

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

CONDOMINIUM PROJECT NAME	1533 NEHOA STREET
Project Address	1533 Nehoa Street, Honolulu, Hawaii 96822
Registration Number	6882 (Conversion)
Effective Date of Report	October 26, 2009
Developer(s)	HIDC NEHOA / KINAU, 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; or (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. Washer/Dryer Appliances. To comply with the limits of the Project building's existing electrical system, Unit owners shall be subject to the restrictions on use of washer/dryer units currently set forth in the Declaration and in the House Rules. Unless otherwise permitted by the Association following the Developer's upgrade of the electrical system described below, Unit owners may install and maintain within their respective lanai area or Yard Area one (1) appliance-type washer/dryer combination unit connected to a dedicated circuit. The washer/dryer unit shall be rated 1800 amps or less. Following the upgrade of the building's electrical system described below, the Association may, but shall not be obligated to, add 220V connections to each Unit, which will increase the system's capability and possibly allow for washer/dryer units with greater capacity. The Association may at any time impose additional rules and regulations governing the use of the washer/dryer units in the House Rules which must be approved by a majority of the Board of Directors. Any washer/dryer unit or the use thereof that does not comply with such restrictions shall be grounds for removal of such washer/dryer unit at the owner's cost and expense.

2. Developer's Contribution to Association's Reserves. Exhibit F contains the schedule of estimated maintenance fees for the Units in the Project. One of the items included in the Project budget is a reserve for major or capital improvements. Developer will contribute a total sum of approximately \$233,760 to the initial reserves of the Association, which shall be used to cover the following common area repair and maintenance expenses: (a) \$75,000 for spalling repair; (b) \$17,950 to repave the parking lot; (c) \$24,600 to paint the building exterior (\$8,000 of which has already been paid by Developer and the \$16,600 balance of which will be contributed to the Association for payment upon completion); (d) \$64,000 to upgrade the existing circuit breaker panel and to install two 220V circuits per Unit; (e) \$1,700 to repair the building's fire control stations; and (f) \$510 to repair the building's exterior light fixtures. With respect to the first three items listed as (a), (b) and (c) above, Developer has entered into contracts for such services and such services are already underway but may not be completed prior to the sale of the Units; accordingly, Developer will assign such contracts to the Association following the formation of the Association. Copies of the contracts are attached to Exhibit I. Except for the \$8,000 already paid by Developer directly to the painting contractor as described in item (c) above, the Developer will pay the balance of the total sum in increments at the closing of each Unit. Developer will not contribute additional sums to the Association's reserve in excess of the foregoing sums. The Units and the Project are being sold in "As Is" condition with "All Faults" and the foregoing sums may be insufficient to make all necessary repairs.

3. Developer's Maintenance Fee Subsidy. The maintenance fees set forth in Exhibit F reflect the Developer's decision to pay for a portion of the cost of administering the Association. Developer will contribute to the Association each Unit's proportionate share of the Managing Agent's management fees for a four-year period upon the closing of each Unit sale, for a total management fee contribution of \$50,000. At the end of the four-year period, the Developer's contributions will end and each Unit owner will be responsible for paying the full amount of such Unit's maintenance fees.

4. Limited Common Element Yard Areas. Each Unit located on the ground floor has exclusive use of its respective Yard Area, which is shown on the Condominium Map as a Limited Common Element appurtenant to such Unit. As provided in the Declaration, the owner of a Unit to which a Yard Area is appurtenant may, at such owner's sole cost an expense and subject to the approval of the Board and all applicable laws, install a fence along and within the boundary of the Yard Area; provided, however, that if any such fence is installed, the Unit owner shall also install a gate within the fence located between the Yard Area and the Common Elements so as to allow reasonable access to and from the gas meters located at the rear of the Project building. The Unit owner will be permitted to install a lock on the gate; provided, however, that the owner shall supply the Association with a key, password, combination or other applicable device needed to permit access to the Yard Area for the purpose of reading, maintaining and/or repairing such gas meters.

5. Alterations to Unit Interiors. The Unit owners will be permitted, at their sole cost and expense and without Board approval or the need to amend the Declaration and/or Condominium Map, to remove any sliding partition door that may be existing within the area marked "Bedroom" on the Condominium Map, and replace the same with a permanent interior wall so as to create two separate rooms within the Unit; provided, however, such improvements do not affect the structural integrity of the Unit or the building. The Unit owners shall also have the right, at their sole cost and expense, to remove the square closet space marked "CL" next to the bathroom on the Condominium Map, and reconstruct such area so that there is a separate doorway leading to the area marked "Bedroom" and/or to the newly created room described immediately above.

6. Amendment to Declaration and Condominium Map. As of the date of this report, Developer has had the Yard Areas and perimeter of the Project land surveyed by a professional land surveyor. The survey provides metes and bounds descriptions of the limited common element Yard Areas that are appurtenant to each of Unit Nos. 1 through 4 on the ground floor of the building. The Developer has amended the Declaration and the Condominium Map to include the survey and such metes and bounds descriptions.

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General Information On Condominiums

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

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

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

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

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

Operation of the Condominium Project

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

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

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

1. THE CONDOMINIUM PROJECT

1.1 The Underlying Land

Fee Simple or Leasehold Project	<input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Fee Owner's Name if Developer is not the Fee Owner	N/A
Address of Project	1533 Nehoa Street, Honolulu, Hawaii 96822
Address of Project is expected to change because	N/A
Tax Map Key (TMK)	(1) 2-4-023-025
Tax Map Key is expected to change because	Individual CPR numbers will be assigned to the Units.
Land Area	8,526 square feet
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	N/A

1.2 Buildings and Other Improvements

Number of Buildings	1
Floors Per Building	3
Number of New Building(s)	0
Number of Converted Building(s)	1
Principal Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	The building is of reinforced concrete and concrete masonry block wall construction. Ground floor consists of poured in place slab on grade. The floor and roof slabs are poured in place reinforced concrete supported by plastered reinforced concrete block masonry walls. All interior walls inside the units are non load bearing dry wall construction.

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
1	1 (Ground Flr.)	1BR/1BA	494 s.f.	182 s.f.	Lanai/Yard Area #1	676 s.f.
1	1 (Ground Flr.)	1BR/1BA	494 s.f.	102 s.f.	Lanai/Yard Area #3	596 s.f.
1	6 (2 nd & 3 rd Flrs.)	1BR/1BA	494 s.f.	69 s.f.	Lanai	563 s.f.
2	1 (Ground Flr.)	1BR/1BA	494 s.f.	104 s.f.	Lanai/Yard Area #2	598 s.f.
2	6 (2 nd & 3 rd Flrs.)	1BR/1BA	494 s.f.	69 s.f.	Lanai	563 s.f.
3	1 (Ground Flr.)	2BR/1BA	661 s.f.	267 s.f.	Lanai/Yard Area #4	928 s.f.
See Exhibit A.						

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

1.4 Parking Stalls

Total Parking Stalls in the Project:	16
Number of Guest Stalls in the Project:	0
Number of Parking Stalls Assigned to Each Unit:	1
Attach Exhibit <u>B</u> specifying the Parking Stall number(s) assigned to each unit and the type of parking stall(s) (regular, compact or tandem and indicate whether covered or open).	
If the Developer has reserved any rights to assign or re-assign parking stalls, describe such rights.	

1.5 Boundaries of the Units

Boundaries of the unit:

See Exhibit A.

1.6 Permitted Alterations to the Units

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

See Exhibit C.

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 B.
As follows:

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 checked="" type="checkbox"/>	Trash Chute/Enclosure(s): Trash collection area on ground floor
<input type="checkbox"/>	Exercise Room
<input type="checkbox"/>	Security Gate
<input type="checkbox"/>	Playground
<input checked="" type="checkbox"/>	Other (describe): See description of Common Elements in <u>Exhibit D</u>

1.9 Common Elements

<p>Common Elements: Common elements are those parts of the condominium project other than the individual units and any other real estate for the benefit of unit owners. Although the common elements are owned jointly by all unit owners, those portions of the common elements that are designated as limited common elements (see Section 1.10 below) may be used only by those units to which they are assigned. In addition to the common facilities described in Section 1.8 above, the common elements for this project, as described in the Declaration, as set forth below.</p>	
<p>Described in Exhibit <u>D</u>.</p>	
<p>Described as follows:</p>	
Common Element	Number
Elevators	0
Stairways	2
Trash Chutes	0

1.10 Limited Common Elements

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

1.11 Special Use Restrictions

<p>The Declaration and Bylaws may contain restrictions on the use and occupancy of the units. Restrictions for this project include, but are not limited to, those described below.</p>	
<input checked="" type="checkbox"/>	Pets: See Bylaws and House Rules
<input type="checkbox"/>	Number of Occupants:
<input type="checkbox"/>	Other:
<input type="checkbox"/>	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 <u>E</u> describes the encumbrances against title contained in the title report described below.</p>
<p>Date of the title report: September 1, 2009</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	16	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	A-2 Medium Density Apartment
<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 type="checkbox"/>	Other (specify)		<input type="checkbox"/> Yes <input type="checkbox"/> No	
Is/Are this/these use(s) specifically permitted by the project's Declaration 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lot	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

<p>Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.</p>	<p><input checked="" type="checkbox"/> Applicable <input type="checkbox"/> Not Applicable</p>
<p>Developer's statement, based upon a report prepared by a Hawaii-licensed architect or engineer, describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the units:</p> <p>See Exhibit I.</p>	
<p>Developer's statement of the expected useful life of each item reported above:</p> <p>See Exhibit I for more information. No representation is made as to the useful life of the Project or any component of the Project.</p>	
<p>List of any outstanding notices of uncured violations of any building code or other county regulations:</p> <p>N/A</p>	
<p>Estimated cost of curing any violations described above:</p> <p>N/A</p>	

<p>Verified Statement from a County Official</p>	
<p>Regarding any converted structures in the project, attached as Exhibit <u> 1 </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 non-conforming 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 style="text-align: center;">or</p> <p>(B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.</p>	
<p>Other disclosures and information:</p>	

1.16 Project in Agricultural District

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

1.17 Project with Assisted Living Facility

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

2. PERSONS CONNECTED WITH THE PROJECT

<p>2.1 Developer</p>	<p>Name: HIDC NEHOA / KINAU, INC., a Hawaii corporation</p> <p>Business Address: 931 University Ave., Suite 105 Honolulu, HI 96826</p> <p>Business Phone Number: (808) 946-3224</p> <p>E-mail Address: peters@hihltd.com</p>
<p>Names of officers and directors of developers that are corporations; general partners of a partnership; partners of a limited liability partnership (LLP); or a manager and members of a limited liability company (LLC) (attach separate sheet if necessary).</p>	<p>Peter Savio, Its President, Vice President, Secretary, Treasurer & Director</p>
<p>2.2 Real Estate Broker</p>	<p>Name: Hawaiian Island Homes, Ltd.</p> <p>Business Address: 931 University Ave., Suite 207 Honolulu, HI 96826 Attn: Barry Kaplan</p> <p>Business Phone Number: (808) 946-3222</p> <p>E-mail Address: hawaiianislandhomes@hihltd.com</p>
<p>2.3 Escrow Depository</p>	<p>Name: Title Guaranty Escrow Services, Inc.</p> <p>Business Address: 235 Queen Street, 1st Floor Honolulu, Hawaii 96813</p> <p>Business Phone Number: (808) 533-5609</p>
<p>2.4 General Contractor</p>	<p>Name: N/A</p> <p>Business Address:</p> <p>Business Phone Number:</p>
<p>2.5 Condominium Managing Agent</p>	<p>Name: Hawaiiana Management Company, Ltd.</p> <p>Business Address: 711 Kapiolani Boulevard, Suite 700 Honolulu, Hawaii 96813</p> <p>Business Phone Number: (808) 593-9100</p>
<p>2.6 Attorney for Developer</p>	<p>Name: Chun Kerr Dodd Beaman & Wong, LLLP</p> <p>Business Address: 745 Fort St., 9th Floor Honolulu, HI 96813 Attn: Andrew R. Bunn, Esq. Kaleen S. H. Miyasato, Esq.</p> <p>Business Phone Number: (808) 528-8200</p>

3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

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

3.1 Declaration of Condominium Property Regime

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

Land Court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	September 9, 2009	2009-137942

Amendments to Declaration of Condominium Property Regime

Land Court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	October 21, 2009	2009-162385

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	September 9, 2009	2009-137943

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	4838
Dates of Recordation of Amendments to the Condominium Map: October 22, 2009	

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:	
Area Proposed	<input type="checkbox"/>
Have Been Adopted and Date of Adoption	<input checked="" type="checkbox"/> September 9, 2009
Developer does not plan to adopt House Rules	<input type="checkbox"/>

3.5 Changes to the Condominium Documents

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

Document	Minimum Set by Law	This Condominium
Declaration	67%	67%
Bylaws	67%	67%

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

<input type="checkbox"/>	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
<input checked="" type="checkbox"/>	<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>At any time prior to the first recording in the Bureau of Conveyances of a conveyance or transfer (other than for security) of a Unit and its appurtenances to a party not signatory hereto, Developer may amend the Declaration and/or other Project documents in any manner without approval or consent of any Unit purchaser.</p> <p>Developer has reserved the right to amend the Declaration, Bylaws and Condominium Map (if appropriate) to meet any requirement imposed by law, lenders, title insurers or governmental agencies.</p> <p>Developer may amend the House Rules in any manner prior to election of the first Board of Directors of the Project.</p>

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 Agent for this project is (check one):

<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

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

Exhibit 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.

4.3 Utility Charges to be Included in the Maintenance Fee

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

<input checked="" type="checkbox"/>	Electricity for the common elements
<input type="checkbox"/>	Gas for the common elements
<input checked="" type="checkbox"/>	Water
<input checked="" type="checkbox"/>	Sewer
<input type="checkbox"/>	TV Cable
<input checked="" type="checkbox"/>	Other (specify): Refuse collection

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:

<input checked="" type="checkbox"/>	Electricity for the Unit only
<input checked="" type="checkbox"/>	Gas for Unit only
<input type="checkbox"/>	Water
<input type="checkbox"/>	Sewer
<input checked="" type="checkbox"/>	TV cable
<input checked="" type="checkbox"/>	Other (specify): Telephone service

5. SALES DOCUMENTS

5.1 Sales Documents Filed with the Real Estate Commission

<input checked="" type="checkbox"/>	Specimen Sales Contract Exhibit <u>G</u> contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.
<input checked="" type="checkbox"/>	Escrow Agreement dated: July 21, 2009 Name of Escrow Company: Title Guaranty Escrow Services, Inc. Exhibit <u>H</u> contains a summary of the pertinent provisions of the escrow agreement.
<input type="checkbox"/>	Other

5.2 Sales to Owner-Occupants

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

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

5.3 Blanket Liens

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

<input type="checkbox"/>	There are <u>no blanket liens</u> affecting title to the individual units.
<input checked="" type="checkbox"/>	There are blanket liens that may affect title to the individual units.

<u>Type of Lien</u>	<u>Effect on Purchaser's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage Lien of Developer's Lender	Purchaser's interest is specifically made subject and subordinate to such lien. Purchaser's contract may be canceled and Purchaser may lose all rights to acquire the Unit. Purchaser's deposit, less escrow cancellation fee, will be returned if default and foreclosure occur before conveyance. However, if Purchaser's deposit is disbursed by Escrow and the lien foreclosed prior to conveyance to Purchaser, Purchaser may not be able to recover any deposits. Note: At the time of the first conveyance of each Unit, Developer's Lender's lien will be paid and satisfied of record, and the Unit being conveyed and its Common Interest will be released from such lien.

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: The Units are being sold in "As Is" condition.

Appliances: The appliances, if any, in a Unit are being sold in "As Is" condition.

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

<p>Status of Construction:</p> <p>Construction of the building and the units was completed in 1965.</p>
<p>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.</p>
<p>Completion Deadline for any unit not yet constructed, as set forth in the sales contract:</p> <p>N/A</p>
<p>Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract:</p> <p>N/A</p>

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

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

5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance

<input checked="" type="checkbox"/> *	<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>
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5.6.2 Purchaser Deposits Will Be Disbursed Before Closing

Hawaii law provides that, if certain statutory requirements are met, purchaser deposits in escrow under a binding sales contract may be used before closing to pay for certain project costs. For this project, the Developer indicates that purchaser deposits may be used for the following purposes (check applicable box):

<input type="checkbox"/>	<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>
<input type="checkbox"/>	<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):

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

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

5.7 Rights Under the Sales Contract

Before signing the sales contract, prospective purchasers should carefully review all documents relating to the project. These include but are not limited to the documents listed below. Item 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 review 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.

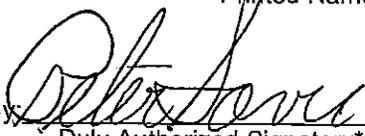
6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT

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.

HIDC NEHOA / KINAU, INC., a Hawaii corporation
Printed Name of Developer

By:  September 9, 2009
Duly Authorized Signatory* Date

Peter Savio, 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

DESCRIPTION OF UNIT TYPES, SIZES AND BOUNDARIES OF UNITS; PARKING STALLS

1. Description of Unit Types and Sizes of Units. There are three (3) Unit types in the Project as follows:

1.1. Type 1 Unit. The Type 1 Unit contains one (1) bedroom, one (1) bathroom, a living room, a kitchen, a den, and other improvements shown on the Condominium Map. The Type 1 Units located on the second and third floors also each have a lanai, and the Type 1 Units on the ground floor each have a Yard Area (described in Section 6.1.c below). The Type 1 Unit has a net living floor area of approximately 494 square feet. The Type 1 Units on the second and third floors each have lanai areas of approximately 69 square feet, for a total area of approximately 563 square feet. The Type 1 Units on the ground floor have total floor areas as follows: Unit No. 1 has a Yard Area of approximately 182 square feet, for a total area of approximately 676 square feet, while Unit No. 3 has a Yard Area of approximately 102 square feet, for a total area of approximately 596 square feet. There are eight (8) Type 1 Units in the Project, designated as Unit Nos. 1, 3, 5, 7, 9, 11, 12A and 15 (with number 13 being omitted).

1.2. Type 2 Unit. The Type 2 Unit contains one (1) bedroom, one (1) bathroom, a living room, a kitchen, a den, and other improvements shown on the Condominium Map. The Type 2 Unit floor plan is the reverse of the Type 1 Unit floor plan. The Type 2 Units located on the second and third floors also each have a lanai, and the Type 2 Unit (Unit No. 2) on the ground floor has a Yard Area. The Type 2 Unit has a net living floor area of approximately 494 square feet. The Type 2 Units on the second and third floors each have lanai areas of approximately 69 square feet, for a total area of approximately 563 square feet. Unit No. 2 on the ground floor has a Yard Area of approximately 104 square feet, for a total area of approximately 598 square feet. There are seven (7) Type 2 Units in the Project, designated as Unit Nos. 2, 6, 8, 10, 12, 14 and 16.

