

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

CONDOMINIUM PROJECT NAME	DIAMOND HEAD HALE
Project Address	3131 Pualei Circle Honolulu, Hawaii 96815
Registration Number	7236 (conversion)
Effective Date of Report	June 18, 2012
Developer(s)	DIAMOND HEAD HALE, CORP., a Hawaii corporation

Preparation of this Report

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

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

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

This report will be amended if, after the effective date of this report, any changes, either material or pertinent changes, or both, occur regarding the information contained in or omitted from this report. In that case, the Developer is required to submit immediately to the Commission an amendment to this report or an amended Developer's Public Report, clearly reflecting the changes, including any omitted 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.]

SPECIAL NOTICE

This is a condominium project, not a subdivision, and the project does not involve the sale of individual subdivided lots. 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 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.

Facilities and improvements normally associated with county approved subdivisions may not necessarily be provided for and services such as county street maintenance and trash collection may not be available for interior roads.

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 necessarily 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.

NO REAL ESTATE BROKER. Because the condominium units are only being offered for sale to the current owners in the co-op, no real estate broker is being used by the Developer. If a real estate broker is used, the Developer shall submit a copy of the executed listing agreement to the Real Estate Commission and disclose the name of the broker in an amendment to this report.

TAX MATTERS. There may be significant tax implications associated with the transfer or conversion of the interest in the co-op to the condominium form of ownership. An owner of an interest in the co-op is advised to seek their own tax advice. See Paragraph 7 of Exhibit I.

EXISTING MORTGAGES. Note, that any purchaser of a condominium unit who is an owner of a cooperative unit encumbered by a mortgage will be required to pay off or otherwise release the mortgage, so it will no longer encumber the owner's unit. Thus, an owner as described will incur an additional cost in connection with the owner's purchase.

TABLE OF CONTENTS

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

TABLE OF CONTENTS

	Page
5.6 Developer's Use of Purchaser Deposits to Pay for Project Construction Costs Before Closing or Conveyance	14
5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance.....	14
5.6.2 Purchaser Deposits Will Be Disbursed Before Closing.....	14
5.7 Rights Under the Sales Contract	16
5.8 Purchaser's Right to Cancel or Rescind a Sales Contract	16
5.8.1 Purchaser's 30-Day Right to Cancel a Sales Contract.....	17
5.8.2 Right to Cancel a Sales Contract if Completion Deadline Missed.....	17
5.8.3 Purchaser's Right to Rescind a Binding Sales Contract After a Material Change	17
6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT.....	18
EXHIBIT A: Unit types and Sizes of Units	
EXHIBIT B: Boundaries of the Units	
EXHIBIT C: Permitted Alterations to the Units	
EXHIBIT D: Common Elements	
EXHIBIT E: Limited Common Elements	
EXHIBIT F: Special Use Restrictions	
EXHIBIT G: Encumbrances Against Title	
EXHIBIT H: Verified Statement from a County Official	
EXHIBIT I: Summary of the Pertinent Provisions of the Condominium Conversion Contract	
EXHIBIT J: Summary of the Pertinent Provisions of the Escrow Agreement	
EXHIBIT K: Estimate of Initial Maintenance Fees	

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	3131 Pualei Circle Honolulu, Hawaii 96815
Address of Project is expected to change because	No change
Tax Map Key (TMK)	(1) 3-1-026:045
Tax Map Key is expected to change because	Each unit will be assigned a new Tax Key Number
Land Area	15,001 square feet
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	

1.2 Buildings and Other Improvements

Number of Buildings	2
Floors Per Building	2
Number of New Building(s)	0
Number of Converted Building(s)	2
Principle Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	Wood, concrete, glass and other allied materials

1.3 Unit Types and Sizes of Units

Unit Type	Quantity	BR/Bath	Net Living Area	Net Other Areas	Other Areas (lanai, garage, etc)	Total Area
See Exhibit <u> A </u>						

16	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:	15
Number of Guest Stalls in the Project:	0
Number of Parking Stalls Assigned to Each Unit:	1, excluding Unit 13
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 Exhibit B
--

1.6 Permitted Alterations to the Units

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

1.7 Common Interest

<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: Each Unit will have a 6.25% common interest

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

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

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 D .

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 E .

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: See Exhibit F
<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 G describes the encumbrances against title contained in the title report described below.

Date of the title report: April 23, 2012

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	16	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	A-2
<input type="checkbox"/>	Commercial		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/>	Mix Residential/Commercial		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/>	Hotel		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/>	Timeshare		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/>	Ohana		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/>	Industrial		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/>	Agricultural		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/>	Recreational		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/>	Other (Specify):		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?			<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
Variances to zoning code have been granted.			<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Describe any variances that have been granted to zoning code					

1.14 Other Zoning Compliance Matters

Conforming/Non-Conforming Uses, Structures and Lots			
<p>In general, a non-conforming use, structure or lot is a use, structure or lot that was lawful at one time but that does not now conform to present zoning requirements. Under present zoning requirements, limitations may apply to extending, enlarging or continuing the non-conformity and to altering and repairing non-conforming structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.</p> <p>If a variance has been granted or if uses, structures or lots are either non-conforming or illegal, the purchaser should consult with county zoning authorities as to possible limitations that may apply in situations such as those described above.</p> <p>A purchaser may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure or lot.</p>			
	Conforming	Non-Conforming	Illegal
Uses	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Structures	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lot	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>If a non-conforming use, structure or lot exists in this project, this is what will happen under existing laws or codes if the structure is damaged or destroyed:</p> <p>See page 18.</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:</p> <p>Subject to normal wear and tear commensurate with its age, each of the buildings appear to be in fair to good structural condition consistent with their age; Subject to normal wear and tear, the electrical and plumbing systems are operable and in fair working order.</p>	
<p>Developer's statement of the expected useful life of each item reported above:</p> <p>No statement is made.</p>	
<p>List of any outstanding notices of uncured violations of any building code or other county regulations:</p>	
<p>Estimated cost of curing any violations described above:</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

