the foregoing, no Unit may be included in a travel club or time share operation.

3. Front Desk Unit C-1.

(a) The Front Desk Unit shall at all times include a clerk's desk or counter with twenty-four (24) hour clerk service and facilities for registration and keeping of records relating to hotel guests. The remainder of the Front Desk Unit may be used for any commercial purpose permitted by zoning and other applicable laws to the extent permitted by this Declaration, provided that such use does not cause the Condominium to lose its status as a legal nonconforming hotel.

(b) The Front Desk operator shall at all times arrange for the issuance of card keys for the front doors of all Lodging Units to control access to those Units and shall issue such card keys to Unit Owners. As used in this Section "**Front Desk Operator**" means the Front Desk Owner or such tenant or agent of the Front Desk Owner to whom the Front Desk Owner delegates its duties under this Section. The Owner of the Front Desk Unit and Front Desk Operator each agrees to conduct its business, and to cause their tenants, licensees and occupants to conduct their operations, at all times in a reputable manner, maintaining at all times a full staff of experienced and qualified employees for efficient operation in a proper and workmanlike manner.

(c) The Front Desk Operator shall provide Unit access card keys to the Association, free of charge, for access to the Units when such access is permitted by the Declaration, the Bylaws or the Condominium Statute.

(d) The Front Desk Operator shall administer guest and Owner access to the Units and may charge a reasonable fee to the guests or invitees of an Owner of an Unit for issuance of card keys, check-in and check-out service, and replacement of lost card keys. The fee charged to the guests or invitees of Owners of Units for this service shall not exceed the equivalent indirect fee levied by the Front Desk Operator to participants in any hotel operation administered by the Front Desk Operator and shall be levied on a non-discriminatory basis. The Front Desk Operator is strictly prohibited from charging a fee to any Owner of an Unit for issuance of card keys and check-in and check-out service, when such Owner is personally occupying his or her Unit.

(e) The Front Desk Operator may arrange to provide one or more Units with sundries, mini-bar and related services in respect of the operation of the hotel for such fees and on such terms as the Front Desk Operator and the Owner of the Units may agree.

(f) The Front Desk Operator shall arrange to provide for the provision of a Cable/Data System to the Units (providing internet cable service, and pay for view movies) for an on demand-use cost and assess reasonable fees for the provision of such service. The fee charged to the Owners of Units for this service shall be levied on a non-discriminatory basis, provided, however, the monthly fee levied by the Front Desk Operator for providing internet cable service to any such Unit being occupied on a long term basis by its Owner shall not exceed the monthly fee levied by a local franchised operator for the equivalent service.

(g) The Front Desk Operator shall arrange for the provision of a hotel operator assisted and direct connection long distance telephone service with appropriate in-room facilities to the Units for an on demand-use cost and assess reasonable fees for the provision of such service. The fee charged to the Owners of Units for this service shall be levied on a non-discriminatory basis.

(h) The Front Desk Operator shall arrange to provide for the provision of customary hotel housekeeping services and trash removal services to the Units as such Units are used and occupied by guests or invitees of the Owners of the Unit, or the Owner to the extent elected by the Owner of such Units and the Front Desk Operator may charge reasonable fees for the provision of such service.

4. Parking Garage Limited Common Element Appurtenant to the Front Desk Unit No. C-1.

(a) **Parking Unit Restrictions.** The Owner of Unit C-1 shall be prohibited from reducing the total number of parking stalls in the parking garage.

(b) **Condominium Rules Respecting Parking.** The Owner of Unit C-1 has the exclusive right to use and/or assign parking stalls. If such Owner waives this right with respect to any one or more parking stalls, use of those parking stalls, if any, may be governed by rules adopted in accordance with the Bylaws to assure equitable use of the stalls by all Owners. Such Owner (or the Board of Directors, if applicable) may install parking meters, gates, security devices, checkpoints, and other equipment appropriate to this end and may issue stickers or adopt an allocation system. Without limiting the foregoing, such Owner (or the Board, if applicable) may establish additional regulations as it deems appropriate in its sole discretion with regard to any of the parking areas, including, without limitation, designating "**guest parking**," "**commercial parking**," "**parking**," and "**no parking**" areas thereon. Any parking areas shall be subject to such further reasonable control and use limitations as the Board may establish. Such Owner (or the Board, if applicable) shall determine, in its discretion, whether there is a violation of the parking and vehicular restrictions set forth in the Declaration or established by such Owner or the Board, and, if such noncompliance is determined to exist, such Owner (or the Board, if applicable) shall have the power to enforce all parking and vehicle use regulations applicable to the property, including the power to remove violating vehicles from any of the property pursuant to law and the right to specially assess any Unit Owner violating such parking and vehicle use regulations.

5. Signs, etc. The Owner of any Unit will not, without the prior written consent of the Board and the Developer, display any sign or place any other thing in or upon any doors, windows, walls or other portions of the Unit or the common elements so as to be visible from the exterior. This restriction shall not apply to: (a) signs displayed by Developer for sales purposes; or (b) signs installed by the Front Desk Unit Owner within for the Front Desk Unit, provided that with the consent of the Developer, the Board may establish sign design guidelines.

6. Use of Common Elements. Except as otherwise provided in this Declaration or the Act, and in the Bylaws, the common elements shall be used only for the purposes for which they are designed and intended.

7. Special Restrictions Applicable to All Units. Without limiting the application of any other provision of the Declaration, no use or operation shall be made, conducted, or permitted on or with respect to all or any part of the Condominium, which use or operation violates applicable laws or the provisions of the Declaration. No Unit shall be used for any of the following activities or purposes:

- (a) any distillation or refinery facility;
- (b) any dumping of garbage or refuse, except in places designated for disposal by the Board;
- (c) except with the express written consent of the Board and Developer, any meeting place or place of public assembly;
- (d) any pool hall, game arcade, betting facility (including off-track betting) or video or games arcade;
- (e) any indecent or pornographic uses, massage parlor (which for purposes of this prohibition shall not be defined to include the operation of a beauty parlor or day spa in which massage therapies are offered as an ancillary service to customers), for the sale of nude, erotic or pornographic adult entertainment, books, magazines, videos and other similar products, peepshow store, or any other similar store or club; and any business devoted to sale of articles and merchandise normally used or associated with illegal or unlawful activities, including, without limitation, the sale of paraphernalia used in connection with marijuana, cocaine, or other controlled drugs or substances;
- (f) any gymnasium or martial arts studio;
- (g) any tattoo parlors or body piercing establishments; or
- (h) any discount or thrift stores.

8. Window Coverings. All window coverings shall be of a neutral color, harmonious with and not conflicting with the color scheme of the exterior wall surface of a Unit. Window tinting and window coverings, which differ from that described above shall be subject to the approval of the Board.

9. Animals. No animals, livestock, reptiles, insects, poultry, or other animals of any kind shall be kept in any Unit except as is permitted by, and in accordance with, the Bylaws.

10. No Mechanics' Liens. No Owner shall cause or permit any mechanic's lien to be filed against any portion of the common elements or other Unit for labor or materials alleged to have been furnished or delivered to such Owner's Unit or for any such Owner, and any Owner who does so shall immediately cause the lien to be discharged within five (5) days after notice to the Owner from the Board. If any Owner fails to remove such mechanic's lien, the Board may discharge the lien and charge the Owner for such cost of discharge.

