

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer Diamond Head Alii Corp.
Address 3017-27 Pualei Circle, Honolulu, Hawaii 96815
Project Name(*): DIAMOND HEAD ALII
Address: 3017-27 Pualei Circle, Honolulu, Hawaii 96815

Registration No. 1232 (Conversion)

Effective date: September 21, 1999
Expiration date: October 21, 2000

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 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 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: (yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report.
CONTINGENT FINAL: (green) The developer has legally created a condominium and has filed information with the Commission for this report which EXPIRES NINE (9) MONTHS after the above effective date.
X FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
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 condominium project:

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

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

Diamond Head Alii was formerly a cooperative apartment project, which has been converted to a condominium project by the fee owner, the developer and the shareholder/lessees of the cooperative corporation.

**SPECIAL ATTENTION SHOULD BE GIVEN TO THE ADDITIONAL INFORMATION
(SEE PAGE 20) AND THE SUMMARY OF RIGHTS RESERVED TO THE DEVELOPER
(SEE EXHIBIT "J")**

SPECIAL ATTENTION

This is a CONDOMINIUM PROJECT, not a subdivision. It does not involve the sale of individual subdivided lots. The fenced-in yard area adjacent to and just beyond the 92-square foot lanais for certain units are designated LIMITED COMMON ELEMENTS appurtenant to those units and are not boundaries of legally subdivided lots (see Exhibit "D" of this public report). The dotted lines on the Condominium Map bounding the designated number of square feet in each limited common element yard area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

1. This public report does not constitute approval of the Project by the Real Estate Commission, or any other government agency, nor does it ensure that all applicable County codes, ordinances and subdivision requirements have been complied with.

2. Facilities and improvements normally associated with County-approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owner and emergency traffic, drainage facilities, etc., may not necessarily be provided for, and services such as County street maintenance and trash collection will not be available for interior roads and driveways.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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General Information On Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

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

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

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

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

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

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

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Diamond Head Alii Corp. Phone: c/o Lowell D. Funk, Inc., (808) 923-4193
Name (Business)
3017-27 Pualei Circle
Business Address
Honolulu, Hawaii 96815

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

Alan Titchenal (president)
Joseph A. Kinoshita (vice president)
Emiko Sakurai (secretary)
Robert J. Becker (treasurer)

Real Estate Broker: N/A [See Exhibit N] Phone: _____
Name (Business)

Business Address

Escrow: First American/Long & Melone Title Company, Ltd. Phone: (808) 523-2358
Name (Business)
1001 Bishop Street, Suite 2770
Business Address
Honolulu, Hawaii 96813

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

Business Address

Condominium Managing Agent: Lowell D. Funk, Inc. Phone: (808) 923-4193
Name (Business)
250 Ohua Avenue, Apartment 58
Business Address
Honolulu, Hawaii 96815

Attorney for Developer: Case Bigelow & Lombardi Phone: (808) 547-5400
(James M. Cribley/David F. Andrew) (Business)
Name
Grosvenor Center, Mauka Tower
737 Bishop Street, Suite 2600
Business Address
Honolulu, Hawaii 96813

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

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

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

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances Document No. 99-137373
Book _____ Page _____
 Filed - Land Court Document Number _____

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

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

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. 2943
 Filed - Land Court Condo Map No. _____

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

- C. **Bylaws of the Association of Apartment Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances Document No. 99-137374
Book _____ Page _____
 Filed - Land Court Document No. _____

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

D. **House Rules.** The Board of Directors may adopt House Rules to govern the use and operation of the common elements and limited common elements. House rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the developer.

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

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

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

| | <u>Minimum Set by Law</u> | <u>This Condominium</u> |
|--------------------------------|-------------------------------|--|
| Declaration (and Condo Map) | 75%* | <u>75%</u> |
| Bylaws | 65% | <u>65%</u> |
| House Rules | --- | <u>Majority Vote of Board of Directors</u> |

* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. **Developer:**

No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.

Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

[See Exhibit J to this public report]

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- [X] Fee Simple: Individual apartments and the common elements, which includes the underlying land, will be in fee simple.
[] Leasehold or Sub-leasehold: Individual apartments and the common elements, which includes the underlying land will be leasehold.

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

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

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

Lease Rent Payable: [] Monthly [] Quarterly
[] Semi-Annually [] Annually

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

For Sub-leaseholds:

- [] Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:
[] Canceled [] Foreclosed

- [] As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

- [] Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Sub-leasehold:

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

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

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

Lease Rent Payable: [] Monthly [] Quarterly
[] Semi-Annually [] Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per: [] Month [] Year

- [] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

B. Underlying Land:

Address: 3017-27 Pualei Circle Tax Map Key: (1) 3-1-26:31
Honolulu, Hawaii 96815 (TMK)

Address TMK is expected to change because _____

Land Area: 31,890 square feet acre(s) Zoning: A-2

Fee Owner: DHA FEE LLC
Name

3017-27 Pualei Circle
Address

Honolulu, Hawaii 96815

Lessor: N/A
Name

Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: three Floors Per Building 2 have three levels and 1 has four levels
(the bottom of which is composed of parking stalls)

Exhibit A contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other steel, glass and other building materials

4. Uses Permitted by Zoning:

| | No. of <u>Apts.</u> | Use Permitted <u>By Zoning</u> | | No. of <u>Apts.</u> | Use Permitted <u>By Zoning</u> |
|---|------------------------|---|---|------------------------|--|
| <input checked="" type="checkbox"/> Residential | <u>54</u> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Ohana | <u></u> | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Commercial | <u></u> | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Industrial | <u></u> | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Mix Res/Comm | <u></u> | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Agricultural | <u></u> | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Hotel | <u></u> | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Recreational | <u></u> | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Timeshare | <u></u> | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Other: <u></u> | <u></u> | <input type="checkbox"/> Yes <input type="checkbox"/> No |

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

Yes No

5. Special Use Restrictions:

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

- Pets No pets or other animals permitted, except as may be permitted under the House Rules.
- Number of Occupants: _____
- Other: Apartments shall be used for residential purposes only; no "time-sharing" permitted.
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

| <u>Apt. Type</u> | <u>Quantity</u> | <u>BR/Bath</u> | <u>Net Living Area (sf)*</u> | <u>Net Other Area (sf)</u> | <u>Identify</u> |
|------------------|-----------------|----------------|------------------------------|----------------------------|-----------------|
| <u>"A"</u> | <u>36</u> | <u>1/1</u> | <u>526</u> | <u>92</u> | <u>Lanai</u> |
| <u>"B"</u> | <u>3</u> | <u>1/1</u> | <u>510</u> | <u>92</u> | <u>Lanai</u> |
| <u>"C"</u> | <u>15</u> | <u>1/1</u> | <u>538</u> | <u>92</u> | <u>Lanai</u> |

Total Number of Apartments: 54

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

The floor areas shown are approximate only.

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. The areas of the apartments are likely to vary somewhat. Even apartments of the same type may differ in their actual areas. The Developer makes no representations or warranties as to the floor area of any particular apartment.

Boundaries of Each Apartment: Each apartment includes all walls, columns and partitions which are not load-bearing within the apartment's perimeter walls, the inner decorated or finished surfaces of all walls, floors, ceilings, doors, door frames and window frames along the perimeters, all windows along the perimeters, the air space within the perimeter, the lanais shown on the Condominium Map to the inner decorated or finished surfaces of the perimeter walls, if any, of such lanais, and to the interior edge of the exterior railings, if any, or other boundaries of such lanais, the lanai air space, all fixtures originally installed in the apartment, and all pipes, plumbing (including water heaters), wires, conduits and other utility or service lines and facilities servicing only the apartment. The apartments shall not include the undecorated or unfinished surfaces of the perimeter party or non-party walls, the undecorated or unfinished surfaces of the doors, door frames and window frames along the perimeters, the interior load-bearing columns, girders, beams and walls, the undecorated or unfinished surfaces of the floors and ceiling surrounding each apartment, the exterior edge of the exterior railings, if any, or other exterior boundaries of the lanais shown on the Condominium Map, the entry area shown on the Condominium Map, or any pipes, shafts, wires, conduits or other utility or service lines running through an apartment which are utilized for or serve more than one apartment, all of which are deemed common elements as provided in the condominium declaration.

Permitted Alterations to Apartments: Any alterations or additions solely within an apartment or within a limited common element appurtenant to and for the exclusive use of an apartment or more than one apartment, shall require only the written approval thereof, including the plans thereof, by the owners of such apartment(s), by the holders of first mortgage liens affecting such apartment(s) (if the lienholders require such approval), by the appropriate agencies of the State of Hawaii and the City and County of Honolulu if such agencies so require, and by the Board (which approval shall not be unreasonably or arbitrarily withheld or delayed), and by all other owners thereby directly affected (as determined in a reasonable manner by the Board). Upon completion of such alterations or additions, the apartment owner(s) directly affected shall duly record and file of record an amendment to the condominium declaration together with the approved plans showing only such alterations or additions within an apartment space or within a limited common element as aforesaid. Such amendment to the condominium declaration need only be executed by the apartment owner(s) directly affected and their first mortgagees, as may be required.

7. Parking Stalls:

Total Parking Stalls: 48

| | <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 | <u> </u> | <u>26</u> | <u>11</u> | <u>10</u> | <u> </u> | <u> </u> | <u>47</u> |
| Guest | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unassigned | <u> </u> | <u>1</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u>1#</u> |
| Extra for Purchase | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Other: | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>27</u> | <u> </u> | <u>21</u> | <u> </u> | <u>0</u> | <u> </u> | <u>48</u> |

Each apartment will have the exclusive use of at least * parking stall(s).

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

#The Developer has reserved the right to designate parking stalls not otherwise designated as limited common elements to be appurtenant to and for the exclusive use of any apartment in the Project or to be used as guest parking stalls for the Project. See Exhibit J to this public report.

* Some of the apartments have the exclusive use of certain assigned parking stalls as shown on Exhibit "B", however, some of the apartments do not have any parking stall assigned to it.

Note: There is the potential that an additional parking stall, currently used for storing two solar water tanks and bicycle racks, may be designated as a limited common element to be appurtenant to and for the exclusive use of an apartment in the Project or for use as a guest parking stall for the Project, thereby bringing the total number of usable parking stalls to 49.

Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities.

There are no recreational or common facilities.