<p>2.1 Developer(s)</p>	<p>Name: DIAMOND HEAD HALE, CORP., a Hawaii corporation</p> <p>Business Address: c/o Rick Edds, President 98-402 Koauku Loop #2115 Aiea, Hawaii 96701</p> <p>Business Phone Number :</p> <p>E-mail Address:</p>
<p>Names of officers and directors of developers that are corporations; general partners of a partnership; partners of a limited liability partnership (LLP); or a manager and members of a limited liability company (LLC) (attach separate sheet if necessary).</p>	<p>RICK EDDS, President ROBERT M. BERRIS, Vice President</p>
<p>2.2 Real Estate Broker</p>	<p>Name: None selected, see page 1a</p> <p>Business Address:</p> <p>Business Phone Number:</p> <p>E-mail Address:</p>
<p>2.3 Escrow Depository</p>	<p>Name: Title Guaranty Escrow Services, Inc.</p> <p>Business Address: 235 Queen Street, 1st Floor Honolulu, HI 96813</p> <p>Business Phone Number: (808) 521-0211</p>
<p>2.4 General Contractor</p>	<p>Name:</p> <p>Business Address:</p> <p>Business Phone Number:</p>
<p>2.5 Condominium Managing Agent</p>	<p>Name: Dynamic Property Management, Inc.</p> <p>Business Address: 3702 Waialae Avenue Honolulu, HI 96816</p> <p>Business Phone Number: (808) 735-6400</p>
<p>2.6 Attorney for Developer</p>	<p>Name: Jeffrey S. Grad</p> <p>Business Address: 841 Bishop Street, Suite 1800 Honolulu, HI 96813</p> <p>Business Phone Number: (808) 521-4757</p>

3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

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

3.1 Declaration of Condominium Property Regime

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

Land Court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	March 19, 2011	A-44150706

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	March 19, 2011	A-44150707

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	5062

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 checked="" type="checkbox"/>	January 1, 2012
Developer does not plan to adopt House Rules	<input type="checkbox"/>	

3.5 Changes to the Condominium Documents

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

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

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

<input checked="" type="checkbox"/>	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
<input 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:

4. CONDOMINIUM MANAGEMENT

4.1 Management of the Common Elements

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

4.2 Estimate of the Initial Maintenance Fees

Estimate of the Initial Maintenance Fees: The Association will make assessments against your unit to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your unit and the unit may be sold through a foreclosure proceeding. Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.
Exhibit <u> K </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 checked="" type="checkbox"/>	Electricity for the common elements
<input checked="" type="checkbox"/>	Gas for the common elements
<input checked="" type="checkbox"/>	Water
<input checked="" 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 type="checkbox"/>	Water
<input 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 Exhibit <u>1</u> contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.
<input checked="" type="checkbox"/>	Escrow Agreement dated: March 19, 2011 Name of Escrow Company: Title Guaranty Escrow Services, Inc. Exhibit <u>J</u> contains a summary of the pertinent provisions of the escrow agreement.
<input type="checkbox"/>	Other:

5.2 Sales to Owner-Occupants

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

<input 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 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: AS IS
Appliances: AS IS

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

<p>Status of Construction:</p> <p>The buildings in which the Units are located were constructed in 1959.</p>
<p>Completion Deadline: If a sales contract for a unit is signed before the construction of the unit has been completed, or, in the case of a conversion, completion of any repairs, does not occur by the completion deadline set forth below, one of the remedies available to a purchaser is a cancellation of the purchaser's sales contract. The sales contract may include a right of the Developer to extend the completion deadline for force majeure as defined in the sales contract. The sales contract may also provide additional remedies for the purchaser.</p>
<p>Completion Deadline for any unit not yet constructed, as set forth in the sales contract:</p>
<p>Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract:</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>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:</u> Deposits that you make under your sales contract for the purchase of the unit may be disbursed before closing of your purchase to pay for project costs, construction costs, project architectural, engineering, finance, and legal fees, and other incidental expenses of the project. While the developer has submitted satisfactory evidence that the project should be completed, it is possible that the project may not be completed. If your deposits are disbursed to pay project costs and the project is not completed, there is a risk that your deposits will not be refunded to you. You should carefully consider this risk in deciding whether to proceed with your purchase.</p>
<p>Box B</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

1. **HAZARDOUS MATERIALS.** The Developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The developer has made no independent investigation as to asbestos or other hazardous substances in the 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.

2. **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."

3. **NONCONFORMITIES.** Under current zoning laws, the Project would require 16 parking stalls. There are currently 7 stalls that were contained in the original building permit issued in 1959, and since that time, 8 other parking stalls have been utilized. If the Project were damaged or destroyed, it could be rebuilt utilizing the nonconforming number of stalls. The Project also contains structures that were partially constructed within what are currently required setbacks. If the Project were substantially damaged or destroyed, unless a variance were obtained, the new structures would have to be rebuilt without encroaching into the setback areas.

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.

