

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

|                          |  |
|--------------------------|--|
| CONDOMINIUM PROJECT NAME | 61-237 KAMEHAMEHA HIGHWAY                        |
| Project Address          | 61-237 Kamehameha Highway, Haleiwa, Hawaii 96712 |
| Registration Number      | 6934 (Conversion)                                |
| Effective Date of Report | <b>February 16, 2010</b>                         |
| Developer(s)             | Lillie Y. Kaya Family Limited Partnership        |

**Preparation of this Report**

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

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

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

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

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

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

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

## SPECIAL ATTENTION

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

The Developer has disclosed the following:

1. This is a CONDOMINIUM PROJECT, not a subdivision. It does not involve the sale of individual subdivided lots. The land area beneath and immediately appurtenant to each unit is designated as a LIMITED COMMON ELEMENT and not a legally subdivided lot. The dotted lines on the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

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

3. A prospective purchaser of a unit in the Project who wishes to improve or modify his or her residence or change its use, should be aware that he or she will be required to comply with the building codes, land use laws (LUO) and other county laws and ordinances. The LUO, for example, contains restrictions relating to the permissible use of the land, the number of dwelling units permitted, and the amount of total development permitted on the entire Project land area. Before buying a unit in the Project, a prospective purchaser, together with an architect or professional builder is urged to review the LUO and all other applicable County ordinances which may affect the Purchaser's use of his or her unit and to review their intended plans with the appropriate County officials. The Developer disclaims all warranties with respect to Purchaser's being able to use the unit for his or her intended purposes.

4. The boundary survey completed on June 10, 2009, revealed the existence of several encroachments affecting the property. A copy of the survey is on file with the Real Estate Commission and available for inspection with the Developer. No agreements have been entered into with the neighboring property owners regarding the ownership of these encroachments or the responsibility for maintenance or repair.

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

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING. EACH BUYER IS ALSO ADVISED TO CONTACT THE APPROPRIATE GOVERNMENT AGENCIES TO DETERMINE WHERE THERE ARE SPECIFIC REQUIREMENTS FOR THIS PROPERTY. BUYERS ARE ALSO ADVISED TO CONSULT WITH THEIR OWN ATTORNEY AND OTHER APPROPRIATE PROFESSIONALS REGARDING THE PROJECT.

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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                                     |  |
| Address of Project   | 61-237 Kamehameha Highway, Haleiwa, Hawaii 96712   |
| Address of Project is expected to change because                                       |  |
| Tax Map Key (TMK)  | (1) 6-1-003:024 & 042  |
| Tax Map Key is expected to change because  | Individual CPR numbers will be issued for each unit  |
| Land Area  | 38,285 sq. ft.   |
| Developer's right to acquire the Property if Developer is not the Fee Owner (describe) |  |

**1.2 Buildings and Other Improvements**

|  |   |
|--|---|
| Number of Buildings  | Two   |
| Floors Per Building  | One   |
| Number of New Building(s)  | None  |
| Number of Converted Building(s)  | Two   |
| Principle Construction Materials (concrete, wood, hollow tile, steel, glass, etc.) | Wood and glass. Unit A has roll roofing and Unit B has metal roofing. |

**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 |
|-------------------|----------|---------|-----------------|-----------------|----------------------------------|------------|
| Unit A            | 1        | 4/1     | 1,501           | 551             | patios                           | 2,052      |
| Unit B            | 1        | 0/0     | 83              | 293             | patio                            | 376        |
|                   |          |         |                 |                 |                                  |            |
|                   |          |         |                 |                 |                                  |            |
|                   |          |         |                 |                 |                                  |            |
|                   |          |         |                 |                 |                                  |            |
|                   |          |         |                 |                 |                                  |            |
|                   |          |         |                 |                 |                                  |            |
| See Exhibit _____ |          |         |                 |                 |                                  |            |

|   |                              |
|---|------------------------------|
| 2 | <b>Total Number of Units</b> |
|---|------------------------------|

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

**1.4 Parking Stalls**

|   |                                |
|---|--------------------------------|
| Total Parking Stall in the Project:   | 2                              |
| Number of Guest Stalls in the Project:  | 0                              |
| Number of Parking Stalls Assigned to Each Unit:   | Unit A - 2; Unit B* see below. |
| Attach Exhibit _____ 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.   |                                |
| *Unit B is a shed and parking is permitted within Unit B's limited common element area.   |                                |

**1.5 Boundaries of the Units**

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

**1.6 Permitted Alterations to the Units**

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

**1.7 Common Interest**

|   |
|---|
| <u>Common Interest</u> : Each unit will have a percentage interest in the common elements appurtenant to each unit. This interest is called the "common interest". It is used to determine each unit's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by unit owners. The common interest for each unit in this project, as described in Declaration, is: |
| Described in Exhibit _____.   |
| As follows:<br>Each unit has an undivided fifty percent (50%) interest in the common elements.  |

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

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

**1.9 Common Elements**

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

Described in Exhibit C.

Described as follows:

| Common Element | Number |
|----------------|--------|
| Elevators      | 0      |
| Stairways      | 0      |
| Trash Chutes   | 0      |

**1.10 Limited Common Elements**

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

Described in Exhibit D.

Described as follows:

**1.11 Special Use Restrictions**

The Declaration and Bylaws may contain restrictions on the use and occupancy of the units. Restrictions for this project include, but are not limited to, those described below.

|                                     |  |
|-------------------------------------|--|
| <input type="checkbox"/>            | Pets:  |
| <input type="checkbox"/>            | Number of Occupants:   |
| <input checked="" type="checkbox"/> | Other: Residential purposes and other uses as permitted by law |
| <input type="checkbox"/>            | There are no special use restrictions.                         |

**1.12 Encumbrances Against Title**

An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of a unit in the project. Encumbrances shown may include blanket liens which will be released prior to conveyance of a unit (see Section 5.3 on Blanket Liens).

Exhibit E describes the encumbrances against title contained in the title report described below.

Date of the title report: December 1, 2009

Company that issued the title report: Hawaii Escrow & Title, Inc.

