DEVELOPER'S PUBLIC REPORT
FOR A CONDOMINIUM

CONDOMINIUM PROJECT NAME	1025 AND 1027 3RD AVENUE CONDOMINIUM
Project Address	1025 and 1027 3rd Avenue Honolulu, Hawaii 96816
Registration Number	6757 (partial conversion)
Effective Date of Report	February 6, 2009
Developer(s)	ROBERT H.M. LEE, a married man, CARY Y.N. LEE, a married man, and MAN WAI KWOK, a married man

Preparation of this Report

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

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

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

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

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

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

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

SPECIAL ATTENTION

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

1. This is a CONDOMINIUM PROJECT, and NOT a subdivision. The "Limited Common Element Land Area" beneath and immediately adjacent to each unit is designated a LIMITED COMMON ELEMENT and is NOT a legally subdivided lot. The dotted or dashed lines on the Condominium Map bounding the designated number of square feet in each Limited Common Element Land Area are for illustrative purposes only and should not be construed to the property lines of legally subdivided lots.

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

3. This public report does not constitute approval of the Project by the Real Estate Commission, or any other governmental agency, nor does it ensure that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.

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

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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General Information On Condominiums

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

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

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

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

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

Operation of the Condominium Project

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

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

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

1. THE CONDOMINIUM PROJECT

1.1 The Underlying Land

Fee Simple or Leasehold Project	☒Fee Simple ☐Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	☒Yes ☐No
Fee Owner's Name if Developer is not the Fee Owner	
Address of Project	1025 and 1027 3rd Avenue Condominium, Honolulu, Hawaii 96816
Address of Project is expected to change because	NOT APPLICABLE
Tax Map Key (TMK)	(1) 3-2-010-051
Tax Map Key is expected to change because	NOT APPLICABLE
Land Area	9,441 square feet
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	NOT APPLICABLE

1.2 Buildings and Other Improvements

Number of Buildings	TWO (2)
Floors Per Building	Unit 1025-2 floors; Unit 1027- 1 floor
Number of New Building(s)	ONE (1)
Number of Converted Building(s)	ONE (1)
Principle Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	The Units are constructed principally of concrete, wood and related building materials.

1.3 Unit Types and Sizes of Units

Unit Type	Quantity	BR/Bath	Net Living Area	Net Other Areas	Other Areas (lanai, garage, etc)	Total Area
1025	1	6/3	2,559 s.f.	581 s.f.	(garage,	3,140 s.f.
					balcony)	
1027	1	4/2	1,360 s. f.	480 s.f.	(parking stalls	1,840 s.f.
					deck)	

See Exhibit _____ .

TWO (2)	**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:	Five (5)
Number of Guest Stalls in the Project:	NONE (0)
Number of Parking Stalls Assigned to Each Unit:	Unit 1025-3; Unit 1027-2
Attach Exhibit E 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. Not Applicable.	

1.5 Boundaries of the Units

Boundaries of the unit:

See Page 4a attached hereto.

1.6 Permitted Alterations to the Units

Permitted alterations to the unit (if the unit is defined as a non-physical or spatial portion of the project, also describe what can be built within such portion of the project):

See Exhibit "D" attached hereto.

1.7 Common Interest

Common Interest: 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:

Unit 1025: 50%

Unit 1027: 50%

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

	Swimming pool
	Laundry Area
	Storage Area
	Tennis Court
	Recreation Area
	Trash Chute/Enclosure(s)
	Exercise Room
	Security Gate
	Playground
✓	Other (describe): common element driveway

Each Unit shall be deemed to include the entire structure or building comprising the condominium Unit located on the limited common land area appurtenant thereto, including, but not limited to (a) all footings, floors, foundations, perimeter walls and roofs of the building and all other improvements from time to time located upon the limited common element land area appurtenant to the Unit; (b) all of the space, fixtures, walls and other improvements located within such footings, floors, foundations, perimeter walls and roofs; (c) all exterior surfaces and finishes of such footings, floors, foundations, perimeter walls and roofs; and (d) all decks, lanais, porches, steps, stairs or other improvements physically attached to any building and for the exclusive use of the owners and occupants of the Unit.

1.9 Common Elements

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

Common Element	Number
Elevators	NONE (0)
Stairways	NONE (0)
Trash Chutes	NONE (0)

1.10 Limited Common Elements

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

1.11 Special Use Restrictions

The Declaration and Bylaws may contain restrictions on the use and occupancy of the units. Restrictions for this project include, but are not limited to, those described below.			
	✓		Pets: No more than two (2) dogs, cats or other household pets allowed.
			Number of Occupants:
	✓		Other: See Exhibit "C" attached hereto.
			There are no special use restrictions.

1.12 Encumbrances Against Title

An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of a unit in the project. Encumbrances shown may include blanket liens which will be released prior to conveyance of a unit (see Section 5.3 on Blanket Liens).
Exhibit G describes the encumbrances against title contained in the title report described below.
Date of the title report: December 1, 2008
Company that issued the title report: COMMONWEALTH LAND TITLE INSURANCE COMPANY

1.13 Uses Permitted by Zoning and Zoning Compliance Matters

Uses Permitted by Zoning				
	Type of Use	No. of Units	Use Permitted by Zoning	Zoning
☒	Residential		☒ Yes ☐ No	R-3.5
☐	Commercial		☐ Yes ☐ No	
☐	Mix Residential/Commercial		☐ Yes ☐ No	
☐	Hotel		☐ Yes ☐ No	
☐	Timeshare		☐ Yes ☐ No	
☐	Ohana		☐ Yes ☐ No	
☐	Industrial		☐ Yes ☐ No	
☐	Agricultural		☐ Yes ☐ No	
☐	Recreational		☐ Yes ☐ No	
☐	Other (Specify):		☐ Yes ☐ No	
Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?			☒ Yes ☐ No	
Variances to zoning code have been granted.			☐ Yes ☒ No	
Describe any variances that have been granted to zoning code				

1.14 Other Zoning Compliance Matters

Conforming/Non-Conforming Uses, Structures and Lots

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

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

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

	Conforming	Non-Conforming	Illegal
Uses	☒	☐	☐
Structures	☒	☐	☐
Lot	☒	☐	☐

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:

1.15 Conversions

Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.	☑ **Applicable** ☐ **Not Applicable**

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:

See Exhibit "K" attached hereto.