Swimming pool

Storage Area

Recreation Area

Laundry Area

Tennis Court

Trash Chute/Enclosure(s)

Other: _____

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 _____
(Date)

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

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

The structural components and the mechanical and electrical installations material to the use and enjoyment of the Project are described in reports from a licensed professional architect, a mechanical and electrical engineer and a structural engineer, which are attached hereto as Exhibit L. No representations of any kind are made as to the expected useful life of the structural components and mechanical and electrical installations material to the use and enjoyment of the Project.

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:

On September 8, 1977, a zoning variance (77/ZBA/95) was granted with conditions to permit a hot water storage tank within the side-yard set back. See attached letter from the Department of Planning and Permitting of the City and County of Honolulu (Exhibit M).

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 | _____ | _____ |

* See attached letter from the Department of Planning and Permitting of the City and County of Honolulu (Exhibit M) and page 20.

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

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

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

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

1. Common Elements: Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

described in Exhibit C .

as follows:

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

There are no limited common elements in this project.

The limited common elements and the apartments which use them, as described in the Declaration, are:

described in Exhibit D .

as follows:

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

described in Exhibit E .

as follows:

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 and ownership of an apartment in the project.

Exhibit F describes the encumbrances against the title contained in the title report dated August 26, 1999 and issued by First American Long and Melone Title Co., Ltd. .

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[] There are no blanket liens affecting title to the individual apartments.

[X] There are blanket liens which may affect title to the individual apartments.

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

| <u>Type of Lien</u> | <u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u> |
|---------------------|---|
| Mortgages | The Buyer's interest may be terminated by the Mortgagee, but all deposits, if any, made by the Buyer will be refunded, less any escrow cancellation fees. |

F. Construction Warranties:

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

1. **Building and Other Improvements:**

Buyer understands that the buildings were built almost 40 years ago. Developer is conveying the units in an "as is" condition. The Developer is giving no warranties to Buyer regarding the construction, materials or workmanship of the Project.

2. **Appliances:**

None.

G. Status of Construction and Date of Completion or Estimated Date of Completion:

The buildings were constructed in 1960.

H. Project Phases:

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

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

IV. CONDOMINIUM MANAGEMENT

A. Management of the Common Elements: The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

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

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

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

B. Estimate of Initial Maintenance Fees:

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your apartment and the apartment may be sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit G contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. Utility Charges for Apartments:

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

None Electricity (Common Elements only Common Elements & Apartments)
 Gas (Common Elements only Common Elements & Apartments)
 Water Sewer Television Cable
 Other Refuse collection

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

Notice to Owner Occupants [exempt pursuant to letter from Real Estate Commission, dated June 25, 1999, a copy of which is attached as Exhibit N.]

Specimen Sales Contract *

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

* Because the apartments will not technically be sold, no sales contract has been prepared. Rather, an Apartment Distribution Contract will be used, a summary of which is set forth in Exhibit H.

Escrow Agreement dated August 30, 1999

Exhibit I contains a summary of the pertinent provisions of the escrow agreement.

Other _____

B. Buyer's Right to Cancel Sales Contract:

1. Rights Under the Condominium Property Act (Chapter 514A, HRS):

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the developer may be binding on the developer unless the developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

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

Contingent Final Report or Supplementary Report to a Contingent Final Report: Sales made by the developer are binding if:

A) The Developer delivers to the buyer a copy of:

- 1) Either the Contingent Final Public Report **OR** the Supplementary Public Report which has superseded the Contingent Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
- 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer is given an opportunity to read the report(s); **AND**

C) One of the following has occurred:

- 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
- 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
- 3) The apartment is conveyed to the buyer within 30 days after the date the report(s) were delivered to the buyer.

Final Report or Supplementary Report to a Final Report: Sales made by the developer are binding if:

A) The Developer delivers to the buyer a copy of:

- 1) Either the Final Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
- 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer is given an opportunity to read the report(s); **AND**

C) One of the following has occurred:

- 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
- 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
- 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

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

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

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 issued an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended..
- D) House Rules, if any.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs (DCCA). Supporting documents for this registration are on file with the DCCA for a period of ten years and one day after the effective date of the last public report. After that time, the DCCA will destroy the supporting documents except for the last public report. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107, are available at the Cashier's Office, Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P.O. Box 541, Honolulu, Hawaii 96809, at a nominal cost.

This Public Report is a part of Registration No. 4232 filed with the Real Estate Commission on September 1, 1999.

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

YELLOW paper stock WHITE paper stock PINK paper stock GREEN paper stock

C. Additional Information Not Covered Above

1. The City and County of Honolulu's Department of Planning and Permitting in its letter of June 3, 1999, states that its investigation of the Project revealed the following:

- a. The three 3-story 18-unit apartment buildings met all applicable code requirements when they were constructed in 1960;
- b. On September 8, 1977, a zoning variance (77/ZBA-95) was granted with conditions to permit a hot water storage tank within the side yard setback; and
- c. The Project has the following nonconforming conditions:
 - i. the number of all-weather surface off-street parking stalls (48).
 - ii. some parking stalls are located within the side-yard setback.
 - iii. the three apartment buildings are built within the yard setbacks required under the current Land Use Ordinance.

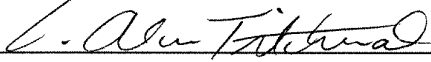
If a building is destroyed by any means to an extent of more than 50% of its replacement value at the time of destruction, it may not be reconstructed except in conformity with the provisions of the Land Use Ordinance of the City and County of Honolulu.

Pursuant to sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that an officer of the Developer, Joseph A. Kinoshita, RB15986, is a current and active Hawaii-licensed real estate broker. Further, that Joseph A. Kinoshita, is a Sole Proprietor. Pursuant to section 16-99-11(d), HAR, "(n)o licensee shall be allowed to advertise 'For Sale by Owner', 'For Rent by Owner', 'For Lease by Owner', 'For Exchange by Owner'."

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.

Diamond Head Alii Corp.
Printed Name of Developer

Diamond Head Alii Corp.,
a Hawaii corporation

By: 
Name:
Title:

Date: August 30, 1999

Distribution:

Department of Finance, City and County of Honolulu
Planning Department, City and County of Honolulu

EXHIBIT A

DESCRIPTION OF BUILDINGS

The Project consists of three residential apartment buildings (each of which contains eighteen apartments). Two of the buildings (Keawe and Kuhio) have three stories or levels. One of the buildings (Konia) has four stories or levels, the bottom of which is comprised of parking stalls. None of the buildings has a basement. The buildings are constructed principally of concrete, masonry, plaster, wood, glass and related building materials.

The buildings are identified on the Condominium Map by name: Keawe, Kuhio and Konia.

EXHIBIT B
PARKING STALLS

| <u>APT. NUMBER</u> | <u>STALL</u> | <u>APT. NUMBER</u> | <u>STALL</u> |
|--------------------|--------------|--------------------|--------------|
| 101 | 29 | 211 | -- |
| 102 | 45 C | 212 | 6 C |
| 103 | 24 | 213 | 42 C |
| 104 | 7 C | 214 | 38 |
| 105 | 33 | 215 | 39 |
| 106 | 1 C | 216 | 37 |
| 107 | 14 | 217 | 46 C |
| 108 | 18 | 218 | 8 C |
| 109 | 11 C | 301 | 26 |
| 110 | 23 | 302 | -- |
| 111 | 40 C | 303 | 2 C |
| 112 | 32 | 304 | 15 |
| 113 | 30 | 305 | -- |
| 114 | 43 C | 306 | 4 C |
| 115 | -- | 307 | 19 |
| 116 | -- | 308 | 17 |
| 117 | 31 | 309 | 20 |
| 118 | 49 C | 310 | 21 |
| 201 | 35 | 311 | 22 |
| 202 | 44 C | 312 | 27 |
| 203 | 10 C | 313 | 41 C |
| 204 | 9 C | 314 | 48 C |
| 205 | 3 C | 315 | 34 |
| 206 | -- | 316 | 47 C |
| 207 | 16 | 317 | 36 |
| 208 | 28 | 318 | -- |
| 209 | 25 | | |
| 210 | 5 C | | |

Note: A parking stall marked with a "C", as shown on the list above indicates a parking stall that is "compact" in size. A parking stall marked with a number designation only, as shown on the list above indicates a parking stall that is "standard" in size. The additional "C" markings appearing on the list above are for informational purposes only and do not constitute part of the legal identification of a parking stall, the sole means of legal identification being the numerical designation of the parking stall.

Fee Owner and Developer have reserved the right, by amendment to the Declaration in accordance with Section Q.2 of the Declaration, to convey or otherwise designate any parking stall not designated above as a limited common element to be appurtenant to and for the exclusive use of any apartment in the Project or for use as a guest parking stall for the Project.

EXHIBIT C

COMMON ELEMENTS

The common elements of the Project include the land described in Exhibit "A" to the condominium declaration in fee simple and the limited common elements described in Exhibit D to this Public Report, and all other portions of the Project, other than the apartments, including, specifically, but not limited to, the common elements mentioned in the Condominium Property Act (HRS Chapter 514A) that are actually constructed on the land, and all other portions of the Project necessary or convenient to its existence, maintenance and safety or normally in common use and which are not included as part of an apartment, including, but not limited to, those common elements described below and those that may be shown on the Condominium Map.

1. The land described in Exhibit "A" to the condominium declaration in fee simple.
2. All structural components, such as foundations, girders, columns, beams, floor slabs, supports, main walls, load-bearing walls, floors, ceiling (except the inner or decorated surfaces of such walls, floors and ceilings), roofs, mailboxes, exterior stairs and stairways, landings, balconies, railings (except lanai railings), entrances and exits of the buildings and/or apartments, and other building appurtenances, including, but not limited to, the solar water tanks, located as shown on the Condominium Map.
3. All yards, grounds, gardens, planters, plants, landscaping, refuse facilities and recreational facilities, including the swimming pool, located as shown on the Condominium Map.
4. All sidewalks, pathways, driveways, roads, parking areas and parking stalls.
5. All ducts, meters, electrical equipment, transformers, wiring, pipes and other central and appurtenant transmissions facilities and installations over, under and across the Project which are used by or serve more than one apartment for services such as power, light, water, gas, sewer, telephone and radio and television signal distribution, if any.
6. All areas, rooms, spaces, structures, housings, chutes, shafts or facilities of the Project within or outside of the buildings, including the storage lockers located within the parking area on the bottom level of the Konia building, which are for common use or which serve more than one apartment, such as electrical, maintenance, service, security, machine, mechanical and equipment rooms and the equipment, machinery and facilities therein.
7. All the benefits, if any, inuring to the land or to the Project from all easements, if any, shown on the Condominium Map or listed in Exhibit "A" to the condominium declaration.
8. Any and all apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use.
9. The fence or wall separating the limited common element yard areas appurtenant to certain apartments from the property line or common areas of the Project.
10. All other parts of the Project which are not included in the definition of an apartment.

