

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer Hawaii Community Development Authority and Honuakaha  
Address 677 Ala Moana Blvd. Limited Partnership  
Suite 1001, Honolulu, HI 96813  
Project Name(\*): HONUAKAHA  
Address: 545 & 547 Queen Street, Honolulu, Hawaii 96813

Registration No. 3058

Effective date: August 25, 1995

Expiration date: September 25, 1996

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other governmental agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

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

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

\_\_\_\_\_ **PRELIMINARY:** The developer may not as yet have created the condominium but  
(yellow) 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.

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

- [ ] No prior reports have been issued
- [ ] Supersedes all prior public reports
- [ ] Must be read together with \_\_\_\_\_

X  **SUPPLEMENTARY:** Updates information contained in the  
(pink) [ ] Prelim. Public Report dated \_\_\_\_\_  
[ X ] Final Public Report dated May 25, 1995  
[ ] Supp. Public Report dated \_\_\_\_\_

And [ ] Supersedes all prior public reports  
[ X ] Must be read together with Final Public Report

[ ] This report reactivates the \_\_\_\_\_  
public report(s) which expired on \_\_\_\_\_

(\*) Exactly as named in the Declaration

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.

No prior reports have been issued by the Commission.

Changes made are as follows:

Developer has revised the terms under the Share Equity Program. New Exhibits "I" (Summary of the Condominium Reservation Agreement Deposit Receipt and Sales Agreement) and "K" (Shared Equity Program and Buyer's Restrictions on Use and Transfer) are attached hereto.

**NOTE:** This abbreviated Supplementary Public Report contains only pages reflecting information revised since issuance of the Final Public Report on May 26, 1995.

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.
- C) Bylaws of the Association of Apartment Owners.
- D) House Rules.
- E) Condominium Map.
- F) Escrow Agreement.
- G) Hawaii's Condominium Law (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 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. 3058 filed with the Real Estate Commission on February 24, 1994.

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

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SPECIAL NOTATION

DISCLOSURE RELATING TO COMMEMORATIVE PARK

A portion of the Project Land includes an area designated on the Condominium Map as "Commemorative Park". This portion of the Project Land will be developed and landscaped, and thereafter, at the expense of the Association, maintained as a private park. Archeological studies of the Project Land have disclosed that during the 1850s, the area set aside for the Commemorative Park was used as a burial site. There will be no construction above or in the immediate vicinity of this sacred area, which will be preserved with appropriate landscaping.

USE OF THE APARTMENT

Permitted Uses. The Apartment will be conveyed to Buyer subject to certain restrictions which are summarized in Exhibit "K" attached hereto. Such restrictions require, among other things, that during the two years following Buyer's purchase of the Apartment, that Buyer occupy the Apartment and use it as a residence. Thus, rental of the Apartment during such period is not permitted. Thereafter, the Apartment may be used only for residential and accessory purposes, and the owner of the Apartment will have the right to rent or lease, or otherwise permit the use of their Apartment, for any length or periods of time.

HCDA FIRST RIGHT TO PURCHASE THE APARTMENT

The ownership by a Buyer of an Apartment (a) is subject to the right of the Seller to repurchase the Apartment if Buyer transfers it during the first two (2) years, and (b) is also subject to the Seller's right to share in Buyer's equity according to the HCDA Shared Equity Program, the terms of which are more fully described in Exhibit "K" attached hereto.

SELLER'S RIGHT TO INCREASE PURCHASE PRICE

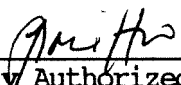
Buyers should be aware of Seller's right to increase the purchase price to the extent necessitated by increases in development and construction costs. See page 11 of Exhibit "I" and the Reservation and Sales Agreement.

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.

**Hawaii Community Development Authority -AND-  
Honuakaha Limited Partnership**


\_\_\_\_\_  
Name of Developer

**HAWAII COMMUNITY DEVELOPMENT AUTHORITY**

By  8/1/95  
Duly Authorized Signatory Date

**HONUAKAHA LIMITED PARTINERSHIP**

By Hawaii Community Development Authority  
Its General partner

By  8/1/95  
Duly Authorized Signatory Date

\_\_\_\_\_  
Lori Hoo, Interim Executive Director

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

SUPPLEMENTARY PUBLIC REPORT

HONUAKAHA

EXHIBIT "I"

SUMMARY OF THE CONDOMINIUM RESERVATION  
AGREEMENT DEPOSIT RECEIPT AND SALES AGREEMENT

A Specimen Condominium Reservation, Deposit Receipt and Sales Agreement (the "Sales Agreement") has been submitted to the Real Estate Commission and is also available in the Sales Office of the Developer. ALL BUYERS AND PROSPECTIVE BUYERS SHOULD CAREFULLY READ THE SALES AGREEMENT, since this summary is NOT A COMPLETE DESCRIPTION of its provisions. The Sales Agreement, among other things, covers in more detail the following items:

1. Property being conveyed to Purchaser.

(a) Apartment Deed. Seller shall cause to be delivered by Seller to Buyer an apartment deed conveying a fee simple interest in the Apartment and an undivided interest in the common elements.

(b) Title to the Apartment. Title to the Apartment shall be conveyed subject to the following matters: (i) real property taxes and assessments not delinquent; (ii) the terms, covenants, conditions, easements, rights, reservations, agreements and other provisions mentioned or contained in the apartment deed and provisions set forth in the Declaration or the Bylaws of the Association of Apartment Owners of Honuakaha, as the same may be amended from time to time; (iii) any encumbrances which do not materially and adversely affect the use of the Apartment for its intended purposes; (iv) restrictions on transfer of the Apartment and requirement that the Apartment be occupied by its owner, including an option in favor of the Seller to purchase the Apartment and to share in the purchaser's equity; and (v) any encumbrances approved or created by Buyer or which are mentioned or referred to in the Public Reports for the Project.

