

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Hawaiian Island Development Co., Inc.
 Address 931 University Avenue, Suite 207, Honolulu, Hawaii 96826

Project Name(*): ALA WAI TERRACE
 Address: 1684 Ala Moana Boulevard, Honolulu, Hawaii 96815

Registration No. 4971
 (Conversion)

Effective date: December 5, 2002
 Expiration date: January 5, 2004

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:

- | | |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> PRELIMINARY:
(yellow) | The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed. |
| <input checked="" type="checkbox"/> FINAL:
(white) | The developer has legally created a condominium and has filed complete information with the Commission.
<input checked="" type="checkbox"/> No prior reports have been issued.
<input type="checkbox"/> This report supersedes all prior public reports.
<input type="checkbox"/> This report must be read together with _____ |
| <input type="checkbox"/> SUPPLEMENTARY:
(pink) | This report updates information contained in the:
<input type="checkbox"/> Preliminary Public Report dated: _____
<input type="checkbox"/> Final Public Report dated: _____
<input type="checkbox"/> Supplementary Public Report dated: _____ |
| And | <input type="checkbox"/> Supersedes all prior public reports.
<input type="checkbox"/> Must be read together with _____
<input type="checkbox"/> 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.
 FORM: RECO-30 286/986/189/1190/892/0197/1098/0800

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report as Exhibit "K" 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:

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Hawaiian Island Development Co., Inc. Phone: (808) 951-8976
Name* (Business)
931 University Avenue, Suite 105
Business Address
Honolulu, Hawaii 96826

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):

Peter B. Savio (President, Secretary, Treasurer, Director)
Phyllis D. Savio (Vice-President, Director)

Real Estate Broker*: Hawaiian Island Homes Ltd. Phone: (808) 951-8979
Name (Business)
931 University Avenue, Suite 207
Business Address
Honolulu, Hawaii 96826

Escrow: Title Guaranty Escrow Services, Inc. Phone: (808) 532-5155
Name (Business)
235 Queen Street, 1st Floor
Business Address
Honolulu, Hawaii 96813

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

Business Address

Condominium Managing Agent*: Management, Inc. Phone: (808) 735-3030
Name (Business)
3615 Harding Avenue, Suite 403
Business Address
Honolulu, Hawaii 96816

Attorney for Developer: Chun, Kerr, Dodd, Beaman & Wong Phone: (808) 528-8200
a Limited Liability Law Company (Business)
Name
745 Fort Street, 9th Floor
Business Address
Honolulu, Hawaii 96813
Attn: Andrew R. Bunn, Esq.

* 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 Number 2858725

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. 1516

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. 2858726

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 of quorum of apartment owners</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:

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 includes the underlying land will be leasehold.

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

For Sub-leaseholds:

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

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

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: 1684 Ala Moana Boulevard Tax Map Key (TMK): (1) 2-6-11-22 and por. 24
Honolulu, Hawaii 96815

Address TMK is expected to change because _____

Land Area: 14,165 square feet acre(s) Zoning: Waikiki Special District
(Apartment Precinct)

Fee Owner: Ala Wai Gateway Limited Partnership,
 a Hawaii limited partnership
 Name
 Address 2375 Kuhio Avenue
Honolulu, Hawaii 96815

Developer Hawaiian Island Development Company, Inc.
 Name
 Address 931 University Avenue, Suite 207
Honolulu, Hawaii 96826

C. Buildings and Other Improvements:

- 1. New Building(s)
 Conversion of Existing Building(s)
 Both New Building(s) and Conversion
- 2. Number of Buildings: 1 Floors Per Building: 17
 Exhibit A contains further explanations.
- 3. Principal Construction Material:
 Concrete Hollow Tile Wood
 Other Pile foundation support

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>44</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	<u> </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	<u> </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	<u> </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	<u> </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	<u> </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	<u> </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	<u> </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	<u> </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other	<u> </u>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?
 Yes No

* Developer presently owns title as a vendee under an agreement of sale. The agreement of sale will be satisfied and released as to each apartment upon conveyance to purchasers.

5. Special Use Restrictions:

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

Pets No pets permitted without Board approval

Number of Occupants: _____

Other: See Exhibit B

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 1 Stairways: 4 Trash Chutes: 0

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
<u>100</u>	<u>1</u>	<u>2/3</u>	<u>1,795**</u>	<u>180</u>	<u>Lanai</u>
<u>51</u>	<u>14</u>	<u>2/1</u>	<u>743</u>	<u>129</u>	<u>Lanai</u>
<u>52</u>	<u>14</u>	<u>2/1</u>	<u>739</u>	<u>128</u>	<u>Lanai</u>
<u>53</u>	<u>14</u>	<u>2/1</u>	<u>673</u>	<u>129</u>	<u>Lanai</u>
<u>1650</u>	<u>1</u>	<u>3/3</u>	<u>2,324</u>	<u>796</u>	<u>Lanai + Deck + Entry Foyer</u>

Total Number of Apartments: 44

* 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.

See Exhibit C for further details.

Boundaries of Each Apartment: See Exhibit C

Permitted Alterations to Apartments: See Exhibit D

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.

**See Declaration regarding the initial square footage of Apartment 100 prior to reconfiguration of the Lower Lobby Floor.

7. Parking Stalls:

Total Parking Stalls: 34

	<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>4</u>	<u>23</u>	<u>2</u>	<u>5</u>	<u> </u>	<u> </u>	<u>34</u>
Guest	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unassigned	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Extra for Purchase	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other: _____	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Covered & Open:	<u>27</u>	<u> </u>	<u>7</u>	<u> </u>	<u> </u>	<u> </u>	<u>34</u>

*Includes partially covered stalls.

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

**Buyers may elect to purchase the exclusive right to use a parking stall on a first come, first serve basis.

†See Exhibit E.

[] Commercial parking garage permitted in condominium project.

[X] Exhibit E 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 [X] Storage Area [] Recreation Area

[X] Laundry Area [] Tennis Court [] Trash Chute/Enclosure(s)

[X] Other: See description of common elements in Exhibit F

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

[X] There are no violations. [] Violations will not be cured.

[] Violations and cost to cure are listed below: [] Violations will be cured by _____

(Date)

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations (For conversions of residential apartments in existence for at least five years):

The Developer did not make any representations regarding the condition or expected useful life of structural or mechanical or electrical installations of the building. See the Disclosure Abstract (Exhibit K) for more information.

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:

A variance (96/VAR-50) to allow utility installation encroachments into the height setback and increase nonconformity was approved with condition on October 18, 1996.

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

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

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u> X </u>	<u> </u>	<u> </u>
Structures	<u> </u>	<u> X* </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.

*See page 20 herein and Exhibit K attached to this public report.

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 F

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 F .

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 F .

as follows:

E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit G describes the encumbrances against the title contained in the title report dated October 7, 2002 and issued by Title Guaranty of Hawaii, Inc.

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 Foreclosed Prior to Conveyance</u>
---------------------	----------------------------------------------------------------------------------------------------------------

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: As-Is.

See Exhibits H and I

2. Appliances: As-Is.

See Exhibits H and I

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

The building and other improvements comprising the Project were completed in 1968.

H. Project Phases:

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

- not affiliated with the Developer
- self-managed by the Association of Apartment Owners
- the Developer or the Developer's affiliate
- 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 K contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. **Utility Charges for Apartments:**

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

- None
- Electricity (Common Elements only Common Elements & Apartments)
- Gas (Common Elements only Common Elements & Apartments)
- Water
- Sewer
- Television Cable
- Other Telephone and entryphone services in the common area when installed.

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 I contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated October 30, 2002
Exhibit J contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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 after the date the report(s) were delivered to the buyer.

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

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

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

This Public Report is a part of Registration No. 4971 filed with the Real Estate Commission on November 7, 2002.

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

[] YELLOW paper stock [X] WHITE paper stock [] PINK paper stock

C. Additional Information Not Covered Above

1. Zoning and Code Compliance. The Project, to the best of Developer's knowledge, complied with all zoning and building ordinances and codes when built and presently contains, as a result of adoption or amendments to ordinances and codes, legal non-conforming structures. The existence of nonconforming conditions in the Project means that in the event of a major casualty, which causes the destruction of the building to an extent of more than fifty percent (50%) of its replacement value, the building cannot be reconstructed except in conformity with the then current and applicable provisions of the Land Use Ordinance. According to a letter dated November 8, 2001, from the Department of Planning and Permitting of the City and County of Honolulu ("DPP"), the building met all applicable code requirements at the time of construction in 1966. DPP records show that the seventeen-story building was constructed as a hotel with 44 units and 16 all-weather surface off-street parking spaces and that, at the time of DPP's investigation, the hotel structure with 44 units and 11 all-weather surface off-street parking spaces are nonconforming under present zoning requirements. The Developer cannot determine, after due inquiry, whether the Project contains any other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes. A variance (96/VAR-50) to allow utility installation encroachments into the height setback and increase nonconformity was approved with condition on October 18, 1996. No other variances or special permits were granted to allow deviations from any applicable codes. DPP investigation also revealed that (i) five of the original parking stalls had been removed without approval, (ii) no permit for the enclosed storage area within the parking area was found, and (iii) no permit was found for the covered parking area located adjacent to the building on the Land. To remedy the foregoing conditions, the five original parking stalls have been replaced and are included in the 34 all-weather surface off-street parking spaces located on the Land and the un-permitted storage area and covered parking area will be removed prior to the first conveyance of any apartment in the Project. A copy of the DPP letter is attached to the Disclosure Abstract (Exhibit K).

2. Hazardous Materials. The Developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Buyer acknowledges that in light of the age of the Project, there may be hazardous substances in the apartments or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment inspected to determine the extent (if any) of such contamination and of any necessary remedial action. The Developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the Developer from any liability to Buyer if any hazardous materials are discovered.

3. Asbestos Abatement Project. An asbestos abatement project was conducted at the Project from April 12, 1989 to May 1, 1989. A letter from Muranaka Environmental Consultants, Inc., dated May 9, 1989 certifies the building to be essentially free of asbestos. A copy of the letter is included in the Disclosure Abstract (Exhibit K). Excerpts from the letter indicate that following the abatement project, a visual inspection of the facility enabled the environmental consultant to determine that no asbestos waste or debris remained on the premises; however, the Developer does not represent or warrant that the environmental consultant's findings are correct or complete. Moreover, the environmental consultant measured the final asbestos fiber concentration in air to be less than 0.01 fibers per cubic centimeter (f/cc), a level below the U.S. Environmental Protection Agency required final level for abatement projects in schools at that time. The project's findings and conclusions should not be relied upon as the opinion of the Developer nor was the report prepared for the Developer in anticipation of the sale of the Project.

4. Lead-Based or Lead-Containing Paint. Buyer is hereby notified that the Project may present exposure to lead from lead-based or lead-containing paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The Developer is required by law to provide Buyer with any information on lead-based or lead-containing paint hazards from risk assessments or inspections in the Developer's possession and notify Buyer of any known lead-based or lead-containing paint hazards. The Developer hereby discloses that the Developer has no knowledge of lead-based or lead-containing paint and/or lead-based or lead-containing paint hazards at the Project. A risk assessment or inspection for possible lead-based or lead-containing paint hazards is recommended prior to purchase.

5. Mold/Mildew. Buyer is hereby advised that tropical climates with warm temperatures, high humidity and frequent precipitation are conducive to the propagation of mold, mildew, fungus and other types of bacterial growths. Though the building, deck surface and other improvements that are a part of the Project may be cleaned to satisfactory appearance, the Developer cannot guaranty that mold, mildew, fungus and other types of bacterial growths can be eliminated. The building in the Project is old and has had incidences of leaking and water exposure which may have resulted in the introduction of mold, mildew, fungus and other types of bacterial growths. The building and some of the apartments within the building have had mold or mildew growth in the past which, to the Developer's knowledge, has been treated and cleaned by the fee owner. Buyer should be aware that, as with all properties, the building may have hidden, enclosed and unreachable areas where growths can occur and cannot be detected and that there may in the future be mold and mildew growth in the Project if the Association and occupants of the apartments do not properly maintain the Project. If


Buyer, any member of Buyer's family, or any person who will inhabit the Property has respiratory, skin or other health ailments or conditions that can be affected by mold, mildew, fungus or other types of bacterial growths they should seek professional advice before purchasing an apartment in the Project. Neither the Developer nor its agents associated with the Project have the requisite knowledge to provide counsel as to the presence, likelihood of conditions conducive to propagation of mold, mildew, fungus and other types of bacterial growth in the Project or as to the effect of the aforementioned conditions can have related to their health, welfare and continued enjoyment of the Property. Individuals who may be capable of providing such advice are professional home inspectors, medical professionals, scientific research professionals, certified industrial hygienist or other environmental specialists and/or others who have requisite knowledge in matters of detection and lab analysis services.

6. General Condition of the Project. A letter from Ernest M. Umemoto AIA Architect, Inc., dated July 6, 2002 (the "Architect's Letter"), discloses that "[t]he building has held up to wear and tear very well and a strict maintenance effort has kept the complex clean and functionally able to provide for the needs of the intended use." The Architect's Letter, however, also identifies several possible areas of noncompliance with current codes and conditions that may require remedial action. A copy of the Architect's Letter is included in the Disclosure Abstract (Exhibit K). Also included in Exhibit K are letters addressing the condition of the Project's (a) electrical components (dated November 21, 2001, from RS Engineering), (b) structural components (dated June 17, 2002, from Hawaii Engineering Group, Inc.), and (c) plumbing components (dated May 14, 2001, from Lange Motonaga, Inc.). The Developer makes no warranties or representations regarding the completeness or accuracy of the foregoing reports. The Developer further discloses that the Project may be subject to exterior spalling and weathering, rust, earthquake, fire, floods, erosion, high water table, dangerous underground soil conditions and similar occurrences or conditions which may alter the Project's condition or affect its suitability for any proposed use. The Developer shall have no responsibility or liability for or with respect to any such occurrence or condition or any conditions disclosed in any of the reports included in Exhibit K to this public report or otherwise made available to the Buyer.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. 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.

HAWAIIAN ISLAND DEVELOPMENT CO., INC., a Hawaii corporation
 Printed Name of Developer

By:  October 30, 2002
 Duly Authorized Signatory* Date

Peter B. Savio, President, Secretary, Treasurer
 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.***

DESCRIPTION OF BUILDING

The Project consists of one (1) existing building, which is constructed primarily of reinforced concrete supported on pile foundations. The building contains seventeen (17) stories, consisting of the Ground Floor located on even grade with the street, the Lower Lobby Floor (located directly above the Ground Level) and the 1st Floor through the 16th Floor located directly above (but omitting the 13th Floor), as more particularly shown on the Condominium Map.

The Ground Floor of the building contains six (6) parking stalls, a water pump room, a fire sprinkler pump room, an electrical vault, an elevator machine room, an electrical meter room, a utility room and four (4) stairways.

The Lower Lobby Floor shall contain one (1) residential apartment (which is a two-bedroom/three-bathroom apartment), a corridor on the *mauka* side of the building, two (2) storage and utility closets, a utility room, a mailroom/lobby (in which are located the mail boxes for the Project), a community laundry room, one (1) elevator stop, a fire hose cabinet and four (4) stairways, all as shown on Sheet 3 of the Condominium Map. [Note: As of the date of recording the Declaration, the floor plan for the Lower Lobby Floor is as shown on Sheet 3A of the Condominium Map (showing a larger lobby area and four studio apartments designated as Apartment 100, Spaces 51, 52, 53 and 54). The owner of Apartment 100 may remodel the Lower Lobby Floor, reconfiguring Apartment 100 and the common areas of the Lower Lobby Floor so that it is as set forth on Sheet 3 of the Condominium Map, as more particularly set forth in Section 19 of the Declaration.]

The 2nd Floor through 16th Floors (omitting the 13th Floor) each have an identical floor plan. Each floor has a total of three (3) residential apartments (all of which are two-bedroom/one-bathroom apartments), a corridor on the *mauka* side of the building, two (2) storage and utility closets, one (1) elevator stop, a fire hose cabinet and two (2) stairways.

The sixteenth floor level, designated as the Sixteenth Floor on the Condominium Map, has one (1) residential penthouse apartment (which is a three-bedroom/three-bathroom apartment), a corridor on the *mauka* side of the building, one (1) storage and utility closet, one (1) elevator stop, a fire hose cabinet and one (1) stairway.

The roof level, designated as the Roof on the Condominium Map, includes a utility room with a lavatory, a heater room, a fire hose cabinet, a stairway to access elevator machinery and one (1) stairway.

The area surrounding the building consists of a paved driveway leading in from Ala Moana Boulevard, two planters and four (4) parking stalls located on the *makai* side of the building (as shown on Sheet 2 of the Condominium Map), and driveway, emergency generator area, trash dumpster area, and twenty-four (24) parking stalls on the *mauka* side of the building (as shown on

EXHIBIT A

Page 1 of 2

Sheets 1 and 2 of the Condominium Map). The *mauka* and *makai* grounds are connected by a paved driveway running through the building on the Ground Floor level.

The Project has a total of thirty-four (34) parking stalls, twenty-seven (27) of which are standard stalls and seven (7) of which are compact stalls. All the parking stalls are located on street level. The parking stalls are numbered 1 through 34 on the Condominium Map. There are six (6) covered parking stalls (two (2) of which are compact stalls), two (2) partially covered parking stalls (one (1) of which is a compact stall) and twenty-six (26) uncovered parking stalls (four (4) of which are compact stalls). The seven open spaces designated on Sheet 1 of the Condominium Map as "LCE " and the letters "A" through "G" adjacent to parking stall nos. 25, 26, 27, 28, 29, 30 and 31 are limited common elements appurtenant to the residential apartments to which such parking stalls are assigned ("adjacent open spaces") and may be used by such owners for parking purposes as set forth in the Declaration. None of the stalls in the Project are accessible. There are no motorcycle or bicycle stalls nor a parking area for such vehicles. There are no guest parking stalls nor any loading stalls.

USE RESTRICTIONS FOR APARTMENTS AND COMMON ELEMENTS

The following provisions in the Declaration and House Rules, as indicated, contain restrictions on the use of the apartments and the common elements of the Project:

I. Declaration

Paragraph 10 of the Declaration provides for the following:

Each apartment in the Project shall be occupied and used only as private dwellings by the respective owners thereof, their tenants, families, domestic servants and social guests. No such apartment shall be used as a tenement or rooming house or for in connection with the carrying on of any business, trade, profession whatsoever. Said apartments shall not be rented by the apartment owners thereof for transient or hotel purposes, which shall be defined as (i) rental for any period less than thirty (30) days; or (ii) any rental in which the occupants of the apartment are provided customary hotel services, such as room service for food and beverage, daily maid, daily laundry and linen services, and bellboy service. Neither said apartments nor any interest therein shall be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including without limitation any so-called "vacation license", "travel club membership" or "time-interval ownership" arrangement. The term "time-sharing" as used herein shall be deemed to include, but is not limited to, any plan, program or arrangement under which the right to use, occupy, own or possess an apartment or apartments in the Project rotates among various persons on a periodically recurring basis according to a fixed or floating interval or period of time, whether by way of deed, lease, association or club membership, license, rental or use agreement, co-tenancy agreement, partnership or otherwise. No owner of a residential apartment in the Project shall enter into any arrangement with any other apartment owner whereby any rental pool or apartments or other sharing of rental income from apartments is created. Other than the foregoing restrictions, the residential apartment owners in the Project shall have the absolute right to lease the same, provided that such lease covers an entire apartment, is in writing and is made subject to the covenants and restrictions contained in this Declaration and in the Bylaws.

All ramps, driveways and common areas located in the Ground Floor shall be kept free of obstruction which interferes with ingress, egress and parking, except as the Association shall decide, but each apartment owner may use all limited common elements appurtenant to such owner's apartment for any use deemed appropriate by such owner, so long as such use is permitted by law and does not interfere with the use by the other owner of the common elements or the limited common elements appurtenant to such other owner's apartment.

II. House Rules

Section II of the House Rules lists rules relating to noise and nuisance matters, including, without limitation, restrictions as to creating any improper, offensive or unreasonable nuisances in the Project; creating any excessive noise; slamming doors; the volume of noise devices during late evening and early morning hours; guest conduct; and excessive and late hour noise from entertaining.

Section III of the House Rules lists restrictions generally affecting maintenance of the apartments and the building, including, without limitation, restrictions as to making structural changes within or outside the apartments; the display of signs, signals or lettering; and the exterior appearance of the apartments (e.g., prohibitions against projections through any door or window opening, radio or television antenna, waterbeds, and attaching other objects to the exterior of the apartments).

DESCRIPTION OF BUILDING INTERIOR AND APARTMENTS

1. **General.** The Project contains a total of forty four (44) condominium apartments (the "apartments"), all of which are intended for residential use. Each apartment is designated as a separate freehold estate. Each apartment consists of the spaces within the perimeter walls, floors and ceilings of the respective apartments as shown on the Condominium Map. The apartments are more particularly described in Exhibit B attached to the Declaration.

2. **Apartment Numbers.** Each residential apartment is identified by either a three-digit or four-digit number. Except for Apartment No. 100, which is located on the Lower Lobby Floor, the apartments are numbered in accordance with the following: if the apartment number has three digits, then the first digit represents the floor on which the apartment is located; if the apartment number has four digits, then the first two digits represent the floor on which the apartment is located; the last two numbers of the apartment number represent the apartment type. Each residential apartment as so designated and identified by an apartment number is located in the Project as shown on the Condominium Map. The location, apartment number and net floor area of each apartment are shown on the Condominium Map and are set forth in Exhibit B to the Declaration.

