

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer D.R. Horton-Schuler Homes, LLC, a Delaware limited liability company, dba Schuler Homes
Address 828 Fort Street Mall, 4th Floor, Honolulu, Hawaii 96813
Project Name (*): WATERCOLORS AT MAKAKILO
Address: Makakilo Drive, Kapolei, Hawaii 96707
Registration No. 4840
Effective date: May 1, 2002
Expiration date: January 31, 2003

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)
X CONTINGENT FINAL: (green)
FINAL: (white)
SUPPLEMENTARY: (pink)
And
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.
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.
The developer has legally created a condominium and has filed complete information with the Commission.
This report updates information contained in the:
Preliminary Public Report dated:
Final Public Report dated:
Supplementary Public Report dated:
Supersedes all prior public reports.
Must be read together with
This report reactivates the public report(s) which expired on

(*) Exactly as named in the Declaration
This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2644 to submit your request.

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:

SPECIAL ATTENTION

This Contingent Final Public Report has been prepared by the Developer pursuant to §514A-39.5, HRS. The Real Estate Commission issued this report before the developer submitted certain documents and information as more fully set forth in the statutory notice below. Sales contract executed pursuant to this report **are binding on the buyer under those conditions specified immediately below** and in Part V. B. of this report found on pages 18 & 19 of this report. This report expires nine (9) months after the effective date of the report and may not be extended or renewed.

STATUTORY NOTICE

"The effective date for the Developer's Contingent Final Public Report was issued before the Developer submitted to the Real Estate Commission: the executed and recorded deed or master lease for the project site; the executed construction contract for the project; the building permit; satisfactory evidence of sufficient funds to cover the total project cost; or satisfactory evidence of a performance bond issued by a surety licensed in the State of not less than one hundred percent of the cost of construction, or such other substantially equivalent or similar instrument or security approved by the Commission. Until the Developer submits each of the foregoing items to the Commission, all Purchaser deposits will be held by the escrow agent in a federally-insured, interest-bearing account at a bank, savings and loan association, or trust company authorized to do business in the State. If the Developer does not submit each of the foregoing items to the Commission and the Commission does not issue an effective date for the Final Public Report before the expiration of the Contingent Final Public Report, then:

- (1) The Developer will notify the Purchaser thereof by certified mail; and
- (2) Either the Developer or the Purchaser shall thereafter have the right under Hawaii law to rescind the Purchaser's sales contract. In the event of a rescission, the Developer shall return all of the Purchaser's deposits together with all interest earned thereon, reimbursement of any required escrow fees, and, if the Developer required the Purchaser to secure a financing commitment, reimburse any fees the Purchaser incurred to secure that financing commitment." (§514A-64.5, HRS)

The developer is not required to submit but has for this registration submitted the following documents and information:

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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 owners/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 a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is 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: D.R Horton-Schuler Homes, LLC, a Delaware Phone: (808) 521-5661
Limited liability company, dba Schuler Homes (Business)
Name*
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

Names of officers and directors of developers who are corporations; general partners of a partnership; partners of a Limited Liability Partnership (LLP); or manager and members of a Limited Liability Company (LLC) (attach separate sheet if necessary):

James K. Schuler, President-CEO; Michael T. Jones, Executive Vice President; Harvey L. Goth, Senior Vice President; Douglas M. Tonokawa, Vice President Finance/Assistant Secretary; Peter M. Aiello, Vice President Design and Development; Mary K. Flood, Vice President Sales and Marketing; Frank S. Payne, Vice President Operations; Lawrence Tucker, Second Assistant Secretary of Vertical Construction Corporation, the Developer's manager.

Real Estate Broker*: Schuler Realty Hawaii, Inc Phone: (808) 521-5661
Name (Business)
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

Escrow Island Title Corporation Phone: (808) 531-0261
Name (Business)
1132 Bishop Street, Suite 400
Business Address
Honolulu, Hawaii 96813

General Contractor*: Vertical Construction Corporation, Phone: (808) 521-5661
A Delaware corporation (Business)
Name
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

Condominium Managing Agent*: Hawaiiana Management Company, Ltd. Phone: (808) 593-9100
Name (Business)
711 Kapiolani Boulevard, Suite 700
Business Address
Honolulu, Hawaii 96813

Attorney for Developer: Dennis M. Lombardi, Esq. Phone: (808) 547-5400
Name (Business)
737 Bishop Street, Suite 2600
Business Address
Honolulu, Hawaii 96813

* For Entities: Name of corporation, partnership, Limited Liability Partnership (LLP), or Limited Liability Company (LLC)

**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. _____
Book _____ Page _____
 Filed - Land Court: Document No. 2797581

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. _____
 Filed - Land Court Condo Map No. 1470

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. _____
Book _____ Page _____
 Filed - Land Court: Document No. 2797582

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:

- A. The Project consists of 73 residential Residences, to be built, in as many separate increments as Developer shall solely determine. Developer contemplates, however, that development shall proceed in two (2) increments. Increment 1 shall consist of 39 Residences and Increment 2 shall consist of 34 Residences. In the event that the phasing of increments departs from the foregoing, the Developer shall in advance of the construction of such increment file an amendment to the Declaration identifying the Residences in such increment. The Private Yard Areas associated with each Residence are not subdivided lots but rather exclusive limited common elements.
- B. Upon completion of the Project, the Developer may amend the Declaration and the Condominium Map (if necessary) to file the "as built" verified statement required by Section 514A-12 of the Condominium Property Act.
- C. Until all of the Residences have been sold, the 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 a Residence or substantially change the design, location or size of a Residence.
- D. Until all of the Residences have been sold and the "as built" verified statement is filed, the Developer may amend the Declaration and the Condominium Map to (i) reflect alterations in any Residence which has not been sold; and (ii) reflect minor changes in any Residence or in the common elements which do not affect the physical location, design or size of any Residence which has been sold.
- E. The Developer reserves the right to alter the product mix within this Community.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- Leasehold or Sub-leasehold: Individual apartments and the common elements, which include 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 there negotiated 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: Makakilo Drive Tax Map Key (TMK): (1) 9-2-19:40, 41, 42, 43, 82
Honouliuli, Ewa, City and County of
Honolulu, Hawaii 96707

Address TMK is expected to change because _____

Land Area: 348.924 square feet acre(s) Zoning: A-2

Fee Owner: D.R. Horton- Schuler Homes, LLC, a
Delaware limited liability company,
dba Schuler Homes
 Name
828 Fort Street Mall 4th Floor
 Address
Honolulu, Hawaii 96813

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: 73 Floors Per Building: 2
 Exhibit _____ contains further explanations.
3. Principal Construction Material:
 Concrete Hollow Tile Wood
 Other Wood frames, metal, glass and other building materials
4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>73</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other	_____	<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: Reasonable number of common household pets, such as small dogs, cats, aquarium fish and bird. No livestock or poultry and no animals classified as "pests" or prohibited from importation under state statutes.

Number of Occupants: No more than 2 persons per bedroom, not including children under 5 years old; no more than 3 persons per bedroom, including children under 5 years old; and otherwise only in accordance with any limitations imposed by state or municipal laws or ordinance.

Other: Residences 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

Apt. Type	Quantity	BR/Bath	Net			
			Living Area (sf)*	Lanai/Patio (sf)	Entry Area (sf)	Garage (sf)
A**	9	3 or 4/ 2½	1,178	36	44	390
A-R**	8	3 or 4/ 2½	1,178	36	44	390
B	13	4/ 2 ½	1,357	0	39	409
B-R	7	4/ 2½	1,357	0	39	409
C	7	4/ 2½	1,459	0	28	465
C-R	10	4/ 2½	1,459	0	28	465
D	12	4/ 2½	1,558	60	30	454
D-R	7	4/ 2½	1,558	60	30	454

Total Number of Apartments: 73

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

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

Boundaries of Each Apartment: Each Residence includes all walls, columns and partitions (both load bearing and not load bearing) which are within the Residence's perimeter walls including without limitation the Residence's perimeter walls, which are therefore included in the Residence square footage, the Residence's foundation, all floors, ceilings, roofs, doors, windows, sliding glass doors, screen doors, door frames and window frames, the air space within the Residence, the garage including its floor, foundation, ceiling, roof, doors and perimeter walls, the lanais, if any, shown on the Condominium Map to the exterior edge of the exterior railings or other boundaries of such lanais, all rollers, locks, handles, tracks, and appurtenant hardware associated with all windows, doors and exterior automobile garage doors and all sliding or swinging screen doors and all glass window screens and all fixtures originally installed in the Residence, and all pipes, plumbing (including water heaters), wires, conduits and other utility or service lines and facilities servicing only the Residence. The Residences shall also include all load-bearing columns, girders, beams, building components and other elements included within each Residence. The Residence shall not include any pipes, shafts, wires, conduits or other utility or service lines running through a Residence which are utilized for or serve more than one Residence, all of which are deemed common elements as provided in the Declaration.