2. Interest On Funds. All funds received by Escrow may be held together with other monies received by Escrow and may be deposited by Escrow in an interest bearing account. Any interest earned on Buyer's deposits shall accrue to Seller. Buyer shall have no right to direct Escrow as to how or where the funds received by Escrow from Buyer shall be deposited or otherwise invested. No interest will be payable upon Buyer's deposits when Buyer's deposit are either refunded by Seller or returned by Seller.

3. Disbursement Of Escrow Funds To Pay For Development Costs. In order to pay for development costs of the Project,

Payments A and B referred to in Section C of the Sales Agreement may be disbursed by Escrow subject to the terms of the Escrow Agreement prior to the Closing Date and the date of completion of the Project in accordance with the Hawaii Condominium Act.

4. Seller's Right to Change the Project and the Project Documents.

(a) Changes Prior to Effective Date. If the Sales Agreement is a reservation agreement, then until the Effective Date (as defined in Section F.1 of the Sales Agreement), Seller shall have the right for any reason to change the Project and to modify the Project Documents in any way, including the right to cancel or terminate the Project.

(b) Changes After Effective Date.

(i) At any time prior to the conveyance of all of the apartments in the Project to persons other than the Seller or any mortgagee of Seller, Seller reserves the right to modify the Project Documents as may be required by law, the Real Estate Commission of the State of Hawaii, a title insurance company, an institutional mortgagee or any governmental agency;

(ii) Seller reserves the right to amend or change the common interest appurtenant to, the limited common interest assigned to, the configuration of, the number of rooms of, the size of or the location of any apartment in the Project for which an apartment conveyance document has not been recorded with the Recording Office);

(iii) Seller reserves the right to subdivide any Apartment (other than a Residential Affordable Apartment) in the Project for which an apartment deed has not been recorded in the Recording Office into any number of separate apartments in accordance with the Declaration;

(iv) Seller reserves the right to require alterations of the Project (and to modify any of such Project Documents accordingly) to change the-configuration of, to alter the number of rooms of, to decrease or increase the size of, or to change the location of any other apartment and/or parking area, and to make other minor changes in Buyer's Apartment, any of the other apartments, or the common elements;

(v) The Architect for the Project in his sole discretion may: (aa) make any changes he deems appropriate in the common elements of the Project (including without limitation the lobbies, the Project landscaping, the parking areas, and whether such changes relate to financial or aesthetic considerations) and

(bb) may increase or decrease the thickness of any foundation, wall, column or floor slab within or outside the Apartment resulting in the room dimensions becoming smaller or larger than those shown on the Condominium Map, or resulting in a building height or elevation different from those shown on the Condominium Map or stated in the Declaration. The Architect may make changes necessary to correct any design errors or other shortcomings; and the Architect may vary the type of window glass and install different types of glass throughout the Project to achieve the best combination of energy savings and esthetics;

(vi) Seller reserves the right to deviate from the plans and specifications for the Project and to substitute materials of equal utility and service, without Buyer's consent or approval, subject, however, to the above provisions. Seller may increase or decrease the number of parking stalls (other than any stalls which may be assigned to the Apartment); and

(vii) Notwithstanding subparagraphs (i), (ii), (iii) (iv) or (v) above, no modification as provided therein shall (aa) increase Buyer's share of common expenses or allocated share of limited common expenses without his consent; or (bb) reduce the obligations of Seller for common expenses on unsold apartments; or (cc) render unenforceable the Buyer's Mortgage Loan Commitment; or (dd) increase the Total Purchase Price of the Apartment; or (ee) directly, substantially and adversely affect the use or the value of the Apartment or limited common elements appurtenant thereto or the amenities of the Project available for Buyer's use.

5. Seller's Reserved Rights. The Sales Agreement sets forth certain rights and certain other provisions under which Buyer consents to certain actions by Seller and others. Such include, without limitation, the following:

(a) Seller and Seller's mortgage lender have the right to conduct extensive activities until December 31, 1999, on or from the Project, including the common elements, in connection with the sale or leasing of the Apartments in the Project, including the use of model apartments, sales, leasing and management offices, parking stalls and extensive sales and -leasing displays and other activities. These rights and easements may exist until all of the apartments in the Project are sold or leased.

(b) Seller has reserved the right to grant rights of way and other easements over, under, across, or through the common elements for any reasonable purpose.

(c) Seller has reserved an easement over and upon any portion of the Project, including the common elements and any Apartment, as may be reasonably necessary for the completion of any



improvements to and correction of defects and other punch-list items in the common elements or any apartment in the Project.

7. No Present Transfer; Subordination to Construction Loan. The Sales Agreement is not to be construed as a present transfer of any interest in the Apartment but rather it is an agreement to transfer in the future. Buyer is required to acknowledge that Seller has entered into a Construction Mortgage Loan with First Hawaiian Bank ("Construction Lender") pursuant to which the Construction Lender may loan or has loaned funds to Seller to cover construction costs and other associated costs of the Project. Buyer will acknowledge that the Construction Mortgage Loan will not exceed \$20,000,000.00, with an interest rate not to exceed four (4) percentage points higher than First Hawaiian Bank's "Prime Interest Rate", and a term of not more than five (5) years. To secure the Loan, Seller has granted or will grant to the Lender security interests covering the Seller's interest in the Project Land and the Project, including the Apartment covered by the Sales Agreement. All security interests obtained by the Lender in connection with the Construction Mortgage Loan, as well as any extensions, renewals and modifications of the security interests, shall be and remain at all times, until the final closing and delivery by Seller of the conveyance document to Buyer, a lien or charge on the Project, including the Apartment, prior to and superior to any and all liens or charges on the Project arising from the Sales Agreement or any prior agreement. BUYER INTENTIONALLY WAIVES, RELINQUISHES AND SUBORDINATES THE PRIORITY OR SUPERIORITY OF ANY LIEN OR OTHER LEGAL OR EQUITABLE INTEREST ARISING UNDER THE SALES AGREEMENT IN FAVOR OF THE LIEN OR CHARGE ON THE PROJECT OR THE SECURITY INTERESTS OF THE CONSTRUCTION LENDER.