EXHIBIT D

LIMITED COMMON ELEMENTS

Certain apartments shall have appurtenant thereto easements for the exclusive use of certain limited common elements as follows:

1. Parking Stalls:

Certain apartments shall have appurtenant to them, as a limited common element, the exclusive right to use such parking stall as designated on Exhibit "B" to this Public Report.

2. Entries:

The entry area outside the entry door of each apartment, as shown on the Condominium Map, is a limited common element appurtenant to that apartment.

3. Stairways and Second and Third Floor Landings:

Each stairway and second and third floor landing area providing access to the entry areas for second and third floor apartments is a limited common element appurtenant to the apartments so served.

4. Mailboxes:

Each mailbox bearing the same identification as an apartment is a limited common element appurtenant to that apartment.

5. Yard Areas:

Each fenced-in yard area adjacent to and just beyond the 92-square foot lanais for apartments 101, 107, 108, 109, 110, 111 and 112 are limited common elements appurtenant to those respective apartments. The outer limit of each such yard area is deemed to be the interior surface of the fence (i.e., the surface facing the apartment) enclosing the area. **The size and dimensions of each such yard area, as shown on the condominium map, are approximate only. Fee Owner and Developer make no representations or warranties whatsoever as to the size or dimensions of the yard area appurtenant to such apartments.**

EXHIBIT E
COMMON INTERESTS

| <u>Type and Number of Apartments</u> | <u>Apartment Number</u> | <u>Undivided Common Interest of Each Apartment</u> |
|---|--|---|
| A (36) | 102, 103, 104, 105, 108, 109, 110, 111, 114, 115, 116, 117, 202, 203, 204, 205, 208, 209, 210, 211, 214, 215, 216, 217, 302, 303, 304, 305, 308, 309, 310, 311, 314, 315, 316, 317 | 1/54 |
| B (3) | 106, 206, 306 | 1/54 |
| C (15) | 101, 107, 112, 113, 118, 201, 207, 212, 213, 218, 301, 307, 312, 313, 318 | 1/54 |

EXHIBIT F

ENCUMBRANCES AGAINST TITLE

1. Title to all mineral and metallic mines reserved to the State of Hawaii.

2. **LEASE**
Lessor(s): Manuel Gomes, husband of Gosie Gomes
Lessee(s): Albert M. Felix, husband of Irene P. Felix, Clyde K. Yamamoto, unmarried, and Hiroo Hakao, husband of Lily S. Nakao
Dated: March 15, 1958, effective July 1, 1958
Recorded in the Bureau of Conveyances in Book 3440, Page 298.
Term: 75 years from July 1, 1958 to and including June 30, 2033, unless sooner terminated

As amended by instruments dated July 23, 1958, recorded in the Bureau of Conveyances in Book 3517, page 46, dated December 11, 1964, recorded in the Bureau of Conveyances in Book 4922, Page 588, dated May 21, 1971, recorded in the Bureau of Conveyances in Book 7560, Page 6, dated August 19, 1971, recorded in the Bureau of Conveyances in Book 7782, Page 183, dated March 12, 1975, recorded in the Bureau of Conveyances in Book 10707, Page 33, dated September 15, 1978, recorded in the Bureau of Conveyances in Book 13148, Page 91, and dated November 4, 1991, recorded in the Bureau of Conveyances as Document No. 91-153943.

Which said Lease was, by mesne Assignments, assigned to Diamond Head Alii Corp., a Hawaii corporation by the following:

Limited Warranty Partial Assignment Of Lessee's Interest In Lease And Limited Warranty Partial Assignment Of Sublessor's Interest In Subleases dated November 25, 1991, recorded in the Bureau of Conveyances as Document No. 91-165226, from Bishop Trust Company, Limited, a Hawaii corporation, Trustee under Deed of Trust dated September 23, 1958 made by Albert M. Felix, Clyde K. Yamamoto and Hiroo Nakao, recorded in the Bureau of Conveyances in Book 3556, Page 160, as amended.

Partial Assignment Of Lessee's Interest In Lease And Partial Assignment Of Sublessor's Interest In Subleases dated November 25, 1991, recorded in the Bureau of Conveyances as Document No. 91-165227, from T. G. Super Exchange Corp., a Hawaii corporation.

NOTE: The interest of the Lessor is now held by DHA FEE LLC, a Hawaii limited liability company, by instrument dated January 28, 1999, recorded in the Bureau of Conveyances as Document No. 99-013559.

3. **MORTGAGE**
Mortgagor(s): Diamond Head Alii Corp., a Hawaii corporation
Mortgagee(s): City Bank, a Hawaii corporation
Dated: November 25, 1991
Recorded in the Bureau of Conveyances as Document No. 91-165229.
Mortgage leasehold interest in said premises.
Said Mortgage was amended by instrument dated January 27, 1999, recorded in the Bureau of Conveyances as Document No. 99-013561.

4. **ASSIGNMENT OF LESSOR'S INTEREST IN LEASES AS SECURITY**
Assignor(s): Diamond Head Alii Corp., a Hawaii corporation
Assignee(s): City Bank, a Hawaii corporation
Dated: November 25, 1991
Recorded in the Bureau of Conveyances as Document No. 91-165230.

5. Restrictions, covenants and conditions as contained in that certain Agreement dated December 28, 1957, recorded in the Bureau of Conveyances in Book 3492, Page 106. 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. GRANT OF EASEMENT
In Favor Of: Hawaiian Electric Company, Limited, a Hawaii corporation, and Hawaiian Telephone Company, a Hawaii corporation (now GTE Hawaiian Telephone Company Incorporated)
Dated: December 3, 1958
Recorded in the Bureau of Conveyances in Book 3577, Page 227.
Purpose: Utility
7. Any and all recorded and/or unrecorded Leases for the apartments and parking stalls.
8. MORTGAGE
Mortgagor(s): DHA FEE LLC, a Hawaii limited liability company, and DIAMOND HEAD ALII, CORP., a Hawaii corporation
Mortgagee(s): City Bank, a Hawaii corporation
Dated: January 27, 1999
Recorded January 28, 1999 in the Bureau of Conveyances as Document No. 99-013560.
9. FINANCING STATEMENT
Debtor(s): Diamond Head Alii Corp., a Hawaii corporation, and DHA FEE LLC, a Hawaii limited liability company
Security Party: City Bank, a Hawaii corporation
Recorded January 28, 1999 in the Bureau of Conveyances as Document No. 99-013562.
10. Declaration of Condominium Property Regime of Diamond Head Alii dated August 12, 1999, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 99-137373, as may be amended from time to time.
11. Condominium Map No. 2943, as may be amended from time to time.
12. Bylaws of the Association of Apartment Owners of Diamond Head Alii adopted August 12, 1999, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 99-137374, as may be amended from time to time.
13. For real property taxes that may be due and owing, reference is made to the Director of Finance, City and County of Honolulu.

EXHIBIT G

ESTIMATE OF INITIAL MAINTENANCE FEES
and
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

| <u>Apartment</u> | <u>Monthly Fee</u> x 12 months = | <u>Yearly Total</u> |
|-------------------------------|----------------------------------|---------------------|
| All apartments in the Project | \$243.63 | \$2,923.56 |

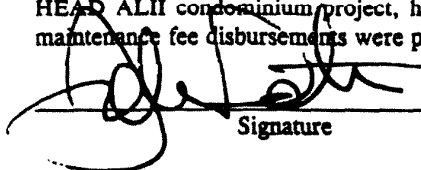
The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

Estimated Initial Maintenance Fee Disbursements for Diamond Head Alii

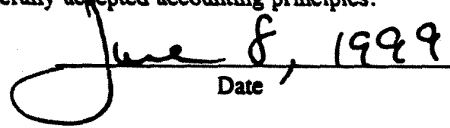
Estimated Initial Maintenance Fee Disbursements:

| | <u>Monthly Fee</u> x 12 months = | <u>Yearly Total</u> |
|--|----------------------------------|---------------------|
| Utilities and Services | | |
| Air conditioning | | n/a |
| Electricity | | n/a |
| <input checked="" type="checkbox"/> common elements only | 500 | 6000 |
| <input type="checkbox"/> common elements and apartments | | n/a |
| Elevator | | n/a |
| Gas | 500 | 6000 |
| Refuse Collection | 100 | 1200 |
| Telephone | 25 | 300 |
| Water and Sewer | 1000 | 12000 |
| Maintenance, Repairs and Supplies | | |
| Building | 200 | 2400 |
| Grounds | 300 | 3600 |
| Management | | |
| Management Fee | 900 | 10800 |
| Payroll and Payroll Taxes | 2050 | 24600 |
| Office Expenses | 300 | 3600 |
| Insurance | | |
| Reserves(*) | 5844 | 70124 |
| Taxes and Government Assessments | 100 | 1200 |
| Audit Fees | 100 | 1200 |
| Other | 154 | 854 |
| TOTAL | <u>\$13156</u> | <u>\$157869</u> |

I, JOHN DOTTEN, employed by LOWELL D. FUNK, INC., the condominium managing agent for the DIAMOND HEAD ALII condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



 Signature



 Date

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514-A-86.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

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 06/07/99

EXHIBIT H

SUMMARY OF APARTMENT DISTRIBUTION CONTRACT

The Apartment Distribution Contract (the "Distribution Contract") contains the method, terms and conditions under which a cooperative apartment lessee ("Grantee") will agree to acquire an apartment in the Project and appurtenant parking stall, if any. Among other things, the Distribution Contract states:

(a) The Apartment's Assessment Balance, the Apartment's Conversion Cost and any Specific Apartment Expenses (collectively, the "Distribution Amount"), method of payment and additional sums, if any, which must be paid in connection with the acquisition of an apartment.

