

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

| | |
|--------------------------|---|
| CONDOMINIUM PROJECT NAME | 44-600 KANEOHE BAY DRIVE |
| Project Address | 44-600 Kaneohe Bay Drive Kaneohe, Hawaii 96744 |
| Registration Number | 7094 (conversion) |
| Effective Date of Report | May 11, 2011 |
| Developer(s) | NICHOLAS J. LOVRETICH SALLY SKANDERUP, Trustee of the Sally Skanderup Revocable Trust dated September 30, 2009 |

Preparation of this Report

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

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

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

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

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

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

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

SPECIAL ATTENTION

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

1. This Public Report does not constitute an approval or disapproval of the project.
2. The land area beneath and immediately appurtenant to each unit is designated a Limited Common Element and is not a legally subdivided lot. The dashed lines on the Condominium Map designate the limited common element land area for the Units and should not be construed to be the property lines or legally subdivided lots.
3. No warranties are given to the purchaser as to the construction materials or workmanship of Project. The Units in Project are being sold in "as is" condition (pages 12 and 15).
4. Currently only Unit 2 is listed for sale and the real estate broker's listing agreement covers only Unit 2. If Unit 1 is subsequently listed for sale, Developer shall deliver a copy of such listing agreement to the Real Estate Commission and obtain an Amendment to Developer's Public Report, if applicable.

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General Information On Condominiums

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

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

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

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

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

Operation of the Condominium Project

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

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

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

1. THE CONDOMINIUM PROJECT

1.1 The Underlying Land

| | |
|--|--|
| Fee Simple or Leasehold Project | <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (attach Leasehold Exhibit) |
| Developer is the Fee Owner | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Fee Owner's Name if Developer is not the Fee Owner | N/A |
| Address of Project | 44-600 Kaneohe Bay Drive Kaneohe, Hawaii 96744 |
| Address of Project is expected to change because | N/A |
| Tax Map Key (TMK) | (1) 4-4-016:004 |
| Tax Map Key is expected to change because | N/A |
| Land Area | 95,010 square feet |
| Developer's right to acquire the Property if Developer is not the Fee Owner (describe) | N/A |

1.2 Buildings and Other Improvements

| | |
|--|--|
| Number of Buildings | 3 (Unit 1, Unit 1's garage/studio, Unit 2) |
| Floors Per Building | Unit 1 - 2 stories; Unit 2 - 1 story |
| Number of New Building(s) | 0 |
| Number of Converted Building(s) | 3 |
| Principle Construction Materials (concrete, wood, hollow tile, steel, glass, etc.) | Unit 1: wood, stucco, glass Unit 2: wood, glass |

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 1 | 1 | 4/4 1/2 | 4338 | 1380 | garage | |
| | | | | 557 | rec room | 6275 s/f |
| Unit 2 | 1 | 0/1 | 522 | 280 | carport | 802 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| See Exhibit _____ | | | | | | |

| | |
|---|------------------------------|
| 2 | Total Number of Units |
|---|------------------------------|

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

1.4 Parking Stalls

| | |
|---|---|
| Total Parking Stall in the Project: | 6 |
| Number of Guest Stalls in the Project: | 0 |
| Number of Parking Stalls Assigned to Each Unit: | Unit 1 - 4 (garage); Unit 2 - 2 (carport) |
| 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. | |

1.5 Boundaries of the Units

| |
|---|
| Boundaries of the unit: See attached Exhibit "G" |
|---|

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): Each unit owner, from time to time, may construct, improve, remodel, expand, replace and/or otherwise alter its Unit; subject to the terms of Section 11 of the Declaration. For example, each owner may construct only one residential dwelling. Purchasers should carefully review Section 11 of the Declaration. |
|--|

1.7 Common Interest

| |
|--|
| <u>Common Interest:</u> Each unit will have a percentage interest in the common elements appurtenant to each unit. This interest is called the "common interest". It is used to determine each unit's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by unit owners. The common interest for each unit in this project, as described in Declaration, is: |
| Described in Exhibit <u> N/A </u> |
| As follows: Unit 1: 51% Unit 2: 49% |

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 checked="" type="checkbox"/> | Tennis Court Unit 2 limited common element |
| <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 A .

Described as follows:
See attached Exhibit "A".

| 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 N/A .

Described as follows:
The limited common elements appurtenant to each Unit consist of the portion of the land surrounding that Unit set aside for the exclusive use of that Unit, as shown by the lot boundary lines and the dark dashed lines on the Condominium Map and described in Section 6 of the Declaration of Condominium Property Regime, as follows: Unit 1, 53,900 sq.ft.; Unit 2, 41,110 sq.ft.. The limited common element land area of Unit 1 is subject to the driveway easement in favor of Unit 2.

