



REAL ESTATE COMMISSION
 STATE OF HAWAII
 DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
 PROFESSIONAL AND VOCATIONAL LICENSING DIVISION
 1010 Richards Street - P. O. Box 3469
 Honolulu, Hawaii 96801

CONDOMINIUM PUBLIC REPORT

on

HOKULANI IN KAILUA (PHASE 4)
 355L, M, N, P & Q Aoloa Street
 Kailua, Hawaii

Registration No. 2154

Issued: December 29, 1989
 Expires: January 29, 1991

Report Purpose:

This report is based on information and documents submitted by the developer to the Real Estate Commission as of December 27, 1989, and is issued by the Commission for informational purposes only. It represents neither approval nor disapproval of the project. Buyers are encouraged to read this report carefully.

Type of Report:

PRELIMINARY: The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued when complete information is filed.
(yellow)

FINAL: The developer has legally created a condominium and has filed complete information with the Commission.
(white)

No prior reports have been issued
 Supersedes all prior public reports
 Must be read together with _____

SUPPLEMENTARY: Updates information contained in the
(pink)

Prelim. Public Report dated _____
 Final Public Report dated _____
 Supp. Public Report dated _____

And Supersedes all prior public reports
 Must be read together with _____

This report reactivates the _____
 public report(s) which expired on _____

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required 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.

[X] No prior reports have been issued by the Commission.

[] Changes made are as follows:

The land under and surrounding the 52 units in this Phase 4 is not separate and subdivided from those in the preceding three phases. The land covered in this report is the same land covered in the Final Public Report for HOKULANI IN KAILUA (Phase 1), Reg. No. 1920, and in the Final Public Report for HOKULANI IN KAILUA (Phase 2), Reg. No. 2005 and in the Final Public Report for HOKULANI IN KAILUA (Phase 3), Reg. No. 2103. However, said reports cover a total of 92 apartments, whereas this Preliminary Report covers an additional 52 units. These four phases will be merged. The prospective purchaser, upon request, shall be furnished a copy of the HOKULANI IN KAILUA (Phase 1), Reg. No. 1920 Final Public Report, a copy of the HOKULANI IN KAILUA (Phase 2), Reg. No. 2005 Final Public Report and a copy of the HOKULANI IN KAILUA (Phase 3), Reg. No. 2103 Final Public Report.

SPECIAL ATTENTION

The Developer has disclosed the following:

1. The project has a reversionary lease and sublease clause which means that the land and all its improvements will revert back to the Lessor in good repair, order and condition, except for reasonable wear and tear. (See page 9 and Exhibit B.)
2. There is a tile wall that encroaches into Lot 3 along the easterly boundary corner. (See Exhibit M, item 22.)
3. Thirty-two (32) apartments constituting Phase 1 of Hokulani in Kailua, being those contained in Buildings A, B, C and D of the Declaration of Condominium Property Regime, were covered by Registration No. 1920 for which a Final Report was issued on October 28, 1988. Thirty (30) apartments constituting Phase 2 of Hokulani in Kailua, being those contained in Buildings E, F and G of the Declaration of Condominium Property Regime, were covered by Registration No. 2005 for which a Final Report was issued on May 19, 1989. Thirty (30) apartments constituting Phase 3 of Hokulani in Kailua, being those contained in Buildings H, J and K of the Declaration of Condominium Property Regime, were covered by Registration No. 2103 for which a Final Report was issued on October 10, 1989.

This Preliminary Public Report covers only the 52 apartments located in Buildings L, M, N, P and Q constituting Phase 4 of Hokulani in Kailua. At the time the construction loan for Phase 4 is closed and recorded, Phases 1, 2, 3 and 4 totalling 144 apartments will be merged. This will complete the project and no further apartments will be added to the 144 by the Developer.

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GENERAL INFORMATION ON CONDOMINIUMS

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of Hawaii's "Condominium Property Act" (Chapter 514A, Hawaii Revised Statutes) must be followed.

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

Common elements are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called limited common elements and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged, or encumbered, and they may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owner/tenant) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements. The leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment 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 an apartment owner. The Board of Directors and officers can take certain actions without a vote of the owners. Some of these actions may significantly impact the quality of life for all apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely 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 buyers should understand that it is vitally important to all apartment owners that the transition from developer to owner control be accomplished in an orderly manner and in a spirit of cooperation.

SUMMARY OF THE CONDOMINIUM PROJECT

Interest to be Conveyed to Buyer:

- Fee simple interest in an apartment and an undivided feehold interest in the common elements.
- Leasehold interest in an apartment and an undivided leasehold interest in the common elements.
- Fee simple interest in an apartment and an undivided leasehold interest in the common elements.

Types of Project:

- 1. New Building(s) Conversion
 Both New Building(s) and Conversion
- 2. Residential Commercial
 Mixed Residential and Commercial
 Other _____
- 3. High Rise (5 stories or more) Low Rise
- 4. Single or Multiple Buildings
- 5. Apartment Description

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)</u>	<u>Lanai/Patio (sf)</u>
2 Bdrm X	26	2/2	811 sq. ft.	35 sq. ft.
2 Bdrm Y	26	2/2	814 sq. ft.	35 sq. ft.
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total Apartments: <u>52</u>				

**Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.*

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

6. Parking:

	<u>Number of Stalls</u>
Assigned Stalls (Individual Units)	<u>52</u>
Guest Stalls	<u>6</u>
Unassigned Stalls	<u>12</u>
Extra Stalls Available for Purchase	<u> </u>
Other: _____	<u> </u>
Total Parking Stalls	<u>70</u>

7. Recreational amenities: The project does not have any active recreational amenities. The developer has provided passive recreational areas on the common open land areas containing bar-b-que and bench facilities in two private parks.

I. PEOPLE CONNECTED WITH THE PROJECT

Developer: Pepperdale, Inc.
Name
1507 Kapiolani Blvd., Room 6
Business Address
Honolulu, Hawaii 96814

Phone: 946-8033
(Business)

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

Leonard Chandler, President
D. Zane Schlemmer, Vice President, Secretary and Treasurer

Real Estate Sales Agent: See Exhibit T
Name

Business Address

Phone: _____
(Business)

Escrow: Security Title Corporation
Name
1001 Bishop Street, Suite 1200
Business Address
Honolulu, Hawaii 96813

Phone: 521-9511
(Business)

Managing Agent: Chaney Brooks & Company
Name
606 Coral Street
Business Address
Honolulu, Hawaii 96813

Phone: 544-1600
(Business)

Attorney for Developer: John J. Hulten, Jr.
Name
900 Fort Street Mall, Suite 1460
Business Address
Honolulu, Hawaii 96813

**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.

- 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 - Book 22108 Page 161
 Filed - Land Court - Document Number _____

Amendment date(s) and recording/filing information:

First Amendment dated March 14, 1989, recorded as aforesaid in Book 22967, Page 352.
Second Amendment dated March 14, 1989, recorded as aforesaid in Book 23097, Page 350.
Third Amendment dated April 14, 1989, recorded as aforesaid in Book 23229, Page 127.
Fourth Amendment dated June 28, 1989, recorded as aforesaid in Book 23365, Page 234.
Fifth Amendment dated December 13, 1989, recorded as aforesaid in Book 24043, Page 257.
Sixth Amendment dated December 13, 1989, recorded as aforesaid in Book 24043, Page 267.

- 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 Conveyance Condo Map No. 1138
 Filed - Land Court Condo Map No. _____

Amendment date(s) and recording/filing information:

Two Amendments filed together with Second and Fourth Amendments to Declaration.

- 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 way in which meetings will be conducted, and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances - Book 22108 Page 196
 Filed - Land Court - Document Number _____

Amendment date(s) and recording/filing information:

The Condominium Statute (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to 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.

- D. **House Rules.** The Board of Directors may adopt house rules to govern the use and operation of the common elements and individual apartments. House rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais, keeping of pets, and occupancy limits. 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.

The House Rules for this condominium are:

Proposed Adopted

Developer does not plan to adopt house rules. However, see Exhibit F regarding certain constraints on use in the By-Laws.

E. **Changes to Condominium Documents**

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. **Apartment Owners:** Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u>N/A</u>

The percentages for individual condominium projects may be more than the minimum set by law.

2. **Developer:** The developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws, or House Rules:

See Exhibit A, which summarizes various paragraphs of the Declaration of Condominium Property Regime that deal with rights reserved by the Developer.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- Fee Simple: Individual apartments and the common elements which includes the underlying land will be in fee simple.
- Leasehold or Subleasehold: Individual apartments and the common elements which includes the underlying land will be leasehold.

The leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit B contains further explanations.

