



Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report                       Not Required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

No prior reports have been issued by the developer.

Changes made are as follows:

1. **DEVELOPER.** 725 Kapiolani Associates, a Hawaii general partnership, is identified in the Final Public Report as the fee owner of the underlying land. 725 Kapiolani Associates engaged the services of Business Investment, Ltd., to serve as the developer of the Project. Business Investment, Ltd., was not an owner of the underlying land and it does not have any ownership interest in the remaining unsold apartments in the Project. Since construction of the Project was substantially completed, Business Investment, Ltd. withdrew as the developer of the Project effective as of September 30, 1992, and effective as of October 1, 1992, 725 Kapiolani Associates has assumed all of the duties and obligations as the developer of the Project. The two general partners of 725 Kapiolani Associates are F. J. Co., Ltd., a Hawaii corporation, and F. J. USA, Inc., a Hawaii corporation. The listing of the officers of Business Investment, Ltd. in Exhibit "I" to the Final Public Report is therefore, no longer applicable. 725 Kapiolani Associates' business address and business telephone number are as follows:

Ala Moana Pacific Center, Suite 1230  
1585 Kapiolani Boulevard  
Honolulu, HI 96814  
Tel. No. 951-4177

2. **LAWUIT.** A lawsuit designated as Civil No. 95-3528-09 has been filed in the Circuit Court of the First Circuit State of Hawaii by the Association of Apartment Owners ("Association") of the Imperial Plaza against the developer as well as its design and construction professionals alleging design and construction defects in the Project. The lawsuit seeks an order requiring the named defendants to remedy and repair alleged defects to certain apartments in the Project, or in the alternative, for a sum of money sufficient to make the repairs, and for special, general, consequential and punitive damages to be shown for alleged breaches of contract, breaches of warranties and negligence. The Association's attorney is Richard S. Ekimoto, Esq. of Elisha, Ekimoto & Harada. The developer cannot predict with any certainty the outcome of the lawsuit and is disclosing its existence for the consideration of prospective purchasers. Copies of documents pertaining to the lawsuit will be made available to prospective purchasers for review upon request. Prospective purchasers should be aware that depending upon the outcome of the lawsuit, there may be costs incurred by the Association that must be allocated to the owners. Purchasers should, therefore, consider the significance of the lawsuit in making their decision to purchase a unit in the Project.
3. **AMENDMENTS TO DECLARATION.** Various amendments have been made to the Condominium Declaration primarily to transfer parking stalls between apartments in the Project. A listing of these amendments is set forth at page 6A of this Supplementary Public Report.
4. **AMENDMENT TO CONDOMINIUM BYLAWS.** The Condominium Bylaws were amended on July 9, 1991, by First Amendment to Bylaws of Association of Apartment Owners of The Imperial Plaza, recorded and filed in the Office of the Registrar of the Land Court of the State of Hawaii as Document No. 1836023 and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 91-095448. Page 6 of this Supplementary Public Report also reflects this information.

5. **STATUS OF CONSTRUCTION AND ESTIMATED COMPLETION DATE.** Construction of the Project was substantially completed in 1992.
6. **NUMBER OF COMMERCIAL APARTMENTS.** Pursuant to the right reserved unto 725 Kapiolani Associates and Business Investment, Ltd., as set forth in Section IV.B.3.b (at page 18b) of the Final Public Report and at the request of the prospective purchaser, commercial apartments numbered C401 through C406, inclusive, were converted into a single commercial apartment numbered C401. Therefore, there are 50 instead of 55 commercial apartments. The percent common interest of new commercial apartment numbered C401 is the total percent common interests of former commercial apartments numbered C401 through C406, inclusive.
7. **AREAS OF COMMERCIAL APARTMENTS IN THE GALERIE.** Exhibit "A" (at page 9) of the Final Public Report provides that the areas of the commercial apartments within The Galerie have not been verified and that it is likely that said areas will change upon verification thereof. While the size of commercial apartment numbered C310 was slightly reduced, said reduction shown as follows was insignificant:

<u>Apt. No.</u>	<u>Original Net Living Area</u>	<u>Original Gross Floor Area</u>	<u>Amended Net Living Area</u>	<u>Amended Gross Floor Area</u>
C310	256	264	236	244

