

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

CONDOMINIUM PROJECT NAME	SEABREEZE APARTMENTS
Project Address	3065 Kalakaua Avenue, Honolulu, Hawaii 96815
Registration Number	6670 (Conversion)
Effective Date of Report	October 21, 2008
Developer(s)	Seabreeze Apartments, Inc., a Hawaii corporation

Preparation of this Report

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

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

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

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

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

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

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

SPECIAL ATTENTION

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

The Units will not be offered for sale to the public. The Seabreeze Apartments is a cooperative housing project. After conversion of the project to a condominium property regime, each shareholder/owner of the Developer, Seabreeze Apartment, Inc., will surrender their shares and existing proprietary lease for the unit, both free and clear of any liens, mortgages, or other encumbrances. When the shareholder/owner does so and deposits same into Escrow, the Developer will execute and deposit into Escrow a Unit Deed conveying the fee simple title to the Unit to the shareholder/owner. Upon recordation of the Unit Deed, the proprietary lease and shares will be cancelled.

TABLE OF CONTENTS

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

TABLE OF CONTENTS
(continued)

	Page
5.6 Developer's Use of Purchaser Deposits to Pay for Project Construction Costs Before Closing or Conveyance	14
5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance	14
5.6.2 Purchaser Deposits Will Be Disbursed Before Closing	14
5.7 Rights Under the Sales Contract	16
5.8 Purchaser's Right to Cancel or Rescind a Sales Contract.....	16
5.8.1 When a Sales Contract becomes Binding and Purchaser's 30-Day Right to Cancel a Sales Contract	16
5.8.2 Right to Cancel a Sales Contract if Completion Deadline Is Missed	17
5.8.3 Purchaser's Right to Rescind a Binding Sales Contract After a Material Change.....	17
 6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT	 18
 EXHIBIT A: PARKING STALLS	
EXHIBIT B: COMMON ELEMENTS AND LIMITED COMMON ELEMENTS	
EXHIBIT C: ENCUMBRANCES AGAINST TITLE	
EXHIBIT D: CONSULTANTS' REPORTS	
EXHIBIT E: VERIFIED STATEMENT FROM COUNTY OFFICIAL	
EXHIBIT F: ESTIMATE OF INITIAL MAINTENANCE FEES AND ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS	
EXHIBIT G: SUMMARY OF CONVERSION CONTRACT	
EXHIBIT H: SUMMARY OF ESCROW AGREEMENT	

General Information On Condominiums

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

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

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

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

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

Operation of the Condominium Project

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

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

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

1. THE CONDOMINIUM PROJECT

1.1 The Underlying Land

Fee Simple or Leasehold Project	<input checked="" type="checkbox"/>	Fee Simple	<input type="checkbox"/>	Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
Fee Owner's Name if Developer is not the Fee Owner	N/A			
Address of Project	3065 Kalakaua Avenue Honolulu, Hawaii 96815			
Address of Project is expected to change because	N/A			
Tax Map Key (TMK)	Oahu 3-1-33-59			
Tax Map Key is expected to change because	N/A			
Land Area	4,358 square feet			
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	N/A			

1.2 Buildings and Other Improvements

Number of Buildings	1
Floors Per Building	11
Number of New Building(s)	0
Number of Converted Building(s)	1
Principle Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	reinforced concrete

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
Residential units	10	2/2	1228	719	lanai, balcony, foyer, lobby	1947
Association units	5	0	Unit A - 29 Unit B - 29 Unit C - 58 Unit D - 36 Unit E - 171	0	0	Unit A - 29 Unit B - 29 Unit C - 58 Unit D - 36 Unit E - 171

See Exhibit ____.

15	Total Number of Units
----	------------------------------

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:	14
Number of Guest Stalls in the Project:	0
Number of Parking Stalls Assigned to Each Unit:	1*
Attach Exhibit A specifying the Parking Stall number(s) assigned to each unit and the type of parking stall(s) (regular, compact or tandem and indicate whether covered or open).	
If the Developer has reserved any rights to assign or re-assign parking stalls, describe such rights. N/A	

1.5 Boundaries of the Units

Boundaries of the unit: See ** below.
--

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): Generally, alterations to Units are permitted only with the prior approval of the Project's Board of Directors. All purchasers should review the restrictions, requirements and conditions for Unit alterations which are contained in Section F of the Declaration.
--

1.7 Common Interest

<u>Common Interest:</u> Each unit will have a percentage interest in the common elements appurtenant to each unit. This interest is called the "common interest". It is used to determine each unit's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by unit owners. The common interest for each unit in this project, as described in Declaration, is: Described in Exhibit ____.
As follows: 10% each for all of the 10 Residential Units (total 100%), 0% for each Association Unit.

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

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

* Units A, B, C, D and E are currently owned by the Developer and will be transferred to the Association. Four (4) parking stalls are assigned to Association Unit E. No parking stalls are assigned to the remaining Association units.

**** Unit Boundaries.**

Each residential Unit shall be deemed to include (i) all the walls and partitions which are not load-bearing within its perimeter walls, (ii) all pipes, shafts, ducts, pumps, conduits, wires and other utility or service lines running through such Unit which are utilized for and serve only that Unit, (iii) the inner decorated or

finished surfaces of all walls, floors and ceilings, (iv) any doors or panels along the perimeter walls of such Unit, (v) all exterior windows, cranks, frames and other window or sliding door hardware, (vi) all appliances and fixtures installed therein and replacements thereof, (vii) any adjacent lanai, foyer and elevator lobby to which such Unit has direct, exclusive access, and (viii) any air conditioning equipment or apparatus within the Unit (to the extent permitted by the Board).

Each Association Unit shall be deemed to include (i) all the walls and partitions which are not load-bearing within its perimeter walls, (ii) all pipes, shafts, ducts, pumps, conduits, wires and other utility or service lines running through such Unit which are utilized for and serve only that Unit, (iii) the inner decorated or finished surfaces of all walls, floors and ceilings, (iv) any doors or panels along the perimeter walls of such Unit, (v) all cranks, frames and other window or sliding door hardware, (vi) all appliances and fixtures installed therein and replacements thereof, and (vii) any air conditioning equipment or apparatus within the Unit (to the extent permitted by the Board).

1.9 Common Elements

<p><u>Common Elements</u>: 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 B.</p>									
<p>Described as follows:</p>									
<table border="1"> <thead> <tr> <th>Common Element</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Elevators</td> <td>1</td> </tr> <tr> <td>Stairways</td> <td>1</td> </tr> <tr> <td>Trash Chutes</td> <td>0</td> </tr> </tbody> </table>		Common Element	Number	Elevators	1	Stairways	1	Trash Chutes	0
Common Element	Number								
Elevators	1								
Stairways	1								
Trash Chutes	0								

1.10 Limited Common Elements

<p><u>Limited Common Elements</u>: 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 B.</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>	
x	Pets: No pets allowed
	Number of Occupants:
x	Other: Article F of the Declaration provides that the Units, with the exception of the Association units may be occupied and used only as private dwellings by the respective Owners thereof, their tenants, families, domestic servants and social guests. Under no circumstances may any of the Units be used for timesharing, as such term is defined in H.R.S., Chapter 514E.
	There are no special use restrictions.

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 C describes the encumbrances against title contained in the title report described below.</p>
<p>Date of the title report: June 2, 2008</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 checked="" type="checkbox"/>	Residential	10	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Apartment A-2
<input type="checkbox"/>	Commercial		<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	
<input type="checkbox"/>	Mix Residential/Commercial		<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	
<input type="checkbox"/>	Hotel		<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	
<input type="checkbox"/>	Timeshare		<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	
<input type="checkbox"/>	Ohana		<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	
<input type="checkbox"/>	Industrial		<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	
<input type="checkbox"/>	Agricultural		<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	
<input type="checkbox"/>	Recreational		<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	
<input checked="" type="checkbox"/>	Other(specify): access & utilities	5	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Apartment A-2
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.							

1.14 Other Zoning Compliance Matters

Conforming/Non-Conforming Uses, Structures and Lots			
<p>In general, a non-conforming use, structure or lot is a use, structure or lot that was lawful at one time but that does not now conform to present zoning requirements. Under present zoning requirements, limitations may apply to extending, enlarging or continuing the non-conformity and to altering and repairing non-conforming structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.</p> <p>If a variance has been granted or if uses, structures or lots are either non-conforming or illegal, the purchaser should consult with county zoning authorities as to possible limitations that may apply in situations such as those described above.</p> <p>A purchaser may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure or lot.</p>			
	Conforming	Non-Conforming	Illegal
Uses	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Structures	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lot	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>If a non-conforming use, structure or lot exists in this project, this is what will happen under existing laws or codes if the structure is damaged or destroyed:</p> <p>The building encroaches into the required rear yard setback and is considered a nonconforming structure (spacing). The footprint of the building may need to be relocated if the structure is damaged or destroyed.</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 style="text-align: center;">x Applicable 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>NO REPRESENTATIONS ARE MADE WITH RESPECT TO THE USEFUL LIFE OF THE STRUCTURAL COMPONENTS AND MECHANICAL AND ELECTRICAL INSTALLATIONS. See consultants' reports and Developer's statement attached hereto as Exhibit D for a description of the current condition of the Project.</p>	
<p>Developer's statement of the expected useful life of each item reported above:</p> <p>See above and Exhibit D.</p>	
<p>List of any outstanding notices of uncured violations of any building code or other county regulations:</p> <p>See above and Exhibit D.</p>	
<p>Estimated cost of curing any violations described above:</p> <p>See above and Exhibit D.</p>	