11. Offensive Conduct; Nuisances. No noxious or offensive activities shall be conducted within the Condominium. Nothing shall be done on or within the Condominium that may be or may become an annoyance or nuisance to the residents of the Condominium, or that in any way interferes with the quiet enjoyment of occupants of Units or which may create a nuisance or injure the reputation of the building. No odorous matters shall be emitted upon or about the Condominium in such quantity as to be readily detectable outside the physical boundaries of the space within which the odor was generated. Unless otherwise permitted by the Declarations, no Owner shall serve food or beverages, cook, barbecue, or

engage in similar activities, except within such Owner's Unit and except within the limited common elements appurtenant to such Owner's Unit or common elements designated for such purpose by the Association, if any.

12. Noise and Vibration. No person shall produce, or allow to be produced, noise or building shaking vibration at such levels as will be offensive to other Owners.

13. Outside Drying and Laundering. No exterior clotheslines shall be erected or maintained or hung on balconies or railings within the Condominium and there shall be no exterior drying or laundering of clothes or any other items on any limited common element or Association property.

14. Toxic or Noxious Matter. No person shall discharge into the Condominium's sewer system storm drain any toxic or noxious matter in such concentrations as to be detrimental to or endanger the public health, safety or welfare, violate any law, subject any Owner to liability under state and federal law for any clean up, or cause injury or damage to neighboring property or business elsewhere on the Condominium.

15. Lanais. Without limiting the generality of any other provision of the Declaration, the following provisions shall apply to lanais:

(a) **Use of Lanais.** Lanais shall be used only as outdoor living areas containing patio furniture, potted plants, and other similar outdoor furnishings. Said furnishings shall be equipped with protective leg caps or other devices to prevent damage to the floor of the lanais. No improvement shall be nailed, bolted, or otherwise attached to the floor, walls, or any other portion of the lanais. No hanging screens, banners, or wind chimes and no other accoutrement (other than plants), which may be visible from any other Units, the common elements, or Association property are permitted on any portion of the lanais. Unless placed by Developer, any plants placed on lanais must be approved by the Board, must have sufficiently large receptacles to contain all drainage from such plants, and must not be allowed to collect condensates or moisture between the receptacles and the floor of the lanais.

(b) **Limitations on Use.** Lanais shall not be used for storage of any type, including, without limitation, boxes, tools, exercise and sports equipment, bicycles, cleaning utensils and supplies, or other household items. Lanais shall be maintained in a clean, neat, and sanitary condition at all times, and nothing shall be placed on lanais so as to render them unsightly or offensive to the other Owners or to any other property in the vicinity of the Condominium or its occupants. No dust, dirt, or other substances shall be shaken, swept, or thrown from or hosed off the lanais on or into any common elements. Any item which in the opinion of the Board is unsightly or offensive shall be removed from the lanais upon receipt of written notice of such determination from the Board. No Owner shall change or alter the surface or exterior of any lanais without the consent of the Board.

16. Rights of Persons with Disabilities. Subject to the provisions of the Declaration, each Owner shall have the right to modify the Owner's Unit and the Board has the right to modify the route over the common elements leading to the front door of the Unit, at the Owner's sole cost and expense, in order to facilitate access to the Unit by persons who are blind, visually handicapped, deaf, or physically disabled, or to alter conditions which could be hazardous to such persons. The rights granted by this Section are further subject to the following conditions: (a) the modifications shall be consistent with applicable building code requirements; (b) the modifications shall be consistent with the intent of otherwise applicable provisions of the Declaration pertaining to safety or the aesthetic integrity of the Condominium; (c) the modifications which are external to the Unit shall not prevent reasonable passage by other Owners or invitees on the Condominium, and shall be removed by the Owner when the Unit is no longer occupied by persons requiring those modifications; (d) any Owner who intends to modify an

Unit pursuant to this Section shall submit their plans and specifications to the Board for review to determine whether the modifications comply with the provisions of the Declaration; and (e) any change in the exterior appearance of an Unit shall be in accordance with the provisions of the Declaration and all applicable provisions of law. Any Owner with a disability desiring such a modification shall make such request, in writing, to the Board. That request shall set out, with specificity and in detail, the nature of the request and the reason that the requesting party needs to be granted such the modification. The Board shall not unreasonably withhold or delay its consent to such request and the Board shall not deny approval of the proposed modifications under this Section without good cause.

17. Compliance with Laws, Etc. Nothing shall be done or kept in any Unit or in the common elements or the property that might increase the rate of, or cause the cancellation of, insurance for the Condominium, or any portion of the Condominium. No Owner shall permit anything to be done or kept in his or her Unit that violates any law, ordinance, statute, rule, or regulation of any local, county, state, or federal body, including any laws, ordinances, or statutes pertaining to the use or storage of any hazardous, contaminated, or toxic materials.

18. Antennae. Except as provided by Developer's reserved rights, no radio station, satellite, or short-wave operators of any kind shall operate from any Unit or any other portion of the property unless approved by the Board. With the further exception of any master antenna maintained by the Association or the cable system maintained by applicable cable franchisee, no exterior radio antenna, "C.B." antenna, television antenna, receiving station, satellite dish, or other antenna of any type (collectively, "**Signal Reception Device**") shall be erected or maintained anywhere in the property, without the approval of the Board. In considering whether to approve any such application and what conditions, if any, to impose thereon, the Board may consider any clearly defined safety objective, the impact of any such Signal Reception Device upon Condominium aesthetics and uniformity of appearance, and any potential structural damage arising from such Signal Reception Device shall be reasonable and consistent with rules and regulations promulgated by the Federal Communications Commission pursuant Section 207 of the Telecommunications Act of 1996 (collectively, the "**Antennae Statutes**"). In reviewing an application for approval to install a Signal Reception Device, the Board shall apply the same standards, criteria, and guidelines to such application as applicable to any other proposed exterior improvement to any Unit and shall not impose any differential or discriminatory requirements applicable only to a proposed Signal Reception Device. In granting approval of the installation of any such Signal Reception Device, the Board may further condition such approval upon compliance with any reasonable restrictions authorized by the Antennae Statutes. All satellite dishes approved by the Board for installation on the Condominium shall be black. Normal radio, stereo, high fidelity, and television equipment installation within an Unit are excepted from the provisions of this Section; provided, however, in no event shall such radio, stereo, high fidelity, television equipment, or other electrical equipment interfere with the use of any such equipment by any other Owner within the Condominium.

19. Firearms and Fireworks. The display and discharge of firearms or fireworks in the common elements, including the limited common elements, is prohibited; provided that the display of lawful firearms in the common elements is permitted by law enforcement officers and also is permitted for the limited purpose of transporting the firearms across the common elements to or from the Owner's Unit. The term "firearms" includes "BB" guns, pellet guns, and other firearms of all types, regardless of size.

20. Water Supply System. No individual water supply or water softener system shall be permitted in any Unit unless such system is designed, located, constructed, and equipped in accordance with the requirements, standards, and recommendations of any applicable water district, the locality in which the property is located, and all other applicable governmental authorities.

21. Sound Attenuation. In any high-rise lodging or dwelling, sound may be audible between Units, particularly where the sound level of the source is sufficiently high and the background noise in an adjacent Unit is very low. Each Owner shall endeavor to minimize any noise transmission from his or her Unit, and shall adhere to any of the rules and regulations set forth in the Condominium rules that are designed to minimize noise transmission. To minimize the noise transmission from an Unit, each Owner (other than Developer) shall adhere to the following:

(a) No holes or other penetrations shall be made in common element or limited common element walls without the permission of the Board. No penetrations of any sort shall be made in the ceiling of any Unit. Acoustical sealant shall be packed around the point of penetration of all pictures and other items hung from the wall that requires nailing or screwing.