Residences followed by a "--R" represent a reverse floorplan configuration from that reflected on the condominium map.

**Residence types A and A-R have an option for an alternate bedroom 4, increasing the Net Living Area by approximately 156 square feet. Regardless of such expansion, no adjustment will be made in the common interest allocable to residence types A and A-R in the event of such exercise.

Note regarding Net Living Areas: Throughout the Watercolors at Makakilo documentation, the area of individual Residences is generally expressed as "net living area" square footage. This measurement represents the architect's best estimate of the interior square footage of the Residence as measured from the Residence's perimeter walls which are included in the Residence. This measurement is based upon the plans for the construction of the Residence and different architects performing the same measurement may obtain a larger or smaller result.

Permitted Alterations to Apartments: Alterations or additions solely within or to a Residence, its Private Yard Area or within a limited common element appurtenant to and for the exclusive use of a Residence shall require the written approval of the Department of Planning and Permits and the Palehua Community Association Design Review Committee and must comply with Palehua Community Design Guidelines and the Improvement Guidelines attached as Exhibit F to the Declaration of Condominium Property Regime. Also, no alteration or addition may proceed without the foregoing approvals having been submitted to the Board of Directors which may object thereto for non-compliance, as permitted by the Declaration. Residence owners directly affected by such alterations or additions are deemed to have approved the same provided the alteration or additions complies with the foregoing requirements. The Board has been empowered, but is not obligated, to adopt special design guidelines applicable to the Watercolors Community. Buyers are encouraged to read Sections M.2, I.11 and I.12 of the Declaration for more information. Any alteration or addition different in any material respect from the Condominium Map shall be commenced only pursuant to an amendment to the Declaration.

Apartments Designated for Owner-Occupants Only:

Fifty percent (50%) of residential apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 161

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		TOTAL
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	<u>2**</u>						<u>146</u>
Guest		<u>15</u>					<u>15</u>
Unassigned							
Extra for Purchase							
Other:							
Total Covered & Open:	<u>161</u>		<u>0</u>		<u>0</u>		<u>161</u>

Each apartment will have the exclusive use of at least 2 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

**Each Residence includes a two-car enclosed garage.

Commercial parking garage permitted in condominium project.

Exhibit _____ 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):

N/A

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:

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

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

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

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

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

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

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

1. Common Elements: Common Elements are those parts of the condominium project 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 B.

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 C.

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 D.

as follows:

The rights reserved to the Developer to alter the Residences in the Community (see Items 1 and 2), may result in alteration of the common interest and attendant voting rights of a homeowner. See Section F.2 of the Declaration that provides:

The common interest and easements appurtenant to each Home shall have a permanent character and shall not be altered except as noted in Section F.13 of the Declaration. The common interest, voting rights and easements appurtenant to each Home may be altered (diminished or increased) by a recorded amendment to this Declaration: (a) as may be determined necessary by Developer, without the consent of any party, to correct typographical or mathematical errors in the statement of such common interests, (b) filed by Developer, without the joinder of any party, upon the alteration of the Community as permitted pursuant to Section M.3 and/or (c) upon the action or consent of all Owners of Homes affected thereby, and the consent of the holders of any mortgage affecting such Homes as shown in the Association's records of ownership, or who have given the Board notice of their interest. The common interest and appurtenant easements shall not be separated from the Home to which they appertain and shall be deemed to be conveyed or encumbered with that Home even though such interest or easements are not expressly mentioned in the conveyance or other instrument. The common elements shall remain undivided and the right to partition or divide any part of the common elements shall not exist except as provided in the Act. Section M.3 allows the Developer prior to the sale of all Homes the filing of an "as built" certificate to (a) make alterations in the Community which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any Home (and the limited common elements appurtenant thereto) in the Community which is not sold and the conveyance thereof recorded which right includes the ability to change the overall "product mix" (e.g., change the model home type to be placed in a Private Yard Area); and (b) make other alterations in the Community which make minor changes in any Home in the Community or in the common elements which do not affect the physical location, design or size of any Home which has been sold and the conveyance thereof recorded.

- 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 E describes the encumbrances against the title contained in the title report dated March 28, 2002 and issued by Island Title Corporation.

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.

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>
None	None

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:

The Developer's sole warranty will be provided in the form attached to this Public Report as Exhibit F.

2. Appliances:

The Developer makes no warranty as to appliances or other consumer products installed in any Residence or in the common elements. If there are no applicable manufacturer's or dealer's warranties relating to such appliances or other consumer products, the Developer will endeavor to assign and pass on to each Residence owner the benefit of such warranties.

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

Construction shall commence in May 2002 and all 73 units should be completed by approximately September 2003.

H. **Project Phases:**

The developer [X] 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):

Alteration of the Community: The Developer has reserved the right in its sole and absolute discretion:

1. To make alterations in the Community (and to amend the Declaration and the Condominium Map accordingly) which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any Residence (and the limited common elements appurtenant thereto) in the Community which is not sold and the conveyance thereof Recorded, including specifically the right to alter the mix of model home types (increase or decrease the number of model home types); and
2. To make other alterations in the community (and to amend the Declaration and the Condominium Map accordingly) which make minor changes in any Residence in the community or in the common elements which do not affect the physical location, design or size of any Residence which has been sold and the conveyance thereof recorded.

Multi-Increment Phase: The Developer has reserved the right to develop this Community in increments as set forth in Section II. E.2 of this Public Report.

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 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).

NOTE: The Estimated Maintenance Fee Disbursements for the Watercolors at Makakilo Association have been compiled by Hawaiiana Management Company, Inc., a licensed property manager on the basis of the its standard budget Assumptions. Although the property manager makes every effort to estimate the actual cost of operation, certain budget items, especially insurance in today's insurance market, may change. The Buyer is aware that such amounts are only estimates and may change for reasons beyond the control of Seller, and the Buyer hereby specifically accepts and approves any such changes. The Buyer is also aware that such estimates do not include the Buyer's obligation for payment of real property taxes. The Buyer understands that such estimates are not intended to be and do not constitute any representation or warranty by the Seller, including but not limited to any representation or warranty as to the accuracy of such estimates. Buyer understands that Seller has not independently confirmed the accuracy or content of the estimates prepared by the licensed independent managing agent. Further, the Developer advises that costs and expenses of maintenance and operation of a condominium community are very difficult to estimate initially and even if such maintenance charges have been accurately estimated, such charges will tend to increase in an inflationary economy and as the improvements age. Maintenance charges can vary depending on services desired by apartment owners and may increase significantly depending on the level of services eventually selected by the Association's Board of Directors. The Buyer should examine the maintenance charges schedule to see what services are included in the schedule and address these issues with its Board upon its formation. Buyers should also be aware that the estimates provided are as of the date reflected in the Managing Agent's certification and do not reflect the actual charges that may be incurred upon the formation of the Association and the actual contracting for such services such as insurance and maintenance, etc.

NOTE: By purchasing a Home at Watercolors, the Homeowner will also become a member of the Palehua Community Association and be required to pay membership dues to that Association. As of April 2002 those dues are \$100 per annum. A one time startup and transfer of \$250 (as of April 2002) is also payable to that Association on purchase of a Home.

NOTE: The Developer intends to pay all of the actual common expenses of the project until March 31, 2003. Accordingly, Residence Owners shall not be obligated for the payment of their respective shares of the common expenses until that time. From and after April 1, 2003 Residence Owners will be obligated to pay their respective shares of the common expenses allocated to their Residence, beginning with the budgeted monthly maintenance fees for the month of April 2003.

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 Common Area Irrigation; Refuse Collection

*Pursuant to Section R of the Declaration water and sewer charges allocable to the Residences may be separately assessed and uses submetered for this purpose.

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
- Specimen Sales Contract
Exhibit H contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated April 4, 2002
Exhibit I contains a summary of the pertinent provisions of the escrow agreement.
- Other Exhibit "J" is a Residence Selection Form; Notice of Chronological Reservation System and Receipt of Owner-Occupant Affidavit Form

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 from 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 Public 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: Declaration of Covenants, Conditions and Restrictions of the Palehua Community dated January 14, 1977, dated January 18, 1977, filed as Document No. 801577, as amended.