DIAMOND HEAD HALE, CORP., a Hawaii corporation

Printed Name of Developer

By:  3/19/11
Duly Authorized Signatory* Date

RICK EDDS, President

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

***Must be signed for a corporation by an officer; for a partnership or limited liability partnership (LLP) by the general partner; for a limited liability company (LLC) by the manager or an authorized member; and for an individual by the individual.**

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.

DIAMOND HEAD HALE, CORP., a Hawaii corporation

Printed Name of Developer

By: RMB 3/19/11
Duly Authorized Signatory* Date

ROBERT M. BERRIS, Vice President

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

***Must be signed for a corporation by an officer; for a partnership or limited liability partnership (LLP) by the general partner; for a limited liability company (LLC) by the manager or an authorized member; and for an individual by the individual.**

EXHIBIT A
Unit Types and Sizes of Units

Section 2.2(a) of the Declaration states:

“(a) Unit Numbers, Locations and Descriptions.”

- (1) The Units are numbered 1 through 16, inclusive.
- (2) Units 1 through 8 are located on the first floor of the Buildings, beginning on the south-east corner of the Project. Units 8 through 16 are located on the second floor of the Buildings, beginning on the south-east corner of the Project. The location of each Unit is as shown on the Condominium Map.
- (3) Each Unit contains two (2) bedrooms, one (1) bathroom, a living room and kitchen. The net living area of each Unit is approximately 725 square feet.”

END OF EXHIBIT A

EXHIBIT B
Boundaries of the Units

Section 2.2(b) of the Declaration states:

“(b) Unit Boundaries.

- (1) Each Unit shall include (A) all the walls and partitions which are not load-bearing within its perimeter walls, (B) all pipes, shafts, ducts, pumps, conduits, wires and other utility or service lines running through such Unit which are utilized for and serve only that Unit, (C) the inner decorated or finished surfaces of all walls, floors and ceilings, (D) any doors or panels along the perimeter walls of such Unit, (E) all exterior windows, cranks, frames and other window or sliding door hardware, (F) all appliances and fixtures installed therein and replacements thereof, (G) any adjacent lanai and foyer to which such Unit has direct, exclusive access, and (H) any air conditioning equipment or apparatus within the Unit (to the extent permitted by the Board).

- (2) Each Unit shall not include: (A) the undecorated or unfinished surfaces of the perimeter (including party) walls, interior load bearing walls, or lanai slabs or railings, (B) the undecorated or unfinished surface of the floors and ceilings surrounding each Unit, or (C) any pipes, shafts, ducts, pumps, valves, wires, conduits or other utility or service lines which are utilized for or serve more than one Unit, the same being deemed Common Elements as hereinafter provided.”

END OF EXHIBIT B

EXHIBIT C
Permitted Alterations to the Units

Article 13 of the Declaration states:

“13.1 General Provisions. Except as otherwise expressly provided in this Article 13 or Article 14 below, restoration or replacement of the Project or any portion thereof or construction of any additional building or making any structural alteration or addition to any building or Unit, different in any material respect from what is shown on the Condominium Map (each of the foregoing is referred to as a “material alteration”), shall be undertaken by the Association or an Owner(as to such Owner’s Unit or its appurtenant limited common element) only pursuant to an amendment of the Declaration and Condominium Map in accordance with Article 15. Failure to obtain written consents by holders of liens encumbering any Unit shall not invalidate the amendment. Any material alteration shall be made in accordance with complete plans and specifications therefor first approved in writing by the Board, and promptly upon completion of such restoration, replacement or construction the Association or Owner, as the case may be, shall record in the Recording Office such amendment together with (a) a complete set of floor plans of the Project as so altered and (b) certification by a licensed architect or engineer that such floor plans reflect the Project “as built”.

13.2 Additions or Alterations by Owner Solely Within a Unit. Notwithstanding Section 13.1 above, an Owner shall have the right, at any time, and from time to time, at such Owner’s sole cost and expense, and without the necessity of the consent or joinder of any other Owner or the amendment of the Declaration, but with the prior approval of the Board and with the presentation of such plans and specifications and other materials as the Board may require as is more fully set forth in Section 10.6 of the Bylaws, to make any of the following alterations solely within the Unit space as defined in Section 2.2(b) above: (a) to install, maintain, remove, and rearrange non-structural partitions and other structures from time to time within such Unit; (b) to paint, paper, panel, plaster, tile, finish, and do or cause to be done such other work on the interior surfaces of the ceilings, floors and walls within any such Unit; and (c) to finish, alter or substitute any plumbing, electrical or other fixtures attached to said ceilings, floors and walls as shall be appropriate for the utilization of such Unit by such Owner or the tenants or lessees thereof; provided, however, that nothing contained in this Section shall authorize any work or alteration which would jeopardize the soundness or safety of any part of the Project, reduce the value thereof, adversely affect any Common Element, including, but not limited to, any structural walls, or any other Unit, alter the uniform external appearance of the Project, or affect or impair any easement or right of any other Owner.