(b) That the Grantee acknowledges having received and read the final condominium public report and the declaration of condominium property regime for the Project and the bylaws of the association of apartment owners prior to signing the Distribution Contract.

(c) That the Grantors make no representations regarding the following:

1. The construction, structural soundness, condition or state of repair, operating order, safety or habitability of the Apartment or any improvements in or within the Project;
2. The suitability of the Apartment or any other improvements for any particular use;
3. Whether or not the Apartment, the Project or any improvements meet the requirements of any building, health, hazardous materials, environmental, zoning, land use, subdivision, setback or other law, ordinance, rule or regulation which may apply;
4. The density, stability, structure, erosion or other condition of the Project's soil for building or any other use;
5. Whether or not any easement, right-of-way or driveway meets the requirements of any building, health, zoning, land use, subdivision, setback or other law, ordinance, rule or regulation which may apply;
6. Whether any building or other improvements on or under the Project encroaches on any land adjoining the Project or whether any building or other improvements on adjoining land encroaches on the Project;
7. Any matter concerning the condition or adequacy of the electrical, water, gas, plumbing or sewer systems and any other utility and public service systems serving the Apartment of the Project (if any);
8. Any staking or survey done by any person; and
9. The location, condition, description or dimension of the Project, the apartment, the limited common elements appurtenant to the Apartment or the common elements of the Project.

(d) That the Grantee's money will be held in an escrow account, under the terms of the Escrow Agreement.

(e) Requirements relating to the Grantee's financing of the purchase of an Apartment.

(f) That the Apartment and the Project will be subject to various other legal documents which the Grantee should examine, and that the Grantor may change these documents under certain circumstances.

(g) Provisions relating to the closing of the acquisition of the Apartment.

(h) That except under certain circumstances, as set forth in the Distribution Contract, all interest on deposits toward the acquisition cost shall be the property of the Grantors.

The Distribution Contract contains various other important provisions relating to the acquisition of an Apartment in the Project. Grantees should carefully read the specimen Distribution Contract on file with the Real Estate Commission.

EXHIBIT I

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement sets up an arrangement under which the payments a Grantee makes pursuant to a Distribution Contract will be held by a neutral party ("Escrow"). Under the Escrow Agreement, these things will or may happen:

- (a) Escrow will accept payments that are due from the Grantee.
- (b) Escrow will arrange for the Grantee to sign all necessary documents.

The Escrow Agreement also establishes the procedures for the retention and disbursement of a Grantee's funds and says what will happen to the funds upon a default under the Distribution Contract. The Escrow Agreement contains various other important provisions and establishes certain charges with which a Grantee should be familiar. Grantees should carefully read the signed Escrow Agreement on file with the Real Estate Commission.

EXHIBIT J

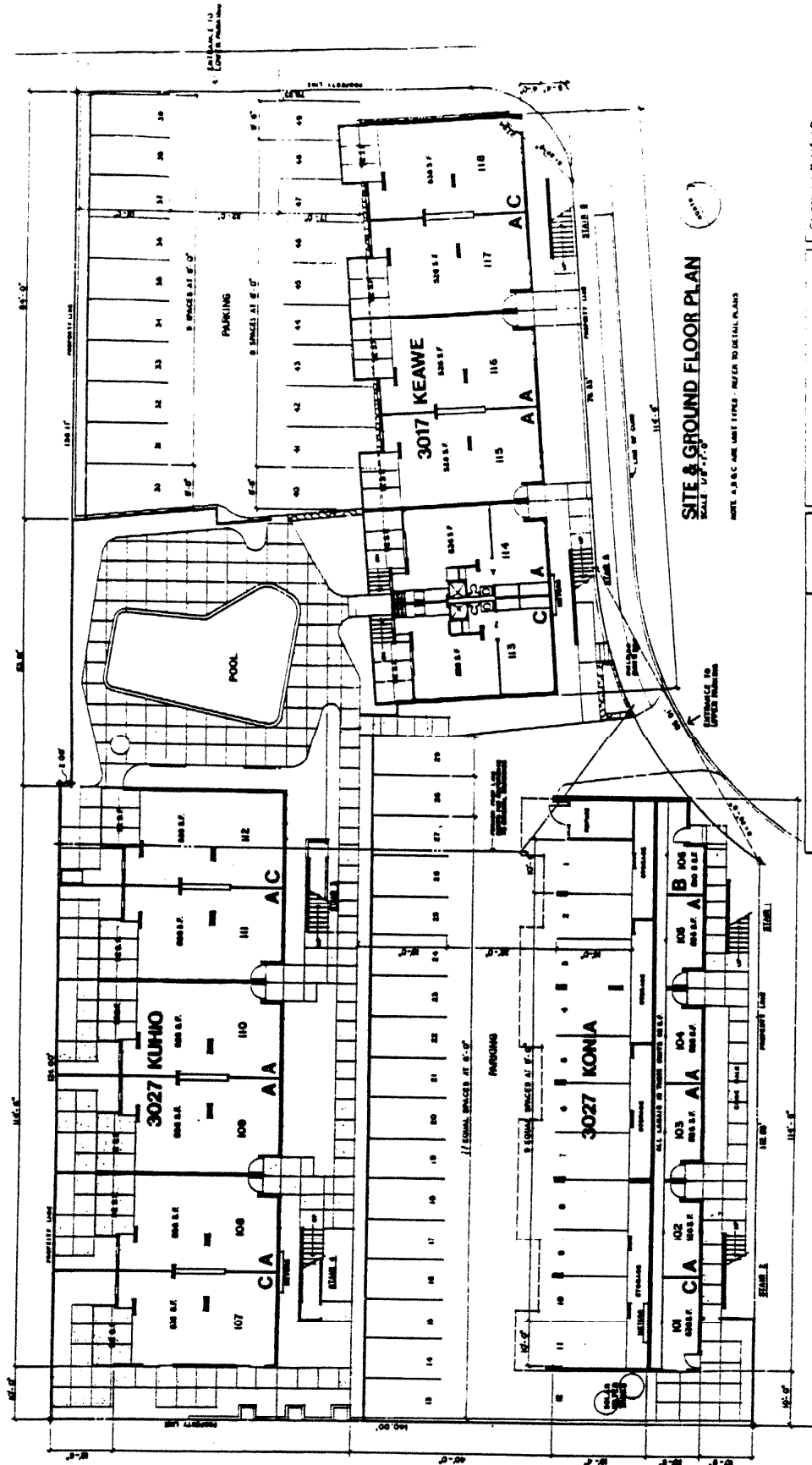
RESERVED RIGHTS

- A. Fee Owner or Developer may amend the Declaration and the Condominium Map (if necessary) to file an "as built" statement required by Section 514A-12 of the Condominium Property Act.

- B. Until the recording of apartment conveyances or agreements of sale with respect to all of the apartments in the Project in favor of persons other than Fee Owner or Developer, Fee Owner or Developer may amend the Declaration, the Bylaws and/or the Condominium Map to make such amendments as may be required by law, by the Real Estate Commission, by the title insurance company, by a mortgage lender, or by any governmental agency (including the VA, HUD, FNMA and/or FHLMC), provided that no such amendments change the common interest appurtenant to an apartment or substantially change the design, location or size of an apartment.

- C. Developer may amend the Declaration to designate parking stalls not otherwise designated as limited common elements to be appurtenant to and for the exclusive use of any apartment in the Project, or to be used as guest stalls for the Project.

EXHIBIT K



SITE & GROUND FLOOR PLAN

NOTE: ALL ROOMS ARE UNIT TYPES - REFER TO DETAIL PLANS

CONSTRUCTION MAP / FULL PLAN
 The work was prepared by me in accordance with the provisions of the
 Hawaii State Building Code, Chapter 245, Part 1, Section 245-1.1, and
 the rules and regulations of the Department of Public Safety, Chapter 161,
 Part 1, Section 161-1.1, and the rules and regulations of the Department of
 Public Safety, Chapter 161, Part 1, Section 161-1.1.
 Date: 11/17/79
 By: Lloyd J. Frank

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 Hawaii State Building Code, Chapter 245, Part 1, Section 245-1.1, and
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 Part 1, Section 161-1.1, and the rules and regulations of the Department of
 Public Safety, Chapter 161, Part 1, Section 161-1.1.
 Date: 11/17/79
 By: Lloyd J. Frank



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GENERAL CONDITION REPORT

SUBJECT PROPERTY: Diamond Head Alii Apartments
2017-37 Pualei Circle
Honolulu, HI 96815
TMK (1) 3 - 1 - 26 - 31

Date of Report: April 12, 1999

Prepared by: Lloyd J. Francois Architects

Attachments:

Mechanical and Electrical Facilities report by Douglas Engineering Pacific, dated 4/12/99 and Structural Conditions Report by Tanimura and Associates are attached to this report and are to be considered a part of it.

Basis of Report:

This report is based on limited visual observations of the site, the buildings and the individual units, by this office and our structural, mechanical and electrical consultants. We performed selective on-site verification of dimensions and conditions represented in construction documents prepared by the architectural firm of Lemmon, Freeth, Haines and Jones dated 12/14/59. These drawings or a similar version thereof, were submitted to the City and County of Honolulu Building Department for Permits issued 1/5/60 (Permits #163144, 163145 and 163146) for the construction of the project. Based upon our observations, construction of the project is consistent with the plans as drawn. Records at the Department of Planning and Permitting indicate several subsequent permits issued for various improvements to the property. These also appear to have been executed in a manner that is consistent with what was approved.

Description:

The Diamond Head Alii Apartment Complex consists of three 18 unit apartment buildings of similar design, construction type and floor plan layout. The complex is located in a residential area among many buildings of similar vintage and design. The buildings have been named the Konia, the Kuhio and the Keawe for identification purposes, since two of them have the same numerical address. The buildings are of type IV, one-hour construction, roof and floors are reinforced concrete slabs supported on reinforced concrete walls, beams, and spandrels. Each building has concrete exterior walls with lava rock facing in some locations. Windows are aluminum sash and frame with louvers or sliding glass. Typical interior partitions are fire-rated gypsum panels. A cavity wall is provided between adjacent units as a chase for venting and plumbing. Modifications observed representing upgrades and improvements are referenced throughout this report.

