

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by:

Developer Colony Surf, Ltd.
Address 2895 Kalakaua Avenue, Honolulu, Hawaii 96815

Project Name (*): The Colony Surf
Address: 2895 Kalakaua Avenue, Honolulu, Hawaii 96815

Registration No. 5365 Effective date: June 30, 2004
Expiration date: July 30, 2005

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:

- X 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.
Final: (white) The developer has legally created a condominium and has filed complete information with the Commission.
SUPPLEMENTARY: (pink) This report updates information contained in the:
And [] Supersedes all prior public reports.
[] Must be read together with
[] This report reactivates the public report(s) which expired on

(*) Exactly as named in the Declaration
This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.
FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

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

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Colony Surf, Ltd. Phone: (808) 733-7400
Name* (Business)
2895 Kalakaua Avenue
Honolulu, HI 96815
Business Address

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):

Rosemary Klebahn, President and Director; Oscar Beasley, Vice President and Director; Juanita Ewing, Secretary and Director; Jeffrey Kissel, Treasurer and Director; Robert Callies, Director; Norman Dunmire, Director; David Quist, Director; Wendy Lazer, Director; Terry Mullin, Director.

Real Estate Broker*: None Phone: _____
Name (Business)
Business Address

Escrow: Title Guaranty Escrow Services, Inc. Phone: (808) 521-0211
Name (Business)
235 Queen Street
Honolulu, Hawaii 96813
Business Address

General Contractor*: None Phone: _____
Name (Business)
Business Address

Condominium Managing Agent*: W. E. Denison Corporation Phone: (808) 733-7400
Name (Business)
3660 Waialae Avenue, Suite 307
Honolulu, HI 96816-3295
Business Address

Attorney for Developer: James H. Case, Esq. Phone: (808) 523-2500
Name (Business)
Carlsmith Ball LLP
1001 Bishop Street, Suite 2200
Honolulu, Hawaii 96813
Business Address

*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:

<input checked="" type="checkbox"/>	Proposed		
<input type="checkbox"/>	Recorded -	Bureau of Conveyances:	Document No. _____
			Book _____ Page _____
<input type="checkbox"/>	Filed -	Land Court	Document No. _____

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]: Not applicable

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:

<input checked="" type="checkbox"/>	Proposed		
<input type="checkbox"/>	Recorded -	Bureau of Conveyances Condo Map No.	_____
<input type="checkbox"/>	Filed -	Land Court Condo Map No.	_____

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]: Not applicable

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:

<input checked="" type="checkbox"/>	Proposed		
<input type="checkbox"/>	Recorded -	Bureau of Conveyances:	Document No. _____
			Book _____ Page _____
<input type="checkbox"/>	Filed -	Land Court	Document No. _____

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]: Not applicable

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>Board vote</u>

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

2. **Developer:**

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

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

See **Exhibit A** attached hereto.

III. THE CONDOMINIUM PROJECT

A. **Interest to be Conveyed to Buyer:**

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

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

Exhibit _____ contains further explanations regarding the manner in which 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 of 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: 2895 Kalakaua Avenue Tax Map Key (TMK): (1) 3-1-32-8, 10, 11 & 12
Honolulu, Hawaii 96815

Address TMK is expected to change because not applicable

Land Area: 31,344 square feet acre(s) Zoning: Apartment

Fee Owner: Colony Surf, Ltd.
Name

2895 Kalakaua Avenue
Honolulu, Hawaii 96815
Address

Lessor: not applicable
Name

Address

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 1, plus parking deck Floors Per Building: 21 including one-story basement

Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other _____

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>172</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Commercial	<u>4</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other (Resort)	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No

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

Yes No

5. Special Use Restrictions:

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

Pets: Pets and other animals, except for seeing-eye dogs and other service animals may be prohibited by the House Rules, but current House Rules permit pets.

Number of Occupants: _____

Other: Section F of the Declaration provides that the Apartments (other than Apartments "A" through "D"), may be occupied and used only as private dwellings by the respective Owners thereof, their tenants, families, domestic servants or caregivers, and social guests. Under no circumstances may any of the Apartments be used for timesharing, as such term is defined in Hawaii Revised Statutes, Chapter 514E.

There are no special use restrictions.

6. Interior (fill in the appropriate numbers):

Elevators: 3 Stairways: 2 Trash Chutes: 1

<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>
_____	_____	_____	*See below	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 176

***Except for the Grand Penthouse and four commercial units, all other apartments are studios or one bedroom units with one bath. For further details, see Exhibit "B"**

Boundaries of Each Apartment:

As set forth in Section B.2 of the Declaration, each Apartment consists of the improvements, fixtures and space located within the undecorated or unfinished surfaces of each Building's perimeter walls, interior load-bearing walls, floors and ceilings. Purchasers should review Declaration Section B.2 for a full description of what is and what is not included in each Apartment.

Permitted Alterations to Apartments:

Generally, alterations to Apartments are permitted only with the prior approval of the Project's Board of Directors. All purchasers should review the restrictions, requirements and conditions for Apartment alterations which are contained in Section M.2 of the Declaration and Section J.6 of the Bylaws.

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).

Not applicable. Developer has not elected to provide the information in a published announcement or advertisement because the Apartments will be offered solely to shareholders of the Developer who are lessees under proprietary leases regarding the respective Apartments. The other Apartments -- "A" through "D" -- are not currently residential.

7. Parking Stalls:

Total Parking Stalls: 142

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Guest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Extra for Purchase	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other: *	<u>0</u>	<u>0</u>	<u>112</u>	<u>30</u>	<u>0</u>	<u>0</u>	<u>142</u>

*The Colony Surf was built in the late 1950s. The parking stalls for the Project are located in a three level parking garage as shown on the Condominium Map. Each of the parking stalls are designated, set aside and reserved for Apartment "D" as Limited Common Elements as shown on Exhibit "D-2". Apartment "D" is located on the lobby floor of the Project and is currently owned by the Developer and used as an office. It will be transferred to the Association. Any or all such Limited Common Element parking stalls may be assigned (permanently or temporarily), encumbered, pledged, sold, leased, transferred or otherwise used or disposed of as the Developer or, as applicable, the Association, acting through the Board, determines from time to time. See Exhibit "A" regarding certain reserved rights, including the reserved right to build additions to, or replace, the existing parking deck.

Total Covered & Open: 0 142 0 142

Each apartment will have the exclusive use of at least zero (0) parking stall(s).

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

Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

There are no recreational or common facilities.

Swimming pool

Storage Area

Recreation Area

Laundry Area

Tennis Court

Trash Chute/Enclosure(s)

Other: Conference Room

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

There are no violations.

Violations will not be cured.

Violations and costs 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):

See the Architectural, Structural, Mechanical and Electrical Observation Reports attached as Exhibit C for a description of the current condition of The Colony Surf's structural components and mechanical and electrical installations. NO REPRESENTATIONS ARE MADE WITH RESPECT TO THE USEFUL LIFE OF THE STRUCTURAL COMPONENTS AND MECHANICAL AND ELECTRICAL INSTALLATIONS.

11. Conformance to Present Zoning Code

- a. No variances to zoning code have been granted.
 Variance(s) to zoning code was/were granted as follows.

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

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not 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 limitation which may apply.

* Because the project was built in the 1950's, the structure is non-conforming.

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.

NOTE: In the event that the Colony Surf needs to be re-constructed as a result of the destruction or demolition of all or a portion of the building(s), the Colony Surf may be subject to the restrictions provided under the following Revised Ordinances of Honolulu:

1. Diamond Head Special District, ROH 21-9.40
2. Shoreline Setbacks, ROH 23-1
3. Flood Hazard Districts, ROH 21-9.10

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 D-1

as follows:

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

There are no limited common elements in this project

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

described in Exhibit D-2

as follows:

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

described in Exhibit E

as follows:

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

Exhibit F* describes the encumbrances against the title contained in the title report dated March 19, 2004 and issued by Title Guaranty of Hawaii, Inc.

*Any existing mortgages and ancillary encumbrances must be released before the developer conveys the apartment to a buyer.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secure 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 lines affecting title to the individual apartments.