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

This Public Report is a part of Registration No. 4840 filed with the Real Estate Commission on April 23, 2002.

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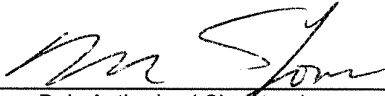
YELLOW paper stock WHITE paper stock PINK paper stock GREEN paper stock

C. **Additional Information Not Covered Above**

1. All prospective purchasers should also be aware that the Project is within and a part of the master planned community known as the Palehua Community Association, and is subject to certain conditions and restrictions contained in various documents that affect the Project, including: (i) the covenants, conditions, restrictions, reservations, agreements, obligations and other provisions contained in the Declaration of Covenants, Conditions and Restrictions of the Palehua Community dated January 14, 1977, filed in the Bureau of Conveyance of the State of Hawaii as Document No. 801577, as amended by instrument dated January 18, 1977, filed as Document No. 801577.
2. All prospective purchasers should also be aware that the Project does not consist of individual, subdivided lots. The Project has private yard areas, which are limited common elements appurtenant to specific apartments.

- 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.

D.R. HORTON-SCHULER HOMES, LLC, a Delaware limited liability company, dba SCHULER HOMES
Printed Name of Developer

By:  April 29, 2002
Duly Authorized Signatory* Date

MICHAEL T. JONES, Executive Vice President
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

****Must be signed for a: corporation by an officer; partnership or Limited Liability Partnership(LLP) by the general partner; Limited Liability Company(LLC) by the manager or member; and for an individual by the individual.***

EXHIBIT A

DESCRIPTION OF BUILDINGS

The Community shall contain 73 single family detached Residences. None of the Residences have a basement. The Residences shall be constructed principally of metal, wood, glass and related building materials.

There shall be four different model types in the Community, designated as Model Types A, B, C and D. Each of the models include, without limitation, all components, roof, exterior walls and the foundation. A description of each model type is as follows:

Model Type A and A-R

This Model Type is a two-story Residence containing three or four bedrooms, two and one-half bathrooms, living/dining area, kitchen, laundry room, covered entry lanai, attached two-car garage and other improvements as shown on the Condominium Map. This Model Type contains a net living area of approximately 1,178 square feet, entry area of 44 square feet and lanai area of 36 square feet, and two-car garage area of approximately 390 square feet. An alternate bedroom 4 option is available increasing the living area square foot by approximately 156 square feet. There are 17 planned Model Type A and A-R Residences in the Community.

Model Type B and B-R

This Model type is a two-story Residence containing three or four bedrooms, two and one-half bathrooms, living/dining area, kitchen, family room, laundry area, covered entry lanai, attached two-car garage and other improvements as shown on the Condominium Map. This Model Type contains a net living area of approximately 1,357 square feet, entry lanai area of approximately 39 square feet, and two-car garage area of approximately 409 square feet. This Model type has an option to convert the 4th bedroom into an expanded master suite without change in the interior square footage. There are 20 planned Model Type B and B-R Residences in the Community.

Model Type C and C-R

This Model Type is a two-story Residence containing four bedrooms, two and one-half bathrooms, living/dining room, kitchen, laundry area, covered entry lanai, attached two-car garage and other improvements as shown on the Condominium Map. This Model Type contains a net living area of approximately 1,459 square feet, entry lanai area of approximately 28 square feet, and two-car garage area of approximately 465 square feet. There are 17 planned Model Type C and C-R Residences in the Community.

Model Type D and D-R

This Model Type is a two-story Residence containing four bedrooms, two and one-half bathrooms, living/dining area, family room, kitchen, laundry area, covered entry lanai, rear covered lanai, attached two-car garage and other improvements as shown on the Condominium Map. This Model Type contains a net living area of approximately 1,558 square feet, entry lanai area of approximately 30 square feet, rear lanai area of approximately 60 square feet and two-car garage area of approximately 454 square feet. There are 19 planned Model Type D and D-R Residences in the Community.

END OF EXHIBIT A

EXHIBIT B

COMMON ELEMENTS

The common elements of the Community shall specifically include, but are not limited to, the following:

1. The Land, in fee simple, described in Exhibit "A" attached to this Declaration and those improvements to the Land including without limitation the Community Access Road, exterior lighting fixtures located along and/or adjacent to the Community Access Road, the common area landscaping and similar improvements.
2. All drainage facilities or swales, pipes, shafts, wires, conduits or other utilities or service lines running through a Residence, or Private Yard Area which are utilized for or serve more than one Residence, or Private Yard Area or other feature of the Community.
3. All sidewalks, pathways, curbs, and guest or special parking areas as labeled on the Condominium Map.
4. All ducts, electrical equipment, transformers, wiring, pipes and other central and appurtenant transmission facilities and installations over, under and across the Community or individual Private Yard Areas which are utilized by or serve more than one Residence or for services such as power, light, water, gas, sewer, drainage, telephone and radio and television signal distribution, if any.
5. All areas, rooms, spaces, structures, housings, chutes, shafts or facilities of the Community within or outside of the buildings, which are for common use or which serve more than one Residence, such as electrical, maintenance, service, security, machine, mechanical and equipment rooms and the equipment, machinery and facilities therein.
6. All the benefits, if any, inuring to the land or to the Community from all easements, if any, shown on the Condominium Map or listed in Exhibit "A" attached to the Declaration of Condominium Property Regime.
7. Any and all apparatus and installations of common use and all other parts of the Community necessary or convenient to its existence, maintenance and safety, or normally in common use, including the entry gate and associated facilities.
8. All other parts of the Community not included in the definition of a Residence or Private Yard Area.

END OF EXHIBIT B

EXHIBIT C

LIMITED COMMON ELEMENTS

Each Residence shall have appurtenant to the Residence easements for the exclusive use of certain limited common elements as follows:

1. Private Yard Area:

The land area appurtenant to each Residence, as described in this Declaration and as shown on the Condominium Map, and bearing the same Private Yard Area number as the unit number assigned to the Residence, is a limited common element. Private Yard Areas are not legally subdivided lots. Private Yard Area includes the land beneath the Residence bearing the same number as the Private Yard Area, the fenced yard area to the rear and sides of the Residence as demarked by the fence location shown on the Condominium Map. If required, a metes and bounds description of the Private Yard Areas will be recorded in connection with the Architect's AS Built Certificate. The parking area (if any) directly fronting the garage of the Residence to the boundary of such area with the Community Access Road is also a limited common element appurtenant to the Residence served.

2. Mailboxes & Designated Trash Container Location:

Each Residence is provided a designated trash container location for placement of the trash container on trash pick-up days. The trash container space may be used only as permitted under the Declaration. Private mailboxes are provided in a designated group mailbox location.

3. Party Walls/Fences:

The fences and walls or portion thereof that have been constructed on the common boundary between Private Yard Areas as shown on the Condominium Map, including those fences and walls defined as "Party Walls" in the Declaration are limited common elements, benefiting the Owners of the Private Yard Areas served by such fence or wall. Walls and fences constructed on the boundary of a Private Yard Area and the common area or the exterior boundary of the Community are limited common elements benefiting the Residence to which the Private Yard Area is appurtenant.

END OF EXHIBIT C

EXHIBIT D

**COMMON INTERESTS FOR INCREMENTS 1 & 2*
(assuming both increments are constructed)**

Model Type	Residence Number	Undivided Common Interest of Each Residence
A/A-R (17)	4, 9,14,16,23,27,34, 42, 46,48, 52, 54, 56,60,63, 67, 71	0.0120083 (1.20083%)
B/B-R (20)	2,6, 8,12, 15, 17, 20,30, 41, 43, 45, 47, 51, 55, 62,64, 66, 68, 70,72	0.013152475 (1.3152475%)
C/C-R (17)	3, 5,10,19, 22,24, 25,28, 29,31,35, 37,39,49,57, 58,73	0.0142234 (1.42234%)
D/D-R (19)	1, 7, 11,13, 18,21,26,32, 33,36,38, 40, 44, 50, 53,59, 61, 65, 69	0.0153164 (1.53164%)

COMMON INTEREST FOR INCREMENT 1 ONLY

Model Type	Residence Number	Undivided Common Interest of Each Residence
A/A-R (7)	4,9,14,16,23,27,34	0.022128 (2.2128%)
B/B-R (8)	2,6, 8,12, 15, 17, 20,30	0.024236 (2.4236%)
C/C-R (13)	3, 5, 10, 19, 22,24, 25,28, 29,31,35,37,39	0.02621 (2.621%)
D/D-R (11)	1, 7, 11,13,18,21,26, 32, 33,36,38	0.028226 (2.8226%)

* The Developer contemplates that the development shall proceed in two (2) increments. Increment 1 shall consist of 39 Residences and Increment 2 shall consist of 34 Residences. In the event that the phasing of increments departs from the foregoing, the Developer shall in advance of the construction of such increment, file an amendment to the Declaration identifying the Residences in such increment. The Private Yard Areas associated with each Residence are not subdivided lots, but rather exclusive limited common elements.