Lease Term Expires: December 31, 2052
Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit C contains a schedule of the lease rent for each apartment per
 Month Year.

- Individual Apartments in Fee Simple Common Interest in the Underlying Land in Leasehold or Subleasehold:

The leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners - tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations.

Lease Term Expires: _____
Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per
 Month Year.

- Other:

For Subleaseholds:

- Buyer's sublease may be cancelled if the master lease between the sublessor and fee owner is
 Cancelled Foreclosed
- As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is cancelled or foreclosed.

B. Underlying Land:

Address: 355L, M, N, P & Q Aoloa Street Tax Map Key: 1-4-2-001:054
Kailua, Hawaii (TMK)

[] Address [] TMK is expected to change because _____

Land Area: 233,227 [X] square feet [] acre(s) Zoning: A-2

See Exhibit D

Fee Owner: _____

Name

Address

Sublessor: _____

Name

Address

C Buildings and Other Improvements:

1. [X] New Building(s) [] Conversion of Existing Building(s)
[] Both New Building(s) and Conversion

2. Buildings: 5 Floors Per Building 2

[X] Exhibit E contains further explanations.

3. Principal Construction Material:

[] Concrete [] Hollow Tile [X] Wood

[] Other _____

4. Permitted Uses:

	<u>No. of Apts.</u>		<u>No. of Apts.</u>
[] Commercial	_____	[] Industrial	_____
[X] Residential	<u>52</u>	[] Agricultural	_____
[] Timeshare/Hotel	_____	[] Recreational	_____
[] Other:	_____		_____

5. Special Use Restrictions:

The Declaration, Bylaws, and House Rules may contain restrictions on the use and occupancy of apartments. Restrictions for this condominium project include but are not limited to:

Pets See Exhibit F

Number of Occupants: _____

Other: See Exhibit F

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Total Apartments 52

Elevators None Stairways Exterior Trash Chutes None

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
<u>2 Bedrm X</u>	<u>26</u>	<u>2/2</u>	<u>811 sq. ft.</u>	<u>35 sq. ft.</u>
<u>2 Bedrm Y</u>	<u>26</u>	<u>2/2</u>	<u>814 sq. ft.</u>	<u>35 sq. ft.</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

**Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.*

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

See Exhibit G

Permitted Alterations to Apartments:

See Exhibit H

7. Parking Stalls:

Total Parking Stalls: 70

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	
Assigned (for individual units)	<u>52</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>52</u>
Guest	<u> </u>	<u> </u>	<u> </u>	<u>6</u>	<u> </u>	<u> </u>	<u>6</u>
Unassigned	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Extra Available for Purchase	<u> </u>	<u> </u>	<u> </u>	<u>12</u>	<u> </u>	<u> </u>	<u>12</u>
Other:	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Covered & Open	<u>52</u>	<u> </u>	<u>18</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Each apartment will have the exclusive use of at least 1 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

Commercial parking garage permitted in condominium project.

Exhibit I contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities.

There are no recreational or common facilities.

Swimming pool

Storage Area

Recreation Area

Laundry Area

Tennis Court

Trash Chute

Other: There are two private parks containing passive recreational facilities, which are common elements of the Project, and must be maintained as such as provided in the Declarations of Covenants (Private Park) dated August 17, 1988, and recorded in the Bureau of Conveyances of the State of Hawaii in Liber 22268 at Page 025, and dated October 19, 1988, and recorded as aforesaid in Liber 22620 at Page 771.

9. Present Condition of Improvements

(For conversions of residential apartments in existence for at least five years):

a. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

N/A

b. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations

N/A

10. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u> X </u>	<u> </u>	<u> </u>
Structures	<u> X </u>	<u> </u>	<u> </u>
Lot	<u> X </u>	<u> </u>	<u> </u>

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest:

1. **Common Elements:** Common Elements are those parts of the condominium project intended to be used by all apartment owners. They are owned jointly by all apartment owners.

Exhibit J describes the common elements.

As follows:

2. **Limited Common Elements:** Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

There are no limited common elements in this project.

The limited common elements and the apartments which may use them are:

described in Exhibit K

as follows:

3. **Common Interest:** Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is often used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium. It may also be used for other purposes, including voting on matters requiring action by apartment owners.

Exhibit L describes the common interests for each apartment.

As follows:

E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property.

Exhibit M describes the encumbrances against the title contained in the title report dated November 6, 1989 and issued by Security Title Corporation .

Blanket Liens:

A blanket lien is a mortgage on a condominium project that secures a construction loan. It is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

- There are no blanket liens affecting title to the individual apartments.
will be
- There ~~are~~ blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. Buyer's interest will be affected only if the developer defaults prior to conveying the apartment to buyer.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest If Developer Defaults</u>
Construction Mortgage	If prior to closing of the purchase the Buyer's interest could be terminated and Buyer's deposit less costs would be refunded.

F. Management of the Common Elements: The Association of Apartment 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 managing agent to assist the Association in managing the condominium project.

Initial Managing Agent: When the developer or the developer's affiliate is the initial managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial managing agent for this condominium is:

- not affiliated with the Developer.
- the Developer or the Developer's affiliate.
- self-managed by the Association of Apartment Owners.
- other _____

G. Estimate of Initial Maintenance Fees:

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and 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 to each apartment.

Exhibit S contains a schedule of maintenance fees and maintenance fee disbursements.

H. Utility Charges for Apartments:

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

- Electricity
- Gas
- Other _____
- Not applicable
- Television Cable
- Water & Sewer

I. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

Warranties will be from the Contractor and are anticipated to be as follows:

At closing of the sale of each apartment the Contractor will deliver to the Buyer, a one year warranty on the apartment and a two year warranty on the common elements of the Project. This warranty will guarantee that the apartment and the common elements constructed by the Contractor under the Contract have been constructed substantially in accordance with the approved Plans and Specifications referenced in the Contract. Such warranty (with respect to such improvements built by the Contractor) shall in all respects comply with the requirements of Section 36-4360a(d) of the Code of Federal Regulations Surrounding the VA guaranty Program for Condominium Projects.

At Owner's request, Contractor will sign one warranty for each apartment when the Contract is finished and will authorize the Owner to fill in the name of the Buyer and the closing date of the sale of the Unit to the Buyer. The closing date will be the commencement date of the warranty. Contractor's Surety may limit its responsibility as follows: No liability for liens except for those filed within the statutorily allowed period. No liability for performance unless suit is brought within one year after Final Completion.

2. Appliances:

Not yet known. Manufacturers warranties will be direct to Buyer.

J. **Status of Construction and Estimated Completion Date:**

Not yet commenced.

Estimated start is February 1, 1990.

Estimated completion is July 31, 1990.

K. **Project Phases:**

The developer has has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's Present Plans for Future Development:

Read Exhibits A and R With Care This project will become a part of Hokulani in Kailua consisting of a total of 144 apartments. This is the Final Phase of a 4 Phase combined project with a total of 144 apartments.

L. **Sales Documents Filed With the Real Estate Commission:**

Sales documents on file with the Real Estate Commission include but are not limited to:

Notice to Owner Occupants

Specimen Sales Contract

Exhibit N contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated February 12, 1988 as amended through November, 1989.

Exhibit O contains a summary of the pertinent provisions of the escrow contract.

Other _____

IV. ADDITIONAL INFORMATION NOT COVERED ABOVE

See Exhibit P for information concerning the Kailua Gardens Community Association.

See Exhibit Q for information relating to the Resident Manager's Apartment.

See Exhibit R for information relating to the automatic merger of Phases 1, 2, 3 and 4 of Hokulani in Kailua.

In lieu of a third party surety bond as required by HRS 514A, the Commission may accept material house bonds for each of the buildings with the understandings that such bonds are acceptable to the Lender and that none of Buyer's funds will be released to the Seller until the 45 day lien period following publication of the notice of completion has expired without incident.

References herein to "the project" mean the 52 units in Phase 4. References to "the combined project" mean the 32 units in Phase 1, the 30 units in Phase 2, the 30 units in Phase 3, and the 52 units in Phase 4. References to the common elements of the project mean the land area for the combined project.