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 checked="" type="checkbox"/> | Pets: See Section 9.g. & 9.h. of Declaration |
| <input type="checkbox"/> | Number of Occupants: |
| <input checked="" type="checkbox"/> | Other: Section 9 of the Declaration sets forth the Permitted Uses |
| <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 B describes the encumbrances against title contained in the title report described below.

Date of the title report: March 14, 2011

Company that issued the title report: Title Guaranty of Hawaii, 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 | | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | R-7.5 |
| <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 type="checkbox"/> | Other (Specify): | | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws? | | | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |
| Variances to zoning code have been granted. | | | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| Describe any variances that have been granted to zoning code | | | N/A | |

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> <p>N/A</p> | | | |

1.15 Conversions

| | |
|---|--|
| <p>Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.</p> | <p><input checked="" type="checkbox"/> Applicable</p> <p><input type="checkbox"/> Not Applicable</p> |
| <p>Developer's statement, based upon a report prepared by a Hawaii-licensed architect or engineer, describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the units: Developer has replaced all electrical wiring in Units 1821 and 1821A. Based on a report prepared by an independent professional engineer, it is the Developer's opinion that all structural components and mechanical and electrical installations material to the individual Units appear to be, at minimum, in a condition consistent with their age.</p> | |
| <p>Developer's statement of the expected useful life of each item reported above: No representations of any kind are made as to the expected useful life, if any, of the structural components and mechanical and electrical installations material to the use and enjoyment of the condominium units. See Exhibit "E".</p> | |
| <p>List of any outstanding notices of uncured violations of any building code or other county regulations: None.</p> | |
| <p>Estimated cost of curing any violations described above: N/A</p> | |

| | |
|--|--|
| <p>Verified Statement from a County Official</p> | |
| <p>Regarding any converted structures in the project, attached as Exhibit <u>H</u> is a verified statement signed by an appropriate county official which states that either:</p> <p>(A) The structures are in compliance with all zoning and building ordinances and codes applicable to the project at the time it was built, and specifying, if applicable:</p> <ul style="list-style-type: none"> (i) Any variances or other permits that have been granted to achieve compliance; (ii) Whether the project contains any legal non-conforming uses or structures as a result of the adoption or amendment of any ordinances or codes; and (iii) Any violations of current zoning or building ordinances or codes and the conditions required to bring the structure into compliance; <p style="text-align: center;">or</p> <p>(B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.</p> | |
| <p>Other disclosures and information:</p> | |

1.16 Project In Agricultural District

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

1.17 Project with Assisted Living Facility

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

2. PERSONS CONNECTED WITH THE PROJECT

| | |
|--|--|
| 2.1 Developer(s) | Name: NICHOLAS J. LOVRETICH SALLY SKANDERUP, Trustee of the Sally Skanderup Revocable Trust dated September 30, 2009 Business Address: 44-600 Kaneohe Bay Drive Kaneohe, Hawaii 96744 Business Phone Number : (808) 330-9526 E-mail Address: Nick@KailuaOceanView.com |
| 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). | N/A |
| 2.2 Real Estate Broker | Name: Century 21 Kailua Beach Realty (Unit 2) Business Address: 130 Kailua Rd # 110 Kailua, HI 96734-3420 Business Phone Number: (808) 263-6000 E-mail Address: |
| 2.3 Escrow Depository | Name: TITLE GUARANTY ESCROW SERVICES, INC. Business Address: 235 Queen Street, 1st Floor Honolulu, Hawaii 96813 Business Phone Number: (808) 539-7751 |
| 2.4 General Contractor | Name: NONE Business Address: Business Phone Number: |
| 2.5 Condominium Managing Agent | Name: NONE, self managed by the Association Business Address: Business Phone Number: |
| 2.6 Attorney for Developer | Name: WILLIAM C. BYRNS, ESQ. Business Address: 1001 Bishop Street, Suite 2650 Honolulu, Hawaii 96813 Business Phone Number: (808) 523-3080 |

3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

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

3.1 Declaration of Condominium Property Regime

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

| Land Court or Bureau of Conveyances | Date of Document | Document Number |
|-------------------------------------|------------------|-----------------|
| Land Court | March 9, 2011 | 2011-041501 |

Amendments to Declaration of Condominium Property Regime

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

3.2 Bylaws of the Association of Unit Owners

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

| Land Court or Bureau of Conveyances | Date of Document | Document Number |
|-------------------------------------|------------------|-----------------|
| Land Court | March 9, 2011 | 2011-041501 |

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 | 4974 |
| 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% | 67% |
| Bylaws | 67% | 67% |

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

| | |
|-------------------------------------|---|
| <input type="checkbox"/> | No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any). |
| <input checked="" type="checkbox"/> | <p>Developer has reserved the right to change the Declaration, Bylaws, Condominium Map and House Rules (if any) and to add to or merge the project or to develop the project in one or more phases, and such rights are summarized as follows:</p> <p>Section 25.b of the Declaration permits the Developer to amend the Declaration to file the "as built" verified statement (with plan, if applicable) required by Section 514B-34, HRS.</p> <p>Section 21 of the Declaration provides as follows: See attached Exhibit "C".</p> |