3. **Apartment Types.** As shown on the Condominium Map, there are five (5) apartment types designated as Types 50, 51, 52, 53 and 100. The Type 100 apartment is located on the Lower Lobby Floor and shall initially consist of four separate and distinct spaces shown on Sheet 3A of the Condominium Map as Space #51, Space #52, Space #53 and Space #54, each such space containing one room with an adjoining bathroom, and all of which together shall be one condominium apartment. Upon the exercise of the rights of the owner of the Type 100 apartment to reconfigure the Lower Lobby Floor as set forth in the Declaration, the Type 100 apartment shall have a single contiguous space that contains two bedrooms, three bathrooms, a kitchen/dining room, and a living room as shown on Sheet 3 of the Condominium Map. Each Type 51, 52 and 53 apartment on the 1st through 15th Floors shall have two bedrooms, one bathroom, a kitchen, a dining room and a living room. The Type 50 penthouse apartment on the 16th Floor shall have three bedrooms, three bathrooms, a kitchen, a dining room and a living room.

4. **Apartment Limits.** Notwithstanding the floor areas set forth in Exhibit B attached to the Declaration, and the manner in which such floor areas have been measured, the respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls or partitions, the foundations, columns, girders, beams, floor slabs, supports, roofs, and ceilings located within or at the perimeter of or surrounding such apartment, any pipes, vents, shafts, ducts, conduits or other utility or service lines or enclosed spaces for wiring, pipes, air exhaust or air conditioning running through or otherwise within such apartment which are utilized for or serve more than one apartment, all of which are deemed common elements as hereinafter provided. Said apartments shall not be deemed to include any adjacent lanais, the same being deemed limited common elements. Each apartment shall be deemed to include all of the walls and partitions which are not load-bearing and which are within its perimeter walls, the inner decorated or finished surfaces of all walls, floors, roofs and ceilings, all glass windows, window frames, louvers (if any), shutters (if any), panels, doors and door frames along its perimeter, and all of the fixtures and appliances (if any) originally installed therein.

Should the descriptions and divisions set forth in the Declaration conflict with the depictions and divisions shown on the Condominium Map, the Condominium Map shall control; provided, however, that the Condominium Map is intended only to show the layout, location, apartment designations and dimensions of the apartments and elevations of the building and is not intended to contain any other representation or warranty.

5. **Access to Apartments.** Each apartment has immediate access to the exterior walkways, stairways and/or elevator of the building which lead to the Lower Lobby Floor and/or the Ground Floor of the Project. There is a total of four stairways on the Lower Lobby Floor; Stair #1 provides access from the Ground Floor to all floors of the building, including the roof; Stair #2 provides access from the Ground Floor up to the 15th Floor; Stair #3 provides access from the Ground Floor only to Apartment 100 on the Lower Lobby Floor; and Stair #4 provide access from the Ground Floor only to the corridor on the Lower Lobby Floor. The lowest elevator stop is on the Lower Lobby Floor. The elevator does not extend beyond the Lower Lobby Floor to the Ground Floor and the only access between the Lower Lobby Floor and the Ground Floor is by the stairways. The apartment on the Lower Lobby Floor has immediate access to an exterior walkway on the *mauka* side of the building leading to the elevator, Stair #1, Stair #2, and Stair #4, and to a lanai on the *makai* side of the building leading to Stair #3. The apartments on the 1st through 15th Floors of the Project have immediate access to an exterior walkway on the *mauka* side of the building leading to the elevator, Stair #1 and Stair #2. The penthouse apartment on the 16th Floor has immediate access to an exterior walkway on the *mauka* side of the building leading to Stair #1 and the elevator, with the elevator leading to the Lower Lobby Floor and the stairway leading to the Ground Floor. Elevator access to the 16th Floor penthouse apartment may be limited should the owner of such penthouse apartment decide to exercise the owner's right to install, at the penthouse apartment owner's sole expense, an elevator lockout mechanism which will allow only restricted access to the 16th Floor.

6. **Living Areas.** Each apartment will have the number of rooms (exclusive of lanais and deck), approximate net living floor area in square feet (exclusive of lanais and deck), as set forth in Exhibit B to the Declaration. All approximate net floor areas set forth in Exhibit B include all fully enclosed areas of existing improvements within the apartments and are based on measurements taken from the undecorated or unfinished interior surface of all perimeter walls, except that no reduction has been made to account for interior walls, ducts, vents, shafts, columns and the like located within the perimeter walls. All approximate net lanai and deck floor areas set forth in Exhibit B are based on measurements taken from the inner surfaces of all perimeter walls and boundaries of the lanai and deck areas. All floor areas set forth in Exhibit B are not exact but are approximations based on the floor plans of each type of apartment derived from existing architectural and construction plans for such existing improvements within each apartment. All floor areas set forth in Exhibit B have also been rounded to the lowest full square foot where the approximation of such floor areas exceed a square foot by any fraction of a square foot. For these reasons, the measurements of the floor areas set forth in Exhibit B do not follow the designation of the limits of the apartments (the legally designated areas of the apartments) set forth below, and the floor areas set forth in Exhibit B may be different from the floor areas of the apartments as so designated and described in the Declaration.

PERMITTED ALTERATIONS TO APARTMENTS

Paragraph 19 of the Declaration provides as follows:

a. General. Except as otherwise provided in this Declaration or the Act or as otherwise required by law, neither the Association nor any apartment owner shall perform any of the following acts except pursuant to plans and specifications therefor approved in writing by the Board: (1) repairing, replacing or rebuilding any apartment or any of the common and limited common elements in a manner different in any material respect from the Condominium Map; (2) engaging in any alterations which will affect the structural integrity of any apartment or the common and limited common elements; (3) constructing on the common and limited common elements any new building or structure; or (4) enclosing any lanai, deck, balcony, patio or parking stall. Upon the completion of any such work, there shall be filed with the Board a final "as built" set of the plans and specifications for such work, and if any such work should constitute a material alteration to the Project as shown on the Condominium Map (as determined by the Board), the Association or apartment owner, as the case may be, shall file an amendment to this Declaration describing such alteration and amending the Condominium Map to show such alteration, together with a certificate signed by a registered architect or professional engineer, certifying that the plans showing such alterations accurately reflect such alterations, as built. Such amendment shall be signed by the Association or the apartment owner, as the case may be, and approved by the Board, and no consent or joinder of any other apartment owner or person shall be required. Except as otherwise provided in this Declaration, the Bylaws and the House Rules, each apartment owner shall be free, with the consent of all mortgagees of record of any interest in such apartment owner's apartment, to make such alterations and improvements within such apartment owner's apartment or within or on the limited common elements appurtenant thereto, without the consent or joinder of the Board, the Association, any apartment owner, Developer or any other person.

b. Certain Work Prohibited. Notwithstanding anything to the contrary in this Declaration, no apartment owner (1) shall do any work which could jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement or hereditament; (2) shall add any material structure or excavate any basement or cellar, or (3) shall rebuild, repair or restore the Project in the event of substantial or total destruction of the Project, without in every such case obtaining the prior consent of seventy-five percent (75%) of the apartment owners, together with the prior written consent of all mortgagees of record and apartment owners whose apartments or limited common elements appurtenant thereto are directly affected.

c. Structural Alterations. No alterations or changes of any nature under any circumstances shall be made to the structural elements of the building, including, without limitation, roofs, floors, supporting walls, foundations, columns, girders, floor slabs, supports, perimeter, party or load bearing walls and partitions without first obtaining the consents required in Section 19.b. above and certification from a licensed structural engineer reasonably acceptable to the Association

that the plans for such alterations or changes will not in any way diminish the present structural integrity of the building and the elements therein.

d. Nonmaterial Structural Additions to the Common Elements. Nonmaterial structural additions to the common elements, including "solar energy devices" as defined in Section 514A-89 of the Act, or additions to or alterations of an apartment made within such apartment or within a limited common element appurtenant to and for the exclusive use of the apartment, shall require approval only by the Board and such percentage, number, or group of apartment owners or other parties as may be required by this Declaration or the Bylaws. As used in this subparagraph, "nonmaterial structural additions to the common elements" means a structural addition to the common elements which does not jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement or hereditament, detract from the appearance of the Project, interfere with or deprive any nonconsenting apartment owner of the use or enjoyment of any part of the Project or directly affect any nonconsenting apartment owner.

e. Connection between Apartments.

(1) The owner of any two or more adjacent apartments separated by a common element which is a wall may, with the consent of all mortgagees of record of any interest in such owner's apartments, alter or remove all or any portion of the intervening wall (and, if the owner so desires, install a door within the opening created by such removal), if the structural integrity of the common elements or any other apartment in the Project will not thereby be adversely affected and if the finish of the common element then remaining is placed in a condition substantially comparable to that of the common element prior to such alterations. As used above, "adjacent apartments" also includes apartments which are located above and beneath one another on different floors, and in such event all references to "intervening wall" shall mean the intervening floor, ceiling or slab separating such floors.

(2) Prior to commencing any such alteration or removal, and as a condition to the apartment owner's right to undertake such alteration or removal, the apartment owner shall comply with the provisions of Section 19.g. below.

(3) If any intervening wall between adjacent apartments shall have been altered or removed pursuant to the foregoing provisions, then prior to the termination of the common ownership of such adjacent apartments, the owner of such apartments shall restore such intervening wall to substantially the same condition in which the same existed prior to such alteration or removal unless the purchaser of such apartments shall agree in writing to forego such restoration.

(4) Notwithstanding any alteration or additions permitted under this Section 19.e., such shall not affect the common interest or limited common interest allocable to any apartment.

f. Alteration of Certain Apartments and Limited Common Elements.

Notwithstanding anything herein to the contrary, the following owners shall have the following rights and obligations with respect to improvement of certain apartments and limited common elements appurtenant thereto:

(1) The owner of Apartment 100 on the Lower Lobby Floor, at such owner's expense, shall have the right to reconstruct the Lower Lobby Floor so that the Lower Lobby Floor substantially conforms to the plans for the same as shown on Sheet 3 of the Condominium Map and take any other action as may be reasonably required to effectuate such reconstruction, without the necessity of obtaining the consent or joinder of the Association, the Board or any other apartment owners or their mortgagees. In furtherance of such right, the owner of Apartment 100 shall have the following additional rights and obligations:

(A) In executing the rights reserved in this subparagraph 19.f.(1), the owner of Apartment 100 may, at such owner's expense, without obtaining the consent or approval of the Board, the Association, any apartment owner or any mortgagee, add, delete, relocate and realign the common elements, limited common element and the area of Apartment 100 as necessary or desirable to effect reconfiguration of the Lobby Level Floor as shown on Sheet 3; provided, however, that such reconfiguration shall substantially conform to the plan set forth on Sheet 3; and provided, further, that the common interest allocated to Apartment 100 above shall remain the same. Each apartment owner in the Project shall agree that such apartment owner, and any person claiming an interest in the land of the Project by, through or under such apartment owner, shall, upon request, join in and execute any and all documents pertaining to such reconfiguration as necessary.

(B) Upon completion of the reconfiguration described in this subparagraph 19.f.(1), such owner shall amend this Declaration and the Condominium Map pursuant to the requirements of Section 19.a. above, provided no consent, approval or joinder by the Board, the Association, any other apartment owner or any mortgagee shall be required to record such amendment.

(C) Upon completion of the reconfiguration described in this subparagraph 19.f.(1), the owner of Apartment 100 shall not have any further rights to alter Apartment 100, except as otherwise permitted by this Section 19.

(2) The owner of Apartment 100 shall have the right to install a gate between the *makai* lanai and Stair #3 in the located designated for the same on the Condominium Map and to replace and change the type of doors and windows of Apartment 100 (including exterior doors), provided such owner complies with the requirements of Section 19.g. below, and provided further that the owner shall have completed the reconstruction described in subsection 19.f.(1) above.

(3) The owner of Apartment No. 1650 shall have the right to do the following at such owner's sole cost and expense:

(A) Install flooring upon the deck located over Stair #2 which does not affect the structural integrity of the building for the purpose of creating an open-air deck area for the exclusive use and enjoyment of Apartment 1650.

(B) Replace the currently existing non-structural, nonload-bearing balcony railings which line the *mauka* and *makai* lanais appurtenant to Apartment 1650 with new balcony railings which do not affect the structural integrity of the building and which conform to architectural and aesthetic guidelines for the same which have been duly adopted by the Board.

All such improvements by the owner of Apartment 1650 shall comply with all applicable laws, ordinances and regulations and shall satisfy the requirements of Section 19.g. below. All costs of every kind pertaining to such improvements, including without limitation, costs of maintenance, repair, replacements, additions and improvements, shall be paid by the owner of Apartment 1650, and said owner shall be responsible for all loss and damage affecting any common element or any other apartment, which may be caused by the installation of such improvements.

(4) In the event that the owner or owners of all apartments located on the same floor agree to the same, such owners shall have the right, at such owner's sole cost and expense, to install an elevator lock and such other elevator equipment or software in order to prohibit the elevator from opening on such owner's floor without a key, passcard, combination lock or similar device; provided, however, that (i) such installation shall not impair normal operation and service of the elevator with respect to other floors; (ii) the Association shall be provided with the key, passcard, combination lock or similar device needed to permit the Property Manager, emergency personnel or other persons authorized by the Board access to the floor; and (iii) the installation and subsequent maintenance relating solely to the elevator lock system shall be at the common expense of only such owner's whose floors are served by the elevator lock system;

(5) The owner of any apartment may enclose, at such owners sole cost and expense, any lanai, deck, balcony or patio which is a limited common element appurtenant to such apartment provided such enclosure is permitted by all applicable laws, rules, ordinances, regulations and governmental guidelines and such enclosure complies with guidelines for installation of lanai enclosures which have been duly adopted by the Association at any meeting called for such purpose and has been approved by the Association's architect.

g. Procedure for Commencing Permitted Improvements. Prior to commencing any improvements or alterations permitted to be made pursuant to this Section 19, and as a condition to the apartment owner's right to undertake such improvements and alterations, the apartment owner shall provide to the Board: (a) a certification in form and content reasonably satisfactory to the Board signed by an architect or engineer duly registered in the State of Hawaii, that such improvement or alteration will not adversely affect the structural integrity of the common elements or any other apartment in the Project, (b) satisfactory evidence that all governmental approvals required for such alteration or removal have been duly obtained, and (c) if the cost of such improvement or alteration, as reasonably determined by the Board, shall exceed the sum of \$25,000.00, the Board may require

that the owner provide evidence satisfactory to the Board of sufficient financing to complete such alteration or removal or, in lieu thereof, require that the owner obtain a performance and lien payment bond, naming as obligees Developer and the Board and the Association and collectively all apartment owners and their respective mortgagees of record, as their interests may appear, for a penal sum of not less than one hundred percent (100%) of the estimated cost of such alteration or removal.

PARKING STALLS

The Project has a total of thirty-four (34) parking stalls, twenty-seven (27) of which are standard stalls and seven (7) of which are compact stalls. All the parking stalls are located on street level. The parking stalls are numbered 1 through 34 on the Condominium Map. There are six (6) covered parking stalls (two (2) of which are compact stalls), two (2) partially covered parking stalls (one (1) of which is a compact stall) and twenty-six (26) uncovered parking stalls (four (4) of which are compact stalls). The seven open spaces designated on Sheet 1 of the Condominium Map as "LCE " and the letters "A" through "G" adjacent to parking stall nos. 25, 26, 27, 28, 29, 30 and 31 are limited common elements appurtenant to the residential apartments to which such parking stalls are assigned ("adjacent open spaces") as set forth in Section 6 of the Declaration and may be used by such owners for parking purposes. None of the stalls in the Project are accessible. There are no motorcycle or bicycle stalls nor a parking area for such vehicles. There are no guest parking stalls nor any loading stalls.

Some, but not all, of the apartments have parking stalls assigned as limited common elements. The current assignment of parking stalls is as shown on Exhibit B attached to the Declaration. Stalls will be reassigned by the Developer as apartments are purchased on a first come, first serve basis and the Declaration will be amended to reflect such reassignments.

NOTE CONCERNING ASSIGNMENT OF STALLS: Hawaii Revised Statutes provides owners of apartments with the right to change the designation of parking stalls as follows:

§514A-14 Parking Stalls. Notwithstanding any provision of the declaration, apartment owners shall have the right to change the designation of parking stalls which are appurtenant to their respective apartments by amendment of the declaration and respective apartment leases or deeds involved. The amendment need only be signed and approved by the lessor (in the case of a leasehold project) and the owners (and their respective mortgagees if any) of the apartments whose parking stalls are being changed. The amendment shall be effective only upon recording or filing of the same of record with the bureau of conveyances.

Accordingly, the Declaration may be subsequently amended by the Developer or individual apartment owners in order to reallocate parking stalls. The Developer reserves the right to reallocate parking stalls among units solely owned and controlled by it in order to promote a more orderly sales process or to accommodate the needs of purchasers of its apartments.

**DESCRIPTION OF COMMON ELEMENTS,
LIMITED COMMON ELEMENTS AND COMMON INTERESTS**

I. COMMON ELEMENTS

Paragraph 5 of the Declaration describes the common elements as all portions of the Project other than the apartments (except as specifically included) and all other common elements mentioned in the Act which are actually included in the Project, including specifically but without limitation:

- A. The Land described in Exhibit A attached to the Declaration.
- B. All structural components such as foundations, columns, girders, beams, floor slabs, supports, perimeter, party and load-bearing walls and partitions (excluding the finishes thereon within an apartment), and roofs of the Project.
- C. All lobby areas, stairways, walkways, corridors, vestibules, ramps, loading areas and platforms, fences, entrances, entryways and exits of the Project, all maintenance rooms, storage and utility rooms, elevator machine rooms, mechanical rooms, electrical rooms, trash rooms, mail rooms, and other rooms and facilities not within an apartment.
- D. All yards, grounds, paths, walkways, walkway railings, planters, planting areas, landscaping, refuse and like facilities.
- E. All driveways and driveway ramps, loading and service areas, and all parking area entryways and exitways designated on the Condominium Map.
- F. All ducts, vents, shafts, sewer lines, sewage treatment equipment and facilities (if any), electrical equipment, pipes, conduits, cables, wiring and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one apartment for services such as power, light, water, gas (if any), cable television (if any), air conditioning, sewer, refuse, telephone, and radio and television signal distribution.
- G. Any and all apparatus and installations existing for common use, such as elevators, tanks, pumps, motors, fans, compressors, water heaters, and, in general, all other parts of the Project necessary or convenient to its existence, maintenance and safety, and normally in common use and which are not part of any apartment.
- H. All mechanical, electrical and air conditioning equipment originally installed and located within any mechanical room, telephone closet or electrical room or located elsewhere in the Project (whether or not utilized for or serving only one apartment).

I. The limited common elements described below.

II. LIMITED COMMON ELEMENTS

Paragraph 6 of the Declaration describes the limited common elements as certain parts of the common elements which are set aside and reserved for the exclusive use of certain apartments, which apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside for each apartment are as follows:

A. The parking stall(s) designated for those apartments in Exhibit B attached to the Declaration, subject, however, to the rights of apartment owners to redesignate such stalls pursuant to Section 514A-14 of the Act; and provided that not every apartment will have a designated parking stall.

B. The areas designated on Sheet 1 of the Condominium Map as "LCE" and the letters "A" through "G" shall be limited common elements appurtenant to the apartment to which there is also appurtenant the adjacent parking stalls, as follows:

LCE "A" shall be appurtenant the apartment assigned to Stall No. 25
LCE "B" shall be appurtenant the apartment assigned to Stall No. 26
LCE "C" shall be appurtenant the apartment assigned to Stall No. 27
LCE "D" shall be appurtenant the apartment assigned to Stall No. 28
LCE "E" shall be appurtenant the apartment assigned to Stall No. 29
LCE "F" shall be appurtenant the apartment assigned to Stall No. 30
LCE "G" shall be appurtenant the apartment assigned to Stall No. 31

C. The air conditioning unit immediately behind Parking Stall No. 6 as shown on Sheet 2 of the Condominium Map shall be appurtenant to Apartment No. 100.

D. The window air conditioning units serving Apartment No. 100 shall be appurtenant to Apartment No. 100.

E. One (1) mailbox located in the mailroom of the building for each apartment, which mailbox shall have a box number as may be designated from time to time by the Board.

F. The lanai immediately adjacent to it on the *makai* side of the building shall be appurtenant to and for the exclusive use and enjoyment of the adjacent apartment as shown on the Condominium Map; provided, however, that the lanai for Apartment 100 on the *makai* side of the building shall remain common and shall not become a limited common element appurtenant to Apartment 100 until such owner exercises the right to reconfigure the Lower Lobby Floor as set forth in Section 19.f.(1) of the Declaration. The area of each appurtenant lanai area is set forth on Exhibit B.

G. The entry foyer, lanai, deck over Stair # 2, and storage & utility closet on the *mauka* side of the building immediately adjacent to Apartment No. 1650 as shown on Sheet 5 of the Condominium Map shall be appurtenant to and for the exclusive use and enjoyment of Apartment No. 1650.

H. The common elements of the Project which are rationally related to less than all of said apartments shall be limited to the use of such apartments.

Notwithstanding any provision herein or in the Bylaws to the contrary, the owner of the apartment to which any limited common element is appurtenant shall maintain said limited common element and all fixtures and equipment located therein in good order, condition and repair. All costs of every kind pertaining to each limited common element, including without limitation, costs of maintenance, repair, replacements, additions and improvements, shall be paid by the owner of the apartment to which it is appurtenant, and said owner shall be responsible for all loss and damage affecting any common element or the other apartment, which is caused by anything located in such limited common element. Costs which are attributable to more than one limited common element shall be allocated between or among the affected limited common elements on a pro rata basis. Any cost which cannot be separately identified or attributed to a limited common element shall be charged as a common expense. Notwithstanding the foregoing, but without limitation to the right to make other reasonable allocations of limited common expenses, the cost of maintaining and replacing all stairways and the elevator, all existing air-conditioning units and systems in the building (including window mounted units), the mailroom lobby and laundry room and the driveway areas (exclusive of the parking stalls), shall not be allocated to less than all owners in the Project.