<p>Verified Statement from a County Official</p>
<p>Regarding any converted structures in the project, attached as Exhibit <u>E</u> is a verified statement signed by an appropriate county official which states that either:</p> <p>(A) The structures are in compliance with all zoning and building ordinances and codes applicable to the project at the time it was built, and specifying, if applicable:</p> <ul style="list-style-type: none"> (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 style="text-align: right;">Yes</p> <p style="text-align: center;">x 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 an penalties for noncompliance.</p>	
<p>Other disclosures and information:</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 style="text-align: right;">Yes</p> <p style="text-align: center;">X 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

2.1 Developer	Name: Seabreeze Apartments, Inc. Business Address: 3065 Kalakaua Avenue Honolulu, Hawaii 96815 Business Phone Number: (808) 593-9100 E-mail Address: N/A
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)	President: Ernest Jensen Vice President: Charles Everest Secretary/Treasurer: Graeme Freeman
2.2 Real Estate Broker	Name: None selected, see page 18 Business Address: Business Phone Number: E-mail Address:
2.3 Escrow Depository	Name: Title Guaranty Escrow Services, Inc. Business Address: 235 Queen Street, 1st Floor Honolulu, Hawaii 96813 Business Phone Number: (808)
2.4 General Contractor	Name: None Business Address: Business Phone Number:
2.5 Condominium Managing Agent	Name: Hawaiiana Management Company, Ltd. Business Address: 711 Kapiolani Boulevard, Suite 700 Honolulu, Hawaii 96813 Business Phone Number: (808) 593-9100
2.6 Attorney for Developer	Name: James H. Case, Esq. Business Address: 1001 Bishop Street, Suite 2200 Honolulu, Hawaii 96813 Business Phone Number: (808) 523-2500

3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

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

3.1 Declaration of Condominium Property Regime

The Declaration of Condominium Property Regime contains a description of the land, buildings, units, common interests, common elements, limited common elements, and other information relating to the condominium project.

Land court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	June 27, 2008	2008-105123

Amendments to Declaration of Condominium Property Regime

Land court or Bureau of Conveyances	Date of Document	Document Number
none		

3.2 Bylaws of the Association of Unit Owners

The Bylaws of the Association of Unit Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Unit Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters that affect how the condominium project will be governed.

Land Court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	June 27, 2008	2008-105124

Amendments to Bylaws of the Association of Unit Owners

Land court or Bureau of Conveyances	Date of Document	Document Number
none		

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	
Bureau of Conveyances Map Number	4670
Dates of Recordation of Amendments to the Condominium Map:	none

3.4 House Rules

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

3.5 Changes to the Condominium Documents

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

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

	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
x	<p>Developer has reserved the right to change the Declaration, Bylaws, Condominium Map and House rules (if any) and to add to or merge the project or to develop the project in one or more phases, and such rights are summarized as follows:</p> <p>As set forth in Section O of the Declaration, the Developer has reserved the right to amend the Declaration to exercise the rights reserved to the Developer in Declaration Sections N.1 (Parking), N.3 (Reservation of Power to Grant Easements) and N.4 (Required Amendments).</p>

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 checked="" type="checkbox"/>	Not affiliated with the Developer
<input type="checkbox"/>	None (self-managed by the Association)
<input type="checkbox"/>	The Developer or an affiliate of the Developer
<input type="checkbox"/>	Other (explain)

4.2 Estimate of the Initial Maintenance Fees

<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 F 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 checked="" type="checkbox"/>	Gas for the common elements (and the Units)
<input type="checkbox"/>	Water
<input type="checkbox"/>	Sewer
<input type="checkbox"/>	TV cable
<input checked="" type="checkbox"/>	Other (specify): Rubbish removal

4.4 Utilities to be Separately Billed to Unit Owner

<p>If checked, the following utilities will be billed to each unit owner and are not included in the maintenance fee:</p>	
<input checked="" type="checkbox"/>	Electricity for the Unit only
<input type="checkbox"/>	Gas for the Unit only
<input checked="" type="checkbox"/>	Water
<input checked="" type="checkbox"/>	Sewer
<input checked="" type="checkbox"/>	TV cable
<input checked="" type="checkbox"/>	Other (specify): Other utility services contracted for by the Unit owner(s) or occupant(s).

5. SALES DOCUMENTS

5.1 Sales Documents Filed with the Real Estate Commission

Sales Documents on file with the Commission include, but are not limited to the following:	
x	Specimen Sales Contract Exhibit G contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.
x	Escrow Agreement dated: June 17, 2008 Name of Escrow Company: Title Guaranty Escrow Services, Inc. Exhibit H contains a summary of the pertinent provisions of the escrow agreement.
	Other:

5.2 Sales to Owner-Occupants

If this project contains three or more residential units, the Developer shall designate at least fifty percent (50%) of the units for sale to Owner-Occupants. N/A. The Developer has not elected to provide the information in a published announcement or advertisement because the units will be offered solely to shareholders of the Developer who are lessees under proprietary leases regarding their respective Units.

N/A	The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B. * See page 1a for information regarding transfer of title to the Units.
	Developer has designated the units for sale to Owner-Occupants in this report. See Exhibit _____.
	Developer has or will designate the units for sale to Owner-Occupants by publication.

5.3 Blanket Liens

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

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

Type of Lien	Effect on Purchaser's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance

5.4 Construction Warranties

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

Building and Other Improvements: There are no warranties regarding the building and other improvements. Sold "as-is."
Appliances: There are no warranties regarding the appliances. Sold "as-is."

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

Status of Construction: The project was constructed in 1959.
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: N/A
Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract: N/A

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

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

5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance

	<p>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.</p> <p><i>If this box is checked, Section 5.6.2, which follows below, will not be applicable to the project.</i></p>
--	--

5.6.2 Purchaser Deposits Will Be Disbursed Before Closing

<p>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):</p>	
	<p>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</p>
	<p>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.</p>

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

Box A	<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>
--------------	---

Box B x	<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>
-------------------	---

<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.</p>
--

5.7 Rights Under the Sales Contract

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

- | | |
|----|--|
| 1. | Developer's 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 Agreement |
| 7. | Hawaii's Condominium Property Act (Chapter 514B, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended). provided that rules and regulations under Chapter 514B have not yet been adopted. |
| 8. | Other: |

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

Website to access official copy of laws: www.capitol.hawaii.gov

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; or
- (c) Closes the purchase of the unit before the 30-day cancellation period expires.

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

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

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

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

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

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

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

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

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

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

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

6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT

DISCLOSURE REGARDING NON SELECTION OF REAL ESTATE BROKER:

As of the effective date of this Developer's Public Report, the Developer has not executed a listing agreement for the sale of this condominium project with any duly licensed Hawaii real estate broker.

Thus, the Developer cannot offer to sell or sell any units in this registered condominium project until: (1) the Developer executes a listing agreement for the sale of this condominium project; (2) amends this Developer's Public Report to reflect the new information; and (3) delivers this Developer's Public Report and amendment to the prospective purchaser. The conditions for a binding sales contract are listed on pages 16-17, paragraph 5.8.1.

HAZARDOUS MATERIALS:

The Developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The Developer has made no independent investigation as to asbestos or other hazardous substances in the unit or in, under or around the Project, including, but not limited to, radioactive materials, organic compounds know as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Purchaser acknowledges that in light of the age of the Project, there may be asbestos and other hazardous substances in the units, or in, under or around the Project. Because of the possible presence of such substances, Purchaser should have the unit inspected to determine the extent (if any) of such contamination and any necessary remedial action. The Developer will not correct any defects in the units or in the Project or anything installed or contained therein and Purchaser expressly relieves developer from any liability to Purchaser if any hazardous materials are discovered.

LEAD WARNING STATEMENT:

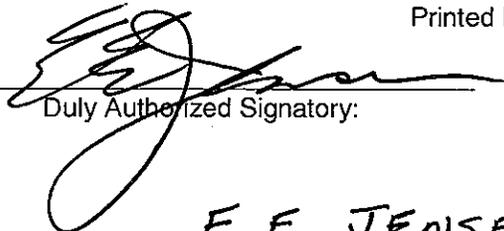
Pursuant to federal law, 42 U.S.C. 4852(d), the Residential Lead-Based Paint Reduction Act, Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

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.

Seabreeze Apartments, Inc.
Printed Name of Developer

By:  _____
Duly Authorized Signatory: Date 7/1/08

E. E. JENSEN 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

PARKING STALLS

<u>Unit No.</u>	<u>Parking Stall No. Assigned (if any)</u>	<u>Type of Parking (Reg., Compact, Tandem)</u>	<u>Open/Covered</u>
2	2	regular	covered
3	3	compact	covered
4	4	compact	covered
5	5	compact	covered
6	6	regular	covered
7	7	regular	covered
8	8	compact	covered
9	9	compact	covered
10	10	regular	covered
11	11	regular	covered
E	E-1, E-2, E-3, E-4	regular (1) compact (3)	covered
A, B, C, D	none		

EXHIBIT B

COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

The **Common Elements** of the Project include the following:

1. The Land, in fee simple, and any and all easements and appurtenances thereto.
2. All unfinished, undecorated portions of all perimeter (including party) walls and interior load-bearing walls, the undecorated or unfinished surfaces of floors and ceilings, all lanai slabs and railings, all structural components, foundations, floor slabs, columns, girders, beams, supports, shafts, ceilings and spaces between the ceiling and the floor slab or roof above, roofs and exterior surfaces of the Project, including any paint or coating thereon.
3. All yards, gardens, grounds, planters, trellises and landscaping and all garbage chutes and other refuse facilities, if any, whether within or appurtenant to the Project.
4. All roads, driveways, ramps, parking stalls, loading areas or zones, and walkways which are rationally of common use by Owners of more than one Unit.
5. All ducts, pumps, valves, sewer lines, drain lines, electrical equipment, cables, wiring, chutes, pipes, shafts, wires, conduits or other utility or service lines which are utilized for or serve more than one Unit and other central and appurtenant transmission facilities over, under and across the Project which serve more than one Unit for services such as power, light, water, gas, sewer, refuse, telephone and radio and television signal distribution.
6. The hallways, corridors, stairs, stairways, elevator, elevator lobbies, garbage or electrical rooms, and other similar areas which are not part of a Unit and shown on the Condominium Map.
7. Any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance and safety, or normally in common use.