8. Completion Date of the Apartment.

(a) Estimated Date. The estimated completion date of the Apartment is September 25, 1995. Such date is an approximate date given to the best of Seller's information and belief. The actual date of completion may be substantially earlier or later depending upon financing contingencies and the progress of construction. If the Project is not completed and ready for occupancy within twelve (12) months after the estimated completion date, then at the sole option of Seller, the obligations of both Buyer and Seller under the Sales Agreement shall terminate and all sums paid by Buyer (less any escrow cancellation fee) shall be refunded without interest, and Seller shall be relieved and released of all further liability hereunder.

(b) Outside Completion Date. Notwithstanding anything to the contrary contained in the Sales Agreement, Seller shall complete construction of the Apartment, the Building in which the Apartment is located, and other amenities of the Project, so as to permit normal occupancy within two (2) years after the date of the

execution by Buyer of the earlier of the receipt for the Final Public Report or, if Seller so elects, of the Confirmation Agreement for the Apartment referred to in Paragraph F.1 of the Sales Agreement. Said two (2) year period shall be extended for any period of time during which Seller is actually and necessarily delayed in beginning or completing construction if said delay is caused by matters or conditions beyond the control of Seller.

9. Limited Warranty.

(a) Project Construction Agreement. Seller warrants the materials and workmanship of the Apartment against defects for a period of one (1) year from the Closing Date or the date of occupancy (whichever first occurs); provided, however, that said warranty shall in no event be for a period less than one (1) year from the date of completion of the Apartment.

(b) Manufacturer's and Dealer's Warranties. The closing of the sale of the Apartment shall also constitute the assignment without recourse by Seller to Buyer, for the unexpired term, if any, of any manufacturer's or dealer's warranties covering any furnishings, fixtures and appliances that are part of the Apartment.

(c) Disclaimer of Warranties. Except for the agreements set forth above. There are no warranties which extend beyond the description on the face of the Sales Agreement. DEVELOPER MAKES NO WARRANTIES OR PROMISES OF "MERCHANTABILITY", "HABITABILITY", "WORKMANLIKE CONSTRUCTION" OR "FITNESS FOR A PARTICULAR USE OR PURPOSE" OR ANY OTHER WARRANTIES OR PROMISES OF ANY KIND, EXPRESS OR IMPLIED, ABOUT THE APARTMENT, OR THE PROJECT (INCLUDING THE COMMON ELEMENTS AND LIMITED COMMON ELEMENTS OF THE PROJECT, OR ABOUT ANY FURNISHINGS, FIXTURES, APPLIANCES OR OTHER CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED, ATTACHED, AFFIXED OR OTHERWISE CONTAINED IN THE APARTMENT, OR THE PROJECT (INCLUDING THE COMMON ELEMENTS AND LIMITED COMMON ELEMENTS THEREOF)).

10. Financing of Purchase.

(a) Buyer represents in the Sales Agreement that Buyer is financially capable of making, when due, all of the payments required to be made under the Sales Agreement.

(b) Buyer's Obligation to Seek a Loan Commitment. If financing to purchase the Apartment is required by Buyer and Buyer shall not already have applied for mortgage financing, then Buyer is required within ten (10) days from the date of his execution of the Sales Agreement to apply for mortgage financing from a financial institution or other institutional lender authorized to make mortgage loans in the State of Hawaii. Seller shall have no obligation to arrange for Buyer's mortgage financing.

(c) Buyer Shall Provide Evidence of Funds to Make Payments. As a condition of Buyer's offer, Buyer is also required, if Buyer shall not have previously done so, within ten (10) days from the date of Buyer's execution of the Sales Agreement to give Seller evidence of Buyer's ability to pay the Total Purchase Price (less any amounts to be paid from a mortgage approved by Seller) at the times specified in the Sales Agreement. If Seller rejects Buyer's evidence of Buyer's ability to pay as unacceptable, Seller shall notify Buyer of such rejection in writing within fifteen (15) days of Seller's receipt of such evidence of Buyer's ability to pay, in which case Buyer's offer to buy the Apartment shall be deemed rejected by Seller and shall be null and void.

(d) Seller's Rights Upon Failure to Obtain a Mortgage Loan. If any of the following occurs:

(i) Buyer fails to obtain pre-qualification approval by a Mortgage Lender (which approval may be subject to verification of loan application items, credit report and property appraisal) that Buyer is qualified for the Mortgage Loan within thirty (30) days from the Seller has accepted the Sales Agreement.

(ii) Buyer fails to provide evidence of Buyer's ability to pay the cash portion of the purchase price to Seller or any proposed Mortgage Lender within ten (10) days of request thereof by said proposed mortgage lender or Seller.

(iii) Seller, in its sole discretion, after reviewing the written evidence of Buyer's ability to pay determines Seller is not satisfied as to Buyer's ability to make the cash Payments.

(iv) Buyer fails to obtain adequate financing or a Mortgage Loan commitment for adequate financing within sixty (60) days from the date that Seller has notified Buyer to obtain a Mortgage Loan commitment.

In any of the foregoing events, Seller may cancel the Sales Agreement by giving written notice to Buyer. Escrow shall refund to Buyer all sums paid hereunder by Buyer, without interest. If Seller elects to cancel the Sales Agreement for the reasons set forth in this paragraph, Seller shall not be liable for any damages Buyer may suffer as result of such cancellation.

(e) Buyer's Rights Upon Failure to Obtain Mortgage Loan. If Buyer has failed to obtain (i) the pre-qualification approval within thirty (30) days from the date Seller has accepted the Sales Agreement, despite diligent efforts to do so, or (ii) adequate financing or a Mortgage Loan Commitment for adequate financing within sixty (60) days from the date that Seller has notified Buyer to obtain a Mortgage Loan commitment, then, in either event, Buyer may cancel the Sales Agreement. Upon such cancellation, Seller

shall direct Escrow to refund to Buyer all sums paid hereunder by Buyer, without interest.