1.3. Type 3 Unit. The Type 3 Unit contains two (2) bedrooms, one (1) bathroom, a living room, a kitchen, a den, a Yard Area, and other improvements shown on the Condominium Map. The Type 3 Unit is located on the ground floor and has a net living floor area of approximately 661 square feet and a Yard Area of approximately 267 square feet, for a total area of approximately 928 square feet. There is one (1) Type 3 Unit in the Project, designated as Unit No. 4.

2. Boundaries of the Units.

2.1. Measurements. The approximate net living floor areas set forth in **Exhibit B** are based on measurements taken from the undecorated or unfinished interior surface of all perimeter walls, except that no reduction is made to account for interior walls, ducts, vents, shafts, stairways and the like located within the perimeter walls. All net floor areas set forth in **Exhibit B** are not exact but are approximations based on the floor plans of each type of Unit derived from existing architectural and construction plans for such Units. All floor areas set forth in **Exhibit B** have also been rounded to the lowest full square foot where the approximation of such floor areas exceed a square foot by any fraction of a square foot. For these reasons, the

measurements of the floor areas set forth in **Exhibit B** may be different from the actual floor areas of the Units as designated and described herein. Interior dimensions of Unit rooms and enclosures as shown on the Condominium Map are also approximate in nature.

2.2. **Limits of the Units.** Notwithstanding the floor areas set forth in **Exhibit B** and the manner in which such floor areas have been measured, each Unit shall not be deemed to include: (i) the loadbearing or structural components of the perimeter walls and all exterior components of perimeter walls, whether loadbearing or structural or not, (ii) all loadbearing or structural components of all interior walls and party walls, (iii) the undecorated or unfinished surfaces of the floors and ceilings surrounding each Unit, (iv) the entry door and door frame for each Unit and the windows and window frames located within the exterior walls of the Project building, and (v) any pipes, shafts, wires, conduits or other utility or service lines running through such Unit which are utilized for or serve more than one Unit, all of which are deemed Common Elements as hereinafter provided. Each Unit shall be deemed to include: (i) all the walls, partitions and components thereof which are not loadbearing within its perimeter walls, (ii) all non-loadbearing, non-structural interior components of the Unit's perimeter and party walls, (iii) the interior decorated or finished surfaces of all walls, floors and ceilings, including floor coverings, all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished surfaces of each Unit, (iv) all fixtures and appliances (if any) originally installed within the boundaries of a Unit, and (v) all pipes, plumbing, heat pumps, water heaters, air conditioning apparatus, wiring, fixtures, outlets, circuit breakers and switches which serve only that Unit.

2.3. **Parking Stalls.** The Project has sixteen (16) on-grade, uncovered parking stalls located in front of and along the side of the building, all of which are compact stalls. Five (5) parking stalls are covered stalls, and eleven (11) parking stalls are uncovered stalls. The parking stalls are numbered 1 through 12 and 12A through 16 (with number 13 omitted). The Project does not have any disability accessible parking, loading zones or guest parking stalls.

EXHIBIT B

**DESCRIPTION OF UNITS, PARKING STALLS AND COMMON INTEREST;
DESIGNATION OF OWNER-OCCUPANT UNITS**

Unit No.	Floor	Unit Type	Approximate square feet			Parking Stall No.	Common Interest
			Living	Lanai / Yard Area	Total		
1	First	1	494	182	676	1C	6.1207%
2*	First	2	494	104	598	4C	6.1207%
3*	First	1	494	102	596	5C	6.1207%
4*	First	3	661	267	928	7C	8.1895%
TOTAL FIRST FLOOR			2,143	655	2,798		
5	Second	1	494	69	563	10C	6.1207%
6*	Second	2	494	69	563	11C	6.1207%
7*	Second	1	494	69	563	14C	6.1207%
8*	Second	2	494	69	563	12C	6.1207%
9	Second	1	494	69	563	15C	6.1207%
10*	Second	2	494	69	563	16C	6.1207%
TOTAL SECOND FLOOR			2,964	414	3,378		
11*	Third	1	494	69	563	3C	6.1207%
12*	Third	2	494	69	563	2C	6.1207%
12A*	Third	1	494	69	563	6C	6.1207%
14	Third	2	494	69	563	9C	6.1207%
15*	Third	1	494	69	563	8C	6.1207%
16	Third	2	494	69	563	12A	6.1207%
TOTAL THIRD FLOOR			2,964	414	3,378		
GRAND TOTAL			8,071	1,483	9,554	16	100.0000%

*Owner-Occupant Unit

EXHIBIT C

PERMITTED ALTERATIONS TO THE UNITS

With respect to alterations permitted to be made to the Units and the Limited Common Elements, Section 17 of the Declaration provides, in part:

17.1 General. Except as otherwise provided in this Declaration or the Act or as otherwise required by law, neither the Association nor any Unit owner shall perform any of the following acts except (i) pursuant to complete plans and specifications therefor prepared by a licensed architect or professional engineer, if so required by the Board, and (ii) first approved in writing by the Board:

- a. repairing, replacing or rebuilding any Unit, any portion of the building or any of the Common Elements or Limited Common Elements in a manner different in any material respect from the Condominium Map;
- b. engaging in any alterations which will affect the structural integrity of any Unit, the building, the Common Elements or Limited Common Elements;
- c. constructing on the Common Elements or Limited Common Elements any new building or structure; or
- d. enclosing any Yard Area, lanai, balcony, patio or parking stall.

17.2 As-Built Amendment for Material Alterations. Upon the completion of any such work described in Section 17.1 that constitutes a material alteration to the Project (as determined by the Board), the Association or Unit owner, as the case may be, shall file an amendment to this Declaration describing such material alteration and amending the Condominium Map to show such alteration, together with a certificate signed by a licensed architect or licensed structural engineer, certifying that the plans showing such alterations accurately reflect such material alterations, as built. Such amendment shall be signed by the Association or the Unit owner, as the case may be, and approved by the Board or Developer, and no consent or joinder of any other Unit owner or person shall be required. Except as otherwise provided in this Declaration, the Bylaws, and the House Rules, each Unit owner shall be free to make non-material alterations and improvements within such Unit owner's Unit or within or on the Limited Common Elements appurtenant thereto, without the consent or joinder of the Board, the Association, any Unit owner, Developer or any other person.

17.3 Certain Work Prohibited. No Unit owner shall do any work that may jeopardize the soundness or safety of the Project, reduce the value thereof, or impair any easement, as reasonably determined by the Board. Subject to the provisions of this Declaration, no Unit owner shall make or allow any material addition or alteration, or excavate any basement or cellar to any Unit, without in every such case obtaining the prior written consent of sixty-seven percent (67%) of the Unit owners, together with the prior written consent of all Unit owners whose Units or Limited Common Elements appurtenant thereto are directly affected, and the approval of the Board, which shall not be unreasonably withheld. Nonmaterial additions to

or alterations of the Common Elements or Units, including, without limitation, additions to or alterations of a Unit made within the Unit or within a Limited Common Element appurtenant to and for the exclusive use of a Unit, shall require approval only by the Board, which shall not unreasonably withhold such approval, and such percentage, number or group of Unit owners as may be required by this Declaration or the Bylaws. As used in this Section, “nonmaterial additions and alterations” shall mean an addition to or alteration of the Common Elements or a Unit that does not jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement, detract from the appearance of the Project, interfere with or deprive any nonconsenting Unit owner of the use or enjoyment of any part of the Project, or directly affect any nonconsenting Unit owner. No storage or alterations or changes of any nature under any circumstances, including any lanai enclosures, shall be made that would violate the fire sprinkler requirements of the Building Code.

17.4 Connection Between Units.

a. The owner of any two or more adjacent Units that are separated by a Common Element which is a wall may, at such owner’s sole cost and expense, alter any portion of the intervening wall; provided, however that the structural integrity of the Common Elements or any other Unit in the Project will not thereby be adversely affected, and the finish of the Common Element then remaining is replaced in a condition substantially comparable to that of the Common Element prior to such alterations. As used above, “adjacent Units” includes Units which are located above and beneath one another, and in such event all references to “intervening wall” shall mean the intervening floor, ceiling or slab separating such floors.

b. If any intervening wall between adjacent Units shall have been altered or removed pursuant to the foregoing provisions, then prior to the termination of the common ownership of such adjacent Units, the owner of such Units shall restore such intervening wall to substantially the same condition in which the same existed prior to such alteration or removal unless the purchaser of such Units shall agree in writing to forego such restoration.

c. Notwithstanding any alteration or additions permitted under this Section 0, such shall not affect the Common Interest allocated to any Unit.

17.5 Alteration of Unit Interiors. Notwithstanding anything herein to the contrary, each Unit owner shall have following the rights and obligations with respect to improvement of their respective Units:

a. At a Unit owner’s sole cost and expense, such owner shall have the right to remove the sliding partition door, if any, located within the area marked “Bedroom” on the Condominium Map, and replace the same with a permanent interior wall so as to create two separate rooms within the Unit; provided, however, such improvements do not affect the structural integrity of the Unit or the building.

b. The Unit owner shall have the right, at such owner’s sole cost and expense, to remove the square closet space marked “CL” next to the bathroom on the

Condominium Map, and reconstruct such area so that there is a separate doorway leading to the area marked "Bedroom" and/or to the newly created room described immediately above.

c. The Unit owner shall have the right to take any other action as may be reasonably required to effectuate such removal and reconstruction of the interior of the Unit, without the necessity of obtaining the consent or joinder of the Association, the Board or any other Unit owners or their mortgagees; provided, however, that the Common Interest allocated to the Unit shall remain the same.

d. All costs of every kind pertaining to such improvements, including without limitation, costs of maintenance, repair, replacements, additions and improvements, shall be paid by the Unit owner undertaking such alterations, and said owner shall be responsible for all loss and damage affecting any Common Element or any other Unit; which may be caused by the installation of such improvements.

17.6 Enclosure of Limited Common Element Yard Areas. Subject to the requirements set forth in this Section, the owners of Units on the ground floor with Yard Areas appurtenant thereto as Limited Common Elements shall have the following rights with respect to such Yard Areas:

a. Pursuant to plans and specifications approved in writing by the Board and in conformance with material and design specifications set forth by the Board, the owner of a Yard Area may, at such owner's sole cost and expense, install a fence along and within the boundary of the Yard Area; provided, however, that if any such fence is installed, the Unit owner shall also install a gate within the fence located between the Yard Area and the Common Elements so as to allow reasonable access to and from the gas meters located at the rear of the Project building.

b. The Unit owner may install a lock on the gate; provided, however, that the owner shall supply the Association with a key, password, combination or other applicable device needed to permit access to the Yard Area for the purpose of reading, maintaining and/or repairing such gas meters.

c. Any fence, improvement or landscaping installed within a Yard Area shall be maintained, repaired and restored at the sole cost and expense of the Unit owner. If the Unit owner fails to do so, the Association shall have the right to perform such work and charge the Unit owner for all costs and expenses incurred by the Association in doing so.

* * *

All alterations or additions to the Project, the Common Elements, a Unit or a Limited Common Element shall be done in accordance with all applicable laws, ordinances, rules, regulations and codes. Any Unit owner who makes an alteration or addition to such owner's Unit or the Limited Common Element appurtenant thereto shall indemnify, defend and hold harmless the Association against any and all claims, liability, loss, cost, expense, injury or damages arising from such alteration or addition, including without limitation any claims arising from failure to observe any applicable laws.

EXHIBIT D

COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

1. Common Elements. The Project's Common Elements include the Land underlying the Project, all building foundations, columns, girders, beams, supports, perimeter walls, load-bearing walls, roof structures (including without limitation, roof joists, sheathing and roofing materials) which are located outside the Units or which are utilized for or serve more than one Unit, and generally all equipment, apparatus, installations and personal property existing for common use in the building or located on the Land; all driveways and other common ways, parking areas, all landscaping, irrigation systems, fences, retaining walls, mailbox areas, trash areas, exterior stairways, walkways, walkway and stair railings, concrete pads, and accessory equipment areas located on the Land or in the building; all ducts, pumps, pipes, wires, conduits, gas meters, power panels or other utility or service lines, vents, shafts, sewer lines, sewage treatment equipment and facilities (if any), electrical transformers, emergency generators, electrical equipment and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one Unit for services such as power, light, water, gas (if any), cable television (if any), sewer, refuse, telephone, and radio and television signal distribution.

2. Limited Common Elements. The Project's Limited Common Elements include the following:

a. Each Unit shall have the exclusive right to use the numbered parking stall which corresponds to the Unit's number as shown on the Condominium Map; subject, however, to the right of Unit owners to re-designate such stalls pursuant to Section 514B-40 of the Act, as amended.

b. The lanai immediately adjacent to each Unit as shown on the Condominium Map.

c. With respect to the Units on the ground floor, Yard No. 1 is a Limited Common Element appurtenant to and for the exclusive use of Unit No. 1; Yard No. 2 is a Limited Common Element appurtenant to and for the exclusive use of Unit No. 2; Yard No. 3 is a Limited Common Element appurtenant to and for the exclusive use of Unit No. 3; and Yard No. 4 is a Limited Common Element appurtenant to and for the exclusive use of Unit No. 4.

d. Any shutters, awnings, window boxes, fences, gates, exterior doors, windows or other fixtures designed to serve a single Unit, but located outside the Unit's boundaries, are Limited Common Elements appurtenant exclusively to that Unit.

e. Any other Common Element of the Property which is rationally related to only one Unit shall be deemed a Limited Common Element appurtenant to and for the exclusive use of such Unit.

EXHIBIT E

ENCUMBRANCES AGAINST TITLE

The encumbrances against title appearing in the Preliminary Report dated September 1, 2009 (the "Title Report"), prepared by Title Guaranty of Hawaii, Inc. are as follows:

1. Real Property taxes as may be due and owing. Check with the Office of the Tax Assessor of the City and County of Honolulu.

2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

3. Any unrecorded tenant leases and matters arising from or affecting same.

4. Any lien (or claim of lien) for services, labor or material arising from an improvement or work related to the land described herein.

5. The terms and provisions contained in the following:

INSTRUMENT : AMENDMENT OF SECURITY INSTRUMENTS,
CROSS-COLLATERAL AND CROSS-DEFAULT
AGREEMENT

DATED : August 1, 2008

RECORDED : Document No. 2008-124050

PARTIES : JAMES K. MIYASAKI & SONS, LTD., a Hawaii
corporation, "Mortgagor"; HAWAIIAN ISLAND
DEVELOPMENT CO., INC., a Hawaii corporation,
and JAMES K. MIYASAKI & SONS, INC., a
Hawaii corporation, "Borrower", PETER SAVIO,
"Guarantor", and FIRST HAWAIIAN BANK, a
Hawaii corporation, "Mortgagee"

6. FIRST MORTGAGE, SECURITY AGREEMENT AND FINANCING
STATEMENT

MORTGAGOR : JAMES K. MIYASAKI & SONS, LTD., a Hawaii
corporation

MORTGAGEE : FIRST HAWAIIAN BANK, a Hawaii corporation

DATED : August 1, 2008

RECORDED : Document No. 2008-124052

AMOUNT : \$1,905,236.00

7. The terms and provisions contained in the following:

INSTRUMENT : ABSOLUTE ASSIGNMENT OF RENTALS AND LESSOR'S INTEREST IN LEASES

DATED : August 1, 2008

RECORDED : Document No. 2008-124053

PARTIES : JAMES K. MIYASAKI & SONS, LTD., a Hawaii corporation, "Assignor", and FIRST HAWAIIAN BANK, a Hawaii corporation, "Assignee"

RE : to secure the repayment of that certain loan in the principal amount of \$1,905,236.00

8. FINANCING STATEMENT

DEBTOR : JAMES K. MIYASAKI & SONS, LTD., a Hawaii corporation

SECURED PARTY : FIRST HAWAIIAN BANK, a Hawaii corporation

RECORDED : Document No. 2008-124054

RECORDED ON : August 4, 2008

NOTE: Since the issuance of the Preliminary Title Report, Developer represents that the following instruments have been recorded as encumbrances against title, as noted in Section 3 on page 10 of this Public Report.

A. The terms and provisions contained in the following:

INSTRUMENT : DECLARATION OF CONDOMINIUM PROPERTY REGIME FOR THE "1533 NEHOA STREET" CONDOMINIUM PROJECT

DATED : September 9, 2009

RECORDED : Document No. 2009-137942

MAP : 4838, and any amendments thereto

Said above Declaration was amended by instrument dated October 21, 2009, recorded as Document No. 2009-162385.

B. The terms and provisions contained in the following:

INSTRUMENT : BYLAWS OF THE ASSOCIATION OF UNIT OWNERS OF 1533 NEHOA STREET

DATED : September 9, 2009

RECORDED : Document No. 2009-137943

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

CERTIFICATE

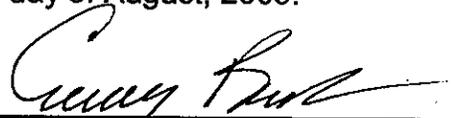
I, the undersigned, duly sworn on oath, depose and affirm as follows:

1. I am the President for Hawaiiana Management Company, Ltd., a Hawaii corporation, designated by the Developer of the 1533 Nehoa Street condominium project (the "Project") to act as the Managing Agent for the management and administration of the Project.

2. I hereby certify that the breakdown of the annual maintenance charges and the monthly estimated cost for each unit in the Project, as set forth in Exhibit "1" attached hereto and hereby incorporated herein by reference, were determined in accordance with Section 514B-148 of the Hawaii Revised Statutes and Chapter 107 of the Hawaii Administrative Rules, and are reasonable estimates for the one-year period commencing August 2009, based on generally accepted accounting principles.

3. As permitted pursuant to Section 514B-148(b), new associations need not collect estimated reserves until the fiscal year which begins after the association's first annual meeting. The Developer has not conducted a reserve study for the Project. The budget amount for Reserves is an estimate only.

DATED: Honolulu, Hawaii, this 31st day of August, 2009.



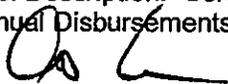
Name: EMORY BUSH
Title: PRESIDENT

Subscribed and sworn to before me
this 31st day of August, 2009.

