

LIMITED-EQUITY HOUSING
COOPERATIVE PUBLIC REPORT

Prepared &
Issued by:

Developer: Makana Hale Cooperative
Address: 95-141 Kipapa Drive, Mililani, Hawaii 96789

Project Name: Makana Hale
Address: 95-141 Kipapa Drive, Mililani, Hawaii 96789

Registration No. 3834
(conversion)

Effective date: March 4, 1998
Expiration date: None

Preparation of this Report:

This report has been prepared by the developer pursuant to the Limited-Equity Housing Cooperatives statute, Chapter 421H, Hawaii Revised Statutes, as amended, and Part III of 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 government 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 a membership interest in the cooperative.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a subscription agreement for the purchase of a membership in the limited-equity housing cooperative.

Expiration Date of Report. None

Type of Report:

- PRELIMINARY:
(yellow) The developer may not as yet have created the corporation which will constitute the limited-equity housing cooperative but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.
- FINAL:
(white) The developer has been legally created as a nonprofit corporation which will constitute the limited-equity housing cooperative and has filed complete information with the Commission.
- [x] No prior reports have been issued.
[] This report supersedes all prior public reports.
[] This report must be read together with _____
- SUPPLEMENTARY:
(pink) This report updates information contained in the:
- [] Preliminary Public Report dated: _____
[] Final Public Report dated: _____
[] Supplementary 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 limited-equity housing cooperative project:

Required and attached to this report Not Required

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

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General Information On Limited-Equity Housing Cooperatives

Developer was formed as a nonprofit corporation which will operate as a limited-equity housing cooperative, a form of "cooperative" housing. "Cooperative" housing means cooperative (or joint) operation of a housing development by those who live in it and hold membership interests. All of the property of a cooperative housing development is owned by the corporation. The corporation holds title to the land and buildings, including individual dwelling units in the cooperative housing development and is responsible for payment of the mortgage, tax and other obligations necessary to finance and operate the housing development.

If a buyer purchases a membership interest in the corporation, the buyer will have the exclusive right to occupy a dwelling unit in the cooperative as a cooperative member. Cooperative members pay a monthly occupancy fee to cover the operational costs of the housing development. Unlike the owners of condominium dwelling units or single-family homes, cooperative members **do not own a dwelling unit or any interest in any other portion of the housing development**. All cooperative members will have the opportunity to participate in the operation of the corporation as an elected member of the board of directors or as a voter. Because cooperatives are run on a democratic basis, cooperative members can learn to work together for the overall betterment of the housing development and of the community.

A limited-equity housing cooperative differs from other stock housing cooperatives because, among other reasons, **a cooperative member's return on his or her investment in the membership interest is limited by federal and state law and the bylaws of the corporation. This means that when a cooperative member resells his or her membership interest, the corporation pays the cooperative member an amount which is determined by a set formula, rather than an amount which is determined by real estate market values or by the corporation's equity in the property.** Hawaii law prohibits the distribution to individual cooperative members of any corporate equity that may be generated by the housing development. Any corporate equity that may be generated by the housing development can be used only for very restricted purposes, including for example, improvement of the housing development or for public benefit or charitable purposes.

A limited-equity housing cooperative is intended to provide affordable and secure housing now and in the future. The United States Department of Housing and Urban Development ("HUD") requires that the corporation operate the housing development as a limited-equity housing cooperative for the entire useful life of the housing development. Thus, the housing development will remain as affordable housing and cannot be converted into condominium units for private ownership.

Cooperative housing may offer the following financial benefits to members:

1. A limited-equity housing cooperative is operated on a nonprofit basis. Increases in the monthly housing costs are limited to actual increases in operating costs of the housing development. With the exception of the limited return on membership interests discussed in Exhibit 1 attached hereto, there is no profit to the developer which may be distributed to individual cooperative members.
2. Maintenance costs of a well-operated housing development may be minimized because experience has shown that cooperative members take better care of the property than renters.
3. A limited return, as described in Exhibit 1 attached hereto, is allowed on the resale of a membership interest.

All interested buyers are encouraged to read the Disclosure Statement attached as Exhibit 1, which provides general information concerning the developer and limited-equity housing cooperatives, and all other information available through the developer.

Operation of the Limited-Equity Housing Cooperative Project

The developer has been incorporated as a nonprofit corporation under Hawaii law for the purpose of acquiring, owning and operating as cooperative housing the 126 units at Makana Hale. Purchase of a membership interest in the developer will require a down payment of \$200.00, with payment of the balance of the purchase price of your membership interest made after you have been accepted for membership. Upon completion of the sale of 75% of all membership interests in the developer, the developer will be recognized as a limited-equity housing cooperative under federal laws. The purchase price of the membership interest is sometimes also referred to as your equity investment. You will become a member of the developer only after you have paid the full price of your membership interest, receive written notification from the developer that your subscription has been accepted by the developer and the developer has delivered to you a membership certificate representing a membership interest in the developer. Each member household of the developer, regardless of the dollar amount of its equity investment in the developer, will have one vote in the affairs of the developer as set forth in the bylaws.

The affairs of the developer will be conducted by a board of directors, elected by the members of the developer from among the members. The purpose of the board of directors is to eliminate decisions being made by one individual. Elections to the board of directors will be held annually as required under the bylaws. Any elected director who is not properly fulfilling his or her duties may be removed as set forth in the bylaws.

In addition to engaging a management agent for the developer, the board of directors performs other important duties such as setting eligibility standards for admission to membership in accordance with the bylaws and the regulations of HUD, determining the degree and type of maintenance and service of the project, making rules and regulations for the use and occupancy of common areas and the dwelling units, and adopting annual operating budgets, subject to approval of HUD, including occupancy charges adequate to meet the developer's operating costs.

Committees may be established by the board of directors and made up of members of the developer to recommend policies to the board of directors which affect overall operation of the project. All members of the developer are encouraged to participate actively on any committees.

The developer may eventually develop its own resident management corporation to take over direct performance of property management, subject to HUD's approval and any licensing required by the State of Hawaii, but it will take at least three years from the developer's purchase of the project to develop its property management capacity.

NOTE: ALL APPLICANTS FOR COOPERATIVE MEMBERSHIP SHOULD BE AWARE THAT IT IS ABSOLUTELY NECESSARY THAT THE CORPORATION GENERATE SUFFICIENT FUNDS FROM ALL DWELLING UNITS AT MAKANA HALE TO PAY ITS MONTHLY MORTGAGE PAYMENTS DUE UNDER ITS LOANS. EVEN IF ALL COOPERATIVE MEMBERS ARE CURRENT IN THEIR PAYMENTS OF MONTHLY OCCUPANCY CHARGES TO THE COOPERATIVE, IF THE COOPERATIVE DEFAULTS ON ITS MORTGAGE PAYMENTS WHILE IT HOLDS TITLE TO MAKANA HALE, ALL RIGHTS OF COOPERATIVE MEMBERS COULD BE TERMINATED.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Makana Hale Cooperative Phone: (808) 623-3920
95-141 Kipapa Drive (Business)
Mililani, Hawaii 96789

Names of officers and directors of the Developer:

Paul D. Ramos, President and Director
Ronald J. Velez, Sr., Vice President and Director
Jacqueline Kaleiwahea, Director
Kwyn Fernandes, Treasurer and Director
Sara Vaifale, Director
Eddiemary Dickson, Director
Fern Kahala, Director
Shelly Mariani, Director

Real Estate Qualpac Management Corporation Phone: (808) 942-2411
Broker: 1436 Young Street, 2nd Floor (Main Office)
Honolulu, Hawaii 96814 (808) 538-1908
(Project Office)

Escrow: Qualpac Management Corporation Phone: (808) 942-2411
1436 Young Street, 2nd Floor (Main Office)
Honolulu, Hawaii 96814 (808) 538-1908
(Project Office)

General Dillingham Construction Pacific, Phone: (808) 735-3211
Contractor: Ltd., dba Hawaiian Dredging (Business)
Construction Company
P. O. Box 4088
Honolulu, Hawaii 96812-4088

Property Qualpac Management Corporation Phone: (808) 942-2411
Manager: 1436 Young Street, 2nd Floor (Main Office)
Honolulu, Hawaii 96814 (808) 538-1908
(Project Office)