III. **COMMON INTERESTS.** Each apartment shall have appurtenant thereto the undivided percentage interest (the "common interest") in all common elements of the Project and in all common profits and expenses of the Project and for all other purposes including voting as is set forth in Exhibit B attached to the Declaration.

ENCUMBRANCES AGAINST TITLE

That certain Preliminary Report dated October 7, 2002, issued by Title Guaranty of Hawaii, Inc. ("the Title Report"), discloses that the land underlying the Project is subject to the following encumbrances:

1. Real property taxes as may be due and owing. Check with the City and County of Honolulu Tax Assessor for further information.
2. Any unrecorded leases and matters arising from or affecting the same.
3. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.
4. Any lien (or claim of lien) for services, labor or material arising from an improvement or work related to the land described in Schedule C of the Title Report.

5. **AGREEMENT OF SALE (UNRECORDED)**

VENDOR : ALA WAI GATEWAY LIMITED PARTNERSHIP, a
Hawaii limited partnership

VENDEE : HAWAIIAN ISLAND DEVELOPMENT CO., INC., a
Hawaii corporation

DATED : July 19, 2002

SHORT FORM AGREEMENT OF SALE dated July 19, 2002, filed as Land Court Document No. 2833093.

6. Subsequent to the issuance of the October 7, 2002 Title Report, the following Project documents were recorded:
 - A. Declaration of Condominium Property Regime of Ala Wai Terrace, dated November 4, 2002, recorded as Land Court Document No. 2858725.
 - B. Bylaws of the Association of Apartment Owners of Ala Wai Terrace, dated October 30, 2002, recorded as Land Court Document No. 2858726.

CONSTRUCTION WARRANTIES

There are no warranties being given by the Developer. Section IV. D.1. of Addendum "B" to the Deposit Receipt and Sales Contract (the "DRSC") provides as follows:

D. Disclaimer of Warranties, Disclosures and Acknowledgments.

1. Seller Makes No Warranties or Promises. Buyer acknowledges that Seller is not the original developer of the project and was not involved in (and is not responsible for) the planning or construction of the project. Buyer further acknowledges that the project was substantially completed in 1966 and has been used over the years primarily for residential purposes. Buyer understands and agrees that the apartment is being sold **"as is, where is" with all faults** and that Seller makes no warranties or promises of any kind, express or implied, about the apartment, the property or the project (including the common elements of the project), or about any furnishings, fixtures, appliances or other consumer products or anything else installed, attached, affixed or otherwise contained in the apartment, the property or the project (including the common elements of the project), including any warranties or promises of "merchantability", "workmanlike construction" or "fitness for a particular use or purpose".

Without limiting the generality of any of the foregoing, Seller makes no warranties or promises: (a) that the project or any improvements in the apartment, the property or the project (including the common elements) will be free from cracks in, or other damage to, the concrete or other building materials; (b) regarding the value of the project or the personal property; (c) regarding the physical or environmental condition of the project, including, without limitation, any deferred maintenance at the project; or (d) regarding the suitability, conformance, compliance or lack of compliance of the project with any state, federal, county or local law, code, ordinance, order, permit, administrative requirement, or regulation, including, without limitation, those related to the consolidation and subdivision of land, the operation and use of the project and accessibility of the project by persons with disabilities. In other words, Seller makes no warranties or promises at all.

Buyer for itself and its successors, heirs and assigns, releases Seller and its directors, officers, shareholders, employees and agents from and waives any claim, action or liability which arises from or relates to any latent or patent defect in the project or the apartment, known or unknown, which exists now or in the future, or which arises from or relates to any lack of compliance of the project with any state, federal, county or local law, code, ordinance, order, permit, administrative requirement, or regulation, that Buyer may have against Seller under any federal, state or local law, ordinance, rule or regulation now existing or hereafter enacted or promulgated, including without limitation, those related to asbestos, asbestos-containing materials, lead-based or lead-containing paint, hazardous materials and environmental conditions or matters in, on, under, about or migrating from or onto or into the property or the project, or by virtue of any common law right relating to asbestos, asbestos-containing materials, lead-based or lead-containing paint, hazardous material and

environmental conditions or matters (including the presence of mold or mildew) in, on, under about or migrating from or onto or into the property or the project. Seller and Buyer agree that this release from liability has been specifically negotiated between Seller and Buyer.

Buyer acknowledges and agrees that Seller's disclaimer of warranties contained in this Section D.1 is an essential element in the determination of the low purchase price for the Apartment being sold to Buyer. This means that the Apartment would not have been sold to Buyer for the amount of the purchase price stated in this Agreement without Seller's disclaimer of warranties.

Section IV. D.3. of Addendum "B" to the Deposit Receipt and Sales Contract provides as follows:

3. The Condominium Map Is Not a Warranty. The Condominium Map for the Project is intended to show only the layout, location, apartment numbers and dimensions of the apartments in the Project. BUYER AGREES THAT THE CONDOMINIUM MAP IS NOT INTENDED TO BE AND IS NOT A WARRANTY OR PROMISE BY SELLER.

Section IV. D.6. of Addendum "B" to the Deposit Receipt and Sales Contract provides, in part as follows:

6. Additional Disclosures. Buyer acknowledges receipt of notice that:

(a) Seller Not Developer. Seller is not the original developer of the Project and was not involved in (and is not responsible for) the Project's planning or construction or subsequent operation or maintenance of the Project.

...

(g) Condition of Property. The Property may be subject to exterior spalling and weathering, rust, earthquake, fire, floods, erosion, high water table, dangerous underground soil conditions and similar occurrences or conditions which may alter the Property's condition or affect its suitability for any proposed use. Seller has detailed the condition of the property to Buyer in Seller's Disclosure Abstract, attached to the Final Public Report for the Project. Buyer should carefully review the Disclosure Abstract prior to signing this Agreement. Seller shall have no responsibility or liability for or with respect to any such occurrence or condition.

(h) Disclosure of Non-Conforming Condition. The Project, to the best of Seller's knowledge, complied with all zoning and building ordinances and codes when built and presently contains, as a result of adoption or amendments to ordinances and codes, legal non-conforming structures. The existence of nonconforming conditions in the Project means that in the event of a major casualty, which causes the destruction of the building to an extent of more than fifty percent (50%) of its replacement value, the building cannot be reconstructed

except in conformity with the then current and applicable provisions of the Land Use Ordinance. According to a letter dated November 8, 2001, from the Department of Planning and Permitting of the City and County of Honolulu ("DPP"), the building met all applicable code requirements at the time of construction in 1966. DPP records show that the seventeen-story building was constructed as a hotel with 44 units and 16 all-weather surface off-street parking spaces and that, at the time of DPP's investigation, the hotel structure with 44 units and 11 all-weather surface off-street parking spaces are nonconforming under present zoning requirements. The Seller cannot determine, after due inquiry, whether the Project contains any other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes. A variance (96/VAR-50) to allow utility installation encroachments into the height setback and increase nonconformity was approved with condition on October 18, 1996. No other variances or special permits were granted to allow deviations from any applicable codes. DPP investigation also revealed that (i) five of the original parking stalls had been removed without approval, (ii) no permit for the enclosed storage area within the parking area was found, and (iii) no permit was found for the covered parking area located adjacent to the building on the Land. To remedy the foregoing conditions, the five original parking stalls have been replaced and are included in the 34 all-weather surface off-street parking spaces located on the Land and the un-permitted storage area and covered parking area will be removed prior to the first conveyance of any apartment in the Project.

Buyers should consult the Disclosure Abstract attached to this Public Report for further information on the construction of the Project and the physical and environmental condition of the Project.

SUMMARY OF THE PERTINENT PROVISIONS
OF THE SALES CONTRACT

A specimen Deposit Receipt and Sales Contract, Addendum "A" and Addendum "B" ("the Contract") has been submitted to the Real Estate Commission. ALL BUYERS AND PROSPECTIVE BUYERS SHOULD CAREFULLY READ THE CONTRACT IN FULL, since this summary is NOT A COMPLETE DESCRIPTION of its provisions. The Contract, among other things, covers in more detail the following items:

1. Seller, in its sole discretion, and in addition to any other rights of cancellation or termination reserved to Seller, may elect to cancel the Contract if Buyer defaults under the Contract. Buyer may lose all of its deposits with Escrow and Seller. Seller may, at its option, pursue other legal remedies. If Seller defaults under the Contract, Buyer shall be entitled to specific performance of the Contract, or shall have the right to cancel and terminate the Contract.
2. The closing dates are as described in the Contract.
3. Buyer is required to prepay maintenance fees, Additional Sums, Closing Costs and Prorations as more particularly described in the Contract.
4. The Contract confirms that Buyer has had the opportunity to read and approve the project documents, including the Declaration, the Bylaws, the Condominium Map, the House Rules, the form of Apartment Deed, the Escrow Agreement, this Public Report and all amendments and supplements to all such documents. Buyer (or Buyer's lender, if any) may inspect copies of each of these documents at Seller's sales office. Buyer's right to inspect the Apartment is limited and is more particularly described in the Contract. The Contract also provides that the rights of any construction lender with a mortgage against the Project will be superior to the rights of Buyer under the Contract.
5. Buyer specifically acknowledges and accepts certain enumerated conditions regarding on-going development and marketing of the project stated in the Contract as well as any inconvenience or annoyance which Buyer may experience as a result of such conditions, and expressly waives any rights, claims or action which Buyer might otherwise have against Seller or third parties as a result of such circumstances.
6. If Buyer cancels the Contract because of Seller's default, Seller will repay to Buyer all sums paid by Buyer to the Seller or to Escrow under the Contract, without interest (except that Buyer will get interest on sums held by Escrow in an interest-bearing account in favor of Buyer, if Buyer checked the appropriate box on the first page of the Contract). Buyer agrees that if Seller defaults at any time, Buyer will only have the rights mentioned in the Contract and that Buyer waives any other rights Buyer might otherwise have.
7. Seller shall have certain rights and remedies against Buyer in the event Buyer fails to perform any of the terms and conditions of the Contract, including failure to comply with the pre-closing and closing requirements, as more particularly described in the Contract, including the

right to retain Buyer's deposit and the right to other actual and liquidated damages, the right to specifically enforce the Contract, and the right to charge late fees on amounts past due.

8. The Contract prohibits Buyer from assigning the Contract.

9. At Closing, Seller will instruct Escrow to transfer to an account of the Association the sum of \$400 as a contribution to the Association's maintenance reserves and to be used as the Association deems appropriate for maintenance, repair or upgrading of the Project's common areas. In consideration of Seller's contribution of the foregoing sum, Buyer agrees to release Seller from any continuing or further obligations to the Project.

10. By signing the Contract, Buyer acknowledges and agrees that the Apartment is being sold in AS IS, WHERE IS condition with no warranties whatsoever. The Contract contains various disclaimers and disclosures about the Project, including disclosures pertaining to current zoning, hazardous materials, asbestos, lead-based paint and non-conforming uses affecting the Project's land.

ALL BUYERS SHOULD READ THE SALES CONTRACT IN FULL AS THIS SUMMARY IS NOT ALL-INCLUSIVE AND DOES NOT CONTAIN A COMPLETE DESCRIPTION OF ALL PROVISIONS OF THE SALES CONTRACT. THIS SUMMARY IS INTENDED ONLY TO GIVE A BRIEF DESCRIPTION OF SOME OF THE ITEMS CONTAINED IN THE SALES CONTRACT, AND DOES NOT ALTER OR AMEND THE SALES CONTRACT IN ANY MANNER. IF ANY PROVISIONS OF THIS SUMMARY CONTRADICT THE PROVISIONS CONTAINED IN THE SALES CONTRACT IN ANY WAY, THE PROVISION OF THE SALES CONTRACT SHALL OVERRIDE THE PROVISIONS OF THIS SUMMARY.

SUMMARY OF THE PERTINENT PROVISIONS OF THE ESCROW AGREEMENT

A copy of the Escrow Agreement between the Seller and Title Guaranty Escrow Services, Inc. ("Escrow") has been submitted to the Real Estate Commission. The Escrow Agreement, among other things, covers in more detail the following items:

1. Seller shall deliver an executed copy of each sales contract for the sale of a residential apartment to Escrow. Each sales contract shall be accompanied by the initial deposit required thereunder.

2. Seller shall pay Escrow monies received from Purchasers under sales contracts covering apartments in the Project. Escrow shall receive and hold in escrow and disburse funds as set forth in detail in the Escrow Agreement. Escrow shall deposit all funds so received in an account at a federally-insured interest-bearing account at a bank, savings and loan association, or trust company authorized to do business in the State. Except for specific circumstances stated in the Escrow Agreement, any interest earned on funds deposited in escrow under the Escrow Agreement shall accrue to the credit of Seller.

3. No disbursements of funds held in escrow shall be made unless and until, among other conditions, (a) an effective date for a Final Public Report has been issued; (b) the Purchaser has been given a copy of said Final Public Report and shall have acknowledged receipt of the same or shall have been deemed to have acknowledged receipt of the same; and (c) Seller or Seller's attorney shall have delivered a written opinion to Escrow that the Purchaser's sales contract has become effective.

4. A Purchaser shall be entitled to a return of funds and Escrow shall pay such funds to such Purchaser, together with any interest that may have accrued to the credit of Purchaser, if any one of the following has occurred: (a) Seller and the Purchaser shall have together requested Escrow in writing to return to the Purchaser the funds of the Purchaser held hereunder by Escrow; or (b) Seller shall have notified Escrow of Seller's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Seller; or (c) the Purchaser has exercised such Purchaser's right to cancel or rescind the contract pursuant to the Condominium Act.

In the event of a default by the Purchaser in any matter being handled by Escrow, upon certification by the Seller of Seller's termination of the sales contract, Escrow will thereafter treat all funds of the Purchaser paid on account of such Purchaser's sales contract as funds of Seller and not as funds of the Purchaser.

5. Except for the sales contract and any note and mortgage that is to be closed by the mortgagee thereof, Escrow shall promptly and diligently arrange for and supervise the execution of all documents related to the Project and shall promptly, and diligently close the

transactions and perform such services as are necessary or proper therefor, in the manner established in the Escrow Agreement.

NOTE: ALL BUYERS AND PROSPECTIVE BUYERS SHOULD READ THE ESCROW AGREEMENT AND ALL AMENDMENTS, IF ANY, IN FULL AS THIS SUMMARY IS NOT ALL-INCLUSIVE AND DOES NOT CONTAIN A COMPLETE DESCRIPTION OF ALL PROVISIONS OF THE ESCROW AGREEMENT. THIS SUMMARY IS INTENDED ONLY TO GIVE A BRIEF DESCRIPTION OF SOME OF THE ITEMS CONTAINED IN THE ESCROW AGREEMENT, AND DOES NOT ALTER OR AMEND THE ESCROW AGREEMENT IN ANY MANNER.

**ALA WAI TERRACE CONDOMINIUM PROJECT
REGISTRATION NO. 4971
DISCLOSURE ABSTRACT**

as of October 30, 2002

This disclosure abstract is made by Hawaiian Island Development Co., Inc., a Hawaii corporation ("the Developer"), as the owner of the Ala Wai Terrace condominium project ("the Project"), which Project consists of the existing building and the underlying land situate on that certain parcel of land containing an area of 14,165 square feet at Honolulu, City and County of Honolulu, State of Hawaii, and identified as Tax Map Key Nos. (1) 2-1-3-22 and por. 24. The Developer has acquired the existing building and has subdivided said building into forty-four (44) individual condominium apartments and has designated appurtenant common elements and limited common elements pursuant to the Declaration of Condominium Property Regime of Ala Wai Terrace dated November 4, 2002, recorded in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 2858725 ("the Declaration"). This disclosure describes the legal status of the Project, including the common elements and all apartments therein, as of the date of the recordation of the Declaration and the physical condition of the Project as of the date hereof.

1. **Project:** Ala Wai Terrace
 1684 Ala Moana Boulevard
 Honolulu, Hawaii 96813

2. **Developer:** Hawaiian Island Development Co., Inc.
 931 University Avenue, Suite 105
 Honolulu, Hawaii 96826
 (808) 951-8976

3. **Managing Agent:** Management, Inc.
 3615 Harding Avenue, Suite 403
 Honolulu, Hawaii 96816
 (808) 735-3030

4. **Maintenance Fees:** The breakdown of the estimated annual maintenance fees and the estimated monthly fees for each apartment, representing the common expenses of the Project allocated to each apartment, which are hereby certified to be based on generally accepted accounting principles, are set forth in **Exhibit 1** attached hereto and made a part hereof by reference. The maintenance fee estimate is a projection of what individual apartment owners will be required to contribute toward the maintenance and upkeep of the Project on a monthly basis and is based upon

an analysis of the physical and financial status of the Project as described in that certain 2002 Reserve Study for Ala Wai Terrace, revised October 21, 2002, and prepared by Armstrong & Associates, Inc. A copy of the Reserve Study is attached hereto as **Exhibit 2**. The Developer advises that the maintenance fees of a condominium project are difficult to estimate prior to actual operation of the Project and even if maintenance fees have been accurately estimated, such fees will tend to increase in an inflationary economy and as the improvements age. The estimated maintenance fees and monthly fees for each apartment are based on the latest information available to the Developer and the Managing Agent and are subject to revision based on actual costs for items enumerated. Maintenance fees can vary depending on services desired by apartment owners. Each buyer should check the attached maintenance fee schedule to see what services are included therein.

5. **Project Description:** The Project consists of one (1) existing building that was constructed in 1968, based on the plans, drawings and specifications dated April 16, 1966, prepared by Roy C. Kelley, A.I.A., Architect and Harvey Y.D. Lung, Engineer. The building contains seventeen (17) stories, consisting of the Ground Floor located on even grade with the street, the Lower Lobby Floor (located directly above the Ground Level) and the 1st Floor through the 16th Floor located directly above (but omitting the a 13th Floor), as more particularly shown on the Condominium Map for the Project.

The Ground Floor of the building contains six (6) parking stalls, a water pump room, a fire sprinkler pump room, an electrical vault, an elevator machine room, an electrical meter room, a utility room and four (4) stairways.

The Lower Lobby Floor contains one (1) residential apartment (which is a two-bedroom/three-bathroom apartment), a corridor on the *mauka* side of the building, two (2) storage and utility closets, a utility room, a mailroom/lobby (in which is located the mail boxes for the Project), a community laundry room, one (1) elevator stop, a fire hose cabinet and four (4) stairways all as shown on Sheet 3 of the Condominium Map. [Note: As of the date of recording the Declaration, the floor plan for the Lower Lobby Floor is as shown on Sheet 3A of the Condominium Map (showing a larger lobby area and four studio apartments designated as Apartment 100, Spaces 51, 52, 53 and 54). The owner of Apartment 100 may remodel the Lower Lobby Floor, reconfiguring Apartment 100 and the common areas of the Lower Lobby Floor so that it is as set forth on Sheet 3 of the Condominium Map, pursuant to Section 19 of the Declaration].

The 2nd Floor through 16th Floors (omitting the 13th Floor) each have an identical floor plan. Each floor has a total of three (3) residential apartments (all of which are two-bedroom/one-bathroom apartments), a corridor on the *mauka* side of the building, two (2) storage and utility closets, one (1) elevator stop, a fire hose cabinet and two (2) stairways.

The sixteenth floor level, designated as the Sixteenth Floor on the Condominium

Map, has one (1) residential penthouse apartment (which is a three-bedroom/three-bathroom apartment), a corridor on the *mauka* side of the building, one (1) storage and utility closet, one (1) elevator stop, a fire hose cabinet and one (1) stairway.

The roof level, designated as the Roof on the Condominium Map, includes a utility room with a lavatory, a heater room, a fire hose cabinet, a stairway to access elevator machinery and one (1) stairway.

The area surrounding the building consists of a paved driveway leading in from Ala Moana Boulevard, two planters and four (4) parking stalls located on the *makai* side of the building (as shown on Sheet 2 of the Condominium Map), a driveway, emergency generator area, trash dumpster area, and twenty-four (24) parking stalls on the *mauka* side of the building (as shown on Sheets 1 and 2 of the Condominium Map). The *mauka* and *makai* grounds are connected by a paved driveway running through the building on the Ground Floor level.

The Project has a total of thirty-four (34) parking stalls, twenty-seven (27) of which are standard stalls and seven (7) of which are compact stalls. All the parking stalls are located on street level. The parking stalls are numbered 1 through 34 on the Condominium Map. There are six (6) covered parking stalls (two (2) of which are compact stalls), two (2) partially covered parking stalls (one (1) of which is a compact stall) and twenty-six (26) uncovered parking stalls (four (4) of which are compact stalls). The seven open spaces designated on Sheet 1 of the Condominium Map as "LCE " and the letters "A" through "G" adjacent to parking stall nos. 25, 26, 27, 28, 29, 30 and 31 are limited common elements appurtenant to the residential apartments to which such parking stalls are assigned ("adjacent open spaces") as described in Section 6 of the Declaration and may be used by such owners for parking purposes. None of the stalls in the Project are accessible. There are no motorcycle or bicycle stalls nor a parking area for such vehicles. There are no guest parking stalls nor any loading stalls.