**1.13 Uses Permitted by Zoning and Zoning Compliance Matters**

| Uses Permitted by Zoning  |                            |              |   |        |
|---|----------------------------|--------------|---|--------|
|   | Type of Use                | No. of Units | Use Permitted by Zoning   | Zoning |
| <input checked="" type="checkbox"/>   | Residential                | 1            | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | R-5    |
| <input type="checkbox"/>  | Commercial                 |              | <input type="checkbox"/> Yes <input type="checkbox"/> No            |        |
| <input type="checkbox"/>  | Mix Residential/Commercial |              | <input type="checkbox"/> Yes <input type="checkbox"/> No            |        |
| <input type="checkbox"/>  | Hotel                      |              | <input type="checkbox"/> Yes <input type="checkbox"/> No            |        |
| <input type="checkbox"/>  | Timeshare                  |              | <input type="checkbox"/> Yes <input type="checkbox"/> No            |        |
| <input type="checkbox"/>  | Ohana                      |              | <input type="checkbox"/> Yes <input type="checkbox"/> No            |        |
| <input type="checkbox"/>  | Industrial                 |              | <input type="checkbox"/> Yes <input type="checkbox"/> No            |        |
| <input type="checkbox"/>  | Agricultural               |              | <input type="checkbox"/> Yes <input type="checkbox"/> No            |        |
| <input type="checkbox"/>  | Recreational               |              | <input type="checkbox"/> Yes <input type="checkbox"/> No            |        |
| <input checked="" type="checkbox"/>   | Other (Specify): shed      | 1            | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | R-5    |
| 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No |        |
| Describe any variances that have been granted to zoning code                            |                            |              | See "Conditional Use Permit" on page 18*                            |        |

**1.14 Other Zoning Compliance Matters**

| Conforming/Non-Conforming Uses, Structures and Lots   |                                     |                          |                          |
|---|-------------------------------------|--------------------------|--------------------------|
| <p>In general, a non-conforming use, structure or lot is a use, structure or lot that was lawful at one time but that does not now conform to present zoning requirements. Under present zoning requirements, limitations may apply to extending, enlarging or continuing the non-conformity and to altering and repairing non-conforming structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.</p> <p>If a variance has been granted or if uses, structures or lots are either non-conforming or illegal, the purchaser should consult with county zoning authorities as to possible limitations that may apply in situations such as those described above.</p> <p>A purchaser may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure or lot.</p> |                                     |                          |                          |
|   | Conforming                          | Non-Conforming           | Illegal                  |
| Uses  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Structures  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Lot   | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <p>If a non-conforming use, structure or lot exists in this project, this is what will happen under existing laws or codes if the structure is damaged or destroyed:</p>  |                                     |                          |                          |

**1.15 Conversions**

|   |  |
|---|--|
| <p><b>Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.</b></p>   | <p><input checked="" type="checkbox"/> <b>Applicable</b></p> <p><input type="checkbox"/> <b>Not Applicable</b></p> |
| <p>Developer's statement, based upon a report prepared by a Hawaii-licensed architect or engineer, describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the units:<br/>         In accordance with the report dated October 16, 2008, prepared by Edward Resh, Registered Professional Architect No. 3239, a copy of which is attached as Exhibit F, the structural components and mechanical and electrical installations material to the use and enjoyment of the units are in good condition, consistent with their age.</p> |  |
| <p>Developer's statement of the expected useful life of each item reported above:<br/>         In accordance with Section 514B-84(a) (1)(B), HRS, Developer is not making any representations regarding the expected useful life of the structural components and the mechanical and electrical installations.</p>  |  |
| <p>List of any outstanding notices of uncured violations of any building code or other county regulations:<br/>         n/a</p>   |  |
| <p>Estimated cost of curing any violations described above:<br/>         n/a</p>  |  |

|  |  |
|--|--|
| <p><b>Verified Statement from a County Official</b></p>  |  |
| <p>Regarding any converted structures in the project, attached as Exhibit <u>G</u> is a verified statement signed by an appropriate county official which states that either:</p> <p>(A) The structures are in compliance with all zoning and building ordinances and codes applicable to the project at the time it was built, and specifying, if applicable:</p> <ul style="list-style-type: none"> <li>(i) Any variances or other permits that have been granted to achieve compliance;</li> <li>(ii) Whether the project contains any legal non-conforming uses or structures as a result of the adoption or amendment of any ordinances or codes; and</li> <li>(iii) Any violations of current zoning or building ordinances or codes and the conditions required to bring the structure into compliance;</li> </ul> <p 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><b>Is the project in an agricultural district as designated by the land use laws of the State of Hawaii?</b><br/> <b>If answer is "Yes", provide information below.</b></p>  | <p><input type="checkbox"/> Yes<br/> <input checked="" type="checkbox"/> No</p> |
| <p>Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable state and county land use laws? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation.</p>  |   |
| <p>Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable county real property tax laws? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.</p> |   |
| <p>Other disclosures and information:</p>   |   |

**1.17 Project with Assisted Living Facility**

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

## 2. PERSONS CONNECTED WITH THE PROJECT

|  |   |
|--|---|
| <b>2.1 Developer(s)</b>  | Name: Lillie Y. Kaya Family Limited Partnership<br><br>Business Address: 2115 Aupuni Street, Honolulu, HI 96817<br><br>Business Phone Number :<br>E-mail Address: |
| Names of officers and directors of developers that are corporations; general partners of a partnership; partners of a limited liability partnership (LLP); or a manager and members of a limited liability company (LLC) (attach separate sheet if necessary). | Maurice Y. Kaya, General Partner<br>Judith J. Kaya, General Partner   |
| <b>2.2 Real Estate Broker</b>  | Name: Abe Lee Realty, LLC<br>Business Address: 1585 Kapiolani Blvd. #1533, Hono. HI 96814<br><br>Business Phone Number: 942-4472<br>E-mail Address:               |
| <b>2.3 Escrow Depository</b>   | Name: Hawaii Escrow & Title, Inc.<br>Business Address: 1100 Alakea St., 5th Fl., Hono. HI 96813<br><br>Business Phone Number: 532-2799                            |
| <b>2.4 General Contractor</b>  | Name: N/A<br>Business Address:<br><br>Business Phone Number:  |
| <b>2.5 Condominium Managing Agent</b>  | Name: None. Self managed by the Association.<br>Business Address:<br><br>Business Phone Number:   |
| <b>2.6 Attorney for Developer</b>  | Name: Jennifer A. Aquino AAL ALC<br>Business Address: 1188 Bishop St. #3009, Hono. HI 96813<br><br>Business Phone Number: 526-9400                                |

### 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               | January 7, 2010  | 2010-004032     |

#### Amendments to Declaration of Condominium Property Regime

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

#### 3.2 Bylaws of the Association of Unit Owners

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

| Land Court or Bureau of Conveyances | Date of Document | Document Number |
|-------------------------------------|------------------|-----------------|
| Bureau of Conveyances               | January 7, 2010  | 2010-004033     |

#### 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 | 4869 |

Dates of Recordation of Amendments to the Condominium Map:

**3.4 House Rules**

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

The House Rules for this project:

|  |                                     |  |
|--|-------------------------------------|--|
| Are Proposed                                 | <input type="checkbox"/>            |  |
| Have Been Adopted and Date of Adoption       | <input type="checkbox"/>            |  |
| Developer does not plan to adopt House Rules | <input checked="" 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%                | 100%             |
| Bylaws      | 67%                | 67%              |

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

|                                     |  |
|-------------------------------------|--|
| <input type="checkbox"/>            | No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).  |
| <input checked="" type="checkbox"/> | Developer has reserved the right to change the Declaration, Bylaws, Condominium Map and House Rules (if any) and to add to or merge the project or to develop the project in one or more phases, and such rights are summarized as follows:<br><br>See Exhibit H |

#### 4. CONDOMINIUM MANAGEMENT

##### 4.1 Management of the Common Elements

|  |  |
|--|--|
| <u>Management of the Common Elements:</u> The Association of Unit Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project. |  |
| The initial Condominium Managing Agent for this project is (check one):  |  |
| <input type="checkbox"/>   | Not affiliated with the Developer              |
| <input checked="" type="checkbox"/>  | None (self-managed by the Association)         |
| <input type="checkbox"/>   | The Developer or an affiliate of the Developer |
| <input type="checkbox"/>   | Other (explain)                                |

##### 4.2 Estimate of the Initial Maintenance Fees

|  |
|--|
| <u>Estimate of the Initial Maintenance Fees:</u> The Association will make assessments against your unit to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your unit and the unit may be sold through a foreclosure proceeding. Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided. |
| Exhibit <u>1</u> contains a breakdown of the estimated annual maintenance fees and the monthly estimated maintenance fee for each unit, certified to have been based on generally accepted accounting principles, with the Developer's statement as to when a unit owner shall become obligated to start paying the unit owner's share of the common expenses.   |

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

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

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

|  |                               |
|--|-------------------------------|
| 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 type="checkbox"/>   | Gas for the Unit only         |
| <input checked="" type="checkbox"/>  | Water                         |
| <input checked="" type="checkbox"/>  | Sewer                         |
| <input checked="" type="checkbox"/>  | TV Cable                      |
| <input type="checkbox"/>   | Other (specify)               |

## 5. SALES DOCUMENTS

### 5.1 Sales Documents Filed with the Real Estate Commission

|                                     |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Specimen Sales Contract<br>Exhibit J ___ 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: October 15, 2009<br>Name of Escrow Company: Hawaii Escrow & Title, Inc.<br>Exhibit K ___ contains a summary of the pertinent provisions of the escrow agreement. |
| <input type="checkbox"/>            | Other:   |

### 5.2 Sales to Owner-Occupants

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

|                          |  |
|--------------------------|--|
| <input type="checkbox"/> | The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B.   |
| <input type="checkbox"/> | Developer has designated the units for sale to Owner-Occupants in this report.<br>See Exhibit ____ . |
| <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 checked="" type="checkbox"/> | There are <u>no blanket liens</u> affecting title to the individual units.    |
| <input type="checkbox"/>            | There are <u>blanket liens</u> that may affect title to the individual units. |

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

### 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:<br>Units will be sold "as is".   |
| Appliances:<br>Units will be sold "as is".  |

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

|  |
|--|
| <p>Status of Construction:<br/>                 Construction on Unit A was completed in approximately 1935. Unit B is a shed constructed over 5 years ago.</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:<br/>                 n/a</p>  |
| <p>Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract:<br/>                 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 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> |
|--------------------------|--|

**5.6.2 Purchaser Deposits Will Be Disbursed Before Closing**

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

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

## 5.7 Rights Under the Sales Contract

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

|    |  |
|----|--|
| 1. | <b>Developer's Public Report</b>   |
| 2. | <b>Declaration of Condominium Property Regime (and any amendments)</b>   |
| 3. | <b>Bylaws of the Association of Unit Owners (and any amendments)</b>   |
| 4. | <b>Condominium Map (and any amendments)</b>  |
| 5. | House Rules, if any  |
| 6. | Escrow Agreement   |
| 7. | Hawaii's Condominium Property Act (Chapter 514B, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended), provided that rules and regulations under Chapter 514B have not yet been adopted. |
| 8. | Other:<br>Agreement for Issuance of Conditional Use Permit Under Section 21-5.380 of the Land Use Ordinance (LUO) dated 12-20--, Document No. 2007-223945.   |

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

Website to access official copy of laws: [www.capitol.hawaii.gov](http://www.capitol.hawaii.gov)

Website to access rules: [www.hawaii.gov/dcca/har](http://www.hawaii.gov/dcca/har)

## 5.8 Purchaser's Right to Cancel or Rescind a Sales Contract

A purchaser's right to cancel a sales contract or to rescind a sales contract may arise under varying circumstances. In the sections below, some circumstances that will give rise to a purchaser's right to cancel or rescind are described, together with what a purchaser must do if the purchaser wishes to exercise any of the rights.

### 5.8.1 When a Sales Contract becomes Binding and Purchaser's 30-Day Right to Cancel a Sales Contract

A sales contract signed by a purchaser and the developer will not become binding on a purchaser or the Developer until the following events have taken place:

- (1) The purchaser has signed the sales contract.
- (2) The Developer has delivered to the purchaser a true copy of the developer's public report with an effective date issued by the Commission, together with all amendments to the report as of the date of delivery, and the project's recorded Declaration and Bylaws, House Rules (if any), the Condominium Map and any amendments to them to date (all of which are a part of the developer's public report). If it is impracticable to include a letter-sized Condominium Map, the Developer must provide written notice of an opportunity to examine the Condominium Map.
- (3) The Developer has delivered to the purchaser a notice of the purchaser's 30-day cancellation right on a form prescribed by the Commission.
- (4) The purchaser does at least one of the following:
  - (a) Waives the purchaser's right to cancel the sales contract within 30 days from receipt of the notice of the purchaser's 30-day cancellation right; or

(b) Allows the 30-day cancellation period to expire without exercising the right to cancel; or

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

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

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

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

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

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

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

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

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

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

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

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

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

**HAZARDOUS MATERIALS:** The developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The developer has made no independent investigation as to asbestos or other hazardous substances in the units or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated 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. Buyer acknowledges that in light of the age of the Project, there may be asbestos and other hazardous substances in the units, or in, under or around the Project, and Buyer should have the unit inspected to determine the extent (if any) of such contamination and any necessary remedial action. The developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the developer from any liability to Buyer if any hazardous materials are discovered.