(b) No modifications shall be made to any Unit that would result in a reduction in the minimum impact insulation class of the Unit.

(c) Loudspeakers for music reproduction and television shall not be supported from or contact common element or limited common element walls or ceilings and shall be elevated from the floor by a proper acoustic platform.

22. Roof Access Restrictions. Owners and invitees shall not at any time or for any reason whatsoever enter upon or attempt to enter upon: (a) the roof of the Condominium; (b) any portion of the common elements used by the Association for management, administrative, or security purposes; or (c) utility closets and electrical or mechanical rooms, without the prior approval of the Board; provided that nothing contained in this paragraph 18 is intended to or shall be deemed or construed to limited access to the roof by the Developer and its licensees with respect to the exercise of the Developer's Reserved Rights, or with respect to any licensee's rights any and all licenses granted and agreements made by the Developer pursuant thereto.

23. Indemnification. Each Owner shall be liable to the remaining Owners for any damage to the common elements and the property that may be sustained by reason of the negligence of that Owner or the Owner's invitees. Each Owner, by acceptance of the deed to an Unit, agrees for himself or herself and for the Owner's invitees to indemnify each and every other Owner, and to hold each Owner harmless from, and to defend such Owner against, any claim of any person for personal injury or property damage occurring within the Unit of that particular Owner and within any limited common elements appurtenant to the Owner's Unit, unless the injury or damage occurred by reason of the negligence of any other Owner.

24. Non-Applicability to Developer. The foregoing provisions of this Section shall not apply to Units owned by Developer or to any improvements proposed or made by Developer in connection with its development, construction, promotion, marketing, sale, or leasing of any Unit or any other portion of the Condominium.

PROTECTION OF HOTEL STATUS. NO MATTER WHAT ELSE THE DECLARATION SAYS, NO ALTERATION OR USE WILL BE PERMITTED THAT MAY OTHERWISE ADVERSELY AFFECT THE HOTEL STATUS OF THE CONDOMINIUM.

End of Exhibit D

EXHIBIT E
ENCUMBRANCES AGAINST TITLE

Part A. Permitted Encumbrances

The following now encumber title to the land, will remain as encumbrances on the title to a Unit conveyed to the Buyer, and together with such other encumbrances as may be placed on the title that do not materially and adversely affect the use or value of a Unit, are sometimes called the “**Permitted Encumbrances.**”

1. Real property taxes.
2. Waikiki Business Improvement District Assessment.
3. Grant to Hawaiian Telephone Company, now known as Hawaiian Telcom, Inc. dated September 29, 1960, filed as Land Court Document No. 265863, of an easement for utility purposes under and across Lot 101-A.
4. Unrecorded PCS Site License Agreement, dated August 7, 2001, between said Driftwood Hotel, Inc. and Sprintcom, Inc., a memorandum of which is filed as Land Court Document No. 2781521, licensing a site on and granting easements over the premises for a term of five (5) years commencing August 7, 2001, subject to four (4) additional five (5) years extension periods by Sprintcom.
5. Declaration of Restrictive Covenants dated June 29, 2007, recorded as Land Court Document No. 3626248.
6. Declaration of Condominium Property Regime for Equus Condominium dated November 13, 2007, recorded as Document No. 3691026, the By-Laws of the Association of Unit Owners of Equus Condominium of even date therewith recorded as Document No. 3691027, the Condominium Map recorded as Map No. 1935, as each of the same may be lawfully amended, from time to time, including as amended by the exercise of the Reserved Rights, and the unrecorded House Rules promulgated from time to time pursuant to said By-Laws (all of the documents as amended being sometimes called the “Condominium Documents”).

B. Blanket and Other Liens That Must Be Released Before Conveyances to Buyers.

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. The title is presently not encumbered by any Blanket Liens. The title may be encumbered by Blanket Liens placed against the Project or the Property during the course of construction. However, all 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, see Section 5.3 above.

1. Mortgage, Security Agreement and Fixture by Michael K. Dailey (aka Michael Kamaaina Dailey) and Rebecca L. Dailey, Mortgagor, and Central Pacific Bank, Mortgagee, dated August 15, 2005, recorded with the Office of the Assistant Registrar, State of Hawaii, as Land Court Document No. 3313670.
2. Assignment of Lessor’s Interest in Leases dated August 15, 2005, by and among Michael Kamaaina Dailey and Elizabeth Murphy Dailey and John Jubinsky, as Successor Co-Trustees under that certain unrecorded Declaration of Trust dated March 2, 1960 and Fred William Dailey as “Grantor,” “Assignor,” and Central Pacific Bank, a Hawaii corporation, “Assignee” to secure the repayment of that certain loan in the principal amount of \$1,500,000.00.

position under the Lease having been assigned to Michael K. Dailey by assignment dated August 25, 1989 filed as Document No. 1667709.

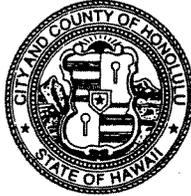
5. Sublease dated April 18, 1960 filed as Land Court Document No. 262193 for a term ending April 30, 2015 to Honolulu Hotel Development Corporation, as Sublessee, the Sublessee's position under the Sublease having been assigned to Driftwood Hotel Inc., by assignment dated April 18, 1960 filed as Land Court Document No. 262194.

6. Unrecorded Proprietary Lease (the "**Proprietary Lease**") dated April 18, 1960 in favor of Honolulu Hotel Development Corporation, as Lessee, with respect to Units Nos. 107, 701, 801 and 802, the Lessee's position under the Proprietary Lease having been assigned, by mesne assignment, to Michael Kamaaina Dailey by unrecorded assignment dated January 8, 1993, a short form of the Proprietary Lease dated May 20, 1993 having been filed as Land Court Document No. 2044851.

End of Exhibit E

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-8000 • FAX: (808) 527-6743
INTERNET: www.honolulu.gov • DEPT. WEB SITE: www.honolulu.dpp.org



MUFI HANNEMANN
MAYOR

HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUE
DEPUTY DIRECTOR

2006/ELOG-538(LT)

September 7, 2007

A. Bernard Bays, Esq.
Bays, Deaver, Lung, Rose & Baba
Attorneys at Law
Ali'i Place, 16th Floor
1099 Alakea Street
Honolulu, Hawaii 96813

Dear Mr. Bays:

Subject: Condominium Conversion Project
1696 Ala Moana Boulevard
Tax Map Key: 2-6-011: 020

This is in response to your letter dated March 8, 2006, requesting verification that the structure on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the 10-story 72-unit hotel building with eighteen (18) all-weather-surface off-street parking spaces met all applicable code requirements when it was constructed in 1960 on this 6,864-square-foot Apartment Precinct zoned lot.

Investigation also revealed the following:

1. The hotel is considered a nonconforming use because the present Land Use Ordinance does not permit hotels on an Apartment Precinct zoned lot.
2. The building, which encroaches into the required front yard setback, is considered a nonconforming structure.
3. On February 13, 1992, a variance (File No. 91/VAR-2) was approved with conditions to allow expansion of a nonconforming hotel, which included a new covered walkway, awning and water heater enclosure to exceed the maximum density and encroach into the required yards. The variance also approved the reduction of the eighteen (18) parking spaces to fifteen (15) parking spaces.