11. Hawaii's Owner-Occupant Presale Law. Under Hawaii's Owner-Occupant Presale Law, Buyer may qualify as an owner-occupant purchaser by (i) signing an Owner-Occupant Affidavit, (ii) being listed on Seller's owner-occupant reservation list, and (iii) signing the Sales Agreement within ten (10) days after the Preliminary Public Report for the Project is issued. If Buyer is an owner-occupant purchaser, Buyer agrees to deliver to Seller a copy of the satisfactory loan commitment from the Mortgage Lender within sixty (60) days after Seller's written notice to Buyer that Buyer shall obtain the loan commitment and if Buyer fails to obtain such a commitment or if during the ten (10) day period following issuance of the first Public Report for the Project, Buyer wishes to cancel his commitment as an Owner-Occupant because of personal hardship contemplated by the Hawaii Owner-Occupant Presale Law (such as the serious illness of Buyer or a member of Buyer's family, job or military transfer, unforeseeable change in marital status or birth of a child) after signing the Owner-Occupancy Affidavit that cause Buyer to be unable to occupy the Apartment or if Buyer indicates during the ten day period an intent not to be an Owner-occupant, the Sales Agreement will be canceled and Seller will cause Escrow to refund to Buyer all of Buyer's deposits into Escrow without any interest less a reasonable amount (not to exceed \$15 for expenses and handling charges. In the event Buyer enters into the Sales Agreement as an owner-occupant, then Buyer shall be required to re-affirm upon the prospective owner-occupant's execution of receipt for a Final Public Report of such person's intent to be an owner-occupant as set forth under the Owner-Occupant Pre-sale Law. If Buyer is unable to make such reaffirmation, then, at Seller's request, Buyer shall be required to rescind the Sales Agreement. In the event of such rescission, Seller may retain the Buyer's deposit as liquidated damages or exercise the remedies provided for in the Sales Agreement and any other remedies provided by law. These special cancellation provisions are in addition to, and do not supersede or replace those rights of Buyer in Paragraph F.1 of the Sales Agreement. Seller will give notice of cancellation in such case to Buyer and to Escrow. If Buyer has signed an Owner-Occupant Affidavit, failure to make the reaffirmation shall constitute a breach by Buyer of his obligations under the Sales Agreement.

12. Closing Obligations.

(a) Closing. The term "Scheduled Closing Date" means the later of (i) seventy-five (75) days following the date of Seller's execution of the Sales Agreement or (ii) the date which Seller selects in its sole discretion and identifies in a written notice sent to Buyer. However, the Scheduled Closing Date may not be earlier than the date the Building Department of the City and

County of Honolulu has issued a certificate of occupancy (permanent or temporary) covering the Apartment. If the Sales Agreement is executed by Buyer before the City and County of Honolulu has issued a certificate of occupancy covering the Apartment, then Seller may (and Buyer agrees to) pre-close the sale by having all documents necessary for closing executed and deposited with Escrow prior to the time of closing up to and including ninety (90) days prior to Seller's estimated Scheduled Closing Date.

(b) Payment of Cash Portions of the Purchase Price.

Buyer agrees that on or prior to the Scheduled Closing Date, Buyer shall pay into Escrow the following sums by either a cashier's check or wired funds.

(i) The remaining portion of the Total Purchase Price which Buyer shall not have already paid; provided, however, the proceeds from any Mortgage Loan shall be deposited with Escrow one (1) business day before the Scheduled Closing Date; and

(ii) Buyer's share of the closing costs provided for in Paragraph F.18(e)(i) of the Sales Agreement; and

(iii) All other additional costs and expenses provided for in Paragraph F.18(f) of the Sales Agreement; and

(iv) All other sums of money which Buyer is required to pay under the Sales Agreement and which Buyer shall not have yet paid.

(c) Closing Costs and Prorations. Buyer is required to pay for the following closing costs: (aa) Buyer's notary fees; (bb) the cost of title reports and premiums for title insurance requested by Buyer; (cc) any fees or charges pertaining to Buyer's use of the Apartment, including telephone installation and cable television connections; (dd) one-half of Escrow's fees; and (ee) any other closing costs not mentioned above which are customarily paid or incurred by the Buyer in connection with the purchase and sale of Hawaii residential real estate.

Seller shall pay for the following closing costs: (aa) Seller's notary fees; (bb) the cost of preparation and recording the Apartment Deed; (cc) the cost of providing evidence of title to the Apartment; (dd) conveyance taxes, if any; (ee) one-half of Escrow's fees; and (ff) any other closing costs not mentioned above which are customarily paid or incurred by the Seller in connection with the purchase and sale of Hawaii residential real estate.

(d) Prepayment of Common Expenses and Start-Up Fees. In addition to the closing costs and the prorations above, Buyer shall also pay at closing (i) the estimated common expenses and Residential Building limited common expenses allocable to the

Apartment for the first two months after the Scheduled Closing Date and (ii) a non-refundable and non-transferable "start up fee" equal to two (2) months' estimated common expenses and Residential Building limited common expenses.

13. Time of the Essence; Remedies on Default.

(a) Time of the Essence and Non-Waiver. Time is of the essence of the obligations of Buyer under the Sales Agreement.

(b) Seller's Remedies on Buyer's Default. Buyer shall be in default if Buyer fails to make a payment when due or if Buyer fails to perform any other required obligation (other than relating to the making of payment) and such other failure continues for fifteen (15) days after Seller gives written notice to Buyer of such failure. In the event of any such default, Seller may, at Seller's option and in addition to any other rights contained in the Sales Agreement, do any one or more of the following:

(i) Seller may terminate the Sales Agreement. In view of Seller's financial commitments with respect to the Project; the connection between the sale, cancellation or default with respect to one apartment and the sale, cancellation or default with respect to other apartments in the Project; and the nature of the real estate market in Hawaii, that the injury to Seller will be uncertain as to nature and amount and difficult to ascertain. As a reasonable estimate of Seller's damages resulting from such default, the parties agree in the Sales Agreement that the sums previously paid by Buyer under the Agreement shall at Seller's option belong to Seller as liquidated damages. It is understood that the damages suffered by Seller by virtue of a default later in time will likely be greater than such a default occurring at an earlier point in time;

(ii) Seller may also file a lawsuit for damages;

(iii) Seller may also file a lawsuit for specific performance;

(iv) Seller may also pursue any other remedy permitted at law or in equity.