State of Hawaii
City & County of Honolulu

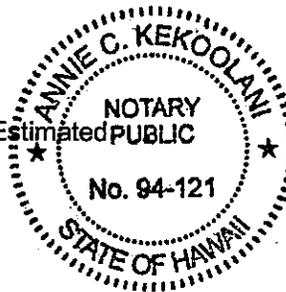
Date: August 31, 2009 # of Pages: 3

Doc. Description: Certificate of Managing Agent & Estimated
Annual Disbursements for: 1533 Nehoa Street


Notary Signature
Name: Annie C. Kekoolani

No. & Expiration:

94-121 ; 02-16-2010



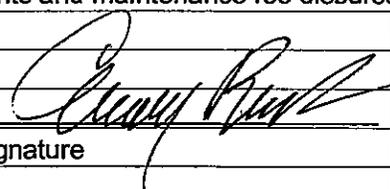
First Circuit, State of Hawaii

NOTARY CERTIFICATION

Estimated Fee Disbursement

Utilities	Monthly	Annually
Electricity	\$150.00	\$1,800.00
Water	\$400.00	\$4,800.00
Sewer	\$600.00	\$7,200.00
Maintenance		
Site Manager	\$500.00	\$6,000.00
Grounds Mtnce.	\$100.00	\$1,200.00
Electrical/Lighting	\$100.00	\$1,200.00
Pest Control	\$25.00	\$300.00
Plumbing	\$100.00	\$1,200.00
Refuse	\$425.00	\$5,100.00
Fire Systems	\$50.00	\$600.00
Misc. Repairs and Supplies	\$300.00	\$3,600.00
Professional Services		
Admin Supplies and Services	\$300.00	\$3,600.00
Management Fees (*)	\$0.00	\$0.00
Audit/Tax Preparation	\$60.00	\$720.00
Legal Fees	\$100.00	\$1,200.00
Insurance - Property Package	\$300.00	\$3,600.00
Umbrella	\$85.00	\$1,020.00
Fidelity Bond	\$11.00	\$132.00
Director and Officer Liability	\$70.00	\$840.00
Other		
GET & Fed. Taxes	\$40.00	\$480.00
Condo Registration	\$10.00	\$120.00
Subtotal	\$3,726.00	\$44,712.00
Reserves	\$909.00	\$10,908.00
Total	\$4,635.00	\$55,620.00

I, Emory Bush, as agent for/and/or employed by Hawaiiana Management Company, the condominium managing agent/ developer for the 1533 Nehoa Street Condominium 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.

	8-31-09
Signature	Date

(*) Note: The managing agent's base management fee is currently \$1,037.00 per month. Upon each Unit sale, the Developer will contribute each Unit's proportionate share of the total management fee covering a four-year period to the Association's initial maintenance fee reserve fund, for a total contribution of \$50,000.00.

Estimate of Initial Maintenance Fees

Apartment Number	Unit Type	Common Interest	Monthly Fee	Yearly Total
1	1	6.1207%	\$283.69	\$3,404.33
2	2	6.1207%	\$283.69	\$3,404.33
3	1	6.1207%	\$283.69	\$3,404.33
4	3	8.1895%	\$379.58	\$4,555.00
5	1	6.1207%	\$283.69	\$3,404.33
6	2	6.1207%	\$283.69	\$3,404.33
7	1	6.1207%	\$283.69	\$3,404.33
8	2	6.1207%	\$283.69	\$3,404.33
9	1	6.1207%	\$283.69	\$3,404.33
10	2	6.1207%	\$283.69	\$3,404.33
11	1	6.1207%	\$283.69	\$3,404.33
12	2	6.1207%	\$283.69	\$3,404.33
12A	1	6.1207%	\$283.69	\$3,404.33
14	2	6.1207%	\$283.69	\$3,404.33
15	1	6.1207%	\$283.69	\$3,404.33
16	2	6.1207%	\$283.69	\$3,404.33
TOTALS		100.0000%	\$4,635.00	\$55,620.00

EXHIBIT G

SUMMARY OF SALES CONTRACT

A specimen Deposit Receipt and Sales Contract and Addendum "A" and Addendum "B" (collectively, the "Contract") have been submitted to the Real Estate Commission. ALL BUYERS AND PROSPECTIVE BUYERS SHOULD CAREFULLY READ THE CONTRACT IN FULL, because this summary is NOT A COMPLETE DESCRIPTION of its provisions. The Contract, among other things, covers in more detail the following items:

1. Buyer agrees to deliver to Developer ("Seller"), no later than three (3) business days after the date Seller signs the Contract, written proof of Buyer's ability to pay the Total Purchase Price under the Contract. Written proof shall include a pre-qualification letter based upon a full credit report. Seller will also have the right to require Buyer to give to Seller and Seller's agent a letter of credit from a bank or other financial institution acceptable to Seller securing Buyer's promises and agreements under the Contract and any other information required by Seller.

2. Seller, in its sole discretion, and in addition to any other rights of cancellation or termination reserved to Seller, may elect to cancel the Contract if Buyer defaults under the Contract. Buyer may lose all of its deposits with Escrow and Seller. Seller may, at its option, pursue other legal remedies. If Seller defaults under the Contract, Buyer shall be entitled to specific performance of the Contract, or shall have the right to cancel and terminate the Contract.

3. Buyer is required to prepay maintenance fees, Additional Sums, closing costs and prorations as more particularly described in the Contract. At Closing, Seller will instruct Escrow to transfer to an account of the Association a contribution by Seller to the Association's maintenance reserves to be used as the Association deems appropriate for maintenance, repair or upgrading of the Project's common areas. In consideration of Seller's contribution of the foregoing sum, Buyer agrees to release Seller from any continuing or further obligations to the Project.

4. The Contract confirms that Buyer has had the opportunity to read and approve the project documents, including the Declaration, the Bylaws, the Condominium Map, the form of Unit Deed, the Escrow Agreement, and this Public Report, and all amendments and supplements to all such documents, if any. Buyer (or Buyer's lender, if any) may inspect copies of each of these documents at Seller's sales office. The Contract also provides that the rights of Seller's lender with a mortgage against the Project will be superior to the rights of Buyer under the Contract until the Closing Date and delivery of a signed Unit Deed to Buyer.

5. Buyer specifically acknowledges and accepts certain enumerated conditions regarding on-going development and marketing of the Project stated in the Contract as well as any inconvenience or annoyance which Buyer may experience as a result of such conditions, and expressly waives any rights, claims or action which Buyer might otherwise have against Seller or third parties as a result of such circumstances.

6. After the Effective Date of the Developer's Public Report, Buyer shall have the right to rescind the Contract only if there is a material change in the Project which directly, substantially and adversely affects the use or value of (a) Buyer's Unit or appurtenant Limited Common Element, or (b) amenities of the Project available for Buyer's use. Waiver of such right is governed more specifically by the terms of the Contract.

7. If Buyer cancels the Contract because of Seller's default, Seller will repay to Buyer all sums paid by Buyer to the Seller or to Escrow under the Contract, without interest (except that Buyer will get interest on sums held by Escrow in an interest-bearing account in favor of Buyer, if Buyer checked the appropriate box on the first page of the Contract). Buyer agrees that if Seller defaults at any time, Buyer will only have the rights mentioned in the Contract and that Buyer waives any other rights Buyer might otherwise have.

8. Seller shall have certain rights and remedies against Buyer in the event Buyer fails to perform any of the terms and conditions of the Contract, including failure to comply with the pre-closing and closing requirements, as more particularly described in the Contract, including the right to retain Buyer's deposit and the right to other actual and liquidated damages, the right to specifically enforce the Contract, and the right to charge late fees on amounts past due.

9. The Contract prohibits Buyer from assigning the Contract.

10. The execution, delivery and recordation of Buyer's Unit Deed shall constitute the assignment by Seller to Buyer of any and all warranties given to Seller by the contractors for the Project, if any, including, without limitation, any warranty of materials and workmanship against faulty or deficient materials and installation. The benefit of such warranties, if any, shall accrue to Buyer on closing without further instruments or documents. BUYER ACKNOWLEDGES THAT SELLER HAS MADE NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, HABITABILITY OR WORKMANLIKE CONSTRUCTION WITH RESPECT TO THE UNIT, THE PROPERTY, ANY COMMON ELEMENT, LIMITED COMMON ELEMENT, OR ANYTHING INSTALLED THEREIN.

11. Buyer agrees to intentionally waive, relinquish and subordinate the priority or super priority of any interest under the Contract in favor of the liens or charges upon the Project of the lender's mortgage loan.

ALL BUYERS SHOULD READ THE SALES CONTRACT IN FULL AS THIS SUMMARY IS NOT ALL-INCLUSIVE AND DOES NOT CONTAIN A COMPLETE DESCRIPTION OF ALL PROVISIONS OF THE SALES CONTRACT. THIS SUMMARY IS INTENDED ONLY TO GIVE A BRIEF DESCRIPTION OF SOME OF THE ITEMS CONTAINED IN THE SALES CONTRACT, AND DOES NOT ALTER OR AMEND THE SALES CONTRACT IN ANY MANNER. IF ANY PROVISIONS OF THIS SUMMARY CONTRADICT THE PROVISIONS CONTAINED IN THE SALES CONTRACT IN ANY WAY, THE PROVISION OF THE SALES CONTRACT SHALL OVERRIDE THE PROVISIONS OF THIS SUMMARY.

EXHIBIT H

SUMMARY OF THE ESCROW AGREEMENT

A copy of the Condominium Escrow Agreement between the Seller and Title Guaranty Escrow Services, Inc. ("Escrow") has been submitted to the Real Estate Commission. The Escrow Agreement, among other things, covers in more detail the following items:

1. Seller shall deliver an executed copy of each sales contract for the sale of a Unit and any amendments thereto to Escrow. Each sales contract shall be accompanied by the initial deposit required thereunder.

2. Seller shall pay Escrow monies received from Buyer under the sales contract covering the Buyer's Unit in the Project. Escrow shall receive and hold in escrow and disburse funds as set forth in detail in the Escrow Agreement. Escrow shall deposit all funds so received in an account at a federally-insured interest-bearing account at a bank, savings and loan association, or trust company authorized to do business in the State. Except for specific circumstances stated in the Escrow Agreement, any interest earned on funds deposited in escrow under the Escrow Agreement shall accrue to the credit of Seller.

3. No disbursements of funds held in escrow shall be made unless and until, among other conditions (a) an effective date for a Developer's Public Report has been issued; (b) Buyer has been given a copy of said Public Report and all amendments, and shall have acknowledged receipt of the same or shall have been deemed to have acknowledged receipt of the same; and (c) Seller or Seller's attorney shall have delivered a written opinion to Escrow that Buyer's sales contract has become effective.

4. Buyer shall be entitled to a return of funds and Escrow shall pay such funds to such Buyer, together with any interest that may have accrued to the credit of Buyer, if any one of the following has occurred: (a) Seller and Buyer shall have together requested Escrow in writing to return to Buyer the funds of Buyer held by Escrow; or (b) Seller shall have notified Escrow of Seller's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Seller; or (c) Buyer has exercised such Buyer's right to cancel or rescind the contract pursuant to the Condominium Property Act.

In the event of a default by Buyer in any matter being handled by Escrow, upon certification by Seller of Seller's termination of the sales contract, Escrow will thereafter treat all funds of Buyer paid on account of such Buyer's sales contract as funds of Seller and not as funds of Buyer.

5. Except for the sales contract and any note and mortgage that is to be closed by the mortgagee thereof, Escrow shall promptly and diligently arrange for and supervise the execution of all documents related to the Project and shall promptly, and diligently close the transactions and perform such services as are necessary or proper therefor, in the manner established in the Escrow Agreement.

NOTE: ALL BUYERS AND PROSPECTIVE BUYERS SHOULD READ THE ESCROW AGREEMENT AND ALL AMENDMENTS, IF ANY, IN FULL AS THIS SUMMARY IS NOT ALL-INCLUSIVE AND DOES NOT CONTAIN A COMPLETE DESCRIPTION OF ALL PROVISIONS OF THE ESCROW AGREEMENT. THIS SUMMARY IS INTENDED ONLY TO GIVE A BRIEF DESCRIPTION OF SOME OF THE ITEMS CONTAINED IN THE ESCROW AGREEMENT, AND DOES NOT ALTER OR AMEND THE ESCROW AGREEMENT IN ANY MANNER.

EXHIBIT I

1533 Nehoa Street **DEVELOPER'S STATEMENTS REGARDING CONVERTED UNITS** as of October 22, 2009

HIDC Nehoa/Kinau, Inc., a Hawaii corporation (the "Developer"), as the Developer of the 1533 Nehoa Street condominium project (the "Project"), makes the following disclosure statements regarding the converted units in the Project, including the legal status of the Project, descriptions of the Common Elements, Limited Common Elements and the Units, as of the date of recordation of the Declaration of Condominium Property Regime ("Declaration") and the Condominium Map ("Condominium Map") in the Bureau of Conveyances of the State of Hawaii ("Bureau"). This disclosure statement also describes the physical condition of the Project as of the date hereof.

1. **Project Address:** 1533 Nehoa Street
 Honolulu, Hawaii 96822
 Tax Map Key (1) 2-4-023-025

2. **Developer:** HIDC Nehoa/Kinau, Inc.
 931 University Avenue, Suite 105
 Honolulu, Hawaii 96826
 (808) 946-3224

3. **Managing Agent:** Hawaiiana Management Co., Ltd.
 711 Kapiolani Boulevard, Suite 700
 Honolulu, Hawaii 96813
 (808) 593-9100

4. **Project Broker:** Hawaiian Island Homes Ltd.
 931 University Avenue, Suite 105
 Honolulu, Hawaii 96826
 (808) 946-3222

5. **Maintenance Fees:** The breakdown of the estimated annual and monthly maintenance fees for each Unit is set forth in Exhibit H to this Public Report. These amounts represent the common expenses of the Project allocated to each Unit. The maintenance fee estimate is a projection of what individual Unit owners will be required to contribute toward the maintenance and upkeep of the Project on a monthly basis. The estimate is based on an analysis of the physical and financial status of the Project as described in that certain 2010 Reserve Study for 1533 Nehoa dated August 31, 2009, prepared by Armstrong Consulting, Inc. (the "Reserve Study"). A copy of the Reserve Study is attached hereto as **Exhibit 1**. The Developer advises that maintenance fees are difficult to estimate prior to actual operation of the Project. Even if maintenance fees have been accurately estimated, such fees will tend to increase in an inflationary economy and as the improvements age. The initial estimated annual and monthly maintenance fees and monthly fees for each Unit are based on information available to the Developer and the Managing Agent and are subject to revision based on actual costs for the items listed. Maintenance fees can also vary depending on services desired by Unit owners. Each buyer should check the attached maintenance fee schedule in Exhibit H to see what services are included.

6. **Description of Building, Units and Parking.**

6.1. **Building.** The Project consists of a three-story apartment building containing sixteen (16) residential units numbered 1 through 12, and 12A through 16 (with number 13 omitted). The first floor has four (4) Units and the second and third floors have six (6) Units each. The second and third floors each have identical floor plans. The building was constructed in 1965 and is constructed principally of concrete, concrete block masonry and related building materials. Exterior stairways on either end of the building and exterior walkways on the second and third floors connect each floor to the ground floor and the parking area. There are no elevators in the building. The area surrounding the building consists of the parking area, driveways leading to Nehoa Street and Anapuni Street, and Common Element landscaping and gravel areas. Individual Unit mailboxes are located on the ground floor near the Anapuni Street entrance.

6.2. **Unit Types.** There are three (3) Unit types in the Project as follows:

a. **Type 1 Unit.** The Type 1 Unit contains one (1) bedroom, one (1) bathroom, a living room, a kitchen, a den, and other improvements shown on the Condominium Map. The Type 1 Units located on the second and third floors also each have a lanai, and the Type 1 Units on the ground floor each have a Yard Area (described in Section 6.3 below). The Type 1 Unit has a net living floor area of approximately 494 square feet. The Type 1 Units on the second and third floors each have lanai areas of approximately 69 square feet, for a total area of approximately 563 square feet. The Type 1 Units on the ground floor have total floor areas as follows: Unit No. 1 has a Yard Area of approximately 182 square feet, for a total area of approximately 676 square feet, while Unit No. 3 has a Yard Area of approximately 102 square feet, for a total area of approximately 596 square feet. There are eight (8) Type 1 Units in the Project, designated as Unit Nos. 1, 3, 5, 7, 9, 11, 12A and 15 (with number 13 being omitted).

b. **Type 2 Unit.** The Type 2 Unit contains one (1) bedroom, one (1) bathroom, a living room, a kitchen, a den, and other improvements shown on the Condominium Map. The Type 2 Unit floor plan is the reverse of the Type 1 Unit floor plan. The Type 2 Units located on the second and third floors also each have a lanai, and the Type 2 Unit (Unit No. 2) on the ground floor has a Yard Area. The Type 2 Unit has a net living floor area of approximately 494 square feet. The Type 2 Units on the second and third floors each have lanai areas of approximately 69 square feet, for a total area of approximately 563 square feet. Unit No. 2 on the ground floor has a Yard Area of approximately 104 square feet, for a total area of approximately 598 square feet. There are seven (7) Type 2 Units in the Project, designated as Unit Nos. 2, 6, 8, 10, 12, 14 and 16.

c. **Type 3 Unit.** The Type 3 Unit contains two (2) bedrooms, one (1) bathroom, a living room, a kitchen, a den, a Yard Area, and other improvements shown on the Condominium Map. The Type 3 Unit is located on the ground floor and has a net living floor area of approximately 661 square feet and a Yard Area of approximately 267 square feet, for a total area of approximately 928 square feet. There is one (1) Type 3 Unit in the Project, designated as Unit No. 4.

6.3. **Limited Common Element Yard Areas.** Each of the Units located on the ground floor has exclusive use of their respective yard areas, which are shown on the Condominium Map as Limited Common Elements appurtenant to such Units ("Yard Areas"). As provided in the Declaration, the owner of a Unit to which a Yard Area is appurtenant may, at such owner's sole cost and expense and subject to the approval of the Board and all applicable laws, install a fence along and within the boundaries of the Yard Area, provided that the owner also install a gate within the fence to allow

reasonable access to and from the gas meters located at the rear of the Project building. The Unit owner may install a lock on the gate; provided, however, that the owner shall supply the Association with a key, password, combination or other applicable device needed to permit access to the Yard Area for the purpose of reading, maintaining and/or repairing such gas meters.

6.4. **Parking.** The Project has sixteen (16) on-grade, uncovered parking stalls located in front of and along the side of the building, all of which are compact stalls. Five (5) parking stalls are covered stalls, and eleven (11) parking stalls are uncovered stalls. The parking stalls are numbered 1 through 12 and 12A through 16 (with number 13 omitted). The Project does not have any handicap accessible parking, loading zones or guest parking stalls. Each Unit shall have one (1) parking stall appurtenant thereto as a Limited Common Element.