Each apartment has immediate access to the exterior walkways, stairways and/or elevator of the building which lead to the Lower Lobby Floor and/or the Ground Floor of the Project. There is a total of four stairways on the Lower Lobby Floor; Stair #1 provides access from the Ground Floor to all floors of the building, including the roof; Stair #2 provides access from the Ground Floor up to the 15th Floor; Stair #3 provides access from the Ground Floor only to Apartment 100 on the Lower Lobby Floor; and Stair #4 provide access from the Ground Floor only to the corridor on the Lower Lobby Floor. The lowest elevator stop is on the Lower Lobby Floor. The elevator does not extend beyond the Lower Lobby Floor to the Ground Floor and the only access between the Lower Lobby Floor and the Ground Floor is by the stairways. The apartment on the Lower Lobby Floor has immediate access to an exterior walkway on the *mauka* side of the building leading to the elevator, Stair #1, Stair #2, and Stair #4, and to a lanai on the *makai* side of the building leading to Stair #3. The apartments on the 1st through 15th Floors of the Project have

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immediate access to an exterior walkway on the *mauka* side of the building leading to the elevator, Stair #1 and Stair #2. The penthouse apartment on the 16th Floor has immediate access to an exterior walkway on the *mauka* side of the building leading to Stair #1 and the elevator, with the elevator leading to the Lower Lobby Floor and the stairway leading to the Ground Floor. Elevator access to the 16th Floor penthouse apartment may be limited should the owner of such penthouse apartment decide to exercise the owner's right to install, at the penthouse apartment owner's sole expense, an elevator lockout mechanism which will allow only restricted access to the 16th Floor.

Disclosure is hereby made that a portion of an overhang of the building and portions of certain pipes, all of which are common elements of the Project, encroach upon part of Parking Stall No. 9, which is a limited common element appurtenant to the apartment assigned to Parking Stall No. 9. Pursuant to Section 8.b of the Declaration, a valid easement for such encroachment and the maintenance thereof, so long as it continues, shall and does exist.

Three postal box lockers and individual apartment mailboxes are located in the mailroom on the Lower Lobby Floor. Washer/dryer units are not installed in the apartment units, nor are there any washer/dryer units in the laundry area on the Lower Lobby Floor. The Developer has applied with the City and County for permits to install such community washer/dryer machines in the laundry area, however, such permits have not yet been granted as of the date of this Disclosure. Gas fired water heaters are located on the roof of the building. All kitchen appliances and laundry facilities are operated by electricity.

6. **The Apartments.** The Project has a total of forty-four (44) condominium apartments (the "apartments") consisting of apartments intended for residential use, as shown on the Condominium Map. Each apartment is designated as a separate freehold estate. Each apartment consists of the spaces within the perimeter walls, floors and ceilings of the respective apartments as shown on the Condominium Map. There are five (5) apartment types in the Project as follows:

a. The Type 100 is located on the Lower Lobby Floor and shall initially consist of four separate and distinct spaces as shown on Sheet 3A of the Condominium Map as Space #51, Space #52, Space #53 and Space #54, each such space containing one room with an adjoining bathroom, and all of which together shall be one condominium apartment. Upon exercise of the rights set forth in the Declaration, the Type 100 apartment shall be a single contiguous space and have two bedrooms, three bathrooms, a kitchen/dining room, and a living room as shown on Sheet 3 of the Condominium Map.

b. Each Type 51, 52 and 53 apartment on the 1st Floor through the 15th Floor shall have two bedrooms, one bathroom, a kitchen, a dining room, and a living room.

c. The Type 50 penthouse apartment on the 16th Floor shall have three bedrooms,

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three bathrooms, a kitchen, a dining room, and a living room.

7. **Construction Detail.** According to details provided in the structural report described in Section 11.a below, the building is constructed of reinforced concrete supported on pile foundations. The building is rectangle in shape with plan dimensions of 113.37 ft. by 60 ft. The building has 16 floors with a typical floor height of eight (8') feet, eight (8") inches high. Floor slabs are seven (7") inches thick, conventionally reinforced, and span typically approximately twenty (20) feet. The building has two stair shafts, one at each end, and has an elevator shaft. These cores form part of the lateral load resisting system for the building. Except for the two end walls of the building, the interior concrete walls do not extend below the Lower Lobby Floor. The interior walls are supported by columns from the Ground Floor up to the Lower Lobby Floor.

8. **Compliance with Building Code:** The Project, to the best of Developer's knowledge, complied with all zoning and building ordinances and codes when built and presently contains, as a result of adoption or amendments to ordinances and codes, legal non-conforming structures. The existence of nonconforming conditions in the Project means that in the event of a major casualty, which causes the destruction of the building to an extent of more than fifty percent (50%) of its replacement value, the building cannot be reconstructed except in conformity with the then current and applicable provisions of the Land Use Ordinance. According to a letter dated November 8, 2001, from the Department of Planning and Permitting of the City and County of Honolulu ("DPP"), the building met all applicable code requirements at the time of construction in 1966. DPP records show that the seventeen-story building was constructed as a hotel with 44 units and 16 all-weather surface off-street parking spaces and that, at the time of DPP's investigation, the hotel structure with 44 units and 11 all-weather surface off-street parking spaces are nonconforming under present zoning requirements. Developer cannot determine, after due inquiry, whether the Project contains any other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes. A variance (96/VAR-50) to allow utility installation encroachments into the height setback and increase nonconformity was approved with condition on October 18, 1996. No other variances or special permits were granted to allow deviations from any applicable codes. DPP investigation also revealed that (i) five of the original parking stalls had been removed without approval, (ii) no permit for the enclosed storage area within the parking area was found, and (iii) no permit was found for the covered parking area located adjacent to the building on the Land. To remedy the foregoing conditions, the five original parking stalls have been replaced and are included in the 34 all-weather surface off-street parking spaces located on the Land and the un-permitted storage area and covered parking area will be removed prior to the first conveyance of any apartment in the Project.

Each apartment owner, by the acceptance of such owner's apartment deed, shall be deemed to have accepted the nonconforming conditions described above and agreed that,

except as otherwise set forth herein, neither the Developer, nor any of its affiliates or representatives, shall be responsible for changing any nonconforming conditions. A copy of the DPP letter is attached hereto as **Exhibit 3**.

9. **No Warranties**: Except as set forth in Section 8 above, the Developer cannot determine whether the Project contains any other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes. The Developer does not give any warranties or assurances that the apartments can be expanded or that variances are obtainable from the City and County of Honolulu for any proposed improvements. The Project, the apartments and anything installed or contained therein are being sold as "AS IS" condition "WITH ALL FAULTS" by the Developer, without any warranties whatsoever, express or implied. Article IV, Section D.1 of Addendum "B" to the Deposit, Receipt and Sales Contract used in connection with the Project provides, in part, as follows:

1. **Seller Makes No Warranties or Promises**. Buyer acknowledges that Seller is not the original developer of the project and was not involved in (and is not responsible for) the planning or construction of the project. Buyer further acknowledges that the project was substantially completed in 1966 and has been used over the years primarily for residential purposes. Buyer understands and agrees that the apartment is being sold "as is, where is" with all faults and that Seller makes no warranties or promises of any kind, express or implied, about the apartment, the property or the project (including the common elements of the project), or about any furnishings, fixtures, appliances or other consumer products or anything else installed, attached, affixed or otherwise contained in the apartment, the property or the project (including the common elements of the project), including any warranties or promises of "merchantability", "workmanlike construction" or "fitness for a particular use or purpose".

Without limiting the generality of any of the foregoing, Seller makes no warranties or promises: (a) that the project or any improvements in the apartment, the property or the project (including the common elements) will be free from cracks in, or other damage to, the concrete or other building materials; (b) regarding the value of the project or the personal property; (c) regarding the physical or environmental condition of the project, including, without limitation, any deferred maintenance at the project; or (d) regarding the suitability, conformance, compliance or lack of compliance of the project with any state, federal, county or local law, code, ordinance, order, permit, administrative requirement, or regulation, including, without limitation, those

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related to the consolidation and subdivision of land, the operation and use of the project and accessibility of the project by persons with disabilities. In other words, Seller makes no warranties or promises at all.

Buyer for itself and its successors, heirs and assigns, releases Seller and its directors, officers, shareholders, employees and agents from and waives any claim, action or liability which arises from or relates to any latent or patent defect in the project or the apartment, known or unknown, which exists now or in the future, or which arises from or relates to any lack of compliance of the project with any state, federal, county or local law, code, ordinance, order, permit, administrative requirement, or regulation, that Buyer may have against Seller under any federal, state or local law, ordinance, rule or regulation now existing or hereafter enacted or promulgated, including without limitation, those related to asbestos, asbestos-containing materials, lead-based or lead-containing paint, hazardous materials and environmental conditions or matters in, on, under, about or migrating from or onto or into the property or the project, or by virtue of any common law right relating to asbestos, asbestos-containing materials, lead-based or lead-containing paint, hazardous material and environmental conditions or matters (including the presence of mold or mildew) in, on, under about or migrating from or onto or into the property or the project. Seller and Buyer agree that this release from liability has been specifically negotiated between Seller and Buyer.

Buyer acknowledges and agrees that Seller's disclaimer of warranties contained in this Section D.1 is an essential element in the determination of the low purchase price for the Apartment being sold to Buyer. This means that the Apartment would not have been sold to Buyer for the amount of the purchase price stated in this Agreement without Seller's disclaimer of warranties.

10. **Permitted Use.** Each apartment in the Project shall be occupied and used only as private dwellings by the respective owners thereof, their tenants, families, domestic servants and social guests. No such apartment shall be used as a tenement or rooming house or for in connection with the carrying on of any business, trade, profession whatsoever. Said apartments shall not be rented by the apartment owners thereof for transient or hotel purposes, which shall be defined as (i) rental for any period less than thirty (30) days; or (ii) any rental in which the occupants of the apartment are provided customary hotel services, such as room service for food and beverage, maid service, furnishing of laundry and linen, and bellboy service. Neither said apartments nor any interest therein shall be sold, transferred, conveyed, leased, occupied, rented or used for or in

connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including without limitation any so-called "vacation license", "travel club membership" or "time-interval ownership" arrangement. The term "time-sharing" as used herein shall be deemed to include, but is not limited to, any plan, program or arrangement under which the right to use, occupy, own or possess an apartment or apartments in the Project rotates among various persons on a periodically recurring basis according to a fixed or floating interval or period of time, whether by way of deed, lease, association or club membership, license, rental or use agreement, co-tenancy agreement, partnership or otherwise. No owner of a residential apartment in the Project shall enter into any arrangement with any other apartment owner whereby any rental pool or apartments or other sharing of rental income from apartments is created. Other than the foregoing restrictions, the residential apartment owners in the Project shall have the absolute right to lease the same, provided that such lease is in writing and is made subject to the covenants and restrictions contained in the Declaration and in the Bylaws and complies with all provisions of law.

The Developer makes no representations or warranties, express or implied, with respect to such uses.

11. **Existing Structure.** The present condition of the site on which the Project is located and the structural components and the mechanical and electrical installations material to the use and enjoyment of the Project are described in reports from a structural engineer, electrical engineer, mechanical engineer and architect, and in a letter from an environmental consultant, all of which are attached hereto as **Exhibits 4, 5, 6, 7 and 8.**

Although not required by law, the engineers, architect and consultant have given opinions about the condition of the Project to provide buyers with additional information. However, the Developer does not represent or warrant that the reports attached hereto are correct or complete. The reports should not be relied upon as the opinion of the Developer. No representations are made by the Developer with respect to the expected useful life of the structural components or the mechanical and electrical installations in the Project. Except as described herein, the Developer has not ascertained if any of the conditions disclosed in the attached reports have been addressed.

a. **Civil and Structural Engineer's Report.** Excerpts from the structural and civil engineer's report attached hereto as **Exhibit 4** indicate that the building structure is in good condition. The report covers the building exterior, common areas, Space #53 on the Lower Lobby Floor, Apartment No. 1551 and the elevator mechanical room located on the Roof. No damage was observed in either Space #52 or in Apartment No. 1151. Cracks were observed in the Ground Floor slab. Such cracks are the typical results of shrinkage of concrete and deterioration of concrete with age. Some cracks were observed in the planter on the lobby floor at the back of the building, which may be indicative of corroded rebar that can cause damage and spalling of concrete in the future.

It is recommended that the cracks be investigated and repaired with the consultation of a registered professional engineer. One of the two stair shafts (Stair #2) has some water damage between the Ground Floor and the Lower Lobby Floor. The elevator mechanical room located on the Roof also has water damage on the exterior face of the walls. Extensive epoxy repairs of cracks was observed on the *makai* face of the elevator mechanical room.

It is the opinion of the structural/civil engineer that the damage observed in various areas does not impair the integrity of the building structure. The building structure is in good condition and can be expected to continue to perform well with normal maintenance and upkeep; however, it is recommended that all repairs should be done under the guidance of a registered professional engineer. The report specifies that its findings are limited to the portions and areas of the building addressed in the report, and does not provide any express or implied warranty for any portion of the existing building.

b. **Electrical Engineer's Report.** Excerpts from the electrical engineer's report attached hereto as **Exhibit 5** indicate that the existing electrical service for the building is adequately sized for the present loads. Any significant additions to the electrical load, such as air conditioners and dish washers, should be monitored very carefully. The electrical service equipment appears to be in good condition.

The report covers exposed electrical devices, equipment and wiring, fire alarm system and devices, exit signs and security lighting. No review of design plans for conformance to applicable codes took place. Electrical drawings were assumed to be correct unless specifically noted otherwise, and building permits were assumed to have been obtained and all required inspections were assumed to have been performed by the proper authorities.

Electrical service is provided from the HECO vault on the Ground Floor to the main electrical room, which is also on the Ground Floor. The vault and the main electrical room share a common wall. Construction drawings show a double door in front of the main electrical equipment, however, this conflicts with the existing condition. Presently, a solid wall sits in front of the electrical equipment. As a result, there is a clearance of only 30 inches in front of the electrical equipment, which is insufficient to meet the current code standard of 36 inches. Within the apartments, ranges are fed through three risers (one for each of the three apartments per floor). Each riser consists of a 2½ inch conduit with 3 - #4/0 and 1 - #2/0. Fourteen ranges are fed by each riser through 2-pole 50 amp circuit breakers. The N.E.C. load for fourteen ranges is 29 kW. At 120/208 volts, 3 phase, the load is calculated to be 80 amps which results in the minimum circuit amps to be 100 amps. The #4/0 cable is rated at 230 amps and is thus adequately sized for this load. The kitchen receptacles are fed from different panels: a GFI receptacle next to the sink and a receptacle in the hallway are fed vertically with one branch circuit feeding five apartments. These

receptacles are problematic in that the circuit breakers are likely to trip when two appliances, such as vacuum cleaners, are in use at the same time on the same circuit. A second receptacle above the counter is fed by individual circuits. This receptacle is not GFI protected as required by the electrical code, however, the receptacles are currently being changed to GFI receptacles. Because these receptacles are fed by individual branch units, appliances such as microwave ovens and toasters, as well as appliance type washer dryer units (120 V, 1200 amps or less) may safely be used on these receptacles. Nevertheless, it is recommended that only one appliance is used at any given time. The remaining receptacles and lights for the apartments are fed through four panels (panels "B" and "C" on the fifth floor and panels "D" and "E" on the twelfth floor). Several covers for the electrical wiring found on the floors appear to be in poor condition but generally, the wiring system appears to be in good condition.

The building has a central fire alarm system. Three apartment units were inspected and it was observed that each apartment was equipped with fire alarm speakers and smoke detectors. One smoke detector was noted in the hallway outside the bedrooms and smoke detectors were found within the bedrooms, which conforms to current codes. The smoke detectors appear to be battery-operated and not connected to the building's electrical system. The fire alarm speaker system was not evaluated to see whether it meets the current code requirements.

Interior exit hallways appear to be adequately lit. The stairways, however, do not appear to have adequate lighting. Within the stairways, the floor landing is lit by a 60-watt bulb in a wall-mounted fixture and there is no lighting provided on the intermediate landing. It is noted that construction drawings for the building show a light fixture at each intermediate landing, which appears to never have been installed.

Three apartments were inspected. In all three units, the receptacles were spaced consistent with current codes. Receptacles within 6 ft. of sinks were GFI protected. Each bedroom, living room and kitchen had either a ceiling light fixture or a switched outlet as required by N.E.C. section 210-70. All switches that were tested functioned properly. All light fixtures appeared to be in good condition.

Overall, the general condition of the electrical equipment is good. Maintenance has been adequate, however, most of the equipment is past the useful economic life of 25 years. Nevertheless, with normal replacement and upkeep, many more years of useful life can be expected. Specific observations and recommendations regarding emergency lighting, the fire alarm system, common areas and certain apartments are contained in the report.

c. **Mechanical Engineer's Report.** The report attached hereto as **Exhibit 6** covers the building's observable mechanical plumbing, ventilation and air-conditioning systems.

Specifically, the mechanical engineer's observations are based on a typical two bedroom apartment and the penthouse apartment on the Sixteenth Floor.

The two bedroom apartment consists of a wall hung cast iron lavatory, a shower and a floor mounted tank type water closet. The penthouse apartment has three bathrooms, with each generally consisting of an undercounter oval lavatory, a cast iron tub/shower (either a standard or a short square configuration) and a floor mounted tank type water closet. The plumbing fixtures appear to be in good operational condition but are generally obsolete and do not meet current water conservation codes.

The kitchen in the two bedroom apartment consists of a single compartment stainless steel sink with a two handle faucet and an electrical range. The penthouse apartment kitchen consists of a dual compartment stainless steel sink with a two handle faucet, a dishwasher and an electric range. The sinks and faucets appear to be in good operational condition and are of various manufacture.

The apartments do not have clothes washer/dryers and are not designed for fixed installation appliances. A common laundry area within the building will be provided on the Lower Lobby Floor.

A domestic house two-booster pump system is located in the pump room on the Ground Floor. One booster is on line at all times. The boosters are manually alternated. The hot water heating system is in the heater room located on the Roof. The system consists of one 600,000 BTUH input gas boiler with a 65 gallon storage capacity and a circulating pump. The boiler appears to support the building's present hot water needs. The system appears to be in fair and in working condition. The hot water piping and heater flue lacks insulation within the heater room. The heater room's combustion opening may not meet code requirements.

The plumbing systems appear to be in usable condition but are old and probably will need frequent repairs in the near future. Sanitary piping blockages and leaks have occurred in the past. Such problems are repaired and maintained on a demand basis. Replacement or repair of plumbing fixtures, faucets, equipment and piping occur on an as-needed basis. The main sewer cast iron pipes located on the Ground Floor show signs of deterioration from age and replacement will be needed in the near future.

The building has a wet-type automatic fire sprinkler system with a fire booster pump unit in the pump room located on the Ground Floor. A fire hose cabinet is located on each floor by the elevator stop. Standpipes, fire hose cabinets and the complete fire protection system should be tested for code compliance.

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The bathrooms have ventilation systems that consist of a vertical shaft with an exhaust grille in the bathroom and a power roof ventilator (PRV) located on the Roof. Four PRVs were noted on the Roof. The PRV exhaust fans are possibly the original fans and may require major repairs or replacements soon.

The building's original central air conditioning system is a chiller plant that consists of a packaged chiller, chilled water pump, distribution piping and room fan coil units. The central system provides cooling for all of the apartments except the lowest floor of the building. The chiller plant is located on the Roof with the chilled water distribution piping running on the Roof and supplying water vertically down through the building floors to each fan coil unit in the living rooms of the apartments. The system is old and deteriorated with the old packaged chiller unit located on the highest area of the Roof. The packaged chiller is badly corroded with apparently only the evaporator cooler bundle functioning. Two add-on replacement condensers are located on the lower part of the Roof. The add-on replacement condenser is located in the compressor room next to the elevator room. The replacement compressor and condensers are in operational condition. The chiller evaporator bundle appears to be in poor condition. The original old packaged chiller unit is situated in a fairly inaccessible location, which may hinder its replacement. This system will require ongoing major replacements and repairs to maintain operation. The chiller evaporator bundle, pipe insulation, room fan coil units, accessories, and other items should be considered for upgrade and operational attention.

Overall, all plumbing systems were observed to be in usable condition and functional but may not meet present codes. The mechanical system maintenance for the building has been fair. Due to the age and above normal use, more frequent maintenance and new replacements should be anticipated as the system has passed its economic life of 25 years. With proper management, constant maintenance and new replacements, the plumbing and ventilation systems could provide many more years of useful service.

d. **Architectural Report.** Excerpts from the architect's report attached hereto as **Exhibit 7** indicate that the building was constructed prior to the latest Building Code, Fire Code, Board of Health Regulations and Zoning Ordinance, and will have to meet all current requirements when future additions or alterations are made. However, "grandfathered" (conforming at the time of construction) and non-conforming status will limit future renovations, alterations and addition possibilities. The building does not have any handicap-accessible apartments and does not comply to the Americans with Disabilities Act or Fair Housing Act requirements for disability accommodations.