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Financing Statements in favor of First Hawaiian Bank (a) recorded in the Bureau of Conveyances of the State of Hawaii on May 10, 2002 as Document No. 2002-082568, as amended by instrument recorded on September 26, 2003 as Document No. 2003-208054, and (b) recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-037832.	Lien will be released from Apartment prior to Conveyance. The Condominium Conversion Contract contemplates that the Buyer will assume or pay off his or her pro rata share of mortgages or loans relating to the fee simple purchase of the land and improvements. That pro rata share will be the same pro rata share of maintenance fees currently assessed on the Apartment as a co-operative housing unit. If Lien is not released, or if Lien is foreclosed, buyer may not be able to close on buyer's conversion from coop to condominium, in which case buyer may cancel buyer's contract, all of buyer's monies will be refunded, less escrow cancellation fee, and buyer will retain buyer's proprietary lease of the Apartment.

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:

There are no warranties regarding the building and other improvements.
Sold "as-is".

2. Appliances:

There are no warranties regarding the appliances.
Sold "as-is".

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

The Colony Surf was constructed in the late 1950s.

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):

See Exhibit A.

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

C. **Utility Charges for Apartments:**

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

- None Electricity (Common Elements only Common Elements & Apartments)
- Gas (Common Elements only Common Elements & Apartments)
- Water Sewer Television Cable
- Other elevator, refuse collection

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

[N/A] Notice to Owner Occupants

[X] Specimen Sales Contract
Exhibit H contains a summary of the pertinent provisions of the sales contract.

[X] Escrow Agreement dated April 29, 2004
Exhibit I contains a summary of the pertinent provisions of the escrow agreement.

[] Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

- A) The Developer delivers to the buyer a copy of:
 - 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
 - 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
- B) The buyer is given an opportunity to read the report(s); **AND**
- C) One of the following has occurred:
 - 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

- A) There is 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 sale 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 or through the developer's sales agent, if any. The Condominium Property Regime law (Chapter 514A, HRS) and Hawaii Administrative Rules (Chapter 107) are available online. Please refer to the following sites:

Website to access official copy of laws: www.capitol.hawaii.gov

Website to access unofficial copy of laws: www.hawaii.gov/dcca/hrs

Website to access rules: www.hawaii.gov/dcca/har

This Public Report is a part of Registration No. 5365 filed with the Real Estate Commission on May 10, 2004.

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

YELLOW paper stock

WHITE paper stock

PINK paper stock

C. **Additional Information Not Covered Above**

None.

- 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-1.6] (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 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.

Colony Surf, Ltd., a Hawaii corporation

 Printed Name of Developer

By: Vera Juanita Ewing 6-23-04

 Duly Authorized Signatory* Date

Vera Juanita Ewing, Secretary

 Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City & County of Honolulu

Planning Department, City & County of Honolulu

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

EXHIBIT A

RESERVATIONS OF RIGHTS

The Developer has not reserved any right with respect to the Project including, without limitation, the right to make additions, modifications or deletions to the Project, to merge the Project or to develop the Project in phases, except as follows:

Parking Deck; Additions. The Developer has reserved the right to make additions to the Project in the form of one or more parking deck levels to be built upon, or in place of, the existing three-story parking structure located on the Land, which if built would be an addition to or a merger into the Project, and to amend the Condominium Map and **Exhibits "B" and "C"** hereto to reflect such reconfiguration, and make such other amendments to the Declaration, the Bylaws, the Condominium Map, and other documents pertaining to the Project as the Developer deems necessary or convenient to effectuate such changes. In no event, however, shall any such amendment affect the Common Interest appurtenant to any Apartment. The Developer further reserves the right to designate any additional or reconfigured parking stalls, any storage or other spaces and/or the sides and roof (if any) on or within the parking garage as Limited Common Elements and assign or designate any or all of such designated Limited Common Elements. At such time as may be contemplated by one or more Operating Agreements between Developer and the Association, such reserved right shall be assigned to the Association.

Basement and Lobby Level LCE's. The Developer reserves the right to reconfigure the Limited Common Elements contained in the basement and lobby level of the Project, among other things, or install, remove, alter, relocate or rearrange, interior walls, partitions, ceilings and structures, exterior doors, fixtures, pipes, wiring, ducts, valves, conduits, controls, cables, and other equipment serving such Limited Common Elements, and to amend the Condominium Map and **Exhibits "B" and "C"** hereto to reflect such reconfiguration, and make such other amendments to the Declaration, the Bylaws, the Condominium Map, and other documents pertaining to the Project as the Developer deems necessary or convenient to effectuate such changes. In no event, however, shall any such amendment affect the Common Interest appurtenant to any Apartment. At such time as may be contemplated by one or more Operating Agreements between Developer and the Association, such reserved right shall be assigned to the Association.

Reservation of Power to Grant Easements. The Developer reserves to itself the non-exclusive right to grant from time to time within the Common Elements (other than the Limited Common Elements appurtenant to Apartments of which the Association is not the Owner), easements and rights-of-way over, under, and across the Common Elements (other than the Limited Common Elements appurtenant to Apartments of which the Association is not the Owner) for utilities, sanitary and storm sewers, drains, cable television, satellite television and other communication services, and other utility services for two (2) or more Apartments and the right to relocate, realign or cancel the same, provided that such easements, their use, relocation, realignment, or cancellation shall not materially impair or interfere with the use of any Apartment. At such time as may be contemplated by one or more Operating Agreements between Developer and the Association, such reserved right shall be assigned to the Association.

Required Amendments. The Developer reserves the right to make, at any time prior to the recordation of an Apartment Deed for the last Apartment in the Project, amendments to the Declaration, the Bylaws, or the Condominium Map that are required by law, by the Real Estate Commission, by a title insurance company, by a mortgage lender, or by any governmental agency (including the VA, HUD, FNMA and/or FHLMC), provided that such amendments shall not change the Common Interest appurtenant to an Apartment or substantially change the design, location or size of any Apartment for which an Apartment Deed has been recorded. At such time as may be contemplated by one or more Operating Agreements between Developer and the Association, such reserved right shall be assigned to the Association.

**EXHIBIT B
APARTMENT TYPES, QUANTITY AND AREA**

APT. TYPE	QUANTITY	BR/BATH	NET LIVING AREA (sf)	NET OTHER AREA (SF)	(IDENTIFY)
101	1	1/1	828	99	Foyer
102	1	1/1	828		
103	1	0/1	483		
104	1	1/1	828	187	Foyer
105	1	1/1	828		
106	1	0/1	483		
107	1	1/1	828		
108	1	0/1	483		
109	1	1/1	828		
01	17	1/1	845	99	Foyer
02	17	1/1	845		
03	17	0/1	500		
04	17	1/1	845	187	Foyer
05	17	1/1	845		
06	17	0/1	500		
07	17	1/1	845		
08	17	0/1	500		
09	17	1/1	845		
PH01	1	1/1	845	99	Foyer
PH02	1	1/1	845		
PH03	1	0/1	500		
PH04	1	1/1	845	187	Foyer
PH05	1	1/1	845		
PH06	1	0/1	500		
PH07	1	1/1	845		
PH08	1	0/1	500		
PH09	1	1/1	845		
Grand Penthouse	1	2/2	3,209	414	Wood Deck
A	1	N/A	4,128		
B	1	N/A	1,282		
C	1	N/A	893		
D	1	N/A	266		

* 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 shown here because a different method of determining the floor area may have been used.

EXHIBIT C
ARCHITECTURAL, STRUCTURAL, MECHANICAL AND ELECTRICAL OBSERVATION REPORTS

(See attached pages)

Purchasers should familiarize themselves with the condition of the property
by reading the attached reports with care.



ERNEST M. UMEMOTO AIA

Architect, Inc.

December 19, 2003

Colony Surf, Ltd.
2895 Kalakaua Avenue
Honolulu, Hawaii 96815

COLONY SURF CPR
ARCHITECTURAL OBSERVATION REPORT

The Colony Surf Apartment Building is comprised of:

- a) Three level parking structure with 50 stalls in the basement, 58 stalls in the lower level, 40 stalls in the open upper level, 12 stalls under ramp along ground level driveway and 3 guest stalls in trellis porte cochere. The upper level parking deck has a bridge to access a locked entry to the 1st floor corridor.
- b) The high-rise is 20 floors (total 19 floors) with the 1st story above the lobby/lower parking level and no 13th floor. The restaurant commercial space is 3'-1" lower than the lobby and opens out to the beach frontage. The 20th floor is designated the Penthouse Floor. A Grand Penthouse was added to the roof makai portion. A roof top utility core and an Elevator Machine Room extend above the roof top.