END OF EXHIBIT D

EXHIBIT E

ENCUMBRANCES AGAINST TITLE

1. Title to all minerals and metallic mines reserved to the State of Hawaii.
2. Unrecorded Development Agreement dated October 26, 1960, as amended, of which a Short Form of the Development Rights Agreement:

Dated: May 5, 1966
Filed: Document No. 391241
By and Between: Trustees under the Will and of the Estate of James Campbell,
Deceased, and Finance Realty Co., Ltd., a Hawaii corporation

AMENDED BY A SHORT FORM:

Dated: January 12, 1977
Filed: Document No. 801573

FURTHER AMENDED AND RESTATED BY INSTRUMENT

Dated: January 15, 1985
Filed: Document No. 1277747

3. Covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Covenants, Conditions and Restrictions of the Palehua Community:

Dated: January 14, 1977
Filed: Document No. 801577

**AMENDED BY DECLARATION OF ADDITIONAL PROPERTY ANNEXED TO
PALEHUA COMMUNITY AND DECLARATION OF RESERVATIONS**

Dated: December 23, 1996
Filed: Document No. 2358414

4. AS TO PARCEL FIRST ONLY:

- a. Terms, provisions, covenants and conditions in the Agreement for Issuance of Special Use Permit Under Ordinance No. 4451, Bill No. 40 (1975):

Dated: April 16, 1981
Filed: Document No. 1070236
By and Between: The Trustees under the Will and of the Estate of James Campbell, deceased and Finance Realty Company, Limited, a Hawaii corporation

- b. Covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Restrictive Covenants (Private Park):

Dated: April 16, 1981
Filed: Document No. 1073031

5. Covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Deed:

Dated: December 22, 1989
Filed: Document No. 1693447

6. AS TO PARCEL FIRST, LOT 3149 ONLY:

- a. EASEMENT "726" as set forth by:

Land Court Order No.: 37656, Map 233
Filed: June 13, 1973
Purpose: Sewer

- b. EASEMENT "969" area 25,297 square feet, more or less, as set forth by:

Land Court Order No.: 50886, Map 292
Filed: August 9, 1978
Purpose: Sewer

- c. EASEMENT

Dated: June 4, 1979
Filed: Document No. 1084524
Purpose: A non-exclusive easement over said Easement "726", for sewer
In favor of: City and County of Honolulu

d. EASEMENT

Dated: June 4, 1979
Filed: Document No. 1084527
Purpose: A non-exclusive easement over said Easement "969", for sewer
In favor of: City and County of Honolulu

e. EASEMENT "1194" as set forth by:

Land Court Order No.: 59927, Map 321
Filed: June 3, 1981
Purpose: Parking

f. EASEMENT

Dated: June 22, 2001
Filed: Document No. 2722826
Purpose: A perpetual right and easement to construct, reconstruct,
operate,
maintain, repair and remove a switching vault site, etc.
In favor of: Hawaiian Electric Company, Inc.

g. The following matters as shown on survey map prepared by George S. Yoshimura,
Licensed Surveyor with M & E Pacific, Inc., dated May 5, 2001:

1. Portion of 3149 along boundary with Lot 2507 is maintained by Lot 2507.

7. AS TO PARCEL FIRST, LOT 3150 ONLY:

a. EASEMENT "969" area 25,297 square feet, more or less, as set forth by:

Land Court Order No.: 50886, Map 292
Filed: August 9, 1978
Purpose: Sewer

b. EASEMENT

Dated: June 4, 1979
Filed: Document No. 1084527
Purpose: A non-exclusive easement over said Easement "969", for
sewer
In favor of: City and County of Honolulu

c. EASEMENT "1195" area 15,734 square feet, more or less, as set forth by:

Land Court Order No.: 59927, Map 321
Filed: June 3, 1981
Purpose: Parking and access

d. EASEMENT "1196" area 646 square feet, more or less, as set forth by:

Land Court Order No.: 59927, Map 321
Filed: June 3, 1981
Purpose: Parking

e. Portion of Lot 3150 along boundary with Lot 2507 is maintained by Lot 2507 as shown on survey map prepared by George S. Yoshimura, Licensed Surveyor with M & E Pacific, Inc., dated May 5, 2001.

8. AS TO PARCEL FIRST, LOT 3151 ONLY:

a. EASEMENT "730" as set forth by:

Land Court Order No.: 37656, Map 233
Filed: June 13, 1973
Purpose: Drainage

b. EASEMENT

Dated: October 16, 1975
Filed: Document No. 765401
Purpose: A non-exclusive easement over said Easement "730", for drainage
In favor of: City and County of Honolulu

c. EASEMENT "1189" area 3,324 square feet, more or less, as set forth by:

Land Court Order No.: 59617, Map 317
Filed: April 29, 1981
Purpose: Drainage

d. EASEMENT "1197" area 165 square feet, more or less, as set forth by:

Land Court Order No.: 59927, Map 321
Filed: June 3, 1981
Purpose: Parking

9. AS TO PARCEL FIRST LOT 3152 ONLY:

- a. EASEMENT "1189" area 3,324 square feet, more or less, as set forth by:

Land Court Order No.: 59617, Map 317
Filed: April 29, 1981
Purpose: Drainage

- b. EASEMENT "1198" area 1,550 square feet, more or less, as set forth by:

Land Court Order No.: 59927, Map 321
Filed: June 3, 1981
Purpose: Parking

- c. EASEMENT "1199" (10 feet wide) area 1,992 square feet, more or less, as set forth by:

Land Court Order No.: 59927, Map 321
Filed: June 3, 1981
Purpose: Sewer

10. AS TO PARCEL SECOND ONLY:

- a. EASEMENT "731" (10 feet wide) area 668 square feet, more or less, as set forth by:

Land Court Order No.: 37656, Map 233
Filed: June 13, 1973
Purpose: Sewer

- b. EASEMENT "753" (10 feet wide) area 1,347 square feet, more or less, as set forth by:

Land Court Order No.: 39564, Map 244
Filed: April 11, 1974
Purpose: Sewer

- c. EASEMENT

Dated: October 16, 1975
Filed: Document No. 765401
Purpose: A non-exclusive easement over said Easement "731", for sewer
In favor of: City and County of Honolulu

d. EASEMENT "1190" 8,476 square feet, more or less, as set forth by:

Land Court Order No.: 59617, Map 317
Filed: April 29, 1981
Purpose: Sewer

e. EASEMENT "1200" area 2,066 square feet, more or less, as set forth by:

Land Court Order No.: 59927, Map 321
Filed: June 3, 1981
Purpose: Parking

f. EASEMENT

Dated: June 4, 1979
Filed: Document No. 1084524
Purpose: A non-exclusive easement over said Easement "753", for sewer
In favor of: City and County of Honolulu

g. Covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Deed:

Dated: May 26, 1988
Filed: 1573089

h. Covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Limited Warranty Deed:

Dated: March 17, 1997
Filed: Document No. 2370861

i. Exposed 3" pipe as shown on survey map prepared by George S. Yoshimura, Licensed Surveyor with M & E Pacific, Inc., dated May 5, 2001.

j. EASEMENT "7559" area 2,514 square feet, more or less, as set forth by:

Land Court Order No.: 142907, Map 1094
Filed: August 9, 2001
Purpose: Water line

- k. Grantor hereby reserves the right to grant to Makakilo Joint Venture (the "Joint Venture") and Kalani Gardens Limited Partnership ("KGLP"), and their respective successors and assigns, an easement for waterline purposes over, under, along, across and through Easement 7559, as shown on Map 1094 of Land Court Application 1069, benefiting the Joint Venture as the operator of the Makakilo Nursery and KGLP as the fee owner of Lot 14093, area 58.573 acres, more or less, as shown on Map 1094, subject, however, to the right of the Grantee to relocate said Easement 7559, whereupon Grantor's reserved right shall also apply to the new easement area.