Buyer's Right to Cancel Sales Contract:

A. Rights Under the Condominium Statute:

Preliminary Report: Sales made by the Developer are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report, Supplementary Report to a Final Report: Sales made by the Developer are binding if:

1. The Developer delivers to the buyer a copy of:
 - a. Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report;
AND
 - b. Any other public report issued by the Commission prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
2. The buyer is given an opportunity to read the report(s); and
3. One of the following has occurred:
 - a. The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - b. Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - c. The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

1. There is a material change in the condominium which directly, substantially, and adversely affects (a) the use or value of the buyer's apartment or its limited common elements; or (b) the amenities available for buyer's use; and
2. The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

B. Rights Under the Sales Contract:

Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the condominium. These include but are not limited to the:

1. Condominium Public Reports issued by the Hawaii Real Estate Commission.
2. Declaration of Condominium Property Regime and Condominium Map.
3. Bylaws of the Association of Apartment Owners.
4. House Rules.
5. Escrow Agreement.
6. Hawaii's Condominium Law (Chapter 514A, HRS, as amended; Hawaii Administrative Rules, Chapter 16-107, adopted by the Real Estate Commission).
7. Other Declaration of Covenants, Conditions and Restrictions

If these documents are not in final form, the buyer should ask to see the most recent draft.

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 Law (Chapter 514A, HRS, and Hawaii Administrative Rules, Chapter 16-107) are available at the Department of Commerce and Consumer Affairs.

This Public Report is a part of Registration No. 2154 filed with the Real Estate Commission on
November 16, 1989.

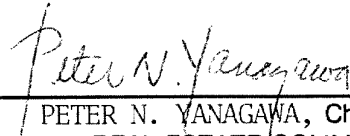
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Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the date of issuance unless a Supplementary Public Report is issued or unless the Commission issues an order extending the effective period for the report.



PETER N. YANAGAWA, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:

Bureau of Conveyances
Department of Finance, City and County of Honolulu
Planning Department, City and County of Honolulu
Federal Housing Administration
Escrow Agent

EXHIBIT A
DEVELOPER'S RESERVED RIGHTS

Under the amended Declaration of Condominium Property Regime the Developer has reserved the following rights:

1. Paragraph P of the amended Declaration entitled AMENDMENT OF DECLARATION provides: That notwithstanding the sale and conveyance or lease of any of the apartments the Developer, Fee Owner, Lessee and Sublessee, acting collectively, may amend the Declaration and the Condominium Map at any time, by an appropriate instrument recorded in said Bureau of Conveyances as follows: (a) to file the "as built" verified statement(s) (with plans, if applicable) required by Section 514A-12, Hawaii Revised Statutes, so long as (i) such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans theretofore filed fully and accurately depict the layout, location, apartment numbers, and dimensions of the apartments as built, or (ii) any plans filed therewith do not involve any material changes to the layout, location, apartment numbers, or dimensions of the apartments as built; and (b) to initially assign any unassigned individual parking stalls (except those stalls, if any, marked "guest" on the Condominium Map) to individual apartments.

2. Paragraph Q of the amended Declaration entitled RESERVED RIGHTS provides:

Q. RESERVED RIGHTS. In addition to any other rights reserved herein, the Party In Interest (as hereafter defined) hereby reserves the right for itself and its respective agents, successors, mortgagees and assigns to use all areas of the project to construct the apartments as described in this Declaration; to conduct sales of apartments at the project until apartment leases are issued to apartment purchasers with respect to all apartments in the project. Such rights shall include the right to grade, pave, construct buildings and common elements, display model apartments, operate a sales office, conduct advertising, place signs, use parking spaces and erect lighting in connection with such sales and to do all things necessary or convenient to fully exercise the rights reserved under this Declaration; provided that in exercising such rights the Party In Interest shall not use any apartment (or its common limited elements) with respect to which an apartment lease has been issued to an

entity not related to the Party In Interest and provided further, that in exercising such right, the Party In Interest shall not interfere with the rights of any apartment owner to the use of, or access to, his apartment or the limited common elements appurtenant thereto. The Party In Interest shall have, and its respective agents, successors, mortgagees and assigns shall have an easement over and upon the project as may be necessary for the completion of the improvements of the project, and the correction of any defects therein.

The Party In Interest shall be the Developer during the continuance in effect of the Development Lease (but not beyond June 30, 1991); the Sublessee during the continuance in effect of the Sublease (but not beyond June 30, 1991) but only if the Developer is not the Party In Interest; the Lessee during the continuance in effect of the Master Tract Lease (but not beyond December 31, 1991) but only if the Developer or the Sublessee is not the Party In Interest; and the Fee Owner if neither the Developer, the Sublessee or the Lessee is the Party In Interest but not beyond June 30, 1998.

The Party In Interest shall have the right, without being required to obtain the consent or joinder of any person, group of persons or entity, including any apartment owner or any lien holder (other than a lien holder on the Party In Interest's interest in the Project who may require the right to consent) and other than the consent of the Fee Owner, if the Fee Owner is not the Party In Interest to go and to have its contractor(s) go upon the property and the project as necessary or convenient for the initial construction of the apartments of the project; provided that the Party In Interest and its contractor(s) shall use reasonable efforts, consistent with maintaining the progress of such construction to avoid interference with the use and the enjoyment of the project by the other apartment owners.

The rights reserved to the Developer, the Sublessee, the Lessee and the Fee Owner under this Paragraph may be assigned by them without the consent of any person or entity, except as may be provided in the Master Tract Lease, the Sublease and/or the Development Lease.

The rights to initially construct the apartments of the project are subject to the following terms and conditions:

(a) Construction shall be in accordance with complete plans and specifications therefor prepared by a licensed architect and shall conform with

the applicable building and zoning codes, laws, rules and regulations. and with all applicable Federal, State and County laws, rules and regulations.

(b) No such plans and specifications shall require the alteration or demolition of any existing apartment or any structure constituting a part of the common elements or limited common elements, except that the Party In Interest shall have the right to utilize, relocate and realign existing, and/or to develop additional installations for services to the apartments for electricity, hot and cold water, air conditioning and other utilities and services and when applicable, to add, delete, relocate, realign, designate and grant easements and rights-of-way over, under and on the common elements as necessary or desirable in connection therewith; provided that the same shall not cause any interruption, other than a very temporary interruption (with due notice) in the service of such utilities to any other part of the project.

(c) The Party In Interest shall pay all costs and expenses of the initial construction of the project and its 144 apartments and will indemnify and hold the Association and each apartment owner harmless from the costs and expenses relating thereto. No apartment shall be assessed for any cost relating to the common elements located in a building in the project until a Certificate of Occupancy has been issued for each apartment contained in such building. Until such time the Developer shall be responsible for the common expenses relating to the apartments contained in such buildings.

(d) During the entire course of initial construction of the project the Party In Interest will cause to be maintained at its expense builder's all-risk insurance in an amount not less than the estimated cost of the unfinished construction. The Association shall be named as an additional insured and evidence of such insurance shall be deposited with the Association's Managing Agent.

(e) Prior to the commencement of any such construction, and as a condition thereof, the Party In Interest shall deposit with the Association satisfactory evidence of a Payment and Performance Bond, or an irrevocable letter of credit issued by a bank authorized to do business in the State of Hawaii, naming the Association as a co-obligee, in an amount not less than one hundred percent of the cost of such construction.

(f) The initial offering and sale by the Party in Interest of any apartment shall be in compliance with applicable provisions of the Condominium Act of the State of Hawaii.

(g) The Party In Interest shall not in any manner encumber the project or the land contained in the project in connection with the financing of the construction of the project, provided that the Party In Interest may encumber its interest in any apartment including the common interest appurtenant thereto. The Party In Interest shall be deemed the Owner of each apartment, subject to the provisions hereof, until such time as each such apartment is conveyed.

The provisions of this Paragraph may not be amended without the written consent of the Fee Owner (and of the Developer, the Sublessee and the Lessee during any period in which they are, or could be the Party In Interest as provided hereinabove.)

By accepting or acquiring any right, title estate or interest in the project or in the property subject to this Declaration each apartment owner, lien holder, or any other person obtaining any interest in the project or property agrees:

(1) that the Party In Interest may perform the work necessary to construct the project. This means that the Party In Interest may conduct normal construction activities which may result in inconvenience, noise, dust and other nuisance and shall not be called to task for so doing;

(2) that he or she or it will, if required by law or by the Party In Interest, join in, consent to or execute all instruments or documents necessary or desirable to effect the purposes of this Paragraph.

Under the Sales Contract the Developer has reserved the following rights.