Developer's statement of the expected useful life of each item reported above:

See Exhibit "K" attached hereto.

List of any outstanding notices of uncured violations of any building code or other county regulations:

None.

Estimated cost of curing any violations described above:

Not Applicable.

Verified Statement from a County Official

Regarding any converted structures in the project, attached as Exhibit "L" is a verified statement signed by an appropriate county official which states that either:

(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:
(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;

or

(B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.

Other disclosures and information:

1.16 Project In Agricultural District

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.**	☐ **Yes** ☑ **No**
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? ☐ Yes ☐ No If the answer is "No", provide explanation.	
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? ☐ Yes ☐ No If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.	
Other disclosures and information:	

1.17 Project with Assisted Living Facility

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

2. PERSONS CONNECTED WITH THE PROJECT

2.1 Developer(s)	Name: Robert H.M. Lee, Cary Y.N. Lee, and Man Wai Kwok Business Address: 3271 Pahoa Avenue, Hon, HI 96816 Business Phone Number: (808) 349-1688 E-mail Address:
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).	Not Applicable.
2.2 Real Estate Broker	Name: Prudential Location, LLC., (Judy Lee) Business Address: 614 Kapahulu Avenue, Suite 200 Honolulu, HI 96815 Business Phone Number: (808) 383-1122 E-mail Address: judy.lee@pruhawaii.com
2.3 Escrow Depository	Name: First Hawaii Title Corporation Business Address: 201 Merchant Street, Suite 2000, Honolulu, HI 96813 Business Phone Number: 808 521-3411
2.4 General Contractor	Name: Royal Pacific Construction,Inc. Business Address: 3271 Pahoa Avenue Honolulu, Hawaii 96816 Business Phone Number: (808) 349-1688
2.5 Condominium Managing Agent	Name: Self-Managed by the Association Business Address: Business Phone Number:
2.6 Attorney for Developer	Name: Erik W. Wong, Esq. Business Address: 1609 Young St., Honolulu, Hawaii 96826 Business Phone Number: 808 946-3300

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	December 11, 2008	2008-194650

Amendments to Declaration of Condominium Property Regime

Land Court or Bureau of Conveyances	Date of Document	Document Number

3.2 Bylaws of the Association of Unit Owners

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

Land Court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	December 11, 2008	2008-194651

Amendments to Bylaws of the Association of Unit Owners

Land Court or Bureau of Conveyances	Date of Document	Document Number

3.3 Condominium Map

The Condominium Map contains a site plan and floor plans, elevations and layout of the condominium project. It also shows the floor plan, unit number and dimensions of each unit.

Land Court Map Number	
Bureau of Conveyances Map Number	4755

Dates of Recordation of Amendments to the Condominium Map:

3.4 House Rules

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

3.5 Changes to the Condominium Documents

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

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

☐	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
☑	Developer has reserved the right to change the Declaration, Bylaws, Condominium Map and House rules (if any) and to add to or merge the project or to develop the project in one or more phases, and such rights are summarized as follows: See Exhibit "B" attached hereto.

4. CONDOMINIUM MANAGEMENT

4.1 Management of the Common Elements

Management of the Common Elements: 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.

The Initial Condominium Managing Agentf or this project is (check one):

	Not affiliated with the Developer
✓	None (self-managed by the Association)
	The Developer or an affiliate of the Developer
	Other (explain)

4.2 Estimate of the Initial Maintenance Fees

Estimate of the Initial Maintenance Fees: 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 onyour unit and the unit may be sold through a foreclosure proceeding. Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit A contains a breakdown of the estimated annual maintenance fees and the monthly estimated maintenance fee for each unit, certified to have been based on generally accepted accounting principles, with the Developer's statement as to when a unit owner shall become obligated to start paying the unit owner's share of the common expenses.

4.3 Utility Charges to be Included in the Maintenance Fee

If checked, the following utilities are included in the maintenance fee:

	Electricity for the common elements
	Gas for the common elements
	Water
	Sewer
	TV cable
	Other (specify)

4.4 Utilities to be Separately Billed to Unit Owner

If checked, the following utilities will be billed to each unit owner and are not included in the maintenance fee:

✓	Electricity for the Unit only
	Gas for the Unit only
✓	Water
✓	Sewer
✓	TV cable
	Other (specify)

5. SALES DOCUMENTS

5.1 Sales Documents Filed with the Real Estate Commission

Sales Documents on file with the Commission include, but are not limited to, the following:	
☑	Specimen Sales Contract Exhibit "I" contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.
☑	Escrow Agreement dated: October 2, 2008 Name of Escrow Company: First Hawaii Title Corporation Exhibit "J" 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.

☐	The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B.
☐	Developer has designated the units for sale to Owner-Occupants in this report. 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.

☑	There are no blanket liens affecting title to the individual units.
☐	There are blanket liens 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
First Mortgage in the amount of	Buyer's interest would be extinguished and Developer would refund
757,500 recorded as Doc No.	Buyer's deposits, less escrow cancellation fee.
2006-022267	

5.4 Construction Warranties

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

Building and Other Improvements: NONE - See Exhibit "H" attached hereto.
Appliances: NONE- See Exhibit "H" attached hereto.

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

Status of Construction: Unit 1027 is an existing dwelling that was originally constructed in 1954 and completely renovated in 2008. Unit 1025 is a newly constructed dwelling completed in 2008.
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: Not Applicable
Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract: Not Applicable

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

☒	The Developer hereby declares by checking the box to the left that it shall use its own funds to complete the construction of the condominium project by the date indicated in Section 5.5 of this report, and the Developer, pursuant to its own analysis and calculations, certifies that it has sufficient funds to complete the construction of the condominium project. *If this box is checked, Section 5.6.2, which follows below, will not be applicable to the project.*

5.6.2 Purchaser Deposits Will Be Disbursed Before Closing

Hawaii law provides that, if certain statutory requirements are met, purchaser deposits in escrow under a binding sales contract may be used before closing to pay for certain project costs. For this project, the Developer indicates that purchaser deposits may be used for the following purposes (check applicable box):	
☐	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
☐	For conversions: to pay for repairs necessary to cure violations of county zoning and building ordinances and codes, for architectural, engineering, finance and legal fees, and for other incidental expenses.