13.3 Adjoining Units May Be Connected. Notwithstanding Section 13.1 above, an Owner of two horizontally or vertically adjoining Units shall have the right, at any time, and from time to time, at such Owner’s sole cost and expense, and without the necessity of the consent or joinder of any other Owner or the amendment of the Declaration, but with the prior approval of the Board to combine such adjoining Units. In connection therewith, the Owner may alter or remove all or portions of the nonstructural or non-load bearing portions of the intervening wall or floor which separates such Units if the structural integrity of the Project is not thereby affected and if the Common Elements affected are restored to a condition comparable to that prior to such alteration of such Common Elements. If the intervening wall or floor affected is load-bearing then, in addition to all other requirements set forth herein, any alteration or removal of all or portions of such wall or floor shall be done pursuant to written plans and specifications drawn by a licensed structural engineer or architect, and approved by the Board. Such work shall be personally supervised by said engineer or architect. This requirement shall

also apply to any subsequent changes made to the combined Units, including any re-closure of such connection or opening. Any Owner making the alterations permitted hereunder shall secure a performance and payment bond naming as obligees said Owner and collectively the Owners of all other Units as their interests may appear in a penal sum of not less than one hundred percent (100%) of the cost of any construction, guaranteeing the payment of funds in an amount necessary to ensure the completion thereof free and clear of all mechanic's and materialmen's liens, and that any such construction shall be carried out in strict compliance with all applicable laws, rules and regulations. The approval of the Board shall be required to perform the alterations permitted herein, which approval shall be given provided that each Owner of the adjoining Units complies with all the terms and conditions relating to said alterations set forth herein. Each Owner of such adjoining Units may install in and attach to such opening or openings in such wall, doors and other service devices and may remove and retain ownership of the items so installed. Upon the termination of the common ownership of such adjoining Units, any intervening wall or floor that has been altered or removed pursuant to the foregoing provisions shall be restored at the Owner's expense to substantially the condition that existed prior to such alteration or removal. Any such restoration shall meet the same requirements of this Section as applied to the original alteration.

13.4 Maintenance Expenses for Common Elements Converted to Limited Common Elements. Any part of the Common Elements that, because of the alterations made pursuant to Section 13.2 or Section 13.3 above, serves or is used exclusively by one or more, but not all of the Unit Owners, then such Common Element shall become a Limited Common Element appurtenant to the Unit or Units so benefitted by such alteration. Thereafter, costs relating to such Limited Common Element shall be borne by the Owner of the Units to which such Limited Common Element is appurtenant.

13.5 Owners to Execute Amendment Documents in Certain Cases. In the event that any change or alteration made in accordance with Section 13.2 or Section 13.3 above requires an amendment to the Declaration and/or to the Condominium Map, such amendment shall be prepared and signed by the Owner of the affected Unit or Units, and shall become effective upon recordation in the Recording Office. Such amendment shall not require the consent or joinder of the Owner of any other Unit or any other person or entity, other than by the holder of a mortgage encumbering the Unit of such Owner, if such mortgage requires such consent.

13.6 Director's Authority to Make Nonmaterial Additions and Alterations. Notwithstanding Section 13.1 above, the Board shall have the authority to make "nonmaterial additions and alterations" (as such term is defined in Section 514B-140 of the Act) without the necessity of (a) the consent or joinder of any Owner or an Owner's mortgagee or (b) any amendment of the Declaration and/or the Condominium Map."

END OF EXHIBIT C

EXHIBIT D
Common Elements

Section 2.3 of the Declaration states:

“2.3 **Common Elements.** One freehold estate is hereby designated in all remaining portions of the Project (“**Common Elements**”). They include specifically but not limited to:

- (a) The Land, in fee simple, and any and all easements and appurtenances thereto.
- (b) All unfinished, undecorated portions of all perimeter (including party) walls and interior load-bearing walls, the undecorated or unfinished surfaces of floors and ceilings, all lanai slabs and railings, all structural components, foundations, floor slabs, columns, girders, beams, supports, shafts, ceilings and spaces between the ceiling and the floor slab or roof above, roofs and exterior surfaces of the Project, including any paint or coating thereon.
- (c) All yards, gardens, grounds, planters, trellises and landscaping, swimming pool and all garbage chutes and other refuse facilities, if any, whether within or appurtenant to the Project.
- (d) All roads, driveways, ramps, parking stalls, carport structure, loading areas or zones, and walkways which are rationally of common use by Owners of more than one Unit, including the driveway that the Project shares with the owners of adjoining parcels of land as set forth in Section 5.6.
- (e) All ducts, pumps, valves, sewer lines, drain lines, electrical equipment, cables, wiring, chutes, pipes, shafts, wires, conduits or other utility or service lines which are utilized for or serve more than one Unit and other central and appurtenant transmission facilities over, under and across the Project which serve more than one Unit for services such as power, light, water, gas, sewer, refuse, telephone and radio and television signal distribution.
- (f) The hallways, corridors, stairs, stairways, garbage or electrical rooms, laundry facilities, and other similar areas which are not part of a Unit and are shown on the Condominium Map.
- (g) Any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance and safety, or normally in common use.”

END OF EXHIBIT D

EXHIBIT E
Limited Common Elements

Section 2.4 of the Declaration states:

“2.4 **Limited Common Elements.** Certain parts of the Common Elements (“**Limited Common Elements**”) are hereby designated, set aside and reserved for the exclusive use of certain Units, and such Units shall have appurtenant thereto exclusive easements for the use of such Limited Common Elements as set forth herein. Except as specifically provided herein, the costs and expenses of every description pertaining to the Limited Common Elements, including but not limited to the costs of maintenance, repair, replacement, improvement or additions to the Limited Common Elements shall be borne by the Owner of the Unit or Units to which the Limited Common Element is or are appurtenant, provided, if any Limited Common Element is to be replaced, the replacement shall be substantially similar to the Limited Common Element being replaced or if such replacement differs from the Limited Common Element being replaced, then such replacement shall require the prior written approval by the Board.