Attorney Charles R. Olson, Esq. Phone: (415) 693-9300
for Sanger & Olson (Business)
Developer: One Embarcadero Center
12th Floor
San Francisco, CA 94111

Tracy D. Tanaka, Esq. Phone: (808) 528-8200
Chun, Kerr, Dodd, Beaman & Wong (Business)
Hawaii Building, 9th Floor
745 Fort Street
Honolulu, Hawaii 96813

II. CREATION OF THE LIMITED-EQUITY HOUSING COOPERATIVE FUNDAMENTAL DOCUMENTS

A limited-equity housing cooperative is created by establishing a nonprofit corporation, together with articles and bylaws, and by selling membership interests in the corporation to occupants of the real property owned by the corporation. The Limited-Equity Housing Cooperative statute (Chapter 421H HRS), the articles of incorporation, bylaws, occupancy agreement, subscription agreement and house rules control the rights and obligations of the members of the cooperative with respect to the project and the common areas, to each other, and to their respective dwelling units. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- A. Articles of Incorporation are the fundamental documents which establish a limited-equity housing cooperative. The articles which formed the developer were filed with the Department of Commerce and Consumer Affairs, State of Hawaii on August 21, 1995 and were amended on January 11, 1996 and May 14, 1997.

The first annual meeting of the members of the developer will be held on the second Saturday of April 1998, or such other date as may be established by the board of directors, but in no event later than September 1998. Until the first election of the board of directors by the members, the developer will be controlled by a provisional board of directors, which consists of the following individuals: Paul D. Ramos, Ronald J. Velez, Sr., Jacqueline Kaleiwahea, Kwyn Fernandes, Sara Vaifale, Eddiemary Dickson, Fern Kahala and Shelly Mariani.

- B. Bylaws govern the operation of a limited-equity housing cooperative. They provide for the manner in which the board of directors of the limited-equity housing cooperative is elected, the powers and duties of the board, the manner in which meetings will be conducted, and other matters which affect the governance of the limited-equity housing cooperative.

The bylaws for the developer were adopted on January 11, 1996.

- C. Occupancy Agreement establishes your rights and obligations for occupancy of a dwelling unit in the limited-equity housing cooperative. It is similar to a lease. If you fail to pay occupancy charges or otherwise violate the terms of the occupancy agreement, your membership in the developer may be terminated and you may be evicted from the cooperative.
- D. Subscription Agreement is the document by which you promise to purchase a membership interest in the limited-equity housing cooperative.
- E. House Rules may be adopted by the board of directors to govern the use and operation of the dwelling units and common areas. House rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets, if allowed. These rules must be followed by members 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 the developer are:

Proposed Adopted developer does not plan to adopt House Rules

- F. Changes to Limited-Equity Housing Cooperative Documents

Changes to the articles are effective only if they are duly adopted and filed with the Department of Commerce and Consumer Affairs. Chapter 421H, HRS, provides that certain provisions of the articles and bylaws may not be changed. Changes to the bylaws and house rules do not need to be recorded or filed to be effective.

1. Members: Minimum proportion of members which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Cooperative</u>
Articles	2/3*	<u>2/3*</u>
Bylaws	2/3*	<u>2/3*</u>
House Rules	---	<u>Majority of Board</u>

*Changes to the articles and bylaws must be approved by HUD to be effective.

2. Developer:

- No rights have been reserved by the developer to change the articles, bylaws or house rules.
- Developer has reserved the following rights to change the articles, bylaws or house rules:

Developer may amend the articles, bylaws and house rules by majority vote of the board prior to the sale of memberships, subject to approval by HUD; provided that Chapter 421H, HRS, provides that certain provisions of the articles and bylaws may not be changed.

HUD requires disclosures to be made to you in a certain format. Some of these disclosures are contained in the Disclosure Statement, which is attached hereto as Exhibit 1. The attached Disclosure Statement sets forth pertinent information regarding the project and contains information not set forth in the main text of this public report. It provides an overview of the benefits and risks of membership in a limited-equity housing cooperative. A complete set of all disclosures required by HUD will be provided by the developer to any interested applicant.

III. THE COOPERATIVE

A. Buyer's Membership Interest:

Membership: There will be no more than one membership in the developer for each dwelling unit. The developer owns Makana Hale (including the building, the dwelling units and common areas of the project) and the underlying land. A person becomes a member of the developer by entering into a subscription agreement and purchasing a membership interest in the developer. Each member of the developer will be entitled to enter into an occupancy agreement which grants exclusive use of one dwelling unit to the member and his or her family.

B. Underlying Land:

Address: 95-141 Kipapa Drive Tax Map Key: (1) 9-5-21:15
Mililani, Hawaii 96789

Land Area: 4.558 [] square feet [x] acre(s) Zoning: A-1 Low Density Apartment

Fee Owner: Makana Hale Cooperative
 Name
95-141 Kipapa Drive
 Address
Mililani, Hawaii 96789

C. Buildings and Other Improvements:

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

2. Number of Buildings: 10 Floors Per Building 3

[] Exhibit _____ contains further explanations.

3. Principal Construction Material:

[x] Concrete [x] Hollow Tile [] Wood

[] Other _____

4. Permitted Uses by Zoning:

	No. of <u>Apts.</u>	<u>Use Permitted by Zoning</u>	No. of <u>Apts.</u>	<u>Use Determined By Zoning</u>
[x] Residential	<u>126</u>	[x] Yes [] No [] Ohana	_____	[] Yes [] No
[] Commercial	_____	[] Yes [] No [] Industrial	_____	[] Yes [] No
[] Mix Res/Comm	_____	[] Yes [] No [] Agricultural	_____	[] Yes [] No
[] Hotel	_____	[] Yes [] No [] Recreational	_____	[] Yes [] No
[] Timeshare	_____	[] Yes [] No [] Other: _____	_____	[] Yes [] No

Is/Are this/these use(s) specifically permitted by the project's Articles or Bylaws?

[x] Yes [] No

5. Special Use Restrictions:

The Articles, Bylaws and Occupancy Agreement may contain restrictions on the use and occupancy of the dwelling units. Restrictions for this project include but are not limited to:

Pets: No pets without prior written permission of the Board.

Number of Occupants: This project is subject to occupancy guidelines promulgated by the Department of Housing and Community Development of the City and County of Honolulu.

These guidelines are currently as follows:

"Occupancy Guidelines

To match the family size with the dwelling unit type, the optimum occupancy guidelines for each dwelling unit type shall be as follows:

<u>Dwelling Unit Type</u>	<u>Occupancy Guidelines</u>
0 Bedroom	1-2 Persons
1 "	1-3 Persons
2 "	2-5 Persons
3 "	3-7 Persons
4 "	4-9 Persons

At the discretion of the Director, the Occupancy Guidelines may be modified for family hardship, emergency situations, in response to market demand or other economic conditions."

Department of Housing and Community Development, City and County of Honolulu, Land and Housing Development Program Rules and Regulations, Section I-6 (Rev. 2/12/90).

Other: Each member must be a resident of the dwelling unit represented by the share certificate held by that member. Occupancy is restricted to family members. Subletting is not allowed if member receives Section 8 assistance. Transfers of memberships are restricted.

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 20 Trash Chutes: 0

<u>Dwelling Unit Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
<u> 2 </u>	<u> 30 </u>	<u> 2/1 </u>	<u> 653 </u>	<u> </u>
<u> 3A </u>	<u> 27 </u>	<u> 3/1 </u>	<u> 824 </u>	<u> </u>
<u> 3B </u>	<u> 42 </u>	<u> 3/1 </u>	<u> 774 </u>	<u> </u>
<u> 4 </u>	<u> 27 </u>	<u> 4/1 ½ </u>	<u> 971 </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Total Apartments: 126

*Net Living Area is the floor area of the dwelling unit measured from the interior surface of the dwelling unit 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 Dwelling Unit: N/A

Permitted Alterations to Dwelling Units: No alterations are permitted without prior written approval of the board. Except for repair of damage to dwelling units or other property of the developer caused by members, repairs to the dwellings units and other property of the developer will be performed by the developer at the common expense of the members and passed through to members through occupancy charges.