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

**CONDITIONAL USE PERMIT.** On December 10, 2007, Conditional Use Permit-Minor 2007/CUP-139 was issued to allow the joint development of the two lots (TMK (1) 6-1-3:24 & 42) to provide street access for Parcel 24. Buyer is advised to carefully review the Conditional Use Permit (See Exhibit "G") and the Agreement For Issuance Of Conditional Use Permit Under Section 21-5.380 Of The Land Use Ordinance (LUO) dated December 20, ---, recorded December 31, 2007 as Document No. 2007-223945. A copy of the Agreement is on file with the Real Estate Commission and is also available from the Developer.

**ACCESS EASEMENT IN FAVOR OF UNIT A.** An access easement consisting of 283 sq. ft., more or less, is reserved in Unit A over a portion of the limited common element area appurtenant to Unit B. The easement is for pedestrian access to and from Unit A and the rock steps as shown on the Condominium Map. The prospective buyer of a Unit, especially Unit B, is advised to carefully review Section C of the Declaration and the Condominium Map regarding the easement.

**FLOOD HAZARD ZONE AND TSUNAMI INUNDATION AREA.** The property is located within the boundaries of a special flood hazard area as officially designated on the Flood Insurance Administration maps promulgated by the appropriate Federal agencies for the purposes of determining eligibility for emergency flood insurance programs. The property is also located within the anticipated tsunami inundation area as designated by the Department of Civil Defense Tsunami Inundation maps.

**DISCLOSURE REGARDING SPECIAL MANAGEMENT AREA.** The property is located within the Special Management Area (SMA) as established by Chapter 25, Revised Ordinances of Honolulu, and delineated on maps established by the City and County of Honolulu. Construction within the SMA may require a special management area use permit. Potential purchasers are strongly urged to consult with the Department of Planning and Permitting of the City and County of Honolulu before purchasing a unit in the Project to determine what impact, if any, this may have on purchaser's ownership of the Unit.

**MANAGEMENT OF PROJECT.** The Project's Association of Unit Owners and Board of Directors are responsible for the management of the Project. Under the Project's Declaration and Bylaws, each Owner must attend Association and Board meetings in order to establish a quorum, and any decision of the Association or the Board requires the concurrence of both Owners or their designated representatives, respectively.

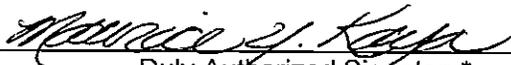
The Developer declares subject to the penalties set forth in Section 514B-69, HRS, that this project conforms to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located,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

LILLIE Y. KAYA FAMILY LIMITED PARTNERSHIP

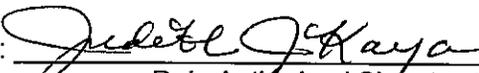
Printed Name of Developer

By:   
Duly Authorized Signatory\*

JAN 07 2010

Date

Maurice Y. Kaya, General Partner  
Printed Name & Title of Person Signing Above

By:   
Duly Authorized Signatory\*

JAN 07 2010

Date

Judith J. Kaya, General Partner  
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**

### **BOUNDARIES AND DESCRIPTION OF THE UNITS**

Section A.1 of the Declaration states that the project consists of two (2) separate and distinct freehold estates.

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

(a) Unit A contains one-story in which there are four (4) Bedrooms, one (1) Bath, a Living/Dining area, a Kitchen, a Front Patio, and a Back Patio, as shown on said Condominium Map. Unit A contains a net living area of approximately 1,501 square feet. The two (2) Patios contain approximately 551 square feet.

(b) Unit B contains one story and is a shed consisting of approximately 83 square feet with a Patio consisting of approximately 293 square feet, as shown on said Condominium Map.

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

The Developer or any owner of a Unit has the reserved right to renovate or remove either Unit or a portion thereof, and to rebuild, renovate and/or add to said Unit as provided for in Section Q of the Declaration.

## **EXHIBIT B**

### **PERMITTED ALTERATIONS TO THE UNITS**

Section L of the Declaration provides that no work shall be done to the Units, the limited common elements appurtenant thereto, or any other part of the Project, by any owner of a Unit or any other person, which could jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement, as reasonably determined by the Board. Except as otherwise provided by law, and subject to the requirements set forth in Section Q of the Declaration, all additions to or alterations of any Unit or its appurtenant limited common elements by the owner of such Unit shall be permitted without restriction, provided that the alteration or addition shall not affect the other Unit or limited common elements appurtenant thereto, and the owner or other person making such additions or alterations shall comply strictly with all applicable laws, ordinances, rules and regulations of any governmental entity, and shall also obtain all necessary permits, at such owner or person's sole expense.

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

## **EXHIBIT C**

### **COMMON ELEMENTS**

Section A.2 of the Declaration provides that common elements shall consist of all portions of the Project except the Units described in Section A.1 of the Declaration, and shall specifically include, but not be limited to:

- (a) The Land in fee simple.
- (b) That certain Common Element area consisting of approximately 2,264 square feet, more or less, as shown on the Condominium Map, providing access to the Units from Kamehameha Highway.
- (c) All pipes, wires, conduits, and other utility and service lines which are utilized for or serve both Units.
- (d) Any and all other apparatus and installations of common use, and all other parts of the Project necessary or convenient to its existence, maintenance, and safety, or normally in common use.

## EXHIBIT D

### LIMITED COMMON ELEMENTS

Section A.3 of the Declaration provides that certain parts of the common elements are hereby set aside and reserved for the exclusive use of the Units and shall constitute limited common elements appurtenant thereto. Each Unit shall have an exclusive easement for the use of the limited common elements appurtenant thereto, except as otherwise provided in the Declaration. The cost of maintenance, repair, upkeep, and replacement of each limited common element shall be assessed to the owner of the Unit to which such limited common element is appurtenant. The limited common elements shall be appurtenant to each of the Units as follows:

(a) That certain 14,045 square feet, more or less, of the real property of the Project which includes the real property upon which Unit A is situated, as shown on said Condominium Map, inclusive of the airspace located above such area, shall constitute a limited common element appurtenant to and for the exclusive use of Unit A.

(b) That certain 21,976 square feet, more or less, of real property of the Project which includes the real property upon which Unit B is situated, inclusive of the airspace located above such area, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit B.

(c) Unit A shall have appurtenant thereto two (2) parking spaces located within the limited common element area of said Unit, as shown on said Condominium Map. Unit B is currently a storage shed and parking for said Unit is located within the limited common element area appurtenant to said Unit.