EXHIBIT F

A. Bernard Bays, Esq.
Bays, Deaver, Lung, Rose & Baba
September 7, 2007
Page 2

4. On July 13, 1992, a special district permit (File No. 92/WSD-60) was approved with conditions for the enclosure of ten (10) additional lanais, removal of one (1) existing lanai enclosure and replacement of awnings and existing sign.
5. On July 16, 1993, a special district permit (File No. 93/WSD-56) was approved with conditions for a Hawaii Polo Inn sign.
6. On July 5, 2000, a waiver permit (File No. 2000/W-51) was approved with conditions for a utility installation, Type A.
7. On April 20, 2001, a waiver permit (File No. 2001/W-14) was approved with conditions to allow utility installation, Type A, which encroaches into the required yard and height setback, increasing nonconformity.
8. On August 12, 2005, a waiver permit (File No. 2005/W-48) was approved with conditions for antennas and equipment on the rooftop.
9. On August 12, 2005, a special district permit (File No. 2005/SDD-42) was approved with conditions for antennas and equipment on the rooftop.
10. On May 29, 2007, a special district permit (File No. 2007/SDD-29) was approved with conditions to enclose certain lanais.
11. On May 29, 2007, a zoning adjustment (File No. 2007/ZA-16) was approved with conditions to enclose certain lanais.
12. On January 3, 2007, Building Permit No. 607040 was issued for interior alterations on the 2nd through 10th floors. This permit is still active.
13. On July 27, 2007, Building Permit No. 615447 was issued for lanai enclosures. This permit is still active.
14. On September 4, 2007, Building Permit No. 616911 was issued to convert one of the hotel rooms into a lobby area. This permit is still active.

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

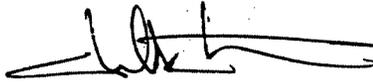
A. Bernard Bays, Esq.
Bays, Deaver, Lung, Rose & Baba
September 7, 2007
Page 3

No other 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 768-8151.

Very truly yours,



Henry Eng, FAICP, Director
Department of Planning and Permitting

HE:ft

doc565067

EXHIBIT G

TO DEVELOPER'S PUBLIC REPORT FOR EQUUS CONDOMINIUM

ENUMERATION OF DEVELOPER'S RESERVED RIGHTS AND EASEMENTS

The Developer Hawaii Polo Inn, LLC has, as part of its Reserved Rights, the following rights and easements as provided for in Exhibit F to and elsewhere as noted below in the Condominium Declaration:

- To change the Condominium or a Unit and amend the Condominium Documents in any regard prior to recording of a first deed to a condominium buyer.
- To modify easements and grant additional easements necessary or convenient for the use of the Condominium.
- To complete renovations and correct defects.
- To conduct sales activities on the Condominium and within Units owned by it.
- For noise, dust and other nuisances in connection with the exercise of any of its Reserved Rights.
- To change the Condominium and amend the Condominium Documents to comply with law, to correct errors and/or as may be requested by an institutional lender for a Unit or by any title company licensed to do business in the State of Hawaii.
- To use and operate the Unit C-1 as a hotel front desk as provided for in Exhibit D to the Condominium Declaration, as long as the Developer is the Owner of said Unit C-1.
- To use and operate the ground level of the Condominium, including parking stalls located there, as a commercial parking garage as provided for in Exhibit D to the Condominium Declaration and to add thereto such incidental commercial stores and operations as are permitted by law, as long as the Developer is the Owner of Unit C-1 to which said ground level is appurtenant as a limited common element.
- To use the roof of the building as provided for in Section 6.8 of the Condominium Declaration.
- To transfer one or more of the Reserved Rights.

END OF EXHIBIT G

EXHIBIT H

**ESTIMATE OF INITIAL MAINTENANCE FEES AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS**

Estimate of Initial Maintenance Fees:

Unit	Common Interest	Monthly Fee	% Share of Expenses for Limited Common Elements Appurtenant to all Lodging Units	Monthly Fee	% Share of Expenses for Limited Common Elements Appurtenant to Commercial Unit (C-1)	Monthly Fee	Fee x 12 Months = Yearly Total
Each Lodging Unit	1.375%	216.78	1/72	184.81	N/A	N/A	401.59
[72 Lodging Units, 8 per floor x 9 floors, floors are numbered 2 thru 10. Units are numbered: 201 thru 208; 301 thru 308; 401 thru 408; 501 thru 508; 601 thru 608; 701 thru 708; 801 thru 808; 901 thru 908; and 1001 thru 1008	72 x 1.375 equals 99.0%		72 x 1/72 equals 72/72				
	But see Note below for further adjustment]	But see Note below for further adjustment]	But see Note below for further adjustment]	But see Note below for further adjustment]			But see Note below for further adjustment
SUBTOTALS		15,608.16		13,306.32			28,914.48
C-1	1.0%	157.67	N/A	N/A	100%	175.00	332.67
TOTALS:	100%	15,765.83	100%	13,306.32	100%	175.00	29,247.15

NOTE: The Association is renting Lodging Units 202 and 203 for use as a lobby and breakfast/meeting room, respectively, and pursuant to the lease arrangements is assuming the common expenses and share of expenses for limited common expenses appurtenant to all Lodging Units that are assessable to these two Units. This means in effect that:

[A] Each of the 70 other Lodging Units share of **(1)** common expenses and **(2)** expenses for limited common elements appurtenant to all Lodging Units will be **(a)** 1.375% plus 1/70 of 2.750% and **(b)** 1/70, respectively; and

[B] For each of these 70 other Units the estimated monthly fee **(1)** for common expenses will be \$222.97, and **(2)** for expenses for limited common elements appurtenant to all Lodging Units will be \$190.09, for a **TOTAL** of \$413.06 per month x 12 months equals a **YEARLY TOTAL** of \$4,956.72.

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency

REVENUE	Monthly Fee x 12 months	Yearly Total
Administrative		
Insurance		
<i>Subtotal Administrative</i>		
Maintenance Fees	29,246.67	350,960
Vending	150.00	1,800
Total Revenue	29,396.67	352,760

COMMON EXPENSES

Payroll		
Resident Manager & Security	3,833.33	46,000
Taxes & Benefits	1,437.50	17,250
<i>Subtotal Payroll</i>	5,270.83	63,250

Utilities		
Electricity	6,000.00	72,000
<i>Subtotal Utilities</i>	6,000.00	72,000

Repairs and Maintenance		
Supplies	25.00	300
<i>Subtotal Repairs and Maintenance</i>	25.00	300

Administrative		
Audit and Tax Fees	1,000.00	12,000
Management Fee	1,500.00	18,000
Accounting Fee	500.00	500.00
Legal	375.00	4,500
Registration and Fees	100.00	1,200
Office Supplies	100.00	1,200
Insurance	435.00	5,220
<i>Subtotal Administrative</i>	4,010.00	120,420
Total Common Expenses	15,305.83	183,670

LIMITED COMMON ELEMENT EXPENSES (LODGING UNITS)

Payroll		
Maintenance & Landscaping	2,333.33	28,000
Taxes & Benefits	887.50	10,650
<i>Subtotal Payroll</i>	3,220.83	38,650

Utilities		
Television	400.00	4,800
Water and Sewer	1,500.00	18,000
<i>Subtotal Utilities</i>	1,900.00	22,800

Repairs and Maintenance

Elevator	780.00	9,360
Supplies	325.00	3,900
Landscaping	800.00	9,600
Pest Control	300.00	3,600
Refuse	775.00	9,300
<i>Subtotal Repairs and Maintenance</i>	2,980.00	35,760

Administrative

Insurance	3,515.00	42,180
<i>Subtotal Administrative</i>	3,515.00	42,180

LIMITED COMMON ELEMENT EXPENSES (C-1)**Payroll**

Maintenance	100.00	1,200
Taxes & Benefits	25.00	300
<i>Subtotal Payroll</i>	125.00	1,500

Administrative

Insurance	50.00	600
<i>Subtotal Administrative</i>	50.00	600

Total Limited Common Expenses**11,790.83 141,490****RESERVES – COMMON ELEMENTS**

460.00 5,520

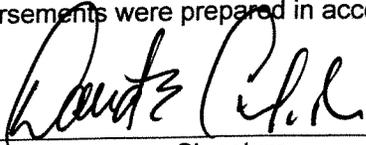
RESERVES – LIMITED COMMON ELEMENTS LODGING UNITS

1,840.00 22,080

TOTAL EXPENSES**29,396.67 352,760**

I, David E Carlisle, as agent for/and/or employed by
the condominium managing agent for the
hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee
disbursements were prepared in accordance with generally accepted accounting principles.