(v) All costs, including reasonable attorneys fees, incurred by Seller by reason of default by Buyer shall be paid by Buyer promptly upon Seller's demand.

(c) Buyer's Remedies on Seller's Default. If Seller shall default in the performance of any obligation required of Seller, Buyer shall be entitled to specific performance of the Sales Agreement (unless the Agreement is only a "reservation") or

Buyer shall have the right to cancel and terminate the Sales Agreement.

(d) Late Payment. In the event of any default with respect to any payment hereunder, in addition to any other remedies permitted under the Sales Agreement a late charge of one percent (1%) per month (provided such shall not exceed the highest rate as may be permitted by law), prorated on a 30-day month basis, shall accrue from the due date of such payment until such payment together with such late charges, is paid.

14. Common Expenses. In the Sales Agreement, Buyer acknowledges that the estimates of the common expenses and applicable limited common expenses set forth in Seller's Public Report for the Project are only estimates which are likely to change and do not constitute the representations or warranties by Seller or anyone else. Buyer further acknowledges future taxes and maintenance costs are difficult to predict with any accuracy. BUYER AGREES THAT SUCH ESTIMATES ARE NOT INTENDED TO BE AND DO NOT CONSTITUTE ANY REPRESENTATIONS OR WARRANTY BY SELLER, INCLUDING BUT NOT LIMITED TO ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF SUCH ESTIMATES.

15. Use of the Apartment.

(a) Permitted Uses and Seller's Right to Buy Back Apartment. Each Residential Apartment is conveyed to Buyer subject to certain restrictions which are summarized in Exhibit "K" attached hereto. Such restrictions require, among other things, that during the two years following Buyer's purchase of the Apartment, that Buyer occupy the Apartment and use it as a residence. Thus, rental of the Apartment during such period is not permitted. Thereafter, the Apartment may be used only for residential and accessory purposes, and the owner of the Apartment will have the right to rent or lease, or otherwise permit the use of their Apartment for any length or periods of time.

(b) Seller's Right to Repurchase the Apartment. Seller has the right for two (2) years following closing of an Apartment to re-purchase the Apartment if the Buyer sells or otherwise transfers it at a price according to a formula which is not based on the current fair market value of the Apartment (and could be at a price substantially below the then current fair market value). After the end of the two (2) year period following closing, Buyer may be required to pay Seller any deferred portion of sales price and a share of Buyer's equity according to a formula, as more fully described in Exhibit "K" attached hereto.

16. New Laws and Events Beyond Seller's Control. In the event that the development and construction of the Project is at any time or from time to time delayed due to any governmental law,

ordinance, rules, restrictions or regulations, including a zoning change, enacted after the date of acceptance of the Sales Agreement by Seller (the foregoing are referred to as "New Laws"), or by the occurrence of a contingency (such as, without limitation, fire, earthquake, act of God, war, labor disturbance or economic controls, litigation, or threat of litigation or other matters or conditions beyond the control of Seller) (the foregoing are referred to as "Force Majeure Events"), the nonoccurrence of which was a basic assumption on which the Sales Agreement was made, the following provisions shall apply:

(a) Seller's Right to Increase Purchase Price in Certain Circumstances. If Seller determines that increases in the development and construction costs because of such delay require increases in the sales prices of apartments to maintain financial feasibility of the Project, then and in any such event Seller may increase the Total Purchase Price of the Apartment only to the extent necessitated by the increases in development and construction costs and Seller shall notify Buyer in writing of any such increases in the Total Purchase Price.

(b) Right to Cancel. If Seller determines that the New Laws or the Force Majeure Events prevent the construction of the Project, then Seller shall have the right to rescind the Sales Agreement.

17. Arbitration. In the event Buyer shall have a claim against Seller or Seller's agents or representatives (the "Development Team Members"), or if Seller shall have a claim against Buyer arising out of or in any way connected with the Sales Agreement or the design, development, construction, sale, marketing, financing or any other activity relating to the Apartment or the Project, the claims shall be submitted for resolution in Honolulu, Hawaii by a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The arbitration shall also be governed by the applicable provisions of Chapter 658 of the Hawaii Revised Statutes, as amended. Other terms and conditions of such arbitration are set forth in Paragraph 35 of the Sales Agreement.



SUPPLEMENTARY PUBLIC REPORT

HONUAKAHA

EXHIBIT "K"

SHARED EQUITY PROGRAM AND BUYER'S RESTRICTIONS ON USE AND TRANSFER  
(which will be incorporated in the Buyer's Apartment Deed at closing)

I. SHARED EQUITY PROGRAM

A. RECITALS

1. Honuakaha condominium project (the "Project") was developed by the Hawaii Community Development Authority ("HCDA" or "Seller") in furtherance of the interest of the State of Hawaii in addressing the need for safe, sanitary and reasonably priced housing as more particularly set forth in Hawaii Revised Statutes Chapter 206-E.

2. For the opportunity that HCDA has created to enable the Buyer to purchase Apartment \_\_\_\_\_ in the Project (the "Property") for the "Buyer's Original Purchase Price" rather than for the "Original Fair Market Value", the Buyer, jointly and severally, if more than one Buyer, agrees to the "Shared Equity Program" ("Program") of HCDA.

3. Under the Program, the Buyer agrees to pay to HCDA "HCDA's Equity Sharing Amount" which the Buyer realizes or is deemed to have realized upon the sale or transfer of the Property (as such terms are defined below).

4. The Shared Equity Program is intended to run with and burden the Property.

B. AGREEMENT

NOW, THEREFORE, the Buyer understands and agrees that title to the Property is being or will be conveyed to the Buyer subject to the following terms and conditions.

(1) Meaning of words used in this Section I.