7. Parking Stalls:

Total Parking Stalls: 185

	<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 each unit)	_____	_____	_____	_____	_____	_____	_____
Guest Unassigned	_____	<u>161</u>	_____	<u>12</u>	_____	<u>6</u>	<u>179</u>
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other:	_____	<u>6*</u>	_____	_____	_____	_____	<u>6</u>

*Handicap

Total Covered & Open	<u>167</u>	<u>12</u>	<u>6</u>	<u>185</u>
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Parking stalls will be assigned by the property manager. Each dwelling unit is assigned at least one (1) parking stall and excess parking stalls are available to residents to rent at the initial rate of \$15 per month per stall.

Buyers are encouraged to find out which stall(s) will be available for their use.

Commercial parking garage permitted in 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: Barbecue and children's play area

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

There are no violations. Violations will not be cured.

Violations and cost to cure are listed below. Violations will be cured by _____

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

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

Structural component, mechanical and electrical installations are in good condition and should have an expected useful life of thirty (30) years with proper maintenance, excluding normal wear and tear, or vandalism and abuse.

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

Variance #83/2BA-053: A variance to allow an eight foot (8') high fence at the property line.

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	x		
Structures		x*	
Lot	x		

* Parking is non-conforming. The City & County of Honolulu Land Use Ordinance requires 249 parking stalls; the project has 185 parking stalls.

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyers 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.

Buyers may not be able to obtain renter's insurance if the project has a non-conforming or illegal use, structure, or lot.

D. Common Interests: A member will have no direct ownership of any common interests in the project or in any of the common areas. All of the common interests and common areas are owned by the Developer as a whole. Regular repair and maintenance costs for the common areas in the project are included in occupancy charges.

- E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase of a membership in the corporation or occupancy of a dwelling unit in the project.

The interests of the limited-equity housing cooperative are subject to the terms and conditions of a mortgage and other recorded documents. If the limited-equity housing cooperative does not comply with these recorded documents, the limited-equity housing cooperative may be subject to a lawsuit and/or foreclosure, and possibly the loss of title and use of the property, in which instances all rights of cooperative members could be terminated.

The Statement of Encumbrances attached hereto as Exhibit 2 discloses the encumbrances against the title for the property contained in the Preliminary Title Report dated October 24, 1997 and issued by First American Title Insurance Company.

- F. Construction Warranties:

Warranties for individual dwelling units and the common areas, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements (1 year from date of Owner's Notice of Completion):

- General
- Landscape
- Building Roof
- Traffic Coating
- Solid and Hollow Core Doors
- Non-Dwelling Unit Doors (Exterior)
- Exterior Lighting

2. Appliances:

(All time periods run from date of beneficial occupancy unless noted otherwise.)

- Disposal
- Range
- Range Hood
- Refrigerator
- S/S Sink
- Water Closet
- Plumbing Fixtures

G. Status of Construction and Estimated Completion Date:

Status: Approximately 55% complete.

The estimated completion date is scheduled for June, 1998.

H. Project Phases:

The developer [] has [x] has not reserved the right to add to, merge, or phase this limited-equity housing cooperative.

Summary of developer's plans or right to perform for future development (such as additions, mergers or phasing):

None.

IV. MANAGEMENT

- A. Management of the Limited-Equity Housing Cooperative: The developer is responsible for the management of the common areas and the overall operation of the project. The developer may be permitted, and in some cases may be required, to employ or retain a managing agent to assist the developer in managing the project.

Initial Property Manager: The initial managing agent for this project, named on page five (5) of this report, is:

not affiliated with developer
 self-managed

the developer or the developer's affiliate.
 other_____

The developer has entered into an agreement for management of Makana Hale with Qualpac Management Corporation for an initial term of one year at a fee computed and payable monthly pursuant to a Management Agreement between the developer and Qualpac Management Corporation. Each member of the developer should bear in mind that the management agent takes its assignments from the president of the board of directors, speaking for the board, and not from individual members of the developer.

- B. Estimate of Initial Occupancy Charges

The developer will assess occupancy charges against each dwelling unit to make payments on the mortgage on the project and provide funds for the operation and maintenance of the project. If you are delinquent in paying the assessments, your membership may be terminated. Regular operation and maintenance fees are included in occupancy charges. Occupancy charges may vary depending on services provided.

- C. Utility Charges for Dwelling Units:

Each dwelling unit will be billed separately for utilities except for the following checked utilities which are included in the occupancy charges.

None Electricity Gas Water

Sewer Television Cable Other_____

V. MISCELLANEOUS

- A. Documents Filed With the Real Estate Commission: All documents listed in Section V.B.1. below.
- B. Buyer's Right to Cancel Subscription Agreement: The prospective member has a right to withdraw from the subscription agreement by providing written notice to the developer within five (5) calendar days after the execution of the subscription agreement. If the prospective member provides timely written notice of his or her desire to withdraw from the subscription agreement, all deposits will be returned and the subscription agreement will terminate. There is no cancellation fee charged to a prospective member who exercises his or her right to withdraw.
1. Rights Under the Subscription Agreement: Before signing the subscription agreement, prospective members should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the prospective member should ask the developer for the most recent drafts. These documents include:
- A) Articles of Incorporation
 - B) Bylaws of the Cooperative
 - C) Occupancy Agreement
 - D) Subscription Agreement
 - E) House Rules
 - F) Disclosure Statement
 - G) Notice of Blanket Encumbrances
 - H) Statement of Substantial Defects or Malfunctions
 - I) Notice of Membership Price and Initial Occupancy Charges
 - J) Escrow Agreement and Specimen Escrow Instructions
 - K) Title Report
 - L) Securities Exemption Application
 - M) Report of Condition of Architect or Engineer
 - N) Developer's Statement of Representation as to Useful Life
 - O) Certificate From County Regarding Compliance With Zoning and Building Codes
 - P) Certificate of Good Standing

Copies of the foregoing are available through the developer, Makana Hale Cooperative, 95-141 Kipapa Drive, Mililani, Hawaii 96789.

This Final Public Report is a part of Registration No. 3834 filed with the Real Estate Commission on December 18, 1997.

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

yellow paper stock white paper stock pink paper stock

C. Additional Information Not Covered Above

Sale of these membership interests in the Makana Hale Cooperative are exempt from securities registration requirements by action of the Commissioner of Securities of the State of Hawaii.

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.

Dated: Mililani, Hawaii 12/4/, 1997

Developer: MAKANA HALE COOPERATIVE

By: 
Paul D. Ramos
Its: President

Distribution:

Department of Finance, City and County of Honolulu
Planning Department, City and County of Honolulu
United States Department of Housing and Urban Development,
Federal Housing Administration

DISCLOSURE STATEMENT
TO APPLICANTS FOR MEMBERSHIP IN
MAKANA HALE COOPERATIVE
A Limited Equity Housing Cooperative
(hereinafter called the "Cooperative")

I. INTRODUCTION

"Cooperative" housing means cooperative (or joint) operation of a housing development by those who live in it. All of the property of a cooperative housing development is owned by a corporation. The cooperative corporation holds title to the dwelling units and directly assumes the mortgage, tax and other obligations necessary to finance and operate the development. This means that the cooperative members are not directly responsible for those items. The corporation's "Articles of Incorporation" and "Bylaws" are specially designed so the corporation can be owned and operated by its members. A cooperative member does not directly own his or her dwelling unit or any interest in any other portion of the building or land. Instead, he or she owns a membership interest in the corporation. The membership interest carries with it the exclusive right to occupy a dwelling unit and to participate in the operation of the corporation directly as an elected member of the Board of Directors or indirectly as a voter.

A subscription for membership in a cooperative housing development is more than an application for a place to live. It leads to your participation in the cooperative ownership and operation of a housing development such as Makana Hale Apartments. The cooperative approach to housing instills pride of ownership resulting in a deeper interest in maintaining the property and participating in civic affairs. A cooperative is operated on a democratic basis. It gives the cooperative members a greater insight and appreciation of the democratic process in general. Cooperative members normally occupy their dwelling units for longer terms than renters. As a result, cooperative members become better acquainted with their fellow residents and learn to work together for the overall betterment of the property and the community. This working together also makes for better understanding between individuals of different backgrounds and income levels.