"7. Reserved Rights, Project Amendments, Purchaser's Consent and Acknowledgment. Purchaser specifically acknowledges and agrees that the Apartment Lease to be executed by Purchaser hereunder shall

contain certain limitations on the Apartment Lessee's voting rights in connection with amending the Declaration and By-laws, or repairing, rebuilding or restoring the Project or removing the Project from the Condominium Property Act, or prosecuting actions for partition, and that the Declaration contains reservations of certain rights and certain other provisions under which the Purchaser consents to (i) the granting, reserving or adjustment of easements for common or public purposes; (ii) the recording of the "Project Amendments" provided for in paragraph P of the Declaration which include the following: (1) recording the Architect's "as built" verified statement; (2) recording an amendment to the Declaration and Condominium Map assigning or reassigning parking spaces; (iii) recording any amendments to the Declaration required by validly adopted amendments or modification to the By-Laws; (iv) amending the Declaration and/or By-Laws as may be necessary to comply with requirements of certain mortgagees or other entity for any reason as set forth in the fourth, fifth and sixth sentences at Section D.6 above, subject always to the qualifications set forth in those sentences; and (v) the exercise of the rights reserved to the Seller and others (the "Party In Interest" described in the Declaration) in the Declaration and including without limiting the generality of the foregoing, the rights reserved herein in Section D.25 to conduct sales of apartments in the Project until all units in the Project are sold."

EXHIBIT B
RIGHTS AND OBLIGATIONS ON TERMINATION OF LEASE

Paragraph 26 of the proposed Apartment Lease provides:

"26. Surrender. Upon expiration of the demised term or upon earlier termination of this Apartment Lease, Lessee shall peaceably surrender and deliver to Lessor possession of the demised premises, together with all improvements thereon or belonging thereto, by whomever made, in good order and condition except for reasonable wear and tear and as otherwise expressly provided herein."

EXHIBIT C
LEASE RENT

MONTHLY RENT

(not including gross excise tax)

2 Bdrm

Apt X or Y

\$ 45.60

Until December 31, 1994*

\$ 69.90

Until December 31, 1999

\$107.70

Until December 31, 2009

\$178.40

Until 31 years from the date

of issuance of the first apartment lease.
in Phase 1 of the Project.

*The monthly leasehold rental for the first four (4) periods under the Apartment Lease shall be as set forth above, provided, however that the Fee Owner has approved a rent of \$63.84 per month for the two bedroom type X and Y apartments for the first period ending December 31, 1994. Nonetheless the Master Lessee (John J. Hulten, Jr., Trustee) the Lessor (Ken Nobuta) and the Developer have each waived the right to receive any rent for the first period ending on December 31, 1994 in excess of that set forth above. This higher lease rent approved by the Fee Owner will only come into effect if each of the Developer, the Lessor and the Master Lessee default on their respective leases. The amounts owing to the Fee Owner are substantially less than the amount of rent to be collected under the apartment leases for the Project as set forth above. Therefore it would be a substantial economic loss to the Developer, the Lessor and the Master Lessee to lose their respective "sandwich positions" thereby allowing the situation to arise where the Purchaser would have to pay the rent approved by the Fee Owner rather than the rent set forth above.

**EXHIBIT D
FEE OWNER AND LESSORS**

FEE OWNER:

Name

JAMES C. CASTLE, also known as James Christian Castle, JAMES C. McINTOSH, and HAWAIIAN TRUST COMPANY, LIMITED, Trustees of the Trust Estate established pursuant to Article Eighth of the Last Will and Testament of Harold K.L. Castle, deceased.

Address

Doing business as Kaneohe Ranch and located at Castle Junction, City and County of Honolulu, state of Hawaii

SUBLESSOR

Name

JOHN J. HULTEN, JR., Trustee

Address

900 Fort Street Mall, Suite 1460, Honolulu, Hawaii 96813

SUBSUBLESSOR

Name

KEN NOBUTA, unmarried

Address

1507 Kapiolani Blvd, Room 6, Honolulu, Hawaii 96814

SUBSUBSUBLESSOR

Name

PEPPERDALE, INC., a Hawaii corporation

Address

1507 Kapiolani Blvd, Room 6, Honolulu, Hawaii 96814

EXHIBIT E INFORMATION RELATING TO THE BUILDINGS

There are five buildings in the project, designated Building L, Building M, Building N, Building P, and Building Q and described as follows:

Each Building is a two-story building with apartments on the ground floor and on the second floor.

Each building is rectangular, and each is connected to the others by common walkways. The levels of the buildings have been given designations as ground floor and second floor. Access to the second floor of each building is by means of an exterior stairway.

Each apartment has been given an alphabetical/numerical designation by which the building in which it is located and its location in the building can be determined. The alphabetical letter preceding the three numerals of each apartment designation corresponds to the building in which it is located, the first numeral of each apartment corresponds to the floor upon which it opens and the next two numerals correspond to the location of the apartment.

Each of the buildings has been given an alphabetical designation as follows: Building M is to the east of Building K (which is located in Phase 3 of the Project.) Building N is to the east of Building M. Building P is to the south of Building N. Building L is to the southwest of Building P. Building Q is to the southeast of Building P.

Each of Buildings L and Q contains eight apartments four of which are located on each floor. Building M contains fourteen apartments seven of which are located on each floor. Building N contains ten apartments five of which are located on each floor. Building P contains twelve apartments six of which are located on each floor.

In Buildings L and Q the apartment on the northwest corner of each floor is given a numerical designation of 01. The apartments then bear the designation 02, 03, and 04 running from northwest to southeast.

In Building M the apartment on the southwest corner of each floor is given a numerical designation of 01. The apartments then bear the designation 02, 03, 04, 05, 06, and 07 running from southwest to northeast.

In Building N the apartment on the southwest corner of each floor is given a numerical designation of 01. The apartments then bear the designation 02, 03, 04, and 05 running from southwest to northeast.

In Building P the apartment on the northwest corner of each floor is given a numerical designation of 01. The apartments then bear the designation 02, 03, 04, 05 and 06 running from northwest to southeast.

EXHIBIT F
INFORMATION RELATING TO USE OF APARTMENTS

ARTICLE V SECTION 3 OF THE ASSOCIATION BYLAWS PROVIDES THE FOLLOWING RESTRICTIONS ON THE USE OF APARTMENTS.

(a) All apartments of the project shall be used only for residential purposes, and no apartment shall be used as a tenement or rooming house or for or in connection with the carrying on of any trade or business whatsoever.

(b) All common elements of the project shall be used only for their respective purposes as designed.

(c) No apartment owner or occupant shall place, store, or maintain in or upon the grounds, recreational areas, halls, lobbies, stairways, walkways, parking areas or other common elements of similar nature any furniture, package or objects of any kind or otherwise obstruct transit through such common elements.

(d) Every apartment owner and occupant shall at all times keep his apartment in a strictly clean and sanitary condition and maintain and keep his privacy area, if any, in a neat and attractive condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association for the time being applicable to the use of the project.

(e) No apartment owner or occupant shall make or suffer any strip or waste or unlawful, improper or offensive use of his apartment or the project nor alter or remove any furniture, furnishings or equipment of the common elements.

(f) No apartment owner or occupant shall erect or place in the project any building or structure including fences and walls, nor make any additions or alterations to any common elements of the project, nor place or maintain thereon any signs, posters or bills whatsoever, nor install draperies the exterior side of which is anything but an unpatterned, off-white, plain surface, decorate or landscape any entrance, hallway, planting area, paint the walls or ceilings of any lanai appurtenant to his or her apartment, or install any awning or similar device visible from the exterior of the building, or install any other sun-screening device (including but not limited to any coating or film applied to the interior or exterior surfaces of the glass windows or doors of the apartment) visible from the exterior of the building, or install any air conditioning equipment

which varies in appearance or location from that originally made available for inclusion in the apartment (if any), except in accordance with plans and specifications including detailed plot plan, prepared by a licensed architect if so required by the Board and also approved by the Board and a majority of apartment owners (or such larger percentage required by law or the Declaration), including all owners of apartments thereby directly affected.

(g) No apartment owner shall decorate or landscape any entrance, or privacy area of his apartment or other portion of the project except in accordance with standards therefore established by the Board of Directors or specific plans approved in writing by the Board.

(h) All occupants shall avoid making noises and using musical instruments, radios, televisions and amplifiers that may disturb other occupants.

(i) No garments, rugs or other objects shall be hung from the windows or facades of the project.

(j) No rugs or other objects shall be dusted or shaken from the windows of the project or cleaned by beating or sweeping on any walkways, hallways, privacy areas or other areas of the project.

(k) No refuse, garbage or trash of any kind shall be thrown, placed or kept on any common elements of the project outside of the disposal facilities, if any, provided for such purpose.

(l) No livestock, poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the project except that dogs, cats and other household pets in reasonable number may be kept by the apartment owners and occupants in their respective apartments but shall not be kept, bred or used therein for any commercial purpose nor allowed on any common elements except in transit when carried or on leash, provided that any such pet causing a nuisance or unreasonable disturbance to any other occupant of the project shall be permanently removed therefrom promptly upon notice given by the Board of Directors or Managing Agent.