(a) "Original Fair Market Value" means the sum of \$\_\_\_\_\_ which represents the fair market value of the Property as determined by a Federal Housing Administration ("FHA") appraisal (or if such an appraisal is not available, a comparable appraisal obtained by HCDA) at the time of the Buyer's purchase of the Property from HCDA.

(b) "Buyer's Original Purchase Price" means the sum of \$ \_\_\_\_\_ for which the Buyer is purchasing the Property from HCDA, as the Seller.

(c) "Resale Price" means the fair market value of the Property as defined in Subparagraph (3) at the time of sale or transfer of the Property by the Buyer.

(d) "Fair Market Value" means the fair market value of the Property as agreed upon by the Buyer and Seller or if they fail to agree, then as determined by an appraisal obtained and performed in the manner described below in subparagraph (3) of this Section I if and when the Buyer subsequently sells or transfers the Property.

(e) "Net Appreciation" means Resale Price of the Property less Buyer's Original Purchase Price and actual sale costs incurred, if any.

(f) "HCDA's Equity Sharing Amount" will be calculated as the higher of the following:

(i) 
$$\frac{\$ \text{Original Fair Market Value (minus) Buyer's Original Purchase Price}}{\text{Original Fair Market Value (minus) Buyer's Original Purchase Price}}$$
 - but not to exceed the amount of Net Appreciation

Or

(ii) Net Appreciation multiplied by (Original Fair Market Value less Buyer's Original Purchase Price) divided by the Original Fair Market Value

(2) HCDA's Equity Sharing Amount Due on Sale or Transfer of the Property.

Except for a "Permitted Transfer", as that term is defined below, or a sale or transfer to the HCDA pursuant to Section II hereof, the Buyer promises and agrees that if and when all or any part of or if the Buyer shall be divested of title or any interest in the Property, in any manner, voluntarily or involuntarily, including a judicial or nonjudicial foreclosure sale, HCDA will immediately be entitled and the Buyer shall pay to Seller HCDA's Equity Sharing Amount.

The Buyer agrees to give HCDA written notice as soon as the Buyer has reached an agreement or understanding for the sale or transfer of the Property together with the specific terms of such sale or transfer. The Buyer shall pay HCDA's Equity Sharing Amount

on the effective date of such sale or transfer. If HCDA's Equity Sharing Amount is not paid when due, interest will accrue at the simple annual interest rate of 12% until paid. In addition, HCDA will be entitled to be paid reasonable attorneys' fees and costs to enforce its rights hereunder. Subject to the provisions in subparagraph (7) below, the obligation to pay HCDA's Equity Sharing Amount will survive any Permitted Transfer with respect to the Buyer and will bind any person or entity who acquires an interest in the Property as a result of a Permitted Transfer.

A sale or transfer of the Property will be deemed to have taken place upon the occurrence of any one of the following events:

(a) When the Buyer sells or transfers the Property or any legal or beneficial right, title or ownership interest in the Property, including by way of an agreement of sale or a lease with an option to purchase the Property;

(b) When the Buyer no longer uses the Property as Buyer's principal residence but continues to retain legal and/or equitable title to the Property; or

(c) When the Buyer rents the Property or any part of the Property to someone else but continues to retain legal and/or equitable title to the Property.

(d) When the Buyer further encumbers or mortgages the Property except if such encumbrance or mortgage is a Permitted Transfer as hereinafter defined.

HCDA may, but is not required to, extend the time by when HCDA's Equity Sharing Amount will become due and payable for a period not exceeding one year if: (i) the Property is covered by a First Mortgage [as that term is defined below in subparagraph (7)] which is insured or held by FHA, and (ii) the transfer involves a transfer under (b) or (c), above, and (iii) the transfer is temporary and is for a period of time not exceeding one year, and (iv) HCDA determines, in HCDA's sole discretion, that the transfer under (b) or (c) above is necessary because of adverse circumstances involving the Buyer. -

The following transfers ("Permitted Transfers") will not result in HCDA's Equity Sharing Amount becoming due and payable. (However, the Buyer must still notify HCDA and obtain HCDA's consent prior to a voluntary Permitted Transfer and must still notify HCDA on account of any involuntary Permitted Transfer):

(a) The creation of a lien or other encumbrance which does not relate to a transfer of occupancy in the Property provided that the total amount of all liens and other encumbrance which are secured by the Property must not exceed 80% of the then Fair Market

Value as determined by an appraisal obtained by HCDA at the Buyer's cost and expense;

(b) A transfer by devise, descent, or operation of law on the death of a joint tenant or tenant by the entirety;

(c) A transfer to a relative resulting from Buyer's death;

(d) A transfer where Buyer's spouse or children become an owner of the Property;

(e) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement, by which Buyer's spouse becomes an owner of the Property; and

(f) A transfer into an inter vivos trust in which Buyer is and remains the primary beneficiary and which does not relate to a transfer of rights of occupancy in the Property (i.e., Buyer must continue to use the Property as Buyer's principal residence after the transfer).

(3) Determination of Fair Market Value by Appraisal.

Whenever the Buyer and HCDA shall disagree on the Resale Price of the Property for purposes of determining HCDA's Equity Sharing Amount, HCDA will select an independent appraiser who has any of the qualifications set forth below and who shall prepare a written appraisal of the Fair Market Value of the Property within 45 calendar days after the Buyer has given HCDA written notice that the Buyer will be selling or transferring the Property together with the terms of such sale or transfer. The appraisal shall be based on the Apartment Type and Upgrades, if any as shown above. The appraisal shall not include the value of any improvements which the Buyer may have added to the Property after the date of the Deed. Items of repair and maintenance shall not be considered to be improvements. The Buyer will pay the cost of HCDA's appraisal.

HCDA will send to the Buyer by first class mail a copy of the written appraisal no later than ten (10) business days after the appraisal has been completed together with a notice informing the buyer that the Buyer may procure an independent appraisal within 45 calendar days if the Buyer disputes HCDA's appraisal.