The **Limited Common Elements** of the Project include the following:

1. The parking stalls for the Project are located on the ground and basement levels of the Project, as shown on the Condominium Map. Each of the parking stalls is designated, set aside and reserved for a Unit as a Limited Common Element as shown in the Declaration. Each residential Unit shall have one (1) parking stall designated to it as a Limited Common Element. Association Unit E shall have four (4) parking stalls designated to it as Limited Common Elements. Any or all such Limited Common Element parking stalls appurtenant to the Association Units may be assigned (permanently or temporarily), encumbered, pledged, sold, leased, transferred or otherwise used, modified or disposed of as the Developer or, as applicable, the Association, acting through the Board, determines from time to time.

EXHIBIT C

ENCUMBRANCES AGAINST TITLE

The following are the encumbrances against title to the Project that are contained in the title report dated June 2, 2008 and issued by Title Guaranty of Hawaii, Inc.:

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. -As To Parcel First:- GRANT in favor of the STATE OF HAWAII dated February 12, 1960, recorded in Liber 3780 at Page 276; granting a perpetual non-exclusive surface easement for public beach purposes in, across and upon the surface of that certain parcel of land being a portion of Lot 65 of Section A, Diamond Head Terrace Tract, File Plan 214, situate at Kaluahole, Waikiki, Honolulu, Hawaii, containing an area of 230 square feet, and being more particularly described therein. (Note: There is no joinder in above Grant by Seabreeze Apartments, Inc.).
3. LEASE dated July 7, 1959, recorded in Liber 3894 at Page 465, entered into by and between KALAKAUA LAND DEVELOPMENT, Inc., a Hawaii corporation, "Lessor", and SEABREEZE APARTMENTS, INC., a Hawaii cooperative housing corporation, "Lessee"; leasing and demising the premises described herein, for a term commencing from the day on which the Apartment Building hereinafter referred to is completed and ready for occupancy as declared by the Lessor and the Architect, to and including April 30, 2015, unless the term hereof shall be sooner terminated as hereinafter provided. Said Lease was amended by instruments recorded in Liber 3897 at Page 177; in Liber 4112 at Page 51 and in Liber 9646 at Page 257.
4. LEASE dated February 6, 1958, recorded in Liber 3894 at Page 480, entered into by and between KALAKAUA LAND DEVELOPMENT, Inc., a Hawaii corporation, "Lessor", and TROPIC SAND APARTMENTS, INC., a Hawaii corporation, "Lessee"; leasing and demising the premises described herein, for a term commencing from the day on which the Apartment Building hereinafter referred to is completed and ready for occupancy as declared by the Lessor and the Architect, to and including March 31, 2014, unless the term hereof shall be sooner terminated as hereinafter provided. Said Lease was amended by instruments recorded in Liber 3894 at Page 489; in Liber 3894 at Page 498 and in Liber 3895 at Page 31; in Liber 4053 at Page 85, in Liber 4093 at Page 243; and in Liber 4105 at Page 183.
5. The terms and provisions contained in Agreement dated July 7, 1959 recorded in said Bureau in Liber 3895, Page 37 made by Tropic Sands Apartments, Inc., Kalakaua Land Development, Inc. and Seabreeze Apartments, Inc., regarding Seabreeze Apartments, "at its own cost, may enter the Apartment Building on the parcel leased by Tropic Sands and make whatever alterations which may be necessary to tap the Hawaiian Electric Co., Ltd., electric transformer and run lines therefrom to the building to be constructed on the parcel leased by Seabreeze."
6. The terms and provisions contained in Agreement dated March 25, 1959 recorded in said Bureau in Liber 9646, Page 249 made by Kalakaua Land Development, Inc. "Owner" and Kwan Heen Ho and Ellen Wong Ho, husband and wife, "Beneficiaries" regarding Both parties are desirous of promoting the orderly development of their respective properties and of maintaining the values thereof for their mutual benefit as well as for the owners of the adjoining properties, etc.
7. Various recorded and unrecorded leases and matters arising from or affecting the same.

EXHIBIT D

CONSULTANTS' REPORTS

NO REPRESENTATIONS ARE MADE WITH RESPECT TO THE USEFUL LIFE OF THE STRUCTURAL COMPONENTS AND MECHANICAL AND ELECTRICAL INSTALLATIONS.

Purchasers should familiarize themselves with the condition of the Project by reading the attached reports with care.



ERNEST M. UMEMOTO AIA
Architect, Inc.

4/24/07

The Seabreeze
c/o James Case ESQ.

Subject: Seabreeze Apartments CPR

A cursory visual only observation visit was conducted of the Seabreeze Apartments, 3065 Kalakaua Avenue, Honolulu, Hawaii. The Owner did furnish the team with a copy of the floor plan. There were no approved-stamped Building Department File copy, as-built Construction documents, change orders, soils report, engineering calcs, specification and basis of design. No permitted plans for alteration or renovation of either apartment areas or common areas were reported. This report covers that which was observed in a sampling of typical apartments, and assumes that the general observations made are pertinent to the building as a whole. No record of alterations, additions, or renovations were reported, but should have been approved by Building Permits.

The design and construction seen are similar to that found in apartment buildings in Waikiki's Diamond Head end. There are design elements that are "grand-fathered" and do not meet the requirements of the current Building code. Changes are made to the Building Code because experience has shown a need to respond to health and safety impacts. In some cases, building owners should consider up-grading to the current standard immediately if health, safety, or welfare is compromised. An example would be the opening in guardrails (currently 4" maximum) and the height of the top rail (currently 3'-6" high). In other cases, the size of alteration and renovation projects will require that the current standard be instituted.

Since the building was constructed, the building codes have been amended and other governmental regulations have been added or changed. The fire sensor and alarm system is one area where even when not mandatory, the latest requirements should be presented to the AOA by the property management for their decision to upgrade the safety provision or not. Recurring Fire Department inspection should be requested and fire evacuation drills held periodically.

The visual only observation visit did not include invasive or destructive testing, so the extent of damage or deterioration if any was not able to be substantiated. The existence of lead paint, asbestos, environmental toxic material, dirty air quality and other problems was not observable. To address these items would require the



ERNEST M. UMEMOTO AIA
Architect, Inc.

retainage of specialty inspectors, and this is rarely done without damage or injury being obvious to the residents and the property managers. The decision to increase the level of inspections and testing is a management decision of the building owners.

There are a few inspection that are readily available and commonly retained by management. Preventative maintenance is generally accepted to be cost effective to running to failure and undertaking repair at higher cost. These areas are roofing, weatherstripping, caulking, flashing, protective coating, termite protection, gasketing, a/c maintenance, concrete spalling, corrosion control and clean-up of algae growth on walkways, servicing roof drains and keeping storm drains clean and clear.

Management effort must enforce the clear lighted exit path and visibility of exit signs from all directions. A lack of exit signs in parking and common areas needs attention.

No storage is allowed in the Electrical Room. Storage of flammables must be in a UL-listed cabinet. Ensure that flammables and used rags are not stored outside the cabinets and that the room is adequately ventilated to prevent spontaneous combustion. Storage of chemicals must be per manufacturer recommendation and out of reach of the public. Maintenance material, lawn equipment fuel and touch-up paint are common items that can cause fire and injury.

There is a joint use easement with an adjacent side yard. Maintenance of this area must be kept free of clutter. The shoreline is constantly subject to weathering and should be kept structurally sound. There is no accessible route to the sidewalk as the driveway is steep.

Observations in one apartment found the following concerns:

- Apartment entry door at corridor must have 20 minutes fire resistance and label visible. None seen.
- The entry door threshold is very high at 1-1/2", blocking wheelchair access.
- Electrical convenience outlets in the kitchen and bathroom that are within 6' of a water source must be GFIC. This was not provided.
- Range must have fire resistant finish on the surrounding wall, such as ceramic tile, plastic laminate, and sheet metal on non-combustible gypsum board.
- If a wall cabinet exists above the range, minimum 24" clear height must be provided between the burner top and a metal range hood above.
- Bedroom windows must be sized for fire escape. Minimum clear height = 24". Minimum clear width = 20". Minimum net clear 5.7 SF. The finished sill height is 44" maximum. Glass jalousie is acceptable if the above sizes are meet. The existing windows had a sill height at 4'-3" (too high).
- Water damage was not seen but any water infiltration damage must be repaired immediately if occurred and addressed for toxicity and further problems.
- The electrical outlet in any light fixture must be GFIC.



ERNEST M. UMEMOTO AIA
Architect, Inc.