4. CONDOMINIUM MANAGEMENT

4.1 Management of the Common Elements

| | |
|--|--|
| Management of the Common Elements: The Association of Unit Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project. | |
| The initial Condominium Managing Agent for this project is (check one): | |
| <input 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

| |
|--|
| Estimate of the Initial Maintenance Fees: The Association will make assessments against your unit to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your unit and the unit may be sold through a foreclosure proceeding. Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided. |
| Exhibit <u> D </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 checked="" type="checkbox"/> | Other (specify) All utilities, if possible, will be separately metered. |

5. SALES DOCUMENTS

5.1 Sales Documents Filed with the Real Estate Commission

| | |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Specimen Sales Contract Exhibit E 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: March 8, 2011 Name of Escrow Company: Title Guaranty Escrow Services, Inc. Exhibit F 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. 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 type="checkbox"/> | There are <u>no blanket liens</u> affecting title to the individual units. |
| <input checked="" type="checkbox"/> | There are <u>blanket liens</u> that may affect title to the individual units. |

| <u>Type of Lien</u> | Effect on Purchaser's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance |
|---------------------|--|
| Mortgage | Purchaser's interest may be terminated but in such event, purchaser shall be entitled to the return of his deposit, less escrow fees and costs |
| | |

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:

| |
|---|
| <p>Building and Other Improvements:</p> <p>No warranties; all warranties are hereby expressly disclaimed.</p> |
| <p>Appliances:</p> <p>None.</p> |

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

| |
|--|
| <p>Status of Construction: To Developers' knowledge, Unit 1 was originally constructed in or about 1968, Unit 2 was originally constructed in or about 1968.</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: N/A</p> |
| <p>Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract: N/A</p> |

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

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

5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance

| | |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | <p>The Developer hereby declares by checking the box to the left that it shall use its own funds to complete the construction of the condominium project by the date indicated in Section 5.5 of this report, and the Developer, pursuant to its own analysis and calculations, certifies that it has sufficient funds to complete the construction of the condominium project.</p> <p><i>If this box is checked, Section 5.6.2, which follows below, will not be applicable to the project.</i></p> |
|-------------------------------------|--|

5.6.2 Purchaser Deposits Will Be Disbursed Before Closing

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

| | |
|--------------------------|--|
| <input type="checkbox"/> | <p>For new construction: to pay for project construction costs described in the Developer's budget and approved by the Developer's lender or an otherwise qualified, financially disinterested person; or</p> |
| <input type="checkbox"/> | <p>For conversions: to pay for repairs necessary to cure violations of county zoning and building ordinances and codes, for architectural, engineering, finance and legal fees, and for other incidental expenses.</p> |

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

| | |
|---|---|
| <p>Box A</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><u>Important Notice Regarding Your Deposits: Deposits that you make under your sales contract for the purchase of the unit may be disbursed before closing of your purchase to pay for project costs, construction costs, project architectural, engineering, finance, and legal fees, and other incidental expenses of the project. While the developer has submitted satisfactory evidence that the project should be completed, it is possible that the project may not be completed. If your deposits are disbursed to pay project costs and the project is not completed, there is a risk that your deposits will not be refunded to you. You should carefully consider this risk in deciding whether to proceed with your purchase.</u></p> |
| <p>Box 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 <u>Important Notice Regarding Your Deposits</u> set forth immediately above will apply to all purchasers and will be restated in the amendment to this report or an amended developer's public report. When an effective date for such an amendment or an amended developer's public report is issued, <u>you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment.</u> (This, however, does not affect your right to rescind for material changes or any other right you may have to rescind or cancel the sales contract, as described in Section 5.8 below.) If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report.</p> <p>You should understand that, although the <u>Important Notice Regarding Your Deposits</u> set forth above does not currently apply to you, it might apply to you in the future, and, therefore, you should read and carefully consider it now to ensure that you understand the risk involved in deciding whether to proceed with your purchase.</p> |

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

5.7 Rights Under the Sales Contract

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

| | |
|----|--|
| 1. | Developer's Public Report |
| 2. | Declaration of Condominium Property Regime (and any amendments) |
| 3. | Bylaws of the Association of Unit Owners (and any amendments) |
| 4. | Condominium Map (and any amendments) |
| 5. | House Rules, if any |
| 6. | Escrow Agreement |
| 7. | Hawaii's Condominium Property Act (Chapter 514B, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended), provided that rules and regulations under Chapter 514B have not yet been adopted. |
| 8. | Other: |

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

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

Website to access rules: www.hawaii.gov/dcca/har

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

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

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

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

(1) The purchaser has signed the sales contract.
(2) The Developer has delivered to the purchaser a true copy of the developer's public report with an effective date issued by the Commission, together with all amendments to the report as of the date of delivery, and the project's recorded Declaration and Bylaws, House Rules (if any), the Condominium Map and any amendments to them to date (all of which are a part of the developer's public report). If it is impracticable to include a letter-sized Condominium Map, the Developer must provide written notice of an opportunity to examine the Condominium Map.