8. **PARKING STALL ASSIGNMENTS.** The parking stall assignments shown in Exhibit "B" of the Final Public Report have been revised pursuant to the power reserved unto the Developer to reassign the parking stalls as and when sales of apartments are effected. The changes in the parking stall assignments are set forth in the amendments to the Condominium Declaration, and the Sales Contract for each unsold apartment will identify the parking stall(s) assigned to such apartment.
9. **NO MAILBOXES FOR COMMERCIAL APARTMENTS.** The limited common elements as set forth in Exhibit "D" of the Final Public Report incorrectly states that each apartment shall at all times have at least one mailbox appurtenant to it. As required under the Condominium Property Act, there is one mailbox for each residential apartment. Since the mail is delivered directly to each commercial apartment, there are no mailboxes assigned to any of the commercial apartments.
10. **ENCROACHMENT ONTO KAPIOLANI BOULEVARD.** The wall at the Southeast corner of the exiting 4-story building designated "The Galerie" extends into Kapiolani Boulevard by 0.3 feet as per the survey of Kazutaka Saiki, Registered Professional Surveyor, Certificate No. 740-S, dated November 2, 1991, as updated on November 7, 1991. Since this minor encroachment was not contained in the title insurance commitment described in Exhibit "E" of the Final Public Report, Security Title Corporation will cause First American Title Insurance Company to include an endorsement in each title insurance policy issued to each buyer of an apartment in the Project (at no cost to any such buyer) which shall insure against loss due to the minor encroachment of The Galerie into the sidewalk area fronting Kapiolani Boulevard.
11. **REAL ESTATE SALES AGENTS.** 725 Kapiolani Associates has entered into a new agreement with a real estate sales agent to sell the remaining unsold apartments in the Project. The name, business address and business telephone number of the real estate sales agent currently representing 725 Kapiolani Associates is as follows:

<u>Name</u>	<u>Business Address</u>	<u>Business Phone</u>
ILC International, Inc. Patrick T. Nakamura, Principal Broker	Ala Moana Pacific Center Suite 1230 1585 Kapiolani Blvd. Honolulu, HI 96814	951-4177

The listing of real estate brokers in Exhibit "J" of the Final Public Report is no longer applicable.

12. **ATTORNEY.** The law firm of Hong and Iwai no longer represent the developer with respect to the Project. The law firm of Dwyer Imanaka Schraff Kudo Meyer & Fujimoto has now been retained by the developer as the developer's new attorneys for the Project.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: 725 Kapiolani Associates Phone: (808) 951-4177
Name (Business)
1585 Kapiolani Blvd., Suite 1230
Business Address
Honolulu, Hawaii 96814

Names of officers or general partners of developers who are corporations or partnerships:

F. J. Co., Ltd.
F.J. USA, Inc.

Real Estate Broker: ILC International, Inc. Phone: (808) 951-4177
Name (Business)
Ala Moana Pacific Center, 1585 Kapiolani Blvd., Ste. 1230
Business Address
Honolulu, Hawaii 96814
Patrick T. Nakamura, Principal Broker

Escrow: Security Title Corporation Phone: (808) 521-9511
Name (Business)
Suite 1200, Pacific Tower, 1001 Bishop Street
Business Address
Honolulu, Hawaii 96813

General Contractor: N/A Phone:
Name (Business)
Business Address

Condominium Managing Agent: Hawaiiana Management Company Phone: (808) 593-9100
Name (Business)
1270 Ala Moana Boulevard
Business Address
Honolulu, Hawaii 96814

Attorney for Developer: Dwyer Imanaka Schraff Kudo Meyer & Fujimoto Phone: (808) 524-8000
Name (Business)
900 Fort Street Mall, Suite 1800
Business Address
Honolulu, Hawaii 96813
Attn: Mitchell A. Imanaka

**II. CREATION OF THE CONDOMINIUM;  
CONDOMINIUM DOCUMENTS**

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

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

The Declaration for this condominium is:

Proposed  
 Recorded - Bureau of Conveyances: Document No. 90-48554  
Book \_\_\_\_\_ Page \_\_\_\_\_  
 Filed - Land Court: Document No. 1719508

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]: See page 6A which sets forth the dates and recordation information for all amendments.

- B. Condominium Map (File Plan) shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

Proposed  
 Recorded - Bureau of Conveyances Condo Map No. 1312  
 Filed - Land Court Condo Map No. 774

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

- C. Bylaws of the Association of Apartment Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment 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 which affect how the condominium project will be governed.