- Washer/dryer not designed for in the individual apartments and may not be added.
- Portable dishwasher may drain into system that was not designed for every apartment to possess a unit, and should not be added.
- Toilet water closet must be in a space with 30" clear with minimum 24" clear in front of the water closet.
- Shower surround must be hard impervious surface to height of 6'.
- Ceiling height must be 7'-6" minimum with projections not lower than 6'-6" high. Bathrooms and halls may be 7'-0" high.
- All rooms (except toilet with toilet exhaust) must have minimum 10% light and 5% ventilation area in exterior wall based on floor area of the room.
- Lanai guardrail must be 42" high. Current maximum opening in the guardrail is 4" maximum. At the time of construction the opening maximum may have been larger as the existing is 5" which may be a safety hazard.
- Fire extinguisher not seen in proximity of range.
- Electrical panels must have 3' clear in front, not storage.
- UL-approved hard wire smoke detector required just inside each bedroom door currently not provided and one required outside in the hallway outside the bedroom doors.
- Glass sliding door on lanai and for shower must have safety glass.
- Windows with sill lower than 3'-6" must have a guardrail at 3'-6" high if open below on the exterior.
- Guardrails along corridors and lanai guardrails and parapets should not have furniture or decorative trims that would allow children to climb up.
- Window a/c units should not be added without condensate drain. The water on the concrete slab could contribute to spalling.
- Termite damage of wood doors and cabinets was not seen, but should be an item for on-going examination.
- Acoustical spray on the ceiling and any floor tile smaller than 12' square should be tested to ensure that it does not contain asbestos.
- Window corrosion seen and requires immediate repair as water infiltration could lead to mold damage.
- Corrosion was seen on makai railing and anchors.

There are no ADA and FHA compliant apartments in the building. Occupants and guest may not be able to access the building from the sidewalk or the parking garage.

In the common areas and parking areas the following concerns were observed:

- Parking stalls may not have the 22' clear in front as required by the zoning code.
- There are no loading stalls.
- There is no ADA compliant or van-accessible parking stall.
- Exit signs are not lighted and are lacking in many areas.



ERNEST M. UMEMOTO AIA
Architect, Inc.

- Exit lighting on emergency battery or generator power lacking.
- Proper exhaust ventilation of gas water heater not seen.
- The outlet at any area near a water source should be GFI.
- Stair and landings did have required 44" clear width. Handrails should be between 34" to 38' high above the nosing, but were only 33" high on some locations.
- Exit doors must be 20 minute fire resistive and both door and frame labeled, provided with smoke gasket and draft protection, be self-closing and properly identified with exit sign.
- Stair enclosure door must be 90 minute fire resistive and both door and frame labeled, be self-closing and properly labeled with exit sign.
- Handrail height was okay at 36" high but did not extend past the last riser and exceeded the spacing or projection from the wall. The open stairway did not have a guardrail as may have been grandfathered, but this is not the best design.
- Stairs should have handrails on both sides with extension 12" past the last riser on top and bottom.
- Stair top basement has a gate at the ground floor exit level but it was left open defeating its purpose of channeling the exit flow to the exterior.
- Sump pump in below grade parking should have capacity reviewed and the pump maintained on a regular basis with testing.
- The storage room in the basement must be fire rated construction with a rated door. The electrical room must be in a separate room with no storage.
- The unused trash chute should be locked .
- Pipe insulation may have asbestos.
- No roof insulation.
- Roof access door is locked to public access.
- Guardrail at top of enclosed stair is only 3' high. Rebuild to 3'-6" height.
- Penetrations between garage and residential area require fire separation protection and rated caulking.
- A/C equipment on roof inadequately anchored and lacks pitch pockets.
- The surrounding streets have inadequate storm drain system and flooding may occur in a major storm.
- The basement requires a second fire exit with proper stairs and landings.
- Where driveways and ramps are used as exits, they must be of proper slope and provide with handrails.

The building will require an extensive design study if all apartments are allowed to have their own window type or split system a/c. The roof will have to be insulated, and all glass windows and lanai doors must have insulating properties. The power would have to be increased to each apartment and sub-metered to allow proper charging for electrical usage. Condensate drain must be provided.



ERNEST M. UMEMOTO AIA
Architect, Inc.

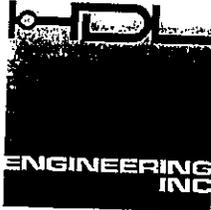
The above cursory visual only site observation report covers Architectural concerns only. Separate reports for Structural Engineering, Mechanical Engineering, and Electrical Engineering were made, but none have been cross coordinated or evaluated. Destructive testing, laboratory testing, checks of approved permits, un-permitted work, zoning and special design district requirements, design review, cost studies, civil engineering, site drainage and flooding, foundation and soils engineering, underground utilities and systems, property line encroachments, environmental quality, indoor air quality, water infiltration, mold, asbestos, lead paint, other toxic material, shoreline requirements, setback measurements, height requirements, street frontage and sidewalk improvements, pool and water safety, landscape features, roofing, termite, and traffic safety are not included. Any certifications required by governmental agencies are authored by other and shall not raise the level of visual observation on the site visit. Observations are to the best of our knowledge. Compliance to latest codes and grandfathered status must be ruled on by the Building Department. ADA and FHA are Owner's decisions beyond our control and should be investigated by experts in the respective fields.

The Seabreeze Building has been well maintained and suits the intended use very well. As the building ages, increased maintenance and replacement costs should be expected. The seashore location heightens the corrosive wear of building elements and higher than normal wear and tear should be expected.

Yours truly,

Ernest M. Umemoto, AIA

5 pages total



1136 Union Mall, Suite 700
Honolulu, HI 96813
Tel: (808) 521-3314
Fax: (808) 533-3314
email: hdl@hawaii.rr.com

Date: May 1, 2006

To: James H. Case, Esquire
Carlsmith Ball LLP
ASB Tower, 22nd Floor
Honolulu, HI 96813

Project: Seabreeze Apartments
3065 Kalakaua Avenue

HDL #: 06-047

Subject: Due Diligence Survey
(Conducted – April 27, 2006)

The scope of work consists of conducting a survey of the existing electrical systems for compliance with the current National Electrical Code (NEC) and also with the latest Fire Codes and Building Codes and Ordinances. This report will list the findings from this survey and bring special attention to those items that are non-compliant with the current codes.

Electrical System:

The electrical power for the building is furnished by the Hawaiian Electric Co. (HECO) from the adjacent "The Kainalu" building transformer vault at 208Y/120 volts, three phase, four wire. The secondary power is distributed and metered at the basement-level utility space located adjacent to the elevator lobby. There are ten floors of apartment units and a total of ten units for this building and each unit is provided with its own designated HECO meter. The common area or house power is metered by a separate HECO meter (#142865).

Telephone System:

A vertical riser system is provided to furnish each apartment with telephone service. There is a junction box in the closet adjacent to the elevator lobbies on each floor. The main telephone cabinet is located in the basement, adjacent to the metering/service equipment. The telephone service comes from a pole located on Kalakaua Avenue.

Fire Alarm System:

The building does not have a fire alarm system. There are stand alone, self-contained smoke detectors in each apartment unit.

Non-compliant items noted during the walkthrough:

These items were found to be not in compliance with the present National Electrical Code (NEC), Uniform Fire Code (UFC) and its amendments and the ADA Code.

A. Apartment Units:

There are no GFCI receptacles in both the bathrooms and the kitchen, as required by the NEC.

The current NEC requires arc-fault circuit breakers for all bedroom circuits. These are not provided.

The apartment unit electrical panelboards are located in the closet adjacent to the elevator lobby. On the floors which were visited, there was a clothes dryer located in front of the panelboard, which is in violation of the NEC.

There are no smoke detectors in the bedrooms. The existing smoke detector is located in the hallway of each unit.

B. Common Areas:

The receptacle located in the exterior walkway on each floor does not have a cover and is also not GFCI protected.

There is no fire alarm system in place for the common areas of the building. This building should have a central fire alarm system and also a smoke detector in the elevator lobby of each floor for the control of the elevator during a fire.

The air-conditioning condensing units on the roof do not have a readily accessible disconnecting switch, as required by the NEC.

The clearances in front of the metering and service equipment, motor starters and other electrical equipment located in the basement do not meet NEC requirements

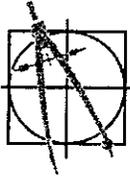
The receptacles in the parking level are mounted too low, as they should be mounted at least 24" or more above the finished floor line.

As noted above, the deficiencies indicated are not in compliance with the current codes. It is recommended that these be corrected to bring the building up to current code standards. Also, the record drawings of the building do not reflect the addition of two floors.

The overall condition of the electrical system is acceptable, considering its age. Due to the close proximity to the beach, the system will require additional maintenance in preventing corrosion of the ferrous and aluminum materials and parts. If replacement of the meters becomes necessary due to corrosion or lack of maintenance, the new metering and service equipment installation will be required to be in compliance with the latest NEC requirements and HECO requirements.

Submitted by:


Harold T. Fujimoto
Project Manager



**HAWAII
ENGINEERING
GROUP, INC.**

Consulting Civil & Structural Engineers

June 4, 2006

**Re: Sea Breeze Apartments
Honolulu, HI**

Structural Engineering Observation Report

A site visit was held to note cursory observations of the Sea Breeze Apartment building April 27, 2006. The inspection involved a walk-through observation of the building structure. The observations were limited to the following areas only:

1. Basement parking
2. Fifth floor unit
3. Roof
4. Building exterior

A set of Structural drawings (S1 thru S7) for the building structure were provided for review. The drawings had the name of "Takashi Anbe, AIA Architect" in the title block. The drawings did not have any seal of a professional consultant on them. It could not be verified if the drawings had the approval stamp of building department. The drawings are dated May of 1959.

No calculations or testing of any kind was performed. Architectural, Mechanical, Electrical, and other nonstructural aspects were not addressed. Compliance of design with the current building codes or the building code it was designed under was not checked.

The drawings indicate that the existing building is a poured in place reinforced structure supported on pile foundations. The basement slab is a 5" thick reinforced concrete slab on grade. Typical floor slabs are 10" thick spanning one way on perimeter walls. The roof slab is 9" thick. There is a shear wall system that exists in the framing of the building. Some of the shear walls are supported by transfer girders at the second floor level.