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

Box A ☐	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. If Box A is checked, you should read and carefully consider the following notice, which is required by law: **Important Notice Regarding Your Deposits: 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.**
Box B ☐	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. 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 **Important Notice Regarding Your Deposits** 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, **you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment.** (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. You should understand that, although the **Important Notice Regarding Your Deposits** 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.

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

5.7 Rights Under the Sales Contract

Before signing the sales contract, prospective purchasers should carefully review all documents relating to the project. These include but are not limited to the documents listed below. Items 2, 3 and 4 are made a part of this public report, as well as Item 5, if any, and are being delivered to you with this report.	
1.	**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

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

MAINTENANCE FEES. The Developer believes that there will be no regular maintenance fees. This is because all costs of every kind pertaining to each Unit and its respective limited common elements, including but not limited to, the cost of landscaping, maintenance, repair, and/or replacement of each Unit and its appurtenant limited common elements shall be borne entirely by the respective Unit owners. All utilities are separately metered. The maintenance and repairs of each Unit, including all utility charges and Insurance premiums, is the sole responsibility of each Unit Owner.

INSURANCE. Section 514B-86, Hawaii Revised Statutes, requires the Association of Unit Owners to purchase fire insurance to cover the improvements of the Project, and that the premiums for such Insurance be common expenses. Developer anticipates that the Association will elect to permit individual Unit owners to obtain and maintain separate policies of fire insurance and name the Association as an additional insured under said policies. In such case the fire insurance premiums will be the responsibility of individual Unit owners and not common expenses. Prospective purchasers should consult with their own insurance professionals to obtain an estimate for individual fire and hazard insurance

RESERVES. Developer discloses that no "reserve study" was done in accordance with Section 514B-148, Hawaii Revised Statutes, and replacement reserve rules, subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. No reserves are necessary because there are no common elements that require any type of replacement or major repair. In the event that a common element will require major repair or replacement, the Developer believes that any repair would be treated as a special assessment in order to avoid incurring additional expenses associated with the co llection of maintenance fees on a monthly basis.

DISCLOSURE REGARDING "AS IS' SALE. The two (2) Units will be conveyed in their present "as is" condition. Potential buyers are strongly urged to have a professional home inspection to ascertain the exact condition of the property.

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 Units or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated bipheyls, 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. Buyer acknowledges that 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, Buyer 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 Buyer expressly releases the Developer from any liability to Buyer if any hazardous materials are discovered.
(continued on page 18 a)

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 require 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 of 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.

Robert H.M. Lee, Manager
Printed Name of Developer

By: _____ January 5, 2009
Duly Authorized Signatory* Date

Robert H.M. Lee, Manager
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

DISCLOSURES AND ESTIMATE OF MAINTENANCE FEES

1.	Project:	1025 AND 1027 3RD AVENUE CONDOMINIUM 1025 and 1027 3rd Avenue Honolulu, Hawaii 96816
2.	Developer:	ROBERT H.M. LEE, a married man, CARY Y.N. LEE, a married man, and MAN WAI KWOK, a married man.
2.a.	Developer's Address:	3271 Pahoa Avenue Honolulu, Hawaii 96816
3.	Managing Agent:	Self-managed by Association of Unit Owners.
4.	Real Estate Broker:	Judy Lee (RA) Prudential Locations, LLC. 614 Kapahulu Avenue, Suite 200 Honolulu, HI 96815 Tel: (808) 383-1122 Email: judy.lee@pruhawaii.com

5. Maintenance Fees: The maintenance and repair of each condominium Unit and its appurtenant limited common element land area, including all utility charges and insurance premiums, is the sole responsibility of each unit owner. Developer believes that there will be no regular maintenance fees. This is because all costs of every kind pertaining to each Unit and its respective limited common elements, including but not limited to the cost of landscaping, maintenance, repair, replacement and improvements shall be borne entirely by the respective unit owners. All utilities are or will be separately metered. Exhibit 1 attached hereto contains a schedule of estimated initial maintenance fees and maintenance fee disbursements.

Note: Developer discloses that no reserve study was done in accordance with Chapter 514B-148, HRS, and replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. No reserves are necessary because there are no common elements that require any type of replacement or major repair. Developers believe that any repair of common elements would be treated as a special assessment in order to avoid incurring additional expenses associated with the collection of maintenance fees on a monthly basis.

6. Warranties: The Developer makes no warranties with respect to any building, fixtures or site conditions of any unit, or the common elements. No warranties are given as to appliances. Developer is disclaiming any warranties, either express or implied, including any implied warranty of habitability, with respect to the Project, the units or their contents, and Developer will not be liable to Buyer or any other unit owners for any construction or other defects, including any latent or hidden defects in the Project, the units or anything

contained therein. This means that neither Buyer nor any other unit owner will have the right to file any lawsuit for damages against Developer for any defects discovered by them.

7. Number of Units; Permitted Use. The Project contains two (2) Units. The Units are designated as Unit 1025 and Unit 1027

Both Units shall be used only as private single family dwellings. There is no commercial development in the Project.