The Bylaws for this condominium are:

Proposed  
 Recorded - Bureau of Conveyances: Document No. 90-48555  
Book \_\_\_\_\_ Page \_\_\_\_\_  
 Filed - Land Court: Document No. 1719509

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]:

First Amendment to Bylaws of Association of Apartment Owners of The Imperial Plaza dated July 9, 1991, recorded in the Office of the Registrar of the Land Court of the State of Hawaii as Document No. 1836023 and at the Bureau of Conveyances of the State of Hawaii as Document No. 91-095448.

II.A. Continued

<u>Amendment Date</u>	<u>Bureau of Conveyances Document Number</u>	<u>Land Court Document Number</u>
June 18, 1991	91-095447	1836022
October 15, 1991	91-142482	1858920
February 6, 1992	92-020176	1888146
April 9, 1992	92-067692	1908603
June 22, 1992	92-106455	1927259
July 14, 1992	92-184368	1969959
July 20, 1992	92-119498	1935157
August 7, 1992	93-074683	2022500
November 9, 1992	92-187550	1971548
January 25, 1993	93-015671	1993496
February 26, 1993	95-093229	2249872
Undated	95-097646	2251628
August 18, 1993	93-151286	2065932
September 15, 1993	93-166269	2074530
October 1, 1993	93-170726	2076923
December 14, 1993	93-218398	2103773
December 17, 1993	94-001162	2105349
December 23, 1993	94-159278	2183853
December 28, 1993	93-219562	2104614
January 4, 1994	94-006580	2108255
January 18, 1994	94-010232	2110164
January 21, 1994	94-014454	2112663
January 27, 1994	94-027233	2119322
January 28, 1994	94-019345	2115197
February 7, 1994	94-028310	2119785
March 15, 1994	94-057051	2133712
March 24, 1994	94-057055	2133715
April 5, 1994	94-067890	2139087
April 11, 1994	94-065966	2138261
April 13, 1994	94-068922	2139529
May 10, 1994	94-081423	2146390
May 25, 1994	94-099703	2155086
June 21, 1994	94-109246	2159639
July 6, 1994	94-120254	2165284
October 6, 1994	94-165121	2186287

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
  - B) Declaration of Condominium Property Regime, as amended.
  - C) Bylaws of the Association of Apartment Owners, as amended.
  - D) House Rules.
  - E) Condominium Map.
  - F) Escrow Agreement.
  - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
  - H) Other \_\_\_\_\_

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107, are available at the Cashier's Office, Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P.O. Box 541, Honolulu, HI 96809, at a nominal cost.

This Public Report is a part of Registration No. 2110 filed with the Real Estate Commission on April 30, 1990.


Reproduction of Report. When reproduced, this report must be on:

yellow paper stock                       white paper stock                       pink paper stock

- D. 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 buyers 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.

725 Kapiolani Associates

Name of Developer

By:   
Duly Authorized Signatory

NOV 12 1996

Date

Takayuki Mizutani, Vice President and Secretary of F.J. USA, Inc.,  
a Hawaii corporation, a General Partner of 725 Kapiolani Associates

print name & title of person signing above

Distribution:

Department of Finance, City and County of Honolulu  
Planning Department, City and County of Honolulu  
Federal Housing Administration





RECEIVED  
NOV 15 1995  
I.L.C. INTERNATIONAL, INC.

31 Years of Quality Property Management  
HAWAIIANA 31 MANAGEMENT  
ANNIVERSARY

November 14, 1995

Dear Owners of The Imperial Plaza:

Enclosed is the 1996 Operating Budget, which was prepared on a cash basis, and the Reserve Study. The Association of Apartment Owners is well funded at approximately 97%. However, increases in utilities, payroll & benefits, and an allowance for additional professional services creates a need to increase Maintenance Fees in 1996, but only by 3%. The enclosed schedule reflects the Maintenance Fee for your apartment beginning January 1, 1996.

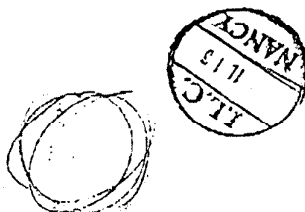
Also enclosed, for those of you who have not yet joined, is an application for Hawaiiana Management Company's SUREPAY service. If you are enrolled before December 15, Hawaiiana will take care of adjusting your payment automatically. You will still receive a statement each month for your records which will show electric and other ancillary costs. You may, of course, contact Susan, your accountant, at (808) 593-6849 if you have any question about your statement.