The typical floor has 3 one-bedroom and 2 studio apartments along the mauka corridor with apartment windows facing Diamond Head and doors opening to the Ewa side. The typical floor has 3 elevators and 2 stairs. The typical floor has 3 one-bedroom and 1 studio apartments along the makai corridor with apartment windows facing the ocean(makai) and doors opening to mauka.

Total Apartments: 171 plus one Grand Penthouse

- c) The basement level has laundry, restaurant office, preparation kitchen, freezer, storage area and dumpster storage.

At mid-level between the basement and lower level is a commercial restaurant. The lower level has lobby, property manager office, meeting room and valet parking drop off.

Outside the lower level is a trellis porte cochere with 3 guest stalls.

COLONY SURF CPR
ARCHITECTURAL OBSERVATION REPORT
December 19, 2003

- d) Four driveways lanes face the street. An emergency generator enclosure is tucked in the front yard. A shared common driveway runs along the Ewa side yard and a beach access lane extends to the sand shoreline.

The Colony Surf Apartment Building was visited by Structural, Mechanical and Electrical Engineers making separate observation reports of their specific discipline. No Civil or Soils Engineering reports are included. No environmental(mold, lead, asbestos, etc.), roofing, protective coating, termite, or any other testing is involved. No zoning issues are addressed.

Public Areas

The driveway from Kalakaua Avenue is shared with other buildings. There is no defined sidewalk or pedestrian way. The paving is not sloped for ADA exterior route of travel. There are not traffic control signs or curbs to protect pedestrian travel.

Basement parking does not have ADA accessible route of travel to lobby or elevators.

Lower level parking does have access to lobby but not to elevators. Upper level (open) parking does have access by means of a bridge to the building and then to elevators but the door to the building is not ADA compliant.

There is no accessible route between elevators and laundry facilities, lobby, vehicular drop off, beach access and restaurant valet.

The beach access walkway is not ADA compliant but does offer the best exterior route of travel to the restaurant if the disabled person is dropped off in the driveway away from the lobby and valet point.

Basement laundry is not accessible. A small toilet adjacent to the laundry is also not accessible.

The basement parking does not have a pedestrian exit to street. This is a dangerous dead end condition.

The basement gate to street does not have a bottom edge safety sensor.

Basement parking does not have a clear height warning sign.

Exit signs are required on all public areas. This is a high priority requirement throughout the building and parking areas.

COLONY SURF CPR
ARCHITECTURAL OBSERVATION REPORT
December 19, 2003

Three guest stalls in area where new trellis is being built does not have accessible ADA route to elevators.

No ADA parking stalls provided. At least one van-accessible stall is required if guest stalls are provided. Restaurant parking must be entirely valeted.

The restaurant or any other public commercial tenant must provide parking in accordance to the Zoning Code.

Guardrail on parking deck is less than 3'-6" height required.

View on the side of driveway ramps is clear but stop sign needed since they cross public sidewalk. Landscaping should be kept low to prevent blocking drivers' view.

Restaurant grease trap type and capacity, service accessibility and maintenance must be reviewed.

Laundry

No GFIC convenience outlets.

No smoke detectors.

Stair to adjacent toilet does not have handrails per code requirement. Door at bottom has no landing.

No exit sign.

Dryer vents to a bag, not to exterior. and requires constant maintena

Dumpster Storage

Room is dirty. No smoke detector seen.

No fire sprinkler in trash chute.

Fire sprinkler in dumpster storage room should be inspected.

Parking Areas

Three sump pumps are maintained. No flooding was reported in the basement or elsewhere on site.

**COLONY SURF CPR
ARCHITECTURAL OBSERVATION REPORT
December 19, 2003**

Storage cabinets in parking stalls are not uniform in design construction or structural strength. Standardization is recommended.

Restaurant has window A/C with condensate dripping out onto basement paving. Drain line recommended.

Trench drain is required at sidewalk ramp to basement parking.

Maintenance Areas

No smoke detectors were seen. Recommend installing at every location. Paint should be stored only in well vented room with fire rated walls and ceilings.

Roof

No walking surfaces on roof.

Roof access is locked as required.

Ponding was seen on roofing.

Insulation cracked on roof top hot water piping.

Stair to elevator machine room rusted.

Roof top has two drains, one of which is covered by wood deck. Drain capacity is marginal.

Scuppers are recommended in parapet.

Cables and pipes are not anchored to roof slabs as required.

A/C equipment is not anchored to roof slab as required.

Grand Penthouse has possible second fire exit exterior route on roof to mauka stair. No guardrail provided and roof parapet is too low for other than maintenance personnel.

Mauka roof hatch locked preventing fire exit.

Wood gate to ground penthouse deck is not locked (as should not be due to fire exit) but enables unknowing guest to wander onto roof top that does not have safety parapet.

Antenna on roof has cables not secured to roof slab.

Wood deck can fly off during high winds. Furniture on wood deck should be secured during hurricanes.

Roofing does not have mechanical fastening and may not be rated for hurricane force winds.

Apartment Areas

Sliding wall to block off sleeping area needs smoke detectors on both sides.

**COLONY SURF CPR
ARCHITECTURAL OBSERVATION REPORT
December 19, 2003**

One renovation was seen adding a separate bedroom. Smoke detectors must be installed on both sides of the bedroom door.

Termite damage was seen on window sill.

Since only typical units were seen, the following requirements must be made known to all apartment owners:

- 1) The entry door must be 3 feet wide.
- 2) The locks on the entry door must not require keys from the interior as this is the primary fire escape route.
- 3) Threshold should be ¼" high maximum.
- 4) UL-approved smoke detector required both sides of any partition or full-height door separating sleeping area from living/kitchen area.
- 5) Water closet(toilet) width of clear space 30 inches minimum.
- 6) Shower stall must be closed with curtain. Any glass enclosure of door must be safety glass.
- 7) Convenience outlet within 6 feet of water source(sink, tube, toilet) must be GFIC.
- 8) Windows must be louver or awning to provide natural light and ventilation requirement.
- 9) The finish of walls around the range must be of fire resistive material such as ceramic tile, metal or plastic laminate on gypsum wall board.
- 10) If any wall cabinet exists over the range, a metal range hood must be installed with minimum 24" clear height.
- 11) Shower enclosure must have water resistant hard wall at least 70 inches high.
- 12) Bedroom window must have minimum 24" clear height and 20" clear width with finish sill height of 44" maximum. Jalousies are acceptable. Awning windows must open out fully to the required opening size.
- 13) The living/kitchen must be 120 sq. ft. minimum.
- 14) The bedroom must be 70 sq. ft. minimum.

Stair and Corridors

Handrails project from wall 3-1/2" past the maximum 3" Code requirement.

Stair tread/riser variance exceeds Code requirement.

Opening in center rail exceeds 4" maximum.

Handrail height lower than Code requirement.

Fire extinguisher boxes project out from wall exceeding ADA requirement.

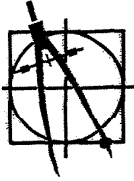
COLONY SURF CPR
ARCHITECTURAL OBSERVATION REPORT
December 19, 2003

Summary

The Colony Surf Apartment Building is well maintained and visually appears to be well suited to its intended use. There is one row of windows in the tower facing the driveway that differs from the rest and care should be taken to standardize the exterior façade of the building. The major concerns are the lack of ADA compliance in the public areas, lack of exit signs and basement exit on the street front. With ongoing preventative maintenance, replacement of worn components, the cost of which will increase over time, protective coating throughout the building envelope and repair of worn, weathered or broken components, the building will be able to provide for its intended use.

Respectfully submitted,


Ernest M. Umemoto, AIA



**HAWAII
ENGINEERING
GROUP, INC.**

Consulting Civil & Structural Engineers

January 14, 2004

**Re: Colony Surf CPR
Honolulu, HI**

Structural Engineering Observation Report

A site visit was held to note cursory observations of Colony Surf CPR on December 4, 2003. The inspection involved a one-hour walk-through observation of the building complex. The observations were limited to the following areas only:

1. Unit #803 - Studio Unit
2. Unit #809 - 1 Bedroom Unit
3. Roof
4. Building exterior, Basement
5. Parking Structure

No calculations or testing of any kind was performed. Architectural, Mechanical, Electrical, and other nonstructural aspects were not addressed. Compliance of design with the current building codes or the building code it was designed under was not checked.