Each building has three floors with 6 units per floor. The Konia has an additional open level below which contains parking, storage lockers and garbage can enclosure. Forty-nine (49) parking spaces are provided in two parking areas although two spaces have been allocated to bicycle storage racks. These are referred to as the upper and lower parking areas in this report. The complex also includes a pool, landscaped areas and a solar hot water system. Solar panels are mounted on the roof of the Konia. The system's water tanks are located adjacent to the same building.

SITE AND GROUNDS

Walkways, Planters, and Landscaping

Several of the paved walkways show some cracking and settlement but not to a degree unusual for their age and usage. No severe shifting or separation has occurred. Cracks observed may be satisfactorily repaired using a number of conventional methods. Planters and landscaped areas all appeared well maintained with a variety of healthy plants appropriately placed for shading, screening or decorative effect.

Parking Areas

The upper and lower parking areas are asphaltic concrete pavement. Some cracking has occurred and repaving within the next 1 to 2 years has been advised. The most severe deterioration is in the upper parking area adjacent to the Konia. This is a result of the overflow drains from the roof connecting water and dumping it in these areas, with impact from 4 stories above. This can be repaired with relatively minor resurfacing. Parking spaces are various sizes. Most are standard size with minor variations in length and width. Refer to site plan. Spaces are clearly marked and numbered. Aisles and driveways are adequate and appear to comply with governing codes during this period (the period during which this structure was built.) Drainage from parking areas seems satisfactory with very little ponding occurring after periods of rainfall and no evidence of flooding of areas adjacent to the paved surface. No handicapped stalls are provided but the adequacy of the space in the parking area suggests this should not be a problem.

Pool & Pool Deck Area

The paved surface surrounding the pool is the area in which the greatest amount of cracking and settling has occurred. This is not uncommon considering long term differential settlement of the pool weight or due possibly to moisture heaval. The cracks in evidence have been treated with an epoxy injection compound to prevent seepage and associated problems. The pool itself appears to be in good condition although several potential concerns are addressed in attachments to this report. The pool fence adjacent to the lower parking area appears lower than required by current code.

Fences, Gates, Dividers

Fences and gates at the perimeter of the property and surrounding the pool area are chain link with vinyl slats in some cases mounted on the CMU walls. All appear in good condition, with no major defects, rust or deterioration observed. Similarly, the concrete masonry dividers occurring around the property are much newer than the original structure and in good condition.

Signage/Building Identification

Main building signage and map occurs on the lava rock wall at the entrance to the upper parking area. The sign is easily readable and in good condition. Additional signage and building numbering was also in satisfactory condition.

Solar Water System

A solar powered hot water system provides hot water for the complex. The storage tanks are situated on the Diamond Head side of the Konia building in an area previously designated as a parking space. See Mechanical Engineer's Report for additional information on the system.

Bicycle Racks

Bicycle racks have been installed in the two spaces at the far Diamond Head end of the upper parking area.

BUILDING EXTERIOR

Structure, Framing and Exterior Finish

General structural panels appear free from spalling and cracks and exterior painting conceals any repairs which may have been evident. The overall exterior condition is good and the finish on walls, infill panels as well as door and window frames show little weathering. Refer to Structural Engineer's Report for further discussion of these components.

Stairways and Balconies

Some cracking has occurred at landings of stairways but it appears to be minor. The railings of stairs and balconies were found to be securely anchored and well maintained. No bends, loose welds or significant rust spots were observed. Vertical member spacing of railings and guardrail heights do not comply with current building codes but conform with codes of the period in which the building was completed. This is also the case with lanai railings.

Glazing and Wall Openings

Glazed openings appear weather tight and caulking seems to be good. The windows are aluminum sliders or louvers in aluminum frames. All are securely anchored in serviceable condition and appear well maintained. Horizontal cross-members occur at prescribed heights in openings that extend to the floor. Requirements for ventilation and daylighting are adequate based on the square footage. Sill heights in sleeping areas are greater than current codes allow. Partitions defining these areas were not full height in the units observed and as such are presumed to be in compliance with the governing code at the time of construction.

Roofing and Gutters & Downspouts

Asphalt/membrane roofing is approaching replacement age. Some visible cracking and weathering was observed but no significant leakage or swelling has occurred. Some of the solar panel frames show significant deterioration, primarily along the lower drip-edge of the panels. It is our understanding that when these are scheduled for replacement the roofing work will occur as well. Since the substrate for the roofing is reinforced concrete, the overall integrity of the roof is good. Copper gutters and downspouts are in satisfactory condition. Seams and connectors are intact and drainage is diverted to an impervious surface or an appropriate receptacle. The gutters on the Makai side of the Konia have voids which act as scuppers,

dumping water onto the upper parking area. This has resulted in some erosion of the pavement at the point where the water hits the surface, as earlier mentioned.

BUILDING INTERIORS

Interior Alterations and Improvements

The representative units observed depicted a wide range of non-structural interior modifications. The majority were cosmetic in nature and the basic layout in these units remains intact. It is not within the scope of this report to identify all the modifications made throughout the complex. Among the more common modifications however are:

- Addition of a counter between kitchen and living area
- Enclosing lanais for additional interior space
- Wall modifications to enhance privacy
- Wall resurfacing to mitigate sound transmission
- Various floor treatments
- Kitchen renovations and upgrades of appliances, fixtures and finishes
- Bath renovation and upgrades of finishes and fixtures

Partitions and Walls

The original concrete walls and gypsum panels are very durable and provide an excellent substrate for any number of surface treatments and appear to be in good shape. The density of the materials provides for some sound deadening. Resonant sound transmission, however, is still apparent in some units, being transmitted through the reinforced concrete slabs, which resonate on impact. A number of solutions to reducing this problem are available and appear to have been implemented by several tenants.

Light and Ventilation

See paragraph above on glazing and wall openings for daylighting and ventilation. Lighting fixtures are standard residential and vary from unit to unit. The units observed all appeared to have adequate lighting and power access for normal usages. See Mechanical/Electrical attachment for further discussion of this.

Lanai Treatments

Observed units with original outside lanai and sliding glass door as well as a number of enclosure methods in each case an aluminum frame enclosure has been installed on the inside of the lanai railing and terminated at the concrete deck above. A number of glazing systems have been incorporated in these frames. Some units have retained original lanai flooring, while some have been carpeted, tiled or the interior flooring material continued onto the surface.

Living/Sleeping Areas

Both areas seemed adequately sized for placement of furnishings and intended usage. All the units observed were reasonably well maintained with no unusual deterioration or damage.

Kitchen/Bath Areas

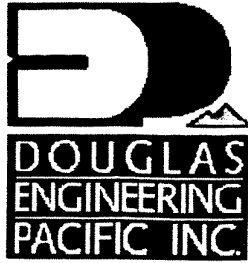
These areas, in all the units observed, were in average or better condition, with many appliance, fixture and cabinet upgrades. Some electrical plugs or plugmold strips were observed in "wet" areas. These would be required to be GFCI outlets under the present code. At the time these buildings were constructed, it is presumed this was not a requirement. No excessive rust or leakage was noticed on the piping and fixtures in the units observed.

CONCLUSIONS:

The general overall condition of the property, the buildings and the building systems is quite good. The interiors and exteriors as well as site appurtenances appear to have been well maintained throughout the years by both individual unit owners and the management entities. As this report suggests, several examples of aging and deterioration were observed, these should be regarded as "normal" considering the buildings age. We feel, based upon our observations that if the current program for maintenance and repair is maintained, the complex will be serviceable for many years into the future.

DISCLAIMER:

While we have attempted in this report to characterize the general overall condition of the subject property. This report is based on limited, selective visual observations. No surveying or testing was done and no calculations were performed. It is beyond the scope of the report to provide a comprehensive analysis or assessment regarding the condition of the site and it's structures, the adequacy of the various systems and the property's compliance with regulations imposed by any agencies. Neither this office nor the other consultant's offices assume any responsibility in this regard.



Diamond Head Alii Mechanical and Electrical Facilities Report
April 12, 1999

DESCRIPTION:

Diamond Head Alii is an existing apartment complex consisting of three separate 3-story walk-up buildings with a swimming pool. Each building has 18 one-bedroom units for a total of 54 units. The buildings are named: Konia (A), Kuhio (B), and Keawe (C). The complex was built in the early 1960's.

SEWER:

There is a sewer manhole located in the sidewalk fronting the Konia building that has a 6" lateral that is connected to the building sewer according to plumbing plans of the complex. The Konia building is at a higher elevation and is the only building with exposed sewer lines below the first apartment level at the parking level ceiling. The other two buildings are on concrete slab on grade and sewer mains connect into a 6" sewer lateral at the makai/Ewa corner of the property. The exposed sewer line is cast iron and there are a few areas of minor to severe corrosion that may require repairs or replacement of certain sections in the near future. There is a 2" shower drain p-trap that will require replacement immediately.

WATER:

There is a 3-inch compound water meter (no. 3897153) located in the sidewalk fronting the Konia Building with 4" flanged ductile iron pipe connected to the inlet and outlet of the water meter. There is no back-flow prevention device after the meter. The 4" line runs into the trash collection area at the Ewa end of the parking level below Konia where it branches off into separate 2" domestic and 2" fire hose copper lines for each of the three buildings. The Konia building's branch is a 3" copper feed that also supplies the solar hot water system. Each building is fed by a 1 1/2" hot water supply with 3/4" return lines from the recirculating loop of the hot water system.

A solar water heating system was installed sometime in the 1970's. The panel system consists of an arrangement of 11 rows of 10 - 3'x6' panels for a total of 110 panels. There are (2) 600-gallon vertical storage tanks located on the Diamond Head side of the Konia building used for solar hot water storage for the entire complex. A 1/2 horsepower recirculating pump is used for this hot water system. A 75-gallon 300,000 BTUH gas heater is also inline with this hot circuit used as a supplemental water heating unit. This heater has a 10" type-B double-walled gas vent that extends from the ground level and terminates about 18" above the roof surface. The gas meter (no. 45456) is located next to the storage tanks near the building exterior wall.

Portions of the domestic water piping have been replaced and all exposed piping and insulation in the parking area appear to be in good condition. The solar panel system on the Konia building's roof is in disrepair and a few panels that have already corroded off their framing. At least one panel was missing. Most of the copper piping is in good condition; however, there is presently at least one leaking panel.

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There are areas of where the insulation requires replacement. The temperature and pressure relief valves operating condition is questionable. Most seem to be corroded and may lock up if purged.