The building has held up to wear and tear very well and a strict maintenance effort has kept the complex clean and functionally able to provide for the needs of the intended use. The specific site and building observations include the following: a sign indicating that only a right turn can be made from the parking driveway exit should be posted near the driveway exit; curbs,

railings, a pedestrian crosswalk, speed bumps, and speed limit signs should be posted within the parking area to increase pedestrian and traffic safety; cracks in concrete walls and concrete projections should be repaired to prevent spalling; cracks, uneven joints and surfaces on walkways could contribute to tripping or slippery conditions; the Lower Lobby lacks a second exit on the *makai* side of the building for purposes of the fire code; some stairs lack handrails on both sides, while some stair handrails, landings and widths do not comply with minimum code requirements; exit signs should be placed to comply with the code and a total design study is recommended to review exits and the exit signs required; doors into exit corridors and stairs must be labeled with fire resistive capacity and should be finished to meet the required flame spread classification; all readily achievable barriers to ADA accessibility should be removed; the wall to the neighboring swimming pool should be reviewed for compliance with the code for height; apartment units contain refrigerators and ranges that are custom sized and are not readily available for sale at local appliance stores; side walls adjacent to kitchen ranges must be of fire resistive finish; painting, water-infiltration stoppage, roofing, caulking and other preventative maintenance should be scheduled to address wear and tear prior to repairs becoming necessary; stair doors must close after opening; smoke detectors are required in each corridor and each apartment unit; all flammable materials must be relocated to approved fire-resistive storage; and electrical outlets within six feet of a water source must be GFIC outlets. Other specific observations and items to be corrected are listed in the report.

e. **Asbestos Abatement Project.** An asbestos abatement project was conducted at the Project from April 12, 1989 to May 1, 1989. The letter dated May 9, 1989 from the environmental consultant is attached hereto as **Exhibit 8** and certifies the building to be essentially free of asbestos. The letter indicates that following the abatement project, a visual inspection of the facility enabled the consultant to determine that no asbestos waste or debris remained on the premises; however, the Developer does not represent or warrant that the consultant's findings are correct or complete. Moreover, the consultant measured the final asbestos fiber concentration in air to be less than 0.01 fibers per cubic centimeter (f/cc), a level below the U.S. Environmental Protection Agency required final level for abatement projects in schools at that time. The project's asbestos abatement findings and conclusions were made to a prior owner and should not be relied upon as the opinion of the Developer.

In sum, the information set forth in this Section 11 is only a synopsis of the observations and recommendations made by the engineers, architect and environmental consultant and is not intended, nor should be construed by its incorporation herein, to be a representation or warranty of the Developer or more important than any other observation or recommendation contained in said Exhibits and not contained herein. Because the units in the building are being sold by the Developer in "AS IS" condition with "ALL FAULTS", each buyer should carefully review **Exhibits 4, 5, 6, 7, and 8** in their entirety. Each buyer should inspect the buyer's apartment and the Project or have the apartment and the Project inspected by buyer's own experts to buyer's complete satisfaction.

Furthermore, the Developer, together with the prior owner, is causing repainting, repairs and improvements to be made to the Project costing not less than \$250,000 prior to conveying any apartments in the Project and is also contributing to the Association the sum of \$17,600, to be paid in increments of \$400 per apartment on the closing date of the sale of each subsequent apartment in the Project by Developer, to be used for additional capital expenditures for the Project. The foregoing contribution is being made on behalf of the owners of apartments in Project and shall be credited accordingly in any reserve study performed for the Project. Because the apartments and the Project are being sold in "AS IS" condition with "ALL FAULTS", the foregoing sums may be insufficient to make all necessary repairs in the Project, and the apartment owners may be required by the Association to contribute additional sums for repairs in the future. The Developer will not contribute any additional sums to the Association in excess of the foregoing amount.

12. **Washer/Dryer Appliances.** As of the date of this Disclosure, washer/dryer machines are not permitted for use in the proposed common laundry area located on the Lower Lobby Floor. The Developer is currently in the process of applying for the necessary permits from the City and County of Honolulu to have such washer/dryer machines installed, however, such permits have not yet been granted and the Developer cannot estimate as to when such washer/dryer installation will be allowed, or whether such permits will be granted. In addition to a common laundry area, and subject to approval by the Association, the Developer will provide appliance-type washer/dryer units (120 V, 1200 amps or less) with every apartment, subject to availability and events beyond the Developer's control. As noted in the electrical engineering report described in Section 11 above and at **Exhibit 5**, such washer/dryer appliances should not overly burden the building's electrical system, subject to some use restrictions. The proposed appliance-type washer/dryer units are allowed for use without governmental permit, are designed for use in apartment units. These are low volume washer/dryer units which can only handle small loads and specifically require the use of low-sudsing soap. As a precautionary measure, the Association may impose rules and restrictions governing use of said units, for example, washer/dryer unit owners may be required to use low-sudsing soap at all times, may be subject to usage schedules limiting frequency and timing of use, and may be required to use dedicated electrical outlets.

13. **Alterations to Certain Apartments.**

a. The Type 100 Apartment is located on the Lower Lobby Floor and shall initially consist of four separate and distinct spaces shown on Sheet 3A of the Condominium Map as Space #51, Space #52, Space #53 and Space #54, each such space containing one room with an adjoining bathroom, and all of which together shall be one condominium apartment. The owner of Apartment 100, at such owner's expense, may remodel the Lower Lobby Floor to reconfigure Apartment 100 and the common areas of the Lower Lobby Floor so that the Lower Lobby Floor substantially conforms to the plans for the same as shown on Sheet 3 of the Condominium Map. In furtherance of such right, the owner of Apartment 100 shall have the following additional rights and obligations:

(1) The owner of Apartment 100 may, at such owner's expense, without obtaining the consent or approval of the Board, the Association, any apartment owner or any mortgagee, add, delete, relocate and realign the common elements, limited common element and the area of Apartment 100 as necessary or desirable to effect reconfiguration of the Lobby Level Floor as shown on Sheet 3; provided, however, that such reconfiguration shall substantially conform to the plan set forth on Sheet 3; and provided, further, that the common interest allocated to Apartment 100 above shall remain the same. Each apartment owner in the Project shall agree that such apartment owner, and any person claiming an interest in the land of the Project by, through or under such apartment owner, shall, upon request, join in and execute any and all documents pertaining to such reconfiguration as necessary.

(2) Upon completion of the reconfiguration, such owner shall amend the Declaration and the Condominium Map.

(3) Upon completion of the reconfiguration, the owner of Apartment 100 shall not have any further rights to alter Apartment 100, except as otherwise permitted by the Declaration.

(4) The owner of Apartment 100 shall have the right to install a gate between the *makai* lanai and Stair #3 in the located designated for the same on the Condominium Map, and to replace and change the type of doors and windows of Apartment 100 (including exterior doors), provided such owner complies with the requirements of Section 19 of the Declaration, and provided further that the owner shall have completed the reconstruction described above.

b. The owner of Apartment 1650 shall have the right to do the following at such owner's sole cost and expense:

(1) Install flooring upon the deck located over Stair #2 which does not affect the structural integrity of the building for the purpose of creating an open-air deck area for the exclusive use and enjoyment of Apartment 1650.

(2) Replace the currently existing non-structural, nonload-bearing balcony railings which line the *mauka* and *makai* lanais appurtenant to Apartment 1650 with new balcony railings which do not affect the structural integrity of the building and which conform to architectural and aesthetic guidelines for the same which have been duly adopted by the Board.

(3) Install a regular-size washer/dryer machine, provided that the building's plumbing and electrical systems adequately support such installation and as verified by a licensed professional engineer or architect.

All such improvements by the owner of Apartment 1650 shall comply with all applicable laws, ordinances and regulations and shall satisfy the requirements of Section 19 of

the Declaration. All costs of every kind pertaining to such improvements, including without limitation, costs of maintenance, repair, replacements, additions and improvements, shall be paid by the owner of Apartment 1650, and said owner shall be responsible for all loss and damage affecting any common element or any other apartment, which may be caused by the installation of such improvements.

In the event that the owner or owners of all apartments located on the same floor agree to the same, such owners shall have the right, at such owner's sole cost and expense, to install an elevator lock and such other elevator equipment or software in order to prohibit the elevator from opening on such owner's floor without a key, passcard, combination lock or similar device; provided, however, that (i) such installation shall not impair normal operation and service of the elevator with respect to other floors; (ii) the Association shall be provided with the key, pass-card, combination lock or similar device needed to permit the Property Manager, emergency personnel or other persons authorized by the Board access to the floor; and (iii) the installation and subsequent maintenance relating solely to the elevator lock system shall be at the common expense of only such owner's whose floors are served by the elevator lock system.

The owner of any apartment may enclose, at such owner's sole cost and expense, any lanai, deck, balcony or patio which is a limited common element appurtenant to such apartment provided such enclosure is permitted by all applicable laws, rules, ordinances, regulations and governmental guidelines and such enclosure complies with guidelines for installation of lanai enclosures which have been duly adopted by the Association at any meeting called for such purpose and has been approved by the Association's architect.

14. **Hazardous Materials.** The Developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. An asbestos abatement project was conducted at the Project from April 12, 1989 to May 1, 1989, whereby the environmental consultant certified the building to be essentially free of asbestos; however, the Developer does not represent or warrant that the consultant's findings are correct or complete. The Developer neither prepared nor commissioned the asbestos abatement project and makes no representations or warranties whatsoever as to the accuracy or completeness of the findings and conclusions. A copy of the consultant's letter is included in this Disclosure Abstract at **Exhibit 8**. In light of the age of the Project, there may be mold and other hazardous substances in the apartments or in, under or around the Project. Because of the possible presence of such substances, buyers should have their respective apartments inspected to determine the extent (if any) of such contamination and any necessary remedial action. The Developer will not correct any defects in the apartments or in the

Project or anything installed or contained therein and buyers shall expressly release the Developer from any liability if any hazardous materials are discovered.

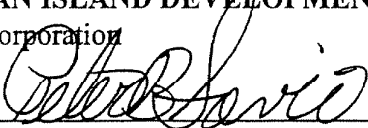
14. **Lead-Based or Lead-Containing Paint.** The Project may present exposure to lead from lead-based or lead-containing paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The Developer is required by law to provide Buyer with any information on lead-based or lead-containing paint hazards from risk assessments or inspections in the Developer's possession and notify Buyer of any known lead-based or lead-containing paint hazards. The Developer hereby discloses that the Developer has no knowledge of lead-based or lead-containing paint and/or lead-based or lead-containing paint hazards at the Project. A risk assessment or inspection, at the buyer's option and expense, for possible lead-based or lead-containing paint hazards is recommended prior to purchase.

15. **Mold/Mildew.** Buyers are hereby advised that tropical climates with warm temperatures, high humidity and frequent precipitation are conducive to the propagation of mold, mildew, fungus and other types of bacterial growths. Though the building, deck surface and other improvements that are a part of the Project may be cleaned to satisfactory appearance, the Developer cannot guaranty that mold, mildew, fungus and other types of bacterial growths can be eliminated. The building in the Project is old and has had incidences of leaking and water exposure which may have resulted in the introduction of mold, mildew, fungus and other types of bacterial growths. The building and some of the apartments within the building have had mold or mildew growth in the past which, to Developer's knowledge, has been treated and cleaned by the fee owner. Buyers should be aware that, as with all properties, the building may have hidden, enclosed and unreachable areas where growths can occur and cannot be detected and that there may in the future be mold and mildew growth in the Project if the Association and occupants of the apartments do not properly maintain the Project. If a buyer, any member of the buyer's family, or any person who will inhabit the Property has respiratory, skin or other health ailments or conditions that can be affected by mold, mildew, fungus or other types of bacterial growths they should seek professional advice before completing this purchase. Neither the Developer nor its agents associated with the Project have the requisite knowledge to provide counsel as to the presence, likelihood of conditions conducive to propagation of mold, mildew, fungus and other type of bacterial growths in the Project or as to the effect the aforementioned conditions can have related to their health, welfare and continued enjoyment of the Property. Individuals who may be capable of providing such advice are professional home inspectors, medical professionals, scientific research professionals, certified industrial hygienist or other environmental specialists and/or others who have requisite knowledge in matters of detection and lab analysis services. Buyers are encouraged to perform or engage a professional consultant to perform a risk assessment or inspection in the buyer's apartment and the Project, at the buyer's option and expense, for the presence of mold, mildew, fungus or other types of bacterial growths in the apartment and the Project.

DATED: Honolulu, Hawaii, October 30, 2002.

HAWAIIAN ISLAND DEVELOPMENT CO., INC.,
a Hawaii corporation

By



PETER B. SAVIO
Its President

("the Developer")

Ala Wai Terrace

Managing Agent's
Estimated Annual Budget and Maintenance Fees

	<u>MONTHLY</u>	<u>ANNUAL</u>
<u>INCOME</u>		
Operating Reserve	\$9,850.00	\$118,200.00
Television Cable	905.00	10,860.00
Capital Improvement Reserve	2,960.00	35,520.00
Other Taxable Income	<u>225.00</u>	<u>2,700.00</u>
	\$13,940.00	\$167,280.00
<u>EXPENSES</u>		
Administrative Expenses	\$4,380.00	\$52,560.00
Repairs and Maintenance		
A/C, pumps and vents	250.00	3,000.00
Building, regular	200.00	2,400.00
Building, elevator	1,500.00	18,000.00
Building, fire protection	100.00	1,200.00
Grounds	125.00	1,500.00
Refuse removal	500.00	6,000.00
Misc. repairs, maintenance	200.00	2,400.00
Utilities		
Electricity	1,495.00	17,940.00
Telephone	165.00	1,980.00
Entryphone	60.00	720.00

Television cable	905.00	10,860.00
Water and sewer	<u>1,100.00</u>	<u>13,200.00</u>
	\$10,980.00	\$111,840.00
DIFFERENCE (over/under)	\$2,960.00	\$35,520.00

ESTIMATED MAINTENANCE CHARGES FOR EACH APARTMENT:

- (1) For the Type 100 apartment, the estimated monthly maintenance charge is \$691.15.
- (2) For the Type 51 apartment, the estimated monthly maintenance charge is \$298.15.
- (3) For the Type 52 apartment, the estimated monthly maintenance charge is \$296.65.
- (4) For the Type 53 apartment, the estimated monthly maintenance charge is \$272.00.
- (5) For the Type 50 apartment, the estimated monthly maintenance charge is \$888.79.

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

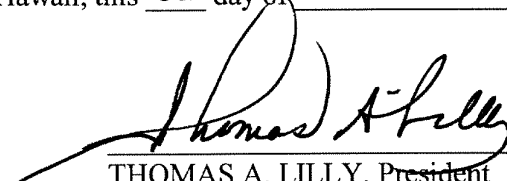
CERTIFICATE

I, the undersigned, duly sworn on oath, depose and affirm as follows:

1. That I am the President of Management, Inc., a Hawaii corporation, designated by the developer of Ala Wai Terrace condominium (the "Project") to act as the Managing Agent for the management and administration of the Project.

2. That I hereby certify that the breakdown of the annual maintenance charges and the monthly estimated cost for each apartment in the Project, as set forth above are reasonably estimates for the one-year period commencing January 1, 2002, based on generally accepted accounting principles.

DATED: Honolulu, Hawaii, this 5th day of November, 2002.



THOMAS A. LILLY, President
Management, Inc., a Hawaii corporation

Subscribed and sworn to before me
this 5th day of November, 2002.

J.P.
Marilyn M.S. Ng
Notary Public, State of Hawaii
Print Name: MARILYN M.S. NG
My commission expires: 12/2/2014

2002
RESERVE STUDY
FOR

Ala Wai Terrace

Revised *October 21, 2002*
Prepared by Armstrong & Associates, Inc.
Toll Free: (800) 561-7732

*850 W. Hind Drive, Suite 208
Honolulu, Hawaii 96821
Phone: (808) 377-8500
Fax: (808) 377-8511*

*1333 Gateway Drive, Suite 1014
Melbourne, Florida 32901
Phone: (321) 674-0196
Fax: (888) 332-4610*

2002
RESERVE STUDY
FOR
Ala Wai Terrace

Revised October 21, 2002

A level (1) study was performed according to the Community Associations Institute (CAI) Reserve Study Standards. (*See attached standards.*)

On-site visual observations of the common area elements [i.e., roofs, parking areas, paint, etc.] were performed on May 22, 2001 by John Hopkins.

This report may also rely on information supplied by the property manager, Board of Directors, resident manager, contractors and published replacement guides modified for local conditions related to reconstruction.

The placement of a useful life on common elements is not an exact science. There are many variables that affect their life. For example, weather, usage, vandalism and proper maintenance. Therefore, we recommend a review of the physical analysis every three years or at any time of a major condition change [i.e., storm damage] and an update of the financial analysis every year.

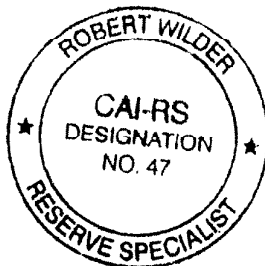
Disclosure; as an impartial third party, Armstrong & Associates, Inc. also provides construction management for Association's reserve projects, by being the Association's representative.

This report was either prepared or reviewed by Dale Armstrong, R.S.



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COMMUNITY ASSOCIATIONS INSTITUTE (CAI) RESERVE STUDY STANDARDS

What is a Reserve Study?

A Reserve Study is made up of two parts, 1) the information about the physical status and repair/replacement cost of the major common area components the association is obligated to maintain (Physical Analysis), and 2) the evaluation and analysis of the association's Reserve balance, income, and expenses (Financial Analysis). The Physical Analysis is comprised of the Component Inventory, Condition Assessment, and Life and Valuation Estimates. The Component Inventory should be relatively "stable" from year to year, while the Condition Assessment and Life and Valuation Estimates will necessarily change from year to year. The Financial Analysis is made up of a finding of the client's current Reserve Fund Status (measured in cash or as Percent Funded) and a recommendation for an appropriate Reserve contribution rate (Funding Plan).

Physical Analysis	Financial Analysis
Component Inventory Condition Assessment Life and Valuation Estimates	Fund Status Funding Plan

Reserve Study Contents

The following is a list of the minimum contents to be included in the Reserve Study.

- A summary of the association's number of units, physical description, and Reserve Fund financial condition.
- A projection of Reserve Starting Balance, recommended Reserve contributions, projected Reserve expenses, and projected ending Reserve Fund Balance for a minimum of 20 years.
- A tabular listing of the Component Inventory, component quantity or identifying descriptions, Useful Life, Remaining Useful Life, and Current Replacement Cost.
- A description of methods and objectives utilized in computing the Fund Status and development of the Funding Plan.
- Source(s) utilized to obtain component Repair or Replacement cost estimates.
- A description of the Level of Service by which the Reserve Study was prepared.
- Fiscal year for which the Reserve Study is prepared.

Levels of Service

The following three categories describe the various types of Reserve Studies, from exhaustive to minimal.

- I. Full: A Reserve Study in which the following five Reserve Study tasks are performed:
 - Component Inventory
 - Condition Assessment (based upon on-site visual observations)
 - Life and Valuation Estimates
 - Fund Status
 - Funding Plan

II. Update, With-Site-Visit/On-Site Review: A Reserve Study update in which the following five Reserve Study tasks are performed:

- Component Inventory (verification only, not quantification)
- Condition Assessment (based on on-site visual observations)
- Life and Valuation Estimates
- Fund Status
- Funding Plan

III. Update, No-Site-Visit/Off-Site Review: A Reserve Study update with no on-site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Fund Status
- Funding Plan

Disclosures

The following are the minimum disclosures to be included in the Reserve Study.

General: Description of other involvement(s) with the association that could result in actual or perceived conflicts of interest.

Physical Analysis: Description of how thorough the on-site observations were performed: representative sampling vs. all common areas, destructive testing or not, field measurements vs. drawing take-offs, etc.

Financial Analysis: Description of assumptions utilized for interest and inflation, tax, and other outside factors.

Personnel Credentials: State or organizational licenses or credentials carried by the individual responsible for Reserve Study preparation or oversight.

Update Reports: Disclosure of how the current work is reliant on the validity of prior Reserve Studies.

Completeness: Material issues which, if not disclosed, would cause a distortion of the association's situation.

Reliance on Client Data: Information provided by the official representative of the association regarding financial, physical, quantity, or historical issues will be deemed reliable by the consultant. The reserve study will be a reflection of information provided to the consultant and assembled for the association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.

Reserve Balance: The actual or projected total presented in the reserve study is based upon information provided and was not audited.

Component Quantities: For Update With-Site-Visit and Update No-Site-Visit Levels of Service, the client is considered to have deemed previously developed component quantities as accurate and reliable.

Reserve Projects: Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit or quality inspection.

Terms and Definitions

CASH FLOW METHOD: A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

COMPONENT: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See "Cash Flow Method."

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See "Replacement Cost."

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulas can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

$FFB = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$

or

$FFB = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate}) ^ \text{Remaining Life}] - [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate}) ^ \text{Remaining Life}]$

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

- **Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.
- **Full Funding:** Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.
- **Statutory Funding:** Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.
- **Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

FUNDING PLAN: An association's plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

PERCENT FUNDED: The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

REMAINING USEFUL LIFE (RUL): Also referred to as "Remaining Life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" Remaining Useful Life.

REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual who prepares Reserve Studies.

RESERVE STUDY: A budget planning tool that identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. "Our budget and finance committee is soliciting proposals to update our Reserve Study for next year's budget."

RESPONSIBLE CHARGE: A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services that directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT: An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

SURPLUS: An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See "Deficit."

USEFUL LIFE (UL): Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

HAWAII'S AMENDMENT TO ALLOW CASH FLOW ANALYSIS

HB 70

"Cash flow plan" means a twenty-year projection of an association's future income and expense requirements to fund fully its replacement reserves requirements each year during that twenty-year period, except in an emergency; provided that it does not include a projection of special assessments or loans during that twenty-year period, except in an emergency.

Courtesy of Armstrong & Associates, Inc.

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5	1	Projected Expenditures
6	1	Accountant's Report
7	1	Component Summary

Ala Wai Terrace

PROJECT DEFINITION REPORT

10/21/2002

Project Information

Project: Ala Wai Terrace
Address: 1684 Ala Moana
City: Honolulu
State: HI
Zip: 96815-0000

Project Date: 1/01/1968
Number of Phases: 1
Number of Units: 44
Number of Models: 5

Property Description

The Ala Wai Terrace was constructed in 1968. It has 44 units situated on 16 floors. The top floor is entirely taken up by one penthouse unit. The building is a mid-rise concrete structure.