Honolulu Hotel Operating Corporation
Equus Condominium



Signature



Date

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514B-148, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

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

DEVELOPER'S STATEMENT REGARDING RESERVES

In arriving at the figures for "Reserves" stated above, the Developer has required the condominium managing agent Honolulu Hotel Operating Corporation to conduct a reserve study in substantial accordance with §514B-148, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

END OF EXHIBIT H

EXHIBIT I

Part A: Summary of Purchase and Sale Contract (the "Purchase Contract") and Escrow Agreement

1. Purchase Contract and Escrow Agreement Complementary. The Purchase Contract between the Seller, which is Hawaii Polo Inn, LLC, a Hawaii limited liability company, as the Developer in fee simple of the Equus Condominium and each Buyer and the Escrow Agreement dated July 24, 2007 between the Seller and Title Guaranty Escrow Services, Inc., as Escrow Agent complement each other, as follows:

1.1 Purchase Price, Payment Terms and Handling of Buyer's Funds. The Purchase Contract states the purchase price and payment terms for Buyer's purchase and requires that all Buyer's Funds be deposited with and held, handled and disbursed by the Escrow Agent in accordance with the Escrow Agreement, including as follows.

(a) **Interest on Buyer's Funds.** Any interest earned on Buyer's Funds held in escrow belongs to Seller, except as otherwise agreed in writing or as stated below in Section 1.3(c) of this Exhibit.

(b) **Disbursement of Buyer's Funds.** Escrow shall disburse Buyer's Funds:

(1) **Upon Closing** to the Seller;

(2) **As a refund to Buyer:** if either Buyer or the Seller cancels the Contract before it becomes legally binding as stated above in Section 5.8.1 of this Public Report; or if as Buyer's sole and exclusive remedy Buyer elects to terminate the Purchase Contract if the Seller defaults on the Contract and does not cure that default within the time period required by the Contract; or if the Seller exercises any of its rights to cancel, rescind or terminate where Buyer is not in default.

(3) **With respect only to Units numbered 203, 1001, 1002, 1003, 1004, 1005, 1006, 1007 or 1008¹, as a refund to Buyer:** if as Buyer's sole and exclusive remedy Buyer cancels if the Completion Deadline for the completion of the renovation is missed as stated above in Section 5.8.2 of this Public Report; or if as Buyer's sole and exclusive remedy Buyer rescinds after a material change as stated above in Section 5.8.3 of this Public Report;

(4) **As Liquidated Damages to the Seller:** if the Seller terminates because the Buyer is in default.

1.2 Closing Terms and Conditions. The Purchase Contract and Escrow Agreement state the terms and conditions on which each Buyer's purchase will close as scheduled by the Seller, including as follows:

(a) **There is a commitment to issue to Buyer upon Closing an Owner's Title Policy insuring that Buyer's title to the Unit is free and clear of:**

(1) **All Blanket Liens** as stated above in Section 5.3 of this Public Report; and

(2) **All Other Encumbrances except for the Permitted Encumbrances** which are stated in Exhibit E to this Public Report.

Buyer shall pay for the Title Policy and is free at Buyer's expense to choose any Title Insurer Buyer wants that is licensed in Hawaii to issue the Title Policy. But unless Buyer tells Escrow in writing differently, the Escrow Agent will make its own arrangements for title insurance for Buyer. If the Title Commitment is arranged for by the Escrow Agent, the premium for the Title Policy shall be as stated in the Escrow Agreement.

(b) **Protection against Mechanic's and Materialmen's Liens.** Closing may occur prior to the expiration of the applicable lien period established pursuant to said HRS Chapter 507, Part 2 as long as the Title Insurer issuing the Title Policy to Buyer is committed upon closing to include in Buyer's Title Policy protections

¹ The renovation of all other Units has been completed.

against any and all mechanic's and materialmen's liens, whether or not filed, arising from the construction of the Unit, or if the Title Insurer cannot insure the Buyer against such liens, the Closing shall occur only when such liens have been released, or sufficient funds have been set aside to cover the amount of such lien.

(c) **Buyer shall pay all closing expenses**, which *include* but are not limited to: (1) the cost of evidence of title and the premium for the Buyer's Title Policy, and any additional costs relating to the issuance of endorsements, an extended coverage policy, or a lender's policy; (2) the cost of drafting any revisions or addenda to this Contract; (3) the cost of obtaining any consent necessary for Buyer to enter into and/or fulfill its obligations under this Contract; (4) Buyer's notary fees; (5) all conveyance taxes and recording fees; (6) two months' maintenance fees and start-up fees for the Condominium Association; (7) Buyer's share of pro-rated property taxes and if applicable insurance premiums; (8) the Escrow Agent's fees; and (9) any fees or charges incurred in connection with any mortgage loan obtained by Buyer; and *exclude* only the costs of preparation of the Unit Deed (provided Buyer will pay all costs of redrafts due to changes made by Buyer), preparation and recording of the Seller's partial release of Blanket Liens and Pro Tanto Release, and the Seller's share of pro-rated property taxes and the Seller's notary fees.

(d) **With respect only to Units numbered 203, 1001, 1002, 1003, 1004, 1005, 1006, 1007 or 1008,² renovation is substantially completed** as evidenced by the first publication of the Notice of Completion pursuant to *HRS Chapter 507, Part 2*. The Seller will attempt to schedule an inspection of Buyer's Unit prior to the Closing but Closing shall not be delayed if the inspection does not occur prior to the Closing or if Buyer, for any reason, does not attend the inspection or does not accept Buyer's Unit; *however*, any incomplete items shall be completed by the Seller as soon as reasonably possible after Closing;

(e) **Additional Documents.** Buyer agrees that Seller may, as a condition to Closing, require: Buyer and any licensed real estate or other salesperson or agent of Buyer participating in the sale to sign additional documents to confirm the acknowledgements, acceptance and agreements made by Buyer, including without limitation with respect to Seller's disclaimers, and to satisfy Seller that no representations contrary to the provisions of the Contract have been made up to and including the Closing Date and that there has not been any violation of federal or state securities laws or disclosure laws or any breach of the obligations of Seller under the terms of the Contract.

1.3 **Cancellation, Rescission and Termination Rights.**

(a) **Buyer's Rights** are summarized above in *Section 1.1(b)(2)* of this Exhibit.

(b) **Seller's Rights include the right to terminate:**

- at any time before the Contract becomes as stated in *Section 5.8.1*, of this Public Report; or
- if Buyer does not return to the Seller any cancellation, rescission or waiver notice delivered to Buyer within the prescribed time period; or
- if Buyer (or if multiple Buyers or any one of them) should die or become incompetent or suffer any incapacitating injury or disease prior to the Closing; or
- if Buyer shall fail to qualify or maintain Buyer's qualification for mortgage financing; or
- if Buyer should default on the Contract.