(3) The Developer has delivered to the purchaser a notice of the purchaser's 30-day cancellation right on a form prescribed by the Commission.

(4) The purchaser does at least one of the following:

(a) Waives the purchaser's right to cancel the sales contract within 30 days from receipt of the notice of the purchaser's 30-day cancellation right; or

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

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

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

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

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

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

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

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

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

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

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

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

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

6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT

COMMON INTEREST. Unit 1 has a majority interest in the project (51%) and may, therefore, have effective control of the Association.

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 apartments 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 apartments, or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment 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.

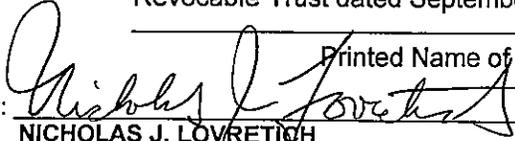
LEAD WARNING STATEMENT. Pursuant to federal law, 42, U.S.C 4852(d), the Residential Lead-Based Paint Reduction Act, "Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based 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."

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.

NICHOLAS J. LOVRETICH and
SALLY SKANDERUP, Trustee of the Sally Skanderup
Revocable Trust dated September 30, 2009

By:  Printed Name of Developer
NICHOLAS J. LOVRETICH
Duly Authorized Signatory*

By: 
SALLY SKANDERUP, as Trustee aforesaid
Duly Authorized Signatory*

MAR 09 2011
Date

MAR 09 2011
Date

NICHOLAS J. LOVRETICH, SALLY SKANDERUP, as Trustee
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"
44-600 KANEOHE BAY DRIVE Condominium Project
DESCRIPTION OF COMMON ELEMENTS

The common elements shall remain undivided, and no right shall exist to partition or divide any part thereof, except as provided in the Act. Any such partition or division shall be subject to the prior written consent thereto by the holder(s) of all mortgages on the Units.

The common elements consist of the following portions of the Project:

- a. The Land;
- b. Any easements and/or improvements now or hereafter constructed for utilities purposes such as electricity, gas, water, sewer, telephone, radio and television signal distribution, irrigation and other utilities which serve more than one Unit; and
- c. Any and all elements and facilities naturally in common use or necessary to the existence, upkeep and safety of the Project.

EXHIBIT "B"
44-600 KANEOHE BAY DRIVE Condominium Project
ENCUMBRANCES AGAINST TITLE

1. Mineral and water rights of any nature in favor of the State of Hawaii.
2. An existing setback of 90 feet along Kaneohe Bay Drive.
3. GRANT
TO : CITY AND COUNTY OF HONOLULU
DATED : March 24, 1996
RECORDED : Liber 5324 Page 356
GRANTING : an easement for sewer pipelines, under and across Parcel
25 of Kaneohe Sewers, Section V, Improvement District No.
188
4. CITY AND COUNTY GENERAL PLAN Roadway 80 feet wide, as shown on surveyor's map prepared by Harold Zane, a Registered Professional Land Surveyor, dated March 12, 1968.
5. DESIGNATION OF EASEMENT "2" (area 2,486 square feet)
PURPOSE : access
SHOWN : on surveyor's map prepared by Mary Myers Cummins, Registered Professional Land Surveyor, dated September 5, 1991, revised September 12, 1991
6. Structure position discrepancies as shown on the survey map prepared by Wesley T. Tengan, Land Surveyor, dated June 9, 2005.
7. Encroachment(s) as shown on the survey map prepared by Wesley T. Tengan, Land Surveyor, dated June 9, 2005.
8. Any claim or boundary dispute which may exist or arise by reason of the failure of the Deed dated July 12, 2005, recorded as Document No. 2005-140291 referred to in Schedule "C" to locate with certainty the boundaries of the nonexclusive easement for sewer purposes, over, through, under, upon and across Easement 4 (area 1,151 square feet) described in said instrument.
9. Any claim or boundary dispute which may exist or arise by reason of the failure of the Deed dated July 12, 2005, recorded as Document No. 2005-140291 referred to in Schedule "C" to locate with certainty the boundaries of the nonexclusive easement for access, utility, mailbox, and landscaping purposes, over, through, under, upon and across Easement 1 (area 2,439 square feet) described in said instrument.