Ala Wai Terrace

ANALYSIS DEFINITION REPORT

Analysis 1 - 2002

Project Information

Project:	Ala Wai Terrace	Project Date:	1/01/1968
Address:	1684 Ala Moana	Analysis Date:	1/01/2002
City:	Honolulu	Number of Phases:	1
State:	HI	Number of Units:	44
Zip:	96815-0000	Number of Models:	5

Analysis Parameters

Rate of Inflation:	2.5%	Deferred Expenditures:	No
Rate of Return on Investment:	4%	Contingency:	0%
Beginning Funds:	\$121,000.00	Contingency Time:	None
Loan/Special Assessment	No		

Annual Contribution Factors

		2012:	0%
2003:	0%	2013:	0%
2004:	0%	2014:	0%
2005:	0%	2015:	0%
2006:	0%	2016:	0%
2007:	0%	2017:	0%
2008:	0%	2018:	0%
2009:	0%	2019:	0%
2010:	0%	2020:	0%
2011:	0%	2021:	0%

Additional Analysis Information

Analysis 1 indicates the recommended contribution rate into reserves for 2002. The analysis period utilized is 20 years and the average rate of return on reserve funds invested is projected at 4%. The inflation rate estimated for reserve components is 2.5% per year. Based on discussions with Ala Wai Terrace representatives, the beginning funds balance for the analysis is assumed to be \$121,000.

Analysis 1 includes a component for the modernization of the elevator mechanical system in 2008. Industry standards indicate that elevator systems are modernized after approximately 30 years. The building is currently 34 years old and modernization in 2008 indicates a total useful life of 40 years. Discussions with an Otis Elevator Company representative indicated that it is possible to maintain the project's elevator system under a maintenance contract over the next 20 years. However, the elevator would not operate as efficiently as a modernized system and maintenance contract fees could increase significantly over time. Because the project contains only one elevator, we recommend including the elevator modernization within the analysis period. See Analysis 2 for funding requirements that include elevator modernization in year 2018.

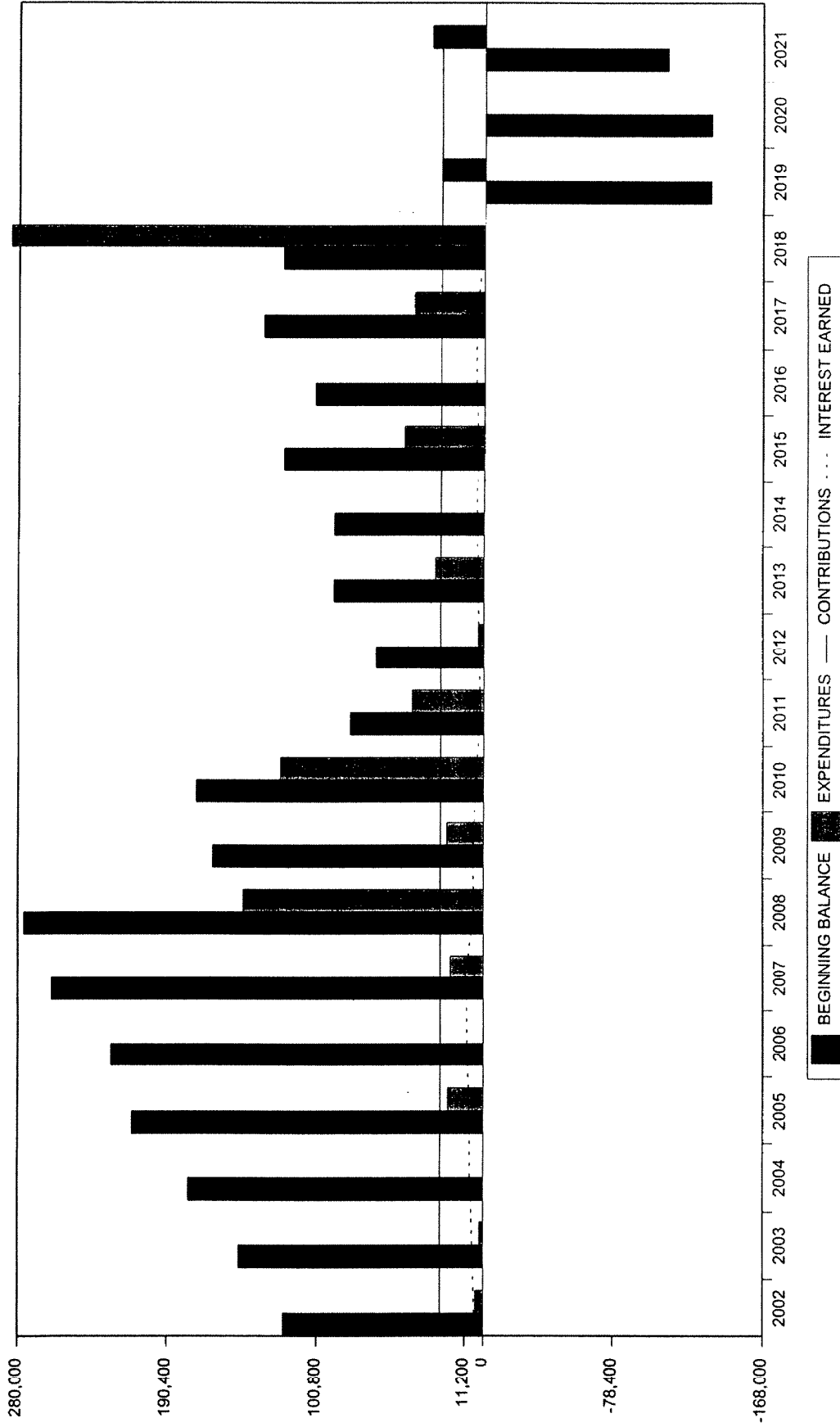
Ala Wai Terrace
CASHFLOW PERCENT FUNDED SUMMARY PROJECTIONS

Analysis 1 - 2002

Year	Beginning Balance	Contribution	Average/ Unit/Mo	Interest Earned	Expenditures	Ending Balance
2002	121,000.00	26,000.00	49.24	5,383.90	4,903.00	147,480.90
2003	147,480.90	26,000.00	49.24	6,484.10	2,310.00	177,655.00
2004	177,655.00	26,000.00	49.24	7,807.41	0.00	211,462.41
2005	211,462.41	26,000.00	49.24	8,307.25	21,538.00	224,231.66
2006	224,231.66	26,000.00	49.24	9,704.82	0.00	259,936.48
2007	259,936.48	26,000.00	49.24	10,490.25	20,149.00	276,277.73
2008	276,277.73	26,000.00	49.24	5,919.70	144,961.00	163,236.43
2009	163,236.43	26,000.00	49.24	6,311.90	22,293.00	173,255.33
2010	173,255.33	26,000.00	49.24	4,701.38	123,110.00	80,846.71
2011	80,846.71	26,000.00	49.24	2,082.63	43,721.00	65,208.34
2012	65,208.34	26,000.00	49.24	3,147.39	3,363.00	90,992.73
2013	90,992.73	26,000.00	49.24	3,137.32	29,236.00	90,894.05
2014	90,894.05	26,000.00	49.24	4,273.01	0.00	121,167.06
2015	121,167.06	26,000.00	49.24	3,540.26	48,260.00	102,447.32
2016	102,447.32	26,000.00	49.24	4,743.65	0.00	133,190.97
2017	133,190.97	26,000.00	49.24	4,843.99	42,353.00	121,681.96
2018	121,681.96	26,000.00	49.24	0.00	284,379.00	-136,697.04
2019	-136,697.04	26,000.00	49.24	0.00	26,295.00	-136,992.04
2020	-136,992.04	26,000.00	49.24	0.00	0.00	-110,992.04
2021	-110,992.04	26,000.00	49.24	0.00	31,981.00	-116,973.04
Totals:		520,000.00		90,878.96	848,852.00	

Ala Wai Terrace
CASHFLOW PROJECTIONS GRAPH

Analysis 1 - 2002



PROJECTED EXPENDITURES

Analysis 1 - 2002

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
*Elevator Modernize - Mechanical							139,163			
Air Conditioners, Window Mounted	2,626									
Asphalt Overlay						8,835				
Asphalt Slurry Seal - 1	2,277									
Chiller Condenser				21,538						
Common Area Lights		2,310								
Exterior Painting - Mid Rise									87,158	
Fire Alarm System Control Panel									15,843	
Fire Booster Pump										43,721
Hot Water Heater							5,798			
Metal Railings - Balcony								22,293		
Pitch & Gravel Roofing Recover									20,109	
Plumbing Repairs - General						11,314				
Totals	4,903	2,310		21,538		20,149	144,961	22,293	123,110	43,721

PROJECTED EXPENDITURES

Analysis 1 - 2002

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
*Elevator Modernize - Mechanical							178,185			
Air Conditioners, Window Mounted	3,363									
Asphalt Slurry Seal - 2		2,988						3,465		
Back Up Generator				48,260				22,830		
Chiller Compressor										
Chiller Condenser		26,248								31,981
Chiller Evaporator Unit						27,566				
Exterior Painting - Mid Rise							106,194			
Plumbing Repairs - General						14,487				
Totals	3,363	29,236		48,260		42,353	284,379	26,295		31,981

Ala Wai Terrace
ACCOUNTANT'S REPORT

Analysis 1 - 2002
1/01/2002 - 12/31/2002

Component	Remaining Life (yr/mo)	Future Cost	Assigned Reserves	2002 Contribution Requirement	2002 Assigned Interest Earned	2002 Funding Requirement
*Elevator Modernize - Mechanical	06/00	139,163	38,794	8,688	1,799	10,487
*Elevator Modernize - Mechanical	16/00	178,185	39,737	8,899	1,843	10,742
Air Conditioners, Window Mounted	00/05	2,626	2,626	0	0	0
Asphalt Overlay	05/05	8,835	2,113	473	98	571
Asphalt Slurry Seal - 1	00/05	2,277	2,277	0	0	0
Back Up Generator	17/00	22,830	3,244	727	150	877
Chiller Compressor	13/00	48,260	2,112	473	98	571
Chiller Condenser	03/00	21,538	4,414	989	205	1,194
Common Area Lights	01/00	2,310	736	165	34	199
Exterior Painting - Mid Rise	08/07	87,158	1,330	298	62	360
Fire Alarm System Control Panel	08/00	15,843	3,117	698	145	843
Fire Booster Pump	09/00	43,721	7,887	1,766	366	2,132
Hot Water Heater	06/00	5,798	1,616	362	75	437
Metal Railings - Balcony	07/00	22,293	6,063	1,358	281	1,639
Pitch & Gravel Roofing Recover	08/00	20,109	3,078	689	143	832
Plumbing Repairs - General	05/00	11,314	1,855	415	86	501
Totals:		632,260	120,999	26,000	5,385	31,385

Ala Wai Terrace
COMPONENT SUMMARY REPORT

Analysis 1 - 2002

<u>Description</u>	<u>Starting Date</u>	<u>Useful Life (yr/mo)</u>	<u>Adj. Life (yr/mo)</u>	<u>Sched. Rpl. (mo/yr)</u>	<u>Recur</u>	<u>Current Cost</u>	<u>Future Cost</u>
<u>Elevators-1</u>							
*Elevator Modernize - Mechanical	1/01/1968	30/00	+10/00	01/08	Y	120,000	139,163
Sub Total:						120,000	139,163
<u>Elevators-2</u>							
*Elevator Modernize - Mechanical	1/01/1968	30/00	+20/00	01/18	Y	120,000	178,185
Sub Total:						120,000	178,185
<u>Fire Control</u>							
Fire Alarm System Control Panel	1/01/1990	20/00	00/00	01/10	Y	13,000	15,843
Fire Booster Pump	1/01/1991	20/00	00/00	01/11	Y	35,000	43,721
Sub Total:						48,000	59,564
<u>Lighting</u>							
Common Area Lights	1/01/1968	25/00	+10/00	01/03	Y	2,254	2,310
Sub Total:						2,254	2,310
<u>Mechanical</u>							
Air Conditioners, Window Mounted	6/01/1992	10/00	00/00	06/02	Y	2,600	2,626
Back Up Generator	1/01/1989	30/00	00/00	01/19	Y	15,000	22,830
Chiller Compressor	1/01/2000	15/00	00/00	01/15	Y	35,000	48,260
Chiller Condenser	1/01/1997	08/00	00/00	01/05	Y	20,000	21,538
Chiller Evaporator Unit	7/01/2017	15/00	00/00	07/17	Y	19,000	27,866

Ala Wai Terrace
COMPONENT SUMMARY REPORT

Analysis 1 - 2002

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Hot Water Heater	1/01/1968	20/00	+20/00	01/08	Y	5,000	5,798
Sub Total:						96,600	128,918
Painting							
Exterior Painting - Mid Rise	8/01/2001	08/00	+01/00	08/10	Y	70,500	87,158
Sub Total:						70,500	87,158
Pavement							
Asphalt Overlay	6/01/1987	20/00	00/00	06/07	Y	7,728	8,835
Asphalt Slurry Seal - 1	6/01/1996	06/00	00/00	06/02	N	2,254	2,277
Asphalt Slurry Seal - 2	6/01/2013	06/00	00/00	06/13	Y	2,254	2,988
Sub Total:						12,236	14,100
Plumbing							
Plumbing Repairs - General	1/01/1997	10/00	00/00	01/07	Y	10,000	11,314
Sub Total:						10,000	11,314
Railings							
Metal Railings - Balcony	1/01/1968	14/00	+27/00	01/09	Y	18,750	22,293
Sub Total:						18,750	22,293
Roofing							
Pitch & Gravel Roofing Recover	1/01/1995	15/00	00/00	01/10	Y	16,500	20,109
Sub Total:						16,500	20,109

Ala Wai Terrace
COMPONENT SUMMARY REPORT

Analysis 1 - 2002

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Grand Total:						514,840	663,114

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Ala Wai Terrace

ANALYSIS DEFINITION REPORT

Analysis 2 - 2002

Project Information

Project: Ala Wai Terrace
Address: 1684 Ala Moana
City: Honolulu
State: HI
Zip: 96815-0000

Project Date: 1/01/1968
Analysis Date: 1/01/2002
Number of Phases: 1
Number of Units: 44
Number of Models: 5

Analysis Parameters

Rate of Inflation: 2.5%
Rate of Return on Investment: 4%
Beginning Funds: \$121,000.00
Loan/Special Asscsmnt No

Deferred Expenditures: No
Contingency: 0%
Contingency Time: None

Annual Contribution Factors

		2012:	0%
2003:	0%	2013:	0%
2004:	0%	2014:	0%
2005:	0%	2015:	0%
2006:	0%	2016:	0%
2007:	0%	2017:	0%
2008:	0%	2018:	0%
2009:	0%	2019:	0%
2010:	0%	2020:	0%
2011:	0%	2021:	0%

Additional Analysis Information

Analysis 2 indicates the recommended funding levels to reserves by including elevator mechanical modernization in year 2018. Analysis 2 has the same analysis parameters as Analysis 1 including a 20 year reporting period, 4% interest earned on reserve funds invested, an inflation rate of 2.5% per year and a beginning funds balance of \$121,000 on January 1, 2002. Analysis 2 recommends funding reserves at a contribution rate of \$24,500 per year.

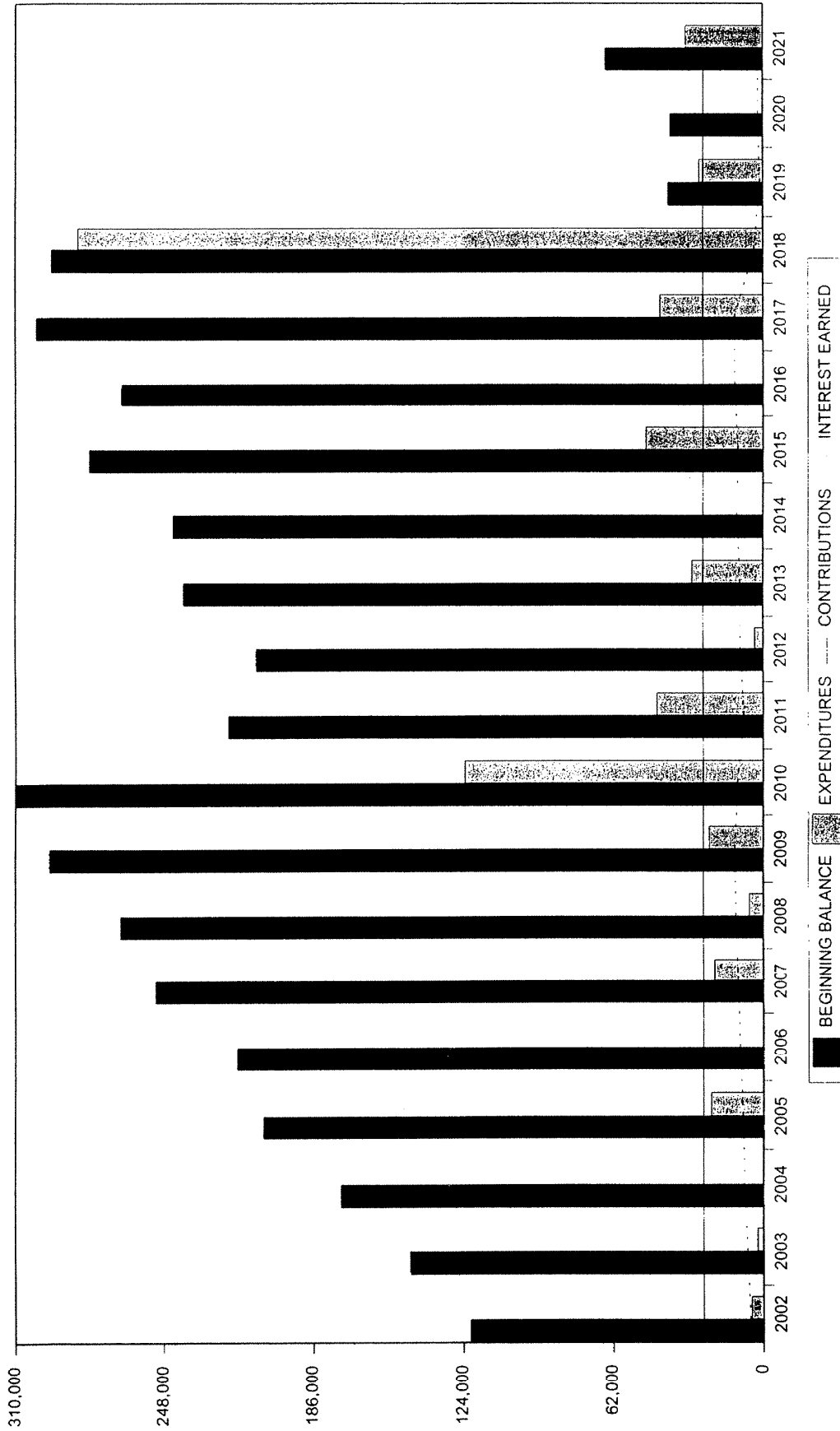
Ala Wai Terrace
CASHFLOW PERCENT FUNDED SUMMARY PROJECTIONS

Analysis 2 - 2002

Year	Beginning Balance	Contribution	Average/ Unit/Mo	Interest Earned	Expenditures	Ending Balance
2002	121,000.00	24,500.00	46.40	5,351.00	4,903.00	145,948.00
2003	145,948.00	24,500.00	46.40	6,388.76	2,310.00	174,526.76
2004	174,526.76	24,500.00	46.40	7,647.08	0.00	206,673.84
2005	206,673.84	24,500.00	46.40	8,079.26	21,538.00	217,715.10
2006	217,715.10	24,500.00	46.40	9,406.47	0.00	251,621.57
2007	251,621.57	24,500.00	46.40	10,118.64	20,149.00	266,091.21
2008	266,091.21	24,500.00	46.40	11,140.98	5,798.00	295,934.19
2009	295,934.19	24,500.00	46.40	11,684.76	22,293.00	309,825.95
2010	309,825.95	24,500.00	46.40	10,232.03	123,110.00	221,447.98
2011	221,447.98	24,500.00	46.40	7,777.44	43,721.00	210,004.42
2012	210,004.42	24,500.00	46.40	9,013.10	3,363.00	240,154.52
2013	240,154.52	24,500.00	46.40	9,180.90	29,236.00	244,599.42
2014	244,599.42	24,500.00	46.40	10,501.66	0.00	279,601.08
2015	279,601.08	24,500.00	46.40	9,961.55	48,260.00	265,802.63
2016	265,802.63	24,500.00	46.40	11,365.44	0.00	301,668.07
2017	301,668.07	24,500.00	46.40	11,674.39	42,353.00	295,489.46
2018	295,489.46	24,500.00	46.40	3,534.44	284,379.00	39,144.90
2019	39,144.90	24,500.00	46.40	1,120.30	26,295.00	38,470.20
2020	38,470.20	24,500.00	46.40	2,104.49	0.00	65,074.69
2021	65,074.69	24,500.00	46.40	1,885.47	31,981.00	59,479.16
Totals:		490,000.00		158,168.16	709,689.00	

Ala Wai Terrace
CASHFLOW PROJECTIONS GRAPH

Analysis 2 - 2002



PROJECTED EXPENDITURES

Analysis 2 - 2002

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Air Conditioners, Window Mounted	2,626									
Asphalt Overlay				8,835						
Asphalt Slurry Seal - 1	2,277									
Chiller Condenser			21,538							
Common Area Lights		2,310								
Exterior Painting - Mid Rise							87,158			
Fire Alarm System Control Panel							15,843			
Fire Booster Pump										43,721
Hot Water Heater							5,798			
Metal Railings - Balcony								22,293		
Pitch & Gravel Roofing Recover									20,109	
Plumbing Repairs - General						11,314				
Totals	4,903	2,310	21,538	20,149	5,798	22,293	123,110	43,721		