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

## **EXHIBIT E**

### **ENCUMBRANCES AGAINST TITLE**

1. For real property taxes due and owing, reference is made to the Budget And Fiscal Services, Real Property Assessment Division, City And County Of Honolulu.
2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. AGREEMENT FOR ISSUANCE OF CONDITIONAL USE PERMIT UNDER SECTION 21-5.380 OF THE LAND USE ORDINANCE (LUO), dated December 20, -----, acknowledged December 20, 2007, recorded as Document No. 2007-223945; affecting Parcels 24 and 42.
4. Any matters as set forth in the Surveyor's Survey Map dated January 30, 2009, prepared by Jaime F. Alimboyoguen, a Licensed Professional Land Surveyor, Certificate No. 8216.
5. Any matters as set forth in the Surveyor's Report dated June 10, 2009, and Survey Map dated June 8, 2009, prepared by Jaime F. Alimboyoguen, a Licensed Professional Land Surveyor, Certificate No. 8216.
6. Declaration Of Condominium Property Regime Of 61-237 Kamehameha Highway, dated January 7, 2010, recorded as Document No. 2010-004032.  
  
Condominium Map No. 4869, filed in the Bureau Of Conveyances of the State of Hawaii.
7. By-Laws Of The Association Of Unit Owners Of 61-237 Kamehameha Highway, dated January 7, 2010, recorded as Document No. 2010-004033.

ARCHITECT / ENGINEER INSPECTION REPORT  
(conversion)

**October 13, 2008**

Real Estate Commission  
Department of Commerce and Consumer Affairs  
State of Hawaii  
Seventh Floor, 1010 Richards Street  
Honolulu, HI 96813

RE: **"61-237 Kamehameha Highway"**  
Address/Unit Number: **61-237 Kamehameha Highway, Haleiwa, HI 96712**  
**Unit A and Unit B**  
TMK: **(1) 6-1-003:024 and (1) 6-1-003:042**

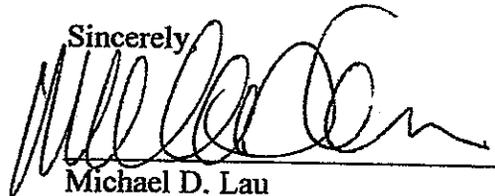
Submission for Final Public Report

Dear Commissioners:

The undersigned, being Registered Professional Architect, number 8385 in the State of Hawaii, hereby declares as follows:

1. On or about July 2007, I visited the residential structures of the above referenced property.
2. The Main Residence was built on or about 1949. Without invasive examination of covered components, my observations are that Main Residence's structural components and mechanical and electrical installations are in average condition. No representation is made regarding the expected useful life of the structural components and mechanical and electrical installations.

Sincerely



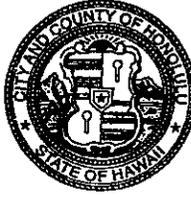
Michael D. Lau  
Registered Professional  
Architect No. 8385

EXHIBIT F

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

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

MUFU HANNEMANN  
MAYOR



HENRY ENG, FAICP  
DIRECTOR

DAVID K. TANOUE  
DEPUTY DIRECTOR

March 14, 2008

2007/ELOG-1521(RLK)

Mr. Abe Lee  
Abe Lee Realty  
1585 Kapiolani Boulevard, #1533  
Honolulu, Hawaii 96814

Dear Mr. Lee:

Subject: Condominium Conversion Project  
61-237 Kamehameha Highway  
Tax Map Key (TMK): 6-1-003: 024 and 6-1-003: 042

This is in response to a request by your agent Brandy Ginoza, for a re-inspection of the property to verify that deficiencies mentioned in our letter dated September 28, 2007, [Ref. No. 2007/ELOG-1521(RLK)] were corrected.

An inspection on February 29, 2008, revealed that the deficiencies have been corrected. The shower/toilet facility, tool storage/work shed and patio at the right rear of the property were all removed.

On December 10, 2007, a Conditional Use Permit [File No. 2007/CUP-139(GU)] was granted approval for joint development of TMK: 6-1-003: 024 and 6-1-003: 42, thereby providing street access for Parcel 24 over TMK: 6-1-003: 042 to Kamehameha Highway.

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,

A handwritten signature in cursive script that reads "Henry Eng".

Henry Eng, FAICP, Director  
Department of Planning and Permitting

HE:dkk

doc601550

EXHIBIT 9

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813  
TELEPHONE: (808) 768-8000 • FAX: (808) 527-6700  
INTERNET: [www.honolulu.gov](http://www.honolulu.gov) • DEPT. WEB SITE: [www.honolulu.gov/dpp](http://www.honolulu.gov/dpp)



MUFI HANNEMANN  
MAYOR

HENRY ENG, FAICP  
DIRECTOR

DAVID K. TANOUE  
DEPUTY DIRECTOR

2007/ELOG-1521(RLK)

September 28, 2007

Mr. Abe Lee  
Abe Lee Realty  
1585 Kapiolani Boulevard, #1533  
Honolulu, Hawaii 96814

Dear Mr. Lee:

Subject: Condominium Conversion Project  
61-237 Kamehameha Highway  
Tax Map Key (TMK): 6-1-03: 24 and 6-1-03: 42

This is in response to Judith Kaya's letter dated May 15, 2007, requesting verification that the structure on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the one-story single-family detached dwelling with two (2) all-weather-surface off-street parking spaces was constructed in approximately 1935 on this 31,581-square-foot R-5 Residential District zoned lot (TMK: 6-1-03: 24). TMK: 6-1-03: 42 (6,440 square-feet) is vacant.

Investigation also revealed the following:

1. There are no City records of building permits having been obtained for the shower/toilet facility, the tool storage/work shed and the patio at the right rear of the property which requires a minimum side yard setback of five (5) feet and the rear shoreline setback.
2. There are also no City records of access easement rights from TMK: 6-1-03: 24 to access Kamehameha Highway over TMK: 6-1-03: 42.
3. The unimproved driveway is considered nonconforming.

Mr. Abe Lee  
Abe Lee Realty  
September 28, 2007  
Page 2

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

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

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

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

Very truly yours,



Henry Eng, FAICP, Director  
Department of Planning and Permitting

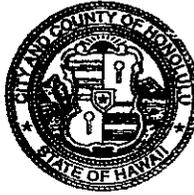
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DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

350 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813  
TELEPHONE: (808) 768-8000 • FAX: (808) 527-6742  
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MUFI HANNEMANN  
MAYOR



HENRY ENG, FAICP  
DIRECTOR

DAVID K. TANOUE  
DEPUTY DIRECTOR

2007/CUP-139(GU)

| PERMIT:                  | CONDITIONAL USE PERMIT-MINOR        |
|--------------------------|-------------------------------------|
| File Number:             | 2007/CUP-139                        |
| Applicant/<br>Landowner: | Lillie Y. Kaya Ltd. Partnership     |
| Agent:                   | Abe Lee                             |
| Location:                | 61-237 Kamehameha Highway - Haleiwa |
| Tax Map Key:             | 6-1-3: 24 and 42                    |
| Zoning :                 | R-5 Residential District            |
| Date Received:           | November 13, 2007                   |
| Date Accepted:           | November 28, 2007                   |

The Conditional Use Permit-Minor application for the joint development of two (2) abutting subdivision lots is **APPROVED**, subject to the following conditions:

1. **Prior to the submittal of building permit application, the applicant shall:**
  - a. **Submit an executed joint development agreement for review and approval by the Director of Planning and Permitting.** The submitted agreement shall include exhibits describing the lots to be jointly developed as they are recorded with the Bureau of Conveyances and/or Land Court of the State of Hawaii.
  - b. **File the approved agreement with the Bureau of Conveyances and/or Assistant Registrar of the Land Court of the State of Hawaii.** Proof of such filing shall be in the form of a copy certified by that agency and shall be submitted to the Department of Planning and Permitting (Urban Design Branch).