No residential Unit shall be used as a tenement or rooming house or for or in connection with the carrying on of any business, trade or profession whatsoever. The Units shall not be rented by the Unit owners thereof for transient or hotel purposes, which shall be defined as (i) rental for any period less than thirty (30) days; or (ii) any rental in which the occupants of the residential Unit are provided customary hotel services, such as room service for food and beverage, maid service, furnishing of laundry and linen, and bellboy service. Neither the Units nor any interest therein shall be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including without limitation any so-called "vacation license", "travel club membership" or "time-interval ownership" arrangement. The term "time-sharing" as used herein shall be deemed to include, but is not limited to, any plan, program or arrangement under which the right to use, occupy, own or possess a residential Unit or Units in the Project rotates among various persons on a periodically recurring basis according to a fixed or floating interval or period of time, whether by way of deed, lease, association or club membership, license, rental or use agreement, co-tenancy agreement, partnership or otherwise. Other than the foregoing restrictions, the owners of the respective Units shall have the absolute right to lease the same, provided that such lease covers an entire residential Unit, is in writing and is made subject to the covenants and restrictions contained in the Declaration and By-Laws for the Project, as amended.

PROSPECTIVE OWNERS SHOULD READ AND UNDERSTAND ALL PROVISIONS CONTAINED IN THE DECLARATION, THE BY-LAWS AND THE SALES CONTRACT.

Exhibit 1

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees

Units	Monthly Fee x 12 months = Yearly Total
Unit 1025	0 X 12 = 0
Unit 1027	0 X 12 = 0

NOTE:
There are no common services or expenses that will require regular monthly maintenance fees. Each condominium unit has or will have its own separately metered utilities. There are also no common element recreation facilities.

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

EXHIBIT B

DEVELOPER'S RESERVED RIGHTS
TO CHANGE CONDOMINIUM DOCUMENTS

Following is a brief summary of certain provisions in the Declaration, By-Laws and the Purchase Contract, as indicated, wherein the Developer has reserved the right to change the condominium documents, including the Declaration, By-Laws and the Condominium Map:

I. DECLARATION

In paragraph S of the Declaration, the Developer reserves the right, at any time prior to the conveyance of a Unit to a buyer, to amend the Declaration and the By-Laws in any manner as the Developer may deem fit.

In paragraph U of the Declaration, the Developer reserves the right for itself and its agents, until such time as all the Units in the Project are sold, without the consent, joinder or approval of the Association or any Unit purchaser, to:

A. Grant utility and access easements and quitclaim any easements in favor of the Project which are not required for the Project. Unit owners agree, upon request, to join in and execute any and all documents designating, granting and quitclaiming any such easements.

B. Amend the Declaration, the Condominium Map and By-Laws consistent with any grants or reservations of the Developer under the Declaration.

C. Conduct sales of Units at the Project, including, but not limited to, maintaining model Units, operating a sales office, conducting advertising, placing signs, using parking spaces and erecting lighting in connection with such sales.

D. Amend the Declaration, the By-Laws and the Condominium Map, as may be required by law, by the Real Estate Commission of the State of Hawaii, by any title insurance company issuing a title insurance policy on the Project or any of the Units, by any institutional lender lending funds on the security of the Project or any of the Units, by any purchaser, insurer or guarantor of loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to purchase, insure or guarantee a loan made on the security of the Project or any of the Units, or by any governmental agency.

E. Reconfigure the Project or any Unit with respect to which a deed has not been recorded.

F. To modify all documents related to the Project including the Declaration, the By-Laws and the Condominium Map, to alter the Project and the Units (and to modify said documents accordingly). Without limiting the generality of the foregoing, Developer reserves the right to change the configurations of, or to alter the number of rooms of or to decrease or increase the size of, or to change the location of any Unit in accordance with complete plans

and specifications therefore prepared by a licensed architect or engineer, and to make other changes in the Units and in the common elements, and to increase or decrease the purchase price of the Unit or any other Unit in the Project.

G. Developer also reserves the right, subject to all applicable codes, laws, rules, regulations or ordinances of any applicable governmental authority, to demolish and reconstruct or rebuild any Unit in the Project, provided that such demolition, rebuilding and/or reconstruction is done in compliance with paragraph Q of the Declaration.

II. BY-LAWS

In Article II, Section 2 of the By-Laws, the Developer reserves the right to exercise the powers, vote and act for the Association and the Board on all matters until the first Unit in the Project is conveyed to a buyer (except as to those rights reserved to the Developer in paragraph U of the Declaration, which rights are reserved until all of the activities described therein have been completed).

III. PURCHASE CONTRACT

The Developer, as Seller, reserves the right to modify all documents related to the Project, including the Declaration, By-Laws, Condominium Map, Condominium Deed, Disclosures and any exhibits to such documents.

THIS EXHIBIT CONTAINS ONLY A BRIEF SUMMARY OF THE PROVISIONS CONTAINED IN THE DECLARATION, THE BY-LAWS AND THE PURCHASE CONTRACT RESPECTING THE DEVELOPER'S RESERVED RIGHTS. PROSPECTIVE OWNERS SHOULD READ AND UNDERSTAND ALL OF THE PROVISIONS RELATING TO THE DEVELOPER'S RESERVED RIGHTS CONTAINED IN THE AFORESAID DOCUMENTS.

EXHIBIT C

SPECIAL USE RESTRICTIONS

The following provisions in the Declaration and By-Laws, as indicated, contain restrictions on the use of the Units and the common elements of the Project:

I. DECLARATION

Pursuant to paragraph J of the Declaration, each Unit shall be occupied and used only as private dwellings by the respective owners thereof, their tenants, families, domestic servants and social guests. No Unit shall be used as a tenement or rooming house or for or in connection with the carrying on of any business, trade or profession whatsoever. The Units shall not be rented by the owners thereof for transient or hotel purposes, as defined in the Declaration. Neither of said Units nor any interest therein shall be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including without limitation any so-called "vacation license", "travel club membership" or "time-interval ownership" arrangement. Other than the foregoing restrictions, the Unit owners shall have the absolute right to lease the same, provided that such lease covers an entire Unit, is in writing and is made subject to the covenants and restrictions contained in the Declaration and in the By-Laws. Notwithstanding the foregoing, each Unit shall be occupied and used only for purposes permitted by the Land Use Ordinance for the City and County of Honolulu ("LUO") then in effect.