(m) No apartment owner or occupant shall without the written approval of the Board of Directors install any wiring for electrical or telephone installations, television antenna, machines or air conditioning units, or other equipment or appurtenances whatsoever on the exterior of the project or protruding through the walls, windows or roof thereof.

(n) No apartment owner or occupant shall erect, place or maintain any television or other antennas on said project visible from any point outside of his apartment without the approval of the Board of Directors.

(o) Nothing shall be allowed, done or kept in any apartments or common elements of the project which would overload or impair the floors, walls, or roofs thereof, or cause any increase in the ordinary premium rates or the cancellation or invalidation of any insurance thereon maintained by or for the Association.

(p) The common elements, including without limitation, the buildings and foundations will be maintained by the Board and the color of the common elements will not be changed by any Apartment Owner, without the prior written approval of the Board.

THE AMENDED DECLARATION PROVIDES:

"E. USE. The apartments shall be occupied and used only as private dwellings by the respective owners thereof, their tenants, families, domestic servants and social guests, and for no other purpose. The apartments shall not be rented for transient or hotel purposes, which are defined as (a) rental for any period less than thirty (30) days, or (b) any rental in which the occupants of the apartment are provided customary hotel services such as room service for food and beverage, maid service, laundry and linen or bellboy service. Except for such transient or hotel purposes the owners of the respective apartments shall have the absolute right to lease such apartments subject to all provisions of the Declaration."

EXHIBIT G
BOUNDARIES OF APARTMENTS

THE AMENDED DECLARATION PROVIDES:

"Each apartment shall be deemed to include all walls and partitions within its perimeter walls; all glass windows, louvers, doors, and panels along the perimeter; the interior half of all perimeter party walls; to the exterior surface of all perimeter non-party walls; the inner decorated or finished surfaces of the perimeter walls, floors and ceilings; and shall include all air space encompassed within the apartment and within the area constituting its lanai or deck as shown on the Condominium Map and the surface of the lanai or deck and the storage closet located on the lanai or deck; provided, however, those perimeter walls, interior loadbearing walls, floors and ceilings or portions thereof, located within or surrounding each apartment and all pipes, wires, conduits and other utility service lines running through such apartment which are utilized for or serve more than one apartment, shall be deemed common elements, except for the interior finished or decorated surfaces of said walls, floors and ceilings; and provided, further, that any fire sprinkler system components, and any ducts, shafts, or other enclosed spaces for common wiring, pipes or air exhaust located within any apartment shall also be deemed to be common elements."

EXHIBIT H
PERMITTED ALTERATIONS TO APARTMENTS

THE AMENDED DECLARATION PROVIDES:

"N. ALTERATION OF PROJECT. Restoration or replacement on or appurtenant to the project or any building, or other structure thereof, or construction or structural alteration or addition to any such structure, different in any material respect from said Condominium Map of the project, shall be undertaken by the Association or any apartment owner only pursuant to an amendment of this Declaration, duly executed by or pursuant to the affirmative vote of all the apartment owners and accompanied by the written consent of the holders of all liens (if the lienholders require such consent) affecting any of the apartments, and in accordance with complete plans and specifications therefor first approved in writing by the Board, the Fee Owner, the Lessee, the Sublessee, and the Developer during the continuance in effect of their respective leases, and promptly upon completion of such restoration, replacement or construction, the Association shall duly record or file of record such amendment together with a complete set of floor plans of the project as so altered, certified as built by a registered architect or professional engineer; PROVIDED, HOWEVER, that notwithstanding any provision in this Declaration to the contrary, any alterations or additions within an apartment or within a limited common element appurtenant to and for the exclusive use of such apartment shall require the written consent thereto and written approval of the apartment owner's plans therefor by only the holders of all liens affecting such apartment (if the lienholders require such consent and approval), the Board of Directors of the Association, all other apartment owners thereby directly affected (as determined by said Board) and the Fee Owner, Lessee, Sublessee and Developer during the continuance in effect of their respective leases, and such alterations or additions may be undertaken without an amendment to this Declaration or filing of a complete set of floor plans of the project as so altered.

**EXHIBIT I
PARKING STALLS**

THE AMENDED DECLARATION PROVIDES:

That each apartment shall have appurtenant to it as a limited common element the parking stall(s) shown after the number of the apartment to which it is appurtenant on Exhibit BI attached hereto. The Developer reserves the right to initially assign, in each case with the written consent of the Fee Owner, Lessee and Sublessee, any parking stalls to any apartments by amendment of the Declaration, as provided in Paragraph P, of the Declaration; and provided further that said right of assignment shall not apply to those stalls, if any, marked on the Condominium Map as "guest" stalls, all of which shall remain common elements, rather than limited common elements. After their initial assignment, stalls may be reassigned from time to time by amendment to the Declaration as provided in Paragraph P of the Declaration. All costs and expenses of repairing, restriping or otherwise repairing such parking stalls shall be charged to each owner on a pro-rata basis in direct proportion to the number of parking stalls appurtenant to the Owner's apartment and all other costs and expenses attributable to such parking stalls shall be charged to each owner as a common expense of the Project.

EXHIBIT "B-1"

HOKULANI IN KAILUA
Parking Stalls

Unit No.	Parking Stall(s)
L-101	101
L-102	103
L-103	105
L-104	107
L-201	102
L-202	104
L-203	106
L-204	108
M-101	HC* 112
M-102	117
M-103	119
M-104	121
M-105	123
M-106	125
M-107	127
M-201	116
M-202	118
M-203	120
M-204	122
M-205	124
M-206	126

* Handicapped

EXHIBIT "B-1" (cont'd.)

Unit No.	Parking Stall(s)
M-207	128
N-101	138
N-102	136
N-103	134
N-104	132
N-105	130
N-201	137
N-202	135
N-203	133
N-204	131
N-205	129
P-101	100
P-102	98
P-103	140
P-104	142
P-105	144
P-106	HC* 148
P-201	99
P-202	139
P-203	141
P-204	143
P-205	145

* Handicapped

EXHIBIT "B-1" (cont'd.)

<u>Unit No.</u>	<u>Parking Stall(s)</u>
P-206	146
Q-101	114, C-8, C-35, C-36, C-37, C-38, C-39, C-40 C-41 C-42, C-43, C-44, C-45, C-46 and 66
Q-102	109
Q-103	111
Q-104	147
Q-201	115
Q-202	113
Q-203	110
Q-204	149

End of EXHIBIT "B-1"

EXHIBIT J COMMON ELEMENTS

THE AMENDED DECLARATION identifies the Common Elements as an estate in all remaining portions of the project, therein called the "common elements", including specifically but not limited to the common elements described in paragraph 1 and paragraph 3 of the Declaration, and:

(a) The land.

(b) Except as provided in paragraph A.1(d) of the Declaration, all foundations, floor slabs, columns, girders, beams, supports, unfinished portions of perimeter walls and interior load-bearing walls and roofs of the residential buildings.

(c) All yards, grounds, private parks, interior malls and landscaping and all refuse facilities, if any, whether within or appurtenant to the project.

(d) All roads, parking areas, driveways, corridors, entries, lobbies and walkways other than those designated in the Declaration as limited common elements,

(e) All ducts, electrical equipment, wiring, pipes and other central and appurtenant transmission facilities over, under and across the project which serve more than one apartment for services such as power, light, water, gas, sewer, telephone and radio and television signal distribution.

(f) The fire sprinkler system, if any, including portions thereof that may be installed within the various apartments.

(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.

**EXHIBIT K
LIMITED COMMON ELEMENTS**

THE AMENDED DECLARATION PROVIDES:

"3. Limited Common Elements. Certain parts of the common elements, herein called the "limited common elements", are hereby designated and set aside for the exclusive use of certain apartments, and such apartments shall have appurtenant thereto easements for the use of such limited common elements as set forth 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 charged to all apartment owners as a common expense in proportion to the common interests appurtenant to their respective apartments, except as otherwise provided in this paragraph 3.

(a) Each apartment shall have appurtenant to it as a limited common element the parking stall(s) shown after the number of the apartment to which it is appurtenant on Exhibit B attached hereto. The Developer reserves the right to initially assign, in each case with the written consent of the Fee Owner, Lessee and Sublessee, any parking stalls to any apartments by amendment of the Declaration, as provided in Paragraph P, below; and provided further that said right of assignment shall not apply to those stalls, if any, marked on the Condominium Map as "guest" stalls, all of which shall remain common elements, rather than limited common elements. After their initial assignment, stalls may be reassigned from time to time by amendment to this Declaration as provided in Paragraph P, below. All costs and expenses of repairing, restriping or otherwise repairing such parking stalls shall be charged to each owner on a pro-rata basis in direct proportion to the number of parking stalls appurtenant to the Owner's apartment and all other costs and expenses attributable to such parking stalls shall be charged to each owner as a common expense of the Project.