10. MORTGAGE
LOAN/ACCOUNT: NO. 0009013032607005
MORTGAGOR : NICHOLAS J. LOVRETICH, unmarried
MORTGAGEE : MORTGAGE ELECTRONIC REGISTRATION
SYSTEMS, INC., solely as nominee for
COUNTRYWIDE HOME LOANS, INC., a New York
corporation
DATED : July 11, 2005
RECORDED : Document No. 2005-140292
AMOUNT : \$1,500,000.00
11. MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT
(SECURING FUTURE ADVANCES)
LOAN/ACCOUNT: NO. 00083280007005
MORTGAGOR : NICHOLAS J. LOVRETICH, unmarried
MORTGAGEE : MORTGAGE ELECTRONIC REGISTRATION
SYSTEMS, INC., solely as nominee for
COUNTRYWIDE HOME LOANS, INC., a New York
corporation
DATED : July 11, 2005
RECORDED : Document No. 2005-140293
AMOUNT : Revolving Line of Credit Agreement, up to a maximum
amount of \$363,000.00
12. The terms and provisions contained in AFFIDAVIT dated July 16, 2009,
recorded as Document No. 2009-114628, by NICK LOVRETICH, in
consideration of the issuance by the Building Department, City and County of
Honolulu, of a building permit.
13. The terms and provisions of that certain Declaration of Condominium
Property Regime of 44-600 Kaneohe Bay Drive, as amended from time to
time, dated March 9, 2011, filed aforesaid as Document No. 2011-041501.
14. The terms and provisions of that certain Bylaws of the Association of
Apartment Owners of 44-600 Kaneohe Bay Drive, as amended from time to
time, dated March 9, 2011, filed aforesaid as Document No. 2011-041502.
15. That certain Condominium Map No. 4974, a copy of which is on file with the
Bureau aforesaid.
16. For current real property taxes your attention is directed to the Director of
Finance, City and County of Honolulu.

EXHIBIT "C"
44-600 KANEOHE BAY DRIVE Condominium Project
DEVELOPER'S RESERVED RIGHTS

Section 21. Developer's Reserved Rights.

In addition to any other rights reserved herein, the Developer hereby reserves the right for itself and its agents, for a period of four (4) years after recordation of deeds or agreements of sale with respect to all Units in the Project in favor of parties not a signatory to this Declaration, unless a different period is set forth in a following subparagraph then for such period, to do the following without the consent of any Unit purchaser or any other person or entity and without any amendment to this Declaration:

a. Developer hereby reserves the right to amend this Declaration, the Bylaws and the Condominium Map, without the approval, consent or joinder of any purchaser of a Unit or any of the persons then owning or leasing any Unit, to make such amendments as may be required by law, by the Real Estate Commission of the State of Hawaii, by any title insurance company issuing a title insurance policy on the Project or any of the Units, by any institutional lender lending funds on the security of the Project or any of the Units, by any purchaser, insurer or guarantor of loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to purchase, insure or guarantee a Loan made on the security of the Project or any of the Units, or by any governmental agency; provided, however, that except as otherwise provided herein, no such amendment which would substantially change the design, location or size of a Unit shall be made without the consent to such amendment by all persons having an interest in such Unit.

b. Developer hereby reserves the right to grant to any utility company or public or governmental authority or other person or entity rights-of-way and other easements, and the right to modify or amend any existing or newly granted rights-of-way and easements, which are for the benefit of the Project (or any Unit or Units) or which do not materially interfere with the use or materially impair the value of any Unit, over, across, under and through the common elements and limited common elements for access and for lines and other transmission facilities and appurtenances for electricity, gas, telephone, water, sewer and/or septic system, drainage and other public services and utilities, and rights to enter for the purpose of installing, repairing, altering and removing such lines and facilities and of trimming any trees in the way thereof.

c. Developer shall have the right to maintain development facilities and conduct sales of Units until deeds or agreements of sale are issued to Unit purchasers with respect to all Units in the Project. Such right shall include, but not be limited to, maintaining model Unit(s), operating a sales and construction office, conducting

advertising, placing signs, using parking spaces and erecting lighting in connection with such sales; provided, however, that in exercising such right, the Developer shall not materially interfere with the rights of any Unit owner to the use of, or access to, his Unit or any of the limited common elements appurtenant thereto.

d. The Developer shall have the right until deeds or agreements of sale are issued to Unit purchasers with respect to all Units in the Project to enter upon the Land and the Project and carry on such construction and demolition activities as may be necessary in connection with such alteration, modifications and restorations, including, but not limited to, parking and storage of construction equipment and materials, provided that the Developer shall not materially interfere with the rights of any Unit owner to the use of, or access to, his or her Unit or any of the limited common elements appurtenant thereto.