II. BY-LAWS

Article VIII, Section 5 of the By-Laws lists a variety of restrictions affecting the use of the Units and common elements, including, without limitation, restrictions as to the posting of advertisements, posters or other signs on or about the Project; noise; disposal of garbage; uses which may cause an increase in the ordinary premium rates or cancellation or invalidation of any insurance maintained by or for the Board; noxious or offensive activities; the storage of furniture, packages or other objects which could obstruct transit through the common elements; the construction or placement in the Project of any building or structure; the alteration of any common elements of the Project; installation or maintenance of any television or other antennas in the Project; and the keeping of pets. Unit owners may keep no more than two (2) dogs, cats or other household pets; provided, however, that no animals shall be allowed on any common elements except in transit when waste left by their pets on common areas.

THIS EXHIBIT CONTAINS ONLY A BRIEF SUMMARY OF CERTAIN USE PROVISIONS STATED IN THE DECLARATION AND BY-LAWS. PROSPECTIVE OWNERS SHOULD READ AND UNDERSTAND ALL OF THE USE RELATED PROVISIONS CONTAINED IN THE AFORESAID DOCUMENTS.

EXHIBIT D
PERMITTED ALTERATIONS TO APARTMENTS

The Declaration and By-Laws permit alterations to the apartments as follows:

I. DECLARATION

Paragraph Q of the Declaration provides that a Unit owner with the consent by the holder of any mortgage affecting the owner's Unit (if required by such mortgage), shall have the right at his sole option at any time and from time to time without the consent of any other person, to improve, renovate, remodel, make additions to, enlarge, remove, replace or restore the improvements upon the limited common element land area appurtenant to his Unit (collectively, the foregoing are referred to "changes") subject to the following conditions:

A. All changes shall conform with (i) applicable City and County building, zoning laws and ordinances ("County Rules") and (ii) applicable State of Hawaii governmental laws and regulations ("State Law");

B. All changes to a Unit shall be made within the limited common element land area to which the Unit is appurtenant.

C. No change to a Unit shall be made if the effect of such change would be to exceed the Unit's proportionate share of the Lot area coverage for the Land or number of dwelling units, as defined by the LUO in effect when the change is to be made; provided, however, that each Unit shall be permitted no fewer than one dwelling unit.

The "proportionate share" for each Unit shall be a fraction having as its numerator the land area of its appurtenant limited common element land area and having as its denominator the total area of both limited common element land areas.

D. All such changes shall be at the expense of the owner making the change, shall be expeditiously made and completed in a manner that will not unreasonably interfere with or cause damage to the other Unit, its appurtenant limited common element, or the use thereof by the owner of the other Unit.

E. During the entire course of such construction, the owner making such change will cause to be maintained at his expense builder's all-risk insurance in an amount not less than the estimated cost of construction. The Association shall be named as an additional insured and, upon the request of the Association, evidence of such insurance shall be deposited with the Association or its Managing Agent, if any;

F. The Unit owner seeking to make a change to his Unit shall have the right (aa) to seek on his own behalf and on behalf of the Association, if required, building permits and other types of approvals and permits from governmental authorities and from utility companies, in order to allow such Unit owner to make changes to his Unit; and (bb) to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for services to the Unit affected by such change for electricity, sewer and other utilities and services and when applicable, to add, delete, relocate, realign, designate and grant easement and rights-of-way over, under and on the common elements as necessary or desirable in connection therewith; provided

that the same shall not cause any interruption in the service of such utilities to any other part of the Project or otherwise materially interfere with their use by the other Unit owner;

G. If required by the Act or under other law, by the owner making the change to his Unit or the permitting Governmental Agencies, then upon the request of the owner making the change to his Unit, each other owner, lien holder or other person having any interest in the Project hereby agrees in advance to join in, consent to, or execute all instruments or documents necessary or desirable so that the owner making the change to his Unit may effectuate his right to change his Unit.

If such owner, lien holder or other person having any interest in the Project fails to provide such requested written joinder, consent, or take such action, as the case may be, such shall be accomplished by the owner making the change to his Unit under an irrevocable power-of-attorney in favor of the owner making the change to his Unit from each of the other owners, lien holders or such other parties, the acquiring or acceptance of ownership in a Unit or of a lien covering a Unit or of any other interest in the Project being a grant of such power, and the grant being coupled with an interest, being irrevocable.

H. Promptly upon completion of such changes, the owner shall duly record or file of record an amendment to the Declaration, together with a complete set of floor plans of the Unit as so altered, certified as built by a registered architect or professional engineer; provided, however, that notwithstanding any provision in this Declaration to the contrary, any alterations or additions within a Unit may be undertaken without an amendment to this Declaration or filing of a complete set of floor plans of the Unit so altered. All present and future Unit owners and their mortgagees, by accepting an interest in a Unit in the Project, shall be deemed to have given each Unit owner a power of attorney to execute such an amendment to this Declaration, so that each Unit owner shall have a power of attorney from all other Unit owners to execute such an amendment. This power of attorney shall be deemed coupled with each owner's interest in such owner's Unit and shall be irrevocable.

Developer does not give any assurances that the units can be expanded and Developer does not give any assurances that variances are obtainable from the City and County of Honolulu for any proposed improvements.

II. BY-LAWS

Article VIII, Section 4 of the By-Laws prohibits any owner from doing any work which could jeopardize the soundness or safety of the Project, reduce the value thereof, or impair any easement or hereditament, nor may any owner add any material structure or excavate any additional basement or cellar, without in every such case the consent of all owners whose units or limited common elements appurtenant thereto are directly affected, being first obtained.

THIS EXHIBIT CONTAINS EXCERPTS OF THE PROVISIONS CONTAINED IN THE DECLARATION AND THE BY-LAWS RESPECTING PERMITTED ALTERATIONS TO THE APARTMENTS. PROSPECTIVE OWNERS SHOULD READ AND UNDERSTAND ALL OF THE PROVISIONS RELATING TO PERMITTED ALTERATIONS CONTAINED IN THE AFORESAID DOCUMENTS.