The structure is a reinforced concrete high rise building with a low rise two-storied reinforced concrete parking structure attached to the main tower. The tower has 20 stories. The structure was built in 1959. The main tower has 8" thick cast in place concrete flat slab. The parking structure slab seems to be a cast in place post tensioned slab. The tower structure is supported on pile foundation.

Observations and Comments

1. No visible signs of damage were observed in the tower structure.
2. Some ponding was observed on the roof.
3. The steel stairs accessing the elevator mechanical room on the roof are showing signs of corrosion.
4. Parking structure second floor slab has cracks radiating from corners of parking columns. These are quite common in parking slabs where loads are high. Stress concentration at column locations cause concrete to crack. The cracks



have been repaired with some epoxy material. No excessive deflections were observed in the slabs.

5. Some damage was observed to the surface of second floor parking deck. The damage to the surface is in the form of small chipping marks. Some of the chip marks have been repaired with a patch material. The surface damage observed does not seem to impact the integrity of the slab. The reason for surface damage could not be determined.
6. Corrosion of lanai handrails and spalling of concrete at lanai edges is a common phenomenon that occurs in high rise buildings in Hawaii. This is especially true for buildings that are close to the ocean. However, no significant corrosion damage or concrete spalling was observed at the time of walk thru. This damage can occur in the future and should be addressed through regular maintenance of building exterior.

Maintenance is important for the upkeep of the buildings. In general, the building is structurally in good condition. The damage observed is minor in nature. The buildings should continue to perform well with regular maintenance.

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., President
Hawaii Engineering Group, Inc.**

Prepose Engineering Systems, Inc.
1314 South King Street, Suite 1251
Honolulu, Hawaii 96814
Tel. 591-8175, Fax 596-0479
E-mail prepose@verizon.net

MECHANICAL ENGINEER'S REPORT

DATE: May 4, 2004

PROJECT: Colony Surf, Ltd.
2895 Kalakaua Avenue
Honolulu, HI 96815

SUBJECT: Due Diligence Report

The project scope was to visually inspect the existing mechanical systems for a 20 story less the thirteenth floor condominium building. There are nine units per floor with three studios and six one bedroom units. The twentieth floor has penthouse unit and the roof for the nineteenth floor. The first floor has the parking and managers office. The basement level is used for parking and restaurant refrigeration and prep area. The units are not air conditioned except for the penthouse unit. The plumbing and ventilation system were visually assessed to their physical conditions and code violations.

This report is based on visual inspection and did not include any destructive investigation.

PLUMBING SYSTEM

The plumbing systems consist of the waste and vent systems with vertical stacks for the typical units and were collected in the ceiling of the first floor. Water systems are distributed in vertical risers with two pressure zones to the typical units.

Sanitary Systems:

The sanitary system is constructed with cast iron waste and galvanized steel vent systems as observed in the ceiling of the parking level. The waste system is a gravity system with the main sewer below grade. There were no visual corrosion and leakage on the waste piping.

The laundry at the ground level has a lint trap for the five washers. The trap could not be observed because of the steel cover. System should be checked and cleaned out. The fiberglass laundry tray is in poor condition from normal wear and tear. Sink should be replaced.

There are two sump pumps for rain water in the basement level. The pumps are in working condition. We recommend that the sump pumps be replaced with duplex pumps to provide some back-up if one of the pumps fail or cannot handle the demand.

Water Systems:

The domestic water system has two pressure zones with a new Grundfos duplex booster pump system with variable frequency drives in the basement level. The water lateral is located on the northwest corner of the property. The exposed piping is hard drawn copper therefore it is assumed that the entire building is serviced with copper pipes.

The hot water system has two zones with two sets of hot water heaters. There are two lower zone heaters located in a mezzanine level in the laundry. The two heaters are RUUD RF76-200, 75 gallons and rated at 199,000 BTUH. They are in good condition. The gas flues are single wall galvanized sheet metal and terminate in an open enclosure. The flue should be replaced with double wall approved heater flue. The flue should also terminate outside to meet current UPC 1977 code requirements.

There are two heaters on the 20th floor mechanical room. The two heaters are AO Smith BTC 305A, 305,000 BTUH. These two heaters are boilers because they exceed the 200,000 BTUH limit for a heater. These two heaters require boiler inspections annually. The flues are single wall galvanized sheet metal. The flues should be replaced with double wall approved heater flue. The flue should terminate outside above the roof to meet current UPC 1977 code requirements. We recommend that the boilers be replaced with three 199,000 BTUH heaters which would not require annual boiler inspections.

There is no back flow prevention device installed for the property. An approved type reduced pressure back flow prevention device is required to meet current Board of Water requirements. The back flow prevention device shall be installed at northwest corner after the existing water meter. It is recommended that an approved type reduced pressure back flow prevention device be installed for the irrigation system.

Hose bibbs are brass without back flow device. Hose bibbs have to be replaced with new hose bibbs that have a non-removable vacuum breaker as required by City of Honolulu code requirements.

The hot water pipe insulation on the roof is flexible unicellular insulation and is deteriorated. The insulation on the roof should be replaced with flexible unicellular insulation but finished with aluminum or stainless steel metal jacket.

There were no visual problems with the domestic water system.

Roof Drain:

There are two roof drains on the 20th floor. Because of the penthouse curbed deck only one roof drain services the roof. We recommend that openings be cut in the curbed deck to allow the use of the two roof drains for the entire roof.

Wet and Dry Standpipe:

The building has a wet and dry standpipe system. The wet system is in good condition and was last inspected in 2003. The roof fire department connection piping is rusted at the high roof. The pipe should be repaired. Both systems should be pressure tested to verify the integrity of the system and to comply with the Honolulu Fire Department requirements.

Plumbing Fixtures:

The units that were inspected had some old fixtures and shower valves. Fixtures varied from porcelain to stainless steel type. Some units were renovated with new fixtures and trims. We recommend that the old fixtures be replaced with new fixtures and trims and shall be low flow type to comply with current City of Honolulu requirements.

Laundry:

There are five coin operated washers and dryers in the central laundry on the ground level for the tenants. The piping is exposed and is hard drawn copper. The dryers vented into the space with lint socks. We recommend that the dryers be vented to the outside.

AIR CONDITIONING AND VENTILATION SYSTEM

The unit bathrooms were ventilated and the kitchen area. There were no drawings available to determine the method of exhaust. There were exhaust registers in the units but no fans were observed. There are no exhaust fans on the roof.

The meeting room and office/lobby is air conditioned with an air cooled system. The air conditioning unit is a vertical package unit with a remote condenser. The unit is located in a closet within the meeting room. The ducts are fiberglass duckboard. The system is in good condition.

There is a window unit for the office in the basement level which discharges hot condenser air into the lower level. We recommend that the unit be replaced with a ductless split type unit with a remote condensing unit.

MICHEL'S RESTAURANT

This observation was to visually inspect the restaurant for discrepancies that affect the condominium. The plumbing and the ventilation system were observed.

The hood in the kitchen is galvanized steel. The construction of the hood should be verified if meets NFPA 96 construction. The hood and duct system should be cleaned from the roof fan to the hood to avoid a grease fire. The kitchen exhaust duct shaft should be verified if it meets the fire rating for the building.

Mechanical Engineer's Report
May 4, 2004
Page 4

There are prep sinks not indirectly drained into a floor sink or receptor. Prep sinks should be drained indirectly to meet Board of Health requirements.

The grease trap does not meet current County requirements. If the grease trap has to be changed the new trap will be very large and probably would have to be located on the condominium common property.

The restaurant has a sewage injector at the basement level. The system should be checked.

GENERAL COMMENTS

The plumbing and ventilation systems were visually observed to be in good condition and the system were generally maintained in good condition. Due to the age of the building and the normal usage there will be future maintenance repairs that will be required.

There were no existing construction or design mechanical plans available for review.