(c) **Refund to Buyer and Termination Expenses.** Upon any cancellation, termination or rescission of the Contract except upon a default by Buyer, Buyer shall be entitled to a prompt and full refund of all moneys paid, without interest, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of \$250 as stated above in *Section 5.8.1* of this Public Report (collectively, the "**Termination Costs**"). *However*, if either the Seller or Buyer terminates this Contract before it becomes legally binding or if the Seller terminates where the Buyer is not in default or as Buyer cancels as Buyer's sole and exclusive remedy where the Seller is in default, *then*, the Seller shall pay the Termination Costs, and in the case of Buyer termination due to default of the Seller, Buyer shall also be entitled to any interest earned on Buyer's Funds deposited in escrow.

² The renovation of all other Units has been completed.

2. **Other Purchase Contract Provisions.** The Contract also provides as follows:

2.1 **Buyer's Default and the Seller's Remedies, Including Liquidated Damages.** Buyer will be in default under the Contract if: Buyer fails to make a payment when due; or Buyer acts in bad faith as determined by the Seller in an attempt to qualify or maintain Buyer's qualification for mortgage financing; or if Buyer fails to observe or perform any other material obligation required to be observed or performed by Buyer under this Contract and such failure continues for fifteen (15) days after the Seller gives written notice to Buyer of such failure.

If the Seller cancels where Buyer is in default, the injury to the Seller will be uncertain as to the nature and amount and difficult to ascertain in view of, but not limited to: the Seller's financial commitments with respect to the Condominium, including without limitation, Seller's construction loan; the connection between the sale, cancellation or such default with respect to one Unit and the sale, cancellation or any default with respect to other Units in the Condominium; and the nature of the real estate market in Hawaii. As a reasonable estimate of the Seller's damages resulting from any such default, the sums previously paid by Buyer under the Contract together with all accrued interest thereon shall become, at Seller's option, the sole property of the Seller as liquidated damages and not as a penalty for such default. It is understood that the damages suffered by the Seller by virtue of such a default later in time will likely be greater than such a default occurring at an earlier point in time. If The Seller does not elect to retain Buyer's Funds as liquidated damages, The Seller may instead pursue any other rights and remedies and combination thereof permitted at law or in equity, including, but not limited to, actual and consequential damages, and specific performance. The Seller may also, at its sole discretion, elect to have its claims for Preclosing and Closing defaults by Buyer resolved by binding arbitration on an expedited basis.

If Closing does not occur on the date scheduled by the Seller due to any event of default by Buyer, but the Seller does not then elect to terminate the Contract and Closing occurs at a later date, *then*, upon Closing, as liquidated damages for Buyer's default, Buyer shall be required to pay the Seller through the Escrow Agent One Hundred and No/100 Dollars (\$100.00) per day for each day the Closing is delayed due to Buyer's default, commencing as of the initially scheduled Closing date and continuing until the actual Closing date.

2.2 **Default by the Seller; The Seller's Cure Rights; Buyer's Exclusive Remedies.** If the Seller shall fail to perform any material obligation required of the Seller prior to or at Closing, the Seller shall have the opportunity to cure such default within fifteen (15) days after the date Buyer notifies the Seller in writing of such default by certified or registered mail. If the Seller does not cure the default within that period, Buyer may elect, at Buyer's sole discretion, to either: (1) terminate this Purchase Contract, or (2) seek specific performance of the Contract. Buyer shall give written notice of its election to the Seller. If Buyer elects to terminate, *then* as its sole and exclusive remedy Buyer shall be entitled to receive a full refund of Buyer's Funds in escrow plus any interest accrued thereon, and shall have no other rights or remedies whatsoever, including, without limitation, claims for damages, and the Seller shall be released and discharged from any further obligation under this Contract. If Buyer seeks specific performance, *then* Buyer shall not be entitled to recover any damages from, pursue any other right or remedy against, or obtain any other relief from the Seller, and Buyer's Funds and any interest thereon shall be not refunded to Buyer.

2.3 **Buyer Qualification for Mortgage Financing; Credit Inquiries.** Immediately upon signing the Contract, Buyer must qualify for mortgage financing. Buyer hereby authorizes the Developer to make credit inquiries about Buyer including, but not limited to, obtaining credit reports on Buyer and verifying by any legal means any financial information submitted to the Developer.

2.4 **Buyer Approval of Estimated Initial Budget and Schedule of Maintenance Fees and Buyer's Obligation to the Condominium Association.** The Contract also provides: that Buyer has examined and approved the estimated initial budget for the Association and the estimated monthly maintenance assessments for the Unit as shown in Exhibit H attached to the Public Report; and that Buyer is aware and accepts: (1) that such amounts are only estimates, are subject to change for various reasons, and Buyer also accepts any such changes; (2) that SUCH ESTIMATES ARE NOT INTENDED TO BE AND DO NOT CONSTITUTE ANY REPRESENTATION OR WARRANTY BY THE SELLER OR THE MANAGING AGENT, INCLUDING, BUT NOT LIMITED TO, ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF SUCH ESTIMATES; and (3) that under the Condominium Documents, Buyer shall be liable for the payment of a monthly assessment to the Association for

the operation and maintenance of the Common Elements and the Limited Common Elements of the Condominium and the administration of the affairs of the Association.

2.5 Regarding Construction. The Contract also provides that:

(a) **Notice to Buyer Required By HRS Chapter 672E:** “CHAPTER 672E OF THE HAWAII REVISED STATUTES CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY FILE A LAWSUIT OR OTHER ACTION FOR DEFECTIVE CONSTRUCTION AGAINST THE CONTRACTOR WHO DESIGNED, REPAIRED, OR CONSTRUCTED YOUR UNIT. NINETY DAYS BEFORE YOU FILE YOUR LAWSUIT OR OTHER ACTION, YOU MUST SERVE ON THE CONTRACTOR A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS YOU ALLEGE ARE DEFECTIVE. UNDER THE LAW, A CONTRACTOR HAS THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR AND/OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY A CONTRACTOR. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER THE LAW AND FAILURE TO FOLLOW THEM MAY NEGATIVELY AFFECT YOUR ABILITY TO FILE A LAWSUIT OR OTHER ACTION.”

Buyer shall provide to Seller a copy of any notice Buyer serves on any Contractor pursuant to HRS Chapter 672E.

(b) **No Seller Warranties, Express or Implied, Are Given.** SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNIT, THE CONDOMINIUM, ANY CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN THE UNIT OR IN THE CONDOMINIUM, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION, ADEQUACY OF DESIGN OR FITNESS OF THE UNIT FOR A PARTICULAR PURPOSE.

(c) **Certain Buyer Acknowledgments and Agreements.** The Contract also includes certain Buyer acknowledgement and agreements regarding construction matters that the Seller recommends Buyer read with care, as well as certain required procedures to be followed should Buyer discover any material, structural or other defect in the Unit that Buyer believes may be the responsibility of the Seller (any “Defect”), including giving notice, inspection rights and the opportunity to cure to the Seller. The Seller is not liable for any general, special or consequential damage, cost, diminution in value or other loss Buyer may suffer as a result of any Defect which reasonably might have been avoided had Buyer followed such procedures; *however*, following such procedures will not create or otherwise establish any contractual duty or obligation on the part of the Seller to repair, replace or cure any Defect or affect any other limitation on the Seller’s liability.