If the Buyer does not dispute HCDA's appraisal, that appraisal will constitute a final and conclusive determination of the Fair Market Value of the Property. If the Buyer disputes HCDA's appraisal, the Buyer may, at the Buyer's own expense, procure an appraisal by an independent appraiser who has any of the qualifications set forth below. The buyer will send a copy of the Buyer's appraisal to HCDA within 10 business days after it has been

completed. If the Buyer's appraisal is lower than HCDA's appraisal, the Fair Market Value of the Property will be taken to be one-half the sum of the two appraisals. If the Buyer's appraisal is not lower, HCDA's appraisal will govern.

All appraisals will be made only by an appraiser having one or more of the following qualifications: (i) Federal National Mortgage Association ("FNMA") approved appraiser; (ii) Society of Real Estate Appraisers ("SREA") appraiser; or (iii) Society of Residential Appraisers ("SRA") appraiser.

(4) Cancellation of this Section I.

Subject to the provisions of subparagraph (7), below, HCDA's right to be paid HCDA's Equity Sharing Amount will continue in full force and effect and will constitute a lien on the Property until either (a) or (b), below, has occurred:

(a) The Buyer has sold or transferred the Property pursuant to Section II hereof; or

(b) The Buyer has sold or transferred the Property and HCDA has been fully paid HCDA's Equity Sharing Amount and any other amounts with the Buyer is obligated to pay to HCDA.

Thereafter, HCDA will sign and cause to be recorded a document which need only be signed by HCDA and which acknowledges that the Buyer's obligation to pay HCDA's Equity Sharing Amount has been fully satisfied and that this Section I is then being cancelled.

(5) Sale or Transfer of the Property to HCDA Pursuant to Section II.

The Provisions in this Section I will not apply in the case where HCDA exercises HCDA's first option to purchase the Property as set forth in Section II hereof.

(6) Payment of HCDA's Equity Sharing Amount in Advance.

The Buyer may elect to pay all or any part of HCDA's Equity Sharing Amount in advance, the Buyer's Original Purchase Price will be increased after the payment is made for the purpose of making any later calculation to determine the balance of HCDA's Equity Sharing Amount. The Buyer's Original Purchase Price, as increased, will be referred to as the "Buyer's Adjusted Purchase Price" which will be equal to the sum:

Buyer's Original Purchase Price  
+ Partial Payment Amount  
+ Any prior increase(s) to the Buyer's Original Purchase Price.

The Buyer's adjusted Purchase Price will be substituted for the "Buyers Original Purchase Price" for any subsequent calculation of the Equity Sharing Amount under paragraph I.B.(1)F.

(7) First Mortgagee Protection.

Notwithstanding any other provisions to the contrary, Section I shall not apply with respect to:

(a) The first purchase money mortgage ("First Mortgage"), if any, which is being placed on the Property when the Property is conveyed from the Seller to the Buyer.

(b) The first purchase money mortgagee ("First Mortgagee") named in the First Mortgage, including the first purchase money mortgagee's successors and assigns.

(c) The rights of the First Mortgagee to foreclose or take title pursuant to the remedies in the First Mortgage, to accept a deed in lieu of foreclosure in the event of default by the Buyer, as mortgagor under the First Mortgage, or to sell or lease the Property acquired by the First Mortgagee.

(d) Any person or persons acquiring the Property as a result of foreclosure or by a deed in lieu of foreclosure of the First Mortgage or any successor, transferee, or assignee of such person or persons.

Provided, however, that the Buyer promises and agrees to provide notice to HCDA of the First Mortgage and to cause the holder of the First Mortgage to provide written notice to HCDA of any default under the First Mortgage. Provided, further, however, if the First Mortgage is insured or held by FHA, the Buyer's failure to cause the holder of the First Mortgage to provide written notice to HCDA of any default under the First Mortgage or any failure of the holder of the First Mortgage to provide such written notice shall not affect such holder's rights under this subparagraph (7).

HCDA specifically subordinates any lien or contingent lien rights that HCDA may have under this Section I to the lien of the First Mortgage. Any holder of the First Mortgage or any person who acquires legal title to the Property as a result of a foreclosure or a deed in lieu of foreclosure of the First Mortgage shall acquire legal title fees of such lien or contingent lien rights that HCDA may have under Section I. This Section I shall be null and void upon a conveyance of the Property through a foreclosure sale or deed in lieu of foreclosure.

(8) Notice to the Buyer.

THIS SECTION I PROVIDES THAT IF THE BUYER SELLS OR TRANSFERS THE PROPERTY OTHER THAN PURSUANT TO SECTION II, HCDA WILL BE ENTITLED TO BE PAID IMMEDIATELY HCDA'S EQUITY SHARING AMOUNT. THIS SECTION I ALSO EXPLAINS WHEN A SALE OR TRANSFER OF THE PROPERTY HAS OR WILL BE DEEMED TO HAVE TAKEN PLACE. IF THE PROPERTY IS SOLD OR TRANSFERRED AND THE BUYER DOES NOT PAY HCDA'S EQUITY SHARING AMOUNT IN THE PROPERTY AS SET FORTH ABOVE, HCDA MAY TAKE LEGAL ACTION WHICH MAY RESULT IN THE FORECLOSURE SALE OF THE PROPERTY. IF THERE IS A FIRST MORTGAGE COVERING THE PROPERTY WHICH IS INSURED OR HELD BY FHA, FHA MAY NOT BE ABLE TO HELP THE BUYER.

II. Restrictions on Use and Transfer of the Property.

A. The restrictions contained in this Section II shall apply to any transfer of the Property by the Buyer and his heirs, personal representatives and assigns, for a term of two (2) years from the date of recordation of the deed conveying the Property from the Seller to the Buyer (the "Restriction Period"):

(1) If the Buyer wishes to transfer title to the Property or any interest thereon or portion thereof or if the Property is transferred at any time during the Restriction Period, or if the Buyer is purchasing from the Seller another "Reserved Housing Unit" ("Another HCDA Purchase") during the Restriction Period, HCDA shall have the first option to purchase the Property at a price based on the lower of:

(a) The current fair market value of the Property less the HCDA's Equity Sharing Amount as determined by section 15-22-187 of the HCDA's administrative rules; or

(b) The Buyer's Original Purchase Price of the Property adjusted proportionately to the change in median income computed from the date of the original purchase to the date of the transfer.