Dated: October 31, 2001
Filed: Document No. 2749869

11. Terms, provisions, covenants and conditions in the Agreement Regarding Easements;
Grant of Right of Entry:

Dated: October 31, 2001
Filed: Document No. 2749870
By and Between: Finance Holdings, Ltd., a Hawaii corporation, Finance Realty, Ltd., a Hawaii corporation, Kalani Gardens Limited Partnership, a Hawaii limited partnership, Makakilo Nursery Joint Venture, a Hawaii joint venture, and Schuler Homes, Inc., a Delaware corporation

12. Real property taxes as may be due and owing. Check with the County Tax Office for further information.

END OF EXHIBIT E

EXHIBIT F

BUILDINGS AND COMMON ELEMENTS WARRANTY

LIMITED WARRANTY

A. DEFINED TERMS

Throughout this Limited Warranty various terms are used that have specific defined meanings, and are either italicized or appear with initial capitalization. For example, the terms Association and Community refer to the Association of Residence Owners formed to administer the condominium project, of which Homeowners will be members, and the condominium community, respectively. The term Common Elements has the same meaning and includes those items described in the Declaration of Condominium Property Regime. The term Homeowner refers to Residence Owners and to any subsequent owner of the Home (an apartment) during the warranty coverage period(s). Schuler Homes refers to D.R. HORTON-SCHULER HOMES, LLC, a Delaware limited liability company, dba SCHULER HOMES. The term Parties refers to Schuler Homes and the Association.

B. LIMITED WARRANTY COVERAGE

Schuler Homes is providing a limited warranty (the "Warranty") for only those portions of Common Elements of the Community described in and identified in this Warranty, subject to the conditions specified herein and the faithful performance by the Association of those minimum inspection, maintenance and repair obligations described in Exhibit E to the Declaration (Description of Maintenance Responsibilities).

In accordance with this Warranty, Schuler Homes will make every effort to handle legitimate repair requests as expeditiously as possible. Schuler Homes will not provide customary maintenance or service, nor will Schuler Homes repair items that the Association or any Homeowner has installed or damaged. Further, this Warranty covers only those items for which the Association provides written notice within the warranty coverage period, in accordance with the procedures set out in this Warranty. Delay or an attempt to correct the problem without having it inspected and documented as provided in this Warranty may cause warranty coverage not to be available. Each Homeowner has also been provided a limited warranty for their Home, and due to the nature of condominium ownership, certain warranty claims by a Homeowner must necessarily include the Association's participation.

Schuler Homes warrants that the various items and components of the Common Elements described below will be free from defect for the periods of time set forth below. These warranties are expressly limited by Article D ("Exclusions") and may not be modified, revised, extended or supplemented except in writing signed by an authorized representative of Schuler Homes. The warranties provided by this Warranty include those warranties described in any Limited Warranty for Major Construction Defects, Faulty Workmanship and Materials and/or Warranty of Completion of Construction (HUD Form 92544 (8/92) or its substitute (the "HUD Warranty") if Homes in the Community as acquired using a HUD insured loan), all of which warranties are subsumed in this Warranty. The foregoing HUD Warranty and any warranty provided by Schuler Homes to a Homeowner within the Community are not cumulative in nature insofar as they relate to this Warranty, and do not provide duplicative coverages. For the periods indicated below, Schuler Homes provides the following warranties for the Common Elements:

1. Structural Integrity

Schuler Homes warrants that the buildings within the Community which house the Homes ("Building(s)") will be free from any defect resulting in or causing tangible damage to the roof, walls or foundation which materially diminishes the structural integrity and the load-bearing performance of a Home located within the building for a period of one (1) year beginning on the first Annual meeting of the Association membership (the "Commencement Date"). This Warranty also covers damage to the roof, walls or foundation of such building(s) resulting from expansion, subsidence or lateral movement of the soil provided that such damage materially diminishes the structural integrity and load-bearing performance of the building. Other types of damage or defects to the Home not specifically mentioned in Section 1 of this Article, shall be covered by the warranties, if any, provided in Sections 2 and 3 of this Article.

2. Components

Schuler Homes warrants that the following "Components" of the Common Elements will be free from defects in material and workmanship for a period of one (1) year beginning on the Commencement Date. For the purposes of this Warranty, the term Components refers to the following:

Plumbing Systems and Components	Roof Installation	Electrical Systems and Components
Doors	Exterior Painting	Windows
Water Heaters (serving more than Home)	Carport Covers	Outdoor Fencing (If Included)
Concrete Fixtures	Sprinkler Systems	Garage Doors (If Included)
	Roofing Materials	Driveways/Sidewalks
		Asphalt Paving

If a Component is covered by a warranty from the manufacturer of such item (such as, without limitation, a sprinkler system, roofing materials, and portions of the electrical and plumbing systems, framing materials, or termite treatment), such Component is covered only by the manufacturer's warranty and is not warranted by Schuler Homes. The scheduled components are warranted only by the particular manufacturer.

If the Association finds defects in any of the Components covered by a manufacturer's warranty, it is the Association's obligation to follow the procedures in the applicable manufacturer's warranty and deal directly with that manufacturer.

3. Coverage Against Termite Infestation

Subject to the provisions of this Section, Schuler Homes is providing a limited warranty against infestation of individual Building's Common Elements by subterranean (ground) termites for a period of three (3) years from and after the Commencement Date (the "Coverage Period"). The warranty coverage afforded by this Section does not expand the coverage afforded to any specific Homeowner and provides no duplicative or cumulative coverage thereto. This Warranty does not provide coverage against infestation by or the risk of drywood termites, ground or wood infesting insects, molds or fungus.

Subject to the conditions herein, if there is infestation by subterranean (ground) termites during the first year of the Coverage Period (this 1 year period is described as the "Repair Period"), Schuler Homes will retreat the area affected only where the termites are found in accordance with

applicable federal soil treatment standards. At no time during the Coverage Period will the ground beneath the Buildings' foundations be retreated. Should such termite infestation occur during the Repair Period, Schuler Homes will, in addition to such re-treatment, repair all "construction damage" caused by such termite infestation. Any damage attributable to termite infestation occurring subsequent to the Repair Period or not reported in writing to Schuler Homes by the Association within thirty (30) calendar days following the Repair Period, regardless of the date of occurrence, is not covered by this limited warranty and its repair shall be the responsibility of the Homeowner. Schuler Homes shall not be responsible for any construction damage attributable to termite infestation.

Although the ground beneath each Building and the wooden structural and framing members of the Building have been treated against termite infestation utilizing current methodologies, termites (both ground and air-borne) are endemic in the State of Hawaii and are not susceptible to complete and permanent eradication utilizing current EPA approved pesticides. A regular maintenance and inspection program must be established by the Association to reduce the risk of termite infestation and damage. Without a regular maintenance and inspection program which includes the periodic inspection of the interior of Homes and the exterior of the Buildings in which the Homes are located, the existence of a termite infestation that requires treatment may not be discovered. Unless an acceptable Prevention Program, defined below, is established by the Association, there is no Warranty Coverage afforded against termite infestation or damage resulting therefrom.

An acceptable Prevention Program shall require that the Association (a) engage within six (6) months following the Commencement Date a licensed professional termite and pest control-extermination organization ("Pest Control Contractor") to conduct inspections of the interior of the Homes, as well as the exterior perimeters of the Buildings for termite infestation on a semi-annual basis (or more regular basis, if suggested by the Pest Control Contractor) commencing at the conclusion of the Repair Period and continuing thereafter throughout the balance of the Coverage Period, and (b) adhere to all recommendations of the Pest Control Contractor of preventative actions to be taken to reduce the risk of infestation by subterranean (ground) termites, which may include: (i) avoid contact between soil and any wooden portion of your Home or the building in which it is located, including the siding, (ii) avoid over watering around the perimeter of the building, (iii) check for and avoid leaky faucets and the pooling of water around your Home, (iv) do not leave wood or paper products on the ground adjacent to your Home, and (v) do not disturb the soil within the two (2) foot perimeter around the Building by planting it, irrigating it, or constructing improvements in it.