7. **Compliance with Building Code.** The Project is zoned A-2 Medium Density Apartment under the Land Use Ordinance (“LUO”) of the City and County of Honolulu (“City”). According to a letter from the City’s Department of Planning and Permitting (the “Building Department”) dated June 15, 2009 (the “Building Department Letter”), the three-story, 16-unit apartment building met all applicable code requirements at the time of construction in 1965. According to the Building Department Letter, no variances or other permits were granted to allow deviations from any applicable codes. Each Unit owner, by the acceptance of such owner’s Unit deed, shall be deemed to have accepted the building conditions described above and agreed that, except as otherwise set forth herein, neither Developer nor any of its affiliates or representatives, shall be responsible for any nonconforming conditions. A copy of the Building Department Letter is attached hereto as **Exhibit 2**.

8. **No Warranties.** Except as set forth in **Section 7** above, Developer cannot determine whether the Project contains any legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes. Developer does not give any warranties or assurances that variances are obtainable from the City for any proposed improvements. The Project, the Units and anything installed or contained therein are being sold in “AS IS” condition “WITH ALL FAULTS” by Developer, without any warranties whatsoever, express or implied. Article IV, Section D.1 of Addendum “B” to the Deposit, Receipt and Sales Contract used in connection with the Project provides, in part, as follows:

D.1. Seller Makes No Warranties or Promises. Buyer acknowledges that Seller is not the original developer of the Project and was not involved in (and is not responsible for) the planning or construction of the Project. Buyer further acknowledges that the Project was substantially completed in 1965 and has been used over the years for residential purposes. Buyer understands and agrees that the Unit is being sold “as is, where is” with all faults and that Seller makes no warranties or promises of any kind, express or implied, about the Unit, the property or the Project (including the Common Elements of the Project), or about any furnishings, fixtures, appliances or other consumer products or anything else installed, attached, affixed or otherwise contained in the Unit, the property or the Project (including the Common Elements of the Project), including any warranties or promises of “merchantability”, “workmanlike construction” or “fitness for a particular use or purpose”.

Without limiting the generality of any of the foregoing, Seller makes no warranties or promises: (a) that the Project or any improvements in the Unit, the property or the Project (including the Common Elements) will be free from cracks

in, or other damage to, the concrete or other building materials; (b) regarding the value of the Project or the personal property; (c) regarding the physical or environmental condition of the Project, including, without limitation, any deferred maintenance at the Project; or (d) regarding the suitability, conformance, compliance or lack of compliance of the Project with any state, federal, county or local law, code, ordinance, order, permit, administrative requirement, or regulation, including, without limitation, those related to the consolidation and subdivision of land, the operation and use of the Project and accessibility of the Project by persons with disabilities. In other words, Seller makes no warranties or promises at all.

Buyer for itself and its successors, heirs and assigns, releases Seller and its affiliates, and their and each of their respective past, present and future directors, officers, employees, shareholders, trustees, agents, consultants and each of their respective successors and assigns from and waives any claim, action or liability which arises from or relates to any latent or patent defect in the Project or the Unit, known or unknown, which exists now or in the future, or which arises from or relates to any lack of compliance of the Project with any state, federal, county or local law, code, ordinance, order, permit, administrative requirement, or regulation, that Buyer may have against Seller under any federal, state or local law, ordinance, rule or regulation now existing or hereafter enacted or promulgated, including without limitation, those related to asbestos, asbestos-containing materials, lead-based or lead-containing paint, hazardous materials and environmental conditions or matters in, on, under, about or migrating from or onto or into the property or the Project, or by virtue of any common law right relating to asbestos, asbestos-containing materials, lead-based or lead-containing paint, hazardous material and environmental conditions or matters (including the presence of mold or mildew) in, on, under about or migrating from or onto or into the property or the Project. Seller and Buyer agree that this release from liability has been specifically negotiated between Seller and Buyer.

Buyer acknowledges and agrees that Seller's disclaimer of warranties contained in this Section D.1 is an essential element in the determination of the low purchase price for the Unit being sold to Buyer. This means that the Unit would not have been sold to Buyer for the amount of the purchase price stated in this agreement without Seller's disclaimer of warranties.

9. **Permitted Use; Restrictions on Use.**

9.1. **Residential Use.** The Units and their appurtenant Limited Common Elements shall at all times be occupied and used only for residential purposes by the respective owners thereof, their tenants, licensees, families, domestic servants and social guests, provided that the Unit owners shall have the absolute right to lease or rent their respective Units for such durations of time as they shall deem appropriate, subject to all provisions of the Act, this Declaration, the Unit owner's deed, the Bylaws, the House Rules and applicable law. All rental agreements shall be subject in all respects to the provisions of the condominium documents and shall provide that the failure of the lessee or tenant to comply with the terms of these documents shall be a default under the lease or rental agreement. All leases shall be in writing and a copy of each lease shall be filed with the Association or its Managing Agent. The Board or the Managing Agent shall be notified by the owner or the owner's agent of the name of any tenant. Owners or agents who rent, loan or otherwise permit occupancy of their Units shall furnish a copy of the

House Rules to their occupants. The owner shall assume responsibility for the actions or omissions of his or her agent and the occupant of the Unit.

9.2. No Time-Interval Ownership. The Units shall not be rented for transient or hotel purposes, which are defined as: (i) rental for any period less than thirty (30) days, or (ii) any rental in which the occupants of a Unit are provided customary hotel services such as room services for food and beverages, daily maid service, daily laundry and linen services, or bellboy service. In no event shall any Unit or any interest therein 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 mean any plan, program or arrangement which is a "time share plan" as defined by Section 514E-1 of the Hawaii Revised Statutes, as amended or any successor statute. No Unit may be used as a rooming house, for bed and breakfast purposes, or for the carrying on of any business, trade or profession except for rentals as permitted herein and except for incidental work from home which (i) does not involve any outside employees working in the Unit, and (ii) is not visible from outside the Unit.

9.3. Washer/Dryer Appliances. To comply with the limits of the building's existing electrical system, Unit owners shall be subject to the restrictions on use of washer/dryer units set forth in the Declaration and in the House Rules, as the same may be amended from time to time. Unless otherwise permitted by the Association following any upgrade of the electrical system, each Unit owner may install and maintain within their respective lanai area or Yard Area one (1) appliance-type washer/dryer combination unit connected to a dedicated circuit. The washer/dryer unit shall be rated 1800 amps or less. Following upgrade of the building's electrical system, the Association may, but shall not be obligated to, add 220V connections to each individual Unit to increase the system's capability and allow for greater capacity washer/dryer units. The Association may at any time impose additional rules and regulations governing the use of the washer/dryer units in the House Rules. Any washer/dryer unit or the use thereof that does not comply with these restrictions shall be grounds for removal of such washer/dryer unit at the owner's cost and expense.

9.4. Screen Doors. Unit owners shall not be permitted to install any screen doors within their Units' main entryways except as may be otherwise permitted by the Board in its sole discretion. Any screen doors installed without the Board's prior approval and/or in violation of any guidelines that the Board may establish shall be subject to removal by the Unit owner at such owner's sole cost and expense. Notwithstanding the above, however, Unit No. 5, which is serving as Developer's model sales unit, has been furnished with a retractable screen door installed within the door frame, and such retractable screen door is hereby specifically permitted and shall not be subject to Board approval.

9.5. Gas Meters. The gas meters for the Project, located on the ground floor at the rear of the building within Yard Area No. 1, between Yard Area No. 2 and Yard Area No. 3, and within Yard Area No. 4, shall at all times be easily accessible and visible for meter readings and in case of emergency. Unit owners shall not plant any bushes, trees or shrubs, or place any other items in front the gas meters so as to block access to them. Unit owners and occupants are strictly prohibited from operating, manipulating, altering, or otherwise handling the gas meters at any time. Absolutely no digging, excavating or other invasive activity that could cause a pipeline rupture or gas leak is permitted, because even a gouge, scrape or minor dent in a gas pipeline, no matter how small, could eventually result in a rupture and leak. The Association shall not be responsible to pay the cost of removing or replacing any finished surfaces, bushes, trees, plants, or other barriers that impede its ability to maintain and repair the gas meters, including any gates, fences or locks restricting access to such gas meters.

10. **Property Condition Reports.**

10.1. The current physical condition of the Project and the structural components, mechanical installations and electrical installations that are necessary toward the use and enjoyment of the Units and the Project are described in reports from an electrical engineer, a mechanical engineer, a structural engineer, and an architect, all of which are attached hereto as **Exhibits 3, 4, 5 and 6** respectively. Although not required by law, the engineers and the architect have given opinions about the condition of the Project to provide buyers with additional information. However, the Developer does not represent or warrant that the reports attached hereto are correct or complete. The reports should not be relied upon as the opinion of the Developer. No representations are made by the Developer with respect to the expected useful life of the structural components or the mechanical and electrical installations in the Project.

10.2. Although the Developer is not obligated to do so, the Developer will contribute a total sum of approximately \$233,760 to the Association to cover the following common area repair and maintenance expenses for some of the items described in the property condition reports: (a) \$75,000 for spalling repair; (b) \$17,950 to repave the parking lot; (c) \$24,600 to paint the building exterior (\$8,000 of which has already been paid by Developer and the remaining \$16,600 of which will be contributed to the Association); (d) \$64,000 to upgrade the existing circuit breaker panel and to install two 220V circuits per Unit; (e) \$1,700 to repair the building's fire control stations; and (f) \$510 to repair the building's exterior light fixtures. In addition, the Developer will contribute to the Association each Unit's proportionate share of the Managing Agent's management fees for a four-year period upon the closing of each Unit sale, for a total management fee contribution of \$50,000. With respect to the first three items listed as (a), (b) and (c) above, the Developer has entered into contracts for such services and will assign such contracts to the Association following the formation of the Association. Copies of the contracts are attached hereto as **Exhibits 7, 8 and 9**. The Developer's total contribution will be paid by Developer in increments per Unit out of the proceeds from the closing of each Unit sale. The foregoing contributions are being made on behalf of the owners of Units in the Project and shall be credited accordingly in any reserve study performed for the Project. Because the Units and the Project are being sold in "AS IS" condition with "ALL FAULTS", the foregoing sums may be insufficient to make all necessary repairs in the Project, and the Unit owners may be required by the Association to contribute additional sums for repairs in the future. The Developer will not contribute any additional sums to the Association in excess of the foregoing amounts. The Association may use all or a portion of the sum described above to complete all or a portion of such work, or any other work described in the property condition reports attached hereto.

11. **Hazardous Materials.** Developer has not made any 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 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. In light of the age of the Project, there may be mold and other hazardous substances in the Units or in, under or around the Project. Because of the possible presence of such substances, buyers should have their respective Units inspected to determine the extent of any such contamination and any necessary remedial action. Developer will not correct any defects in the Units or in the Project or anything installed or contained therein and buyers shall expressly release Developer from any liability if any hazardous materials are discovered.

12. **Lead-Based or Lead-Containing Paint.** Lead-based and lead-containing paints were used in many residential dwellings built prior to 1978 and may be present within the Project. Disclosure is hereby made that the Project may present exposure to lead from lead-based or lead-containing 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. Developer is required by law to provide Buyer with any information on lead-based or lead-containing paint hazards from risk assessments or inspections in Developer's possession and notify Buyer of any known lead-based or lead-containing paint hazards. Developer hereby discloses that Developer has no knowledge of lead-based or lead-containing paint and/or lead-based or lead-containing paint hazards at the Project. A risk assessment or inspection, at the buyer's option and expense, for possible lead-based or lead-containing paint hazards is recommended prior to purchase.

13. **Mold/Mildew.** Buyers are hereby advised that tropical climates with warm temperatures, high humidity and frequent precipitation are conducive to the propagation of mold, mildew, fungus and other types of bacterial growths. Though the building and other improvements that are a part of the Project may be cleaned to satisfactory appearance, Developer cannot guaranty that mold, mildew, fungus and other types of bacterial growths can be completely eliminated. The building is old and may have had incidences of leaking and water exposure which may have resulted in the introduction of mold, mildew, fungus and other types of bacterial growths. Buyers should be aware that, as with all properties, the building may have hidden, enclosed and unreachable areas where growths can occur and cannot be detected, and that there may in the future be mold and mildew growth in the Project if the Association and occupants of the Units do not properly maintain the Project. If a buyer, any member of the buyer's family, or any person who will inhabit the Property has respiratory, skin or other health ailments or conditions that can be affected by mold, mildew, fungus or other types of bacterial growths they should seek professional advice before completing this purchase. Neither Developer nor its agents associated with the Project have the requisite knowledge to provide advice as to the presence of mold, mildew, fungus and other types of bacterial growth in the Project or the likelihood of conditions conducive to propagation of mold, mildew, fungus and other type of bacterial growths in the Project or as to the effect the aforementioned conditions can have related to their health, welfare and continued enjoyment of the Property. Individuals who may be capable of providing such advice are professional home inspectors, medical professionals, scientific research professionals, certified industrial hygienist or other environmental specialists and/or others who have requisite knowledge in matters of detection and lab analysis services. Buyers are encouraged to perform or engage a professional consultant to perform a risk assessment or inspection in the buyer's Unit and the Project, at the buyer's option and expense, for the presence of mold, mildew, fungus or other types of bacterial growths in the Unit and the Project.



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August 31, 2009

Mr. Peter Savio
Hawaiian Island Homes Ltd.
931 University Avenue, Suite 105
Honolulu, HI 96826

Re: **1533 Nehoa AOA Reserve Study Summary**

Dear Peter,

This study considers the replacement, repairs and/or refurbishment of the project's common area improvements. The total current cost of the components included in this analysis as of September 1, 2009 is \$111,220 and the total future cost is \$139,233. The bulk of the future costs are for roofing and painting work.

Analysis 1: This study utilizes a \$0 initial reserve fund balance for September 1, 2009 as directed by property management. The analysis is also based on the following parameters: The analysis period is 20 years and the average rate of return on reserve funds invested is projected at 3.0%. The inflation rate estimated for reserve components is 3.5% per year.

Based on these assumptions, an annual contribution rate of \$9,840 for 2009 is recommended. This amount is to increase by 1% each year throughout the time frame of the study. Under this analysis the Association does meet Hawaii State reserve requirements under the cash flow method of calculations.

Our analysis assumes that a number of components will be renovated or upgraded in 2009 as part of a development plan. The upgrades include concrete spall repairs, asphalt pavement overlay, and exterior painting. Please review these and other assumptions utilized and the entire report for accuracy. We thank you for the opportunity to be of service to you and the Association.

Sincerely,

ARMSTRONG CONSULTING, INC.

BARRY A. MATSUMOTO
Reserve Specialist

EXHIBIT 1

2010
RESERVE STUDY
FOR

1533 Nehoa

August 31, 2009

Prepared by

Armstrong Consulting, Inc.

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**2010
RESERVE STUDY
FOR
1533 Nehoa
August 31, 2009**

A level one (1) study was performed according to the Community Associations Institute (CAI) Reserve Study Standards. (*See attached standards.*)

On-site visual observations of the common area elements [i.e., roofs, parking areas, paint, etc.] were performed on May 15, 2009, 2009 by Barry Matsumoto RS.

This report may also rely on information supplied by the property manager, Board of Directors, resident manager, contractors and published replacement guides modified for local conditions related to reconstruction.

The placement of a useful life on common elements is not an exact science. There are many variables that affect their life. For example, weather, usage, vandalism and proper maintenance. Therefore, we recommend a review of the physical analysis every three years or at any time of a major condition change [i.e., storm damage] and an update of the financial analysis every year.

Disclosure; as an impartial third party, Armstrong Consulting, Inc. also provides construction management for Association's reserve projects, by being the Association's representative.

This report was either prepared or reviewed by Dale Armstrong, R.S.

Armstrong Consulting, Inc.



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COMMUNITY ASSOCIATIONS INSTITUTE (CAI) RESERVE STUDY STANDARDS

What is a Reserve Study?

A Reserve Study is made up of two parts, 1) the information about the physical status and repair/replacement cost of the major common area components the association is obligated to maintain (Physical Analysis), and 2) the evaluation and analysis of the association's Reserve balance, income, and expenses (Financial Analysis). The Physical Analysis is comprised of the Component Inventory, Condition Assessment, and Life and Valuation Estimates. The Component Inventory should be relatively "stable" from year to year, while the Condition Assessment and Life and Valuation Estimates will necessarily change from year to year. The Financial Analysis is made up of a finding of the client's current Reserve Fund Status (measured in cash or as Percent Funded) and a recommendation for an appropriate Reserve contribution rate (Funding Plan).

Physical Analysis	Financial Analysis
Component Inventory	Fund Status
Condition Assessment	Funding Plan
Life and Valuation Estimates	

Reserve Study Contents

The following is a list of the minimum contents to be included in the Reserve Study.

- A summary of the association's number of units, physical description, and Reserve Fund financial condition.
- A projection of Reserve Starting Balance, recommended Reserve contributions, projected Reserve expenses, and projected ending Reserve Fund Balance for a minimum of 20 years.
- A tabular listing of the Component Inventory, component quantity or identifying descriptions, Useful Life, Remaining Useful Life, and Current Replacement Cost.
- A description of methods and objectives utilized in computing the Fund Status and development of the Funding Plan.
- Source(s) utilized to obtain component Repair or Replacement cost estimates.
- A description of the Level of Service by which the Reserve Study was prepared.
- Fiscal year for which the Reserve Study is prepared.

Levels of Service

The following three categories describe the various types of Reserve Studies, from exhaustive to minimal.

- I. Full: A Reserve Study in which the following five Reserve Study tasks are performed:
 - Component Inventory
 - Condition Assessment (based upon on-site visual observations)
 - Life and Valuation Estimates
 - Fund Status
 - Funding Plan

II. Update, With-Site-Visit/On-Site Review: A Reserve Study update in which the following five Reserve Study tasks are performed:

- Component Inventory (verification only, not quantification)
- Condition Assessment (based on on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

III. Update, No-Site-Visit/Off-Site Review: A Reserve Study update with no on-site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Fund Status
- Funding Plan

Disclosures

The following are the minimum disclosures to be included in the Reserve Study.

General: Description of other involvement(s) with the association that could result in actual or perceived conflicts of interest.

Physical Analysis: Description of how thorough the on-site observations were performed: representative sampling vs. all common areas, destructive testing or not, field measurements vs. drawing take-offs, etc.

Financial Analysis: Description of assumptions utilized for interest and inflation, tax, and other outside factors.