Submitted by:



Prepose Engineering Systems
Arnaldo E. Prepose, P.E.



BENNETT ENGINEERS INC.

765 AMANA STREET, SUITE 201
HONOLULU, HAWAII 96814
PH: (808) 955-8565 FAX: (808) 955-8566
EMAIL: bei@aloha.net

May 5, 2004

Colony Surf, Ltd.
2895 Kalakaua Avenue
Honolulu, Hawaii 96815

Following is our Due Diligence Report for Colony Surf:

Colony Surf/2885 Kalakaua Avenue Electrical Engineering Observation Report

Date of observation: December 4, 2003 at approximately 9:00 am.

General Notes:

- a. Our field observation was general in nature and was intended to check the overall electrical condition of the buildings. A detailed investigation was not done.
- b. Two apartment units (one of each type) was observed (Units 803 and 809). We assume that the other units are similar to this.
- c. This report is only a description of the general electrical condition of the buildings, and is not a document which requires modifications to the building.
- d. Code requirements (noted in bold in the descriptions) are based on current codes in effect. Some of these might not have been in effect when the buildings were originally built.

Field Observations:

1. Apartment Unit 803 (Studio-type)

- a. The outlets at the kitchen counter area are the two-prong (ungrounded) type, and are not GFCI-protected. **Current codes require these receptacles to be the grounding type. Also, receptacles at kitchen counter locations are required to be the GFCI type.**
- b. The outlet at the bathroom sink is not GFCI protected. **Current codes require receptacles at bathroom sinks to be the GFCI type.**



BENNETT ENGINEERS INC.

- c. The outlets in the unit appear to exceed the maximum separation required for dwelling units (especially along the rear window wall). **The Code requires receptacle spacing such that no point along the wall is more than 6 feet away from a receptacle.**
 - d. No smoke detectors were noted within the unit. **Current codes require unit smoke detectors for the occupants within the unit.**
 2. Apartment Unit 809 (one-bedroom type)
 - a. A few of the outlets at the kitchen counter are GFCI-type, while some are not. The Code requires **all** kitchen counter outlets to be GFCI-protected – this would be satisfied for this installation if the existing GFCI outlets are the “feed-thru” type to protect the other non-GFCI outlets.
 - b. No smoke detectors were noted in the unit (see Item 1d).
 3. Common-Area corridor (8th Floor observed)
 - a. The exit sign lights do not appear to be lit.
 - b. One fire alarm pull station was noted at the elevators, but none at the stairs. **Current codes require fire alarm pull stations to be located at each point of exit on every floor.**
 4. Basement/Parking area
 - a. The panelboard in the Laundry does not have a listed front cover, and the busses are partially exposed. **The Code requires panelboards to be deadfront.**
 - b. The wall-mounted “jelly-jar” light fixtures inside the entry to the parking area seem to be mounted upside down. This might not be in compliance with the fixtures’ UL listing.
 5. Roof
 - a. The panelboard near the elevator machine room (serving the condensing units) has a hole in its front cover, partially exposing the interior of the panelboard. **The Code requires panelboards to be deadfront.**
 6. Michel’s Kitchen
 - a. The outlets in the kitchen area are not GFCI type. **The Code requires all outlets in commercial kitchens to be the GFCI-type.**



BENNETT ENGINEERS INC.

7. Miscellaneous

- a. There were large items (tables, chairs, etc.) stacked/stored in front of some of the electrical equipment in the main electrical room. **The Code does not allow the required working space around electrical equipment to be used for storage.**
- b. The emergency generator set for the building is located in a wooden enclosure at the front of the site. This appears to be in good condition.
- c. The building fire alarm system is made by Notifier. The control panel, while somewhat aged, appears to be functional.
- d. The building main service disconnect/breaker is rated at 1200A, 120/208-volt, three-phase, four-wire. According to Hawaiian Electric Company's (HECO) records, the maximum recorded demand (meter #486815) was 205 KW in January 2003. This translates to about 240 KVA (assuming 85% power factor), or about 670A – the remaining capacity on the building service is therefore about 530A, or 190 KVA noncontinuous load (425A = 153 KVA continuous loading).

General Field Observation

1. The electrical system appears to be in fair condition – we did not notice anything that would seem to require immediate replacement/repair. The service life of electrical equipment can usually be extended with regular maintenance/upkeep. The electrical equipment for this building appears to have seen little or no abuse. *An additional amount of inspection/maintenance should be given to the electrical equipment in this location due to its proximity to the ocean.*
2. The most serious deficiency we noticed is the apparently inadequate coverage of the fire alarm system. For a high-rise building of this size, early warning and notification of an impending fire is critical to life safety – especially if there is no fire sprinkler system.

Bennett Engineers Inc.

By Ryan R. Hashiro
Ryan R. Hashiro, P. E.

EXHIBIT D-1
COMMON ELEMENTS

The Land, in fee simple, and any and all easements and appurtenances thereto.

All unfinished, undecorated portions of all perimeter (including party) walls and interior load-bearing walls, the undecorated or unfinished surfaces of floors and ceilings, all lanai slabs and railings, all structural components, foundations, floor slabs, columns, girders, beams, supports, shafts, ceilings and spaces between the ceiling and the floor slab or roof above, roofs, exterior surfaces of the Project, including any paint or coating thereon, but not including the exterior windows of the Apartments.

All yards, grounds planters, trellises and landscaping and all garbage chutes and other refuse facilities, if any, whether within or appurtenant to the Project.

All roads, driveways, ramps, parking stalls (which are Limited Common Elements appurtenant to Apartment "D"), loading areas or zones, and walkways which are rationally of common use by Owners of more than one Apartment.

All ducts, pumps, valves, sewer lines, drain lines, electrical equipment, cables, wiring, chutes, pipes, shafts, wires, conduits or other utility or service lines which are utilized for or serve more than one Apartment and other central and appurtenant transmission facilities over, under and across the Project which serve more than one Apartment for services such as power, light, water, gas, sewer, refuse, telephone and radio and television signal distribution; other than any such items described in this paragraph e. that are solely for the use of Apartment "A," "B," "C" or "D" or any combination thereof that shall be deemed to be Limited Common Elements appurtenant to such apartment(s), as the case may be.

The storage rooms, laundry, utility and maintenance rooms, bathrooms and other areas in the basement and lobby levels of the Project as shown on the Condominium Map, being those Limited Common Elements more specifically identified as LCE-B-4, LCE-B-5, LCE-B-6, LCE-B-8, LCE-B-10, LCE-B-11, LCE-B-12, LCE-B-13, LCE-B-14, LCE-B-15, LCE-B-16, LCE-B-17, LCE-2, LCE-6, LCE-7, LCE-9 AND LCE-10, which are assigned and delegated to Apartment "D." The entry foyer, lobby, mailbox area, utility and maintenance rooms and other areas on the lobby level and roof of the Project as shown on the Condominium Map, more specifically identified as CE-1, CE-3, CE-4, CE-5, CE-8, CE-R-1 and CE-R-2. Each Apartment shall have assigned to it a mailbox located in the lobby of the project that bears the same number as the Apartment, the mailbox area being noted on the Condominium Map as CE-3, but such mailboxes are not Limited Common Elements appurtenant to particular Apartments and the location of such mailboxes and the assignments of specific mailboxes may be changed by the Association, acting through the Board, from time-to-time.

The roofs and other areas on the roof floor of the Project as shown on the Condominium Map, all of which -- being "ROOFTOPS" -- are Limited Common Elements with "WOOD DECK LCE TO GPH" being appurtenant to the Grand Penthouse solely, and the remainder being appurtenant to Apartment "D".

All other storage areas, hallways, corridors, stairs, stairways, elevators, elevator lobbies, mechanical rooms, electrical rooms, communications rooms, trash rooms, and other similar areas which are not part of an Apartment.

Any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance and safety, or normally in common use.