There are fire hose cabinets on each floor of the buildings fed by a 2" wet stand pipe copper line. Another hose cabinet is located near the swimming pool on the Ewa wall of the Kuhio building.

ELECTRICAL POWER SYSTEM:

The main power feed for each of the buildings is taken from a HECO Feeder that comes into the Leahi Avenue side of the property. All three feeders run underneath the Kuhio building (B). Each building has its own metering center located on the south end of the parking area under the Konia building (A) and under the south stair on the Kuhio and Keawe buildings (B and C). There is a separate HECO meter and a main breaker for each apartment.

The electrical equipment for buildings A & B appears to be in reasonably good condition considering its age. The electrical equipment for building C is much more severely corroded than the others, probably due to its location with respect to the wind direction. The life of this equipment could be extended if preventative maintenance is performed consisting of cleaning the corrosion and treating the affected areas with a corrosion inhibitor. The equipment should be opened up, and all connections checked and tightened. It would be prudent to replace the all breakers while replacement breakers are still available. Proper preventative maintenance of this equipment could extend the life another 20 years.

This building was designed without air conditioning. The power system is adequate for the building as designed; however, the addition of air conditioning to the units would require complete replacement of the entire power system.

The circulating pump and associated plumbing for the solar water heating system is located in front of the electrical meters for building A. This is a violation of the National Electrical Code (NEC). This pump should be moved to maintain a minimum of three feet of clearance in front of this equipment.

LIGHTING:

The interior lighting is typical residential incandescent lighting. We did not enter all of the apartments but were told that they all had been remodeled recently. The apartment that we did see had reasonably good lighting fixtures.

The exterior lighting has been retrofitted recently with fluorescent fixtures. The placement and location of the new fixtures appears to be adequate. The exception to this is in the pool area where an older incandescent floodlight is used to light the pool deck and the adjacent parking lot. A lighting study to determine if the lighting levels are up to current standards is beyond the scope of this report and has not been completed.

SWIMMING POOL:

According to the building management, a pool contractor reported that the pool is leaking and that the single drain outlet configuration is not up to code. Further research would be required to determine exactly what pool repairs are necessary this research is beyond the scope of this report

The pool pump and backwash filter assembly is located in a cramped room below the Ewa stairway at the Kuhio building. There are 1 1/2" inlet and outlet Schedule 40 PVC piping that circulated the pool water through a typical pump, backwash filter, trap assembly with chemical line feeds. Modifying the pump equipment configuration of the circuit could possibly allow for more room for accessibility and maintenance. A larger area would be preferable.

The electrical connections are currently blocked by the configuration of the pool equipment. This is a violation of the NEC. The junction boxes in the room may not be blocked and there must be three feet of clear space in front of the disconnect switch.

The pool lighting is not connected to a ground fault breaker. This is not a code violation since the pool was built prior to this requirement, but it is highly recommended that this be installed. A fault in the pool lights as installed could electrify the pool.

Though it is not a code issue, we recommend that the panel feeding the pool equipment be changed out and brought up to current code. This will accommodate ground fault for the pool lights and will help assure the pool is electrically safe.

TYPICAL APARTMENT UNITS:

Each typical one-bedroom unit consists of a typical kitchen with a single compartment sink, garbage disposal, dishwasher and refrigerator. There is a stacked washer/dryer unit located in the kitchen area. The bathroom has a typical tub/shower, water closet and lavatory. In this particular unit observed, there were "newer" copper water lines installed for the lavatory. The old lines were capped at the wall.

Each bathroom has an exhaust fan that is individually connected to a 4" round duct that collects within a duct fire-rated chase and terminates about 18" above the roof at an exhaust cap.

There is a loadcenter in each apartment located in the kitchen cupboard. This loadcenter has breakers for the stove, washer, dryer, receptacle and lighting circuits. This is a typical installation for the era in which this building was designed and built. The NEC has changed considerably since this was designed; however, any major alterations will require compliance with the new code. For instance, the loadcenter may not be located in the cupboard, kitchen, closet or bathroom. Many more circuits will also be required for the kitchen and bathroom. Ground fault receptacles will be required in kitchens, bathrooms and exterior locations.

Most of the units have had the lanais enclosed in one manner or another. None of the units that we visited had electrical receptacles installed in these additions in accordance with the National Electrical Code (NEC). Receptacles must be placed within six feet of the end of a wall and 12 foot on center throughout the addition. The end of the fixed portion of the glass in a sliding glass door counts as the end of the wall.

CONCLUSIONS:

One of the main plumbing code issues for the Diamond Head Alii apartments is that there is no reduced pressure back-flow preventer installed after the meter, which is a Board of Water Supply requirement. They require the back-flow device to be installed after the meter and prior to any connections to the main line. The location of the connection to the water line of the irrigation system on the makai side of the Konia building nearest to the water meter is not known at this time.

If the connection is prior to where the main 4" line enters the trash collection area, it should be reconnected to a new location. The back-flow device can be installed within the trash collection area off the 4" main line. However, this would consume about half of the space within the trash area. Other than the back-flow device, there are no visible deficiencies in material used or other mechanical or plumbing code issues observed at Diamond Head Alii complex.

Areas where accessibility for servicing and maintenance need attention are:

- 1) Swimming pool pump room where relocating some of the equipment further back under the stairway may alleviate the crowding at the entry area.
- 2) Hot water storage tanks, where the side-by-side configuration allows for access to the vertical tank manholes but difficult for movement around the tanks.
- 3) The solar hot water panel assembly is an area where Diamond Head Alii owners should examine their future concerns of the building and hot water system. It is in obviously need of repair or replacement. Newer solar panel systems are more efficient and would not require the same amount of area but if replacement is the direction, then this should be coordinated with a re-roofing project.

The electrical systems are in reasonably good condition. Proper preventative maintenance will extend the life considerably. Any major modifications to the units or the addition of air conditioning will require a major upgrade to the electrical system. The lighting in the pool area does not appear adequate and the fixtures are in poor condition. The electrical panel feeding the pool equipment should be changed out and brought up to current code.

The main electrical code violations requiring attention are:

- 1) The circulating pump location in building A.
- 2) The arrangement of equipment in the pool equipment room to block the access to the electrical junction boxes and disconnect switch.
- 3) The lack of receptacles in the enclosed lanais.
- 4) Storage should be removed from the electrical areas.

All code violations should be addressed immediately. Other recommendations may be addressed as time and funding allows; however, indefinite postponement of maintenance and repairs will lead to much more serious and expensive repair/ replacement projects later.

End of Report

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Consulting Structural Engineers

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STRUCTURAL CONDITION REPORT

Subject: Diamond Head Alii

Date of Visits: March 31 & April 1, 1999

Reported by: Tom Tanimura, P.E.



For: Lloyd Francois

Scope: A visual walkthrough was conducted on the dates above.

Description: The three buildings that make up the complex, Konia, Kuhio and Keawe are similar structures with slight variations. Each building contains 18 units, six units in each of three floors. Konia differs most from the other two in that the makai half of the building has covered parking below the first level of units. At Keawe, only the first level lanai slabs are suspended. And at Kuhio, the entire first level is on grade.

- **Framing System:** The suspended slabs including the roof are cast-in-place reinforced concrete flat slabs. Only Konia has concrete beams at the first level above the parking. At this location, the columns in the parking area are spaced differently from the columns in the units. The beams act to transfer the loads from the columns above to the columns below.

Reinforced concrete columns and walls, carry the slab loads down to concrete spread footings bearing on the soil below.

- **Lateral Force Resisting System:** Lateral forces can be generated from high winds and earthquakes. Reinforced concrete floor and roof slabs form horizontal diaphragms which collect and transfer lateral force into reinforced concrete shear walls. Shear and overturning forces from the shear walls are resisted by the foundation in friction, passive pressure and bearing.

Observations: In general, the overall structure appears to be well maintained and in good condition.

- **Walls and Columns:** Except for some cracks in the retaining wall behind the storage at the parking level in Konia, no significant cracking was observed in any of the reinforced concrete walls and columns.
- **Slabs:** Observation of slabs was pretty much limited to the walkway slabs and stairs since the interior units had floor coverings. A few minor spalls were observed. A couple of spalls were observed on the topside of stair landings but they were small and appeared to be shallow. At the extreme Ewa-makai corner of Konia, there is a small spall under the first floor lanai slab with some reinforcing steel exposed. This spall apparently resulted from a car collision.

As anticipated, there are a number of shrinkage cracks running transverse to the length of the building. Longitudinal cracks were also observed running parallel to and about eight to twelve inches from the face of the building wall line. As a whole the longitudinal cracks were much tighter than the transverse cracks. Both types of slab cracks were present on all of the walkway slabs but only visible from the topside. (The underside of the slabs is painted and the cracks do not telegraph through the paint.)

Disclaimer: The opinions stated in this report are based on limited visual observations only. No physical testing was performed and no calculations have been made to determine the adequacy of the structural system or its compliance with accepted building code requirements.



PHOTO 1: LOOKING
MAKAI, KONIA TO
LEFT, KEAWE TO
RIGHT AND KUHIO
IN BACKGROUND.



PHOTO 2: MAUKA
SIDE OF KONIA.



PHOTO 3: MAUKA
SIDE OF KEAWE.

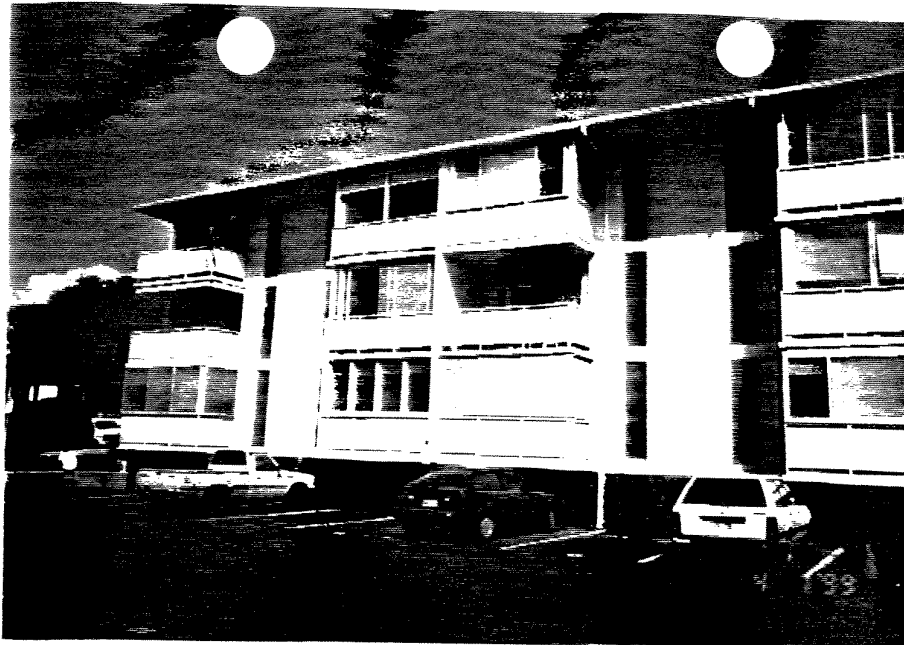


PHOTO 7: MAKAI
SIDE OF KEAWE.
SPALL IN PHOTO 8
LOCATED AT LANAI
JUST BEYOND
YELLOW PICKUP
TRUCK.