Notwithstanding anything to the contrary contained in this Declaration, no amendment of the Declaration affecting the Limited Common Elements appurtenant to a Unit or Units shall be effective without the consent of the Owner or Owners affected. An Owner may transfer or exchange a Limited Common Element that is appurtenant to the Owner’s Unit to another Unit Owner. Any transfer shall be executed and recorded as an amendment to the Declaration. The amendment need only be executed by the Owner of the Unit whose Limited Common Element is being transferred and the Owner of the Unit receiving the Limited Common Element; provided that any mortgages and leases encumbering a Unit may also require the consent by the holder of such mortgage or lease that affect the Units involved in such transfer. Failure to obtain such required consent shall not invalidate the amendment. The amendment shall become effective upon recording it in the Recording Office. Unit Owners entering into such amendment shall promptly deliver to the Association a copy of the recorded amendment.

The Limited Common Elements hereby designated, set aside and reserved are as follows:

- (a) Mail Boxes. Each Unit shall have appurtenant thereto and reserved for its exclusive use one or more mailboxes located adjacent to the front entry gate of the Project. The Board shall allocate the mailboxes among the Unit Owners from time to time in its discretion.
- (b) Pipes, utility lines etc. Each Unit shall have appurtenant thereto and reserved for its exclusive use all pipes, wires, ducts, conduits or other utility or service lines located within or running through the Unit and utilized by or serving only that Unit.
- (c) Parking. Each of the fifteen (15) parking stalls shown on the site map portion of the Condominium Map shall be designated for the exclusive use of the Unit as shown on Exhibit B. (Parking stalls may be transferred from one Unit to another in accordance with the Act and the Declaration.)
- (d) Any shutters, awnings, window boxes, fences, gates and all exterior doors, windows, lighting or other fixtures designed to serve a single Unit (including the light located on the wall next to the entrance of each Unit), but located outside the Unit’s boundaries, are Limited Common Elements appurtenant exclusively to that Unit.

(e) Any other Common Element that is rationally related to fewer than all the Units shall be deemed a Limited Common Element appurtenant to and for the exclusive use of such Unit or Units to which is rationally related.”

END OF EXHIBIT E

EXHIBIT F
Special Use Restrictions

Article 6 of the Declaration states:

6.1 Uses Other Than Residential Use Prohibited. The Units may be occupied and used only for residential purposes and for such other uses that are permitted under the Land Use Ordinance, Chapter 21, Revised Ordinances of Honolulu 1990, as amended (“LUO”), then in effect. No Unit may be used for the carrying on of any business, trade or profession, except for rentals and home occupations permissible under the LUO.

6.2 Time Sharing and Transient Rental. The Units may not be used as “time share units” or rented or used as “transient vacation rentals”, as such terms are defined in Chapter 514E, Hawaii Revised Statutes. Subject to the foregoing limitations, an Owner shall have the absolute right to lease such Units subject to all provisions of this Declaration, the Bylaws, and the House Rules; provided, however, that all leases shall be in writing, signed by the owner or owner’s representative and the tenant.

6.3 Owners’ Right to Sell. An Owner shall have the absolute right to sell or otherwise transfer his Unit, subject to all provisions of the Act, this Declaration, and the Bylaws.

6.4 Prohibition of Activities Which Jeopardize the Project. No Owner shall do or suffer or permit to be done anything to any Unit or appurtenant Limited Common Element or elsewhere on the Project which will (a) jeopardize the safety or soundness of the Project, or (b) create a nuisance or interfere with or unreasonably disturb the rights of other Owners and occupants, or (c) result in the cancellation or increase in the premiums of any insurance required for the Project by the Bylaws.

6.5 Prohibition of Unauthorized Alteration or Decoration to the Exterior and Common Areas of the Project. No Owner of a Unit shall, without the written approval and consent of the Board, place or permit the attachment, hanging, projection or protrusion of any object, garments or materials of any kind from the roofs, exterior walls, windows, lanais, or doors of the Units, or the placement of any other matter or decoration within or without the Unit which shall be visible from the exterior of the Project, nor shall any Owner change or alter any of the exterior glass windows in any way, except in compliance with the building standards and as approved by the Board, nor shall any Owner change the exterior appearance of the Project in any manner.

6.6 Owners to Maintain Units in Good Order. The Owner of a Unit shall keep the interior of his Unit and all plumbing, electrical, air conditioning (if any) and other fixtures and appurtenances in good order and repair and shall be responsible for any damage or loss caused by failure to do so. The Owner of a Unit shall also keep all exterior windows and doors in good order and repair and shall maintain or replace such windows and doors in accordance with instructions provided by the Association, acting through its Board, which instructions may include, among other items, requirements as to type, age, manufacturer and appearance of such windows and doors. In the event that an Owner does any work within a Unit which exposes plumbing within the walls of the Unit, then the Owner shall, with the Board’s prior written approval, make any necessary repairs to such exposed plumbing in the course of the Owner’s work.

6.7 **Use of Common Elements.** All Owners (including their tenants and guests) may use the Common Elements allocated to serve their Units for the purposes for which the Common Elements are intended. By way of illustration, parking stalls may be used for the parking of motor vehicles, but not for the storage of other personal property. Notwithstanding the foregoing, neither an Owner nor a guest may use any Common Element in any manner that unreasonably interferes with the rights of other Owners in and to the Common Elements. Without limiting the generality of the foregoing, no Owner shall cause, or permit its tenants or guests to cause, waste to any Common Element. The Owners' rights to use the Common Elements are subordinate and subject to all of the rights and powers of the Association with respect to the Common Elements, including, without limitation, the Association's right and power to adopt rules regulating the use of the Common Elements."