**EXHIBIT D-2
LIMITED COMMON ELEMENTS**

APPURTENANT TO EACH OF THE FOLLOWING APARTMENT TYPES	LIMITED COMMON ELEMENT	QUANTITY	
Grand Penthouse	Wood Deck LCE to GPH	1	WOODEN DECK
"D"	LCE-B-4, LCE-B-5, LCE-B-6, LCE-B-8, LCE-B-10, LCE-B-11, LCE-B-12, LCE-B-13, LCE-B-14, LCE-B-15, LCE-B-16, LCE-B-17	12	BASEMENT: STORAGE AND UTILITY AREAS
"D"	LCE-2, LCE-6, LCE-7, LCE-9, LCE-10	5	LOBBY LEVEL: MEETING, MAINTENANCE AND STORAGE AREAS
"D"	Parking Stalls identified as #10 through #239, plus P1, P2, P3	142	PARKING STALLS
"D"	ROOFTOPS	1	ROOF OF BUILDING AND ROOFS OF STRUCTURE ON TOP OF BUILDING

EXHIBIT E
COMMON INTERESTS

APARTMENT TYPE	COMMON INTEREST %	QUANTITY	SUBTOTAL
101, 01, PH01 ¹	0.605%	19	11.495%
102, 02, PH02 ²	0.591%	19	11.229%
103, 03, PH03 ³	0.454%	19	8.626%
104, 04, PH04 ¹	0.618%	19	11.742%
105, 05, PH05 ²	0.591%	19	11.229%
106, 06, PH06 ³	0.454%	19	8.626%
107, 07, PH07 ²	0.591%	19	11.229%
108, 08, PH08 ³	0.454%	19	8.626%
109, 09, PH09 ²	0.591%	19	11.229%
Grand Penthouse	2.704%	1	2.704%
"A"	2.300%	1	2.300%
"B"	0.700%	1	0.700%
"C"	0.200%	1	0.200%
"D"	0.065%	<u>1</u>	<u>0.065%</u>
		176	100.00%

1 One bedroom, with foyer
2 One bedroom
3 Studio

**EXHIBIT F
ENCUMBRANCES AGAINST TITLE**

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. As to the undivided interests in roadway (area 5,865 square feet):
 - a. Location of the seaward boundary in accordance with the laws of the State of Hawaii and shoreline setback line in accordance with County regulation and/or ordinance and the effect, if any, upon the area of the land described herein.
 - b. Grant dated August 27, 1937, recorded in said Bureau in Liber 1405, Page 322, in favor of the Board of Water Supply, City and County of Honolulu, granting an easement to maintain, operate, repair and remove an underground water pipe line or pipe lines under and across said roadway.
 - c. Encroachment of asphalt concrete curbing from Tax Map Key 3-1-032-024 (1) into said roadway, as shown on survey map prepared by Freddie C. S. Chan, Registered Professional Land Surveyor, with Austin, Tsutsumi & Associates, Inc., dated June 10, 1996.
 - d. Rights of others who own undivided interest(s) in the above-described land.
3. Agreement dated October 19, 1928, recorded in said Bureau in Liber 1045, Page 131, re-recorded in said Bureau Liber 1047, Page 176, by and between the Territory of Hawaii, (now the State of Hawaii), as "Party of the First Part", and Harriet Hatch Hartwell, et al., as "Parties of the Second Part"; re: beach construction, etc.
4. As to TMK (1) 3-1-32-10: Location of the seaward boundary in accordance with the laws of the State of Hawaii and shoreline setback line in accordance with County regulation and/or ordinance and the effect, if any, upon the area of the land described herein.
5. Unrecorded PCS Site Agreement dated April 11, 1996, by Colony Surf, Ltd., a Hawaii corporation, as Owner, and Primeco Personal Communications, L.P., a Delaware limited partnership, as Licensee, for a term of five (5) years commencing on October 11, 1996, which term is subject to one (1) additional five (5) year extension period, leasing and demising a certain site located at 2895 Kalakaua Avenue, Honolulu, City and County of Honolulu, State of Hawaii, within the property described in Exhibit "A" and Exhibit "A-1" attached thereto. The Licensee's interest was, by mesne assignments, assigned to Sprintcom, Inc., a Kansas corporation, by unrecorded instrument dated December 2, 1998. Consent given by Colony Surf, Ltd., a Hawaii corporation, by unrecorded instrument dated December 2, 1998.

Memorandum of PCS Site Agreement dated February 29, 2000, recorded in said Bureau as Document No. 2000-030684.
6. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.
7. Real property taxes as may be due and owing. Check with County Tax Assessor for further information.
8. Real Property Mortgage and Financing Statement dated May 10, 2002, recorded in said Bureau as Document No. 2002-082565, by and between Colony Surf, Ltd., a Hawaii cooperative housing corporation, as Mortgagor, and First Hawaiian Bank, a Hawaii corporation, as Mortgagee.

9. Amendment to and Complete Restatement of Real Property Mortgage and Financing Statement dated September 26, 2003, recorded in said Bureau as Document No. 2003-208052, by and between Colony Surf, Ltd., a Hawaii corporation, as Mortgagor, and First Hawaiian Bank, a Hawaii corporation, as Mortgagee.

10. Absolute Assignment of Rentals and Lessor's Interest in Leases dated May 10, 2002, recorded in said Bureau as Document No. 2002-082566, by and between Colony Surf, Ltd., a Hawaii cooperative housing corporation, as Assignor, and First Hawaiian Bank, a Hawaii corporation, as Assignee.

11. Amendment of and Additional Charge to Absolute Assignment of Rentals and Lessor's Interest in Leases dated September 26, 2003, recorded in said Bureau as Document No. 2003-208053, by and between Colony Surf, Ltd., a Hawaii cooperative housing corporation, as Assignor, and First Hawaiian Bank, a Hawaii corporation, as Assignee.

12. Financing Statement recorded in said Bureau as Document No. 2002-082568 on May 10, 2002, by and between COLONY SURF, LTD., as Debtor, and First Hawaiian Bank, as Secured Party, as amended by instrument recorded in said Bureau as Document No. 2003-208054 on September 26, 2003.

13. Absolute Assignment of Rentals and Lessor's Interest in Leases dated February 19, 2004, recorded in said Bureau as Document No. 2004-037831, by and between Colony Surf, Ltd., a Hawaii cooperative housing corporation, as Assignor, and First Hawaiian Bank, a Hawaii corporation, as Assignee.

14. Those certain unrecorded documents as mentioned in said above Absolute Assignment of Rentals and Lessor's Interest in Leases dated February 19, 2004, recorded in said Bureau as Document No. 2004-037831, being more particularly described as follows:

a. Unrecorded Commitment Letter dated February 18, 2004, setting forth the general terms and conditions for this loan;

b. Unrecorded Business Loan Agreement, providing the terms and provisions of the Loan;

c. Unrecorded Credit Agreement/Master Promissory Note made, executed and delivered by the Assignor, as Borrower, providing for a revolving line of credit with total outstanding draws at any time not to exceed a maximum balance equal to the Loan amount, together with any renewals, extensions and modifications thereof (the "Line of Credit Agreement");

d. That certain Financing Statement (UCC-1) recorded as Document No. 2004-_____, covering the property and assets, accounts, equipment, general intangibles, inventory, farm products, investment property and any other personal property now or hereafter acquired by the Assignor, wherever located; and

e. Any other instruments or agreements executed by any party concurrently herewith or otherwise in connection with the loan documents.

15. Financing Statement recorded in said Bureau as Document No. 2004-037832 on February 25, 2004, by and between Colony Surf, Ltd., as Debtor, and First Hawaiian Bank, as Secured Party.

16. Any lien (or claim of lien) for services, labor or material arising from an improvement or work related to the land described herein.

Note: Items 7 through 16 above must be released before the developer conveys the apartment to a buyer.