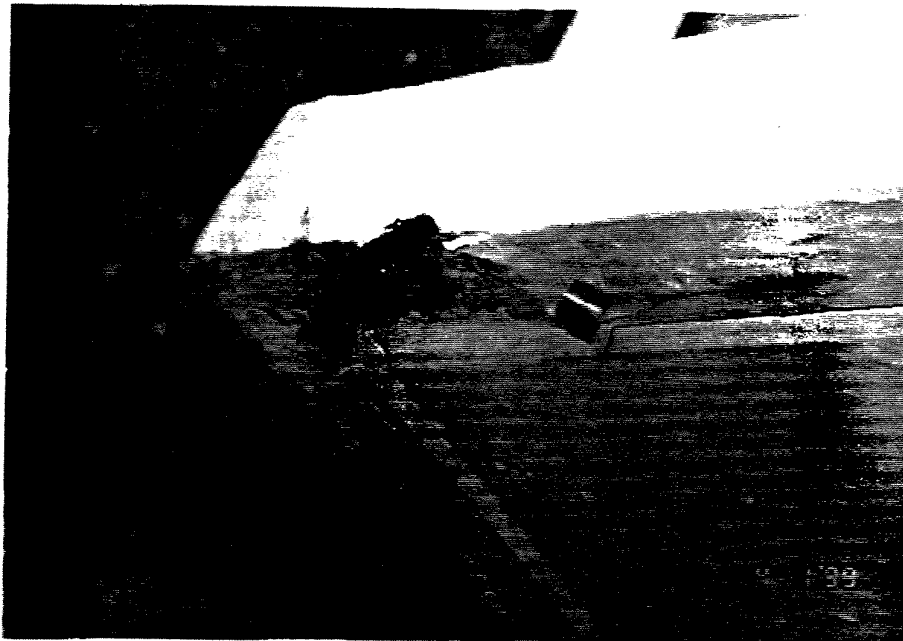


PHOTO 8: SPALL
AT UNDERSIDE OF
LANAI WITH
EXPOSED
CORRODED
REINFORCING
STEEL.

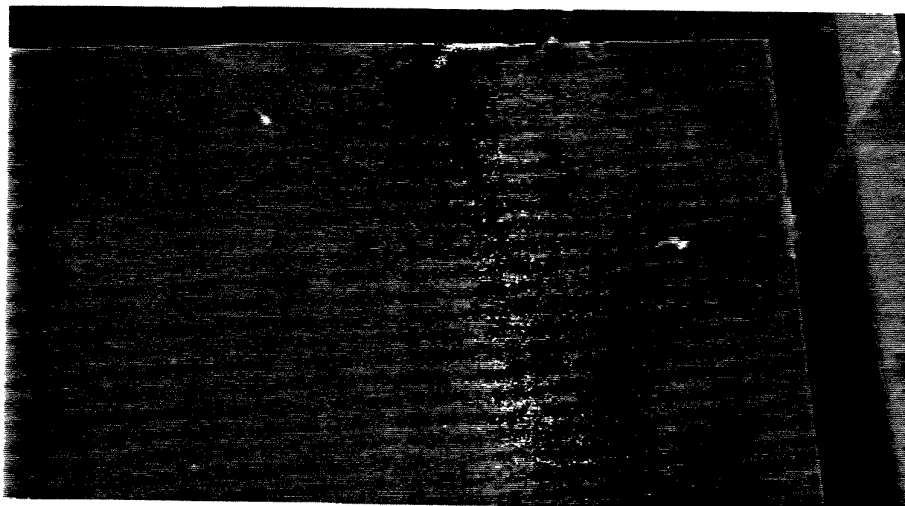


PHOTO 9: TOPSIDE
SPALL ON STAIR
LANDING.

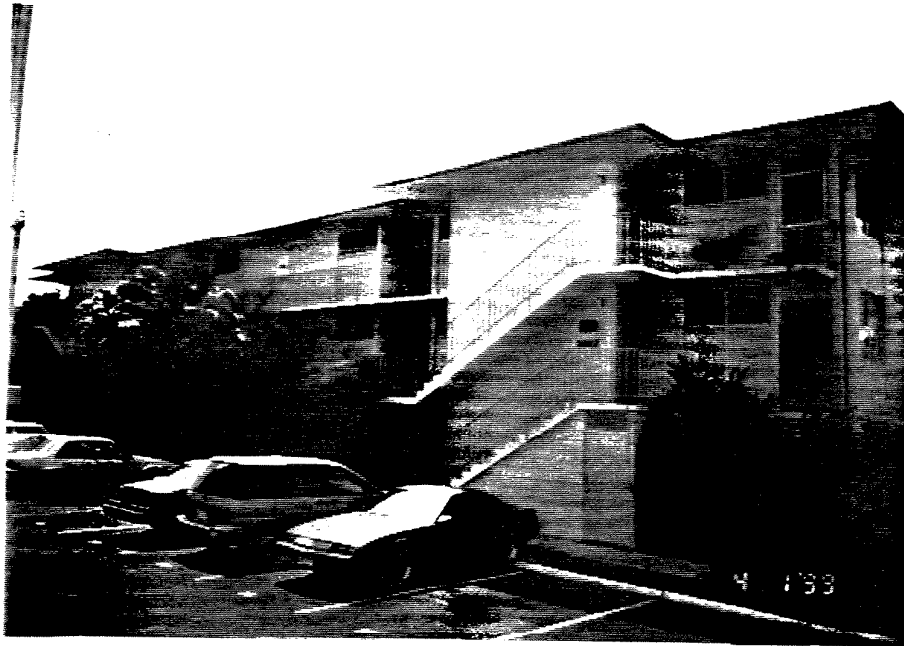


PHOTO 4: MAUKA
SIDE OF KUHIO.

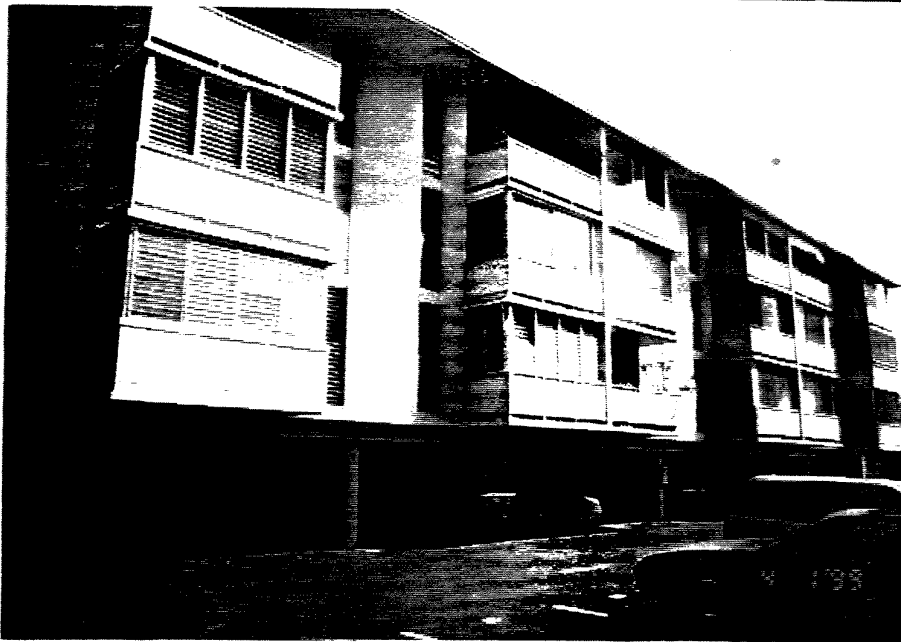


PHOTO 5: MAKAI
SIDE OF KONIA.
NOTE PARKING
BELOW 1ST LEVEL.

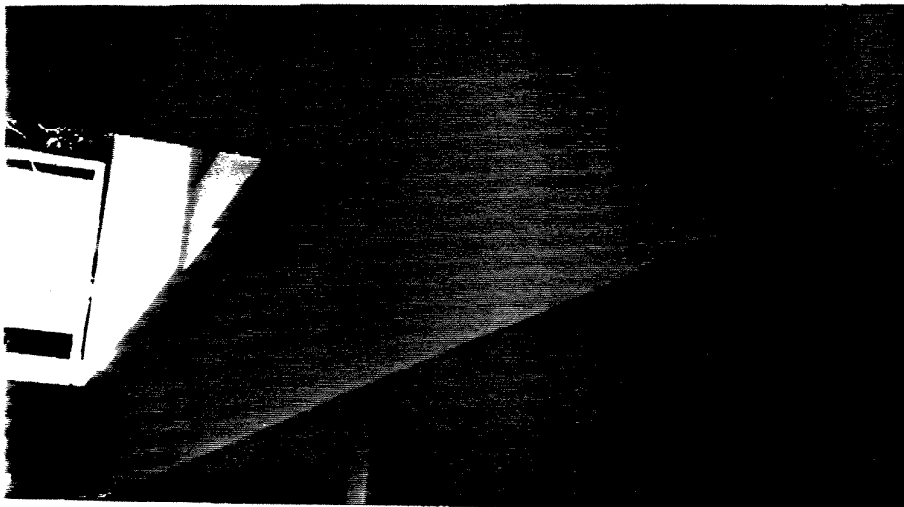


PHOTO 6: PARKING
LEVEL COLUMNS
SUPPORT TRANSFER
BEAM ABOVE AT
KONIA.