Exhibit "E"

PARKING

As shown on the Condominium Map, Unit 1025 comes with a two (2) car garage that can accommodate two (2) regular size cars and one (1) uncovered parking stall. Unit 1027 comes with two (2) uncovered parking stalls. There are no guest parking stalls in the project.

EXHIBIT F

DESCRIPTION OF COMMON
ELEMENTS AND LIMITED COMMON ELEMENTS

I. COMMON ELEMENTS

Paragraph E of the Declaration describes the common elements as all portions of the land and improvements (other than the Units), the land on which the Units is located and all common elements mentioned in the Act which are actually constructed on the land described herein. Said common elements include, but are not limited to the following:

A. The fee simple land described in Exhibit "A" of the Declaration ;

B. All central and appurtenant installations for services such as power, electricity, gas, lights, telephone, hot and cold water lines, cable television lines, sewage disposal and other utilities which now or hereafter serve more than one Unit (including all pipes, ducts, wires, cables, conduits or other utility or service lines used in connection therewith, whether located in common areas or in Units), and all drainage ditches or appurtenant drainage structures and retaining walls (if any), which are located outside the Units or which are utilized for or serve more than one Unit.

C. The common element driveway containing an area of approximately 1,765 square feet.

D. 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, and normally in common use and which are not part of any Unit.

II. LIMITED COMMON ELEMENTS

Paragraph F of the Declaration describes the limited common elements as certain parts of the common elements which are set aside and reserved for the exclusive use of certain Units,

which Units shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside for each Unit are as follows:

A. One (1) mailbox located on the Project grounds, bearing the same number as the number of the Unit.

B. The land area on which each Unit is located as shown and delineated on the Condominium Map, shall be a limited common element for the exclusive use of the Unit to which it is appurtenant; provided that each Unit owner shall be responsible for and shall bear the expense of installing and maintaining all landscaping within such limited common element land area, and of repairing, restoring or reinstating any walkways, stairways, fences, walls, pavement, water lines, holding tanks (if any) and other improvements located within such designated limited common element land area; provided, further, that in the event of any sewer stoppage which affects any individual Unit, the owner of such Unit shall be responsible for and shall bear the expense of cleaning any sewer line which connects to any main sewer line running beneath the Project. The limited common element land area appurtenant to each Unit is indicated on the Condominium Map and contains the following approximate number of square feet:

Unit 1025	3,392 square feet
Unit 1027	4,284 square feet

Notwithstanding any provision herein or in the By-Laws to the contrary all costs of every kind pertaining to each limited common element, including but not limited to, costs of landscaping, maintenance, repair, replacements, additions and improvements, shall be charged to and borne entirely by the owner(s) of the Unit(s) to which it is appurtenant. Expenses which are attributable to more than one (1) mailbox or land area shall be allocated among the affected mailboxes or land areas on a per mailbox or land area basis. Any expense which cannot be separately identified or attributed to a limited common element shall be charged as a common expense.

EXHIBIT G

ENCUMBRANCES AGAINST TITLE

1. For real property taxes that may be due and owing, reference is made to the Office of the Tax Assessor, City and County of Honolulu.

2. Title to all mineral and metallic mines reserved to the State of Hawaii.

3. Restriction of any abutter's rights of access into and from Interstate Highway, Federal Aid Project No. I-H1-1 (1), as set forth or disclosed by Deed recorded in the Bureau of Conveyances of the State of Hawaii in Book 4486 Page 183.

4. AFFIDAVIT

Dated:	March 5, 2008
Document No.	2008-034930
Re:	Building permit

5. AFFIDAVIT

Dated:	March 21, 2008
Document No.	2008-045130
Re:	Building permit

6. AFFIDAVIT

Dated:	May 29, 2008
Document No.	2008-190012
Re:	Building permit

7. Subdivision approved by the City and County of Honolulu's Department of Planning and Permitting Subdivision File No. 2006/SUB-205 dated June 27, 2008, as set forth in the said Bureau as Document No. 2008-110618.

8. Condominium Map No. 4755, recorded in the Bureau of Conveyances of the State of Hawaii.

9. The covenants, agreements, obligations, conditions and other provisions set forth in the Declaration of Condominium Property Regime of 1025 AND 1027 3RD AVENUE CONDOMINIUM dated December 11, 2008, recorded in the Bureau of Conveyances of the State of Hawaii as Regular System Document No.2008-194650.

10. The By Laws of the Association of Condominium Unit Owners of 1025 AND 1027 3RD AVENUE CONDOMINIUM dated December 11, 2008, recorded in the Bureau of Conveyances of the State of Hawaii as Regular System Document No.2008-194651.

EXHIBIT H

CONSTRUCTION WARRANTIES

Warranties for individual Apartments/Units and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Buildings and Other Improvements:

NONE. THE DEVELOPER/SELLER MAKES NO WARRANTIES OR REPRESENTATIONS REGARDING THE CONDITION OF THE UNITS.

No warranties will be provided by the Developer for any of the Units or appliances. The Units will be conveyed in their existing "AS IS" and "WHERE IS" condition. This means that the Units are being sold in their existing condition and that Developer/Seller will not give any assurances, representations or warranties to Buyer regarding the condition of Buyer's Unit.

2. Contractor's Warranty: Pursuant to the construction contract between the Developer and the Project's general contractor, the general contractor agreed to provide a one year warranty, commencing on the "Date of Substantial Completion" (as defined in the construction contract) that (a) the materials and equipment furnished for construction of the Project will be good quality and new, unless the construction contract requires or merits that the materials and equipment be otherwise; and (b) the construction and services required by the construction contract (including all labor, materials and equipment by the general contractor) will be free from defects, except for defect inherent in the quality of the construction and services required or permitted by the construction contract. The Developer will assign said warranty, together with all transferable manufacturer's and dealer's warranties covering all appliances installed by the units by Developer, to the first owner of each unit.

Exhibit "I"

Summary of Purchase Contract

1. With respect to the sale of a condominium unit the Developer will use the Hawaii Association of Realtors form called "Purchase Contract" (hereinafter referred to as "Purchase Contract") as the Purchase Contract for the Project together with two (2) addenda to the Purchase Contract.