Section 25. Amendment to Declaration.

a. Generally. Except as otherwise provided herein or in the Act, and subject to the terms of the preceding Section, this Declaration or the Bylaws may be amended at a duly constituted meeting of the Association by an affirmative vote of Unit owners owning at least 67% of the common interests, and shall be effective only upon the recording of an instrument setting forth such amendment and duly executed by the proper officers of the Association or by the Developer, as provided in the following subparagraph; provided that the Bylaws shall also set forth the requirements of Section 514B-108, HRS, as those requirements now exist or may be amended from time to time.

b. As-Built. In addition to the foregoing, the Developer may amend this Declaration at any time to file the "as built" verified statement (with plans, if applicable) required by Section 514B-34, HRS, so long as (i) such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans heretofore filed fully and accurately depicts the layout, location, Unit numbers and dimensions of the Units As built;@ or (ii) any plans filed therewith involve any immaterial changes for improvements as to the layout, location, Unit numbers or dimensions of the Units "as built."

EXHIBIT "D"
44-600 KANEOHE BAY DRIVE Condominium Project
ESTIMATE OF THE INITIAL MAINTENANCE FEES

Estimate of Initial Maintenance Fees:

| <u>Unit</u> | <u>Monthly Fee</u> x 12 months = <u>Yearly Total</u> |
|-------------|--|
| 1 | \$0 x 12 = \$0 |
| 2 | \$0 x 12 = \$0 |

Each purchaser shall become obligated to start paying its maintenance fees commencing upon purchaser's acquisition of the Unit from Developer.

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

Estimate of Maintenance Fee Disbursements:

Monthly x 12 months = Yearly Total

Utilities and Services

Electricity

- [] common elements only
[] common elements and apartments

\$0

Water

Maintenance, Repairs and Supplies

Building

Grounds/Landscaping

Roads/Driveways

Fencing

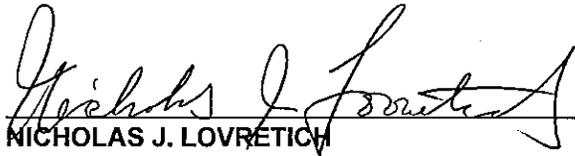
Insurance

Reserves(*)

TOTAL

\$0

I, **NICHOLAS J. LOVRETICH**, unmarried, and **SALLY SKANDERUP**, Trustee of the Sally Skanderup Revocable Trust dated September 30, 2009, the developer of the condominium project, hereby certifies that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared on a cash basis in accordance with generally accepted accounting principles.



NICHOLAS J. LOVRETICH



SALLY SKANDERUP, Trustee of aforesaid

"Developer"

(*)Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514B-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 1070, Hawaii Administrative Rules, as amended.

Pursuant to §514B-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

EXHIBIT "E"
44-600 KANEOHE BAY DRIVE Condominium Project
SUMMARY OF SALES CONTRACT

Seller intends to use the standard form Purchase Contract as the form of sales contract for the project.

1. Evidence of Title. Seller shall furnish Buyer evidence of Seller's marketable title to the interest which is to be conveyed to Buyer. If Seller fails to deliver title as herein provided, Buyer has the option to terminate this agreement and have any of Buyer's deposits returned to Buyer. The foregoing shall not exclude any other remedies available to Buyer. Buyer will receive an Owner's standard coverage policy of title insurance at closing: (a) Seller shall pay 60% of the premium to be charged for an Owner's standard coverage policy of title insurance to be issued to the buyer in the amount of the sales price; and (b) Buyer shall pay 40% of such premium and any additional costs relating to the issuance of any extended coverage policy, including a Lender's policy.
2. Risk of Loss. Risk of loss passes to Buyer upon transfer of title or occupancy whichever occurs first.
3. Default. It is expressly understood and agreed: First: In the event Buyer fails to pay the balance of the purchase price or complete the purchase as herein provided, Seller may (a) bring an action for damages for breach of contract; (b) retain the initial deposit and all additional deposits provided for herein, as liquidated damages; and (c) Buyer shall be responsible for any cost incurred in accordance with this contract. Second: In the event Seller fails to perform his obligations as herein provided, Buyer not being in default, Buyer may (a) bring an action against Seller for damages for breach of contract; (b) file and maintain an action against Seller for specific performance of this contract; and (c) Seller shall be responsible for any cost incurred in accordance with this contract. The foregoing shall not exclude any other remedies available to either Seller or Buyer. In the event of default and/or a lawsuit arising out of this contract (including a suit by a REALTOR for commission), the prevailing party shall be entitled to recover all costs incurred including reasonable attorneys' fees. All expenses incurred by escrow shall be deducted from deposited funds prior to any disbursement to the prevailing party.
4. Consent. The obligations of Buyer or Seller hereunder are conditioned upon obtaining those necessary consents of vendors, existing mortgagees, lessors and/or condominium, co-op or other such associations, Buyer or Seller agree to cooperate and take all reasonable action to obtain such consents.
5. Time Is Of The Essence. If either Buyer or Seller for reasons beyond his control cannot perform his obligation to purchase or sell the property by the closing date, then such party by giving escrow written notice prior to the closing date called for in this contract with copies to all parties to this contract, can extend closing for no longer than 30 calendar days to allow performance. Thereafter time is of the essence and the default provisions of paragraph 5 apply. Any further extension must then be agreed to in writing by both parties. There is no automatic right to extend. This provision relates only to the extension of the closing date.
6. Right of Cancellation and Rescission. Unless waived, Buyer has a right of cancellation under Section 514B-86, HRS. Buyer also has a right of rescission under Section 514B-87, HRS, if there is a material change in the Project.