Personnel Credentials: State or organizational licenses or credentials carried by the individual responsible for Reserve Study preparation or oversight.

Update Reports: Disclosure of how the current work is reliant on the validity of prior Reserve Studies.

Completeness: Material issues which, if not disclosed, would cause a distortion of the association's situation.

Reliance on Client Data: Information provided by the official representative of the association regarding financial, physical, quantity, or historical issues will be deemed reliable by the consultant. The reserve study will be a reflection of information provided to the consultant and assembled for the association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.

Reserve Balance: The actual or projected total presented in the reserve study is based upon information provided and was not audited.

Component Quantities: For Update With-Site-Visit and Update No-Site-Visit Levels of Service, the client is considered to have deemed previously developed component quantities as accurate and reliable.

Reserve Projects: Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit or quality inspection.

Terms and Definitions

CASH FLOW METHOD: A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

COMPONENT: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See "Cash Flow Method."

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See "Replacement Cost."

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulas can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

FFB = Current Cost X Effective Age / Useful Life

or

FFB = (Current Cost X Effective Age / Useful Life) + [(Current Cost X Effective Age / Useful Life) / (1 + Interest Rate) ^ Remaining Life] - [(Current Cost X Effective Age / Useful Life) / (1 + Inflation Rate) ^ Remaining Life]

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

- **Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.
- **Full Funding:** Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.
- **Statutory Funding:** Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.
- **Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

FUNDING PLAN: An association's plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

PERCENT FUNDED: The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

REMAINING USEFUL LIFE (RUL): Also referred to as "Remaining Life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" Remaining Useful Life.

REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual who prepares Reserve Studies.

RESERVE STUDY: A budget planning tool that identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. "Our budget and finance committee is soliciting proposals to update our Reserve Study for next year's budget."

RESPONSIBLE CHARGE: A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services that directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT: An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

SURPLUS: An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See "Deficit."

USEFUL LIFE (UL): Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

HAWAII'S AMENDMENT TO ALLOW CASH FLOW ANALYSIS

HB 70

"Cash flow plan" means a twenty-year projection of an association's future income and expense requirements to fund fully its replacement reserves requirements each year during that twenty-year period, except in an emergency; provided that it does not include a projection of special assessments or loans during that twenty-year period, except in an emergency.

Courtesy of Armstrong Consulting, Inc.

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1533 Nehoa

PROJECT DEFINITION REPORT

9/01/2009

Project Information

Project:	1533 Nehoa	Project Date:	1/01/1966
Address:	1533 Nehoa Street	Number of Phases:	0
City:	Honolulu	Number of Units:	16
State:	HI	Number of Models:	0
Zip:	96822-0000		

Property Description

1533 Nehoa is a residential condominium property located in the upper Honolulu area. The three story concrete and masonry structure was placed in service in 1966. There are a total of 16 living units. There are five covered stalls; other parking stalls are uncovered.

A site visit was held on May 15, 2009. At that time, the facilities were in generally fair condition, consistent with its age. Specific information about the condition of individual components are included in the Component Details section of the report.

1533 Nehoa

ANALYSIS DEFINITION REPORT

Analysis 1

Project Information

Project: 1533 Nehoa
Address: 1533 Nehoa Street
City: Honolulu
State: HI
Zip: 96822-0000

Project Date: 1/01/1966
Analysis Date: 9/01/2009
Number of Phases: 0
Number of Units: 16
Number of Models: 0

Analysis Parameters

Rate of Inflation: 3.5%
Rate of Return on Investment: 3%
Beginning Funds: 0.00
Loan/Special Assessment: No

Deferred Expenditures: No
Contingency: 0%
Contingency Time: None

Annual Contribution Factors

		2019:	1%
2010:	1%	2020:	1%
2011:	1%	2021:	1%
2012:	1%	2022:	1%
2013:	1%	2023:	1%
2014:	1%	2024:	1%
2015:	1%	2025:	1%
2016:	1%	2026:	1%
2017:	1%	2027:	1%
2018:	1%	2028:	1%

Additional Analysis Information

Analysis B indicates the recommended contribution rate into reserves. The 09/01/2009 reserve fund beginning balance is set at \$0 as directed by property management. The assumed inflation rate used is 3.5%, the funds investment rate used is 3.0% and the analysis time horizon is 20 years.

Based on the above parameters, the analysis recommends that the Association set the annual reserve contribution for the period starting 09/01/2010 at \$9,840. This contribution amount is to increase by 1% each year throughout the time horizon of the study. Based on these assumptions, the recommended reserve funding plan adequately meets Hawaii State reserve requirements under the cash flow method.

Please review the above financial data and the entire report for accuracy.

1533 Nehoa

CASHFLOW SUMMARY PROJECTIONS

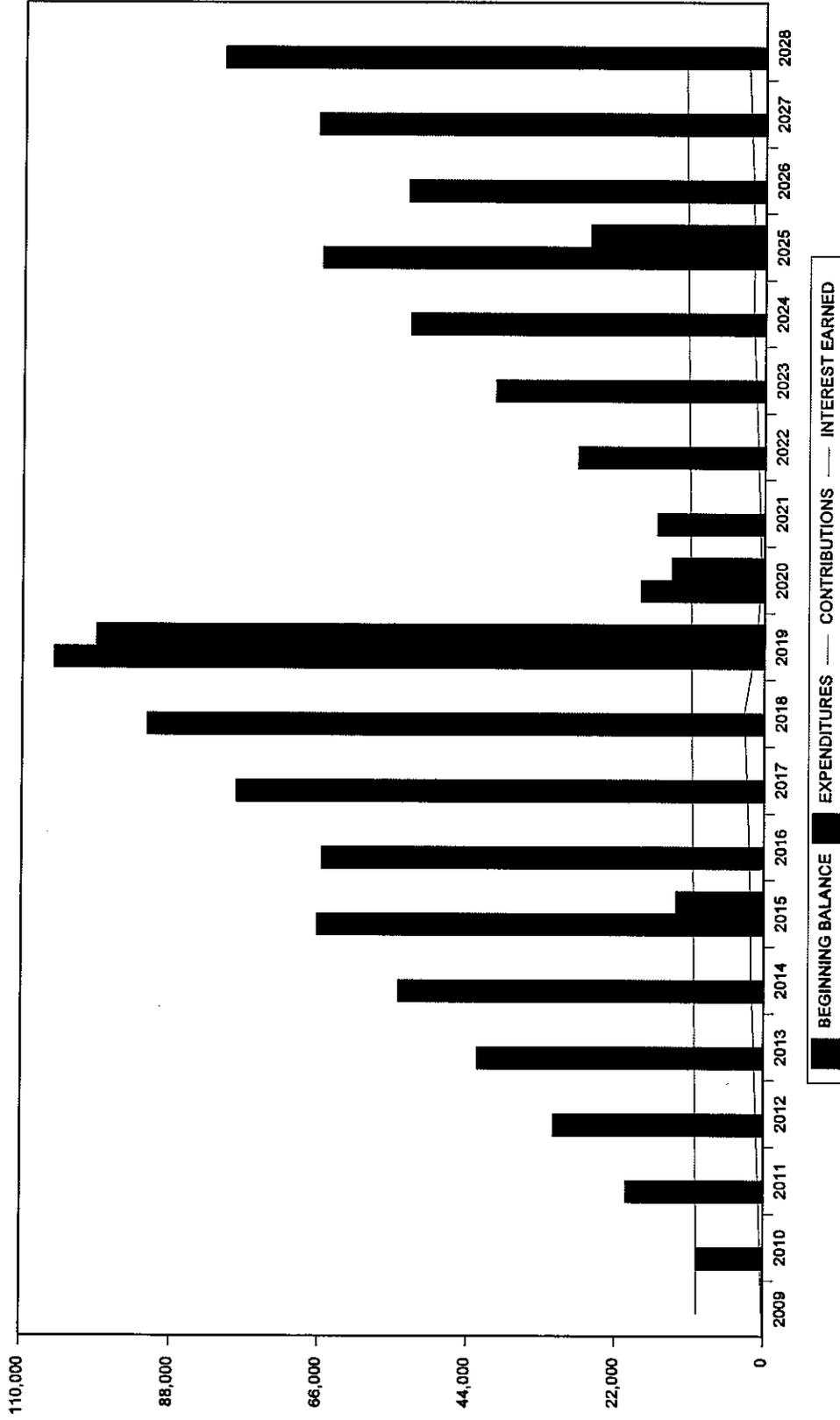
Analysis 1

Year	Beginning Balance	Contribution	Interest Earned	Expenditures	Ending Balance
2009	0.00	9,840.00	161.38	0.00	10,001.38
2010	10,001.38	9,938.40	467.18	0.00	20,406.96
2011	20,406.96	10,037.78	785.32	0.00	31,230.06
2012	31,230.06	10,138.16	1,116.17	0.00	42,484.39
2013	42,484.39	10,239.54	1,460.14	0.00	54,184.07
2014	54,184.07	10,341.94	1,817.67	0.00	66,343.68
2015	66,343.68	10,445.36	1,925.72	13,059.00	65,655.76
2016	65,655.76	10,549.81	2,170.00	0.00	78,375.57
2017	78,375.57	10,655.31	2,558.60	0.00	91,589.48
2018	91,589.48	10,761.86	2,962.29	0.00	105,313.63
2019	105,313.63	10,869.48	1,277.27	99,076.00	18,384.38
2020	18,384.38	10,978.17	460.28	13,826.00	15,996.83
2021	15,996.83	11,087.95	668.40	0.00	27,753.18
2022	27,753.18	11,198.83	1,027.80	0.00	39,979.81
2023	39,979.81	11,310.82	1,401.52	0.00	52,692.15
2024	52,692.15	11,423.93	1,790.02	0.00	65,906.10
2025	65,906.10	11,538.17	1,668.03	26,061.00	53,051.30
2026	53,051.30	11,653.55	1,804.71	0.00	66,509.56
2027	66,509.56	11,770.09	2,215.98	0.00	80,495.63
2028	80,495.63	11,887.79	2,643.30	0.00	95,026.72
Totals:		216,666.94	30,381.78	152,022.00	

1533 Nehoa

CASHFLOW PROJECTIONS GRAPH

Analysis 1



PROJECTED EXPENDITURES

1533 Nehoa - Analysis 1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Railings, Metal - Repair							13,059			
Totals							13,059			

PROJECTED EXPENDITURES

1533 Nehoa - Analysis 1

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Concrete Spall Repair	3,557									
Electrical Upgrade		4,431								
Fire Alarm System		7,386								
Fire Control Stations	2,134									
Gutters & Downspouts							7,634			
Light Fixtures	711									
Mail Boxes		2,009								
Painting, Exterior	34,872									
Plumbing Upgrade	4,282									
Railings, Metal - Repair							18,427			
Roofing, Built-Up	53,520									
Totals	99,076	13,826					26,061			

1533 Nehoa

ACCOUNTANT'S REPORT

Analysis 1

9/01/2009 - 8/31/2010

Component	Remaining Life (yr/mo)	Future Cost	Assigned Reserves	2009 Contribution Requirement	2009 Assigned Interest Earned	2009 Funding Requirement
Electrical Upgrade	11/04	4,431	0	51	1	52
Fire Alarm System	11/04	7,386	0	1,222	20	1,242
Gutters & Downspouts	16/04	7,634	0	292	5	297
Mail Boxes	11/04	2,009	0	229	4	233
Plumbing Upgrade	10/04	4,282	0	278	5	283
Railings, Metal - Repair	06/04	13,059	0	2,377	39	2,416
Roofing, Built-Up	10/04	53,520	0	5,392	88	5,480
Totals:		92,321	0	9,841	162	10,003

1533 Nehoa

COMPONENT SUMMARY REPORT

Analysis 1

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Concrete							
Concrete Spall Repair Condition: Fair - Consistent with Age	12/01/2009 Source: Armstrong Consulting Internal Cost Data	10/00	00/00	12/09	Y	2,500	2,522
Sub Total:						2,500	2,522
Electrical							
Electrical Upgrade Condition: Fair - Consistent with Age	1/01/2009 Source: Armstrong Consulting Internal Cost Data	12/00	00/00	01/21	Y	3,000	4,431
Light Fixtures Condition: Fair - Consistent with Age	12/01/2009 Source: Armstrong Consulting Internal Cost Data	10/00	00/00	12/09	Y	500	504
Sub Total:						3,500	4,935
Mail							
Mail Boxes Condition: Fair - Consistent with Age	1/01/1996 Source: Armstrong Consulting Internal Cost Data	25/00	00/00	01/21	Y	1,360	2,009
Sub Total:						1,360	2,009
Mechanical							
Plumbing Upgrade Condition: Fair - Consistent with Age	1/01/2005 Source: Armstrong Consulting Internal Cost Data	15/00	00/00	01/20	Y	3,000	4,282
Sub Total:						3,000	4,282
Painting							
Painting, Exterior Condition: Fair - Consistent with Age	12/01/2009 Source: Armstrong Consulting Internal Cost Data	10/00	00/00	12/09	Y	24,510	24,722
Sub Total:						24,510	24,722

1533 Nehoa

COMPONENT SUMMARY REPORT

Analysis 1

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
<u>Pavement</u>							
Asphalt Overlay Condition: Fair - Consistent with Age	12/01/2009 Source: Armstrong Consulting Internal Cost Data	30/00	00/00	12/09	Y	17,500	17,651
Sub Total:						17,500	17,651
<u>Railings</u>							
Railings, Metal - Repair Condition: Poor - Consistent with Age	1/01/1966 Source: Armstrong Consulting Internal Cost Data	10/00	+40/00	01/16	Y	10,500	13,059
Sub Total:						10,500	13,059
<u>Roofing</u>							
Gutters & Downspouts Condition: Fair - Consistent with Age	1/01/2006 Source: Armstrong Consulting Internal Cost Data	20/00	00/00	01/26	Y	4,350	7,634
Roofing, Built-Up Condition: Fair - Consistent with Age	1/01/2000 Source: Armstrong Consulting Internal Cost Data	20/00	00/00	01/20	Y	37,500	53,520
Sub Total:						41,850	61,154
<u>Safety</u>							
Fire Alarm System Condition: Fair - Consistent with Age	1/01/1966 Source: Armstrong Consulting Internal Cost Data	35/00	+20/00	01/21	Y	5,000	7,386
Fire Control Stations Condition: Fair - Consistent with Age	12/01/2009 Source: Armstrong Consulting Internal Cost Data	10/00	00/00	12/09	Y	1,500	1,513
Sub Total:						6,500	8,899
Grand Total:						111,220	139,233

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Asphalt Overlay

Category:	Pavement	Unit Cost:	5.00
Began Use:	12/01/2009	Cost Type:	Contractor
Lifespan:	30 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	17,500.00
Next Replace:	12/01/2039	Future Cost:	17,651.16
Remaining Life:	3 MOS	Salvage Value:	0.00
Quantity:	3,500.00 SQ. FT.	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component budgets for the application of a 1-1/2" layer of asphalt pavement overlay on the pavement parking area. The unit cost includes an allowance for pavement and base repair. The pavement work is scheduled for 2009.

The pavement repair work scheduled for 2009 is to be funded by the developer. Costs for the pavement work is not included in reserve calculations. All future pavement overlay work is to be included in reserves.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Concrete Spall Repair

Category:	Concrete	Unit Cost:	2,500.00
Began Use:	12/01/2009	Cost Type:	Contractor
Lifespan:	10 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	2,500.00
Next Replace:	12/01/2019	Future Cost:	2,521.59
Remaining Life:	3 MOS	Salvage Value:	0.00
Quantity:	1.00 LUMP SUM	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component establishes an allowance to perform concrete spall repairs prior to the application of exterior painting. The unit cost is an estimate only based on visual observations and may be significantly different from the actual cost of repairs.

The developer will complete the spall repair work in 2009. It is estimated that the the spall repairs in 2009 will be about \$75,000. Funding for this initial repair will be by the Developer and is not included in reserve calculating. All future repairs will be covered by reserve funding.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Electrical Upgrade

Category:	Electrical	Unit Cost:	3,000.00
Began Use:	1/01/2009	Cost Type:	Contractor
Lifespan:	12 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	3,000.00
Next Replace:	1/01/2021	Future Cost:	4,431.44
Remaining Life:	11 YRS	Salvage Value:	0.00
Quantity:	1.00 LUMP SUM	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component establishes an allowance to perform electrical upgrade work on an as-needed basis. The upgrade work may include replacement of meter cabinets and conduits. The electrical distribution system was last upgraded in 2009.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Fire Alarm System

Category:	Safety	Unit Cost:	5,000.00
Began Use:	1/01/1966	Cost Type:	Contractor
Lifespan:	35 years	Pct. Replace:	100.00%
Lifespan Adj.:	+ 20 years	Current Cost:	5,000.00
Next Replace:	1/01/2021	Future Cost:	7,385.73
Remaining Life:	11 YRS	Salvage Value:	0.00
Quantity:	1.00 LUMP SUM	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component establishes an allowance to upgrade the existing fire alarm system. The existing system is from original construction. The upgrade work may include new alarm devices and upgrading of the main panel. The alarm system was not observed in operation during the site visit.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Fire Control Stations

Category:	Safety	Unit Cost:	500.00
Began Use:	12/01/2009	Cost Type:	Contractor
Lifespan:	10 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	1,500.00
Next Replace:	12/01/2019	Future Cost:	1,512.96
Remaining Life:	3 MOS	Salvage Value:	0.00
Quantity:	3.00 EACH	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component budgets for the replacement of the fire control stations that include fire hoses, fire extinguishers and cabinet. The cabinets have visible corrosion. It is recommended that the cabinets be corrosion treated and painted in the near future in order to maximize service life.

Replacement costs for the stations in 2009 is to be funded by the Developer. This initial cost is not included in reserve calculations. All future replacement work is to be included in reserves.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Gutters & Downspouts

Category:	Roofing	Unit Cost:	10.00
Began Use:	1/01/2006	Cost Type:	Contractor
Lifespan:	20 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	4,350.00
Next Replace:	1/01/2026	Future Cost:	7,634.21
Remaining Life:	16 YRS	Salvage Value:	0.00
Quantity:	435.00 LIN FT	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component budgets for the replacement of the painted aluminum gutters and downspouts.

Currently, the sheet metal work is in fair to good condition, having been recently installed.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Light Fixtures

Category:	Electrical	Unit Cost:	500.00
Began Use:	12/01/2009	Cost Type:	Contractor
Lifespan:	10 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	500.00
Next Replace:	12/01/2019	Future Cost:	504.32
Remaining Life:	3 MOS	Salvage Value:	0.00
Quantity:	1.00 LUMP SUM	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component budgets for the replacement of the light fixtures that includes ceiling, wall and flood light fixtures. Replacement is assumed when a light fixture becomes unserviceable. Currently, a number of fixtures are corroded.