**[NOTE: DO NOT RECORD THE JOINT DEVELOPMENT AGREEMENT PRIOR TO ITS REVIEW AND APPROVAL BY THE DIRECTOR OF PLANNING AND PERMITTING.]**

2. All lots or parcels identified in the exhibits of the approved joint development agreement shall be considered to be one (1) zoning lot.

3. This application has only been reviewed and approved pursuant to the provisions of Section 21-5.380, and development shall comply with all other provisions of the Land Use Ordinance.
4. Approval of this permit shall not be construed as approval of any building permit application; such applications are reviewed separately and shall comply with applicable codes and regulations. Nor does approval of this permit constitute compliance with any other governmental agencies' requirements.
5. The Director of Planning and Permitting may modify the conditions of this permit by imposing additional conditions, modifying existing conditions, or deleting conditions deemed satisfied upon a finding that circumstances related to the approved project have significantly changed so as to warrant a modification to the conditions of approval.
6. This approval may be revoked by the Director of Planning and Permitting when there is a breach of any of the conditions stated above; provided that, for good cause, the Director may amend the above conditions.

The joint development of the two (2) subdivision lots, identified as Tax Map Key 6-1-3: 24 and 42, is necessary to provide street access for Parcel 24. The proposed joint development is permitted in the R-5 Residential District with an approved Conditional Use Permit (Minor). The parcels are suitable for the joint development considering their size, shape, location, topography, infrastructure and natural features, and will result in more efficient use of the land. The proposed joint development will not alter the character of the surrounding area in a manner substantially limiting, impairing or precluding the use of the surrounding properties for the principal uses permitted in the underlying zoning district. And, as it is intended only to provide access for Parcel 24, the joint development at its proposed location will be consistent with adopted land use policies and have no impact on the general welfare of the neighborhood and community at large.

Any party (to the case) wishing to appeal the Director's action must submit a written petition to the Zoning Board of Appeals (ZBA) within 30 calendar days from the date of mailing or personal service of the director's written decision (Zoning board of Appeals Rules Relating to Procedure for Appeals, Rule 22-2, Mandatory Appeal filing Deadline). Essentially, the ZBA's rules require that a petitioner show that the Director based his action on an erroneous finding of a material fact and/or that the Director acted in an arbitrary or capricious manner, or manifestly abused his discretion. Generally, the ZBA can only consider the evidence previously presented to the Director of Planning and Permitting. The filing fee for appeals to the ZBA is \$200 (payable to the City and County of Honolulu).

Failure to comply with ZBA Rules Chapter 22, Procedure for Appeals, may result in the dismissal of the appeal. Copies of the ZBA rules are available at the Department of Planning and Permitting. Appeals should be addressed to:

Zoning Board of Appeals  
c/o Department of Planning and Permitting  
650 South King Street  
Honolulu, Hawaii 96813

Should you have any questions, please contact Geri Ung of our staff at 768-8034.

Doc. 585224

**THIS COPY, WHEN SIGNED BELOW, IS NOTIFICATION OF THE ACTION TAKEN.**

Antony X. Chung      FOR Director      December 10, 2007  
SIGNATURE      TITLE      DATE

This approval does not constitute approval of any other required permits, such as building or sign permits.

## **EXHIBIT H**

### **DEVELOPER'S RESERVED RIGHTS TO CHANGE PROJECT & DOCUMENTS**

1. Section C of the Declaration provides that at any time prior to the closing of the last sale of a Unit in the Project owned by the Developer, the Developer reserves the right: (1) to grant easements over, across, and under the common elements, including, without limitation, easements for utilities, sanitary and storm sewers, cable television, walkways, roadways and rights-of-way, and (2) to relocate or realign any existing easements and rights-of-way over, across, and under the common elements, including, without limitation, any existing utilities, sanitary and sewer lines, and cable television lines, and connect same, over, across, and under the common elements, provided that such easements and such relocations and connections of lines shall not materially impair or interfere with the use of any Unit.

2. Section M of the Declaration provides that notwithstanding the sale and conveyance of any Unit in the Project, while the Developer retains any ownership interest in the Project, the Developer may, without the consent or joinder of any Unit owner, lienholder thereof, or other person or entity, amend this Declaration, the By-Laws, and/or the Condominium Map to effect any changes or amendments required by law, any title insurance company, or any institutional mortgagee, or as may be required by any governmental or quasi-governmental agency. Each and every party acquiring an interest in the Project, shall, by virtue of such acquisition, consent to such amendments by the Developer, and agrees to execute and deliver such documents and instruments and do all such things necessary and/or convenient to effect the same, and hereby appoints the Developer and its assigns as his or her attorney-in-fact, with full power of substitution to execute, deliver and record such documents and instruments and to do such things on his or her behalf, which grant of such power, being coupled with an interest, is irrevocable for the term of such reserved rights and shall not be affected by any disability of the party or parties.

In addition, at anytime prior to the first recording in the Bureau of Conveyances and/or Office of the Assistant Registrar of the Land Court, State of Hawaii, as the case may be, of a conveyance or transfer of a Unit in the Project from the Developer to any person other than the Developer, the Developer may amend this Declaration, and any of the Exhibits hereto, the By-Laws, and/or the Condominium Map in any manner, without the consent of any purchaser or any other party. No amendment to this Declaration and/or the By-Laws which adversely impacts or negates, or attempts to negate any of the rights reserved by the Developer shall be valid without the expressed written consent of the Developer, Developer's successors and assigns, and contained in said amendment.

## EXHIBIT I

### ESTIMATE OF INITIAL MAINTENANCE FEES

#### Estimate of Initial Maintenance Fees:

| <u>Unit</u> | <u>Monthly Fee x 12 months = Yearly Total</u> |
|-------------|---|
| Unit A      | 0.00  |
| Unit B      | 0.00  |

\* NOTE: No utilities are currently provided for Unit B, which is a shed. When installed by the owner of Unit B, the utilities for that Unit may be separately metered or submetered or otherwise charged. Repair and maintenance of the common elements, including the Common Element driveway and any pipes, wires and conduits that may serve both Units, will be charged to the owners as a common expense by the Board as needed.