Observations:

Basement and Common Areas

1. No structural damage was observed in the lobby and corridor areas.
2. No indications of ground settlement were observed.
3. Cracks were observed in the concrete slab on grade in the Basement parking area. According to the building manager there is no seepage of ground water thru the floor slab.
4. The pre-molded joint filler in the floor joints of the parking is deteriorated.

Fifth Floor Unit

1. No structural damage was observed inside any of the rooms inspected.
2. Signs of water leaks thru windows on the Ewa side of the building were observed.
3. Cracks in floor tiles of lanai on the makai side of the unit were observed.
4. Lack of drainage in the lanai was also noted.
5. Corrosion of rail connections in the lanai was also noted.

Roof

Signs of ponding of water on roof were observed. Some damage was also observed to the roofing in a small area. Also the metal door to the mechanical room has excessive corrosion damage.

Building Exterior

No signs of spall damage were visible from the ground level. Some lanai drains on the Diamond Head side of the building were observed to be either missing or deteriorated causing staining of concrete.



Recommendations:

The building is in a very good condition and appears to have a good maintenance program.

All of the observations made are non structural and can be addressed with maintenance and upkeep of the building. The cracks observed in the basement slab on grade should be sealed with epoxy injection. The drainage of Lanais should be addressed by providing proper drainage holes to allow the rain water to runoff and avoid ponding in the lanais.

Maintenance is important for the upkeep of the buildings. In general, the building is structurally in good condition. The buildings should continue to perform well with regular maintenance. All repairs should be done by a licensed contractor under the guidance of a licensed structural engineer.

This report does not address portions of the building other than those areas mentioned, nor does it provide any warranty either expressed or implied for any portion of the existing building. If there are any comments or questions on any item above, please do not hesitate in calling.

Submitted by: _____

Ather R. Dar, P.E., President
Hawaii Engineering Group, Inc.

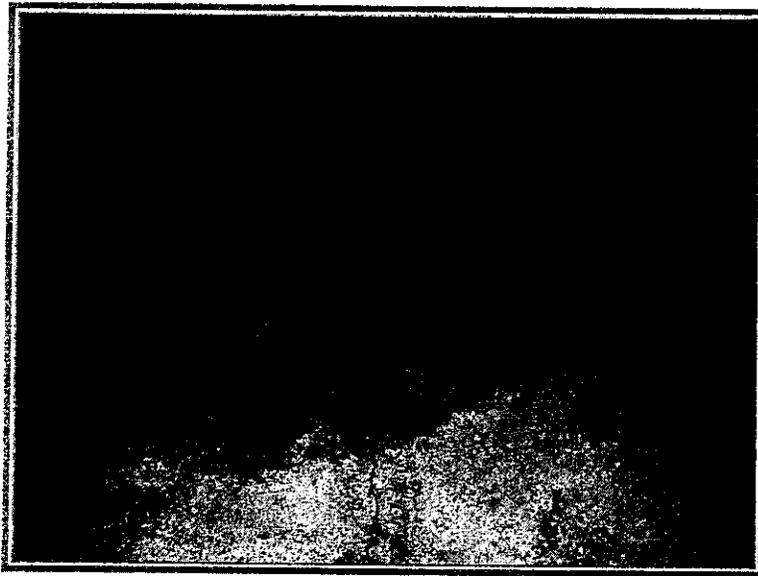


Photo #1: Cracks in concrete slab on grade in basement parking area

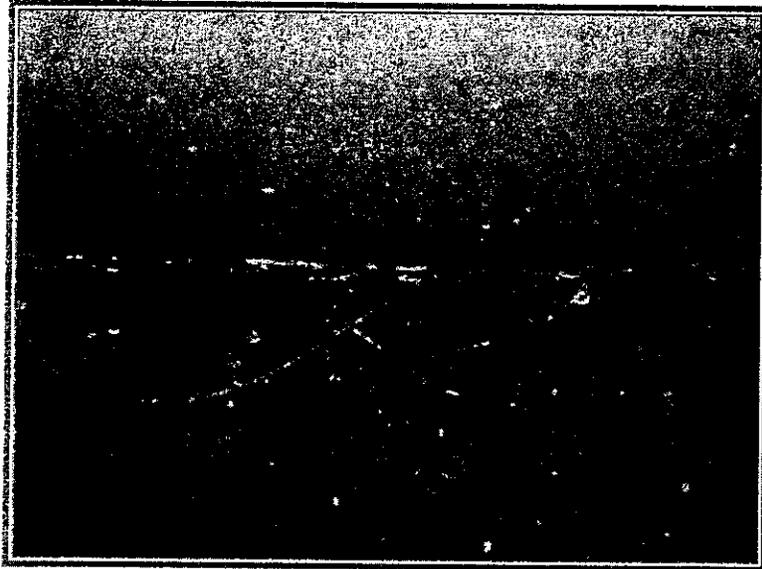


Photo #2: Deteriorating joint filler in basement parking floor slab

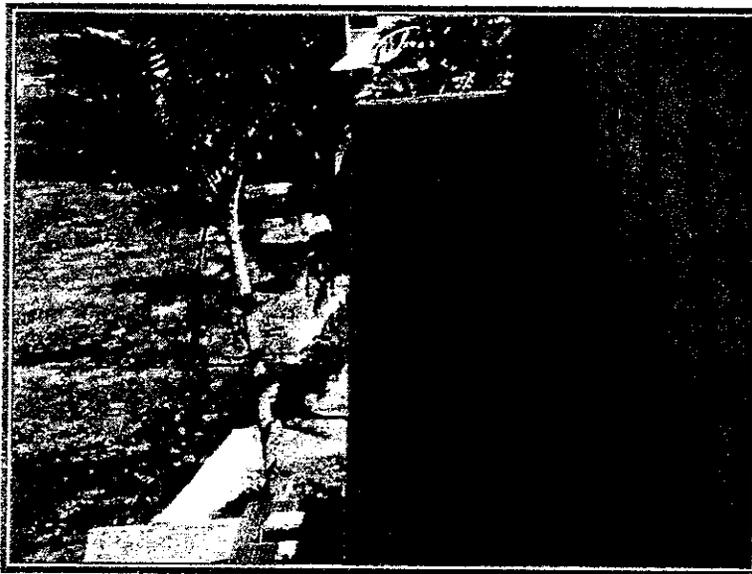


Photo #3: Corrosion of railing connection – fifth floor unit



Photo #4: Water leakage thru window – fifth floor unit

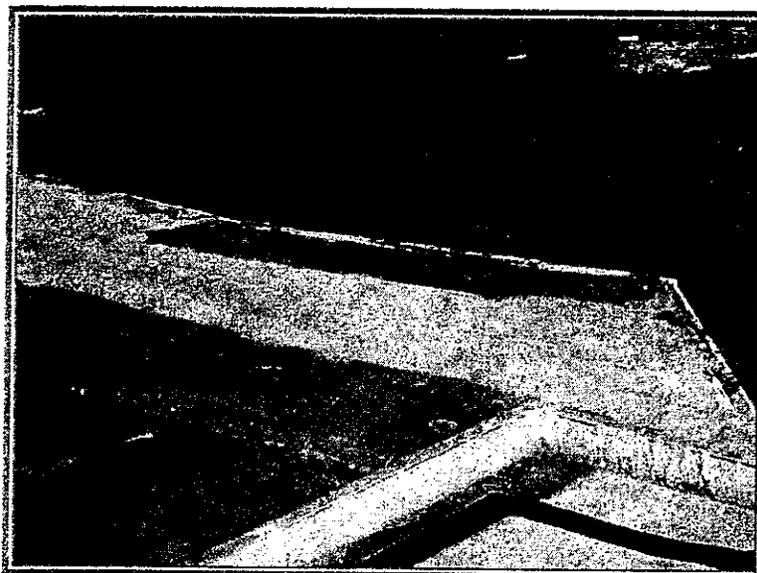


Photo #5: Signs of water ponding and damaged roofing.

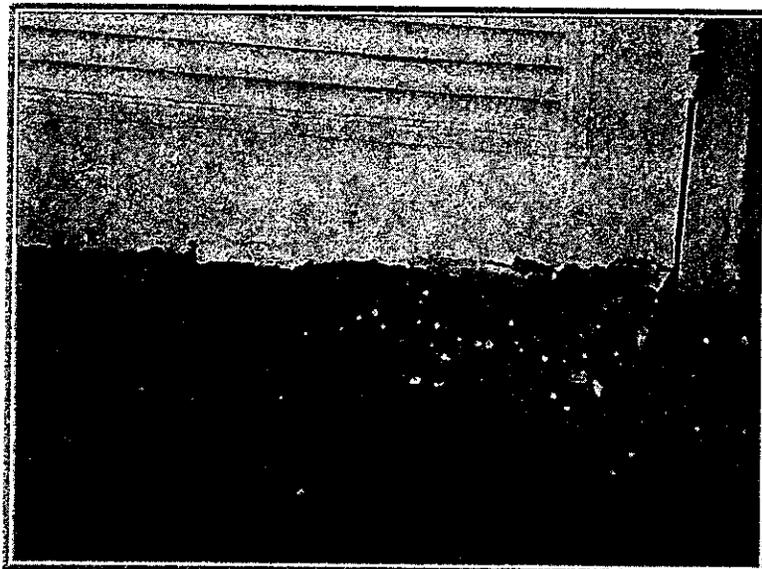


Photo #6: Rusting frame of mechanical room on roof

PREPOSE ENGINEERING SYSTEMS INC.