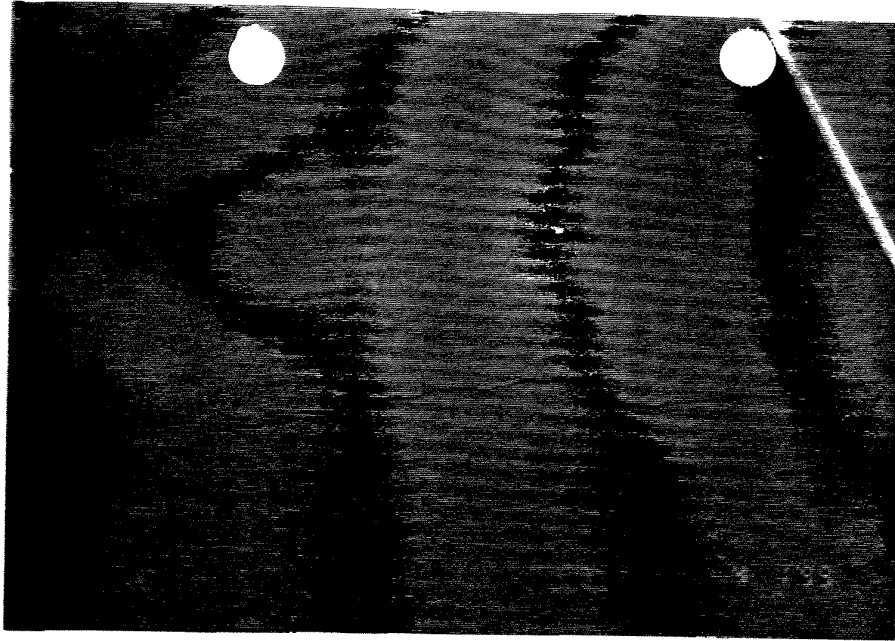


PHOTO 10:
TRANSVERSE CRACK
(RUNNING LEFT TO
RIGHT IN PHOTO)
& LONGITUDINAL
CRACK RUNNING
PARALLEL TO TILE

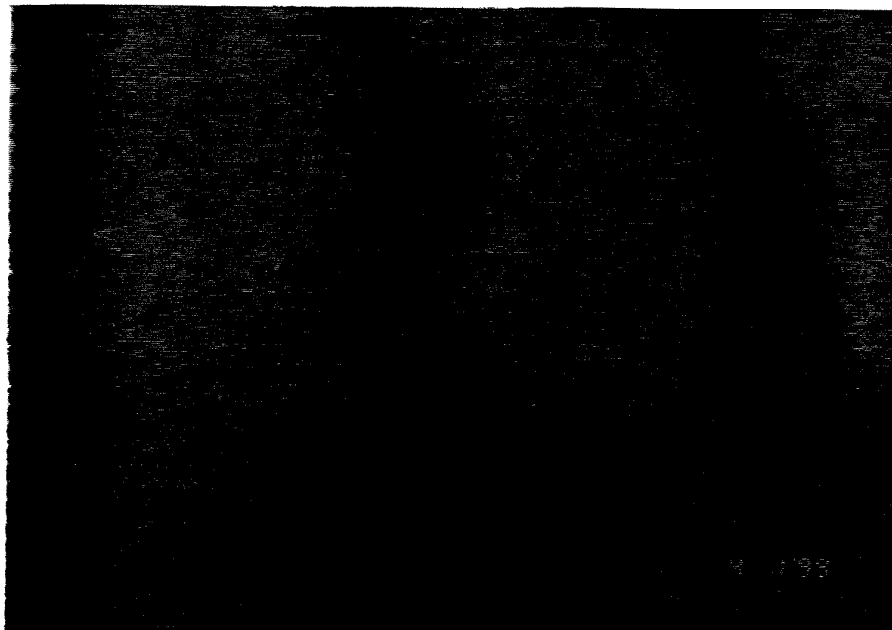


PHOTO 11: CLOSEUP
OF CRACK ABOVE.
NOTE TRANSVERSE
CRACK GENERALLY
WIDER THAN
LONGITUDINAL
CRACK.

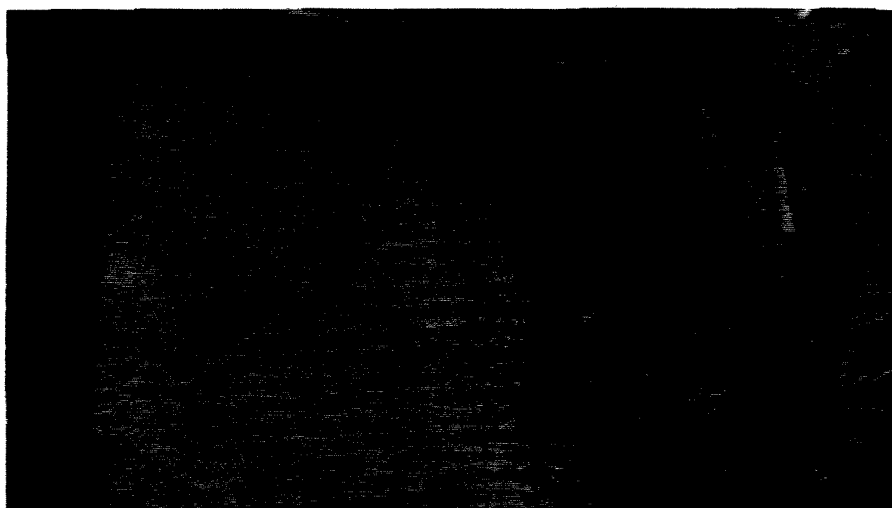


PHOTO 12:
SHRINKAGE CRACK
IN WALKWAY
SLAB-ON-GRADE.

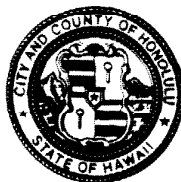
EXHIBIT M

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET • HONOLULU, HAWAII 96813
TELEPHONE: (808) 523-4414 • FAX: (808) 527-6743

JUN - 4

JEREMY HARRIS
MAYOR



JAN NAOE SULLIVAN
DIRECTOR

LORETTA K.C. CHEE
DEPUTY DIRECTOR

99/CLOG-270
Ex99-45 (LT)

JUN 3 1999

Mr. David F. Andrew
Case Bigelow & Lombardi
A Law Corporation
Grosvenor Center, Mauka Tower
737 Bishop Street, Suite 2600
Honolulu, Hawaii 96813-3214

Dear Mr. Andrew:

Subject: Condominium Conversion Project
3017, 3027 and 3035 Pualei Circle
Tax Map Key: 3-1-26: 31

This is in response to your letter dated April 21, 1999 requesting verification that the condominium project known as the "Diamond Head Alii cooperative apartment project" met all applicable code requirements at the time of construction.

Investigation revealed that the three 3-story 18-unit apartment buildings met all applicable code requirements when they were constructed in 1960.

On September 8, 1977, a zoning variance (77/ZBA-95) was granted with conditions to permit a hot water storage tank within the side-yard setback.

Investigation also revealed the following nonconforming conditions:

1. The number of all-weather surface off-street parking stalls (48).
2. Some parking stalls are located within the side-yard setback.

Mr. David F. Andrew

JUN 3 1999

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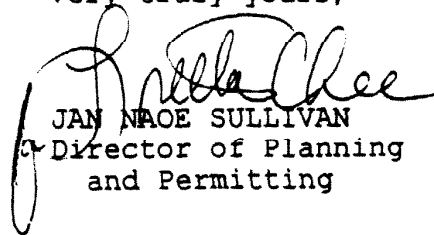
3. The three apartment buildings are built within the yard setbacks required under the current Land Use Ordinance.

No other variances or special permits were granted to allow deviations from any applicable codes.

For your information, the Department of Planning and Permitting cannot determine all other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of this office at 527-6341.

Very truly yours,



JAN NAOE SULLIVAN
Director of Planning
and Permitting

JNS:fk

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EXHIBIT N

BENJAMIN J. CAYETANO
GOVERNOR

MAZIE K. HIRONO
LT. GOVERNOR



KATHRYN S. MATAYOSHI
DIRECTOR

NOE NOE TOM
LICENSING ADMINISTRATOR

STATE OF HAWAII
REAL ESTATE BRANCH
PROFESSIONAL AND VOCATIONAL LICENSING DIVISION
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
250 SOUTH KING STREET, ROOM 702
HONOLULU, HAWAII 96813
<http://www.hawaii.gov/hars>

June 25, 1999

David F. Andrew, Esq.
Case, Bigelow & Lombardi
Grosvenor Center, Mauka Tower
737 Bishop Street, Suite 2600
Honolulu, Hawaii 96813-3214

Dear Mr. Andrew:

Re: Diamond Head Alii; Conversion from Cooperative Apartment Project to
Condominium Property Regime
Request for Informal/Non-Binding Opinion

After a review of the information presented at its June 25, 1999 monthly meeting, including the information presented by you on behalf of your client at the Condominium Review Committee Meeting of June 9, 1999 and your letter dated May 27, 1999, the Real Estate Commission (Commission) decided to issue the following informal, non-binding opinion:

"The conversion of the Diamond Head Alii cooperative housing project to condominium status is not subject to (1) Part VI of Chapter 514A, HRS, (relating to Sales to Owner-Occupants) and (2) the providing of a broker listing agreement; premised on the continuing existence of the following developer represented circumstances:

- One hundred percent of the shareholders of record (prior to the conversion) have agreed to the conversion of the cooperative to a condominium property regime and will be parties to the submission of the property to the condominium property regime;
- Upon conversion, the developer will not sell or offer to sell the apartments to the general public; and the developer is unable to sell or offer to sell the apartments to the general public;
- With the exception of a few, existing shareholders, current shareholders and tenants will continue to reside in the apartments;

David F. Andrew, Esq.
June 25, 1999
Page 2

- Upon conversion, the existing tenants are permitted to continue their occupancy of the apartments, thus, complying with the purpose and intent of section 514A-105 (a), HRS;"

Should you have any further questions, please contact the undersigned at 586-2646.

Very truly yours,

Alvin Imamura,
Chair

By:


Cynthia M. L. Yee
Senior Condominium Specialist

Diamond Head Allii.doc