For purposes of the coverage afforded by this Warranty, "construction damage" means and includes damages attributable to termite infestation resulting in or causing tangible damage to the roof, walls or foundation of the affected Building which materially diminishes the structural integrity and the load-bearing performance of the Building. The description "construction damage" shall not include damage to and no coverage is afforded by this limited warranty against termite infestation of any non-structural member or component of the Building, including, but not limited to, doors, casings, jams, trim, finishes, cabinets, siding, outdoor fencing, decks, wood patios, railings and the like, or any addition by Homeowners or the Association.

By way of limitation, Schuler Homes will have responsibility under this Warranty for termite infestation only if: (a) the infestation does not result in any way from damage caused by the Association, any Homeowner or any of their agents and (b) the infestation is not the result of improvements, modifications, alterations or additions (including the introduction of termite infested furniture) made by the Association or any Homeowner to a Home, the Building in which it is contained, or the landscaping on or the drainage pattern of the property on which the Home or Building is located. The coverage afforded under this Section of the Warranty will be void and no

longer available to the Association if the Association (or any of its members) takes any of those actions specified in the certificate or warranty instructions provided by the ground treatment service organization including, without limitation: (i) growing any plants or placing any type of sprinkler or irrigation system within two (2) feet of a Building, (ii) digging within two (2) feet of a Building, (iii) constructing any hardscape improvement (pavers, stepping stones, concrete and the like) that touch a Building, (iv) allowing soil to touch any wooden part of a Building, or (v) leaving wood, cardboard or other similar product on the ground near a Building.

5. Pest Control

Schuler Homes provides no warranty coverage relating to pest control (insects, rodents and the like) for the Common Elements. Pest control within and about the Community is the Association's sole responsibility and is not covered by this Warranty.

6. Mold

Schuler Homes provides no warranty coverage against mold or mold spores. Control of mold within and about the Community is the Association's sole responsibility and is not covered by this warranty.

C. MAKING A CLAIM

1. Claim Form - If the Association has identified a defect believed to be covered by this Warranty, a claim must be given to Schuler Homes or the contractor, in writing, during the appropriate warranty period. Claims should not be made by telephone alone. Claims must be made no more than thirty (30) days after the Association discovers a particular defect. Claims should be made by completing the Warranty Claim Form (Warranty Service Request Form) provided in the Association's turnover manual. All Warranty Service Request Forms and any questions you may have concerning this Warranty should be directed to Schuler Homes' Customer Service Department at the following address:

Customer Service Department
P.O. Box 700789
Kapolei, Hawaii 96709-0789
Telephone: (808) 674-9770
Facsimile: (808) 674-0895

2. Emergency Claims - In the event of emergency repairs only, claims may be made by telephone to a representative of the Schuler Homes' Customer Service Department, but must be followed up promptly with a completed Warranty Claim Form. The phone number for Schuler Homes' Customer Service Department is noted above and is also provided at the top of the Warranty Claim Form. Emergency phone numbers will be included in your Association's manual. Other emergency procedures will be explained in your Association's manual.

3. Response to Covered Claims - Upon receipt of a claim, Schuler Homes' Customer Service Representative or contractor's representative will determine whether or not the claim is covered by the Warranty. If the claim is covered, Schuler Homes has the choice of repairing the defect, replacing the defective item or paying the Association the reasonable cost of repairing or replacing the defective item. The decision to replace or repair an item or to reimburse the Association will be made solely by Schuler Homes.

(a) **Repair Materials/Subcontractors** - All repairs will be made with materials or components identical to, or of an equal or better grade or quality than the materials or components used in the original construction of the Common Elements. Schuler Homes has the right to choose the contractors used for repair or replacement work in its sole discretion.

(b) **No Obligation for Reimbursement** - Schuler Homes has no obligation to reimburse the Association for work done by the Association or for amounts paid by the Association to a repairman or subcontractor which have not been pre-approved, in writing, by Schuler Homes' Customer Service Representative. However, in the event of an emergency caused by a defect covered by this Warranty in which the Association can reasonably demonstrate that Schuler Homes could not be contacted by the Association despite the Association's diligent efforts, Schuler Homes will reimburse the Association for the reasonable and actual costs of repairing or replacing the applicable defect.

(c) **Time for Corrective Work** - Generally, Schuler Homes will respond to a particular warranty claim for defects covered by this Warranty within thirty (30) days of its receipt of a completed Warranty Claim Form so long as Schuler Homes is given reasonable cooperation by the Association. This thirty (30) day period may be extended for circumstances beyond the reasonable control of Schuler Homes, such as the unavailability of parts, strikes, labor or material shortages, adverse weather conditions, lack of cooperation by the Association (or its members) or the magnitude of the repair required.

4. **Claims Not Covered By Warranty** - If Schuler Homes takes the position that a particular claim is not covered by this Warranty, Schuler Homes will provide the Association with a written notification describing why the Association's claim is not covered. If the Association is not satisfied by Schuler Homes' decision, the Association may take the steps described in Article E.

D. EXCLUSIONS

Notwithstanding other provisions of this Warranty, certain defects or damages are explicitly excluded from the coverage of this Warranty.

This Warranty does NOT cover any additions, improvements alteration or modifications made to a Home or Common Elements of the Project by a Homeowner or the Association and specifically excludes and does not cover the following:

1. Damage to the Common Elements due to ordinary wear and tear or lack of Homeowner or Association maintenance. From time to time, Schuler Homes may perform a maintenance task for the benefit of the Association at no charge; however, performing a task on one occasion does not imply or require that Schuler Homes will perform a similar task at a later date, nor shall such performance be deemed to extend the Warranty time periods described herein.

2. Damage to the Common Elements caused by casualties normally covered by standard Homeowner's or Association insurance or damage resulting from major natural catastrophes or acts of God, such as fire, smoke, explosion, water escape, flood, wind, hail, lightning, earthquake, insects or falling trees.

3. Damage caused either by the abuse of the Common Elements or the use of the Home in a manner for which it is not intended.

4. Damage resulting from or made worse by the Association's or a Homeowner's failure to take appropriate action to prevent further damage, including notifying Schuler Homes of any defect within a reasonable time under the circumstances.

5. Damage to the Common Elements caused by Homeowner (including accidental damage and damage during move-in) or damage by animals or pets or by any invitee, lessee, tenant or renter of a Home.

6. Damage resulting from any changes after the close of escrow to the grading or drainage of the property within the Community.

7. Defects in or defects or damage caused by materials furnished or work done by or at the request of the Association or a Homeowner by anyone other than Schuler Homes or its employees, agents or subcontractors expressly selected by Schuler Homes.

8. Non-structural cracking or spider cracking of a Building's foundation slab and hairline cracks in stucco and masonry. Although certain foundation slabs will contain contraction joints to reduce this likelihood, standard construction techniques and the applicable design for the Home's foundation slab may result in a degree of non-structural cracking or "spider" cracking in the slab. Such cracking is inherent in concrete construction. However, if any surface becomes unusable during the one (1) warranty period for Components due to abnormal settling or expansion, Schuler Homes will repair or replace the surface as reasonably necessary.

9. Wood cracks or minor openings of wooden joints (such as in panel doors, mitered casings and solid paneling). Such cracks and openings are generally caused by normal shrinkage during the drying out process of the wood and may be mitigated with proper maintenance, including caulking. In addition, the Warranty does not cover separations between rafter ties and fascia boards or cracking, checking, twisting or turning of wood beams, unless such condition(s) prevent(s) the beam from meeting industry structural standards.

10. Damage caused by the fading, chalking or checking of outside paint or other exterior finishes caused by the sun or weather. In the event that Schuler Homes elects at its own discretion to perform any paint repairs or patching, Homeowner recognizes that Schuler Homes cannot guarantee that the new paint will perfectly match the old paint.

11. Defects in items and/or their appearance constructed within acceptable building standards and construction tolerances as spelled out in your Homeowner's manual.

Additionally, Schuler Homes will not be responsible for any damage or emotional distress you may have incurred with respect to a claimed defect, any lost opportunity or profit to which you may be entitled due to the claimed defect, or additional living expenses that you may incur while a covered item is being repaired. Further, Schuler Homes will not be responsible for any lost time (from your employment or otherwise) that you experience to secure the repair of a covered item, or damage or loss of items in the Home that may be attributed to the covered defect. The exclusions set forth in this Article shall also apply to any delays in initial closing of a Home that are attributable to the repair of any punchlist items.