1314 South King Street, Suite 1251

Honolulu, Hawaii 96814

Phone: (808) 591-8175

Fax: (808) 596-0479

E-mail: arnold@preposeeng.com

Date: July 15, 2008

Project: Seabreeze
3065 Kalakaua Blvd.
Honolulu, Hawaii 96826

MECHANICAL DUE DILIGENCE REPORT

The project scope was to visually inspect the existing mechanical systems for an eleven-story condominium building with a Basement that was constructed in 1959. The Basement has tenant parking and mechanical equipment. The Ground Floor is semi raised and has tenant parking. The Second through the Eleventh Floors have one unit per floor. The building was originally built with nine floors. The Tenth and eleventh Floors were added a later date. The roof area has the elevator machine room and mechanical equipment. The building is constructed of concrete and concrete masonry. There is no insulation below the roof. The plumbing system was visually assessed to their physical conditions and code violations. The building has no central air conditioning system and no automatic fire sprinkler system. The Owner's of the particular unit provided air conditioning that was on site.

The original design drawings were available for this report. The original design drawings are reflects what was installed with some modifications.

Several different types of units were visually observed and some were recently renovated and some were in the original configuration. The Penthouse was not occupied.

AIR CONDITIONING AND VENTILATION SYSTEM

Air Conditioning System:

There is no central air conditioning system for the building. Some Tenants have installed air conditioning units in their units and is the tenants are responsible for their air conditioning systems.

Air Conditioning Recommendations: If tenant's air conditioning units are to be replaced or are installing air conditioning units, they should provide the most efficient units on the market and the electrical system analyzed for adequate capacity for the additional electrical loads.

Ventilation System:

The bathrooms in the units are naturally ventilated with exterior windows. There are no mechanical fans required.

The Basement Garage does not meet current ventilation requirements. The garage requires mechanical ventilation because it is totally enclosed in accordance to State Department of Health requirements. Mechanical ventilation should be provided at 1.5 CFM per sq. ft. of floor area.

PLUMBING SYSTEM

The plumbing system consists of the waste and vent sanitary, water and storm drain system. The waste and vent system consists of the vertical stacks and collected at the ceiling of the Ground Floor. The waste stacks are collected at the Ground Floor ceiling space and connected directly to the sewer manhole on Kalakaua Blvd. There is a sump pump for the Basement Floor drainage system.

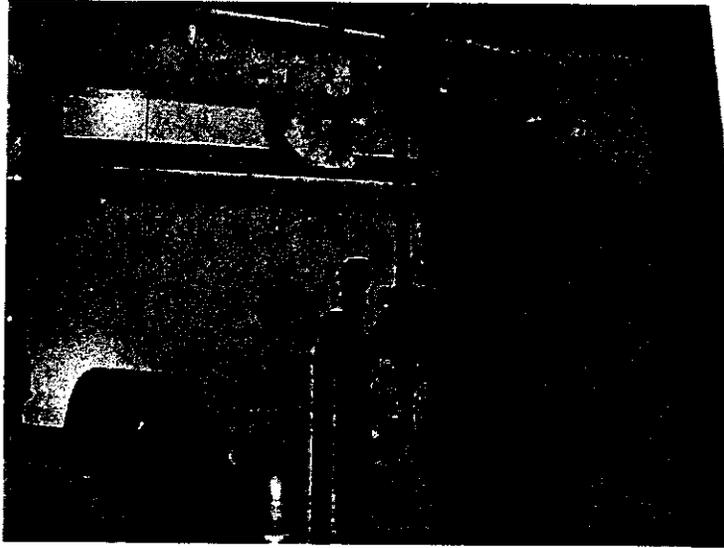
Sanitary and Storm Drain System:

The sanitary and drain system is constructed with cast iron waste and vent systems. The pipes and fittings are of hub and spigot type with galvanized pipe on the smaller pipe sizes and vent pipes. The system is a gravity system. The piping is in good condition with repairs made with no-hub cast iron or plastic piping. There is a leaking cast iron joint in the concealed ceiling of the Ground Floor.

Sanitary System Recommendations: Although the pipes were visually in good condition, the pipes in walls should be checked for corrosion with attention to the galvanized pipes. The horizontal pipe runs should be roto-routed to the sewer manhole. Repair leaking fitting in ceiling of Ground Floor. Sump pump in Basement shall be checked and serviced. A duplex sump pump should be considered to provide pump redundancy if one pump should fail.

Water System:

The domestic water system has a single city pressure zone up to the Ninth Floor and a booster pump system for the Tenth and Eleventh Floor. The exposed pipes are hard drawn copper pipes and in good condition. The hot water pipes are insulated. The hot water pipe insulation has not been checked for asbestos content and there are tears in the insulation.



Insulation Tear on Hot Water Pipe at Heater

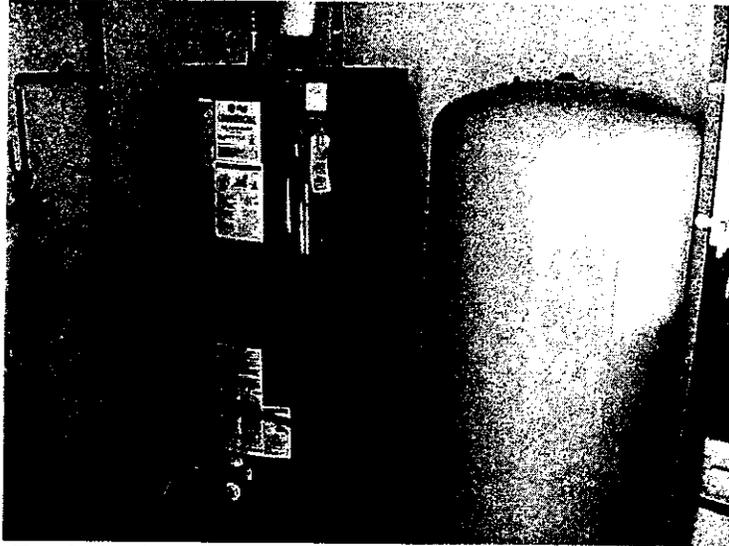
The hot water up to the Ninth Floor is produced centrally by a single zone of hot water heater boiler and a storage tank located on the Basement Floor. The hot water is re-circulated. The heater is in good condition and is a:

Model: Bradford White D38T1553N
BTUH: 155,000 BTUH
Capacity: 38 Gallons

The heater in the Basement Floor has no flue connection and is discharging directly into Basement Floor.

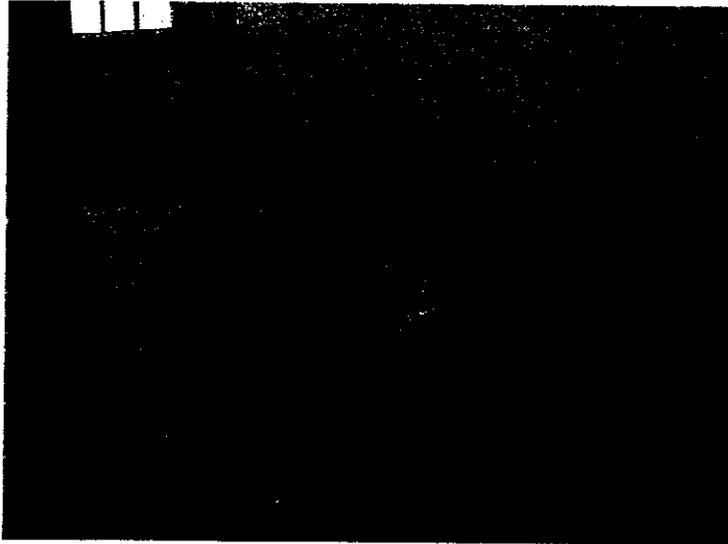
The Tenth and Eleventh Floor heater is located adjacent to the Elevator Machine Room at the roof level. The hot water is re-circulating with a pump. The heater has a flue through the roof. The heater is in good condition and is a:

Model: Rudd G75-75
BTUH: 75,000 BTUH
Capacity: 75 Gallons



Tenth & Eleventh Floor Heater and Pressure Tank at Roof

There is no reduced pressure back flow prevention device installed for the property after the water meter. It is required to have an approved reduced pressure backflow preventer immediately after the water meter Existing hose bibbs do not have vacuum breakers as required by City of Honolulu code requirements.



Hose Bibb without Vacuum Breaker

Water System Recommendations: The hot water heaters and pressure tank should be inspected for corrosion and the condition of the anode rods.

The hot water system has no backup if the heater should fail. An installation of a back-up heater should be considered.

A flue for the heater in the Basement shall be provided and installed per building codes. A recommendation would be to provide a new direct vented heater which would allow heater venting at the Ground level.

A new reduced pressure backflow preventer should be provided to meet current City and County of Honolulu codes. Also provide a reduced pressure backflow preventer for the irrigation system.

Hose bibbs shall be replaced with hose bibbs with non-removable vacuum breaker.

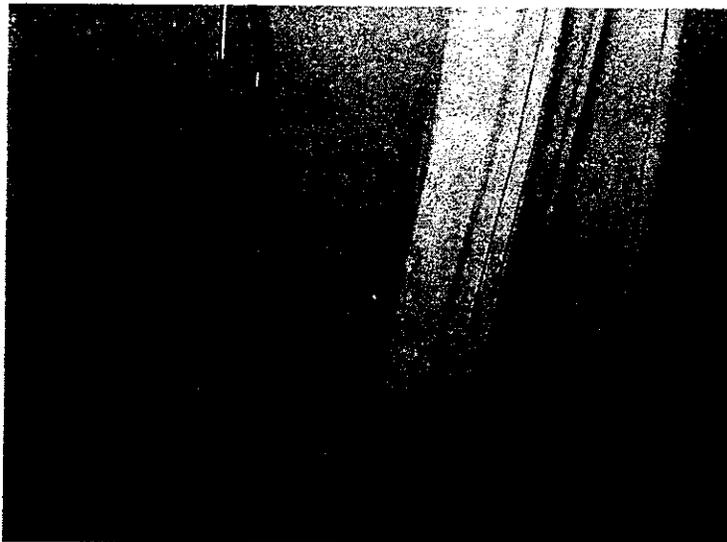
The hot water re-circulating pumps should be checked and serviced..