The intent of the Cooperative is to provide affordable and secure housing at Makana Hale Apartments now and in the future. To that end, the Cooperative is designed to qualify as a limited equity housing cooperative under Hawaii law. THIS MEANS THAT, AMONG OTHER THINGS, THE ORIGINAL PURCHASE PRICE FOR MEMBERSHIP INTERESTS AND THE COOPERATIVE MEMBER'S RETURN ON HIS OR HER INVESTMENT IN THE MEMBERSHIP INTEREST ARE LIMITED UNDER STATE LAW AND THE BYLAWS IN ORDER TO PRESERVE MAKANA HALE APARTMENTS AS AFFORDABLE HOUSING IN THE FUTURE.

EXHIBIT 1

Cooperative housing may offer the following financial benefits for members:

1. A limited equity housing cooperative is operated on a nonprofit basis. Increases in the monthly housing costs are limited to actual increases in operating costs. This means the owner's profit that exists in most rental projects is absent with the exception of the limited return on membership interests discussed in paragraph X below.
2. Under some circumstances, Cooperative members could receive potential tax benefits as described in paragraph XV below.
3. Maintenance costs in a well-operated cooperative may be minimized because experience has shown that cooperative members take better care of their property than renters.
4. A limited return, as described in paragraph X below, is allowed on the resale of the membership interest.

This Disclosure Statement is intended to provide general information concerning the Cooperative. In addition, each applicant is urged to study the Articles of Incorporation, Bylaws, House Rules, Occupancy Agreement and Subscription Agreement, copies of which will be provided to each applicant upon execution of a receipt. These documents contain important information on the use and occupancy of the units and common areas at Makana Hale Apartments, as well as the rules of conduct for Cooperative members and their guests. Except for the House Rules, all of these documents are based on model forms developed by the U. S. Department of Housing and Urban Development ("HUD"), revised to bring them up to date and comply with state law. Revisions to these model forms have been approved by HUD.

The Subscription Agreement is the document by which you apply for membership in the Cooperative. The Occupancy Agreement describes the terms and conditions under which you will occupy one of the dwelling units at Makana Hale Apartments. The Articles of Incorporation and Bylaws set forth the authority and methods of operation of the Cooperative. It is strongly urged that you read these documents to gain a complete understanding of the Cooperative before signing your Subscription Agreement.

II. COOPERATIVE METHOD OF OPERATION

The Cooperative has been incorporated as a nonprofit corporation under Hawaii law for the purpose of acquiring, owning and operating as cooperative housing the 126 units at Makana Hale Apartments. The Cooperative will be selling membership interests by Subscription Agreements which require a down payment or deposit of \$200.00 and the balance of the purchase price of your membership interest upon written demand of the Cooperative after you have been accepted for membership. The purchase price of the membership interest is sometimes also referred to as your equity investment. A resident will become a member of the Cooperative only after he or she receives written notification from the Cooperative that his or her

subscription is accepted by the Cooperative. The Cooperative will deliver a duplicate of the membership certificate representing an interest in the Cooperative not later than 10 days after the resident's membership interest has been paid in full in accordance with the terms of the Subscription Agreement. Each member household of the Cooperative, regardless of the dollar amount of their equity investment in the Cooperative, will have one vote in the affairs of the Cooperative as set forth in the Bylaws.

The affairs of the Cooperative will be conducted by a Board of Directors, elected by the Cooperative members from among the Cooperative members. The purpose of the Board of Directors is to eliminate decisions made by one individual. Elections to the Board of Directors will be held annually pursuant to the Bylaws. Any elected director who is not properly fulfilling his or her duties may be removed as set forth in the Bylaws.

The first annual meeting of Cooperative members will be held on a date established by the Board of Directors, but in no event later than September, 1998. Until the first election of the Board of Directors by Cooperative members, the Cooperative will be governed by a Provisional Board of Directors, which will consist of the following named individuals: Paul Ramos, Ronald Velez, Sr., Kwyn Fernandes, Sara Vaifale, Eddiemary Dickson, Fern Kahala, and Shelly Mariani.

The Cooperative has entered into an agreement for management of Makana Hale Apartments with Quality Management Corp. for an initial term of 1 year at a fee computed and payable monthly pursuant to a Management Agreement between the Cooperative and Quality Management Corp. Each Cooperative member should bear in mind that the management agent takes its assignments from the President of the Board of Directors, speaking for the Board, and not from individual Cooperative members.

The Cooperative may eventually develop its own resident management corporation to take over direct performance of property management, subject to HUD's approval, but it will take at least three years from the Cooperative's purchase of Makana Hale Apartments to develop the Cooperative's property management capacity.

In addition to engaging a management agent for the Cooperative, the Board of Directors performs other important duties such as setting eligibility standards for admission to Cooperative membership in accordance with the Bylaws and HUD's regulations, determining the degree and type of maintenance and service of Makana Hale Apartments, making rules and regulations for the use and occupancy of Makana Hale Apartments and the dwelling units, and adopting annual operating budgets subject to the approval of HUD which show occupancy charges adequate to meet the Cooperative's operating costs.

Committees may be established by the Board of Directors and made up of Cooperative members to recommend policies to the Board of Directors which affect overall operation of the Cooperative. All Cooperative members are encouraged to participate actively on any committees.

III. FINANCING THE COOPERATIVE

The Cooperative purchased Makana Hale Apartments for \$17,300,000.00 on March 29, 1996. HUD authorized repairs and rehabilitation of Makana Hale Apartments in the amount of approximately \$5,028,400.00, based on a rehabilitation plan prepared on behalf of the Cooperative and approved by HUD.

The acquisition and rehabilitation of Makana Hale Apartments has been or will be paid from the following sources. Each Cooperative member will provide equity to the Cooperative by purchasing his or her membership interest. A first mortgage loan in the approximate amount of \$2,500,000.00 was assumed by the Cooperative. The interest rate on this loan, after accounting for the Section 236 interest subsidy, is 1% per year, and the loan is due and payable in 2012. The balance of the funds necessary for the acquisition and rehabilitation of Makana Hale Apartments were made available to the Cooperative by HUD in a grant in an amount of \$20,026,826.00.

CAUTION: All applicants for Cooperative membership should be aware that it is absolutely necessary to generate sufficient funds for the monthly mortgage payments from all units at Makana Hale Apartments to make the payments on the loan. Even if all Cooperative members are current in their payments of monthly occupancy charges to the Cooperative, if the Cooperative defaults on its mortgage payment while it holds title to Makana Hale Apartments, all rights of Cooperative members could be terminated.

IV. FUNCTION OF HUD IN CONNECTION WITH THIS PROJECT

If the terms of the HUD Insurance Commitment are complied with, HUD will, under Section 236 of Title II of the National Housing Act, insure the first lender against loss by reason of any default of the Cooperative in its obligations under the mortgage. HUD, as insurer of such mortgage loan, does not insure individual Cooperative members against loss. The amounts paid by a Cooperative member for his or her membership interest will be handled in accordance with the provisions of the Bylaws. Such funds will not be deposited with or otherwise be under the control or responsibility of HUD.

V. REHABILITATION OF MAKANA HALE APARTMENTS

The Cooperative engaged the services of various consultants, including architects and engineers, to evaluate the need for and scope of rehabilitation and repair at Makana Hale Apartments. The consultants' reports may be examined by prospective Cooperative members at the address listed for the Cooperative at the end of this Disclosure Statement.

The Board of Directors and/or Officers of the Cooperative have authorized and executed such agreements and documents as they deemed appropriate for rehabilitation of Makana Hale Apartments. All dwelling units at Makana Hale Apartments either have been or will be rehabilitated on behalf of the Cooperative by the general contractor selected by the Cooperative. The rehabilitation consists generally of the tasks described in the attached **Exhibit A**, which result from the consultants' and HUD's evaluation of the physical condition of Makana Hale Apartments. Other work has occurred or will occur on the exterior of Makana Hale Apartments and the grounds. Conditions may vary somewhat from unit to unit after the rehabilitation is complete.