(b) Each apartment shall have appurtenant to it as a limited common element the entry way leading up to its front door as shown on the Condominium Map. The entry way for the Two Bedroom Type X Apartment has a depth of 3 feet 2 inches and a width of 4 feet 2 inches. The entry way for the Two Bedroom Type Y Apartment has a depth of 2 feet 6 inches and a width of 4

feet 2 inches, provided, however that wherever a Two Bedroom Type Y Apartment is adjacent to a One Bedroom Type Z apartment the entry way has a depth of 6 feet 4 inches and a width of 4 feet 2 inches and is a limited common element appurtenant to the Two Bedroom Type Y Apartment and the One Bedroom Type Z jointly. The cost of routine cleaning and maintenance of the entry ways and the cost of repairing any damage of said entry way caused by the owner or occupant of said apartment or their permittees shall be borne by the owner of said apartment; but the cost of any other repairs to the said entry way shall be borne by all apartment owners as a common expense."

**EXHIBIT L
COMMON INTERESTS**

THE AMENDED DECLARATION PROVIDES THAT:

Each Two Bedroom Type X Apartment shall have a common interest of **.007**

Each Two Bedroom Type Y Apartment shall have a common interest of **.007**

Each of the four one bedroom Type Z Apartments which are located in Phase 1 of Hokulani in Kailua shall have a common interest of **.005**.

EXHIBIT "M"

ENCUMBRANCES AGAINST TITLE

1. **TAXES Tax Map Key: OAHU 4-2-01-054**

Taxes for the Fiscal Year 1989-1990 are a lien; payable as follows:

1st Installment: \$5,678.74 PAID
2nd Installment: \$5,678.73 OPEN
(Delinquent after February 20, 1990)

2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Stream running along the southerly boundary, as per survey of Kataichi Ninomiya, Registered Professional Land Surveyor, Certificate No. 2281, dated August 17, 1988.
4. The terms and provisions of:

LEASE OF RIGHT-OF-WAY

Lessor: Kaneohe Ranch Company, Limited, a Hawaii corporation
Lessee: Hawaiian Electric Company, Inc., a Hawaii corporation, and Hawaiian Telephone Company, a Hawaii corporation
Dated: February 14, 1958
Book: 3414
Page: 39
Term: commencing on the date hereof and expiring on June 30, 1991
Purpose: Easement for utility purposes over, under, across and through a portion of the land herein described

5. Easement 2 (60-feet wide), for roadway purposes, as shown on File Plan No. 1690.
6. Easement 3 (10-feet wide), for sanitary sewer purposes, as shown on File Plan No. 1690.
7. Easement 4, for sanitary sewer purposes, as shown on File Plan No. 1690.

8. Easement 5, for sanitary sewer purposes, as shown on File Plan No. 1690.

9. Easement 6, for slope purposes, as shown on File Plan No. 1690.

10. **GRANT**

In Favor Of: City and County of Honolulu
Dated: March 30, 1966
Book: 5343
Page: 284
Purpose: Easement for sanitary sewer purposes over, under, across and through Easement 5

11. Restrictions, covenants and conditions as contained in:

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

Dated: July 6, 1973
Book: 9371
Page: 352
to which reference is hereby made

12. **JUDGMENT AND FINAL ORDER OF CONDEMNATION - CIVIL NO. 58288 - FIRST CIRCUIT COURT**

Dated: December 24, 1979
Book: 14379
Page: 641
Purpose: Easement for slope purposes over, under, across and through Easement 6

13. Restrictions, covenants and conditions as contained in:

SUPPLEMENTARY DECLARATION TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

Dated: February 10, 1982
Book: 16245
Page: 403
to which reference is hereby made

14. The terms and provisions of that certain Agreement dated July 21, 1980, made by and between Lewers & Cooke, Inc., a Hawaii corporation and George Newton, Sue Ellen Newton, and Lillian O. Young, recorded in the Bureau of Conveyances of the State of Hawaii in Book 14949 Page 268, to which reference is hereby made.

15. The terms and provisions as contained in:

LEASE NO. 7020

Lessor: James C. Castle, also known as James Christian Castle, James Gordon McIntosh and Hawaiian Trust Company, Limited, Trustees of the trust estates created by Article Eighth of the Last Will and Testament of Harold K. L. Castle, deceased, and by that certain unrecorded trust agreement dated August 5, 1974, made by Alice Hedemann Castle, as "Settlor", and James C. Castle, as "Individual Trustee"

Lessee: Kailua Gardens Community Association, a Hawaii non-profit corporation

Dated: February 10, 1982

Book: 16245

Page: 409

Term: commencing on the date hereof and ending on December 31, 2052

Purpose: Easement for roadway purposes over, under, across and through Easement 2

16. The terms and provisions as contained in:

LEASE NO. 7014A

Lessor: James C. Castle, also known as James Christian Castle, James Gordon McIntosh and Hawaiian Trust Company, Limited, Trustees of the trust estates created by Article Eighth of the Last Will and Testament of Harold K. L. Castle, deceased, and by that certain unrecorded trust agreement dated August 5, 1974, made by Alice Hedemann Castle, as "Settlor", and James C. Castle, as "Individual Trustee"

Lessee: Lewers & Cooke, Inc., a Hawaii corporation

Dated: February 10, 1982

Book: 16245

Page: 514

Term: commencing on the date hereof and ending on December 31, 1994

Through mesne assignment(s), the foregoing Lease No. 7014A was assigned by the following:

ASSIGNMENT OF LEASES

Assignor: Champion Properties Corporation, a Delaware corporation duly qualified to do business in the State of Hawaii
Assignee: John J. Hulten, Jr., as Trustee of the John J. Hulten, Jr. Trust dated May 27, 1987
Dated: June 30, 1989, to be effective as of July 1, 1989
Book: 23365
Page: 194
(also affects other property)

17. The terms and provisions of:

MASTER TRACT SUBLEASE

Sublessor: Lewers & Cooke, Inc., a Hawaii corporation
Sublessee: Ken Nobuta
Dated: December 16, 1986
Book: 20237
Page: 461
Term: commencing on the date hereof and ending on December 30, 1994

Through mesne assignment(s), the Lessor's interest in and to the foregoing Master Tract Sublease was assigned by the following:

ASSIGNMENT OF LEASES

Assignor: Champion Properties Corporation, a Delaware corporation duly qualified to do business in the State of Hawaii
Assignee: John J. Hulten, Jr., as Trustee of the John J. Hulten, Jr. Trust dated May 27, 1987
Dated: June 30, 1989, to be effective as of July 1, 1989
Book: 23365
Page: 194
(also affects other property)

18. The terms and provisions of that certain Sub-Sublease dated December 24, 1986, to which reference is hereby made.

19. The covenants, agreements, obligations, conditions, easements and other provisions as contained in the following:

DECLARATION OF HORIZONTAL PROPERTY REGIME OF "HOKULANI IN KAILUA"

Dated: June 29, 1988
Book: 22108
Page: 161

Condominium Map No. 1138, to which reference is hereby made.

The foregoing Declaration was amended by the following:

<u>Dated</u>	<u>Book</u>	<u>Page</u>
March 14, 1989	22967	352
March 19, 1989	23097	350
April 14, 1989	23229	127
June 28, 1989	23365	234

CONFIRMATION OF SECOND AMENDMENT TO DECLARATION OF HORIZONTAL PROPERTY REGIME OF "HOKULANI IN KAILUA"

Dated: June 30, 1989
Book: 23365
Page: 145
to which reference is hereby made

CONFIRMATION OF FOURTH AMENDMENT TO DECLARATION OF HORIZONTAL PROPERTY REGIME OF "HOKULANI IN KAILUA"

Dated: October 24, 1989
Book: 23803
Page: 311
to which reference is hereby made

20. **BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS OF "HOKULANI IN KAILUA"**

Dated: June 29, 1988
Book: 22108
Page: 196

21. Restrictions, covenants and conditions as contained in:

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(PRIVATE PARK)**

Dated: August 17, 1988
Book: 22268
Page: 25
to which reference is hereby made

22. The adverse effects, if any, of that certain encroachment of a tile wall along the Easterly boundary of the land herein described, as per survey of Kataichi Ninomiya, Registered Professional Land Surveyor, Certificate No. 2281, dated August 17, 1988.