The damaged light fixtures are to be replaced in 2009 and funds for the repairs to be made by the Developer. This initial replacement work is not included in reserve calculations. All future light fixture replacement work is to be included in reserves.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Mail Boxes

Category:	Mail	Unit Cost:	85.00
Began Use:	1/01/1996	Cost Type:	Contractor
Lifespan:	25 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	1,360.00
Next Replace:	1/01/2021	Future Cost:	2,008.92
Remaining Life:	11 YRS	Salvage Value:	0.00
Quantity:	16.00 EACH	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component budgets for the replacement of the aluminum gang-type mail boxes.

Currently, the boxes are in fair condition.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Painting, Exterior

Category:	Painting	Unit Cost:	2.15
Began Use:	12/01/2009	Cost Type:	Contractor
Lifespan:	10 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	24,510.00
Next Replace:	12/01/2019	Future Cost:	24,721.70
Remaining Life:	3 MOS	Salvage Value:	0.00
Quantity:	11,400.00 SQ FT	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component budgets for the re-painting of the building exterior. The unit cost includes minor patching and caul king, one coat primer and two coats latex finish. Currently, the painting is in fair condition.

The painting work is scheduled for 2009 and is to be funded by the Developer. This initial painting work is not included in reserve calculations. All future painting work is to be included in reserves.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Plumbing Upgrade

Category:	Mechancial	Unit Cost:	3,000.00
Began Use:	1/01/2005	Cost Type:	Contractor
Lifespan:	15 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	3,000.00
Next Replace:	1/01/2020	Future Cost:	4,281.58
Remaining Life:	10 YRS	Salvage Value:	0.00
Quantity:	1.00 LUMP SUM	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component establishes an allowance to perform plumbing upgrade work on an as-needed basis. The upgrade work may include replacement of water and waste piping and valves.

It is recommended that an evaluation be made to determine if existing underground water piping is galvanized. If so, funds for this allowance should be increased in preparation for conversion of the piping to copper.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Railings, Metal - Repair

Category:	Railings	Unit Cost:	15.00
Began Use:	1/01/1966	Cost Type:	Contractor
Lifespan:	10 years	Pct. Replace:	100.00%
Lifespan Adj.:	+ 40 years	Current Cost:	10,500.00
Next Replace:	1/01/2016	Future Cost:	13,059.04
Remaining Life:	6 YRS	Salvage Value:	0.00
Quantity:	700.00 LIN FT	Condition:	Poor - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component budgets for the repair of the steel railings and aluminum wind screens on the walkways and stairwells. The railings are from original construction. The repair work may include corrosion control, replacement of small sections of damaged metal and minor welding work..

Currently, the railings have significant corrosion damage. It is assumed that some repair work will be performed during the planned painting work scheduled for 2009-2010.

1533 Nehoa

COMPONENT DETAIL REPORT

Analysis 1

Roofing, Built-Up

Category:	Roofing	Unit Cost:	750.00
Began Use:	1/01/2000	Cost Type:	Contractor
Lifespan:	20 years	Pct. Replace:	100.00%
Lifespan Adj.:	None	Current Cost:	37,500.00
Next Replace:	1/01/2020	Future Cost:	53,519.80
Remaining Life:	10 YRS	Salvage Value:	0.00
Quantity:	50.00 SQUARE	Condition:	Fair - Consistent with Age
Source(s):	<input type="checkbox"/> National Cost Data	<input checked="" type="checkbox"/>	Armstrong Consulting Internal Cost Data
	<input type="checkbox"/> Vendor	<input type="checkbox"/>	Client/Management

Remarks

This component budgets for the replacement of the modified bitumen built-up roofing system installed. The installation of the existing roof could not be determined during the site visit. The installation date used is based on the current condition of the roof. It is noted that there are a number of seams that were patched using a fluid applied system. This indicates that the roof may have previously experienced leaks. It could not be determined during the site visit if the roof is currently leaking.

The unit cost includes removal of the existing roofing system and installation of a similar modified bitumen system for a medium rise unit.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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MUFI HANNEMANN
MAYOR



DAVID K. TANOUE
DIRECTOR
ROBERT M. SUMITOMO
DEPUTY DIRECTOR

June 15, 2009

2008/ELOG-2353(EE)

RECEIVED JUN 17 2009

Mr. Peter B. Savio, President
Hawaiian Island Development Co., Inc.
931 University Avenue, Suite 105
Honolulu, Hawaii 96826-3241

Dear Mr. Savio:

Subject: Condominium Conversion Project
1533 Nehoa Street
Tax Map Key: 2-4-023: 025

This is in response to your letter dated September 22, 2008, requesting verification that the structure on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the three-story 16-unit apartment building at 1533 Nehoa Street with at least sixteen (16) all-weather-surface off-street parking spaces met all applicable code requirements when it was constructed in 1965 on this 8,526-square-foot A-2 Medium-Density-Apartment-zoned lot.

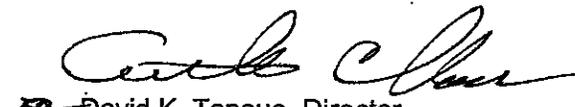
For your information, the Department of Planning and Permitting cannot determine all legal nonconforming uses or structures, as a result of the adoption or amendment of any ordinance or code.

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

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

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

Very truly yours,


David K. Tanoue, Director
Department of Planning and Permitting

DKT:ft

doc702577

EXHIBIT 2

RR Consulting

3376 Ala Laulani Street
Honolulu, Hawaii 96818

April 19, 2009

Project: 1533 Nehoa Street Apartments

Electrical Engineering Observation Report

General:

On Monday, March 30, 2009, a cursory inspection was performed on the subject property to evaluate the condition of its electrical system. The inspection was limited to observations of exposed electrical devices, equipment, lighting, wiring and compliance to the present Electrical Code.

Note: The term "good condition" refers to the observed device or equipment being physically free from excessive deterioration and, if tested, fully performing it's intended function.

References:

1. National Electrical Code, 2008
with C & C of Honolulu Amendments
2. Uniform Fire Code, 1997
with C & C of Honolulu Amendments
3. ANSI C2, National Electrical Safety Code, 1997.
4. IES Lighting Handbook, 9th Edition, 2000.

Observations:

General

The subject property consists of a three-story building. The first floor is for has four apartments, the second and third floors each have six apartments for a total of 16 apartments for the property.

There were several items we noted that do not meet current electrical Code requirements. One requirement, common to all of the units inspected, is that not all required receptacles to meet NEC 210-52, Dwelling Unit Receptacle Outlets have been installed. By this Code section, all counters in kitchens 24" or greater require at least one GFI receptacle. All units inspected had at least one 24" counter without the required receptacle.

Also, NEC 210.8(A)(6) requires that all kitchen receptacles be ground-fault circuit interrupter (GFCI) protected. None of the kitchen receptacles that were inspected were GFCI protected.

NEC 210-12, Arc-Fault Circuit-Interrupter Protection requires that all 120 volt, single phase outlets in bedrooms be arc-fault protected. None of the units inspected had arc-fault protective devices for the bedroom outlets.

A receptacle is provided on the patio of each unit. The receptacle is not weather protected and ground-fault protected as required by the NEC. To meet current Code requirements; these receptacles must be changed to weather protected ground-fault protected devices.

There were no a receptacles in the bathrooms that were inspected. Ground-fault protected receptacles are required by the NEC in each bathroom.

Electrical Service

The power to the building is from pole-mounted transformers on Nehoa Street through overhead lines to the building. The electrical service equipment is at the first floor in the garage in a seventeen meter cluster. There are sixteen apartment meters and one house meter. The service equipment is in fair condition. Figure 1 shows the seventeen meter cluster.

The main circuit breaker for the building is a 2-pole, 120/240 Volt, 1-Phase, 200 Amp enclosed circuit breaker. Each apartment is fed by a 2-Pole, 40 Amp circuit breaker. The breaker enclosures are in fair condition, although showing signs of rust as seen in figure 2.

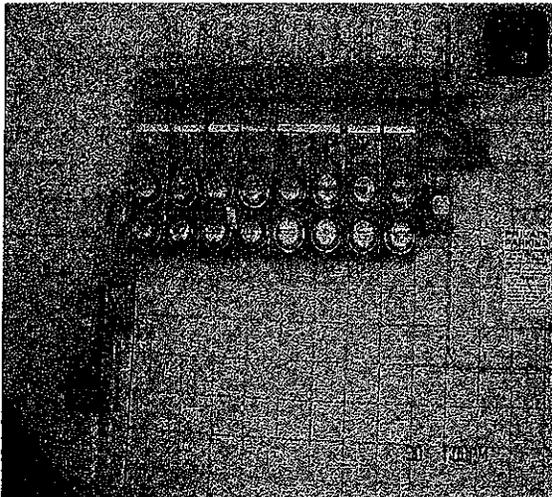


Figure 1. Service equipment .



Figure 2. Circuit breakers to each apartment unit.

Fire Alarm System

The fire alarm system consists of the control panel on the first floor, a pull station in the middle of the second and third floor hallways and a bell on the middle of the third floor hallway. All fire alarm equipment show age and weather deterioration. The system was not tested for functionality.

There is only one pull station on the second floor and one pull station on the third floor. If the two stairways are required by the building Code, then there must be a pull station for each stairway. Hence, an additional pull station would be required by the fire Code. Figure 3 shown the pull station on the third floor.

There is only one bell for the entire building. The system should be tested to see if this bell is loud enough to meet the fire Code requirements for the building. Figure 4 shows the fire alarm bell on the third floor, showing the deteriorated appearance.

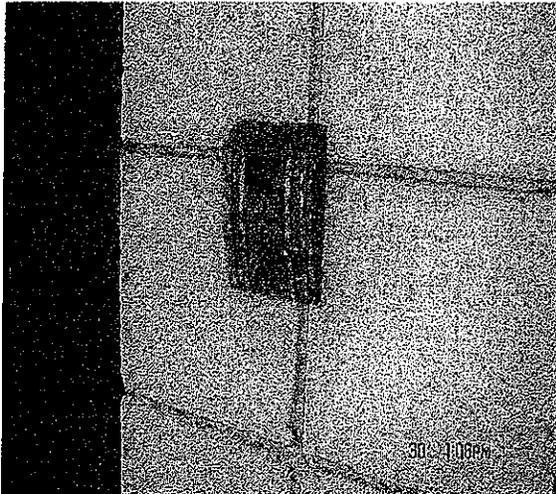


Figure 3. Pull station on the third floor.



Figure 4. Fire alarm bell on the third floor.

Exterior Lighting

There is only two light fixtures for the exit corridors on the second and third floors. This does not appear to be sufficient for providing the required illumination for exit corridors.

The fixtures are also weather beaten and do not have lenses. These fixtures should be replaced immediately since they pose an extreme safety hazard for building occupants. Figure 5 shows the condition of some exterior lighting fixtures.

Unit 14

This unit does not appear to have been renovated since the original construction. The receptacles and light fixtures show signs of wear and tear due to usage.

There is a 6 circuit panel is located in the closet, which is an NEC violation. See figure 4. Four 1P20A circuit breakers were installed in the panel. The loads are the disposer, the refrigerator, washer and lights and receptacles.

There is only one receptacle on the kitchen counter and that is not GFCI protected. There is one other receptacle in the kitchen, which is for the refrigerator, which is also not GFCI protected. There are no

receptacles for other counters greater than 2'. These are violations of the NEC.



Figure 5. Exterior lighting fixtures.

The bedroom receptacles were not arc-fault circuit interrupter type as required by Code.

Each bedroom, living room and bathroom either has an overhead light fixture that is switched or a receptacle that is switched as required by the NEC. There are several locations where there are points along the walls that are more than 6 feet from a receptacle. This is an NEC violation.

There was no GFCI receptacle in the bathroom as required by the NEC. See figure 7.



Figure 6. Panel for unit 14.

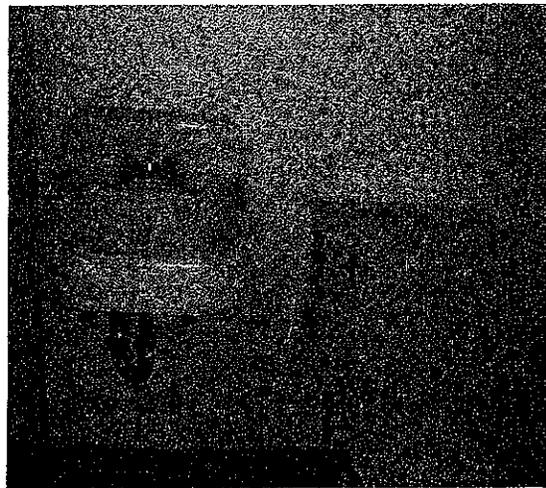


Figure 7. Unit 14 bathroom.

Smoke detectors were noted in the hallways next to the bedrooms. They were not wired to the building electrical system as required by Code. The smoke detectors were battery-operated.

An outlet was provided in the rear patio, which was not weather proofed and GFCI protected. The receptacle appeared to be in poor condition.

Conclusions:

The existing electrical services to the buildings are adequately sized for the present loads. The loads include a refrigerator, a washer, a disposer, lights and receptacles. A 2P40 amp service has been installed for each apartment and is adequate for the use. An apartment type combination washer/dryer on a single 120 volt plug could be used on the receptacle in the patio. The receptacle, however, would have to be on a dedicated circuit and changed to a GFCI, weatherproofed receptacle.

Not all of the kitchen receptacles are GFI protected as required by the NEC. This violation should be corrected.

Other code safety violations such as installing arc-fault circuit interrupter receptacles in the bedrooms should be reviewed and implemented.

This report does not address portions of the building other than those mentioned, nor does it provide any warranty either expressed or implied for any portion of the existing building.

Submitted by:



**Samuel S. Matsuo
PhD, PE**

SANFORD HASEYAMA INC.
996 Hoomoana Street
Pearl City, Hawaii 96782
Email: shasey@hawaii.rr.com

July 21, 2009

Re: 1533 Nehoa Street Apartment
Honolulu, Hawaii 96822

Mechanical Engineering Observation Report

This report covers only the mechanical systems in the building. This is a 3 story building with 16 apartment units. There are 15 one bedroom with den units and one 2 bedroom with den unit.

WATER SUPPLY

When facing the property, the water meter is located on the left corner of the property. The building has a wet stand pipe with a booster pump located on the ground floor. Fig. 1 shows a Booster pump for wet stand pipe. There is no backflow preventer which is required by the Board of Water Supply. BWS may require a backflow preventer be installed. There is no individual shut off valve for each unit. If required, the backflow assembly can be located on the lawn right after the meter.

PLUMBING

Plumbing plans were not available for this building. From what can be observed the plumbing seem to be in accordance with the Plumbing Code. There is a laundry tray on the lanai with space for a washing machine and dryer. The laundry tray faucet has outlets for connecting the hot and cold water hoses for the washing machine. Ducting for the dryers is not necessary since the dryers are located outside on the lanai. The waste line for the laundry tray is a separate riser from the kitchen and bath room riser so there shouldn't be any suds back up. Each apartment has a gas water heater and a gas range. The bath faucets are the individual type faucets. If renovations are to be done, recommend the pressure balance type valves be installed.

Gas water heaters are located on the outside and the flue gases are discharged directly to the outside atmosphere. According to the Uniform Plumbing Code 1997, Chapter 5 paragraph 517.5 Venting Termination, "No vent system shall terminate less than 4 feet below or 4 feet horizontally from, nor less than 1 foot above any door, openable window or gravity air inlet into any building."

With an exception for direct vent appliances with inputs of 50,000 BTUH or less shall be located not less than nine inches from any opening through which combustion products could enter the building.

The gas water heaters are below 50,000 BTUH and will fall under the exception. In this case the water heaters are more than 9 inches from the opening and will be within code requirements. However, when replacing the gas water heaters, the installer should check the Plumbing Code for any changes to the Code.

The cast iron waste riser has been replaced with Acrylonitrile-Butadiene-Styrene (ABS) pipe. Fig. 2 shows the ABS pipe connected to the cast iron pipe. Note the rust on the cast iron pipe in the picture. It may be necessary to replace the cast iron pipe in the near future.

VENTILATION

There is no air conditioning in this building. The bathrooms have exhaust fans which exhaust thru the roof. There is no range hood over the gas range. A window is close by to get the cooking odors out of the kitchen.

This report only addresses portions of the units that was physically observed And does not provide any warranty either expressed or implied for any mechanical systems that is concealed or hidden within the walls, ceiling or below grade.

Submitted by: 
Sanford Haseyama, P.E.
Mechanical Engineer

SANFORD HASEYAMA INC.
996 Hoomoana Street
Pearl City, Hawaii 96782
Email: shasey@hawaii.rr.com

March 30, 2009

Re: 1533 Nehoa Street Apartment
Honolulu, Hawaii 96822

Mechanical Engineering Observation Report

This report covers only the mechanical systems in the building. This is a 3 story building with 16 apartment units. There are 15 one bedroom with den units and one 2 bedroom with den unit.

WATER SUPPLY

When facing the property, the water meter is located on the left corner of the property. The building has a wet stand pipe with a booster pump located on the ground floor. Fig. 1 shows a Booster pump for wet stand pipe. There is no backflow preventer which is required by the Board of Water Supply. BWS may require a backflow preventer be installed. There is no individual shut off valve for each unit. If required, the backflow assembly can be located on the lawn right after the meter.

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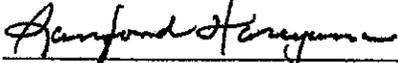
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1533 NehoaStreet
Mechanical Observation Report
Page 2 of 2

VENTILATION

There is no air conditioning in this building. The bathrooms have exhaust fans which exhaust thru the roof. There is no range hood over the gas range. A window is close by to get the cooking odors out of the kitchen.

This report only addresses portions of the units that was physically observed And does not provide any warranty either expressed or implied for any mechanical systems that is concealed or hidden within the walls, ceiling or below grade.