Please, if you notice that this letter was redirected to reach you, inform us, in writing, of your correct mailing address. This is your responsibility and the failure to do so has cost other owners unnecessary fees. Also, if you live off the island of Oahu and rent your unit, you must have an agent on island. If you will provide us with written direction, the Association will provide copies of information pertaining to your apartment to that agent.

Mahalo;

FOR THE BOARD OF DIRECTORS  
THE IMPERIAL PLAZA

*Ted Walkey*  
Ted Walkey  
Management Executive



**EXHIBIT F**

RECEIVED  
NOV 15 1995

THE IMPERIAL PLAZA  
1996 MAINTENANCE FEES

I.L.C. INTERNATIONAL, INC.

I.	<u>The Imperial</u>			
	108 residential apartments on 6th through 24th floors (no 13th floor)		\$456.91	
	50 residential apartments on 25th through 34th floors		\$609.22	
	12 residential penthouses on 35th through 38th floors		\$1218.43	
	#3902, #3903		\$1614.42	
	#3901		\$1660.11	
II.	<u>The Plaza</u>			
	33 residential apartments		\$654.91	
III.	<u>The Galerie &amp; the Platform</u>			
	50 commercial apartments:			
	G-C106 .....	\$350.30	P-C101 .....	\$868.13
	G-C107 .....	\$319.84	P-C102 .....	\$852.90
	G-C108 .....	\$578.76	P-C103 .....	\$868.13
	G-C109 .....	\$593.99	P-C104 .....	\$989.98
	G-C110 .....	\$731.06	P-C105 .....	\$1,142.28
	G-C111 .....	\$441.68	P-C114 .....	\$685.37
	G-C112 .....	\$441.68	P-C115 .....	\$654.91
	G-C206 .....	\$335.07	P-C116 .....	\$685.37
	G-C207 .....	\$441.68	P-C117 .....	\$563.52
	G-C208 .....	\$502.60	P-C118 .....	\$548.29
	G-C209 .....	\$639.68	P-C119 .....	\$563.52
	G-C210 .....	\$548.29	P-C120 .....	\$304.61
	G-C211 .....	\$304.61	P-C121 .....	\$548.29
	G-C212 .....	\$989.98	P-C122 .....	\$685.37
	G-C301 .....	\$731.06	P-C123 .....	\$548.29
	G-C302 .....	\$700.60	P-C124 .....	\$533.06
	G-C303 .....	\$639.68	P-C125 .....	\$517.83
	G-C304 .....	\$365.53	P-C126 .....	\$548.29
	G-C305 .....	\$441.68	P-C201 .....	\$426.45
	G-C306 .....	\$883.36	P-C202 .....	\$761.52
	G-C307 .....	\$137.07	P-C203 .....	\$731.06
	G-C308 .....	\$60.92	P-C204 .....	\$746.29
	G-C309 .....	\$137.07	P-C205 .....	\$1,142.28
	G-C310 .....	\$137.07		
	G-C311 .....	\$60.92		
	G-C312 .....	\$137.07		
	G-C401 .....	\$3,807.60		

# ANNUAL OPERATING BUDGET AS OF OCTOBER 18, 1995

Page

PROJECT  
 PREPARED BY  
 FIRST BUDGET MONTH  
 BUDGET FIRST YEAR  
 CURRENT MONTH  
 BEGINNING RESERVES  
 BUDGET APPROVED ON:

THE COMMERCIAL PLAZA  
 TED WALKER  
 JANUARY  
 1996  
 JULY  
 738,800  
 10/18/95

DESCRIPTION	JAN 1996	FEB 1996	MAR 1996	APRIL 1996	MAY 1996	JUNE 1996	JULY 1996	AUG 1996	SEPT 1996	OCT 1996	NOV 1996	DEC 1996	ANNUAL TOTAL
REVENUE	152304	152304	152304	152304	152304	152304	152304	152304	152304	152304	152304	152304	18276
MAINTENANCE FEES	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	300
INVESTMENT INT.	600	600	600	600	600	600	600	600	600	600	600	600	72
CHECKING INTEREST	500	500	500	500	500	500	500	500	500	500	500	500	60
PARKNG/CARDS	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	1800
ELECTRIC UNIT													
START UP	150	150	150	150	150	150	150	150	150	150	150	150	18
REIMB REPAIRS													
PAINT SETTLEMENT	15650	15650	15650	15650	15650	15650	15650	15650	15650	15650	15650	15650	1878
O/INC EXC. INTEREST	171054	171054	171054	171054	171054	171054	171054	171054	171054	171054	171054	171054	20526
TOTAL REVENUE													