2.6 General Limitations on the Seller’s Liability. The Contract also provides other general limitations on the Seller’s liability, for example: (a) The Seller is not responsible for the actions of third parties or events beyond its control; and (b) to the fullest extent permitted by law and without limiting the applicability of any of the provisions of the Contract, the Seller’s total liability to Buyer for any and all injuries, claims, losses, expenses, damages, or claim expense related to, arising from or associated with, directly or indirectly, in whole or in part, the acts or omissions of the Seller, shall not exceed the limits of any applicable insurance covering such injuries, claims, losses, expenses, damages, or claim expense; (c) Buyer waives all claims for consequential damages including without limitation, damages incurred for rental expenses, loss of use, income, profit, financing, business and reputation, and for loss of productivity or services; (d) the Seller and Buyer waive trial by jury; and (e) the Seller shall be notified as prescribed in the Contract.

Also at the election of the Seller, claims, disputes or other matters in question between the Seller and Buyer (other than Preclosing or Closing matters which at the Seller’s election are subject to special arbitration proceedings) shall be subject to mediation and/or arbitration, and where a dispute involves common issues of fact or law requiring the presence of third-persons or entities if complete relief is to be accorded in arbitration, or where the failure to consolidate would create a risk of inconsistent results in disputes between the Seller and Buyer, or between the Seller or Buyer and third-persons or entities, any such third person or entity necessary to resolve a claim shall be made parties to the same dispute resolution proceeding by consolidation or joinder.

2.7 Brokers. The Contract also provides that: the Seller’s Broker represents only the Seller; that the Seller is not responsible for any representation or statement of Buyer’s Broker, if any, that is inconsistent with those set forth

in the Contract or the Public Report. If Buyer writes in the Contract that Buyer does not have any Broker, Buyer warrants that no real estate broker or other person represented Buyer or was engaged by Buyer in connection with Buyer's purchase and agrees to indemnify, defend, and hold the Seller harmless against claims to the contrary.

3. **Other Provisions of the Escrow Agreement.** The Escrow Agreement also provides that the Seller shall provide a copy of each executed Purchase Contract to the Escrow Agent as well as other information relevant to that Contract and that Escrow Agents given certain protections by the Seller and Buyer for acting as the escrow for the sale and purchase between the parties. The Escrow Agreement shall be subject to and shall be interpreted to comply with the Condominium Property Act.

Part B: Summary of Transfer Contract and Escrow Agreement

1. **Transfer Contract and Escrow Agreement Complementary.** The Transfer Contract between the DHI, which is Driftwood Hotel, Inc. ("DHI"), a Hawaii corporation, as the Developer with respect to Units in the Equus Condominium to be transferred in leasehold to shareholders of DHI ("Buyer") and each Buyer and the Escrow Agreement dated July 17, 2007 between DHI and Title Guaranty Escrow Services, Inc., as Escrow Agent complement each other as follows:

1.1 **Transfer Contract and Handling of Buyer's Funds.** In consideration for and as a condition to the transfer of a leasehold interest as stated in Section D of Part 1 of the Transfer Contract, DHI and Buyer agree that:

(a) Buyer shall surrender to DHI his or her (i) share of Common Stock in DHI and (ii) that certain unrecorded sub-sublease (the "**Proprietary Space Lease**") presently held by Buyer; and

(b) Buyer shall execute a Promissory Note and Mortgage on the Property in favor of DHI evidencing and securing such Buyer's obligation to pay his or her share of the repairs and renovations of the Unit made by DHI which Buyer and the other shareholders of DHI have previously authorized.

(c) **Disbursement of Buyer's Funds.** Escrow shall disburse Buyer's Funds:

(1) **Upon Closing** to DHI;

(2) **As a refund to Buyer:** if either Buyer of DHI cancels the Transfer Contract before it becomes legally binding as stated in *Section 4.3* of the Transfer Contract; or if as Buyer's sole and exclusive remedy Buyer elects to terminate the Transfer Contract if DHI defaults on the Transfer Contract and does not cure that default within the time period required by the Transfer Contract; or if DHI exercises any of its rights to cancel, rescind or terminate where Buyer is not in default.

(3) **As Liquidated Damages to DHI:** if DHI terminates because the Buyer is in default.

1.2 **Closing Terms and Conditions.** The Transfer Contract requires that all Buyer's Funds be deposited with and held, handled and disbursed by the Escrow Agent in accordance with the Escrow Agreement, including as follows:

(a) **There is a commitment to issue to Buyer upon Closing an Owner's Title Policy insuring that Buyer's title to the Unit is free and clear of:**

(1) **All Blanket Liens** as stated above in *Section 5.3* of this Public Report; and

(2) **All Other Encumbrances except for the Permitted Encumbrances** which are stated in Exhibit E to this Public Report.

Buyer shall pay for the Title Policy and is free at Buyer's expense to choose any Title Insurer Buyer wants that is licensed in Hawaii to issue the Title Policy. But unless Buyer tells Escrow in writing differently, the Escrow Agent

will make its own arrangements for title insurance for Buyer. If the Title Commitment is arranged for by the Escrow Agent, the premium for the Title Policy shall be as stated in the Escrow Agreement.

(b) **Protection against Mechanic's and Materialmen's Liens.** Closing may occur prior to the expiration of the applicable lien period established pursuant to said *HRS Chapter 507, Part 2* as long as the Title Insurer issuing the Title Policy to Buyer is committed upon closing to include in Buyer's Title Policy protections against any and all mechanic's and materialmen's liens, whether or not filed, arising from the construction of the Unit, or if the Title Insurer cannot insure the Buyer against such liens, the Closing shall occur only when such liens have been released, or sufficient funds have been set aside to cover the amount of such lien.

(c) **Buyer shall pay all closing expenses.** except for DHI's Closing Expenses, which include but are not limited to the following: (1) the cost of drafting any revisions or addenda to this Transfer Contract; (2) the cost of obtaining any consent necessary for Buyer to enter into and/or fulfill its obligations under this Transfer Contract; (3) all applicable taxes and recording fees; (4) two months' maintenance fees and start-up fees for the Condominium Association; (5) Buyer's share of pro-rated property taxes; (6) the Escrow Agent's fees; and (7) any fees or charges incurred in connection with any mortgage loan obtained by Buyer; and *exclude* only the costs of preparation of the Unit Lease (provided Buyer will pay all costs of redrafts due to changes made by Buyer), preparation and recording of DHI's partial release of Blanket Liens and Pro Tanto Release; and DHI's share of pro-rated property taxes and DHI's notary fees.

(d) **With respect only to Units numbered 203, 1001, 1002, 1003, 1004, 1005, 1006, 1007 or 1008,³ renovation is substantially completed** as evidenced by the first publication of the Notice of Completion pursuant to *HRS Chapter 507, Part 2*. DHI will attempt to schedule an inspection of Buyer's Unit prior to the Closing but Closing shall not be delayed if the inspection does not occur prior to the Closing or if Buyer, for any reason, does not attend the inspection or does not accept Buyer's Unit; *however*, any incomplete items shall be completed by DHI as soon as reasonably possible after Closing;

1.3 **Cancellation, Rescission and Termination Rights.**

(a) **Buyer's Rights** are summarized above in *Section 2.1(c)(2)* of this Exhibit.

(b) **Seller's Rights include the right to terminate:**

- at any time before the Transfer Contract becomes as stated in *Section 5.8.1*, of this Public Report; or
- if Buyer does not return to DHI any cancellation, rescission or waiver notice delivered to Buyer within the prescribed time period; or
- if Buyer (or if multiple Buyers or any one of them) should die or become incompetent or suffer any incapacitating injury or disease prior to the Closing; or
- if Buyer shall fail to qualify or maintain Buyer's qualification for mortgage financing; or
- if Buyer should default on the Transfer Contract.