**EXHIBIT G
MAINTENANCE FEES**

APARTMENT TYPE	MONTHLY FEE	x12 MONTHS= YEARLY TOTAL	QUANTITY	QUANTITY SUBTOTAL
101, 01, PH01 ¹	\$ 503.18	\$ 6,038.21	19	\$ 114,726.08
102, 02, PH02 ²	\$ 491.54	\$ 5,898.49	19	\$ 112,071.26
103, 02, PH03 ³	\$ 377.60	\$ 4,531.16	19	\$ 86,091.97
104, 04, PH04 ¹	\$ 514.00	\$ 6,167.96	19	\$ 117,191.27
105, 05, PH05 ²	\$ 491.54	\$ 5,898.49	19	\$ 112,071.26
106, 06, PH06 ³	\$ 377.60	\$ 4,531.16	19	\$ 86,091.97
107, 07, PH07 ²	\$ 491.54	\$ 5,898.49	19	\$ 112,071.26
108, 08, PH08 ³	\$ 377.60	\$ 4,531.16	19	\$ 86,091.97
109, 09, PH09 ²	\$ 491.54	\$ 5,898.49	19	\$ 112,071.26
Grand Penthouse	\$ 2,248.94	\$ 26,987.33	1	\$ 26,987.33
"A"	\$ 1,912.93	\$ 22,955.20	1	\$ 22,955.20
"B"	\$ 582.20	\$ 6,986.36	1	\$ 6,986.36
"C"	\$ 166.34	\$ 1,996.10	1	\$ 1,996.10
"D"	\$ 54.06	\$ 648.73	1	\$ 648.73
			176	\$ 998,052.00

¹One bedroom with foyer

²One bedroom

³Studio

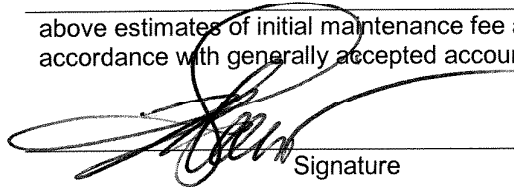
***The Real Estate Commission has not reviewed the estimates of maintenance fee assessments
and disbursements for their accuracy or sufficiency***

(Exhibit "G" continued)

Estimate of Maintenance Fee Disbursements:

	<u>Monthly Fee x 12 months =</u>	<u>Yearly Total</u>
Utilities and Services		
Air Conditioning	\$75	\$900
Electricity		
<input type="checkbox"/> common elements only		
<input checked="" type="checkbox"/> common elements and apartments	\$11,069	\$132,828
Elevator	\$2,378	\$28,536
Gas		
<input type="checkbox"/> common elements only		
<input checked="" type="checkbox"/> common elements and apartments	\$1,791	\$21,492
Refuse Collection	\$750	\$9,000
Telephone	\$300	\$3,600
Water and Sewer	\$4,465	\$53,580
Television Cable	\$3,848	\$46,176
Maintenance, Repairs and Supplies		
Building	\$3,490	\$41,880
Grounds	\$225	\$2,700
Management		
Management Fee	\$4,743	\$59,916
Payroll and Payroll Taxes	\$24,021	\$288,252
Office Expenses (including health insurance)	\$5,266	\$63,192
Insurance	\$6,367	\$76,404
Reserves(*)	\$11,333	\$135,996
Taxes and Government Assessments	\$555	\$6,660
Audit Fees	\$200	\$2,400
Other	\$2,295	\$27,540
TOTAL	\$83,171	\$998,052

I, William Denison, as agent for/and/or employed by W. E. Denison Corporation, the condominium managing agent/developer for the The Colony Surf condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



 Signature

June 23, 2004

 Date

(*)Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

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

Colony Surf, Ltd.
Reserve Plan - 20 Year Cash Flow Projection
2004
Cash Basis

RESERVE PLAN ACCRUAL COMPUTATIONS															
Major Component Replacements:	Estimated Current Replacement Cost	Date Last Completed	Budgeted Replacement Date	Estimated Life (Yrs)	Monthly Reserve Accrual	Jan-04	Jan-05	Jan-06	Jan-07	Jan-08	Jan-09	Jan-10	Jan-11	Jan-12	Jan-13
1 Building Painting-Acrylic Coating	\$300,000	1994	2004	10	\$2,100	\$287,911	\$17,599	\$47,615	\$77,632	\$107,648	\$137,747	\$167,763	\$197,780	\$227,796	\$257,895
3 Driveway Resurfacing	\$15,000	1993	2008	15	183	\$10,598	\$11,601	\$12,601	\$13,602	\$14,603	\$15,604	\$16,605	\$17,606	\$18,607	\$19,608
4 Elevator Interiors	\$50,000	2002	2017	15	\$78	\$5,291	\$3,635	\$11,970	\$15,305	\$18,640	\$21,975	\$25,310	\$28,645	\$31,980	\$35,315
5 Fire Door Replacements	\$60,000	1999	2029	30	\$167	\$9,183	\$1,190	\$13,191	\$15,192	\$17,193	\$19,194	\$21,195	\$23,196	\$25,197	\$27,198
6 Garage Gate A (Kalaikau)	\$10,000	1991	2006	15	\$56	\$8,401	\$9,070	\$9,739	\$10,408	\$11,077	\$11,746	\$12,415	\$13,084	\$13,753	\$14,422
7 Garage Gate B (Entry Ramp)	\$10,000	2003	2018	15	\$56	\$1,111	\$780	\$1,447	\$2,114	\$2,781	\$3,448	\$4,115	\$4,782	\$5,449	\$6,116
8 Hallway Carpets	\$50,000	1999	2007	8	\$21	\$28,697	\$31,968	\$35,239	\$38,510	\$41,781	\$45,052	\$48,323	\$51,594	\$54,865	\$58,136
9 Lobby Furnishings	\$10,000	1997	2007	10	183	\$6,593	\$7,596	\$8,599	\$9,602	\$10,605	\$11,608	\$12,611	\$13,614	\$14,617	\$15,620
10 Club Room Furnishings	\$5,000	2002	2007	5	189	\$1,701	\$2,590	\$3,479	\$4,368	\$5,257	\$6,146	\$7,035	\$7,924	\$8,813	\$9,702
11 Office Furnishings	\$7,500	2002	2009	7	189	\$1,701	\$2,775	\$3,848	\$4,921	\$5,994	\$7,067	\$8,140	\$9,213	\$10,286	\$11,359
12 Roof Resurfacing - maka (3,150 S.F.)	\$26,000	1998	2013	15	\$144	\$9,693	\$11,432	\$13,171	\$14,910	\$16,649	\$18,388	\$20,127	\$21,866	\$23,605	\$25,344
13 Roof Resurfacing - maka (3,900 S.F.)	\$32,000	2002	2017	15	\$178	\$3,386	\$5,526	\$7,666	\$9,806	\$11,946	\$14,086	\$16,226	\$18,366	\$20,506	\$22,646
14 Trash chute - major repairs or replace	\$100,000	1975	2005	30	\$78	\$95,404	\$98,748	\$102,092	\$105,436	\$108,780	\$112,124	\$115,468	\$118,812	\$122,156	\$125,500
15 Water Heaters (Roof)	\$20,000	1996	2004	8	\$208	\$18,983	\$1,480	\$3,962	\$6,444	\$8,926	\$11,408	\$13,890	\$16,372	\$18,854	\$21,336
16 Water Heaters (Basement)	\$15,000	1994	2004	10	\$125	\$14,396	\$892	\$2,383	\$4,865	\$7,347	\$9,829	\$12,311	\$14,793	\$17,275	\$19,757
17 Water Booster Pumps	\$18,000	1994	2014	20	175	\$8,637	\$3,540	\$10,441	\$12,342	\$14,243	\$16,144	\$18,045	\$19,946	\$21,847	\$23,748
18 Pumps - domestic booster pumps	\$30,000	2002	2027	25	\$100	\$1,905	\$3,109	\$4,309	\$5,510	\$6,711	\$7,911	\$9,112	\$10,312	\$11,513	\$12,714
	\$758,500				\$5,024	\$512,476	\$237,532	\$197,725	\$248,033	\$343,319	\$288,797	\$341,614	\$401,935	\$462,256	\$497,743
100% monthly reserve accrual =										\$5,024					
BUDGETED RESERVE PLAN DISBURSEMENTS															
1 Building Painting-Acrylic Coating	\$300,000														
3 Driveway Resurfacing	\$15,000														
4 Elevator Interiors	\$50,000														
5 Fire Door Replacements	\$60,000														
6 Garage Gate A (Kalaikau)	\$10,000														
7 Garage Gate B (Entry Ramp)	\$10,000														
8 Hallway Carpets	\$50,000														
9 Lobby Furnishings	\$5,000														
10 Club Room Furnishings	\$7,500														
11 Office Furnishings	\$26,000														
12 Roof Resurfacing - maka (3,150 S.F.)	\$32,000														
13 Roof Resurfacing - maka (3,900 S.F.)	\$100,000														
14 Trash chute - major repairs or replace	\$20,000														
15 Water Heaters (Roof)	\$100,000														
16 Water Heaters (Basement)	\$20,000														
17 Water Booster Pumps	\$18,000														
18 Pumps - domestic booster pumps	\$30,000														
	\$758,500														
Total Projected Annual Disbursements										\$335,000					
Cash 9/31/03	\$ 300,000														
Cash flow through December 31	\$ (100,000)														
Provision for "line of credit" proceeds	\$ 200,000														
Estimated cash at 1/1/04	\$ 400,000														
Balances EOY										\$ 433,254					
Balances EOY										\$ 493,542					
Percent funded:										108%	109%	111%	107%	106%	