Submitted by: 
Sanford Haseyama, P.E.
Mechanical Engineer

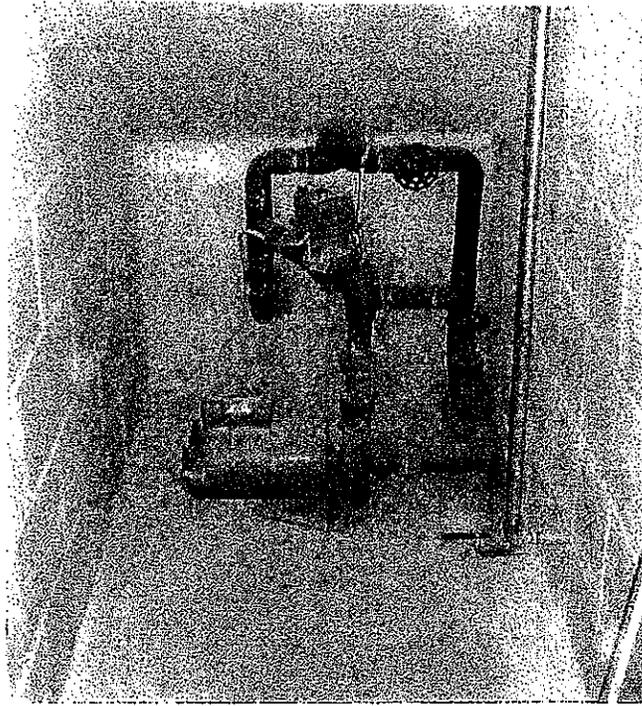
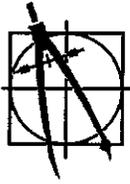


Fig. 1 Booster Pump for Wet Stand Pipe



Fig. 2 ABS Pipe connected to Cast Iron Pipe



**HAWAII
ENGINEERING
GROUP, INC.**

Consulting Civil Engineers, Structural Engineers & Land Surveyors

April 18, 2009

Attn: Mr. Peter Savio, President
Hawaiian Island Development

Re: 1533 Nehoa Street
Honolulu, HI

Structural Engineering Observation Report

A site visit was held to note cursory observations of 1533 Nehoa Street apartment building structure on March 24, 2009. The inspection involved a walk-through observation of the building structure. The observations were limited to the following areas only:

1. Units #5, #7 and #16
2. Building Exterior

No calculations or testing were 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.

No drawings for the apartment complex were made available for review.

The Apartment building comprises of a 3 storied structure. In all there are 16 units, four on ground floor, six on second floor and six on third floor. No records were available indicating when the structure was built.

The building is of reinforced concrete and concrete masonry block wall construction. Ground floor consists of poured in place slab on grade. The floor and roof slabs are poured in place reinforced concrete supported by plastered reinforced concrete block masonry walls. These bearing walls also form the lateral load resisting system for the building structure. All interior walls inside the units are non load bearing dry wall construction.

Observations:

1. No damage was observed inside any of the units.
2. Most of the damage observed was limited to the building exterior.
3. The concrete stairs and landing have significant corrosion damage and concrete spalling. (see photos 1 thru 4)

1088 Bishop St., suite 2506, Honolulu, Hawaii 96813 – Tel: (808) 533-2092 Fax: (808) 533-2059
Email: heg@hawaiiengineering.net

EXHIBIT 5



4. The cantilevered concrete walkways fronting the units and the lanais at the back of the units exhibit surface cracking and deterioration of concrete surface. Both locations also exhibit extensive leading slab edge damage from corroded reinforcement. (see photos 5 thru 10)
5. The railing along the walkways, stairs and lanais exhibit significant corrosion of steel that is exposed to the elements. (see photo 11)
6. The connection of railings to concrete walkways also exhibit deterioration of steel due to corrosion at numerous locations. (see photo12)
7. Cracks were also observed in the ground floor CMU wall adjacent to the laundry area. (see photo 13)
8. The ground floor parking area asphalt concrete pavement is deteriorated. (see photos 14)

Conclusions and Recommendations:

Most damage observed on the building exterior is related to spalling and cracking of concrete due to corrosion of reinforcement. These damages can be effectively repaired by use of proper concrete repair techniques.

The building railing should either be repaired in place or replaced.

The parking lot asphalt concrete needs to be resurfaced.

We recommend that all repairs be done under the supervision of a licensed structural engineer by a licensed contractor with experience in concrete repairs and waterproofing of structures.

Maintenance is important for the upkeep of the buildings. In general, the building appears to be in good condition. The buildings should continue to perform well with regular maintenance.

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.**

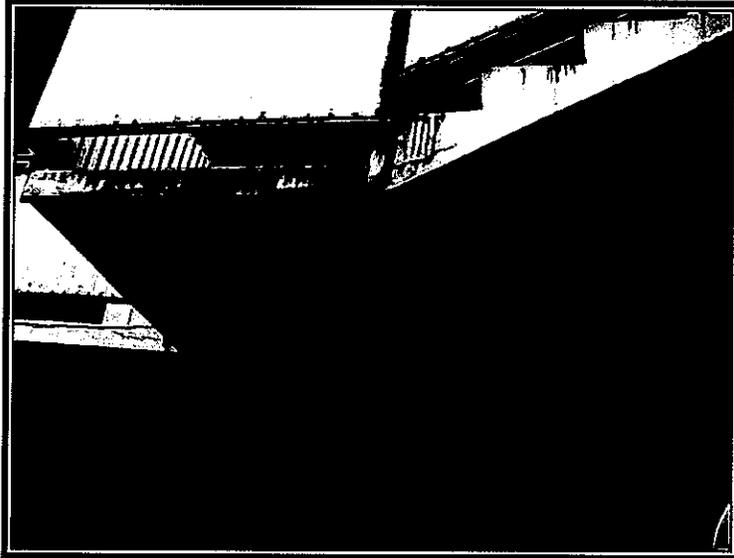


Photo 1: Concrete cracks at stair landing.

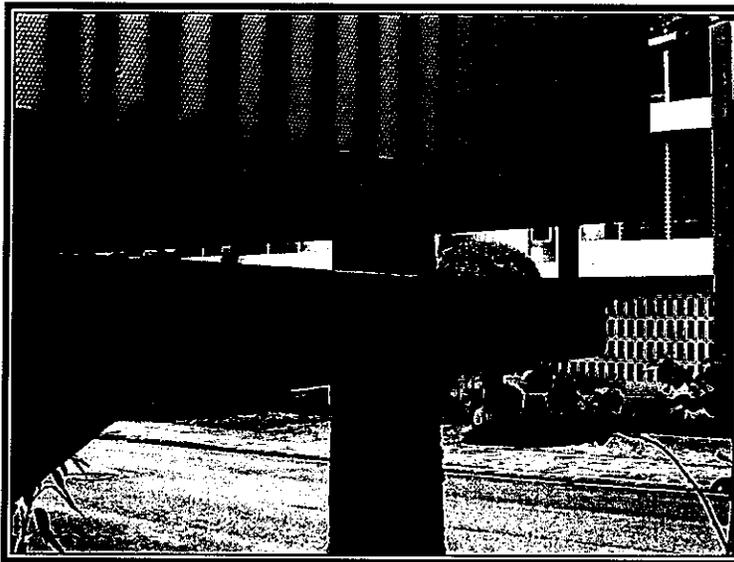


Photo 2: Concrete cracks at stair landing.



Photo 3: Corrosion damage at stair steps.

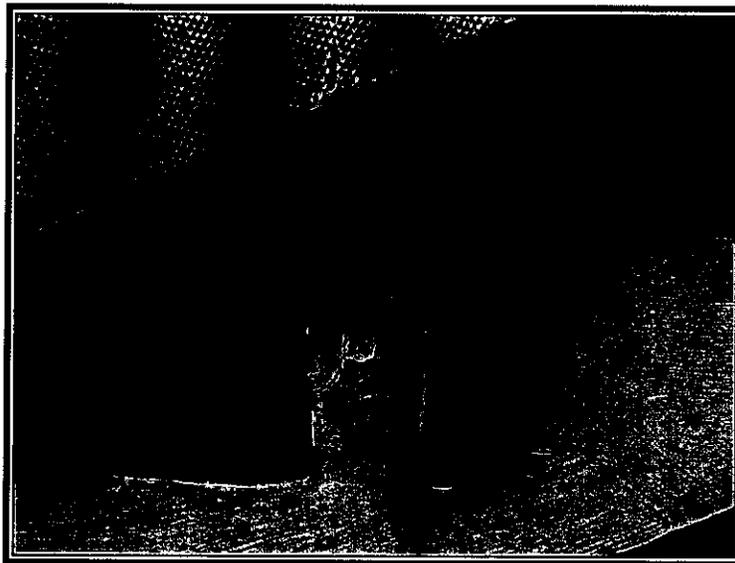


Photo 4: Corrosion damage at stair steps.

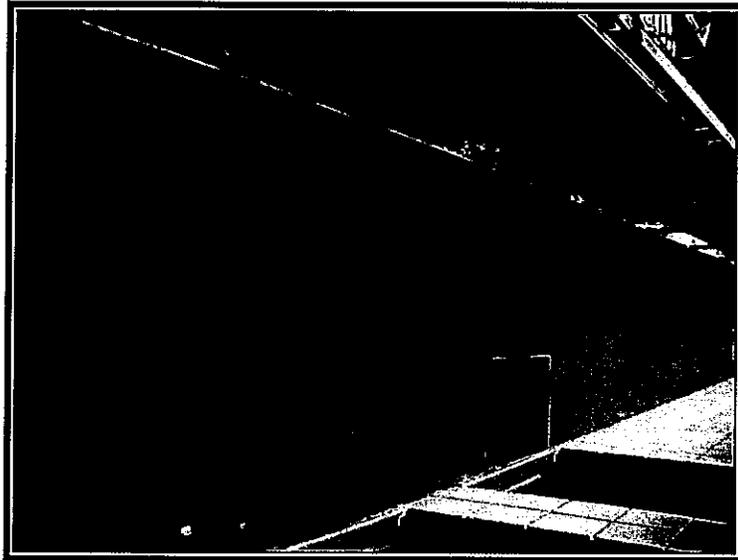


Photo 5: Cracking of walkway concrete slab.



Photo 6: Top surface of concrete walkway - surface cracks.

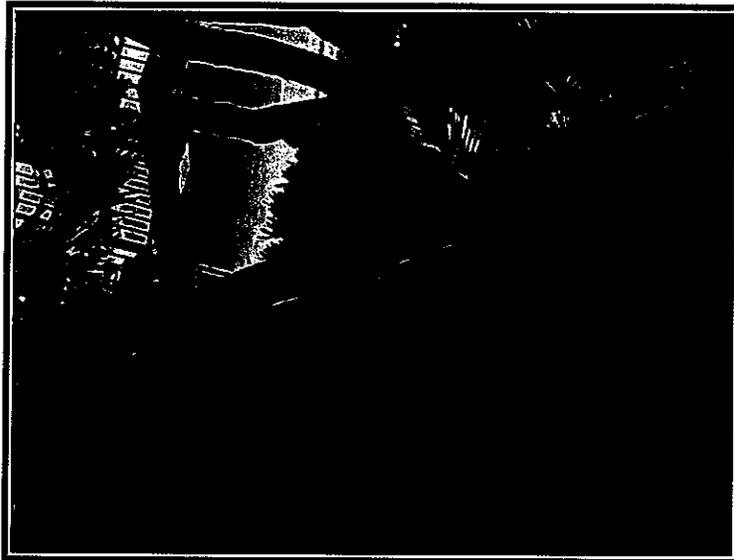


Photo 7: Crack in ceiling of walkway slab.

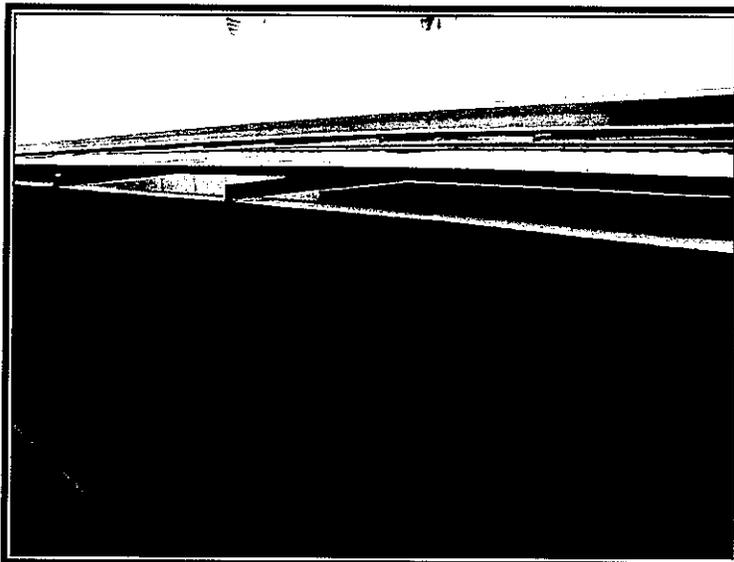


Photo 8: Crack in ceiling of walkway slab.



Photo 9: Crack in leading edge of walkway slab.

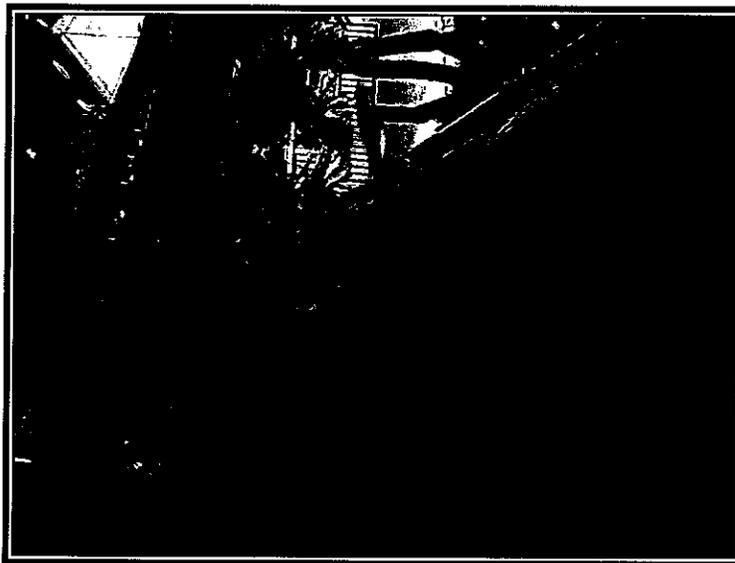


Photo 10: Crack in leading edge of walkway slab.

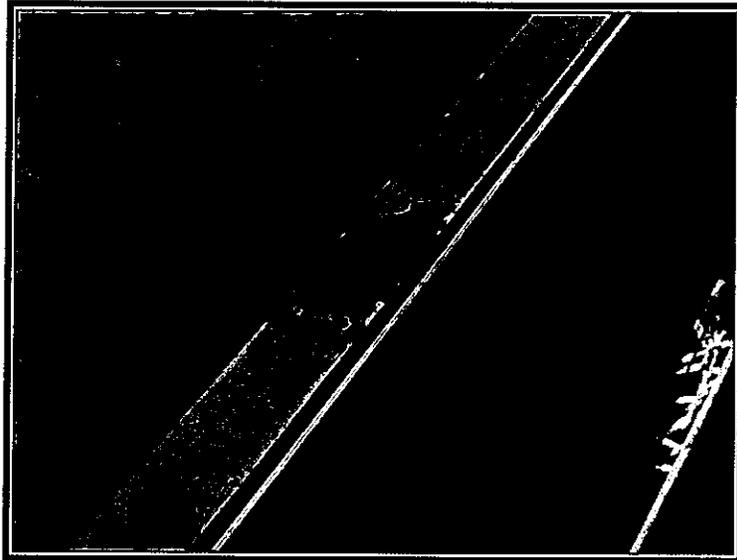


Photo 11: Corrosion damage to walkway railing.

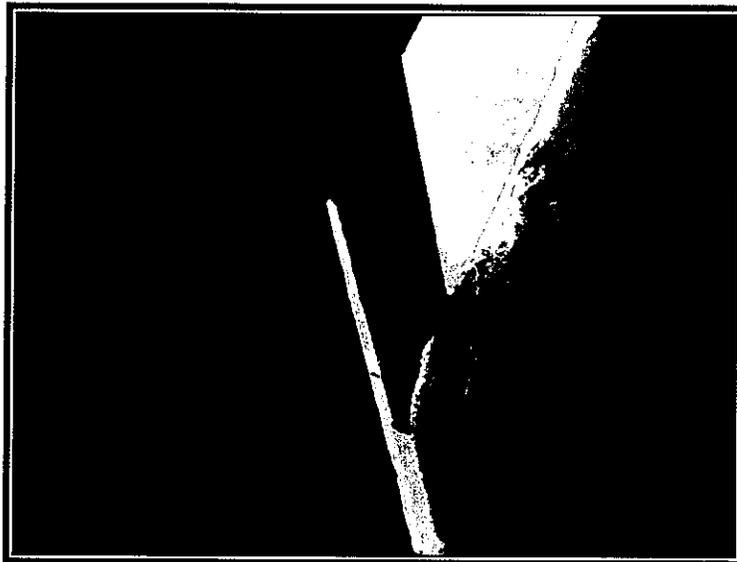


Photo 12: Deterioration of concrete walkway railing connections.

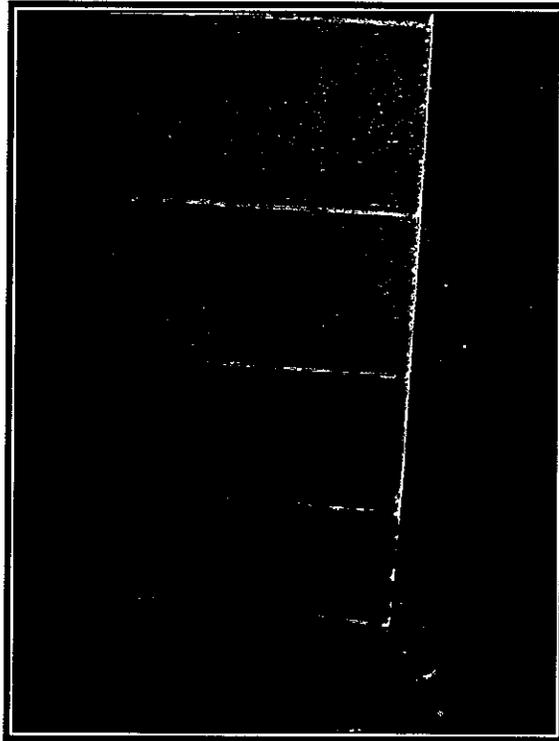


Photo 13: Crack in CMU wall adjacent to the laundry.