END OF EXHIBIT F

EXHIBIT G
Encumbrances Against Title

1. Mineral and water rights of any nature in favor of the State of Hawaii.
2. The terms and provisions contained in the AGREEMENT dated December 28, 1957, recorded in Liber 3492 at Page 106.
3. The terms and provisions contained in the AGREEMENT dated January 12, 1959, recorded in Liber 3555 at Page 358, for easement rights for roadway purposes.

Said Agreement was amended by instrument dated December 13, 2011, recorded as Document No. A-43710817.

4. GRANT to DIAMOND HEAD TERRACE, ITS SUCCESSORS AND ASSIGNS, dated December 13, 2011, recorded as Document No. A-43710817, granting Easement "B" for roadway purposes, over, under and across that portion of Lot 14 which area of such Easement is more particularly described in Agreement recorded in Liber 3555 at Page 358
5. The terms and provisions contained in the DECLARATION OF CONDOMINIUM PROPERTY REGIME FOR "DIAMOND HEAD HALE" CONDOMINIUM PROJECT dated March 19, 2011, recorded as Document No. A-44150706. (The Project is covered by Condominium Map No. 5062 and any amendments thereto.)
6. The terms and provisions contained in the BY-LAWS OF THE ASSOCIATION OF UNIT OWNERS dated March 19, 2011, recorded as Document No. A-44150707.
7. Various Proprietary Leases, Parking Stall Leases, and assignments thereof, and matters arising from or affecting the same.

END OF EXHIBIT G

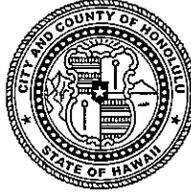
EXHIBIT H

Letter from the City and County of Honolulu Department of Planning and Permitting

END OF EXHIBIT H

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) 768-6041
DEPT. WEB SITE: www.honolulu.gov • CITY WEB SITE: www.honolulu.gov



PETER B. CARLISLE
MAYOR

DAVID K. TANOUE
DIRECTOR

JIRO A. SUMADA
DEPUTY DIRECTOR

2010/ELOG-1578(RLK)

October 11, 2011

Jeremy A. Grad, Esq.
The Grad Law Firm
Davies Pacific Center, Suite 1800
841 Bishop Street
Honolulu, Hawaii 96813

Dear Mr. Grad:

Subject: Condominium Conversion Project
3131 Pualei Circle
Tax Map Key (TMK): 3-1-26: 45

This is in response to your letter dated July 30, 2010, requesting verification that the structure on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the two-story sixteen-unit apartment building with seven all-weather-surface off-street parking spaces met all applicable code requirements when it was constructed in 1959 on this 15,001-square-foot A-2 Medium-Density-Apartment-District-zoned lot.

Investigation also revealed the following:

1. The apartment building is considered nonconforming because it encroaches into the front- and side-yard setbacks.
2. The number of off-street parking spaces (seven) located in the front-yard setback is considered nonconforming.
3. On November 2, 1998, Document No. 98-164169 (a limited warranty deed) and Liber 3555, pages 358 and 359, dated January 12, 1959, was recorded with the State of Hawaii, Bureau of Conveyances, declaring that Lot 13 (TMK: 3-1-26: 43) shall have an easement right for road purposes over easement B in Lot 14 (TMK: 3-1-26: 45) and that Lot 14 (TMK: 3-1-26: 45) shall have an easement for road purposes over Easement A in Lot 13 (TMK: 3-1-26: 43) for the period up to and including June 30, 2033.
4. The carport structure, along with the eight off-street parking spaces located within the ten-foot side-yard setback, is not permitted. For your information, there are no records on file of any building permits issued for the construction of this carport structure.

Jeremy A. Grad, Esq.
The Grad Law Firm
October 11, 2011
Page 2

5. There are no records in our files for the construction of the swimming pool.

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 Alex Sugai of our Commercial and Multi-Family Code Enforcement Branch at 768-8152.

Very truly yours,



David K. Tanoue, Director
Department of Planning and Permitting

DKT:ft
[883253]

EXHIBIT I

Summary of the Pertinent Provisions of the Condominium Conversion Contract

The specimen Condominium Conversion Contract ("Contract") filed with the Commission is between Diamond Head Hale Corp., a Hawaii corporation ("Co-op" or "Developer") and a purchaser (referred to in the Contract as "Owner") and sets forth the terms on which current owners of an apartment in the Diamond Head Hale cooperative apartment project pursuant to a Proprietary Lease may convert their ownership to fee simple, condominium ownership. Those terms include the following:

- 1. Property covered by Contract.** The property transaction includes the transfers to an Owner by the Developer of (a) its rights as lessor under the Proprietary Lease and (b) the condominium Unit currently leased under the Proprietary Lease. In return, the Owner will transfer back its Owner's Stock in the Co-op.
- 2. Co-op to Condo Conversion; Conversion Fee.** In order to convert from co-op to condominium form of ownership, an Owner shall pay a conversion fee of \$500 that covers a portion of the costs that the Co-op has incurred in setting up the condominium and converting the apartments from co-ops to condominiums.
- 3. Closing.** At Closing, the Owner must surrender his or her shares in the Co-op and any rights Owner may have in a lease of a parking stall in the Project and cause the existing Proprietary Lease for the Unit to be free and clear of any liens, mortgages, or other encumbrances. When the Owner does so and deposits the Owner's Stock into Escrow, the Co-op will execute and deposit into Escrow a Unit Deed conveying fee simple title to the Unit and lessor's interest in the Proprietary Lease to the Owner, subject to the Proprietary Lease. Upon recordation of the Unit Deed, the Owner's Stock will be cancelled and Owner will also hold the lessor's and lessee's interest in the Proprietary Lease. If and when Owner wishes to do so, Owner may allow the merger of the interests in the Lease to occur or may cancel the Lease.
- 4. Existing Mortgages.** The Owner is solely responsible for arranging for the release or termination at closing of any mortgages, pledges, lien or other encumbrances on his apartment. If Owner must refinance an existing mortgage on owner's proprietary lease in connection with the conversion, Owner's obligations under the Condominium Conversion Contract are contingent on Owner's ability to do so.
- 5. Closing Costs.** Owner shall be responsible for paying all closing costs, including the cost of preparing the Unit Deed, the applicable escrow fee, and notary fees for the Deed, the recording fees for the recordation of the deed, plus applicable taxes, and any additional closing costs. Such additional closing costs may include, without limitation, (a) the costs of refinancing any mortgage that Owner may have, (b) the costs of purchasing a policy of title insurance if Owner elects to purchase it, (c) the costs of preparing any releases or similar documents necessary to release any liens or mortgages that encumber Owner's Proprietary Lease or Stock, (d) the notary and recording fees for any such releases or similar documents, and (e) any Escrow fees beyond the basic Escrow fee due to any complexities of Owner's conversion.
- 6. Acceptance of the Unit "As Is".** Because the Project is an existing building being converted to condominium ownership, and because the Owner already owns the apartment (under a proprietary lease), the Unit is sold and conveyed to the Owner on a strictly "AS IS, WHERE IS" basis.

7. **Tax Matters.** Acquisition of the Unit pursuant to this Contract may have adverse tax consequences to the Co-op and to Owner.

The transaction under this Contract has been structured as a transfer to the Owner of the lessor's interest in the Proprietary Lease in exchange for the Owner's Stock, followed by the formation of the condominium property regime by the Co-op as agent for the Owners and the conveyance by deed of a Unit from the Co-op (as agent for the Owners).

If the transaction were re-characterized as a transfer by the Co-op of the Unit in exchange for the Owner's transfer of Owner's Stock in the Co-op, the Co-op may be required to recognize taxable gain on the transfer of the units to those cooperative shareholders who are not utilizing their Unit as a "principal residence", as defined under the Internal Revenue Code.

A corporation, such as the Co-op, will potentially recognize gain or loss on the distribution of units to persons whose units are not being used as principal residences. Any taxes payable by the corporation will be based upon the fair market value of the "distributed property" (other than property used as a principal residence) in excess of the corporation's tax basis. The fair market valuation of the distributed property may take into account the terms and conditions of the Proprietary Leases affecting such Units.

Any income tax due from the Co-op will be the joint and several obligation of its shareholder if corporate assets are insufficient to pay any tax which is due.

The transaction under this Contract may also have income tax effect at the level of the cooperative stockholder. Generally, a cooperative stockholder must recognize gain to the extent that the fair market value of the property received exceeds the Owner's basis of the cooperative stock being exchanged. However, the tax liability to the stockholder may be reduced and may even be avoided (a) if the stockholder has held the cooperative unit as his principal place of residence and the gain does not exceed \$250,000 for a single owner or \$500,000 for a husband and wife filing a joint return or (b) if the stockholder has held the cooperative unit as an investment or business property (Internal Revenue Code Section 1031) and wishes to treat the transaction as a tax-free exchange. A stockholder who is neither an owner-occupant nor an investor may be required to recognize gain to the extent of the value of the condominium unit compared to the owner's basis in such Owner's Stock in the Co-op and Proprietary Lease. The fair market valuation of the distributed property may also take into account the terms and conditions of the Proprietary Leases affecting such Units.

The fair market valuation of the distributed property is unclear, and depending upon its valuation the corporation will have taxable income. It is the Co-op's view that each condominium Unit in the Project has no appreciable value just before the exchange because each Unit is encumbered by a Proprietary Lease, but there is no guarantee that the Internal Revenue Service will accept this view.

State tax implications similar to the federal tax implication described in this Section may arise under the tax laws of the State of Hawaii. As the facts and circumstances of each shareholder will differ, it is recommended that each shareholder seek his own tax counsel.

The Condominium Conversion Contract specifically provides that each Owner assumes all tax risk and possible liability described above and releases the Co-op, its directors, officers and agents from

any obligation for further disclosure with respect to potential liability and from any obligation to make any payments on account thereof. The Contract also provides that, if prior to closing, the Co-op has obtained an opinion of tax counsel (which it is not obligated to obtain) that the conversion to the form of condominium ownership creates significant tax liability to the Co-op, then the Co-op may elect at any time prior to closing to terminate this Conversion Contract without liability to Owner, whereupon Escrow shall cause the Deposit, if any, to be returned to Owner.

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

END OF EXHIBIT I

EXHIBIT J

Summary of the Pertinent Provisions of the Escrow Agreement (Between Developer and Title Guaranty Escrow Services, Inc.)