(Line of credit payments = 60 mo. amortization @ 6.5%)

EXHIBIT H

SUMMARY OF CONDOMINIUM CONVERSION CONTRACT

The specimen Condominium Conversion Contract filed with the Commission sets forth the terms on which current owners of an apartment in the Colony Surf pursuant to a co-op proprietary lease may convert their ownership to fee simple, condominium ownership. Those terms include the following:

1. **Co-op to Condo Conversion; Conversion Fee.** In order to convert from co-op to condominium form of ownership, a current Owner shall pay a conversion fee of \$650.00 that covers a portion of the costs that the Developer has incurred in setting up the condominium and converting the apartments from co-ops to condominiums. The Owner must also pay his or her portion of the Pro Rata Land Mortgage, surrender his or her shares in the Developer (Colony Surf, Ltd.), and surrender his or her existing proprietary lease for the Apartment, both free and clear of any liens, mortgages, or other encumbrances. When the Owner does so, the Developer will execute and record an Apartment Deed conveying fee simple title to the Apartment to the Owner.

2. **Existing Mortgages.** The Owner is solely responsible for arranging for the release or termination at closing of any mortgages, pledges, lien or other encumbrances on his or her apartment. If Owner must refinance an existing mortgage of owner's proprietary lease in connection with the conversion, Owner's obligations under the Condominium Conversion Contract are contingent on Owner's ability to do so.

3. **Closing Costs.** At Closing, the Developer shall not be responsible for paying the costs of preparing the Owner's Deed. At Closing, Owner shall be responsible for paying the cost of preparing the Owner's Deed, the applicable escrow fee, and notary fees for the Deed, the recording fees for the recordation of the deed, plus applicable taxes, and such other closing costs, if any. Such additional closing costs may include, without limitation, (1) the costs of refinancing any mortgage that Owner may have, (2) the costs of purchasing a policy of title insurance if Owner elects to purchase it, (3) the costs of preparing any releases or similar documents necessary to release any liens or mortgages that encumber Owner's Proprietary Lease or Stock, (4) the notary and recording fees for any such releases or similar documents, and (5) any Escrow fees beyond the basic Escrow fee due to any complexities of Owner's conversion.

4. **Acceptance of the Apartment "As Is".** Because the Project is an existing building being converted to condominium ownership, and because the Owner already owns the apartment (under a proprietary lease), the apartment is sold and conveyed to the Owner on a strictly "AS IS, WHERE IS" basis.

5. **Tax Matters.**

The transaction that the Condominium Conversion Contract provides for may have adverse tax consequences to the Developer and to Owner. Under Section 336 of the U.S. Internal Revenue Code (the "Code"), the general rule is that a corporation (such as the Developer) will recognize gain or loss on the distribution of deeds to the apartments (and the undivided interests in the common elements) to those cooperative shareholders who are not owner-occupants as defined in the Code, as if the distributed property were sold to the shareholders at fair market value. The Code provides in Section 216(e) that a cooperative stockholder in exchange for the cooperative stockholder's stock and proprietary lease, provided that the apartment represented by the deed will have been the cooperative stockholder's principal residence for the period beginning two years before the day of the distribution and will be the cooperative shareholder's principal place of residence within the meaning of Code Section 121. Under Code Section 121, property is treated as the principal place of residence of the taxpayer if, during the five year period ending on the date of sale or exchange, such property has been owned as used by the taxpayer as the taxpayer's principal place of residence for periods aggregating two or more years. However, a corporation will potentially recognize gain or loss on the distribution of other apartment deeds whose exchange with the corporation will not qualify for non-recognition of gain under Section 216(e).

Any taxes payable by the corporation will be based upon the fair market value of the "distributed property". The fair market valuation of the distributed property is unclear, and depending upon its valuation the corporation will have taxable income. The Board of Directors of the Colony Surf believes that each condominium apartment in the Project has no appreciable value just before the exchange because each apartment is encumbered by a proprietary lease, but there is no guarantee that the Internal Revenue Service will accept this opinion. The income of a corporation which will be liquidated will be the joint and several obligation of its shareholder if corporate assets are insufficient to pay any tax which is due.

In addition to the possible tax to the Developer, there may also be tax ramifications at the level of the cooperative stockholder (i.e., the existing owner who converts to condominium ownership). The general rule is that the cooperative stockholder must recognize gain to the extent that the fair market value of the condominium unit received exceeds the basis of the cooperative stock and proprietary lease being exchanged. The tax liability to the stockholder may be reduced and may even be avoided if the stockholder has held the cooperative apartment as its principal place of residence (as defined under Code Section 1034) and the gain does not exceed \$250,000 for a single owner or \$500,000 for a husband and wife filing a joint return. In addition, the stockholder may be entitled to treat the transaction as a tax-free exchange if the stockholder has held the cooperative apartment as an investment or business property under Code Section 1031. A stockholder who is neither an owner-occupant nor an investor may be required to recognize gain to the extent of the value of the condominium unit compared to the owner's basis in the owner's stock in the Developer and proprietary lease. State tax implications similar to the federal tax implication described in this Section may arise under the tax laws of the State of Hawaii.

As the facts and circumstances of each shareholder will differ, each shareholder is advised to see his/her own tax advice to determine whether he/she would have any federal or state tax liability as a shareholder of the Developer or as recipient of a fee simple condominium apartment in exchange for his/her proprietary lease and stock in the Developer.

The Condominium Conversion Contract specifically provides that each Owner assumes all tax risk and possible liability described above and releases the Developer, its directors, officers and agents from any obligation for further disclosure with respect to potential liability and from any obligation to make any payments on account thereof. The Contract also provides that, if prior to closing, the Developer has obtained an opinion of tax counsel (which it is not obligated to obtain) that the conversion to the form of condominium ownership creates significant tax liability to the Developer, then the Developer may elect at any time prior to closing to terminate this Conversion Contract without liability to Owner, whereupon Escrow shall cause the Deposit, if any, to be returned to Owner.

The foregoing is only a summary of some of the key terms of the Condominium Conversion Contract for the Colony Surf. You should read the full text of the Condominium Conversion Contract with care.

EXHIBIT I

SUMMARY OF ESCROW AGREEMENT

A copy of the executed Escrow Agreement for the Project between Title Guaranty Escrow Services, Inc. ("Escrow"), and Developer has been filed with the Commission. The Escrow Agreement provides for the deposit of the funds of a purchaser of an Apartment (a "Purchaser") pursuant to the Sales Contract and also provides for the retention or disbursement of the funds.

The Escrow Agreement provides in part that any interest earned on money on deposit shall be paid to the parties in accordance with the terms of the Sales Contract. In the event that the Sales Contract or Hawaii Revised Statutes Chapter 514A entitle a Purchaser to a refund of Purchaser's Deposits held by Escrow, then Escrow, upon instruction from Developer, will refund Purchaser's deposits, less certain cancellation fees and costs (e.g., escrow cancellation fees, loan processing fees, cost of credit reports, etc.) as provided in the Sales Contract and Chapter 514A, Hawaii Revised Statutes, as amended.

By law the total amount of such cancellation fees shall not exceed Two Hundred Fifty and No/100 Dollars (\$250.00) so long as the cancellation occurs prior to the time the Sales Contract becomes effective (following issuance of the Final Public Report). Under the Escrow Agreement no disbursement of funds can be made to the Developer until the Sales Contract becomes effective under the provisions of Chapter 514A, Hawaii Revised Statutes.

The foregoing is only a summary of some of the key terms of the Escrow Agreement. It is incumbent upon a prospective Purchaser to read the executed Escrow Agreement with care.