PROJECTED EXPENDITURES

Analysis 2 - 2002

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
*Elevator Modernize - Mechanical							178,185			
Air Conditioners, Window Mounted	3,363									
Asphalt Slurry Seal - 2		2,988						3,465		
Back Up Generator								22,830		
Chiller Compressor				48,260						
Chiller Condenser		26,248								31,981
Chiller Evaporator Unit						27,866				
Exterior Painting - Mid Rise							106,194			
Plumbing Repairs - General						14,487				
Totals	3,363	29,236		48,260		42,353	284,379	26,295		31,981

Ala Wai Terrace
ACCOUNTANT'S REPORT

Analysis 2 - 2002
1/01/2002 - 12/31/2002

Component	Remaining Life (yr/mo)	Future Cost	Assigned Reserves	2002 Contribution Requirement	2002 Assigned Interest Earned	2002 Funding Requirement
*Elevator Modernize - Mechanical	16/00	178,185	59,679	12,594	2,751	15,345
Air Conditioners, Window Mounted	00/05	2,626	2,626	0	0	0
Asphalt Overlay	05/05	8,835	3,174	670	146	816
Asphalt Slurry Seal - 1	00/05	2,277	2,277	0	0	0
Back Up Generator	17/00	22,830	4,873	1,028	225	1,253
Chiller Compressor	13/00	48,260	3,171	669	146	815
Chiller Condenser	03/00	21,538	6,629	1,399	306	1,705
Common Area Lights	01/00	2,310	1,105	233	51	284
Exterior Painting - Mid Rise	08/07	87,158	1,998	422	92	514
Fire Alarm System Control Panel	08/00	15,843	4,682	988	216	1,204
Fire Booster Pump	09/00	43,721	11,844	2,500	546	3,046
Hot Water Heater	06/00	5,798	2,428	512	112	624
Metal Railings - Balcony	07/00	22,293	9,105	1,922	420	2,342
Pitch & Gravel Roofing Recover	08/00	20,109	4,622	975	213	1,188
Plumbing Repairs - General	05/00	11,314	2,786	588	128	716
Totals:		493,097	120,999	24,500	5,352	29,852

Ala Wai Terrace
COMPONENT SUMMARY REPORT

Analysis 2 - 2002

<u>Description</u>	<u>Starting Date</u>	<u>Useful Life (yr/mo)</u>	<u>Adj. Life (yr/mo)</u>	<u>Sched. Rpl. (mo/yr)</u>	<u>Recur</u>	<u>Current Cost</u>	<u>Future Cost</u>
<u>Elevators-2</u>							
*Elevator Modernize - Mechanical	1/01/1968	30/00	+20/00	01/18	Y	120,000	178,185
Sub Total:						120,000	178,185
<u>Fire Control</u>							
Fire Alarm System Control Panel	1/01/1990	20/00	00/00	01/10	Y	13,000	15,843
Fire Booster Pump	1/01/1991	20/00	00/00	01/11	Y	35,000	43,721
Sub Total:						48,000	59,564
<u>Lighting</u>							
Common Area Lights	1/01/1968	25/00	+10/00	01/03	Y	2,254	2,310
Sub Total:						2,254	2,310
<u>Mechanical</u>							
Air Conditioners, Window Mounted	6/01/1992	10/00	00/00	06/02	Y	2,600	2,626
Back Up Generator	1/01/1989	30/00	00/00	01/19	Y	15,000	22,830
Chiller Compressor	1/01/2000	15/00	00/00	01/15	Y	35,000	48,260
Chiller Condenser	1/01/1997	08/00	00/00	01/05	Y	20,000	21,538
Chiller Evaporator Unit	7/01/2017	15/00	00/00	07/17	Y	19,000	27,866
Hot Water Heater	1/01/1968	20/00	+20/00	01/08	Y	5,000	5,798
Sub Total:						96,600	128,918

Ala Wai Terrace
COMPONENT SUMMARY REPORT

Analysis 2 - 2002

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
<u>Painting</u>							
Exterior Painting - Mid Rise	8/01/2001	08/00	+01/00	08/10	Y	70,500	87,158
Sub Total:						70,500	87,158
<u>Pavement</u>							
Asphalt Overlay	6/01/1987	20/00	00/00	06/07	Y	7,728	8,835
Asphalt Slurry Seal - 1	6/01/1996	06/00	00/00	06/02	N	2,254	2,277
Asphalt Slurry Seal - 2	6/01/2013	06/00	00/00	06/13	Y	2,254	2,988
Sub Total:						12,236	14,100
<u>Plumbing</u>							
Plumbing Repairs - General	1/01/1997	10/00	00/00	01/07	Y	10,000	11,314
Sub Total:						10,000	11,314
<u>Railings</u>							
Metal Railings - Balcony	1/01/1968	14/00	+27/00	01/09	Y	18,750	22,293
Sub Total:						18,750	22,293
<u>Roofing</u>							
Pitch & Gravel Roofing Recover	1/01/1995	15/00	00/00	01/10	Y	16,500	20,109
Sub Total:						16,500	20,109
Grand Total:						394,840	523,951

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

*Elevator Modernize - Mechanical

Category:	Elevators-2	Unit Cost:	\$120,000.00
Began Use:	1/01/1968	Cost Type:	Contractor
Lifespan:	30 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+ 20 years	Current Cost:	\$120,000.00
Next Replacement:	1/01/2018	Future Cost:	\$178,184.67
Remaining Life:	16 YRS	Salvage Value:	\$0.00
Quantity:	1.00 EACH		

Remarks

The elevator was installed in 1968. It is maintained on a monthly contract basis by Otis Elevator for \$559 per month. Industry standards indicate that elevator systems are generally modernized after approximately 30 years. Discussions with an Otis Elevator Company representative indicated that it is possible to maintain the project's elevator system under a maintenance contract over the next 20 years. However, the elevator would not operate as efficiently as a modernized system and maintenance contract fees could increase significantly over time. Because the project contains only one elevator, we recommend providing funds for a modernization over the next 20 years of the project. Elevator mechanical modernization is projected for modernization in 2008 in Analysis 1 and 2018 in Analysis 2 for comparison purposes.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Air Conditioners, Window Mounted

Category:	Mechanical	Unit Cost:	\$650.00
Began Use:	6/01/1992	Cost Type:	Contractor
Lifespan:	10 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$2,600.00
Next Replacement:	6/01/2002	Future Cost:	\$2,626.46
Remaining Life:	5 MOS	Salvage Value:	\$0.00
Quantity:	4.00 EACH		

Remarks

There are 4 window mounted air conditioners located on the first floor. The units are owned by the building. No information is available regarding the age of the units. Based on observations, it is our opinion that the units are old and may be nearing the end of their useful life. For budgetary purposes, we have projected their replacement in 2002.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Asphalt Overlay

Category:	Pavement	Unit Cost:	\$1.20
Began Use:	6/01/1987	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$7,728.00
Next Replacement:	6/01/2007	Future Cost:	\$8,834.67
Remaining Life:	5 YRS	Salvage Value:	\$0.00
Quantity:	6,440.00 SQ. FT.		

Remarks

No information is available regarding the last asphalt overlay application. Based on observations during the site visit, the asphalt shows cracks, stains and signs of physical erosion. The Outrigger Enterprises plans to have a slurry seal coat applied to the asphalt in 2002. We project that an overlay will be required within 5 years of these slurry seal application.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Asphalt Slurry Seal - 1

Category:	Pavement	Unit Cost:	\$0.35
Began Use:	6/01/1996	Cost Type:	Contractor
Lifespan:	6 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$2,254.00
Next Replacement:	6/01/2002	Future Cost:	\$2,276.94
Remaining Life:	5 MOS	Salvage Value:	\$0.00
Quantity:	6,440.00 SQ. FT.		

Remarks

No information is available regarding the last asphalt seal coat. Industry sources recommend that a seal coat application occur every six years after asphalt installation or overlay. Outrigger Enterprises plans to have a slurry seal coat applied to the asphalt in 2002. An asphalt overlay is projected to occur within five years of this slurry seal in 2007. The next slurry seal is projected to occur within six years after this overlay.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Asphalt Slurry Seal - 2

Category:	Pavement	Unit Cost:	\$0.35
Began Use:	6/01/2013	Cost Type:	Contractor
Lifespan:	6 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$2,254.00
Next Replacement:	6/01/2019	Future Cost:	\$2,988.27
Remaining Life:	11 YRS	Salvage Value:	\$0.00
Quantity:	6,440.00 SQ. FT.		

Remarks

No information is available regarding the last asphalt seal coat. Industry sources recommend that a seal coat application occur every six years after asphalt installation or overlay. Outrigger Enterprises plans to have a slurry seal coat applied to the asphalt in 2002 (Asphalt Slurry Seal - 1). An asphalt overlay is projected to occur within five years of this slurry seal in 2007. The next slurry seal (Asphalt Slurry Seal - 2) is projected to occur within six years after this overlay.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Back Up Generator

Category:	Mechanical	Unit Cost:	\$15,000.00
Began Use:	1/01/1989	Cost Type:	Contractor
Lifespan:	30 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$15,000.00
Next Replacement:	1/01/2019	Future Cost:	\$22,829.91
Remaining Life:	17 YRS	Salvage Value:	\$0.00
Quantity:	1.00 UNIT		

Remarks

A back-up generator was observed during the site visit. No access was permitted and information was not available regarding the manufacturer. The unit was installed in 1989 and appears in good shape with no visible signs of problems. For budgetary purposes, we have assumed that it will be rebuilt versus repalced.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Chiller Compressor

Category:	Mechanical	Unit Cost:	\$35,000.00
Began Use:	1/01/2000	Cost Type:	Contractor
Lifespan:	15 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$35,000.00
Next Replacement:	1/01/2015	Future Cost:	\$48,259.80
Remaining Life:	13 YRS	Salvage Value:	\$0.00
Quantity:	1.00 TOTAL		

Remarks

The 45 ton chiller compressor was reportedly replaced in 2000. Discussions with a Trane representative indicated a cost range between \$30,000 and \$40,000 for a chiller compressor of this size. The average useful life for a chiller compressor is approximately 15 years. The estimated replacement cost and useful life of the chiller compressor are based discussions with a Trane Company representative.

**According to Bob Finan, this system needs to be addressed in 3 components 1. Air Cooled Condenser replaced in 96 or 97, 2. Compressor replaced in 2000 and 3. Evaporator unit old needs replacement this year for approximately \$29,000 that includes roof repair directly underneath the evaporator.

** I assumed that these three components will take the place of the chiller and cooling tower?

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Chiller Condenser

Category:	Mechanical	Unit Cost:	\$20,000.00
Began Use:	1/01/1997	Cost Type:	Contractor
Lifespan:	8 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$20,000.00
Next Replacement:	1/01/2005	Future Cost:	\$21,537.81
Remaining Life:	3 YRS	Salvage Value:	\$0.00
Quantity:	1.00 TOTAL		

Remarks

The 45 ton chiller condenser was reportedly replaced in 1997. Discussions with a Trane representative indicated an estimated replacement cost of \$20,000 and an average useful life of 8 years for a chiller condenser of this size. The estimated replacement cost and useful life of the chiller compressor are based discussions with a Trane Company representative.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Chiller Evaporator Unit

Category:	Mechanical	Unit Cost:	\$19,000.00
Began Use:	7/01/2017	Cost Type:	Contractor
Lifespan:	15 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$19,000.00
Next Replacement:	7/01/2032	Future Cost:	\$27,866.39
Remaining Life:	15 YRS	Salvage Value:	\$0.00
Quantity:	1.00 TOTAL		

Remarks

The 45 ton chiller evaporator unit was reportedly replaced by Outrigger in 2002. The replacement cost including roof repairs under the unit was approximately \$29,000. This component involves the future replacement of the chiller evaporator in 2017. Future replacement is projected with a current cost at \$19,000 because roof repairs will not be required. Replacement cost of the chiller evaporator was provided by Outrigger representatives and was considered reasonable for a unit of this size based on discussions with a Trane Company representative.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Common Area Lights

Category:	Lighting	Unit Cost:	\$23.00
Began Use:	1/01/1968	Cost Type:	Contractor
Lifespan:	25 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+ 10 years	Current Cost:	\$2,254.00
Next Replacement:	1/01/2003	Future Cost:	\$2,310.35
Remaining Life:	12 MOS	Salvage Value:	\$0.00
Quantity:	98.00 EACH		

Remarks

No information is available regarding the age of the current common area lighting. for budgetary purposes, we have assumed that the current fixtures were installed when the building was constructed in 1968. Based on our observations, we have extended the useful life 10 years and projected a replacement in 2003.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Exterior Painting - Mid Rise

Category:	Painting	Unit Cost:	\$70,500.00
Began Use:	8/01/2001	Cost Type:	Contractor
Lifespan:	8 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+ 1 years	Current Cost:	\$70,500.00
Next Replacement:	8/01/2010	Future Cost:	\$87,157.97
Remaining Life:	8 YRS	Salvage Value:	\$0.00
Quantity:	1.00 TOTAL		

Remarks

The building exterior was reportedly repainted by Outrigger in approximately August 2002. It is projected that exterior painting will be required every 8 years and the next exterior painting is estimated to occur in 2010. Exterior painting cost was reported to be approximately \$70,000. This cost appears reasonable and was utilized for this study.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Fire Alarm System Control Panel

Category:	Fire Control	Unit Cost:	\$13,000.00
Began Use:	1/01/1990	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$13,000.00
Next Replacement:	1/01/2010	Future Cost:	\$15,843.15
Remaining Life:	8 YRS	Salvage Value:	\$0.00
Quantity:	1.00 SYSTEM		

Remarks

The Pyrotronics XL-3 system is maintained by Hawaii Instrumentation and Controls, Inc. It is not a direct dial system and the customer may want to update the system at some point in the future. For budgetary purposes we have projected this work in 2010.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Fire Booster Pump

Category:	Fire Control	Unit Cost:	\$35,000.00
Began Use:	1/01/1991	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$35,000.00
Next Replacement:	1/01/2011	Future Cost:	\$43,721.00
Remaining Life:	9 YRS	Salvage Value:	\$0.00
Quantity:	1.00 UNIT		

Remarks

An internal fire suppression systems was installed some time in the past which includes internal sprinklers and a fire water booster pump. No information is available regarding the cost or date of installation of this system. For budgetary purposes, we have assumed that the installation occurred within the last 10 years, and are projecting a pump replacement in 2011.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Hot Water Heater

Category:	Mechanical	Unit Cost:	\$5,000.00
Began Use:	1/01/1968	Cost Type:	Contractor
Lifespan:	20 years	Percent Replacement:	100.00%
Lifespan Adjustment:	+ 20 years	Current Cost:	\$5,000.00
Next Replacement:	1/01/2008	Future Cost:	\$5,798.47
Remaining Life:	6 YRS	Salvage Value:	\$0.00
Quantity:	1.00 EACH		

Remarks

No information is available regarding the age of the 65-gallon SABH Gas Hot water heater/boiler. For budgetary purposes, we have assumed that the unit was installed in 1968 and projected replacement in 2008.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Metal Railings - Balcony

Category:	Railings	Unit Cost:	\$75.00
Began Use:	1/01/1968	Cost Type:	Contractor
Lifespan:	14 years	Percent Replacement:	20.00%
Lifespan Adjustment:	+ 27 years	Current Cost:	\$18,750.00
Next Replacement:	1/01/2009	Future Cost:	\$22,293.36
Remaining Life:	7 YRS	Salvage Value:	\$0.00
Quantity:	1,250.00 LIN. FT.		

Remarks

The metal railings located throughout the building appeared in good shape. No information was available regarding age, maintenance costs, etc For budgetary purposes, we have projected that that 20% of the metal railings will require replacement in 2009 prior to exterior painting in that year.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Pitch & Gravel Roofing Recover

Category:	Roofing	Unit Cost:	\$550.00
Began Use:	1/01/1995	Cost Type:	Contractor
Lifespan:	15 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$16,500.00
Next Replacement:	1/01/2010	Future Cost:	\$20,108.61
Remaining Life:	8 YRS	Salvage Value:	\$0.00
Quantity:	30.00 SQUARE		

Remarks

The pitch and gravel roof appeared in good condition with no signs of leaks or other problems. No information is available regarding the date of the last application so we have projected that the roof will need to be recovered in 2010. Recover cost considers removal and replacement of roof surface.

Ala Wai Terrace

COMPONENT DETAIL REPORT

Analysis 2 - 2002

Plumbing Repairs - General

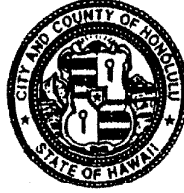
Category:	Plumbing	Unit Cost:	\$10,000.00
Began Use:	1/01/1997	Cost Type:	Contractor
Lifespan:	10 years	Percent Replacement:	100.00%
Lifespan Adjustment:	None	Current Cost:	\$10,000.00
Next Replacement:	1/01/2007	Future Cost:	\$11,314.08
Remaining Life:	5 YRS	Salvage Value:	\$0.00
Quantity:	1.00 LUMP SUM		

Remarks

No information is available regarding annual plumbing repair costs. For budgetary purposes we have allocated \$10,000 to be expended in year 2007 for general plumbing repairs.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET • HONOLULU, HAWAII 96813
TELEPHONE: (808) 523-4414 • FAX: (808) 527-6743 • INTERNET: www.cc.honolulu.hi.us



IMY HARRIS
MAYOR

RANDALL K. FUJIKI, AIA
DIRECTOR

LORETTA K.C. CHEE
DEPUTY DIRECTOR

2001/ELOG-1797(RLK)

November 8, 2001

Mr. Melvin Y. Kaneshige
Senior Vice President &
Chief Operating Officer
Outrigger Enterprises, Inc.
2375 Kuhio Avenue
Honolulu, Hawaii 96815-2992

Dear Mr. Kaneshige

Subject: Condominium Conversion Project
Ala Wai Terrace High Rise
1684 Ala Moana Boulevard
Tax Map Key: 2-6-11: 22

This is in response to your letter dated April 20, 2001 requesting verification that the structure on the above-mentioned property met all applicable code requirements at the time of construction.

Investigation revealed that a 17-story hotel with 44 units and 16 all-weather surface off-street parking spaces met all applicable code requirements when it was constructed in 1966 when it was zoned Business District. The 6,815-square foot lot is presently zoned Apartment Precinct.

Investigation also revealed the following:

1. The 17-story 44-unit hotel structure with 11 all-weather surface off-street parking spaces is nonconforming. Five of the original 16 all-weather surface parking spaces were eliminated without approval.
2. The hotel lacks the required lobby, clerk's desk or counter with 24-hour clerk service and facilities for registration and keeping of records relating to hotel guest.
3. No permit was found for the enclosed storage within the parking area.

EXHIBIT 3

Mr. Melvin Y. Kaneshige

November 8, 2001

Page 2

4. The commercial parking lot operated by Diamond Parking is not permitted.
 5. Subdivision 2001/SUB-120 was approved on October 26, 2001 for consolidation and resubdivision of Lot 1, as shown on DPP File 76(236) and Lot 99-A as shown on Map 14 of Land Court Application 852 into two lots: Lot A of 116,395 square feet and Lot B of 14,165 square feet. Presently, the hotel is located on Lot B.
-

6. No permit was found for the covered parking in the newly acquired area created by this subdivision.

A variance (96/VAR-50) to allow utility installation encroachment into height setback and increase nonconformity was approved with condition on October 18, 1996.

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

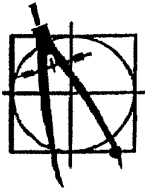
For your information, the Department of Planning and Permitting cannot determine all other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes.

Conversion to a condominium property regime (CPR) is not recognized by the City and County as an approved subdivision. CPR delineates ownership; it does not create a separate lot of record.

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

Sincerely yours,


RANDALL K. FUJIKI, AIA
Director of Planning and Permitting



**HAWAII
ENGINEERING
GROUP, INC.**

Consulting Civil & Structural Engineers

June 17, 2002

Mr. Peter Savio, President
Hawaiian Island Development Co., Inc.
931 University Ave., Ste. 105
Honolulu, HI 96826

Ala Wai Terrace

**1684 Ala Moana Blvd., Honolulu, Hawaii
TMK: 1-2-6-11:4, 22, 24**

Structural Observation Report

On May 7, 2001, a site visit was held to note cursory observations of Ala Wai Terrace at 1684 Ala Moana Blvd. The inspection involved a 2-hour walk through of the high-rise building. The observations were limited to the following:

- Building exterior and common areas.
- Lobby level Unit #53.
- Unit #1551.
- Roof Elevator Mechanical Room.

No calculations or testing of any kind was performed. Architectural, Mechanical, Electrical and other non-structural aspects were not addressed. Structural design drawings for the existing building were made available for review.

The building is a reinforced concrete structure supported on pile foundations. The building was permitted around middle of 1966. The building is rectangle in shape with plan dimensions of 113.37' x 60'. It has 16 floors with typical floor-to-floor height of 8' - 8". Floor slabs are 7" thick conventionally reinforced, spanning approx. 20' typically. The building has two stair shafts, one at each end, and has an elevator shaft. These cores also form part of the lateral load resisting system for the building. Except for the two end walls of the building, the interior concrete walls do not extend below the 2nd floor. The interior walls are supported by columns from the ground floor up to the second floor.

The following drawing were made available for review, structural sheets 9 thru 15 for "Alawai Terrace Tower" dated April 1966. Architect of Record "Roy C. Kelley, A.I.A." and Engineer of Record "Harvey Y.D. Lung".