1. **All deposits will be Paid to Escrow.** A copy of each Sales Contract and all payments made to purchase a Unit shall be turned over to the Escrow Agent. Any interest earned on funds deposited in escrow shall accrue to the credit of the Developer; except that, if Escrow is requested to establish a separate account for a purchaser, the purchaser shall pay Escrow a fee of \$25.00 for each such separate account and shall furnish Escrow the purchaser's social security or federal identification number, and any interest earned on funds deposited in such account shall accrue to the credit of the purchaser.

2. **Conditions to be Met Prior to Disbursement.** No disbursements of funds held in escrow with respect to a sales contract shall be made unless and until the following conditions have been fulfilled:

(a) The Real Estate Commission shall have issued an effective date of the Developer's Public Report on the Project;

(b) The purchaser shall have been given and shall have acknowledged receipt of (1) a copy of said Public Report and (2) notice of purchaser's thirty-day cancellation right upon a form prescribed by the Real Estate Commission; and

(c) The purchaser shall have waived the right to cancel or be deemed to have the right to cancel, in accordance with Section 514B-86 of the Act; and

(d) The Developer shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract.

At the request of Escrow, Developer's attorney shall delivered a written opinion to Escrow that the foregoing conditions shall have been complied with and the purchaser's sales contract has become effective.

3. **Return of Funds and Documents.** A purchaser shall be entitled to a return of funds and Escrow shall pay such funds to such purchaser, without interest, if any one of the following has occurred:

(a) Developer and the purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held hereunder by Escrow; or

(b) Developer shall have notified Escrow of Developer's exercise of any option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer; or

(c) A purchaser shall have exercised his thirty-day cancellation right to rescind the sales contract pursuant to Section 514B-86 of the Act; or

(d) In the event of a material change in the Project, a purchaser shall have exercised his thirty-day cancellation right to rescind the contract pursuant to Section 514B-87 of the Act.

In any of the foregoing events, Escrow shall, upon the occurrence of the event described in (a) or (b) above or upon receipt of a written request for a refund from purchaser upon the occurrence of an event described in (c) or (d) above, unless the purchaser has waived or has been deemed to have waived the right to a refund, pay said funds to said purchaser (less a cancellation fee commensurate with the work done by Escrow prior to such cancellation up to a maximum of \$250.00) and thereupon said sales contract and any conveyance document theretofore delivered to Escrow shall be returned to Developer and shall be deemed no longer held hereunder; provided, however, that no refund shall be made to a purchaser at purchaser's request prior to receipt by Developer of written notice from Escrow of its intent to make such refund.

4. Purchaser's Default. Developer shall give notice in writing to Escrow of the occurrence of each event which initiates an obligation of a purchaser to make a payment to Escrow pursuant to the sales contract as well as notice of the amount and due date of such payment. Escrow shall thereupon promptly give the purchaser notice of the amount and due date of such payment. If the purchaser fails to make such payment to Escrow on or before the due date thereof or if the purchaser fails to perform in any matter which is being handled by Escrow, Escrow shall promptly notify Developer of any such failure on the part of the purchaser. If Developer subsequently certifies in writing to Escrow that Developer has terminated the sales contract in accordance with the terms thereof and provides to Escrow copies of all such notices of termination sent to the purchaser, Escrow shall thereafter treat all funds of the purchaser paid on account of such purchaser's sales contract as funds of Developer and not as funds of the purchaser. Thereafter, such funds shall be free of the escrow established by Developer. Upon written request by Developer, Escrow shall pay such sums to Developer, less any escrow cancellation fee, shall return to Developer the sales contract of such purchase and any other documents theretofore delivered by Developer to Escrow, and shall return other documents theretofore delivered to Escrow in connection with the purchase of the unit to the person from whom, or entity from which, such documents were received; and, Escrow shall thereupon be released from any further duties or liability hereunder with respect to such funds and such purchaser.

END OF EXHIBIT J

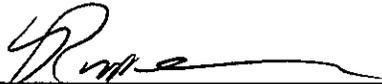
EXHIBIT K
Estimate of the Initial Maintenance Fees

PROJECT: **DIAMOND HEAD HALE**
 3131 Pualei Circle
 Honolulu, Hawaii 96815

The Developer of the Project hereby certifies:

1. The estimated maintenance fee for each unit is more fully described on the following attached page.
2. The estimate is based on generally accepted accounting principles.
3. **OBLIGATION TO PAY COMMON EXPENSES.** A Unit Owner shall become obligated to start paying the Unit Owner's share of common expenses thirty days after receiving written notice from the Developer or their successor.

DIAMOND HEAD HALE, CORP., a Hawaii
corporation

By 
RICK EDDS
Its President

By 
ROBERT M. BERRIS
Its Vice President

"Developer"

Estimate of Initial Maintenance Fees:

Apartment Type	Monthly Fee	X 12 Months	= Yearly Total
16 Units, PCI 6.25%	\$ 455.81		\$ 5,469.72

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

Notes *

Bldg Maint. Repairs
Plumbing
Pool
Annual CPA services
Legal Fees
Reserve Contribution
Laundry Income

All projections based on comparable data and/or industry norms and standards, unless specified below.

Costs associated with unforeseen minor repairs - electric, locksmith...etc
Costs associated with troubleshooting/investigating plumbing leaks and normal scheduled plumbing maint.
Costs associated with necessary professional pool/spa repairs and pool supplies purchases.
Unannounced cash verification, annual audit, tax prep.
Collection services for delinquent maintenance fees and general legal services
A reserve study was prepared but not updated for the 2013 budget year
Laundry Income Provided by the Client