The existing hot water pipes that are exposed should be insulated and a program to insulate all the hot water pipes should be implemented to meet the current energy code. Hot water pipe insulation should be checked for asbestos. If insulation has asbestos content, it should be replaced. Repair insulation that is damaged.

Plumbing Fixtures:

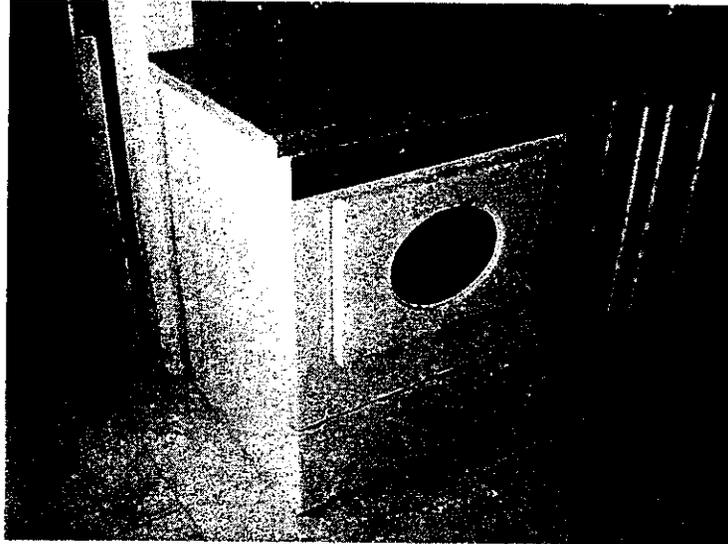
The unit on the Fifth Floor was observed for this report. The unit was renovated but with some of the original fixtures which were in good condition.

The old shower valve is the double handle type with inverted tub spout to provide constant flow to shower head. The shower valve should be replaced with pressure balancing type with temperature limit type.



Old Shower Valve with Inverted Tub Spout.

The unit observed had a retrofitted washer added to the kitchen sink stack. The waste connection does not meet City and County of Honolulu Plumbing Code. Also the kitchen sink waste stack must be checked for proper sizing to accept additional fixtures such as the washer.



Clothes Washer in Kitchen



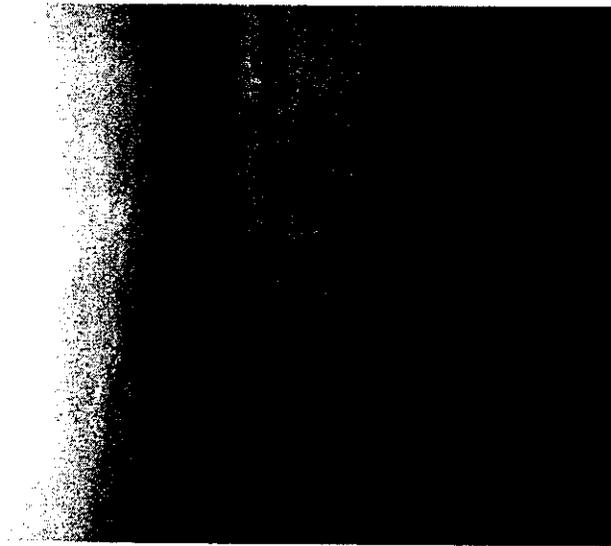
Washer Drain Connected to Tailpiece with Surge Fitting

Plumbing Fixture Recommendations: The plumbing fixtures in the units that have not been renovated should be replaced with new fixtures which meet the City and County of Honolulu low flow requirements to conserve water. The supply valves and supply risers need to be replaced with new supply assemblies. When fixtures are replaced we recommend that the fixtures be replaced with low flow fixtures and trims. New shower valves should be pressure

balancing type with temperature limiting device to prevent scalding because of the central hot water system. Clothes washers should not be allowed unless it is properly engineered into the waste and water systems.

FIRE PROTECTION SYSTEM

The building does not have a fire sprinkler system. It has a dry standpipe system in the enclosed stairway. The fire department connections are in good condition. The building also has a wet standpipe system with hose cabinet on each floor and an independent riser from the existing 3-inch domestic water main.



Fire Department Connection in Stairway

Fire extinguishers are located in the fire hose cabinets.

Smoke tower is not required because the stairs are open to the exterior hallway.

Fire Protection Recommendations: The dry standpipe assembly that is located in the stairway should be tested and certified and checked for adequate clearances from the handrail to the fire department connection snoot.

The wet pipe and dry standpipe systems should be pressure tested. Wet pipe system may not meet current Fire Code pressure requirements at the top floor. A booster pump for the wet standpipe system may be required.

Although it is not required at this time, a fire sprinkler system should be considered for life safety and protection of investment property.

GENERAL COMMENTS

The mechanical systems were visually observed to be fairly good condition and system were generally maintained in good condition. Due to the age of the building and the systems and the normal usage there will be future maintenance repairs that will be required.

The existing sewer and water system for each unit will not accommodate a washer in each unit. Adding a washer to each unit may cause a pressure zone on the lower floors because of the suds, and may cause a sewer back-up into the lower units. Professional engineering services would be required if additional fixtures were to be added in each unit.

Because this report did not include destructive investigation and technicians to test equipment, we recommend that the following additional services be retained to quantify equipment remaining life and condition of equipment, cost of repair or replacement:

Plumbing Service Company

Check hot water heater and pressure tank, and booster pump system.

Fire Service Contractor

Pressure test and certify dry and wet standpipe systems, and test and certify extinguishers.

These technicians and or contractors should be independent from those that are currently servicing the systems.

Submitted By:

Arnaldo Prepose, P.E.
Prepose Engineering Systems, Inc.

EXHIBIT E

VERIFIED STATEMENT FROM COUNTY OFFICIAL

Purchasers should familiarize themselves with the condition of the Project by reading the attached statement with care.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 523-4432 • FAX: (808) 527-6743
DEPT. INTERNET: www.honolulu.gov • INTERNET: www.honoluludpp.org

MUFI HANNEMANN
MAYOR



HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUE
DEPUTY DIRECTOR

2006/ELOG-2515(LT)

January 24, 2007

James H. Case, Esq.
Carlsmith Ball LLP
A Limited Liability Law Partnership
ASB Tower, Suite 2200
1001 Bishop Street
Honolulu, Hawaii 96813

Dear Mr. Case:

Subject: Condominium Conversion Project
3065 Kalakaua Avenue
Tax Map Key: 3-1-033: 059

This is in response to your letter dated October 3, 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 11-story with basement 10-unit apartment building with 14 all-weather-surface off-street parking spaces met all applicable code requirements when it was constructed in 1959 on this 4,358-square-foot A-2 Medium Density Apartment District zoned lot.

Investigation also revealed the apartment building, which encroaches into the required rear yard setback, is considered a nonconforming structure (spacing).

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.

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

James H. Case, Esq.
Carlsmith Ball LLP
January 24, 2007
Page 2

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 Enforcement Branch at 527-6341.

Very truly yours,



Henry Eng, FAICP, Director
Department of Planning and Permitting

HE:ft

doc511234

EXHIBIT F

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

<u>Unit No.</u>	<u>Monthly Maint Fee</u>	<u>Annual Maint Fee</u>
2	\$2,000	\$24,000
3	\$2,000	\$24,000
4	\$2,000	\$24,000
5	\$2,000	\$24,000
6	\$2,000	\$24,000
7	\$2,000	\$24,000
8	\$2,000	\$24,000
9	\$2,000	\$24,000
10	\$2,000	\$24,000
11	\$2,000	\$24,000
A, B, C, D, E	\$0	\$0
TOTAL	\$20,000	\$240,000

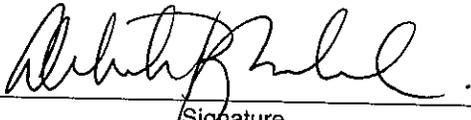
The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency

ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Maintenance Fee Disbursements:

	<u>Monthly Fee</u> x 12 months =	<u>Yearly Total</u>
Utilities and Services		
Electricity		
<input checked="" type="checkbox"/> common elements only	\$385	\$4,620
<input type="checkbox"/> common elements and Units		
Elevator	\$600	\$7,200
Gas		
<input type="checkbox"/> common elements only		
<input checked="" type="checkbox"/> common elements and Units	\$297	\$3,564
Refuse Collection	\$202	\$2,424
Telephone	\$170	\$2,040
Water and Sewer	\$207	\$3,684
Television Cable	N/A	N/A
Maintenance, Repairs and Supplies		
Building	\$800.33	\$9,604
Grounds		
Management		
Management Fee	\$685.66	\$8,228
Payroll and Payroll Taxes	\$1,161.66	\$13,940
Office Expenses (including health insurance)	\$5,274.92	\$63,299
Insurance		
Reserves(*)	\$1,500.75	\$18,009
Taxes and Government Assessments	\$4,410.33	\$52,924
Audit Fees	\$33.33	\$400
Other	\$50.42	\$605
TOTAL	\$15,878.42	\$490,541

I, Deborah Balmilero, employed by Hawaiiana Management Company, Ltd., the condominium managing agent for the Seabreeze Apartments project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



 Signature

7/1/08

 Date

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", 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. Developer discloses that no reserve study has been conducted in accordance with §514B-148, HRS, and replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules.