## UTILITIES

ELECTRICITY	45500	45500	45500	45500	45500	45500	45500	45500	45500	45500	45500	45500	5460
WATER	4000	4000	4000	4000	4000	4000	4000	5000	5000	5000	5000	5000	530
SEWER	6000	6000	6000	6000	6000	6000	6000	6600	6600	6600	6600	6600	749
GAS	60	60	60	60	60	60	60	60	60	60	60	60	7
TELEPHONE	1360	1360	1360	1360	1360	1360	1360	1360	1360	1250	1360	1360	163
ELEVATOR CNT	8200	8200	8200	8200	8200	8200	8200	8200	8200	8200	8200	8200	984
REFUSE	1600	1600	1600	1900	1900	1900	1900	1900	1900	1900	1900	1900	219
TOTAL UTILITIES	66720	66720	66720	67020	67020	67020	67020	68620	68620	68620	68620	68620	8117

## MAINTENANCE

AIR CONDITIONING	3400	3400	3400	3400	3400	3400	3400	3400	3400	3400	3400	3400	408
WINDOW WASHING	200	200	200	8500	200	200	200	8500	200	200	200	8500	272
COMMUNICATIONS	130	130	130	130	130	130	130	130	130	130	130	130	15
ELECTRICAL	2570	2570	2570	2570	2570	2570	2570	2570	2570	2570	2570	2570	308
ELEVATOR	300	300	300	300	300	300	300	300	300	300	300	300	36
GROUNDS	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	216
PLUMBING	200	200	200	200	200	200	200	200	200	200	200	200	24
POOL & SAUNA	500	500	500	500	500	500	500	500	500	500	500	500	60
MISC. PURCHASES	50	50	50	50	50	50	50	50	50	50	50	50	6
PAINT	500	500	500	500	500	500	500	500	500	500	500	500	60
PEST CONTROL			300			300			300			300	36
TOOLS	190	190	190	190	190	190	190	190	190	190	190	190	22
SURVEILLANCE	900	900	900	900	900	900	900	900	900	900	900	900	108
TIRE SYSTEMS	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	1120	134
BUILDING SUPPS	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400	168
BUILDING REPAIRS	650	650	650	650	650	650	650	650	650	650	650	650	78
DISPOSABLES	400	400	400	400	400	400	400	400	400	400	400	400	48
TOTAL MAINTENANCE	14310	14310	14610	22610	14310	14610	14310	22610	14610	14310	14310	22910	1978

ANNUAL OPERATING BUDGET AS OF OCTOBER 18, 1995 - THE IMMERIAL PLAZA

DESCRIPTION	JAN 1996	FEB 1996	MAR 1996	APRIL 1996	MAY 1996	JUNE 1996	JULY 1996	AUG 1996	SEPT 1996	OCT 1996	NOV 1996	DEC 1996	ANNUAL TOTAL
<b>ADMINISTRATION</b>													
ADM SUPPLIES/S'VICES	750	750	750	750	750	750	750	750	750	750	750	750	9000
OFFICE EXPENSES	600	600	600	600	600	600	600	600	600	600	600	600	7200
MANAGEMENT S'VICES	2816	2816	2816	2816	2816	2816	2816	2816	2816	2816	2816	2816	33792
LEGAL FEES	6000	6000	6000	6000	6000	6000	6000	6000	6000	6000	6000	6000	72000
AUDIT			3600										3600
CONSULTING FEES	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	36000
EDUCATION EXP	50	50	50	50	50	50	50	50	50	50	50	50	600
TOTAL ADMIN	13216	13216	16816	13216	13216	13216	13216	13216	13216	13216	13216	13216	16216

<b>PAYROLL &amp; BENEFITS</b>													
PAYROLL - MANAGER	2600	2600	2600	2600	2600	2600	2730	2730	2730	2730	2730	2730	31920
PAYROLL - CLEANING	6374	6981	6126	6432	6739	6495	6495	7182	6558	6870	6870	6310	79440
PAYROLL - MAINT	6658	7232	6341	6801	7205	6955	6955	7618	6955	7287	7287	6624	83910
PAYROLL - GROUNDS													
PAYROLL - SECURITY	18043	19762	17313	18393	19335	18456	18592	20505	18814	19848	19848	18043	226920
PAYROLL - SECRETARY	1729	1893	1646	1729	1811	1729	1729	1893	1729	1811	1902	1729	21300
PAYROLL - OTHERS													
WORKERS COMP									49596				49596
TDI	501			501			501			501			2004
HEALTH CARE	4114	4114	4114	4114	4114	4114	4114	4114	4114	4114	4114	4114	49368
PAYROLL TAXES	3810	3810	3810	3810	3810	3810	3810	3810	3810	3810	3810	3810	45720
DATA PROCESSING	240	240	240	240	240	240	240	240	240	240	240	240	2880
UNIFORMS	120	120	120	120	120	120	120	120	120	120	120	120	1440
RENT - APARTMENT	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	24000
TOTAL P/R & BENEFITS	46189	48752	44310	46740	47974	46519	47286	50212	49666	49331	48921	45720	61860