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS CONTAINED IN THE PURCHASE CONTRACT. THE BUYER MUST REFER TO THE BUYER'S PURCHASE CONTRACT TO DETERMINE THE BUYER'S ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE PURCHASE CONTRACT, THE PURCHASE CONTRACT WILL CONTROL, NOT THIS SUMMARY.

EXHIBIT "F"
44-600 KANEOHE BAY DRIVE Condominium Project
SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement ("Agreement") between **TITLE GUARANTY ESCROW SERVICES, INC.** ("Escrow"), and **NICHOLAS J. LOVRETICH**, unmarried, and **SALLY SKANDERUP**, Trustee of the Sally Skanderup Revocable Trust dated September 30, 2009 ("Seller"), contains, among other provisions, the following (which may be modified or otherwise limited by provisions not summarized):

1. Whenever Seller enters into a sales contract for the sale of a unit, Seller will require that payments due under the sales contract be made to Escrow and will deliver an executed copy of the sales contract to Escrow.
2. Escrow will receive payments under the sales contracts and sums received from any other source with respect to the project. Funds held under the Agreement will initially be deposited in an account for the project.
3. Escrow will release from the Trust Fund and disburse Buyer's funds at closing. No disbursements will be made from Buyer's fund until: (a) the Real Estate Commission has issued a Developer's Public Report on the project; (b) Buyer has waived its right to cancel the sales contract; and (c) Seller has notified Escrow that all other requirements of Sections 514B-82 to 514B-93, Hawaii Revised Statutes ("HRS"), have been met. Where sales contracts are entered into, Escrow will disburse funds upon presentation by Seller of Buyer's signed receipt for the Developer's Public Report and with notification by Seller that all of the requirements of Section 514B-82 to 514B-93, HRS, have been met. Escrow will call for payments by the Buyer upon receipt of notice from Seller that any payments are due under sales contract. Any disbursement of funds for project costs prior to closing or prior to completion of the project will be made in compliance with Section 6.4 of the Agreement and the requirements of Section 514B-92 or 514B-93, HRS, as applicable.
4. Escrow will return deposited sums to the Buyer without interest if Seller gives Escrow written notice to return the funds to Buyer, or with respect to a Buyer whose funds were obtained before the issuance of a Developer's Public Report, Escrow receives from the Buyer a written request to cancel the sales contract or after issuance of the Developer's Public Report and Buyer's waiver of his right to cancel the sales contract in accordance with Section 514B-86, HRS, there shall be any pertinent change and/or material change in the project which directly, substantially and adversely affects the use or value of the Buyer's apartment or appurtenant common elements or those amenities of the project available for Buyer's use, of a nature entitling the Buyer to cancel his sales contract pursuant to Section 514B-87, HRS. These funds shall be returned to Buyer less Escrow's cancellation fee, if any, any mortgagee's cancellation fee and all other costs incurred in connection with the Escrow. Any return of funds to the Buyer will be governed by Section 7 of the Agreement.
5. As Escrow's compensation for its performance under this Agreement, Escrow will receive an amount to be determined by Escrow for each unit for which a unit deed of the project is handled by Escrow and recorded in the Bureau of Conveyances of the State of Hawaii. Escrow will record all applicable documents. Title insurance will also cost an additional sum.
6. If Buyer defaults under the sales contract and Seller subsequently certifies in writing to Escrow that Seller has terminated the Sales Contract, Escrow shall thereafter treat all funds of the Purchaser under the sales contract as funds of the Seller and not the Purchaser. Upon Seller's request, Escrow shall pay such funds to Seller less any cancellation fee.

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS CONTAINED IN THE AGREEMENT. WHILE ONE CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF THE AGREEMENT, HE OR SHE MUST REFER TO THE ACTUAL AGREEMENT TO DETERMINE THE RIGHTS AND OBLIGATIONS OF THE PARTIES. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE AGREEMENT, THE AGREEMENT WILL CONTROL AND NOT THIS SUMMARY.

EXHIBIT "G"
44-600 KANEOHE BAY DRIVE Condominium Project
BOUNDARIES OF THE UNITS

Section 4. Units. The perimeter of Unit 1 and the perimeter of Unit 2, are each established by the foundation, the exterior face of the perimeter walls, the exterior face of any glass windows, doors, panels or railings along the perimeter, and the exterior surface of the roof. Each of the Units shall include all walls, partitions, floors, ceilings and other improvements within said perimeter, including the garage and/or carport, if any, as shown on the Condominium Map, all built-in appliances and fixtures and all furnishings and appliances originally installed, and all air space encompassed within said perimeter. The principal building materials are wood, stucco and glass for Unit 1 and wood and glass for Unit 2.