E. WARRANTY COVERAGE DISPUTES

1. Intent of Parties

The procedures described in this Warranty are the only methods by which the Association may demand that Schuler Homes correct alleged defects in the Common Elements or affecting more than one Home in the Community. All disputes in any way related to the coverage of this Warranty (the "Dispute") shall be resolved according to the provisions of Section S.2 of the Declaration, as herein expanded; provided, however, that any Dispute related to the validity of a claim concerning the limited warranty against certain termite infestation shall first be submitted to a recognized entomologist in accordance with Section 2 of this Article, without recourse to Arbitration permitted and/or required in Section S.2 of the Declaration.

2. Review of Termite Infestation Claims

Any termite infestation claim by a Homeowner that is not subject to resolution through Negotiation as required by Section S.2 of the Declaration may not be made subject to Arbitration pursuant to Section S.2 of the Declaration. Rather, any Dispute concerning such a claim, shall be referred to a recognized entomologist, agreeable to the Association and Schuler Homes, for resolution. The entomologist's certification concerning the claim and Dispute shall be the sole basis for its disposition and the Association and Schuler Homes shall be bound by entomologist's determination. All costs of the inspection and services of the entomologist shall be paid by (i) Schuler Homes if the claim of the Association is determined to be valid or (ii) the Association if the claim is determined to be invalid.

3. Statute of Limitations

A demand for Arbitration must be filed within the time periods prescribed by the applicable statute(s) of limitations. The notice of dispute described in Section S.2 of the Declaration shall not stop the running of any statute of limitations.

EXHIBIT "G"
ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Watercolors at Makakilo
Phase 1
(39 units)

(for Increment 1 consisting of 39 units)

Estimate of Initial Maintenance Fees:		Monthly Fee	Yearly Total
Apartment			
Residence A	2.21280%	\$154.50	\$1,853.97
Residence A	2.21280%	\$154.50	\$1,853.97
Residence A-R	2.21280%	\$154.50	\$1,853.97
Residence A-R	2.21280%	\$154.50	\$1,853.97
Residence A-R	2.21280%	\$154.50	\$1,853.97
Residence A-R	2.21280%	\$154.50	\$1,853.97
Residence B	2.42360%	\$169.22	\$2,030.59
Residence B	2.42360%	\$169.22	\$2,030.59
Residence B	2.42360%	\$169.22	\$2,030.59
Residence B	2.42360%	\$169.22	\$2,030.59
Residence B	2.42360%	\$169.22	\$2,030.59
Residence B-R	2.42360%	\$169.22	\$2,030.59
Residence B-R	2.42360%	\$169.22	\$2,030.59
Residence B-R	2.42360%	\$169.22	\$2,030.59
Residence C	2.62100%	\$183.00	\$2,195.98
Residence C	2.62100%	\$183.00	\$2,195.98
Residence C	2.62100%	\$183.00	\$2,195.98
Residence C	2.62100%	\$183.00	\$2,195.98
Residence C	2.62100%	\$183.00	\$2,195.98
Residence C-R	2.62100%	\$183.00	\$2,195.98
Residence C-R	2.62100%	\$183.00	\$2,195.98
Residence C-R	2.62100%	\$183.00	\$2,195.98
Residence C-R	2.62100%	\$183.00	\$2,195.98
Residence C-R	2.62100%	\$183.00	\$2,195.98
Residence C-R	2.62100%	\$183.00	\$2,195.98
Residence C-R	2.62100%	\$183.00	\$2,195.98
Residence C-R	2.62100%	\$183.00	\$2,195.98
Residence C-R	2.62100%	\$183.00	\$2,195.98
Residence D	2.82260%	\$197.07	\$2,364.89
Residence D	2.82260%	\$197.07	\$2,364.89
Residence D	2.82260%	\$197.07	\$2,364.89
Residence D	2.82260%	\$197.07	\$2,364.89
Residence D	2.82260%	\$197.07	\$2,364.89
Residence D	2.82260%	\$197.07	\$2,364.89
Residence D-R	2.82260%	\$197.07	\$2,364.89
Residence D-R	2.82260%	\$197.07	\$2,364.89
Residence D-R	2.82260%	\$197.07	\$2,364.89
Residence D-R	2.82260%	\$197.07	\$2,364.89
Residence D-R	2.82260%	\$197.07	\$2,364.89
TOTALS	100.00000%	\$6,982.00	\$83,784.00

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

**Estimate of Maintenance Fee Disbursements
Watercolors at Makakilo
Phase 1
(39 units)**

	Monthly Fee	Yearly Total
Utilities and Services		
Electricity	\$50.00	\$600.00
Water/Irrigation	\$950.00	\$11,400.00
Water/Sewer/Residences	\$975.00	\$11,700.00
Refuse	\$820.00	\$9,840.00
Maintenance		
Grounds Banks	\$1,700.00	\$20,400.00
Tree Trimming	\$25.00	\$300.00
Landscape Extras	\$150.00	\$1,800.00
Management		
Management Fee	\$677.00	\$8,124.00
Admin/Design Review	\$100.00	\$1,200.00
Legal Fees	\$25.00	\$300.00
Repairs	\$100.00	\$1,200.00
Insurance	\$500.00	\$6,000.00
Taxes & Gov't	\$25.00	\$300.00
Audit	\$75.00	\$900.00
Gov't Assm't/GET, Condo Reg.	\$30.00	\$360.00
Reserves	\$780.00	\$9,360.00
TOTAL	\$6,982.00	\$83,784.00

I, Phyllis Kacher, as agent for/and/or employed by Hawaiiana Management Company, the condominium managing agent/developer for the Watercolors at Makakilo Phase 1 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.

Phyllis Kacher
Signature

4-11-02
Date

Pursuant to 514A-83.6, Hawaii Revised Statutes, 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. The Developer has not conducted a reserve study for the Project. The budget amount for Reserves is an estimate only.

EXHIBIT H

SUMMARY OF SALES CONTRACT

The Deposit Receipt, Reservation and Sales Agreement (the "Sales Contract") contains the price and other terms and conditions under which a purchaser will agree to buy a Residence in the Project. Among other things, the Sales Contract states:

- (a) The total purchase price, method of payment and additional sums which must be paid in connection with the purchase of a residence.
- (b) That the purchaser acknowledges having received and read a public report (either preliminary or final) for the Project prior to signing the Sales Contract.
- (c) That the Developer makes no representations concerning rental of a residence, income or profit from a residence, or any other economic benefit to be derived from the purchase of a residence.
- (d) That the Sales Contract may be subordinate to the lien of a construction lender.
- (e) That the purchaser's money will be held in escrow, under the terms of the Escrow Agreement.
- (f) Requirements relating to the purchaser's financing of the purchase of a residence.
- (g) That the residence and the Project will be subject to various other legal documents which the purchaser should examine, and that the Developer may change these documents under certain circumstances.
- (h) That, except to the extent of a limited warranty in form attached as Exhibit "F" to this Public Report, the Developer makes no warranties regarding the residence, the Project or anything installed or contained in the residence or the Project.
- (i) That the Project will be subject to ongoing construction and sales activities which may result in certain annoyances to the purchaser.
- (j) That the purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.
- (k) That the Developer has reserved certain rights and powers relating to the Project and the purchaser acknowledges and consents to the exercise of such rights and powers.
- (l) That except under certain circumstances, as set forth in the Sales Contract, all interest on deposits toward the purchase price shall be the property of the Developer.
- (m) If the purchaser defaults, Developer may retain purchaser's deposits and bring on action against purchaser.

The Sales Contract contains various other important provisions relating to the purchase of a residence in the Project. Purchasers and prospective purchasers should carefully read the specimen Sales Contract on file with the Real Estate Commission.

END OF EXHIBIT H

EXHIBIT I

SUMMARY OF ESCROW AGREEMENT

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

- (a) Escrow will let the purchaser know when payments are due.
- (b) Escrow will arrange for the purchaser to sign all necessary documents.
- (c) Except under certain circumstances as set forth in the Sales Contract, all deposits toward the purchase price shall be the property of the Developer.
- (d) The purchaser will be entitled to a refund of his or her funds only under certain circumstances as set forth in the Sales Contract.