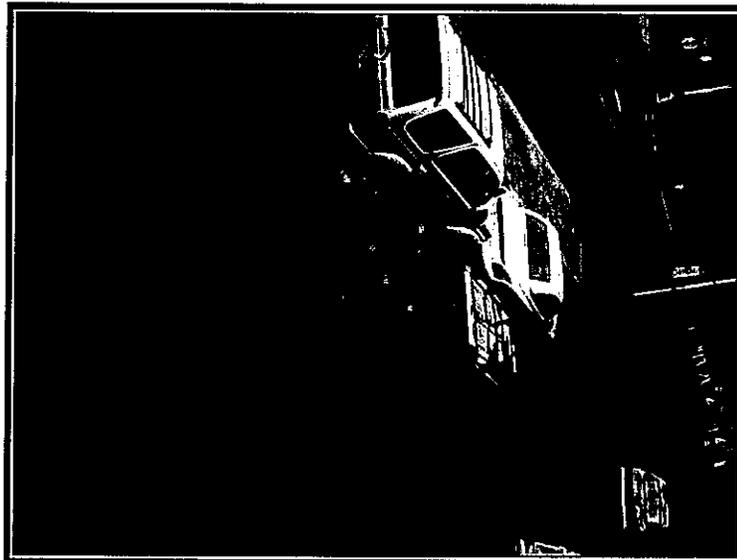


Photo 14: Cracks in parking area AC pavement.



ERNEST M. UMEMOTO AIA
Architect, Inc.

8/5/09

HIDC Nehoa Kinau
c/o Peter Savio
Hawaiian Island Homes Ltd.

Subject: The 1533 Nehoa Condominium

Dear Sirs:

A cursory visual only observation visit was conducted of the Apartments at 1533 Nehoa Street, Honolulu, Hawaii, TMK: 2-4-23:25. The Owner did not furnish the team with any construction or permitted plans. 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 also been approved by Building Permits.

The design and construction seen are similar to that found in masonry and concrete non fire-rated construction apartment buildings in Honolulu's urban core. 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 were not able to be substantiated. The existence of lead paint, asbestos, environmental toxic material, dirty air quality and



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Architect, Inc.

other problems was not observable. To address these items would require the 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 inspections 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. Added areas of concern are accessibility, environmental toxic waste, asbestos, indoor air quality, lead paints, mold, and other harmful matters that go beyond architectural due diligence.

Management effort must enforce the clear lighted exit path and visibility of exit signs from all directions.

No storage is allowed under the stair unless fire rated construction separates the space from the rest of the building. There was gas mower and flammables improperly stored. Storage of flammables that is usually found on a project of this size should be kept in a UL-listed cabinet. Ensure that flammables and used rags are not stored outside the cabinets and that the area is adequately ventilated to prevent spontaneous combustion. Storage of chemicals must be per manufacturer recommendation and out of reach of the public.

Observations in two apartments found the following concerns:

- Apartment entry door at corridor must have 20 minutes fire resistance and label visible. None seen.
- Electrical convenience outlets in the kitchen and bathroom that are within 6' of a water source must be GFIC. This was not provided.
- Electrical outlets at laundry area of lanai must be GFIC. Not provided.
- Range must have fire resistant finish on the surrounding wall, such as ceramic tile, plastic laminate, and sheet metal, unless wall is masonry or concrete.
- 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. Not provided.
- 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 met. The existing windows had a sill height at 5'-1" (too high).
- Water damage was not seen but any water infiltration damage must be addressed for toxicity and further problems.



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Architect, Inc.

- The electrical outlet in any light fixture in the bathroom must be GFIC. Convenience outlets at lavatories must be GFIC. Not provided.
- Dryer not designed for in the individual apartments and may exceed power provided to each unit added. If appliance type used, see Electrical Engineer report for conditions to be followed.
- 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 6" which may be a safety hazard. Existing height too low.
- Fire extinguisher not seen in proximity of range within each unit. Not seen.
- Electrical panels must have 3' clear in front, and not used as storage space.
- UL-approved hard wire smoke detector required just inside each bedroom door and one required outside in the hallway or room outside the bedroom doors which is not currently provided.
- Glass in door to 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.
- If the individual tenants put up various lattice and grills onto the guardrail and lanai opening, improperly designed these may constitute attractive nuisance as children may climb onto them and fall over the guardrail.
- If window a/c units are added without condensate drain, the water on the concrete slab could contribute to spalling or wood rot to wood. If both a dryer and window a/c unit are added then the power furnished to each unit is exceeded.
- Termite damage of wood doors and cabinets not seen, termite treatment and periodic inspection recommended.
- Acoustical spray on the ceiling and any floor tile smaller than 12' square should be tested to ensure that it does not contain asbestos.
- Both the unit entry door and lanai door do not have landings and have up to 6 inch drops at the threshold.
- Sound transmission properties were not observed.
- Gas water heater on lanai must have exhaust flue further from the bedroom window than presently exists.



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Architect, Inc.

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 area.

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 are no guest parking stalls.
- There is no ADA compliant or van-accessible parking stall.
- Exit signs are not provided.
- Exit lighting on emergency battery or generator power is not provided.
- Proper exhaust ventilation of dryers must be provided.
- The outlet at the washer area should be GFI.
- Stair did not have required 44" clear width. Handrails should be between 34" to 38' high above the nosing.
- The stair makai wall on both stairwell decreased the public walkway width to less than 3'-8" clear width.
- Exit doors must be 20 minute fire resistive and both door and frame labeled, provided with smoke gasket and draft protection, be self-closing.
- There are no stair enclosure but if built, 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.
- Handrails are required on both sides of stair and are not provided.
- 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.
- Landings of 36" in the direction of travel are required at top and bottom stairs. The existing landings are not too short.
- Variance on the height of risers exceed that allowed by code. This is a tripping hazard.
- The guardrail at the upper floor exit balconies and rear lanais is 36" high (recommend 42" high guardrails) and has larger than 4" openings that children could fall through.
- The roof does not need scuppers but needs drain slopes to be maintained.
- Pipe insulation may have asbestos.
- No roof insulation. Roofing needs inspection for wear.
- No roof access door lock at ladder.
- Parking close to adjoining residential area require fire separation protection.



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Architect, Inc.

- The parking area puddles in heavy rain.
- The surrounding streets do not have a storm drain system and flooding may occur in a major storm.
- The rear fence is not permanent material.
- Asphalt paving cracked and worn.
- Roof not seen, but should be checked for leaks.
- Driveway does not meet County standard,
- Dumpster space not provided. If City requires one in the future a pad must be constructed.
- Stair from Nehoa parking area to ewa parking area has only one handrail. Need two.
- If rear yard is fenced off for LCE yards, gates must be provided for servicing gas meters. It is not available as a fire escape route.
- Site drainage is a problem at the outlet points. Flooding is highly possible in the parking lot. Swales are required to have drainage flow out of the parking lot.
- First floor FHC rusted shut.
- First and third floor FHC do not have glass ports to see fire hose and fire extinguisher, and their inspection record tags.
- Fire alarm pull box need red paint.
- The single fire alarm bell may not be adequate for end units to hear alarm.
- Public walkway guardrails are rusted. Connection points to slab should be inspected.
- Cracks in public walkways must be repaired to prevent spalling.
- Three stalls on the ewa side require backing out into the street. Code requires maneuvering space within the property. There is no sidewalk improvement on the Anapuni Street frontage and no corner rounding at Nehoa Street.
- Electric meters in the ewa parking area must have 3' clearance from the panel to parking stall. Providing this will move the parked cars into the setback area.
- Paint and sealant on building needs inspection for wear.
- Xmas lights connected to stair lighting circuit may exceed circuit capacity.

The building will require a design study if all apartments are allowed to have their own window type 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.

The above cursory visual only site observation report covers Architectural concerns only. Separate reports for Structural Engineering, Mechanical Engineering, and



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Architect, Inc.

Electrical Engineering were made, but none have been cross coordinated or evaluated. Destructive testing, laboratory testing, checks of approved permits, un-permitted work,

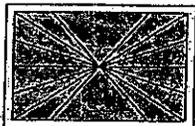
zoning and special design district requirements, design review, cost studies, civil engineering, site drainage and flooding, foundation and soils engineering, underground utilities and systems, property line encroachments, environmental quality, indoor air quality, water infiltration, mold, asbestos, 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 building has been well maintained and suits the intended use very well. As the building ages, increased maintenance and replacement costs should be expected.

Yours truly,

Ernest M. Umemoto, AIA

6 pages total



THE
**AMERICAN
COATING** COMPANY
850 MOOWAA ST., HONOLULU, HI 96817

REC. DECKS/PARKING DECKS
WATER TESTS
EPOXY/URETHANE
BELOW GRADE
CONCRETE RESTORATION
EXTERIOR WALLS
INDUSTRIAL COATINGS
ELASTOMERICS

OAHU (808) 845-7770
FAX 845-7447

BIG ISLAND (808) 935-8863
FAX 968-8656

LIC. NO. ABC-12167

August 12, 2009

Mr. Barry D. Kaplan
Hawaiian Island Development Corporation
931 University Avenue, Suite 207
Honolulu, Hawaii 92826

RE: 1533 NEHOA STREET - CONCRETE REPAIRS

Dear Mr. Kaplan:

As requested, The American Coating Company is submitting a proposal to perform concrete repair work at the above referenced project. This project is a 3 Story walk up complex with 6 units on the 3rd and 2nd floor and 4 units on the ground level.

On March 12, 2009, I've visually reviewed all of the elevated lanai decks except for unit 12. The lanai decks have water-heaters and other miscellaneous items that partially cover the lanai deck, however, the vast majority is open for observation. The following are my observations for the entire building complex, as it relates to the obvious visual condition of the concrete exterior.

1. The lanai deck appears to have minimal deck spalls. Note that most lanais have items on the deck, such as water-heaters and personal items.
2. The lanai slab edges are in rather bad condition. Close-up review of the slab edge, indicate that the vast majority of the elevated lanai slab edges is in need of repair.
3. There are a small handful of CMU lanai dividing wall that have cracks and will need to be repaired. This CMU crack condition can be seen in Unit 7, at the base of both CMU dividing walls.
4. There is a limited amount of Roof edge spalls on the makai elevation, above the lanais. My best guess is that there may be as much as 18 feet on the makai edge of the roof top slab.
5. The walkway slab edges are also in need of repair, as is the walkway decks themselves.
6. The stairway edges are also noticeably in need of repair.

Note that the walkways and the lanai decks do not appear to have been treated by a penetrating sealer a corrosion inhibitor, or a waterproofing system. This is something that you may want to consider at a later date, after the concrete repairs have been completed. As you know, concrete damage is an on-going situation as a result of corroding steel reinforcement embedded within the concrete slab. The penetrating sealer, corrosion inhibitors, and waterproofing systems are meant to slow this deterioration process and extend the service life of the concrete structure.

One thing that you may want to consider is the removal of carpet that are placed onto the lanai deck. Carpets retain moisture and promote the corrosion process of the embedded steel reinforcement on a non-waterproofed/unprotected concrete deck.

We propose to do the following work. Note the exclusions listed. Should you desire any of the exclusions to be made part of the work, please let me know and I'll send you a revised proposal.

WILL BE DONE PER ALVIN
PHONE CALL 8/14/09
4:18 PM

Proposed Work Includes:

1. Repair of delaminated concrete caused by corroding steel reinforcement and/or metal conduits embedded within the concrete slab/wall.
2. All work is limited to the exterior walls and elevated concrete slabs including the roof slab edge and stairways.
3. Repairs will be done using standard concrete repair methods and materials as typically outlined in the International Concrete Repair Institute guidelines.
4. Spot painting of the repair areas, where it was previously painted, such as the slab edge and miscellaneous wall surfaces.
5. Ground-level slabs that are delaminated.
6. Repair to roof gutters and/or roofing system if it needs to be removed to perform concrete repairs. Note that if the roof is presently under a warranty from the roofing contractor it may void its warranty.
7. **Exclusions:**
 - Repair to conduits, electrical lines, and other utilities and items embedded in the deck and/or wall caused by chipping and repair work or by natural deterioration/corrosion.
 - Repair that extend past the apartment wall exterior face and/or door threshold.
 - Replacement of electrical conduits and light fixtures and hardware.
 - Guardrails.
 - Temporary lodging for affected tenants.
 - Building Permit.

We propose to perform this work on a Time & Material Basis with a not-to-exceed sum of \$88,000.00. This, as always, is a conservative Not-To-Exceed Sum and may be considered an extreme case, possible, but not probable. We would guess that the overall concrete repair costs will be in the \$60,000.00 to \$75,000.00 range. Our Labor rate will be \$65.00 per man per hour and our Material/Supply costs will be marked-up a standard 15%. Inspection and coordination time by the Office Staff will not be billed toward the project costs.

Note that the work will require chipping and needle gun work, both of which generate loud pounding noise. Work will be conducted from 7:30 am to 4:00 pm daily M-F. Temporary barricades and re-direction of walkways may be needed.

Should you have any questions or concerns please do not hesitate to contact me at 368-6313. Please let me know if there is anything else that I can do for you.

Sincerely,

THE AMERICAN COATING COMPANY



Alvin S. Nishikawa
Vice President

DC Asphalt Services, Inc.

P.O. Box 30508, Honolulu, Hawaii 96820
Dene (808) 478-9292 Chris (808) 478-2443
Shop (808) 839-4500 Lic.# C-26608 Fax (808) 356-0797

August 5, 2005

Hawaiian Island Homes
931 University Ave. #207
Honolulu, HI 96826
Phone 945-3322 Fax 952-6113 Cell 864-8315 E-mail kyle@hihitd.com

Attn. Kyle:

We are pleased to submit this proposal to furnish **asphalt paving services** for 1533 Nehoa St. We will carry general liability and property damage insurance in the amount of \$2,000,000. Copies of our insurance policy are available upon your request.

The work to be done includes: **A) Asphalt Reconstruction:**

Area Approx.: 3,990 SF

- 1) Demo and remove existing asphalt
- 2) Re-grade and compact existing base course as necessary
- 3) Apply tack coat
- 4) Pave approx 2" State #5 mix asphalt and compact
- 5) Restripe as existing

Price shall be:

\$17,950.00

We hereby propose to furnish labor and materials to complete in accordance with the above specifications for the sum of:

Seventeen Thousand Nine Hundred Fifty and 00/100 = (\$17,950.00) tax included

Owner shall provide power and water and shall clear the area prior to work commencing. All work to be completed in a workmanlike manner according to standard practices. Any alterations or deviation from the above specification involving extra costs, will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or weather beyond our control. Our workers are fully covered by Workman's Compensation Insurance. Note we may withdraw this proposal if not accepted within 30 days.

DC Asphalt Services, Inc

By _____

Dene Schnaible, RME

Agent for Hawaiian Island Homes

By _____

Date _____

Tony Wong Painting, Inc.
PO Box 579
Pearl City, Hawaii 96782
Phone (808) 224-4225, Fax (808) 454-1250
Contractor License No. C-21168

PROPOSAL

August 13, 2009

Mr. Barry Kaplan
Hawaiian Island Homes, Ltd.
931 University Avenue, Suite 105
Honolulu, Hawaii 96826

Project: 1533 Nehoa Street – Exterior Painting

Dear Mr. Kaplan:

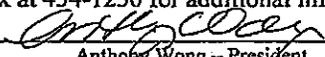
Tony Wong Painting, Inc. is pleased to submit this proposal for exterior painting of the walls, ceilings, doors, trims and railings at 1533 Nehoa Street. Excluded are the stairs, walkways, corrugated metal panels and spall repairs. The front of the building will be painted by August 28th. The rest of the building and touch-up of spall repairs will be completed after the spall repairs are completed by another contractor. The scope of work will include the following:

Scope of Work:

- 1) Pressure wash the walls, ceilings and railings.
- 2) Railings - Grind loose and scaling rust on the railings. Spot prime rust with Sherwin-Williams 920 Macropoxy Rust Penetrating Epoxy Primer. Prime the railings with one coat of Sherwin-Williams KemKromik Rust Inhibitive Primer. Paint the railings with one coat of Shewin-Williams Industrial Enamel.
- 3) Masonry – Prime the walls and ceilings with one coat of Sherwin-Williams Loxon Masonry Primer. Paint the walls and ceilings with (2) coats of Sherwin-Williams Resilience Latex Gloss Finish.
- 4) Doors and trims – Repair the ¼ round trim on (1) first floor unit. Prime the doors and trims with one coat of Sherwin-Williams Preprite Bonding Primer. Paint the doors with (2) coats of Sherwin-Williams Sherwin-Williams A100 Gloss Finish.

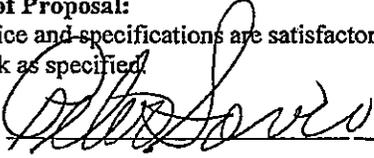
Total Contract Amount: Twenty-Four Thousand Six Hundred (\$24,600.00) Dollars

Thank you for this opportunity to be of service to you. Please contact me by telephone at 224-4225 or by fax at 454-1250 for additional information.

Submitted By:  Date: Aug. 13, 2009
Anthony Wong – President

Acceptance of Proposal:

The above price and specifications are satisfactory and are hereby accepted. You are authorized to do the work as specified.

Accepted By:  Date: 8/14/09

FROM:
 TAKEMOTO ELECTRIC, INC.
 1623 DEMOCRAT STREET
 HONOLULU, HAWAII 96819
 PH 841-6208 FAX 841-7492

I N V O I C E

SOLD TO:
 HAWAIIAN ISLAND HOMES
 931 UNIVERSITY AVE. #205
 HONOLULU, HAWAII 96826

SHIP TO: 1533 Nehoa St. #2
 Attn: Kyle
 952-6113

11:53AM

ORDER NO	INVOICE NO	ORDER DATE	INVOICE DATE	CUSTOMER	CUSTOMER P.O. NO.	SLSMN
42696	46349	8/27/09	8/27/09	62427 NEHOA ST. (KYLE)		11
TERMS	SHIP VIA/ROUTING	DATE REQUESTED	SHIPPED	LOC	TAKEN BY	
NET 30		8/27/09		2	MERCY	

PART NUMBER	H/M DESCRIPTION	QTY ORD	QTY SHP	QTY BKO	PRICE	U/M	AMOUNT
				SHIP UNITS.		DISC%	
X	ESTIMATE TO UPGRADE EXISTING CIRCUIT BREAKER PANEL, & TO INSTALL 2 EACH 220V CIRCUIT FOR SPLIT AC. UNIT.	1	EA	1	0	3500.00 EA	3,500.00
	EACH UNIT						
	TERMS: 50% DOWNPAYMENT BEFORE WORK START. BALANCE PAYABLE UPON COMPLETION OF WORK. PRICE IS GOOD FOR 30 DAYS.						
	TOTAL GROSS						3,500.00
	TOTAL TAX						164.92
	INVOICE AMOUNT						3,664.92

***** ORIGINAL INVOICE *****
 *** PLEASE PAY FROM THIS INVOICE ***
 *** THANK YOU FOR YOUR BUSINESS ***

APPROVED FOR
 PAYMENT _____

Date: ____/____/____