<b>OTHER EXPENSES</b>													
INSURANCE										108000			108000
REIMB REPAIRS	150	150	150	150	150	150	150	150	150	150	150	150	1800
MISCELLANEOUS EXP.	380	380	380	380	380	380	380	380	380	380	380	380	4560
GENERAL EXCISE TAX	300			300			300			300			3600
STATE INCOME TAX	50	50	50	50	50	50	50	50	50	50	50	50	600
FED INCOME TAX	200	200	200	200	200	200	200	200	200	200	200	200	2400
TOTAL OTHER EXP.	1080	780	780	1080	780	780	1080	780	780	109080	780	780	118800

TOTAL OP'TING EXP.	141515	143778	143236	150666	143300	142145	142912	155438	193892	254557	145847	151246	190800
TOTAL SURPLUS/(DEF)	29539	27276	27818	20338	27754	28909	23142	15616	-22838	-83503	25207	19308	14400
INTEREST EARNED	3100	3100	3100	3100	3100	3100	3100	3100	3100	3100	3100	3100	37200
NET RESERVE CONTRIB.	26439	24176	24718	17288	24654	25809	25042	12516	-25938	-86603	22107	16708	106000

THE IMPERIAL PALAZA PROJECT DATA AS OF OCTOBER 18, 1995

PROJECT NAME		10/18/95		SOURCE CODES			CONDITION CODES		
PROPERTY MANAGER				THE PLAN ASSUMPTIONS		1. CONTRACTOR PROPOSAL		Z. EXCELLENT	
TED WALKLEY						2. CONTRACTOR ESTIMATE		G. GOOD	
FIRST PLAN YEAR		ENDAR		1996/REF. YR.		3. ENGINEER/ARCH ESTIMATE		F. FAIR	
FINAL PLAN YEAR		2005		FUND BY		4. COST WHEN LAST DONE		P. POOR	
1995 ANNUAL MAINTENANCE		1,774,416		CHG IF 50		5. COST AT SIMILAR PROJECT		MIN. RES.	
1995 OTHER INCOME EXCL. INT		283,464		REC. CHG		6. STATISTICS/ GUIDELINES		MAINT. FEES	
1995 ANNUAL OPERATING EXPE		1,560,449		% FEE CH		L. ITEM   SM. ITEMS   ITEMS		CONTRIB. IF MIN	
1995 ANNUAL RESERVE CONTRI		497,431		1996 FEES		31   23   54		-373,186   1,347,544	
PROJECTED RESERVES - END 1		738,800		1996 O/IN		187,800		THE MODEL'S RECOMMENDATIONS	
PROJECTED INFLATION RATE		2.80%		1996 EXP		1,908,532		ROMNT. DEFICIT CONTRIB. M. FEES % CHG	
PROJECTED SAVINGS INT. RAT		3.50%		1996 RSV		106,916		625,223 -113,577 183,530 1,904,242 7.32%	
CAPITAL INVENTORY		NORM		DONE		LAST		NEXT	
ITEM		TYPE		LIFE		LAST		COST	
						COST		CO FUNDING	
						COND		SR	
						DUE DATE		ROMNT	
								RES	
								DEFICIT	
DECK/ROOF -10JTSF	SEAL	5	1992			1997	193,800	116,280	116,280
EXTERIOR	COAT230	5	1992			1997	190,000	114,000	114,000
PATIO FURN -57	RPL	5	1992			1997	9,000	5,400	5,400
GENERATOR -1	RPL	5	1992			1997	8,500	5,100	5,100
TRASH COMP -A	RFURB	5	1992			1997	2,000	1,200	1,200
TRASH COMP -B	RFURB	5	1992			1997	2,000	1,200	1,200
OFFICE EQP	RPL	6	1992			1998	8,000	4,000	4,000
COOLG TWR -A	RBLD	7	1992			1999	6,150	2,636	2,636
COOLG TWR -B	RBLD	7	1992			1999	6,150	2,636	2,636
CARPET -2656SY	RPL	8	1992			2000	132,500	49,688	49,688
INTERIOR SURF	PAINT93	8	1992			2000	74,000	27,750	27,750
LOBBY	REMOD	8	1992			2000	50,000	18,750	18,750
CARPET -425SY	RPL	8	1992			2000	17,000	6,375	6,375