2. Until Purchaser has received a copy of the Developer's Public Report and has waived or is deemed to have waived his or her rights of cancellation, the Purchase Contract shall constitute a mere reservation and may be canceled at any time by either Developer or Purchaser.

3. Purchaser has the right to rescind the Purchase Contract if there are any material changes to the Project (other than any additions, deletions and modifications permitted by and made pursuant to Developers' reserved rights set forth in the Declaration of Condominium Property Regime) which directly, substantially and adversely affects the use or value of the unit or limited common elements appurtenant to the unit or those amenities of the project available for such Purchaser's use. Under certain circumstances as set forth in Chapter 514B, Hawaii Revised Statutes, the right of rescission may be waived by Purchaser.

4. The Purchase Contract contains the price, description and location of the apartment and other terms and conditions under which a buyer will agree to buy an apartment in the Project. Among other things, the Purchase Contract provides:

a. A section for financing to be filled in and agreed to by the parties which will set forth how the buyer will pay the purchase price.

b. That Buyer's deposits will be held in escrow until the Purchase Contract is closed or cancelled. In the event Buyer fails to perform Buyer's obligations under the Purchase Contract (Seller not being in default), Seller may (a) bring an action for damages for breach of

contract (b) retain the initial deposit and all additional deposits provided for herein as liquidated damages, and (c) Buyer shall be responsible for any costs incurred with this Purchase Contract.

c. That the buyer must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

d. What will happen if there is a default under the Purchase Contract by Seller or Buyer. If Buyer defaults, Seller may cancel the Purchase Contract or bring legal action to force sale, obtain money damages or retain Buyer's deposit. If Seller defaults, Buyer can bring an action to force the sale.

The Purchase Contract contains various other provisions which the buyer should become acquainted with.

e. Buyers are also made aware of the following:

"CHAPTER 672E OF THE HAWAII REVISED STATUTES CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY FILE A LAWSUIT OR OTHER ACTION FOR DEFECTIVE CONSTRUCTION AGAINST THE CONTRACTOR WHO DESIGNED, REPAIRED OR CONTRUCTED YOUR HOME OR FACILITY. NINETY DAYS BEFORE YOU FILE YOUR LAWSUIT OR OTHER ACTION, YOU MUST SERVE ON THE CONTRACTOR A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS YOU ALLEGE ARE DEFECTIVE. UNDER THE LAW, A CONTRACTOR HAS THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR AND/OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY A CONTRACTOR. THESE ARE STRICT DEADLINES AND PROCEDURES UNDER THE LAW, AND FAILURE TO FOLLOW THEM MAY NEGATIVELY AFFECT YOUR ABILITY TO FILE A LAWSUIT OR OTHER ACTION."

THIS IS ONLY A SUMMARY OF SELECTED PORTIONS OF THE PURCHASE CONTRACT. IT IS INCUMBENT ON ALL PROSPECTIVE PURCHASERS TO

CAREFULLY READ THE ENTIRE PURCHASE CONTRACT AND TO REVIEW ALL PROVISIONS PRIOR TO SIGNING A PURCHASE CONTRACT.

EXHIBIT J

SUMMARY OF ESCROW AGREEMENT

1. All funds paid to Escrow (First Hawaii Title Corporation) shall be deposited into interest-bearing accounts. All interest earned on such deposits belongs to Owner unless otherwise specified in the Purchase Contract.

2. Purchaser shall be entitled to a refund of his/her funds and Escrow shall pay said funds to Purchaser, without interest and less Escrow's cancellation fee, if Purchaser shall in writing request refund of his funds and any one of the following shall have occurred:

(a) Escrow receives a written request from Owner to return to Purchaser the funds of such Purchaser then held hereunder by Escrow prior to Purchaser's receipt of the Developer's Public Report; or

(b) If the Purchaser's funds were obtained prior to the issuance of a Developer's Public Report and Purchaser decides to cancel the reservation prior to receipt of the Developer's Public Report.

Upon refund of said funds to Purchaser as aforesaid, Escrow shall return to Owner such Purchaser's Purchase Contract and any conveyance document theretofore delivered to Escrow, and thereupon neither the Purchaser nor Owner shall be deemed obligated thereunder.

3. If any time Owner shall certify in writing to Escrow that a Purchaser, whose funds are being held hereunder by Escrow, has defaulted under the terms of his Purchase Contract and that Owner has terminated said Purchase Contract pursuant to the terms thereof, Escrow shall notify said Purchaser by registered mail of such default and shall thereafter treat all funds of such Purchaser paid under such contract, less Escrow's $175.00 cancellation fee (in the event a cancellation takes place after purchaser receives a loan commitment to finance his/her purchase, the cancellation fee shall be $250.00), as escrow funds of Owner and not Purchaser.

4. If any dispute or difference arises between Owner and Purchaser, or if any conflicting demand shall be made upon Escrow, Escrow shall not be required to determine the same or take any action thereon; but may await settlement of the controversy by final appropriate legal proceedings or otherwise as it may require, or file a suit in interpleader in any court having jurisdiction in the matter, for the purpose of having the respective rights of the parties adjudicated, and may deposit with the Court any and all monies held.

5. No disbursements of Purchasers' funds shall be made from escrow fund until Escrow is notified by Owner that the Real Estate Commission has issued a Developer's Public Report on the Project and that each Purchaser has been given a copy of said Developer's Public Report on the Project and receipted for the same; and Owner shall further have furnished to Escrow a written opinion that the requirements of Sections 514B-86 and 514B-87, Hawaii Revised Statues, as amended, have been met; provided, further, that in the event Owner uses a performance bond issued by a non-surety company, Escrow will not release purchaser's funds to the Owner prior to the closing date until: (a) construction of the purchaser's unit and all

improvements, in the condominium project is completed and (b) the applicable mechanic and materialmen's 45-day lien period has lapsed.

THIS IS ONLY A SUMMARY OF SELECTED PORTIONS OF THE ESCROW AGREEMENT. BUYERS ARE URGED TO CAREFULLY REVIEW ALL PROVISIONS OF THE ESCROW AGREEMENT PRIOR TO SIGNING A PURCHASE CONTRACT.