(c) **Refund to Buyer and Termination Expenses.** Upon any cancellation, termination or rescission of the Transfer Contract except upon a default by Buyer, Buyer shall be entitled to a prompt and full refund of all moneys paid, without interest, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of \$250 as stated above in *Section 5.8.1* of this Public Report (collectively, the "**Termination Costs**"). *However*, if either DHI or Buyer terminates this Transfer Contract before it becomes legally binding or if DHI terminates where the Buyer is not in default or as Buyer cancels as Buyer's sole and exclusive remedy where DHI is in default, *then*, DHI shall pay the Termination Costs, and in the case of Buyer termination due to default of DHI, Buyer shall also be entitled to any interest earned on Buyer's Funds deposited in escrow.

2.1 Buyer's Default and DHI's Remedies, Including Liquidated Damages. Buyer will be in default under the Transfer Contract if: Buyer fails to make a payment when due; or if Buyer fails to observe or perform any other

³ The renovation of all other Units has been completed.

material obligation required to be observed or performed by Buyer under this Transfer Contract and such failure continues for fifteen (15) days after DHI gives written notice to Buyer of such failure.

If Closing does not occur on the date scheduled by DHI due to any event of default by Buyer, but DHI does not then elect to terminate the Transfer Contract and Closing occurs at a later date, *then*, upon Closing, as liquidated damages for Buyer's default, Buyer shall be required to pay DHI through the Escrow Agent Fifty and No/100 Dollars (\$50.00) per day for each day the Closing is delayed due to Buyer's default, commencing as of the initially scheduled Closing date and continuing until the actual Closing date.

2.2 Default by DHI; DHI's Cure Rights; Buyer's Exclusive Remedies. If DHI shall fail to perform any material obligation required of DHI prior to or at Closing, DHI shall have the opportunity to cure such default within fifteen (15) days after the date Buyer notifies DHI in writing of such default by certified or registered mail. If DHI does not cure the default within that period, Buyer may elect, at Buyer's sole discretion, to either: (1) terminate this Transfer Contract, or (2) seek specific performance of the Transfer Contract. Buyer shall give written notice of its election to DHI. If Buyer elects to terminate, *then* as its sole and exclusive remedy Buyer shall be entitled to receive a full refund of Buyer's Funds in escrow plus any interest accrued thereon, and shall have no other rights or remedies whatsoever, including, without limitation, claims for damages, and DHI shall be released and discharged from any further obligation under this Transfer Contract. If Buyer seeks specific performance, *then* Buyer shall not be entitled to recover any damages from, pursue any other right or remedy against, or obtain any other relief from DHI, and Buyer's Funds and any interest thereon shall be not refunded to Buyer.

2.3 Buyer Qualification for Mortgage Financing; Credit Inquiries. Immediately upon signing the Transfer Contract, Buyer must qualify for mortgage financing. Buyer hereby authorizes the Developer to make credit inquiries about Buyer including, but not limited to, obtaining credit reports on Buyer and verifying by any legal means any financial information submitted to the Developer.

2.4 Buyer Approval of Estimated Initial Budget and Schedule of Maintenance Fees and Buyer's Obligation to the Condominium Association. The Transfer Contract also provides: that Buyer has examined and approved the estimated initial budget for the Association and the estimated monthly maintenance assessments for the Unit as shown in Exhibit H attached to the Public Report; and that Buyer is aware and accepts: (1) that such amounts are only estimates, are subject to change for various reasons, and Buyer also accepts any such changes; (2) that SUCH ESTIMATES ARE NOT INTENDED TO BE AND DO NOT CONSTITUTE ANY REPRESENTATION OR WARRANTY BY DHI OR THE MANAGING AGENT, INCLUDING, BUT NOT LIMITED TO, ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF SUCH ESTIMATES; and (3) that under the Condominium Documents, Buyer shall be liable for the payment of a monthly assessment to the Association for the operation and maintenance of the Common Elements and the Limited Common Elements of the Condominium and the administration of the affairs of the Association.

2.5 Regarding Construction. The Transfer Contract also provides that:

(a) **Notice to Buyer Required By HRS Chapter 672E:** "CHAPTER 672E OF THE HAWAII REVISED STATUTES CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY FILE A LAWSUIT OR OTHER ACTION FOR DEFECTIVE CONSTRUCTION AGAINST THE CONTRACTOR WHO DESIGNED, REPAIRED, OR CONSTRUCTED YOUR UNIT. NINETY DAYS BEFORE YOU FILE YOUR LAWSUIT OR OTHER ACTION, YOU MUST SERVE ON THE CONTRACTOR A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS YOU ALLEGE ARE DEFECTIVE. UNDER THE LAW, A CONTRACTOR HAS THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR AND/OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY A CONTRACTOR. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER THE LAW AND FAILURE TO FOLLOW THEM MAY NEGATIVELY AFFECT YOUR ABILITY TO FILE A LAWSUIT OR OTHER ACTION."

Buyer shall provide to Seller a copy of any notice Buyer serves on any Contractor pursuant to HRS Chapter 672E.

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PRODUCTS OR ANYTHING ELSE INSTALLED IN THE UNIT OR IN THE CONDOMINIUM, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION, ADEQUACY OF DESIGN OR FITNESS OF THE UNIT FOR A PARTICULAR PURPOSE.

(c) **Certain Buyer Acknowledgments and Agreements.** The Transfer Contract also includes certain Buyer acknowledgement and agreements regarding construction matters that DHI recommends Buyer read with care, as well as certain required procedures to be followed should Buyer discover any material, structural or other defect in the Unit that Buyer believes may be the responsibility of DHI (any “Defect”), including giving notice, inspection rights and the opportunity to cure to DHI. DHI is not liable for any general, special or consequential damage, cost, diminution in value or other loss Buyer may suffer as a result of any Defect which reasonably might have been avoided had Buyer followed such procedures; *however*, following such procedures will not create or otherwise establish any contractual duty or obligation on the part of DHI to repair, replace or cure any Defect or affect any other limitation on DHI’s liability.

2.6 General Limitations on DHI’s Liability. The Transfer Contract also provides other general limitations on DHI’s liability, for example: (a) DHI is not responsible for the actions of third parties or events beyond its control; and (b) to the fullest extent permitted by law and without limiting the applicability of any of the provisions of the Transfer Contract, DHI’s total liability to Buyer for any and all injuries, claims, losses, expenses, damages, or claim expense related to, arising from or associated with, directly or indirectly, in whole or in part, the acts or omissions of DHI, shall not exceed the limits of any applicable insurance covering such injuries, claims, losses, expenses, damages, or claim expense; (c) Buyer waives all claims for consequential damages including without limitation, damages incurred for rental expenses, loss of use, income, profit, financing, business and reputation, and for loss of productivity or services; (d) DHI and Buyer waive trial by jury; and (e) DHI shall be notified as prescribed in the Transfer Contract.

Also at the election of DHI, claims, disputes or other matters in question between DHI and Buyer (other than Preclosing or Closing matters which at DHI’s election are subject to special arbitration proceedings) shall be subject to mediation and/or arbitration, and where a dispute involves common issues of fact or law requiring the presence of third-persons or entities if complete relief is to be accorded in arbitration, or where the failure to consolidate would create a risk of inconsistent results in disputes between DHI and Buyer, or between DHI or Buyer and third-persons or entities, any such third person or entity necessary to resolve a claim shall be made parties to the same dispute resolution proceeding by consolidation or joinder.

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END OF EXHIBIT I