** Yearly totals may appear inconsistent with monthly fees due to rounding.

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.

EXHIBIT G

SUMMARY OF CONDOMINIUM CONVERSION CONTRACT

The specimen Condominium Conversion Contract filed with the Commission sets forth the terms on which current owners of a unit in the Seabreeze Apartments pursuant to a co-op proprietary lease may convert their ownership to fee simple, condominium ownership. Those terms include the following:

1. **Co-op to Condo Conversion; Conversion Deposit.** In order to convert from co-op to condominium form of ownership, a current Owner shall pay an initial deposit of \$600.00 that covers a portion of the costs that the Developer has incurred in setting up the condominium and converting the apartments from co-ops to condominiums. The Owner must also surrender his or her shares in the Developer (Seabreeze Apartments, Inc.), and surrender his or her existing proprietary lease for the Unit, both free and clear of any liens, mortgages, or other encumbrances. When the Owner does so and deposits same into Escrow, the Developer will execute and deposit into Escrow a Unit Deed conveying fee simple title to the Unit to the Owner. Upon recordation of the Unit Deed, the proprietary lease and shares will be cancelled.
2. **Existing Mortgages.** The Owner is solely responsible for arranging for the release or termination at closing of any mortgages, pledges, lien or other encumbrances on his or her apartment. If Owner must refinance an existing mortgage of owner's proprietary lease in connection with the conversion, Owner's obligations under the Condominium Conversion Contract are contingent on Owner's ability to do so.
3. **Closing Costs.** At Closing, the Developer shall not be responsible for paying the costs of preparing the Owner's Deed. At Closing, Owner shall be responsible for paying the cost of preparing the Owner's Deed, the applicable escrow fee, and notary fees for the Deed, the recording fees for the recordation of the deed, plus applicable taxes, and such other closing costs, if any. Such additional closing costs may include, without limitation, (1) the costs of refinancing any mortgage that Owner may have, (2) the costs of purchasing a policy of title insurance if Owner elects to purchase it, (3) the costs of preparing any releases or similar documents necessary to release any liens or mortgages that encumber Owner's Proprietary Lease or Stock, (4) the notary and recording fees for any such releases or similar documents, and (5) any Escrow fees beyond the basic Escrow fee due to any complexities of Owner's conversion.
4. **Acceptance of the Unit "As Is".** Because the Project is an existing building being converted to condominium ownership, and because the Owner already owns the apartment (under a proprietary lease), the Unit is sold and conveyed to the Owner on a strictly "AS IS, WHERE IS" basis.
5. **Tax Matters.** The transaction that the Condominium Conversion Contract provides for may have adverse tax consequences to the Developer and to Owner. Under Section 336 of the U.S. Internal Revenue Code (the "Code"), the general rule is that a corporation (such as the Developer) will recognize gain or loss on the distribution of deeds to the Units (and the undivided interests in the common elements) to those cooperative shareholders who are not owner-occupants as defined in the Code, as if the distributed property were sold to the shareholders at fair market value. The Code provides in Section 216(e) that a cooperative stockholder in exchange for the cooperative stockholder's stock and proprietary lease, provided that the apartment represented by the deed will have been the cooperative stockholder's principal residence for the period beginning two years before the day of the distribution and will be the cooperative shareholder's principal place of residence within the meaning of Code Section 121. Under Code Section 121, property is treated as the principal place of residence of the taxpayer if, during the five year period ending on the date of sale or exchange, such property has been owned as used by the taxpayer as the taxpayer's principal place of residence for periods aggregating two or more years. However, a corporation will potentially recognize gain or loss on the distribution of other apartment deeds whose exchange with the corporation will not qualify for non-recognition of gain under Section 216(e). Any taxes payable by the corporation will be based upon the fair market value of the

"distributed property". The fair market valuation of the distributed property is unclear, and depending upon its valuation the corporation will have taxable income. The Board of Directors of the Seabreeze Apartments believes that each condominium Unit in the Project has no appreciable value just before the exchange because each Unit is encumbered by a proprietary lease, but there is no guarantee that the Internal Revenue Service will accept this opinion. The income of a corporation which will be liquidated will be the joint and several obligation of its shareholder if corporate assets are insufficient to pay any tax which is due.

In addition to the possible tax to the Developer, there may also be tax ramifications at the level of the cooperative stockholder (i.e., the existing owner who converts to condominium ownership). The general rule is that the cooperative stockholder must recognize gain to the extent that the fair market value of the condominium unit received exceeds the basis of the cooperative stock and proprietary lease being exchanged. The tax liability to the stockholder may be reduced and may even be avoided if the stockholder has held the cooperative apartment as its principal place of residence (as defined under Code Section 1034) and the gain does not exceed \$250,000 for a single owner or \$500,000 for a husband and wife filing a joint return. In addition, the stockholder may be entitled to treat the transaction as a tax-free exchange if the stockholder has held the cooperative apartment as an investment or business property under Code Section 1031. A stockholder who is neither an owner-occupant nor an investor may be required to recognize gain to the extent of the value of the condominium unit compared to the owner's basis in the owner's stock in the Developer and proprietary lease. State tax implications similar to the federal tax implication described in this Section may arise under the tax laws of the State of Hawaii.

As the facts and circumstances of each shareholder will differ, each shareholder is advised to seek his/her own tax advice to determine whether he/she would have any federal or state tax liability as a shareholder of the Developer or as recipient of a fee simple condominium Unit in exchange for his/her proprietary lease and stock in the Developer.

The Condominium Conversion Contract specifically provides that each Owner assumes all tax risk and possible liability described above and releases the Developer, its directors, officers and agents from any obligation for further disclosure with respect to potential liability and from any obligation to make any payments on account thereof. The Contract also provides that, if prior to closing, the Developer has obtained an opinion of tax counsel (which it is not obligated to obtain) that the conversion to the form of condominium ownership creates significant tax liability to the Developer, then the Developer may elect at any time prior to closing to terminate this Conversion Contract without liability to Owner, whereupon Escrow shall cause the Deposit, if any, to be returned to Owner.

The foregoing is only a summary of some of the key terms of the Condominium Conversion Contract for the Seabreeze Apartments. You should read the full text of the Condominium Conversion Contract with care.

EXHIBIT H

SUMMARY OF ESCROW AGREEMENT

A copy of the executed Escrow Agreement for the Project between Title Guaranty Escrow Services, Inc. ("Escrow"), and Developer has been filed with the Commission. The Escrow Agreement provides for the deposit of funds by a lessee of a Unit in Seabreeze Apartments, Inc. (an "Owner") who wishes to convert from co-op ownership to condominium ownership pursuant to the Conversion Contract and also provides for the retention or disbursement of the funds. Under the Escrow Agreement, the funds will be held in Escrow until the following conditions have been fulfilled: (a) Developer has delivered a copy of the Public Report to the Owner with an Effective Date issued by the Real Estate Commission; (b) Owner has waived its right to cancel the Conversion Contract or is deemed to have waived its right to cancel under HRS § 514B-86(c); (c) if applicable, Owner has waived its right to rescind the Conversion Contract or is deemed to have waived its right to cancel under HRS § 514B-87(b); (d) Developer has delivered to Escrow the opinion required under the Escrow Agreement; and (e) Developer has delivered to Escrow the written waiver of any option reserved in the Conversion Contract to cancel such Contract.

The Escrow Agreement provides in part that any interest earned on money on deposit shall be paid to the parties in accordance with the terms of the Sales Contract. The Developer does not intend that Escrow attempt to deposit funds into an interest-bearing account because the deposit for each owner is of a minimal amount.

In the event that the Conversion Contract or Hawaii Revised Statutes Chapter 514B entitle an Owner to a refund of Owner's Deposits held by Escrow, then Escrow, upon instruction from Developer, will refund Owner's deposits, less certain cancellation fees and costs (e.g., escrow cancellation fees, loan processing fees, cost of credit reports, etc.) as provided for in the Conversion Contract and Chapter 514B, Hawaii Revised Statutes, as amended, if any one of the following occurs:

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

By law the total amount of such cancellation fees shall not exceed Two Hundred Fifty and No/100 Dollars (\$250.00) so long as the cancellation occurs prior to the time the Conversion Contract becomes effective. Under the Escrow Agreement no disbursement of funds can be made to the Developer or in payment of expenses until the Conversion Contract becomes effective under the provisions of Chapter 514B, Hawaii Revised Statutes.

Under the Escrow Agreement, if the Owner fails to make a payment to Escrow on or before the due date thereof or if the Owner fails to perform in any matter that is being handled by Escrow, Escrow will promptly notify the Developer of any such failure on the part of the Owner. If Developer subsequently certifies in writing to Escrow that Developer has terminated the sales contract in accordance with the terms thereof and provides to Escrow copies of all such notices of termination sent to the Owner, Escrow will thereafter pay all expenses incurred by Escrow or by the Developer pursuant to the Conversion Contract and return any excess funds to the Owner. Escrow will thereupon be released from any further duties or liability thereunder with respect to such funds and such Owner.

The Developer points out that a conversion from a co-op to a condominium is different from the more normal situation where a developer has constructed a new building and is offering units to the public for the first time. The lessee of a unit in the co-op may withdraw at any time prior to closing without any liability except to

pay the expenses incurred to date. The payment of \$600 is a "Deposit". If the costs of the conversion exceed \$600, then the converting party must pay the excess to Escrow. If such costs are less than \$600, then Escrow will refund the unused deposit to the Owner.

The foregoing is only a summary of some of the key terms of the Escrow Agreement. It is incumbent upon an Owner who wishes to convert to read the executed Escrow Agreement with care.