All Makana Hale Apartments residents have been or will be given reasonable advance notice of the date when rehabilitation activities will occur in their dwelling units. Makana Hale Apartments residents have been and will be required to relocate during the rehabilitation process. It is difficult to predict at this time with certainty when the rehabilitation will be completed, but it is anticipated to be completed by June 1998. While it is in the best interest of everyone to complete the rehabilitation as speedily as possible, in any construction operation there are many factors which may bring about delays.

VI. ASBESTOS

A preliminary environmental assessment of Makana Hale Apartments has been conducted by Unitek Environmental Consultants, Inc. The assessment revealed the presence of asbestos in the mastic adhesive material used in the floor tiles. The mastic was found to be in excellent condition with low potential for damage that would release airborne asbestos fibers. Unitek recommended that the material be left in place.

VII. OTHER ENVIRONMENTAL ISSUES

Makana Hale Apartments has been tested by Unitek for the presence of lead-based paint. The only reported source of lead-based paint, a swing set, has been removed from the property. No other sources of lead-based paint or any other hazardous substances were found in excess of federal standards.

VIII. LOCATION OF THE PROJECT

Makana Hale Apartments is located on approximately 4.6 acres of land in Mililani, Hawaii. A list of addresses at Makana Hale Apartments is attached as **Exhibit B**.

IX. DESCRIPTION OF STRUCTURES

The 126 units that make up the Cooperative are located in 10 buildings. There are four different sized units: 30 two-bedroom apartments of approximately 653 square feet, 42 three-bedroom apartments of approximately 774 square feet, 27 three-bedroom apartments of approximately 824 square feet, and 27 four-bedroom apartments of approximately 971 square feet. Each unit includes a parking space in the parking lot located on the property. Sketches of the layouts of each different type of unit are attached to this Disclosure Statement as **Exhibit C**. Makana Hale Apartments is approximately 23 years old.

X. OWNERSHIP OF REAL ESTATE

The Cooperative owns Makana Hale Apartments in fee simple, subject to the mortgage and other encumbrances or restrictions described in this Disclosure Statement and the Title Insurance policy obtained by the Cooperative. The title to Makana Hale Apartments is held by the Cooperative corporation and not by individual Cooperative members. Each Cooperative member's interest in the Cooperative corporation is limited to the transfer value of his or her membership interest (as described below) and the right to occupy his or her dwelling unit pursuant to the terms and provisions of the Occupancy Agreement. Cooperative members pay monthly occupancy charges to the Cooperative as set forth in the Occupancy Agreement.

The method by which Cooperative members may sell their membership interests is restricted by the Bylaws of the Cooperative. Except in the case of certain transfers by Cooperative members to eligible family members as described in the Bylaws, the Cooperative is required to purchase the membership interest of departing Cooperative members. The price for which the membership interest can be sold (referred to as the transfer value) is limited under the Bylaws and Hawaii law to the sum of (1) the amount paid for the membership interest by the initial Cooperative member, plus a limited inflation allowance or appreciation interest (not to exceed 10% per year) as determined in accordance with the Bylaws; and (2) the value, as determined by the Cooperative's Board of Directors, of any improvements installed in the unit by a Cooperative member at his or her own expense with the Board's prior written approval.

XI. REGULATORY AGREEMENTS

The Cooperative is subject to two Regulatory Agreements in accordance with the requirements for the mortgage insurance described above. These Regulatory Agreements require that the Cooperative obtain HUD's approval prior to making substantial improvements at Makana Hale Apartments and further require the Cooperative to adequately maintain Makana Hale Apartments and to restrict sale of membership interests to residents of Makana Hale Apartments as of the date of this Disclosure Statement or in the future to households of very low, low or moderate income. For purposes of selecting future Cooperative members, very low income means household income less than 50% of median income for the area; low income

means household income between 50% and 80% of median income for the area; and moderate income means household income above 80% but less than 95% of median income for the area.

Each of the Regulatory Agreements places certain restrictions and obligations on the Cooperative and its method of operation in exchange for benefits being provided by HUD. The Regulatory Agreements do not, however, relieve the Cooperative of any obligations for its operation of the Cooperative. It is the Cooperative’s responsibility to make and carry out arrangements for the maintenance of Makana Hale Apartments, collect monthly occupancy charges, handle subscription funds, admit Cooperative members and manage all other business of the Cooperative. Copies of the Regulatory Agreements are available for your review at the Cooperative’s office at the address listed at the end of this Disclosure Statement.

XII. VALUE OF MEMBERSHIP INTERESTS

The following is a chart of dwelling units at Makana Hale Apartments, value attributed to the unit after rehabilitation, the Initial Purchase Prices of membership interests, and Standard Purchase Prices of membership interests.

Dwelling Unit Designation	Value Allocated to Unit After Rehabilitation	Initial Purchase Price of Membership Interests	Standard Purchase Price of Membership Interests
2-bedroom (653 sq. ft.)	\$145,738	\$675	\$1,125
3-bedroom (824 sq. ft.)	\$174,265	\$800	\$1,350
3-bedroom (774 sq. ft.)	\$182,327	\$850	\$1,425
4-bedroom (971 sq. ft.)	\$217,056	\$1,000	\$1,675

Membership interests will be offered to all prospective purchasers at the Standard Purchase Prices shown above.

In recognition of the fact that existing residents of Makana Hale Apartments have been inconvenienced by residing at the property during lengthy and substantial rehabilitation of the property requiring on-site relocation without the benefits of cooperative membership, for residents of Makana Hale Apartments who sign a Subscription Agreement to purchase a membership interest within 3 months after the date membership interests are first offered for sale, the membership interest purchase price will be the Initial Purchase Price shown above. After this 3-month period has expired, the membership interest purchase price for existing residents will increase to the Standard Purchase Price.

A resident who signs a Subscription Agreement to purchase a membership interest during the initial 3-month period may elect to pay the Initial Purchase Price for the membership interest in installments, with a maximum of 12 months from the date he or she signed the Subscription Agreement within which to fully pay for the membership interest at the Initial Purchase Price. If full payment of the Initial Purchase Price is not made within this 12-month period, all installment payments made by the resident prior to the expiration of the 12-month period will be credited towards the resident's purchase of a membership interest, but the total purchase price due for the membership interest will increase to the Standard Purchase Price.

XIII. SCHEDULE OF MONTHLY OCCUPANCY CHARGES FOR EACH TYPE OF DWELLING UNIT

Pursuant to the Plan of Action approved by HUD under the Low-Income Housing Preservation and Resident Homeownership Act of 1990, as amended, in connection with the Cooperative's purchase of Makana Hale Apartments on March 29, 1996, monthly occupancy charges for residents of Makana Hale Apartments as of February 28, 1995 will be as set forth below.

Dwelling Unit Designation	Monthly Occupancy Charges	Utility Allowance
2-Bedroom (653 sq. ft.)	\$502	\$36
3-bedroom (824 sq. ft.)	\$557	\$47
3-bedroom (774 sq. ft.) (utilities included)	\$602	-0-
4-bedroom (971 sq. ft.)	\$619	\$58

Monthly occupancy charges to be paid to the Cooperative are based on the amount needed to meet the Cooperative's expenses and to maintain adequate reserves. A summary of the operating budget for Makana Hale Apartments is attached to this Disclosure Statement as **Exhibit D**. The detailed operating budget upon which these monthly occupancy charges are based may be examined by prospective Cooperative members at the address listed for the Cooperative at the end of this Disclosure Statement. It includes such expenses as management fees, maintenance as specified in the management plan, insurance and mortgage payments. The Cooperative's operating budget will be revised at least once a year and is subject to HUD's review and approval.

Monthly occupancy charges are estimated on the basis of 97% occupancy of dwelling units at Makana Hale Apartments. Excessive vacancy or collection losses may require an

increase in monthly occupancy charges. Increases may also be necessary in cases where insurance fees are raised, or the cost of items and services such as supplies, maintenance and labor are increased. Increases may also result from decisions made by Cooperative members regarding the maintenance and operation of Makana Hale Apartments. The cost of paying the mortgage loan will remain constant because the payments to principal and interest have been computed in equal monthly installments covering the full term of the mortgages. In other words, the monthly payments are fixed.