The Developer has not conducted a reserve study in accordance with Section 514B-148, Hawaii Revised Statutes, and the replacement reserve rules, Subchapter 5, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

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



## EXHIBIT J - SUMMARY OF SALES CONTRACT

The specimen Sales Contract on file with the Real Estate Commission consists of the Hawaii Association of Realtors Standard Form Purchase Contract, together with attached Addenda. The Purchase Contract contains, among other things, the following provisions:

1. Risk of Loss and Insurance. Risk of loss passes to Buyer upon closing or possession, whichever occurs sooner.
2. Time is of the Essence/Default. Time is of the essence and the closing date may not be extended without Buyer and Seller agreeing in writing. In the event Buyer fails to perform Buyer's obligations under the Sales Contract, Seller may terminate the Sales Contract and (a) bring an action for damages for breach of contract, or (b) retain the initial deposit and all additional deposits provided by Buyer as liquidated damages, and the Buyer shall be responsible for any costs incurred in accordance with the Sales Contract.
3. Conversion of Existing Building; No Warranties. Buyer is aware, agrees and affirms that the Project consists of the conversion of two (2) existing buildings into condominium units pursuant to the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes. Based on the letters dated September 28, 2007 and March 14, 2008, issued by the Department of Planning and Permitting, City and County of Honolulu, State of Hawaii ("DPP"), the one-story single-family detached dwelling with two (2) all-weather-surface off-street parking spaces (Unit A) was constructed in approximately 1935. Unit B is a shed constructed over five (5) years ago, and to the best of Developer's knowledge, at the time of its construction was exempt from the requirements of a building permit. On December 10, 2007, a Conditional Use Permit [File No. 2007/CUP-139(GU)] was granted for the joint development of the lots comprising of this Project (Tax Map Key Nos. (1) 6-1-003-024 and (1) 6-1-003-042), thereby providing street access to Kamehameha Highway for Parcel 24. Subject to the penalties of Section 514B-69(b), Hawaii Revised Statutes, to the best of the Developer's knowledge, the Project is in compliance with all zoning and building ordinances and codes and all other permitting requirements adopted by the City and County of Honolulu. The Developer cannot determine, after due inquiry, whether the Project contains any legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes. Based on the DPP letter referenced above, no other variances or special permits have been granted for the property.

It is expressly understood and agreed by and between Seller and Buyer that SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNIT, THE PROJECT, INCLUDING THE COMMON OR LIMITED COMMON ELEMENTS, OR CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN THE UNIT OR IN THE PROJECT, INCLUDING BUT NOT LIMITED TO: A) ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE; B) THE WORKMANLIKE CONSTRUCTION, STRUCTURAL SOUNDNESS, CONDITION OR STATE OF REPAIR, OPERATING ORDER, SAFETY, LIVABILITY OF ANY IMPROVEMENT IN OR WITHIN THE PROJECT; AND C) WHETHER THE PROJECT, THE UNITS, OR ANY OF THE IMPROVEMENTS MEET THE REQUIREMENTS OF ANY BUILDING, ZONING, LAND USE, SET BACK, HEALTH OR OTHER LAW, ORDINANCE, OR RULE OR REGULATION WHICH MAY BE APPLICABLE TO THE PROJECT.

4. Existing "As Is" Condition. Buyer agrees the Unit is being purchased in its "AS IS" condition, without any warranties or representations, expressed or implied. Buyer acknowledges that Buyer will be given an opportunity to inspect the Unit and by closing on the sale of the Unit, Buyer

accepts the Unit in its "AS IS" condition as provided for herein, and agrees and covenants to give up, waive and relinquish any and all rights to assert any claim, demand, proceeding or lawsuit of any kind against Seller or Seller's real estate agents with respect to the condition of the property.

5. Reserved Rights and Restrictions Regarding Alteration of the Units. Section L of the Declaration provides that no work shall be done to the Units, the limited common elements appurtenant thereto, or any other part of the Project, by any owner of a Unit or any other person, which could jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement, as reasonably determined by the Board. Except as otherwise provided by law, and subject to the requirements set forth in Section Q of the Declaration, all additions to or alterations of any Unit or its appurtenant limited common elements by the owner of such Unit shall be permitted without restriction, provided that the alteration or addition shall not affect the other Unit or limited common elements appurtenant thereto, and the owner or other person making such additions or alterations shall comply strictly with all applicable laws, ordinances, rules and regulations of any governmental entity, and shall also obtain all necessary permits, at such owner or person's sole expense. In addition to the foregoing limitations, no owner shall also be allowed, without the express written consent of the other owners, to construct any addition or alteration which would cause his or her Unit to exceed the proportionate share of the maximum allowable floor area and/or buildable area for the lot. Said proportionate share shall be equal to the maximum floor area for the lot multiplied by the percentage of common interest in the Project appurtenant to such Unit.

SELLER MAKES NO WARRANTIES OR REPRESENTATIONS WITH RESPECT TO BUYER'S ABILITY TO USE THE UNIT FOR ANY PARTICULAR PURPOSE. IF BUYER INTENDS TO IMPROVE OR MODIFY THE EXISTING UNIT, BUYER WILL BE REQUIRED TO COMPLY WITH ALL APPLICABLE BUILDING AND ZONING CODES, LAND USE LAWS, AND OTHER COUNTY LAWS AND ORDINANCE. BUYER IS URGED TO CARFULLY REVIEW THE LAND USE LAWS, AND ALL OTHER APPLICABLE COUNTY ORDINANCES AND REGULATIONS WHICH MAY AFFECT THE UNIT, WITH BUYER'S ARCHITECT, PROFESSIONAL BUILDER, OR OTHER PROFESSIONAL CONSULTANT, TO DETERMINE WHETHER THE LAND USE LAWS AND ALL OTHER APPLICABLE COUNTY ORDINANCES MAY AFFECT BUYER'S INTENDED USE OF THE UNIT.