23. Existing sewer manhole and sewer line along the Southerly boundary of the land herein described, as per survey of Kataichi Ninomiya, Registered Professional Land Surveyor,

24. **MORTGAGE**

Mortgagor: Pepperdale, Inc., a Hawaii corporation
Mortgagee: Honolulu Federal Savings and Loan Association, a federal savings and loan association, now known as Honfed Bank, a federal savings bank
Dated: August 18, 1988
Book: 22557
Page: 414
To Secure: \$2,400,000.00
Consent of Lessor, Sublessor and Sublessor to Mortgage of Sub-Sublease; and Estoppel Certificate thereto recorded in Book 22557 Page 452.

25. **FINANCING STATEMENT**

Debtor: Pepperdale, Inc.
Secured Party: Honolulu Federal Savings and Loan Association, now known as Honfed Bank, a federal savings bank
Filed On: November 15, 1988
Book: 22557
Page: 460

26. Restrictions, covenants and conditions as contained in:

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(PRIVATE PARK)**

Dated: October 19, 1988
Book: 22620
Page: 771

to which reference is hereby made
Consents thereto recorded in Book 22620 Pages 776 to 779,
respectively

27. **GRANT**

In Favor Of: The City and County of Honolulu, a municipal
corporation of the State of Hawaii

Dated: July 21, 1988
Book: 22768
Page: 600

Purpose: Easement to construct, etc., underground sewer
pipelines with manholes and other appurtenant
equipment, through, under and across Parcel
SE-5, Parcel SE-8 and Parcel
FS-1

28. **GRANT**

In Favor Of: The City and County of Honolulu, a municipal
corporation of the State of Hawaii

Dated: July 21, 1988
Book: 22768
Page: 622

Purpose: Easement to construct, etc., the bridge
footing for Hamakua Drive and other
appurtenant equipment, through, under and
across Parcel FS-1

29. **ADDITIONAL CHARGE MORTGAGE**

Mortgagor: Pepperdale, Inc., a Hawaii corporation
Mortgagee: Honfed Bank, a federal savings bank
Dated: June 9, 1989
Book: 23306
Page: 13
To Secure: \$2,740,000.00 as additional charge to Mortgage
shown as encumbrance no. 24
Consent thereto recorded in Book 23307 Page 58

30. ADDITIONAL CHARGE MORTGAGE; SECURITY AGREEMENT, ASSIGNMENT OF RENTS; AND FINANCING STATEMENT

Mortgagor: Pepperdale, Inc., a Hawaii corporation
Mortgagee: Honfed Bank, a federal savings bank
Dated: October 24, 1989
Book: 23803
Page: 292
To Secure: \$2,900,000.00 as additional charge to Mortgage shown as encumbrance no. 24
Consent by Lessor, Sublessor and Sub-Sublessor to Mortgage of Sub-Sublease; and Estoppel Certificate thereto recorded in Book 23803 Page 299.

(NOTE: The individual units set forth in the aforesaid Declaration of Horizontal Property Regime are listed in Exhibit "B" hereof.)

NOTE:

POWER OF ATTORNEY: LIMITED SPECIAL POWERS

Champion Properties Corporation, a Delaware corporation, duly registered and qualified to do business in the State of Hawaii appoints John J. Hulten, Jr., as its true and lawful attorney to act for it and in its name, attorney-in-fact

Dated: February 15, 1989
Book: 22873
Page: 788
Re: Execution and issuance of Subleases under the Master Tract Development Sublease dated December 16, 1986, recorded in said Bureau of Conveyances in Book 20237 Page 461, and Master Tract Development Sub-Sublease dated December 24, 1986, recorded in said Bureau of Conveyances in Book 20258 Page 039. Effective until June 24, 1991.

END OF EXHIBIT "M"

EXHIBIT N PERTINENT PROVISIONS OF SALES CONTRACT

The Sales Contract is an important document which sets forth the rights and obligations of the Developer as Seller and you as Buyer of the Apartment. In the Developer's opinion all of the provisions of the Sales Contract are important, otherwise the Developer would not have put them in the Sales Contract. Therefore the Buyer is encouraged to read carefully every portion of the Sales Contract and not to rely on this summary.

The first several pages of the Contract, from the beginning of the Contract to the spaces where the parties are to sign, contain material which sets forth the particulars of the sale, i.e. the name of the Buyer, the apartment number, the price, other payments that have to be made at closing, etc. There are many blank spaces that need to be filled in. The Buyer should be sure that he or she understands and agrees with the particulars that are put into these blank spaces.

The remainder of the Contract (Section D. Terms and Conditions) sets forth provisions which in general apply to all sales in the Project. This is not to imply that they are not important. They should be read carefully. The first few paragraphs contain information about the entire Project including rights which the Developer has reserved (See Exhibit A and Exhibit U of this Public Report for further detail)

Paragraphs D.1 and D.2 reiterate what is being sold and how the purchase price is to be paid. Paragraph D. 3 sets forth requirements of the Buyer's financing of the sale. This is applicable if the Buyer intends to finance the purchase through a loan or if the Buyer intends to pay cash in excess of 10% of the sales price.P Read Paragraph D. 3 carefully.

Paragraph D. 4 makes the Escrow Agreement a part of the Contract between the Seller and the Purchaser. Attention is directed to Exhibit O of this Public Report which sets forth pertinent provisions of the Escrow Agreement.

Paragraph D.5 contains an agreement that the interest earned on the Buyer's downpayment, even before closing, will belong to the Buyer. This does not mean that there will be any interest.

Paragraph D.6 contains information about the various documents creating and affecting the Project and setting forth rights and obligations of the parties.

Paragraph D.7 contains information about the rights that the Developer and others have reserved under the various Project documents. See also Exhibit A of this Public Report.

Paragraphs D.8 and D.9 contain information relating to the preclosing and the closing of this sale. Read these provisions carefully.

Paragraph D.10 requires that all obligations be performed promptly.

Paragraph D.11 sets forth the responsibility for closing costs.

Paragraph D.12 contains provisions defining and limiting the Buyer's rights against the Project and the Seller's predecessor's in title.

Paragraphs D.13 and D.14 relate to rights of the Developer and initial Managing Agent to act on behalf of the Association of Apartment Owners.

Paragraph D.15 limits the right of the Buyer to assign his or her rights under the Contract.

Paragraph D.16 provides that the rights of the Buyer are subordinate to the rights of the construction lender. Under the provisions of this paragraph the interests of the Buyer can be foreclosed against if the Seller defaults under the terms of the Seller's construction loan.

Paragraph D.17 sets forth the Seller's obligation to complete the Project.

Paragraph D.18 sets forth the nature and the extent of the warranties in the Project and the Buyer's rights relating to construction defects.

Paragraph D.19 contains material relating to occupancy and the manner in which the Buyer will take possession of the apartment after closing.

Paragraph D.20 sets forth the Seller's remedies if the Buyer should default.

Paragraph D.21 states how notices are to be given. Paragraph D.22 states that the Contract is voidable if the Buyer dies. Paragraph D.23 contains the Buyer's agreement not to request any change orders unless directly from Seller. Paragraph D.24 talks about the color scheme of the Apartment and contains rights of the Seller if certain colors, appliances, etc. become unavailable.

Paragraph D.25 contains provisions relating to ongoing construction.

Paragraph D.26 contains an agreement that no representations as to rental income has been made to the Buyer and contains Buyer's agreement not to enter into a rental pool. Paragraph D.27 states that the Condominium Map is not intended as a representation. Paragraph D.28 cautions the Buyer as to what furnishings are included in the sales price. Paragraph D.29 states that paragraph captions are for convenience only and do not affect the substance of the Contract. Paragraph D.30 relates to definitions. Paragraph D.31 states that Hawaii Law governs the Contract. Paragraph D.32 states that the Contract is

not binding on the Seller until signed by the Seller (not by a sales agent). Paragraph D.33 contains protective language for Buyers who intend to finance by way of Veteran's Administration Loan Guarantee.

Paragraph D.34 states that if the Contract is cancelled for any reason other than the default of the Seller that the Buyer will be responsible for the Escrow cancellation fee.

Paragraph D. 35 explains that by the time the Buyer closes his or her sale Phase 1 of the project will be constituted and the Buyer will become a member of an ongoing Association of Apartment Owners.

Paragraph D.36 states that the Contract is the entire agreement between the parties.

EXHIBIT O
PERTINENT PROVISIONS OF THE ESCROW AGREEMENT

The Escrow Agreement sets forth how the Escrow will receive and administer the sales proceeds to be paid by the Buyer to the Seller pursuant to the Sales Contract. Many provisions of the Sales Contract are included in the Escrow Agreement. The Escrow Agreement provides:

1. That interest earned on the Buyer's deposit will be the property of the Seller. This has since been amended so that interest, if any, will belong to the Buyer.