Part of the monthly occupancy charges are deposited in a reserve known as the Reserve for Replacement to pay for replacing structural components and mechanical equipment at Makana Hale Apartments when necessary. Another part of the monthly occupancy charges may be deposited in another reserve known as the General Operating Reserve or Cooperative Share Escrow, which is intended to be available for unforeseen events and to finance purchases and resales of membership interests in the Cooperative.

XIV. LATE CHARGES

The Occupancy Agreements, which will govern Cooperative members' occupancy of units at Makana Hale Apartments, provide for the payment of late fees if a Cooperative member pays his or her monthly occupancy charges more than 5 days after the due date. The late charges required by the Occupancy Agreements may be higher than currently required at Makana Hale Apartments because of the increased importance of timely payments in a cooperative setting.

XV. POTENTIAL INCOME TAX BENEFITS

THE FOLLOWING IS SUBJECT TO CHANGES IN THE INTERNAL REVENUE CODE AND IRS RULINGS.

Because the Cooperative is in the process of applying for tax-exempt status with the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code, as amended, Cooperative members will not be eligible for the potential federal income tax deductions allowed to tenant-stockholders of cooperative housing corporations under the provisions of Section 216 of the Internal Revenue Code.

Cooperative members who sell their membership interests when permanently leaving Makana Hale Apartments will have available to them the same basic federal income tax benefits and disadvantages that are available to homeowners who sell their homes.

XVI. FAMILY INCOME AND OCCUPANCY LIMITATIONS

Makana Hale Apartments has been acquired by the Cooperative corporation and will be converted to a limited equity housing cooperative pursuant to the Plan of Action approved by HUD. Under the Plan of Action, no existing residents of Makana Hale Apartments can be displaced except for "good cause" in connection with the Cooperative's acquisition of Makana Hale Apartments. The Plan of Action also requires the Cooperative to maintain the same proportions of very low-, low-, and moderate-income families that existed at Makana Hale Apartments on January 1, 1990, based on the area median income limits established in February 1990. This is approximately 72 very low-income families, 42 low-income families, and 10 moderate-income families. As a result, Cooperative membership will be limited to existing households at Makana Hale Apartments, or in the future, to persons or families of very low, low and moderate income.

Some Cooperative members may have Section 8 vouchers or certificates under which a portion of the Cooperative member's monthly occupancy charges will be paid directly to the Cooperative by HUD. Such Section 8 assistance is subject to continued authorization by law and availability of appropriated funds. Section 8 assistance for Cooperative members holding Section 8 vouchers or certificates will amount to the difference between 30% of a Cooperative member's adjusted monthly household income and the monthly occupancy charges for his or her unit. Section 8 assistance may increase or decrease based on changes in an eligible Cooperative member's adjusted monthly household income. Cooperative members receiving Section 8 assistance will be required to certify their household's adjusted income at least once each year, more often if their income changes significantly between certifications. Eligibility requirements for Section 8 assistance are subject to change pursuant to federal law and regulation.

To achieve the purposes of the Section 8 program and to make certain that it is being used to the highest advantage, HUD will require the Cooperative to seek to adhere to the following occupancy guidelines at Makana Hale Apartments. These guidelines are distinct and separate from the maximum income limits discussed above and are designed to provide for varying needs without underutilization or overcrowding of housing accommodations.

Number of Persons

Number of Bedrooms	Minimum	Maximum
2	2	5
3	3	7
4	4	9

Certain modifications of these occupancy guidelines may be permitted where justified because of factors such as the age, health or disability of Cooperative members or the existence of unusual circumstances.

XVII. EFFECT OF COOPERATIVE MEMBERSHIP ON FIRST-TIME HOME BUYER STATUS

From time to time, various state and local agencies may offer first-time home buyer programs. Whether a limited equity housing cooperative member will be eligible for such programs will depend on the eligibility provisions of each program. Residents may wish to obtain additional information regarding policies with respect to "first-time home buyers" prior to purchasing a membership interest. A "first-time home buyer" is defined in the Internal Revenue Code as a person who neither has nor has had a present ownership interest in a principal place of residence during the previous three years.

XVIII. RIGHT OF APPLICANT TO WITHDRAW AFTER SIGNING SUBSCRIPTION AGREEMENT

For a period of five days after signing the Subscription Agreement, an applicant may withdraw his or her application for membership in the Cooperative and obtain a return of his or her deposit, provided the applicant notifies the Cooperative to this effect in writing within this time period. (See Subscription Agreement.)

XIX. MEMBERS SUBSCRIPTION SUBJECT TO ACCEPTANCE BY COOPERATIVE

Cooperative membership is not assured unless and until an application and subscription has been accepted by the Cooperative. (See Subscription Agreement.)

XX. LEAVING THE COOPERATIVE

If after joining the Cooperative and taking occupancy of his or her unit, a Cooperative member wishes to move from the Cooperative, he or she may transfer or sell his or her membership interest in accordance with the terms of the Bylaws. If the Cooperative member does not transfer his or her membership interest to an eligible family member pursuant to the Bylaws, the Cooperative will purchase the membership interest for its transfer value (as described in paragraph X above).

Cooperative members shall in no event be entitled to receive any sum in excess of the transfer value for their membership interests. If the property of the Cooperative is ever sold, any sums remaining after payment of existing encumbrances (mortgages and other debts) and the transfer values of the outstanding membership interests will be dedicated to public benefit or charitable purposes.

XXI. HUD APPROVAL OF INFORMATIONAL LITERATURE

This Disclosure Statement is the only informational literature which has been approved by HUD. The other documents listed in paragraph I above have been approved as to form by HUD. HUD has not examined or approved any advertising or other informational material in connection with the Cooperative.

XXII. ADDITIONAL INFORMATION

In this Disclosure Statement, the Cooperative has tried to summarize pertinent facts concerning its undertaking and the rights and obligations of Cooperative members. There may be other points which have not been covered in the Disclosure Statement. If you wish to obtain further information, please feel free to communicate with:

Name _____
Address _____
Tel. No. _____

Before signing this Disclosure Statement, you should read and thoroughly understand the Subscription Agreement, Occupancy Agreement, Articles of Incorporation and Bylaws.

MAKANA HALE COOPERATIVE
95-141 Kipapa Drive, #15, Mililani, Hawaii
(Telephone No. (808) 623-3920)

President
(or other Cooperative officer)

RESIDENT(S):

EXHIBIT A

Rehabilitation of Makana Hale Apartments

EXHIBIT A

(Summary of Rehabilitation Plan)

The following items were repaired or replaced as part of the recent rehabilitation of Makana Hale on behalf of the Board of Directors and/or Officers of the Cooperative. The General Contractor is Hawaiian Dredging Construction Company and all work is scheduled to be completed by June 1998. The warranty period begins at the time of beneficial occupancy, and therefore will vary throughout the project.

The following items were originally described in the ARCHITECTURAL ASSESSMENT REPORT FOR MAKANA HALE (February 1995); 95-141 Kipapa Drive, Mililani, Hawaii 96789, Tax Map Key (TMK): 9-5-21:15, HUD PROJECT NUMBER 140-44021-CG-96.

<u>ITEM NO.</u>	<u>DESCRIPTION</u>
1	ADA Accessibility (Site Accessibility; Accessible Parking)
2	Repair Asphalt Driveways at Parking Areas.
3	Landscape Irrigation.
4	Replace Chainlink Fence at perimeter of site.
5	Provide Children's Play Area.
6	Replace damaged Guardrails/Handrails at Stairs and Exterior Corridors.
7	Reroof Buildings.
9	Renovate Laundry Room.
11	Replace Electric Hot Water Heaters with Gas Hot Water Heater System. Construct Mechanical Rooms.
12	Replace Dwelling Unit Entry Doors and Frames.
13	Replace Interior Doors as required. Repair Interior Door Frames as required.
14	Replace Bathroom Ceilings.
15	Replace Plumbing Walls and Plumbing Fixtures.
17	Repair damages/non-operational Jalousie Windows.
18	Replace Vinyl Flooring at Bathrooms and Kitchens.
19	Replace Kitchen and Bathroom Cabinets/Countertops.
20	Replace Kitchen Sinks.
22	Replace Floor Base.
23	Replace Bathroom Vents.
25	Replace Kitchen Appliances as required.
26	Upgrade Exterior Security Lighting.
27	Provide Exterminating during Rehabilitation.
28	Replace and Provide Smoke Detectors.