FAN COIL -A+B	RFURB	8	1992			2000	6,000	2,250	2,250
OFFICE FURN	RPL	8	1992			2000	5,000	1,875	1,875
ROLL-UP GATE -A	RPL	8	1992			2000	2,500	938	938
ROLL-UP GATE -B	RPL	8	1992			2000	2,500	938	938
ROLL-UP GATE -C	RPL	8	1992			2000	2,500	938	938
GATE ARM -A	RPL	8	1992			2000	2,000	750	750
GATE ARM -B	RPL	8	1992			2000	2,000	750	750
GATE ARM -C	RPL	8	1992			2000	2,000	750	750
GATE ARM -D	RPL	8	1992			2000	2,000	750	750
GATE ARM -E	RPL	8	1992			2000	2,000	750	750
GAS BBQ -J	RPL	8	1992			2000	1,500	563	563
INTERCOM*	RPL	10	1992			2002	110,000	33,000	33,000
SECURITY CAMS -24	RPL	10	1992			2002	24,000	7,200	7,200
CHILLER -A	REFURB	10	1992			2002	15,000	4,500	4,500
CHILLER -B	REFURB	10	1992			2002	15,000	4,500	4,500
HEAT PUMP -A	RFURB	10	1992			2002	13,500	4,050	4,050
HEAT PUMPS -B	RFURB	10	1992			2002	13,500	4,050	4,050
HEAT PUMPS -C	RFURB	10	1992			2002	13,500	4,050	4,050
POOL	750SF	10	1992			2002	13,000	3,900	3,900
SIGNAGE	RPL	10	1992			2002	5,000	1,500	1,500
FOUNTAIN FILTER -4	RPL	10	1992			2002	3,300	990	990
KIT APPL	RPL	10	1992			2002	3,000	900	900
SECURITY MONS -4	RPL	10	1992			2002	1,600	480	480
POOL FILTER -4	RPL	12	1992			2004	4,000	1,000	1,000
COOLING TWR -A	RPL	14	1992			2006	238,000	51,000	51,000
TWR ELEV CAB -3	REMOD	15	1992			2007	52,500	10,500	10,500
OTH ELEV CAB -5	REMOD	15	1992			2007	50,000	10,000	10,000
BATHRM FIX -37	RLP	15	1992			2007	25,000	5,000	5,000
FIRE ALARM	RPL	15	1992			2007	25,000	5,000	5,000
AIR HANDLERS -A	RPL	15	1992			2007	23,000	4,600	4,600
AIR HANDLERS -B	RPL	15	1992			2007	23,000	4,600	4,600
AIR HANDLERS -C	RPL	15	1992			2007	23,000	4,600	4,600
MAILBOXES -206	RPL	15	1992			2007	9,000	1,800	1,800
FAN COILS -J	RPL	16	1992			2008	7,000	1,313	1,313
HEAT PUMPS -A	RPL	20	1992			2012	77,000	11,550	11,550
HEAT PUMPS -B	RPL	20	1992			2012	77,000	11,550	11,550
HEAT PUMPS -C	RPL	20	1992			2012	77,000	11,550	11,550
TOWNHOME ROOF	5900SF	20	1992			2012	33,000	4,950	4,950
ELEV TOR SYS -8	UPGRD	25	1992			2017	360,000	43,200	43,200
CHILLER -A	RPL	30	1992			2022	35,000	3,500	3,500
CHILLER -B	RPL	30	1992			2022	35,000	3,500	3,500
FREON CONV -1	RPL	99	1994			2093	45,000	455	455
FREON CONV -2	RPL	99	1994			2093	17,000	172	113,749 -113,577

The management of condominiums is a constantly evolving field. Every year new legislation appears to clarify the responsibilities of condominium boards of directors. In the past, it would be fair to say, the primary standard applied to a board of directors was whether or not it exercised responsible judgement in the execution of its duties. Boards had to be fair, consistent, sensible, and free from conflict of interest, and they had an obligation to follow the condominium law, and to follow the requirements of their condominium documents.