2. That on cancellation of the Sales Contract for any reason other than the Seller's default the Buyer will pay the Escrow Cancellation Fee.

3. How and under what conditions the funds of the Buyer can be used for Project costs. This can only happen after the sale to the Buyer has closed and the lien period has expired.

4. Refunds to Purchasers are covered under Paragraph 9 below.

*9. Refunds to Purchasers; Return of Documents. Subject to such deductions as may be provided in the Sales Contract and the escrow cancellation fee, purchaser shall be entitled to a return of his funds, and Escrow shall pay such funds to such purchaser, if any of the following has occurred:

(a) Seller notifies Escrow to return to the purchaser the funds of the purchaser then being held hereunder by Escrow; or

(b) Seller notifies Escrow of Seller's exercise of the option to rescind the Sales Contract pursuant to any right of rescission stated therein or otherwise available to the Seller; or

(c). The conditions provided for a refund under Sections 514A-62, 514A-63 or 514A-105 of the Horizontal Property Act (as amended on the date

upon which the Sales Contract becomes binding and effective) have been met, and written notice thereof has been provided to Seller, and Seller and purchaser shall advise Escrow to refund purchaser's funds.

Upon the return of said funds to the purchaser as aforesaid, Escrow shall return to Seller such purchaser's Sales Contract and any conveyancing documents theretofore delivered to Escrow pursuant to such Sales Contract; and thereupon the purchaser shall no longer be obligated under the Sales Contract. Other documents delivered to Escrow relating to the sale of the apartment identified in such Sales Contracts will be returned to the person from whom or entity from which they were received."

EXHIBIT P
THE KAILUA GARDENS COMMUNITY ASSOCIATION

The Project is located in the Kailua Gardens complex of condominium apartments which include Poinciana Manor, Gardenia Manor, Windward Passage, Windward Harbour, Windward Cove, Koolau Vista and Hokulani in Kailua. A Declaration of Covenants, Conditions and Restrictions affects each of the seven projects and requires that every owner in each of the projects automatically becomes a member in a Master Association called the Kailua Gardens Community Association. As such each owner is entitled to use, and is responsible for the costs and upkeep of, the property owned by the Association.

The only property which the Association owns at the present time is a leasehold interest in the private roadway known as Aoloa Street and Aoloa Place which runs through the Project and connects Hamakua Road and Kailua Road. It is not expected that the Association will obtain any other property. Present dues are under \$3.00 per month per apartment.

Each of the seven projects is entitled to elect one member to the Kailua Gardens Community Association Board of Directors.

EXHIBIT Q
THE RESIDENT MANAGER'S APARTMENT

THE AMENDED DECLARATION PROVIDES:

"Attention is called to the fact that the common elements do not include a resident manager's apartment. The Developer does not intend to provide a resident manager's apartment in the project, either as a common element or as a separate apartment. However the Developer will offer a leasehold estate in a Developer designated two bedroom apartment in Phase Two of the project for sale to the Association of Apartment Owners (which Association is described in Paragraph F. hereof). As soon as such apartment is ready for occupancy the Developer will notify the Association in writing that the apartment is offered for sale at the initial price of \$119,900.00, cash. The price will increase by \$898.75 on the first day of each month following the date of the written offer. Provided that the Association pays the lease rent for the use of the apartment as specified below, the Association will have 24 months from the date of the written offer to accept the offer and close the purchase of the said apartment. During the period from the time that the offer is made by the Developer until the sale is closed the Developer will lease the said apartment to the Association (or its managing agent) for use as a resident manager's apartment at a monthly lease rent equal to \$8.30 per month for each apartment from time to time existing in the project.

If the Association does not pay the monthly lease rent for the use of the apartment, or having paid such lease rent does not close the purchase of the apartment within the 24 month period, then the Developer will have no further obligation to hold any apartment available for the Association and the Developer will be free to dispose of every apartment in the project to third parties."

EXHIBIT R
MERGER OF PHASE 1, PHASE 2, PHASE 3 and Phase 4

The Developer has previously created the 32 apartments located in Buildings A, B, C and D of the Hokulani in Kailua Project (Phase 1) and the 30 apartments located in Buildings E, F and G of the Hokulani in Kailua Project (Phase 2) and the 30 apartments located in Buildings H, K and J of the Hokulani in Kailua Project. The Developer did this by the execution and recordation of the Declaration of Condominium Property Regime of Hokulani in Kailua which is recorded in the Bureau of Conveyances of the State of Hawaii in Book 22108 at Page 161 and has been amended four times; the execution and recordation of the By-Laws which is recorded in Book 22108 at Page 196; the recordation of File Plan 1138, which has been amended twice.

The Declaration of Condominium Property Regime, although initially covering only the 32 apartments in Phase 1, provides for the addition of subsequent phases. This is all spelled out in detail in Exhibit A of this Preliminary Public Report.

The 32 apartments in Phase 1 are covered by a separate Final Public Report issued on October 28, 1988 by the Real Estate Commission in Registration No. 1920.

The 30 apartments in Phase 2 are covered by a separate Final Public Report issued on May 19, 1989 by the Real Estate Commission in Registration No. 2005.

The 30 apartments in Phase 3 are covered by a separate Final Public Report issued on October 10, 1989 by the Real Estate Commission in Registration No. 2103.

The Second Amendment to the Declaration of Condominium Property Regime resulted in the merger of Phases 1 and 2. The Fourth Amendment to the Declaration of Condominium Property Regime resulted in the merger of Phases 1, 2 and 3.

The Preliminary Public Report for Phase 4, which you are now reading, covers only the 52 Apartments in Phase 4 of Hokulani in Kailua which are located in Buildings L, M, N, P and Q.

However, upon satisfaction of all of the appropriate conditions set forth in Paragraph Q of the Declaration and in Exhibit A to this Preliminary Public Report, the Declaration, By Laws and Condominium Map will be automatically amended in their entireties as is provided in the amendment to the Declaration of Condominium Property Regime for the Project so that Phase 4 will merge with the merged Phases 1, 2 and 3 and the Hokulani in Kailua project will at that time and thereafter consist of the 144 Apartments located in Buildings A, B, C, D, E, F G, H, J, K, L, M, N, P and Q.

EXHIBIT S

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee</u> x 12 months =	<u>Yearly Total</u>
A-104, A-204, C-104, C-204	72.98 each	3,503.04
All other apartments in the project (140)	102.17 each	171,645.60
<hr/>		175,148.64
<hr/>		

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



**HOKULANI AT KAILUA
PHASE I, II, III, & IV (144 UNITS)**

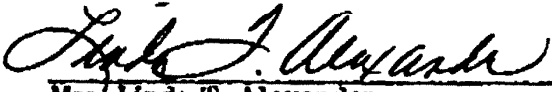
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS:

Utilities and Services	<u>Monthly</u>	x	12 Months	=	<u>Yearly Total</u>
Air Conditioning	none				none
Electricity					
<u> X</u> Common Elements Only	640.00				7680.00
Refuses Collection	640.00				7680.00
Telephone	40.00				480.00
Water and Sewer	2074.00				24,888.00
 Maintenance, Repairs and Supplies					
Building	265.00				3180.00
Grounds	1450.00				17,400.00
 Management					
*Management and Accounting Fees	1864.00				22,368.00
Payroll and Payroll Taxes	3922.00 *				47,064.00
Office Expenses	100.00				1,200.00
Insurance	1,522.00				18,265.00
Reserves	543.00				6,516.00
Taxes and Government Assessments	35.00				420.00
Other (legal and contingency)	150.00				1,800.00
Audit Fees	100.00				1,200.00
T.V. Signal	890.00				10,680.00
Master Association Dues	360.00				4,320.00
 TOTAL	 14,595.00				 175,141.00

We, Chaney, Brooks and Company, as managing agents for the condominium, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles and based upon information available to us.

* Assumes that all phases I, II, III, and IV will be merged upon completion of each phase.

**Resident Manager	1388.00
Maintenance Man	1269.00
Payroll	365.00
Lodging	900.00
<hr/>	
Total	3922.00



 Mrs. Linda T. Alexander
 Senior Property Manager
 11/16/89

 Date

**EXHIBIT T
REALTORS**

The following Realtors are presently selling the Project for the Developer:

RALPH E. WINNIE
dba WINNIE & WINNIE REALTORS
35 Kainehe Street
Kailua, Hawaii 96734
Telephone: (808) 263-8877

WAYNE MASUDA
dba J. H. REALTY
350 Ward Avenue, Room 106
Honolulu, Hawaii 96814
Telephone: (808) 533-7716