In addition, during the course of construction, the following items were also addressed:

DESCRIPTION:

Provide Landscaping and Barbecue Area.
Repair damaged Concrete Sidewalks.
Renovate one Dwelling Unit to accommodate a Resident in a Wheelchair.
Provide Janitor's Rooms.
Repair damaged Interior Walls.
Paint Interior Walls at Kitchen, Bathrooms, Closets.
Replace Closet Shelving.
Replace Bathroom/Toilet Accessories.

In addition, during the course of construction, the following items were also addressed:

DESCRIPTION:

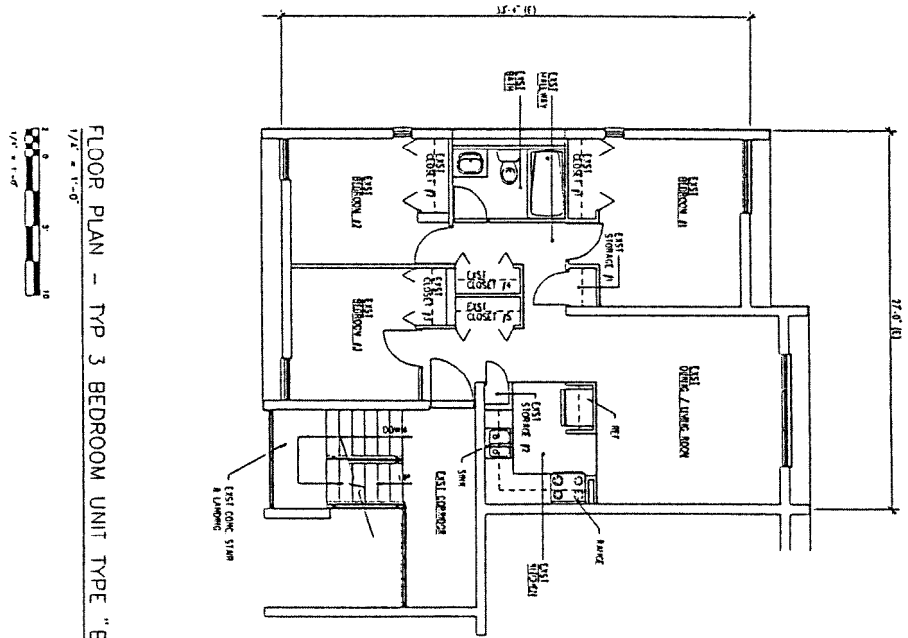
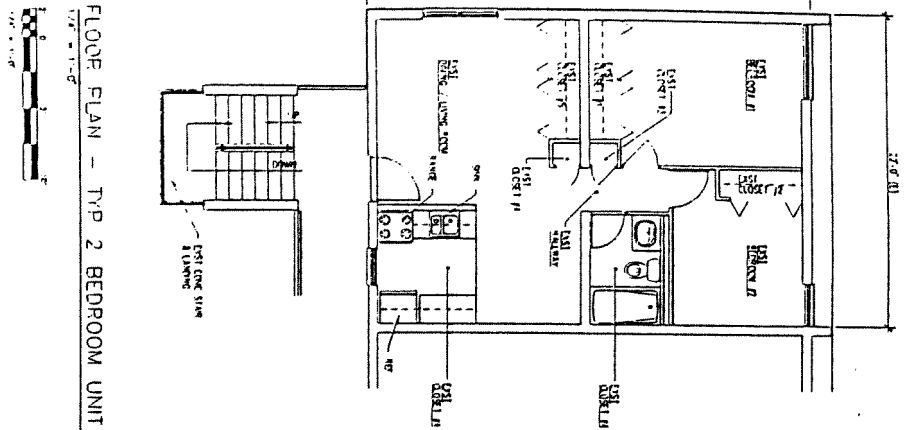
Provide Toilet Room for Makana Hale Staff.
Replace Unit and Building Identification Signage.
Renovate one Dwelling Unit to accommodate a Hearing Impaired Resident.
Renovate existing Maintenance Unit to Residential Unit.

EXHIBIT B

List of Addresses

Building 1	95-169 Kipapa Drive, Mililani, Hawaii 96789
Building 2	95-161 Kipapa Drive, Mililani, Hawaii 96789
Building 3	95-165 Kipapa Drive, Mililani, Hawaii 96789
Building 4	95-157 Kipapa Drive, Mililani, Hawaii 96789
Building 5	95-153 Kipapa Drive, Mililani, Hawaii 96789
Building 6	95-149 Kipapa Drive, Mililani, Hawaii 96789
Building 7	95-145 Kipapa Drive, Mililani, Hawaii 96789
Building 8	95-135 Kipapa Drive, Mililani, Hawaii 96789
Building 9	95-141 Kipapa Drive, Mililani, Hawaii 96789
Building 10	95-133 Kipapa Drive, Mililani, Hawaii 96789

EXHIBIT C (Apartment Layouts)



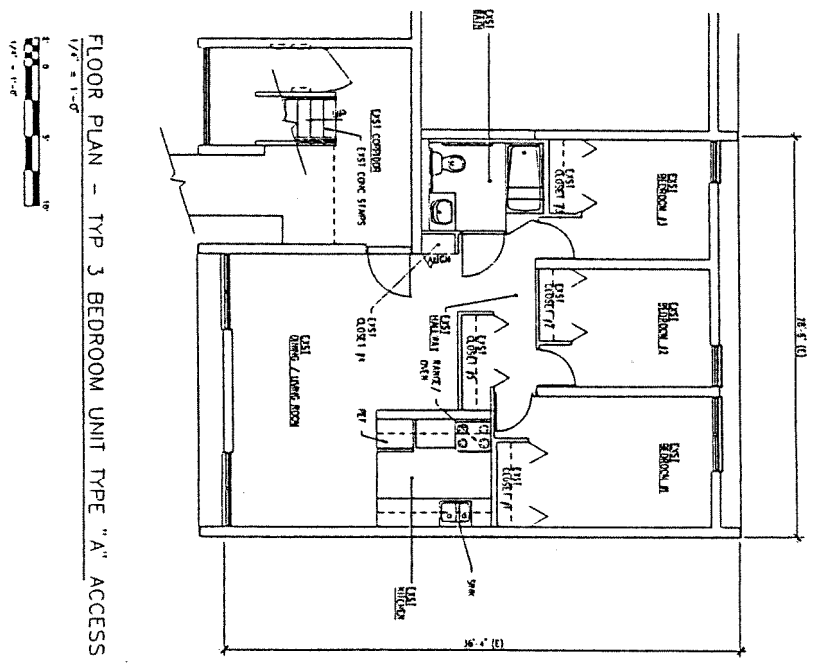
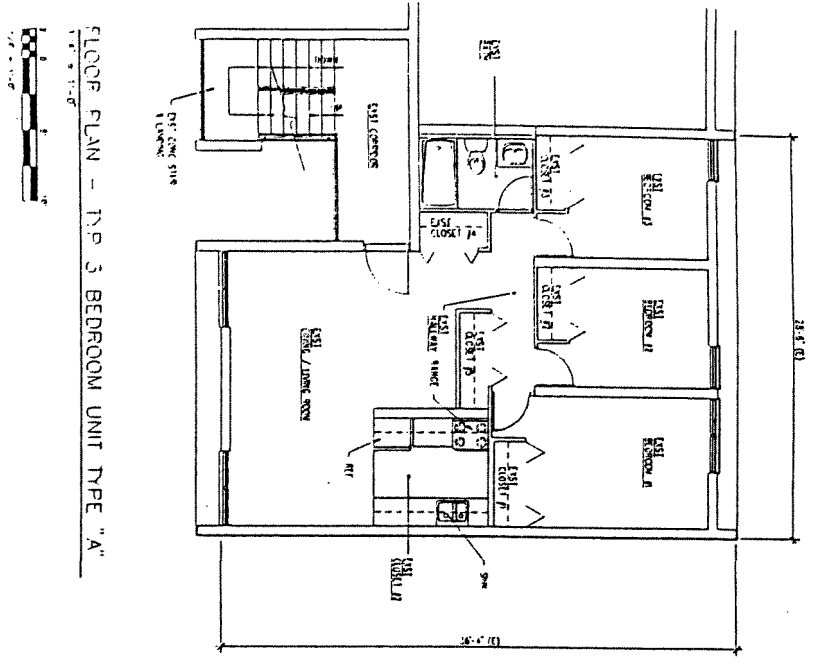
Date: 8/23/78
 Drawn: J.M./M.P./S.B.
 Project: 78-111
 Drawing Title: RENOVATION FOR WAKANA HALL
 Scale: 1/4" = 1'-0"