ENGINEER'S VERIFIED STATEMENT

1/11/11
N.P.G.
K.A.R.

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

Edward A. Risk
3239, being first duly sworn on oath states as follows:

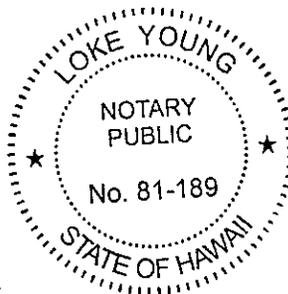
1. That he is a professional engineer licensed by the State of Hawaii under License No. 3239
2. That he executes this Verified Statement pursuant to Section 514B-84(a)(1), Hawaii Revised Statutes;
3. That he has conducted a site inspection of the 44-600 Kaneohe Bay Drive condominium project ("Project");
4. That based on such inspection, all structural components and mechanical and electrical installations material to the use and enjoyment of the Project appear to be in, at minimum, a condition consistent with its age; and
5. That no representations of any kind are made as to the expected use or life, if any, of the structural components and mechanical and electrical installations material to the use and enjoyment of the Project.
6. That he is not aware of any incurred violations of building code or other county regulations.

Edward A. Risk

Subscribed and sworn to before me
this 7th day of January, 20 11.

Loke Young
[Signature]

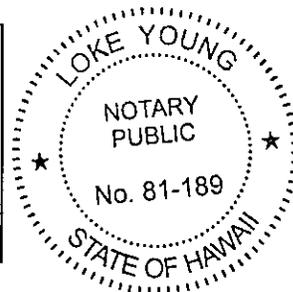
Loke Young
[Print Notary Name]



Notary Public First Judicial Circuit, State of Hawaii

My Commission expires: 5/22/2014

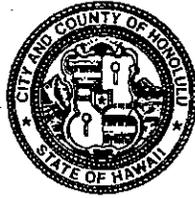
| NOTARY PUBLIC CERTIFICATION | |
|------------------------------------|--------------------------------|
| Document Description: | ENGINEER'S VERIFIED STATEMENT |
| Document Date: | <u>undated</u> No. of Pages: 1 |
| Commission No. | <u>81-189</u> |
| Notary Signature <u>Loke Young</u> | |



DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 768-8000 • FAX: (808) 768-6041
DEPT. WEB SITE: www.honoluluudpp.org • CITY WEB SITE: www.honolulu.gov

PETER B. CARLISLE
MAYOR



DAVID K. TANOUE
ACTING DIRECTOR

ROBERT M. SUMITOMO
DEPUTY DIRECTOR

2010/ELOG-1341(LT)

November 22, 2010

William C. Byrns, Esq.
MacDonald Rudy Byrns O'Neill & Yamauchi
A Limited Liability Law Partnership, LLP
1001 Bishop Street, Suite 2650
Honolulu, Hawaii 96813

Dear Mr. Byrns:

Subject: Condominium Conversion Project

44-600 Kaneohe Bay Drive

Tax Map Key (TMK): 4-4-016: 004

This is in response to your letter dated June 28, 2010, requesting verification that the structures on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the two two-story single-family detached dwellings with four all-weather-surface off-street parking spaces met all applicable code requirements when they were constructed in 1968 on this 2.181-acre R-7.5 Residential-District-zoned lot.

Investigation also revealed the following:

1. On October 24, 1991, a subdivision [File No. 1990(283)] was granted approval to the proposed subdivision of Lot B into two lots: Lot B-1 of 95,010 square feet (a flag lot) and Lot B-2 of 18,808 square feet; and the designation of Easement 1 (for access purposes in favor of Lot B-1) affecting Lot B-2, Easement 2 (for access purposes in favor of Lot B-2) affecting Lot B-1 and Easement 3 (for sewer line purposes in favor of Lot B-1) affecting Lot B-2. The dwellings are located on Lot B-1 (TMK: 4-4-016: 004).
2. On April 10, 1992, a subdivision [File No. 1992(46)] was granted approval to the proposed cancellation of Easement 3 and designation of Easement 4 (for sewer line purposes in favor of Lot B-1) affecting Lot B-2.
3. On April 16, 2010, Building Permit No. 655229 was issued for an alteration to convert one of the single-family dwellings into a recreation room.

Exhibit "I"

William C. Byrns, Esq.
MacDonald Rudy Byrns O'Neill & Yamauchi
November 22, 2010
Page 2

For your information, the Department of Planning and Permitting cannot determine all 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 Alex Sugai of our Commercial and Multi-Family Code Enforcement Branch at 768-8151.

Very truly yours,



 David K. Tanoue, Acting Director
Department of Planning and Permitting

DKT:ft

[814313]

Exhibit "I"