6. Mediation And Arbitration. If any dispute or claim in law or equity arises out of this Agreement, and Buyer and Seller are unable to resolve the dispute themselves, Buyer and Seller agree in good faith to attempt to settle such dispute or claim by mediation under the Commercial Mediation rules of the American Arbitration Association. If such mediation is not successful in resolving such dispute or claim, then such dispute or claim shall be decided by a neutral binding arbitration before a single arbitrator in accordance with the Commercial Arbitration rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator may award reasonable attorney's fees and costs to the prevailing party.
7. Developer's Public Report; Buyer's Right to Cancel or Rescind The Agreement. The Developer's Public Report for the Project has been issued by the Real Estate Commission. Buyer shall receive a copy of that document along with a Receipt For Developer's Public Report (the "Receipt") and a Notice Of Right To Cancel Sales Contract (the "Notice"). Buyer has the right to cancel the Sales Contract under the following conditions:
  - i) At any time within thirty (30) days following the date the Developer's Public Report is delivered to Buyer and the date that the Buyer signs the Sales Contract. If Buyer so cancels

this Agreement, within the thirty (30) day period, Buyer will be entitled to receive a refund of any deposits, less any escrow cancellation fees and other costs up to \$250.00. If Buyer waives Buyer's right to cancel by checking the waiver box on the Notice, and executes and returns the Receipt and Notice within thirty (30) days after delivery to Buyer, this Agreement shall become a binding obligation on both parties immediately upon the return thereof. If Buyer does not return the Receipt and Notice within said thirty (30) day period, or if the Unit is conveyed to Buyer prior to expiration of that thirty (30) day period, then Buyer shall be deemed to have accepted for the Developer's Public Report and to have waived Buyer's right to cancel, thereby causing this Agreement to become a binding obligation on both parties; and

ii) Buyer shall have a thirty (30) day right to rescind this Agreement if there is a material change to the Project which directly, substantially and adversely affects the use or value of Buyer's Unit, the limited common elements appurtenant to the Unit, or the amenities in the Project available for Buyer's use. Seller shall deliver to Buyer a description of the material change and Buyer may waive Buyer's rescission right by either (a) checking the waiver box on the option to rescind, signing it and returning it to Seller; (b) letting the thirty (30) day rescission period expire without taking any action to rescind this Agreement; or (c) closing on the purchase of the Unit before the thirty (30) day rescission period expires. In order to be valid, the rescission form provided for herein must be signed by all Buyers and postmarked to Seller no later than midnight on the thirtieth (30th) calendar day after the date Buyer received the rescission form from Seller. If Buyer's rescission is valid, Buyer shall be entitled to a prompt and full refund of any deposits made by Buyer.

NOTE: This Exhibit contains only a brief description of some of the terms contained in the Sales Contract. Buyer is advised to carefully review the entire Sales Contract and all addendum and appendixes attached to the Sales Contract and become familiar with the terms and conditions contained therein. The Sales Contract is a legally binding document and Buyer is advised to seek independent legal or professional advice.

## EXHIBIT K - SUMMARY OF ESCROW AGREEMENT

An escrow agreement (hereinafter called the "Escrow Agreement") detailing the manner in which purchasers' funds are to be handled, has been executed and a copy thereof has been filed with the Commission. The Escrow Agent is HAWAII ESCROW & TITLE, INC. (hereinafter referred to as "Escrow"). The escrow agreement, among other things, contains the following provisions:

1. Delivery of Sales Contracts to Escrow. As of when Developer shall enter into a sales contract for the sale of a unit in the Project, Developer shall deliver an executed copy of such sales contract to Escrow. Each sales contract shall contain the correct names and addresses of the purchasers, shall require that all payments to be made thereunder shall be made to Escrow and shall be accompanied by the initial deposit required thereunder.

2. Disbursement of Purchaser's Funds. No disbursements of funds held in escrow shall be made unless and until the following conditions have been fulfilled: (a) Escrow shall have received a complete copy of the Public Report issued by the Real Estate Commission and a copy of the notice of the purchaser's thirty-day cancellation right on the form prescribed by the Real Estate Commission; (b) Escrow receives certification from the Developer stating that the requirements of Sections 514B-86 and 514B-87, Hawaii Revised Statutes, as the same may have been amended, have been met; and, if the project is a conversion project, that requirements of Section 521-38, Hawaii Revised Statutes, as amended, have been complied with; (c) Escrow receives satisfactory assurances, including a commitment by a duly licensed title insurer, that the unit has been conveyed free and clear of any liens and that all blanket mortgages and liens have been released from purchaser's unit in accordance with Section 514B-45, Hawaii Revised Statutes; and (d) Purchaser's deed is recorded in the Bureau of Conveyances and/or Office of the Assistant Registrar of the Land Court, State of Hawaii, as the case may be.

3. Return of Purchaser's Funds and Documents.

(a) Cancellation, Termination or Rescission of Sales Contract. Unless otherwise provided in this Agreement, a purchaser shall be entitled to a return of such purchaser's funds held in escrow under a sales contract, and Escrow shall pay such funds to such purchaser, if any one of the following has occurred: (1) Developer and purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held hereunder by Escrow; or (2) Developer or purchaser shall have notified Escrow of Developer's or purchaser's exercise of an option to cancel the sales contract pursuant to any right of cancellation provided therein or otherwise available to Developer or purchaser; or (3) The purchaser shall have notified Escrow of purchaser's exercise of purchaser's right to cancel or terminate the sales contract pursuant to Section 514B-90, Hawaii Revised Statutes; or (4) The purchaser shall have notified Escrow of purchaser's exercise of purchaser's right to rescind the sales contract pursuant to Section 514B-87, Hawaii Revised Statutes.

(b) Refund of Purchaser's Deposit; Cancellation Fee. (1) In the event Escrow receives notice of cancellation or termination of the sales contract pursuant to Sections 6(a)(1), (2) or (3), above, Escrow shall, unless the purchaser has waived or has been deemed to have waived the right to a refund, pay said funds to purchaser, less any cancellation fee commensurate with the work done by Escrow prior to such cancellation and other costs associated with the purchase, up to a maximum of \$250.00; provided, however, that no refund shall be made to a purchaser at the purchaser's request prior to receipt by Developer of written notice from Escrow of Escrow's intent to make such refund. (2) In the event Escrow receives notice of purchaser's election to rescind the sales contract pursuant to Section 6(a)(4), above, Escrow shall promptly return all of said funds to purchaser; provided, however, that no refund shall be made to a purchaser at the purchaser's request prior to receipt by Developer of written notice from Escrow of Escrow's intent to make such refund.

4. Partial Closings. It is understood that partial closings, i.e., closings for some but not all of the units, may be desired by Developer. If Developer desires to close any or all sales at different times, Escrow agrees to cooperate with Developer and shall vary its performance of the directions contained herein in such manner as will facilitate its performance of such partial closings.

NOTE: This Exhibit contains a only a brief description of some of the terms and conditions contained in the Escrow Agreement. Buyer is advised to carefully review the entire Escrow Agreement and become familiar with the terms and conditions contained therein.

Page 2 and End of EXHIBIT "K"