A11.1

PROJECT RENOVATION FOR WAKANA HALL 95-111 KIPAPA DRIVE MILWAUKEE, WISCONSIN 53228	DRAWING TITLE FLOOR PLAN - TYPICAL UNIT TYPE 2 FLOOR PLAN - TYPICAL UNIT TYPE 3B	ARCHITECTURE PLANNING INTERIOR DESIGN
RICHARD MATSUNAGA & ASSOCIATES ARCHITECTS INC. 1120 SOUTH LINC STREET, 6TH FLOOR, HONOLULU, HAWAII 96813, TELEPHONE (808) 540-6445		

DATE OCTOBER 1978	DESIGNED BY SC
DRAWN BY J.M./M.P./S.B.	CHECKED BY R.M.
SCALE 1/4" = 1'-0"	PROJECT NO. 78-111

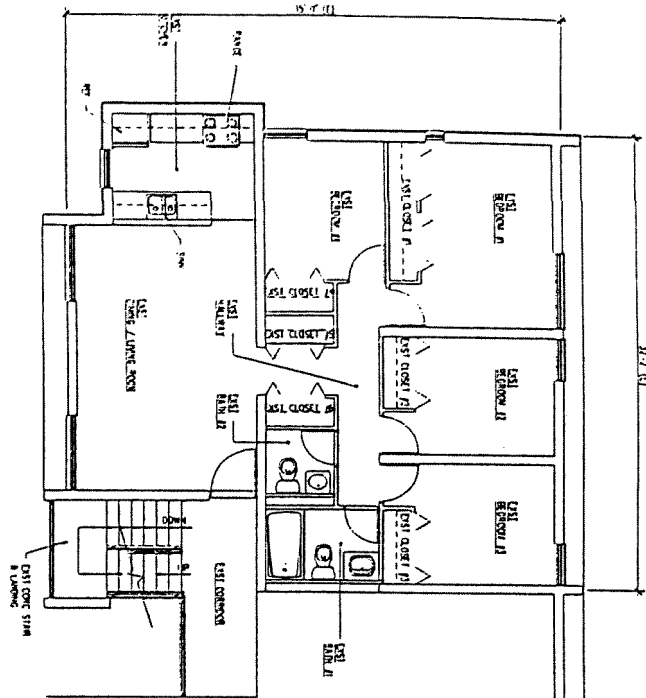
Date: 11/19/94
 Title: 11/19/94
 Project: 11/19/94
 Drawing: 11/19/94
 Scale: 1/4" = 1'-0"



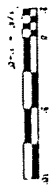
A11.2
 11/19/94

RENOVATION FOR WILIANA HALE 85-101 WILIANA DRIVE WILIANA, HAWAII, 96789	ARCHITECTURE	PLANNING	INTERIOR DESIGN	11/19/94	11/19/94
	RICHARD MATSUNAGA & ASSOCIATES ARCHITECTS INC. 1188 NORTH KING STREET, 810 Floor, HONOLULU, HAWAII 96813. TELEPHONE (808) 586-1200			11/19/94	11/19/94

DATE	11/19/94	SCALE	1/4" = 1'-0"
BY	RM	CHECKED	RM
APP'D	RM	DATE	11/19/94



FLOOR PLAN - TYP 4 BEDROOM UNIT



A11.3

RENOVATION FOR MARIANA HALL
 45-111 51ST AVENUE
 MULLAN, ILLINOIS, 60439

ARCHITECTURE PLANNING INTERIOR DESIGN

RICHARD MATSUNAGA & ASSOCIATES
 ARCHITECTS INC.

1120 WHITE LINC STREET, 810 FLOOR, HURONVILLE, MICHIGAN 48859, TELEPHONE (616) 390-6282

FLOOR PLAN - TYPICAL UNIT TYPE 4

DATE: 10/11/88

BY: [Signature]

DATE 10/11/88	SCALE 1/4" = 1'-0"
DESIGNED BY [Signature]	CHECKED BY [Signature]

STATEMENT OF ENCUMBRANCES

I. The encumbrances against title appearing in the title report dated October 24, 1997, are as follows:

1. Easement 741 for roadway purposes, in favor of the State of Hawaii for ingress and egress from Kamehemeha Highway and Kipapa Street.
2. Easement 741 for right of way purposes, as granted in Deed dated May 27, 1955, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 175108.
3. Easement 741 for access rights purposes in favor of Lots 1-A-12-G-4-A and 1-A-12-G-4-B, as set forth by Land Court Order No. 20406, filed September 4, 1962.
4. Easement 741 as shown on Map 295, as set forth by Land Court Order No. 31031, filed December 10, 1969.
5. Restrictions, covenants and conditions as contained in:

DECLARATION

Dated: November 23, 1971

Land Court

Document No. 560396

Re: annexes land under search to Mililani Town and subjects land under search to Declaration of Covenants, Conditions and Restrictions dated April 19, 1968, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 441561, and also recorded in the Bureau of Conveyances of the State of Hawaii in Liber 6030 Page 37, as amended by instrument dated May 22, 1968, filed in said Office as Land Court Document No. 445150, and also recorded in said Bureau in Liber 6076 Page 100, to

which reference is hereby made, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c)

6. **MORTGAGE**

Mortgagor: Quality Pacific, Ltd., as General Partner of Quality Pacific Syndication No. 1, a Hawaii limited partnership
Mortgagee: Bank of Hawaii
Dated: December 1, 1972
Land Court
Document No. 610702
To Secure: \$3,386,900.00
and any other amounts and/or obligations secured thereby

ASSIGNMENT OF MORTGAGE

Assignor: Bank of Hawaii, a Hawaii corporation

Assignee: Federal National Mortgage Association, a corporation organized and existing under the laws of the United States
Dated: January 24, 1973
Land Court
Document No. 615882

7. Terms and provisions of that certain Agreement To Assume Mortgage and Promissory Note And Release made by and between Makana Hale Cooperative, a Hawaii nonprofit corporation, "Purchaser", and Federal National Mortgage Association, a corporate instrumentality of the United States of America, and the Secretary of Housing And Urban Development, "Mortgagee", dated March 1, 1996, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 2299111, to which reference is hereby made.

8. Terms and provisions of that certain Regulatory Agreement made by and between Quality Pacific, Ltd., a General Partner of Quality Pacific Syndication No. 1, a Hawaii limited partnership, and the Federal Housing Commissioner, dated December 1, 1972, filed in said Office as Land Court Document No. 610703, as amended by instrument dated June 16, 1975, filed in said Office as Land Court Document No. 739239, to which reference is hereby made.
9. Terms and provisions of that certain Regulatory Agreement For Nonprofit Mortgagors Under Section 236 Of The National Housing Act, As Amended (U.S. Department of Housing and Urban Development - Federal Housing Commissioner) made by and between Makana Hale Cooperative, a Hawaii nonprofit corporation, and Secretary Of Housing And Urban Development, acting by and through the Assistant Secretary for Housing - Federal Housing Commissioner, dated March 1, 1996, recorded in said Office as Land Court Document No. 2299112, to which reference is hereby made.
10. Terms and provisions of that certain Use Agreement And Amendment Of Existing Regulatory Agreement For Nonprofit Cooperative Mortgagors made by and between Makana Hale Cooperative, a Hawaii nonprofit corporation, and the Secretary Of Housing And Urban Development, by and through the Federal Housing Commissioner, dated March 1, 1996, recorded in said Bureau as Document No. 2299113, to which reference is hereby made.

11. **FINANCING STATEMENT**

In Favor Of: Federal National Mortgage Association, a corporation organized and existing under the laws of the United States of America, and Secretary of Housing and Urban Development

Recorded On: March 29, 1996
Document No. 96-043910