EXHIBIT 4



Observations & Comments

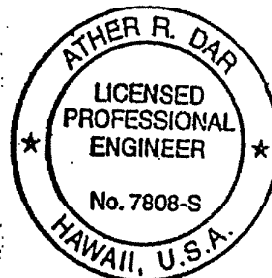
1. No damage was observed in Unit #53.
2. No damage was observed in Unit #1551.
3. No signs of ground movement were observed.
4. Cracks were observed in the parking level slab on grade. These cracks are typical of shrinkage of concrete and deterioration of concrete with age. These cracks may be repaired with epoxy injection.
5. Some cracks were observed in the lobby level planter at the back of the building. These cracks may be indicative of corroded rebar that can cause damage and spalling of concrete in the future. These cracks should be investigated and repaired.
6. Stair shaft #2 has some water damage between lobby level and ground floor level.
7. Roof elevator mechanical room has water damage on exterior face of walls.
8. Extensive epoxy repairs of cracks was observed on the makai face of roof elevator mechanical room. This type of repair is confined only to the makai face at the roof level.

Conclusions and Recommendations

The structure of the building is in good condition. The damage observed in various areas does not impair the integrity of the structure. All repairs should be done under the guidance of a Registered Professional Engineer. The structure can be expected to continue to perform well with normal maintenance and up keep.

This report does not address portions of the building other than those areas mentioned, nor does it provide any warranty either expressed or implied for any portion of the existing building. If there are any comments or questions on any item above, please do not hesitate in calling.

Submitted by: Ather R. Dar, P.E.



RS Engineering

1376 Kalaniki Street
Honolulu, Hawaii 96821

Phone (808) 377-9210
Fax (808) 377-9210

November 21, 2001

Hawaiian Island Development Co., Inc.
931 University Avenue
Suite 105
Honolulu, Hawaii 96815

Attn: Mr. Peter Savio

Ala Wai Terrace
1684 Ala Moana Boulevard
Honolulu, Hawaii 96826

ELECTRICAL OBSERVATION REPORT

On Monday, May 7, 2001, a cursory inspection was performed on the subject property to evaluate the condition of it's electrical system. The inspection was limited to observations of exposed electrical devices, equipment and wiring, fire alarm system and devices, exit signs and security lighting.

REFERENCES

1. Electrical Design Drawings
The Ala Wai Terrace Hotel
Roy C. Kelley, A.I.A., Architect
Drawing Sheets E-1 through E-5, dated April 16, 1966
2. National Electrical Code, 1999
with C & C of Honolulu Amendments
3. Uniform Fire Code, 1988
with C & C of Honolulu Amendments

Note: The plans noted above were used for reference only. Our scope of work did not include reviewing the design plans for conformance to applicable Codes. The electrical drawings were assumed to be correct unless specifically noted otherwise. Building permits were assumed to have been obtained and all required inspections were assumed to have been performed by the proper authorities.

The term "good condition" refers to the observed device or equipment being physically free from excessive deterioration and, if tested, fully performing it's intended function.

EXHIBIT 5

GENERAL

The subject property is an 16 story building with a basement level. The building is approximately 35 years old.

ELECTRICAL SERVICE SYSTEM

The electrical service is provided from the HECO vault on the basement level to the main electrical room, which is also on the basement level. The HECO vault and the main electrical room share a common wall.

The construction drawings show a double door in front of the main electrical equipment. The existing condition, however, is that there is a solid wall in front of the electrical equipment. As a result, there isn't enough clearance in front of the electrical equipment to meet current Codes. The required clearance is 36 inches. Actual clearance is only 30 inches.

The ranges in the apartment units are fed through three risers, one for each of the three apartments per floor. Each riser consists of a 2 1/2 inch conduit with 3 - # 4/0 and 1 - # 2/0. Fourteen ranges are fed by each riser through 2-pole 50 amp circuit breakers. The N.E.C. load for fourteen ranges is 29 kW. At 120/208 volts, 3 phase, the load is calculated to be 80 amps which results in the minimum circuit amps to be 100 amps. The # 4/0 cable is rated at 230 amps and consequently, is adequately sized for this load.

The kitchen receptacles are fed from different panels. A GFI receptacle next to the sink is fed vertically with one branch circuit feeding five apartments. A receptacle in the hallway next to the kitchen is also fed vertically with branch one circuit feeding five apartments. There are problems with these receptacles in that there are occurrences of the circuit breakers tripping. The reason is that there is a high probability that two appliances such as vacuum cleaners are in use at the same time on the same circuit.

There is a second receptacle above the counter which is fed by individual circuits. These receptacles are not GFI protected as required by the Electrical Code. According to the owner, these receptacles are currently being changed to GFI receptacles. Since each of these receptacles are fed by individual branch circuits, appliances such as microwave ovens, toasters and even appliance type washer/dryers (120 V, 1,200 Amps or less) can safely be used on these receptacles. Care should be taken so that only one appliance is used at any one time, however.

The remaining receptacles and lights for the apartment units are fed through four panels, panels "B" and "C" located on the fifth floor and panels "D" and "E", located on the twelfth floor. Some of the covers for the electrical wiring found on the floors appear to be in poor condition but in general, the wiring system seems to be in good condition.

FIRE ALARM SYSTEM

There is a central fire alarm system for the building. There are fire alarm speakers in each apartment unit as well as smoke detectors. The smoke detectors appear to be battery operated type and did not appear to be tied to the building electrical system. The fire alarm speaker system was not evaluated to see if it meets current code requirements.

In the three units inspected, one smoke detector was noted in the in the hallway outside the bedrooms. In addition, there were smoke detectors in the bedrooms, which conforms to current Codes.

SECURITY LIGHTING

The interior exit hallways appear to be adequately lit. The stairways, however, do not appear to be adequately lit. The floor landing is lit by a 60-watt bulb in a wall-mounted fixture and there is no lighting provided on the intermediate landing. We note that the construction drawings show a light fixture for the intermediate landing, which does not appear to have been installed.

APARTMENT UNITS

Three units were inspected. In all three units, the receptacles were spaced consistent with current codes. The receptacles within 6 feet of sinks were GFI protected. Each bedroom, living room and kitchen had either a ceiling light fixture or a switched outlet as required by NEC section 210-70. All switches tested functioned properly. All light fixtures appeared to be in good condition.

CONCLUSIONS

The existing electrical service is adequately sized for the present loads. However, any significant additions to the electrical load, such as dish washers, should be monitored very carefully.

The electrical service equipment appears to be in good condition.

Overall, the general condition of the electrical equipment is good. The maintenance has been adequate. However, most of the equipment is past its useful economic life of 25 years. But with normal replacement and upkeep, many more years of useful life can be expected.

Submitted by:



Samuel S. Matsuo
PhD, PE

Date: May 14, 2001

To: Hawaiian Island Development Co., Ltd.

Project: Ala Wai Terrace
1684 Ala Moana Blvd
Honolulu, Hawaii

Subject: Mechanical Observation Report

A cursory site observation of typical units for the above project was conducted on May 7, 2001 specifically for the observable mechanical plumbing, ventilation, and air-conditioning systems.

This multi story building contains one ground level of parking with sixteen levels of apartment units above. See architectural report for unit count. This building is indicated to be about 31 years old. Mechanical reference drawings are available for use.

The observation team visited a typical two bedroom unit, and the sixteenth floor penthouse unit. These were noted to be representative typical unit types selected by the manager and architect.

The Two Bedroom Typical Unit bathrooms consisted of a wall hung cast iron lavatory, a shower, and a floor mounted tank type water closet. The sixteenth floor Penthouse Unit has three bathrooms. Generally each consisted of an undercounter oval lavatory, a cast-iron tub/shower (either a standard or a short square configuration), and a floor mounted tank type water closet. The plumbing fixtures seem to be in good operational condition, but generally obsolete and do not meet present water conservation codes.

The Two Bedroom Unit kitchen consisted of single compartment stainless steel sinks with a two handle faucet and a electric range. The Penthouse kitchen consisted of a dual compartment stainless steel sink with a two handle faucet, a dishwasher, and a electric range. The sinks and faucets noted were in good operational condition and of various makes. No observations were intended for the electric range or other appliances.

These apartment units did not have clothes washers or dryers and were not designed for fixed installation appliances. There is no existing common area laundry within the building, however one is being built on the Lower Lobby level.

A domestic house pump system is located in the pump room at ground level. The system consists of a two booster pump system. One is on line at all times. They are manually alternated.

The hot water heating system is located in the roof heater room. The system consists of one 600,000 BTUH input gas boiler with a 65 gallon storage capacity, and a circulating pump. This boiler seems to support the present building hot water needs. The system observed seemed to be in fair condition and in working condition. There were no complaints for lack of hot water as noted by the manager. Noted the lack of insulation on the hot water piping and heater flue terminated in the room. The combustion opening for the heater room seems questionable for code compliance.

Generally the plumbing systems observed were in usable condition but old and probably will need more frequent repairs in the near future. The manager indicated sanitary piping blockages and leaks in the past and they were repaired and are being maintained on a demand basis. Replacement or repair of plumbing fixtures, faucets and piping have been taking place on a as-need basis. The main sewer cast iron pipes located at the ground level parking show signs of deterioration from age and replacement will be needed in the near future.

This building is provided with a wet-type automatic fire sprinkler system with a fire booster pump unit located at the ground level pump room. The building is generally provided with fire sprinkler heads through out. No detail layout analysis was made to verify code compliance. A fire hose cabinet is located on each floor by the elevator. Standpipes, fire hose cabinets, and the complete fire protection system should be tested by a fire department certified fire inspector for code compliance.

There are numerous bathroom ventilation systems each consisting of a vertical shaft with an exhaust grille in the bathroom and a power roof ventilator (PRV) located on the roof. Four PRV were noted on the roof. All PRVs were running during our visit. These PRV exhaust fans could be the original ones and therefore major repairs or replacements maybe required soon.

The building original central air conditioning system is a chiller plant consisting of a packaged chiller, chilled water pump, distribution piping, and room fan coil units. The central system generally provides cooling for all of the units except the lowest floor of the building. The chiller plant is located on the roof with the chilled water distribution piping running on the roof and supplying water vertically down through the building floors to each fan coil unit in the living units. The system is old and deteriorated with the old packaged chiller unit located on the highest roof. The packaged chiller is badly corroded and seems to have only the evaporator cooler bundle functioning. Two add-on replacement condensers are located on the lower part of the roof. The add-on replacement compressor is located in the compressor room next to the elevator room. The replacement compressor and condensers are in operational condition. The chiller evaporator bundle seems to be in bad shape. The original old packaged chiller unit seems to be in a very difficult location and maybe inaccessible for replacement. Birds have made this chiller unit a nesting haven. This system will require on going major replacements and repairs to maintain operation. The chiller evaporator bundle, pipe

insulation, room fan coil units, accessories, and etc. maybe considered to be on a watch list for upgrade and operational attention.

All plumbing systems observed were in usable condition and functional for the intended purposes but may not meet present codes. Overall, the mechanical system maintenance for this building has been fair. Due to its age and above normal usage, more frequent maintenance and replacements should be anticipated as it functions past the end of its economic life of 25 years. With proper management, constant maintenance and replacement, these plumbing and ventilation systems could provide many more years of useful service.

The above comments should generally apply to all of the units within this building since they are all mostly typical and of the same age and maintenance level. This observation is a cursory one and very general. Therefore, it is highly recommended that each owner has their specific unit (s) and/or other areas of the building observed in detail as needed.

Submitted by:



George Y. Motonaga, PE
LANGE MOTONAGA, INC.
Consulting Mechanical Engineers



ERNEST M. UMEMOTO AIA

Architect, Inc.

July 6, 2002

Peter Savio, President
Hawaiian Island Development Co., Inc.
931 University Ave., Suite 105
Honolulu, Hawaii 96826

ALA WAI TERRACE CONDOMINIUM CONVERSION

1684 Ala Moana Boulevard
Honolulu, Hawaii
TMK:2-6-11:24

ARCHITECTURAL OBSERVATION REPORT

A Site Visit was done to note cursory observations of the Ala Wai Terrace Condominium. Only what was visible at the walk-through is noted.

The grounds include an entry driveway off Ala Moana Boulevard, parking stalls at ground level, and planting area. There are no loading stalls and handicap parking stalls.

The floor that is called "first floor" is located at the second floor level. This First Floor has a common area entry, elevator, utility rooms, lobby, mailroom and laundry rooms. The plan differs from the approved Building Department File Copy and no additional Building Permits were found. The ground floor has covered parking stalls, storage and utility areas. The elevator does not extend to the ground level.

There are six(6) covered parking stalls under the building. There are 34 parking stalls total. Eight stalls outside the building footprint are partially covered and three of those have tandem stalls adjacent, two of which measure less than required parking stalls. None are handicap accessible.

ALA WAI TERRACE CONDOMINIUM CONVERSION

Peter Savio

July 6, 2002

Page 2 of 6

No Soils & Foundation Engineer, Civil Engineer, Hazardous Waste(asbestos, lead paint, gas, fuel oil, etc.) or other Specialist were retained. No testing for termite, roofing, water infiltration, fire alarm or other systems were involved.

Floor 1(on the second level) has 1 residential apartment.
Floor 2(on third level) through the 15th floor have 3 apartments per floor.
14 Floors x 3 = 42 units plus 1 first floor unit and 1 penthouse unit = 44 apartments total.

The building was built prior to the latest Building Codes, Fire Code, Board of Health Regulations and Zoning Ordinances, and may not meet all the latest requirements. Future additions and alterations may be adversely impacted by not being in compliance to the latest codes. Rebuilding in case of fire, storm or other damage may also be adversely impacted by not being in compliance to the latest codes. Life-safety items that are "grand-fathered" or non-conforming should be addressed by the AOA for upgrade even though not required by the Building Department until addition and/or renovation work permit is applied for. Review by the Fire Department is recommended.

The building does not have handicap accessible apartments. It may not be possible to remove non-compliant ADA and FHA requirements for disability accommodation.

The site is in the Waikiki Special Design District which imposes strict and additional zoning requirements to the Zoning Code. Additions and alterations will require effort to address these special requirements.

The Building Department approved File Copy Set of Plans note:

- a) Approval was conditional to further drawings and submittals which were not found.
- b) Required a loading area which was not marked at the site.
- c) Required parking on the ground level different from what exists today.
- d) Shows a ground level plan and first floor(second level) plan that differs from existing.
- e) Alterations done do not have drawings or approved permit.

ALA WAI TERRACE CONDOMINIUM CONVERSION

Peter Savio

July 6, 2002

Page 3 of 6

SITE OBSERVATIONS include:

A. SITE

- S-1 No Loading stall.
- S-2 Driveway exit to Ala Moana Blvd. requires right turn only. A stranger may not be aware of the one-way direction. Recommend a sign be erected.
- S-3 Driveway traffic lanes intersect lobby pedestrian traffic. Recommend crosswalk, speed bumps, and speed limit signs.
- S-4 Trash dumpsters are not secured in gated enclosure.
- S-5 Pedestrians are not separated from parking traffic. Curbs and railings should be considered to protect pedestrians from auto traffic.
- S-6 HECO electric vault requires clearance in front of doors. Management should review with HECO.
- S-7 No children play area provided.
- S-8 Emergency generator fuel storage should have Fire Dept. review approval. Management should review with Fire Dept.
- S-9 Carport roof in rear parking lot is not located to cover parking stalls. The current Zoning parking stall and driveway dimension shall govern LCE lines.
- S-10 Cracks in sidewalk and slabs should be repaired immediately to prevent pedestrian injury due to tripping or slipping.
- S-11 Cracks in concrete walls and concrete projections should be repaired immediately to prevent spalling.
- S-12 See Site Survey for encroachments, access routes and other site features.
- S-13 Site walkway surfacing varies in slope and texture and could lead to slipping and tripping.
- S-14 Cracks, uneven joints, poor lighting, dirt/fungus/algae accumulation on walkways may aggravate the problem of slipping and tripping.
- S-15 No reports of site drainage problem or flooding was reported by staff.
- S-16 Barrier construction needed to protect water pumps in parking area.
- S-17 Access to utilities require clearance overlapping parking stall space.
- S-18 Driveway is not wide enough for 2-way traffic at turns and transitions. Traffic speed must be posted as well as sign requiring driving w/lights and mirror aids around corners. Clearly visible pedestrian paths are non-existent at many areas.

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B. BUILDING

- B-1 There is no enterphone or security system.
- B-2 Stair between ground floor and first floor does not have required guardrail and balusters to meet maximum opening size.
- B-3 Typical floor exterior walkway guardrail exceeds maximum opening size.
- B-4 Asbestos, lead paint and other hazardous substance may be present. See Environmental Studies by others.
- B-5 Some stair landings and widths do not have 44 inches width.
- B-6 Some stairs lack handrails on both sides.
- B-7 Some handrails exceed finger space width and handrail pipe width for a maximum of 3-1/2" from each side of a stairway.
- B-8 Some stair handrails are not less than 34 inches nor are they more than 38 inches above landings and nosing of treads.
- B-9 Some stair handrails do not extend 12 inches beyond the last riser with rounded terminations of ends.
- B-10 No safety glass labels on glass windows and doors at first floor(second level). Management should have glass company check compliance to Code.
- B-11 Exit signs should be placed as required by Code. A total design study is recommended to review exits and the exit signs required.
- B-12 Doors into exit corridors and stairs must be labeled with fire resistive capacity. Where required, they must have approved closer, hardware and smoke gasketing.
- B-13 Stairways have intermediate railing with middle railing only. The maximum opening exceeds Code requirements.
- B-14 Walls built on ground floor without permit must be checked to see that they are one-hour fire resistive construction.
- B-15 Finishes in exit corridors must meet Class I flame spread classification in enclosed vertical exit ways and Class II in other exit ways. All rooms must be at least Class III.
- B-16 Sign needed on front stair that access is limited to Apt. 100 only.
- B-17 The building should remove all readily achievable barriers to ADA accessibility.
- B-18 Guardrail shall not be less than 42 inches. openings shall be 4" maximum.
- B-19 One-hour fire resistive occupancy separation required between dwelling units, and storage rooms, common area rooms and utility rooms.

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- B-20 Current Building Code requires escape or rescue windows with specific size and sill height requirements. Some windows are not in compliance with Code.
- B-21 UL-Approved smoke detectors are required in corridor and inside each dwelling unit.
- B-22 The elevator is not ADA accessible.
- B-23 The electrical room has an area built of non fire resistive construction.
- B-24 Wall to neighboring pool requires Code height. A concrete ledge reduces the effective height. Review required.
- B-25 Railings at lanai is recommended to be 3'-6"H even though residential use allows 3'-0"H along private dwellings.
- B-26 Dwelling rooms have refrigerator and range space that are custom size not readily on sale at local appliance stores.
- B-27 Some dwelling rooms have through window air-conditioning unit without condensate drain.
- B-28 The side wall adjacent to range must be of fire resistive finish. Painted or wall covering is not permitted. A metal hood is required over the range if cabinet is above.
- B-29 Material stored in any room must not be flammable or toxic. These items must be stored in labeled cabinets.
- B-30 Threshold to doors may not exceed 1/2 inch and only then with sloping edges so that maximum rise at flooring is 1/4 inch.
- B-31 Fresh air ventilation of dwelling rooms, common areas, utility areas and other rooms should be checked.
- B-32 Painting, water-infiltration stoppage, roofing, caulking and other preventative maintenance work should be scheduled to address wear and tear prior to repairs becoming necessary.
- B-33 Electrical extension cords should not be allowed throughout.
- B-34 All convenience outlets within 6 feet of water source must be GFIC.
- B-35 Termite damage was not investigated but its presence is possible. A periodic treatment and eradication program is recommended.
- B-36 No checks were done in sprayed acoustical ceiling material.
- B-37 Stair doors must close after opening. On some floors the doors stayed open in the full open position.
- B-38 Stairway riser and treads vary more than 3/8" currently permissible by Code and could cause falls.
- B-39 Doors(other than ADA locations) shall not open more than 1 inch over landing.

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B-40 Roof accessibility must be secured by lock.

B-41 Lobby window should have a guardrail at 44 inches high.

B-42 All corridors must be 44 inches wide.

C. SUMMARY

The building has held up to wear and tear very well and a strict maintenance effort has kept the complex clean and functionally able to provide for the needs of the intended use.

Respectfully submitted,



Ernest M. Umemoto, AIA

May 9, 1989

Outrigger Hotels Hawaii
150 Kaiulani Avenue
Honolulu, Hawaii 96815

Dear Mr. Devich:

This letter is to officially inform you that we have monitored the asbestos abatement project at Ala Wai Terrace Hotel which was performed by Sublett & Associates during April 12 - May 1, 1989. We have conducted a visual inspection of the facility and determined that no asbestos waste or debris remains on the premises. In addition, we have measured the final asbestos fiber concentration in air to be less than 0.01 fibers per cubic centimeter (f/cc), which is less than the current U.S. Environmental Protection Agency required final level for abatement projects in schools (Federal Register 52, (210): 763.90 (10-30-87)).

Therefore, on the basis of the above data, we certify the above area to be essentially free of asbestos and suitable for immediate reoccupancy without the need for respiratory protection.

for Muranaka Environmental Consultants, Inc.

William N. Albrecht

William N. Albrecht, Ph.D., CIH
Vice President

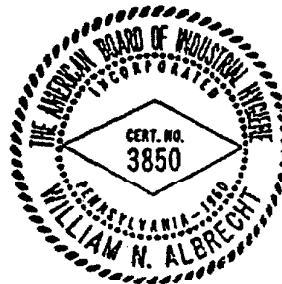


EXHIBIT 8