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

END OF EXHIBIT I

EXHIBIT J

**WATERCOLORS AT MAKAKILO
RESIDENCE SELECTION FORM AND
NOTICE OF CHRONOLOGICAL RESERVATION SYSTEM
AND RECEIPT OF OWNER-OCCUPANT AFFIDAVIT FORM
Residence Selection Form**

Residence No. Selected _____ Model Type _____
Square Footage _____ Projected Price _____
Reservation List Number: _____

PRINT Full name of Buyers:

FIRST MIDDLE LAST

FIRST MIDDLE LAST

FIRST MIDDLE LAST

FIRST MIDDLE LAST

Address: _____
Street Address

City State Zip

Phone (Res.) _____ (Bus.) Husband _____
(Bus.) Wife _____

Buyer's Signature: _____ Date: _____

Buyer's Signature: _____ Date: _____

Buyer's Signature: _____ Date: _____

Buyer's Signature: _____ Date: _____

This Residence Selection Form does not constitute a sales contract or a reservation. If Buyer elects not to sign the Deposit Receipt, Reservation and Sales Agreement presented by Seller for the purchase of a residence within three (3) days of Seller's request, then Buyer's deposit is refundable and Buyer shall have no further right to execute a Sales Contract for the residence selected.

RECEIPT OF EARNEST MONEY DEPOSIT ACKNOWLEDGED:

Date: _____ Time: _____ A.M./P.M. Check Amount _____

By: _____
(Agent for Developer/Real Estate Broker)

Identification of Deposit: [] Cash
[] Check

Check No. _____

WATERCOLORS AT MAKAKILO
Notice and Receipt

This is a Notice given by D.R. HORTON-SCHULER HOMES, LLC, a Delaware limited liability company, dba Schuler Homes (the "Developer") in regard to a proposed fee simple detached single family residence community to be known as "WATERCOLORS AT MAKAKILO" (the "Community"), which the Developer has made preliminary plans to develop at Kapolei, City and County of Honolulu, Hawaii, TMK No. (Oahu) 9-2-19:40, 41, 42, 43 and TMK No. 9-2-19:82. The purpose of this Notice is to inform prospective purchasers of fee simple detached single family residences in the Community of the chronological reservations system that has been established for selecting prospective purchasers who will be offered the opportunity to enter into sales contracts for such residences, if the Developer elected to proceed with present plans to construct and market the Community.

By signing below, the undersigned acknowledges the following:

1. The undersigned has received the form of "Affidavit of Intent to Purchase and Reside in an Owner-Occupant designated Fee Simple Detached Single Family Residence" (the "Owner-Occupant Affidavit").
2. The undersigned has read or has been given an opportunity to read the Owner-Occupant Newspaper Announcement ("Pre-Sale Notice") regarding the Community, or a copy thereof, which was first published in the Honolulu Advertiser/Star Bulletin on _____.
3. Prior to the date on which the Pre-Sale Notice was first published, the undersigned did not receive any information regarding the Community or any advance notice of the first publication date from any person who, to the best of the undersigned's knowledge, is an agent or employee of the Developer, or is a licensed real estate agent.
4. The undersigned has been furnished with or been given an opportunity to review a list of those residences in the Community which have been designated as "fee simple detached single family residences" for sale to prospective owner-occupants: ("designated residences") pursuant to section 514A-103, HRS.
5. The undersigned understands that the Developer's Real Estate Broker is compiling a "Reservation List" of prospective owner-occupants **in the chronological order in which each has submitted both a completed Owner-Occupant Affidavit and an earnest money deposit in the amount of \$1,000.** After the issuance by the Real Estate Commission of an effective date for the first Public Report on the Community, each of the prospective owner-occupants on the final Reservation List will be offered an opportunity to select and enter into a sales contract for the purchase of a designated residence **in the order in which their names appear on the Reservation List.** Those prospective owner-occupants who are not initially offered an opportunity to select and enter into a sales contract for the purchase of a residence, or who initially decline to select and enter into a sales contract, may retain their position on the Reservation List as "back-up" prospective owner-occupants.
6. The undersigned understands that any earnest money deposit which the undersigned submits will be deposited in an escrow account that **will not earn interest for the undersigned's account.** At any time prior to entering into a sales contract for the purchase of a designated residence, the undersigned may request in writing to be removed from the Reservation List and thereupon will receive a full refund of the undersigned's earnest money deposit without interest. If the undersigned is not offered the opportunity to enter into a sales contract within 6 months after the issuance of an effective date for the first Public Report on the Community, or the undersigned elects not to enter into a sales contract, the undersigned will be removed from the Reservation List and receive a full refund of the earnest money deposit without interest.
7. This is a "Notice" to prospective owner-occupants and a "Receipt" for the Owner-Occupant Affidavit only. **This is not a contract and does not give the undersigned any right to purchase a residence in the Community or to have the undersigned's name appear on the Reservation List. To be on the Reservation List, the undersigned must return a fully completed and executed Owner-Occupant Affidavit and make the earnest money deposit set forth above.**

8. The undersigned has signed this Notice and Receipt in the presence of an agent or representative of the Developer or the Developer's Real Estate Broker.

Signature

Print Name

Signature

Print Name

Signature

Print Name

Signature

Print Name

Signed in my presence:

Agent for Developer/Broker

**WATERCOLORS AT MAKAKILO
AFFIDAVIT OF INTENT TO PURCHASE AND RESIDE IN AN OWNER-OCCUPANT
DESIGNATED FEE SIMPLE DETACHED SINGLE FAMILY RESIDENCE**

We, the undersigned "owner-occupants", on this _____ day of _____, 20____, do hereby declare that it is our intention to purchase and reside in a designated fee simple detached single family residence designated for an "owner-occupant" in WATERCOLORS AT MAKAKILO detached single family residence ("Community") proposed by D.R. HORTON-SCHULER HOMES, LLC, a Delaware limited liability company, dba SCHULER HOMES. ("Developer").

We understand, affirm, represent and agree by signing this Affidavit that:

1. It is our intent to reserve and purchase an owner-occupant designated detached single family residence ("designated residence") pursuant to section 514A-103 of the Owner-Occupant Law, and upon closing escrow, to reside in the designated residence as our principal residence for 365 consecutive days.

2. The term "owner-occupant" as used herein is defined in section 514A-101 of the Owner-Occupant Law as:

"...any individual in whose name sole or joint legal title is held in a residential residence which, simultaneous to such ownership, serves as the individual's principal residence, as defined by the state department of taxation, for a period of not less than three hundred and sixty-five consecutive days, provided that the individual retains complete possessory control of the premises of the residential residence during this period. An individual shall not be deemed to have complete possessory control of the premises if the individual rents, leases or assigns the premises for any period of time to any other person in whose name legal title is not held." (Emphasis added).

3. We understand that if two or more prospective owner-occupants intend to reside jointly in the same designated residence, only one owner-occupant's name shall be placed on the reservation list for either the chronological system or the lottery system.

4. Should we require financing from a financial institution to purchase the designated residence, the financing shall be an owner-occupant mortgage loan. The financial institution is required to take all reasonable steps necessary to determine whether the borrower intends to become an owner-occupant.

5. At any time after obtaining adequate financing or a commitment for adequate financing up until the expiration of this Affidavit (365 days after recordation of the instrument conveying the designated residence to us), we shall notify the Real Estate Commission immediately upon any decision to cease being an owner-occupant of the designated residence.

6. At closing of escrow, we shall file a claim for and secure an owner-occupant property tax exemption with the appropriate county office for the designated residence.

7. We have personally executed this Affidavit and we are all of the prospective owner-occupants for the designated residence. This Affidavit shall not be executed by an attorney-in-fact.

8. This Affidavit shall be reaffirmed by us no earlier than our receipt for the Community's Final Public Report and no later than the closing of escrow for the residence. The developer shall cancel our sales contract or reservation if we fail to make the reaffirmation. If the sales contract has become binding pursuant to section 514A-62 of the Condominium Property Act, we may be considered to be in default under our sales contract, and the Developer may exercise the default or other remedies provided for in the sales contract and any other remedies provided by law.

9. We shall not sell or offer to sell, lease or offer to lease, rent or offer to rent, assign or offer to assign, convey or otherwise transfer any interest in the designated residence until at least 365 consecutive days have elapsed since the recordation of the instrument conveying title to the designated residence to us. Furthermore, we understand that we have the burden of proving our compliance with the law.

10. We understand that it is the affirmative duty of any developer, employee or agent of a developer, and real estate licensee, to report immediately to the Real Estate Commission any person who violates or attempts to

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this _____ day of _____, 20____, before me personally appeared _____, to me personally known, who, being by me duly sworn or affirmed, did say that such person(s) executed the foregoing instrument as the free act and deed of such person(s), and if applicable, in the capacities shown, having been duly authorized to execute such instrument in such capacities.

Type or print name:
Notary Public, State of Hawaii: _____
My commission expires: _____

END OF EXHIBIT J