(c) Notwithstanding the foregoing, the sales price for the Property in the event of Another HCDA Purchase shall be the lower of (i) (a) above, or (ii) the Buyer's Original Purchase Price for the Property plus one percent simple interest per year thereon computed from the date of purchase to the date of sale.

The HCDA may purchase the Property either: (i) outright, free and clear of all liens and encumbrances; or (ii) by transfer subject to an existing mortgage which, by its terms or upon consent of the mortgagee, is assumable by the HCDA or a designated nominee.

In any purchase by transfer subject to an existing mortgage which is assumable, the HCDA or its nominee, as the case may be, shall agree to assume and to pay the Buyer's obligation on any first mortgage created for the purpose of enabling the Buyer obtain funds for the purchase of the Property and any other mortgages which were created with the approval and consent of the HCDA. In such cases, the amount to be paid to the Buyer by the HCDA or its nominee shall be the principal balance of all mortgages outstanding and assumed at the time of transfer of title to the HCDA or its nominee.

(2) Except for an initial mortgage recorded as a lien against the Property to secure the payment of the original loan in connection with the original purchase price of the Property by Buyer (which shall not require HCDA's consent), the Buyer shall not permit any other lien to be filed or recorded against the Property that is subordinate to the repurchase rights of the HCDA, without first obtaining the written consent of the HCDA. If any such lien is filed or recorded against the Property (with only the exception stated above), and a release of such lien is not obtained by the Buyer within 30 days after HCDA's demand to do so is either delivered to the Buyer or mailed to the Buyer by certified mail, return receipt requested, postage prepaid, at the Buyer's address as shown on the real estate property tax records of HCDA, or other known address of the Buyer, HCDA shall have the option, granted by the Buyer to the HCDA as part of the consideration for the conveyance from Seller, exercisable by the HCDA in its sole and absolute discretion, to repurchase the Property from the Buyer for the price determined by the method set forth in Section I above. HCDA may enforce its rights to exercise this option by appropriate action or suit, as necessary.

(3) Buyer shall agree, and all subsequent lienors are on notice hereby, that after the deed to the Buyer is recorded the option granted under this Section II (1) will be prior, senior, and will take precedence over any liens or interests subsequent thereto, with only the exceptions stated herein, and (2) is intended to run with the Property during the Restriction Period.

B. The restrictions prescribed in subparagraph A of this Section II may be waived if:

(1) The Buyer wishes to transfer or has transferred title to the Property by devise or through the laws of descent to a family member who would otherwise qualify to own the Property under rules established by HCDA; or

(2) The HCDA determines, in accordance with rules adopted by the HCDA, that the sale or transfer of the Property, at a price and upon terms as the HCDA shall determine, preserves the intent of Chapter 206-E, Hawaii Revised Statutes, without the



necessity of repurchasing the Property; provided that the Buyer shall sell the Property and sell or assign the Property to a person who is a "qualified resident". For purposes herein, a "qualified resident" means a person who:

(a) Is a citizen of the United States or a resident alien;

(b) Is at least eighteen years of age;

(c) Is domiciled in the State of Hawaii and has a bona fide intent to reside in the dwelling unit being purchased;

(d) Has a gross income sufficient to qualify for the loan to finance the purchase; and

(e) Is not found by the HCDA to be within one of the following classes:

(i) A person who oneself or whose husband or wife or both (unless husband and wife are living apart under a decree of separation from bed and board issued by the Family Court pursuant to section 580-71, Hawaii Revised Statutes) owns or own in fee simple or leasehold any interest in any real estate; or

(ii) A person who oneself or whose husband or wife (unless husband and wife are living apart under a decree of separation from bed and board issued by the family court pursuant to Section 580-71, Hawaii Revised Statutes) has pending another unrefused application to purchase a reserved housing unit under Chapter 206-E from HCDA.

C. While an owner of the Property during the Restriction Period, the Buyer shall occupy the Property and use same as his residence except as approved in writing by the HCDA. The HCDA has the right, but not the duty, to submit from time to time during the Restriction Period, a verification of Buyer's occupancy of the Property which Buyer shall truthfully complete and return to the HCDA.

III. Mortgagee's Protection. Notwithstanding any provision to the contrary, the Shared Equity Program prescribed in Section I and the restrictions prescribed in Section II herein shall be automatically extinguished and shall not attach in subsequent transfers of title when a mortgage holder or other party becomes the owner of the Property pursuant to a mortgage foreclosure, foreclosure under power of sale, or a conveyance in lieu of foreclosure after a foreclosure action is commenced; or when a mortgage is assigned to a federal housing agency. Any law to the contrary notwithstanding, a mortgagee under a mortgage covering real property or leasehold interest encumbered by the first option to purchase in favor of

HCDA prior to commencing mortgage foreclosure proceedings, shall notify HCDA in writing of (1) any default of the mortgagor under the mortgage within ninety (90) days after the occurrence of the default, and (2) any intention of the mortgagee to foreclose the mortgage under Chapter 667; provided that the mortgagee's failure to provide such written notice to HCDA shall not affect such holder's rights under the mortgage. HCDA shall be a party to any foreclosure action, and shall be entitled to all proceeds remaining in excess of all customary and actual costs and expenses of transfer pursuant to default, including liens and encumbrances of record; provided that the person in default shall be entitled to an amount which shall not exceed the sum of amounts determined pursuant to subparagraph (II)(A)(1)(a) or (b), as applicable.

IV. WAIVERS BY HCDA

HCDA is authorized to waive any of the restrictions set forth in Section I or II in order to comply with or conform to requirements set forth in federal laws or regulations governing mortgage insurance or guarantee programs or requirements set forth by federally chartered secondary mortgage market participants.