There was no particular, clear standard expected of them with respect to management of the physical aspects of the property, or with respect to management of funds of the association. This has now changed. Recent court rulings establish important precedents with respect to the responsibilities of boards, and there is a clear trend toward more responsibility. There have been in the past few years suits against boards of directors for failure to make necessary repairs in a timely fashion. There have been suits for failing to repair the roof, and for failing to replace hallway carpet and thereby injuring the market value of the units. There have been numerous challenges to special assessments levied by boards of directors to cure problems which the plaintiff argues should have been anticipated and for which adequate reserves should have been established. The argument, not unreasonable, is that the owners who occupied the building while the assets in question were deteriorating should pay for the current cost associated with the deterioration. Instead, those owners can sell to unsuspecting buyers who immediately assume the responsibility to pay for the failure to save of their predecessors, and cure up to 15 years of depreciation. Boards of directors have long been free to set policies with respect to reserve programs and long term capital planning, but there is now a new reality. Now there is a law.

In 1991 HRS 514A-83.6 was amended to legally require that all condominium boards of directors establish and fund reserve accounts for the major capital assets of their properties. The effective date of the new law is January 1, 1993. The 1992 Legislature further amended this law to mandate that boards of directors fund at least 50% of their reserve requirements. These plans must be in place by December 31, 1993, and the required reserves must be at least 50% funded by January 1, 2000. Funding reserves below 50% is not optional and we recommend that reserve requirements be 100% funded at the earliest date fiscally feasible for your Association. It is incumbent on boards of directors to cause to be completed a study of the major capital assets of their properties, and to determine within reasonable parameters what it is going to cost to keep the property in shape, and how much needs to be saved on a regular basis to accomplish that. The law specifies that items over \$10,000 must appear as a separate line item, while those less than \$10,000 may be grouped together in a single designated reserve.

There is no specified method for performing such a study, although there are some generally accepted guidelines, which we discuss in the following section about methodology. The Real Estate Commission published a "Condominium Reserves Reference Manual" in October 1992 and copies can be obtained from them on request. This manual provides guidance on the subject to boards of directors and managing agents. A brochure is also being published for distribution to apartment owners to explain the importance of developing adequate association reserves.

A reserve study is a working document which needs to be continually revised, updated and improved over time. Each periodic update should improve the overall quality of the study.

## METHODOLOGY OF THIS STUDY

Two key elements in the development of a reserve study are creating an inventory of the major capital assets of the property, with estimates of the current replacement costs and remaining useful lives of those assets, and selecting a method for calculating the required contributions to each reserve that adequately deals with inflation.

For the purpose of this analysis we have not prepared a thoroughly analyzed inventory of the capital assets of your property. We have prepared a list, and we have used our experience and knowledge of comparable properties to prepare what we believe are reasonable estimates of the condition, cost and remaining lives of the assets. *In order to perform these analyses in a thorough fashion for our clients,* we will catalogue the requirements of our client properties and seek the input of contractors to determine the actual cost estimates to repair and properly maintain the assets. We do expect to charge our participating clients for this service. We also hope to use the opportunity to identify contractors who will provide favorable bids on a series of jobs that fall within their specialties, so that the exercise may also result in discounts for our clients with respect to preventive maintenance. One way to reduce the annual amount that an association is required to save for a given asset is to establish a preventive maintenance program to effectively extend the life of the assets. This can translate to trading a what might have been a large reserve contribution for a relatively small annual maintenance cost.

The present study assumes that inflation does take place on a constant basis, and that we repeat the analysis every year with the assumed new replacement cost of the assets, and adjust the required contribution. At the same time, we assume that all of the property reserves are earning interest, and we add this interest to the current balance of the reserve on an annual basis. As you can see from the graphs in the report, after the first year, the reserve contributions tend to stabilize, as the method calculates a straight line reserve contribution. The anticipated expenditures tend to dominate the picture with respect to the reserve balances that may be on hand at any given time over the ten year period of the study.

**EXHIBIT "J"**

Current List of Real Estate Brokers

<u>Name</u>	<u>Business Address</u>	<u>Business Phone</u>
ILC International, Inc. Patrick T. Nakamura, Principal Broker	Ala Moana Pacific Center Suite 1230 1585 Kapiolani Blvd. Honolulu, HI 96814	951-4177