ROBERT K.K. PANG
STRUCTURAL ENGINEER
2004 Alewa Drive
Honolulu, Hawaii 96817

CERTIFICATION OF REGISTERED ENGINEER

The undersigned being a licensed engineer within the State of Hawaii, and bearing Registration Number 708-S has inspected Unit B (1027 3rd Avenue) of the 1025 and 1027 3rd Avenue Condominium, located at Tax Map Key No. (1) 3-2-010-051.

The inspection included the exterior roof, foundation, walls, visible electrical and plumbing systems, and I find as follows:

The systems and components, including visible structural, electrical and plumbing systems, I find as follows:

1. The systems and components, including visible structural, electrical and plumbing appear to be in satisfactory condition for the age thereof.

2. Without conducting invasive examinations of covered structural, electrical and plumbing components, Unit B (1027 3rd Avenue) appears to be constructed in conformity with the County Land Use Ordinances, Building Code and Rules and Regulations applicable to the construction at the time of construction thereof.

3. The apparent useful life of Unit B (1025 3rd Avenue), provided that proper maintenance is applied to the Unit is approximately 25 years.

4. There are no-non-conforming uses existing on the property and no variances from any zoning or building codes have been granted for structures or uses on the property.

THIS IS NOT A WARRANTY OF COMPLIANCE WITH ALL CODES, RULES AND REGULATIONS, ONLY A WARRANTY THAT INSPECTION WAS MADE AND NO APPARENT VIOLATIONS APPEAR TO EXIST. NO RIGHT SHALL ACCRUE TO ANY THIRD PARTY FOR SUBSEQUENT DISCOVERY OF ANY PROBLEMS WITH CODE COMPLIANCE OR FOR FUTURE CHANGES IN SUCH CODES.

DATED: Honolulu, Hawaii Nov. 21, 2008

Robert K.K. Pang

ROBERT K.K. PANG, Registered Professional ~~Architect~~ Engineer, Hawaii Registration No. 708-S

EXHIBIT K

STATE OF HAWAII)
) ss
CITY AND COUNTY OF HONOLULU)

On this 21 day of November, 2008, before me personally appeared ROBERT K.K. PANG, to me personally known, who being by me duly sworn or affirmed, did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

Notary Public, State of Hawaii
GIFFORD K.F. CHANG
My commission expires: JUN 18 2011

NOTARY CERTIFICATE
(Hawaii Administrative Rules §5-11-8)

Document Identification or Description: Certificate of Registered Engineer

Document Date: November 21, 2008 No. of Pages: 2

Jurisdiction: First Circuit

Signature of Notary: Date of Certificate: November 21, 2008

Print Name: GIFFORD K.F. CHANG

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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

MUFI HANNEMANN
MAYOR

HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUE
DEPUTY DIRECTOR

2008/ELOG-2259 (LT)

November 19, 2008

Mr. Erik W. Wong, Esq.
Attorney at Law
Villa Punahou Condominium
1609 Young Street
Honolulu, Hawaii 96826

Dear Mr. Wong:

Subject: Condominium Conversion Project
1025 & 1027 3rd Avenue
Tax Map Key: 3-2-010: 051

This is in response to your letter dated September 11, 2008, requesting verification that the structures on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that a one-story two-family detached dwelling with two (2) all-weather-surface off-street parking spaces met all applicable code requirements when it was constructed in 1954 on this 9,441-square-foot R-3.5 Residential-District zoned lot.

Investigation also revealed the following:

1. On March 5, 2008, Building Permit No. 623842 was issued for an alteration to convert an existing two-family detached dwelling to a single-family detached dwelling. An affidavit was required with the issuance of the building permit stating "Upon completion of work, the entire structure shall be maintained as a single-family dwelling containing only one (1) kitchen. An interior connection shall be shown on approved plans."

2. On April 28, 2008, Building Permit No. 626053 was issued for a new two-story single-family detached dwelling located at 1025 3rd Avenue with five (5) all-weather-surface off-street parking spaces. An affidavit was required with the issuance of the building permit stating "Upon completion of work the entire structure shall be maintained as a single-family dwelling containing only one (1) kitchen. An interior connection shall be shown on the approved plans." This permit is still active.

EXHIBIT L

3. On June 27, 2008, subdivision (File No. 2006/SUB-205) was approved for the revised subdivision of Parcel 51, being portion of Lot 6 of Block 23, Kaimuki Tract, into two (2) lots: Lot A of 3,759 square-feet and Lot B of 9,441 square-feet (a flag lot). The two (2) dwellings are located on Lot B (TMK: 3-2-010: 051).

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

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

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

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-Family Code Enforcement Branch at 768-8151.

Very truly yours,

Henry Eng, FAICP, Director
Department of Planning and Permitting

HE:ft

doc661057

EXHIBIT M

SUMMARY OF BUILDING PERMIT AFFIDAVITS

In connection with the issuance on March 5, 2008 and April 28, 2008 of Building Permit Nos. 623842 and 626053, for the construction of Units 1025 and 1027, respectively, the Developer filed Affidavits recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2008-045130 and Document No. 2008-034930. Some of the pertinent provisions of the Affidavits including Purchaser's obligations thereunder, are summarized as follows:

1. Both Units 1025 and 1027 shall be maintained only as single-family dwellings containing only one (1) kitchen. An interior connection shall be shown on the approved plans.

2. The covenants and agreements contained in the Affidavits shall be binding upon the owners of each Unit, or any tenant or lessee or any subsequent owner of the Units for as long as the Units are in use or unless otherwise released by authority of the Director of Planning and Permitting, City and County of Honolulu.

3. The Affidavits shall not be terminated, extinguished, amended or cancelled without the express approval of the Director of Planning and Permitting of the City and County of Honolulu, State of Hawaii.

To summarize, a purchaser purchasing a unit in this project can only use the unit as a single-family dwelling residence with one (1) kitchen.