

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer: D.R. Horton-Schuler Homes, LLC, a Delaware limited liability company dba D.R. Horton-Schuler Division
Address: 828 Fort Street Mall, 4th Floor, Honolulu, Hawaii 96813
Project Name (*): Ocean Ridge at Makakilo
Address: Elele Street, Kapolei 96707
Registration No. 5697

Effective date: July 5, 2005
Expiration date: April 5, 2006

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports: Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

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

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

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

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

SPECIAL ATTENTION

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

STATUTORY NOTICE

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

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

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

1. The executed and recorded deed for the project site.
2. The letter relating to the availability of funds to complete the project.

B. This is a CONDOMINIUM PROJECT, not a subdivision. It does not include the sale of individual subdivided lots. The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and not a legally subdivided lot. The dotted lines in the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

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

Facilities and improvements normally associated with County approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owner and emergency traffic, drainage facilities, etc., may not necessarily be provided for, and services such as County street maintenance will not be available for interior roads and driveways. Trash service is expected to be handled by a private service provider.

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

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: D.R Horton-Schuler Homes, LLC, a Delaware limited liability company, Phone: (808) 521-5661
dba D.R. Horton-Schuler Division (Business)
Name*
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

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

Donald R. Horton, Chairman of the Board; Donald J. Tomnitz, Vice Chairman, President & Chief Executive Officer; Samuel R. Fuller, Senior Executive Vice President; Bill W. Wheat, Executive Vice President & Chief Financial Officer; Stacey H. Dwyer, Executive Vice President & Treasurer; James K. Schuler, Senior Vice President & Region President; Michael T. Jones, Vice President of the Company & Division President; R. Dale Eggleston, Vice President; Joan L. Fleming, Vice President; Mary K. Flood, Vice President of Sales & Marketing; Harvey Goth, Vice President; Galen Lee, Vice President of Finance; Frank Payne, Vice President of Operations; Donald J. Tomnitz, Vice President; Paul W. Buchschacer, Assistant Secretary; Ted I. Harbour, Assistant Secretary; Paula D. Hunter-Perkins, Assistant Secretary; Alan D. Labbe, Assistant Secretary; Thomas B. Montano, Assistant Secretary; and David T. Morice, Assistant Secretary. All officers are officers of Vertical Construction Corporation, the Developer's manager.

Real Estate Broker*: D.R. Horton-Schuler Homes, LLC, Phone: (808) 521-5661
a Delaware limited liability company (Business)
Name
828 Fort Street Mall, 4th Floor
Business Address
Honolulu, Hawaii 96813

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

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

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

Attorney for Developer: Case Bigelow & Lombardi Phone: (808) 547-5400
Dennis M. Lombardi, Esq. (Business)
Name
737 Bishop Street, Suite 2600
Business Address
Honolulu, Hawaii 96813-3283

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

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

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

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

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances: Document No. _____
Book _____ Page _____
 Filed - Land Court: Document No. 3273329

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

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

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. _____
 Filed - Land Court Condo Map No. 1722

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

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

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances: Document No. _____
Book _____ Page _____
 Filed - Land Court: Document No. 3273330

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

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

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

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

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	75
Bylaws	65%	67
House Rules	---	Majority vote of Board of Directors

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

2. **Developer:**

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

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

- A. The Project consists of 68 Residences, to be built, in as many separate increments as Developer shall solely determine. Developer contemplates, however, that development shall proceed in two (2) increments. Increment 1 shall consist of 30 Residences and Increment 2 shall consist of 38 Residences. Developer may increase or reduce the number of Homes within the increments at Developer's election. The Private Yard Areas associated with each Residence are not subdivided lots, but rather exclusive limited common elements.
- B. Upon completion of the Project, the Developer may amend the Declaration and the Condominium Map (if necessary) to file the "as built" verified statement required by Section 514A-12 of the Condominium Property Act.
- C. Until all of the Residences have been sold, the Developer may amend the Declaration, the Bylaws and/or the Condominium Map to make such amendments as may be required by law, by the Real Estate Commission, by the title insurance company, by a mortgage lender, or by any governmental agency (including the VA, HUD, FNMA and/or FHLMC), provided that no such amendments change the common interest appurtenant to a Residence or substantially change the design, location or size of a Residence.
- D. Until all of the Residences have been sold and the "as built" verified statement is filed, the Developer may amend the Declaration and the Condominium Map to (i) reflect alterations in any Residence which has not been sold; and (ii) reflect minor changes in any Residence or in the common elements which do not affect the physical location, design or size of any Residence which has been sold.
- E. The Developer reserves the right to alter the product mix within this project, sometimes hereinafter referred to as "Community". Developer has reserved the right to alter the location, size and design of any unsold Residences as described in Section III.H.

- F. The Developer has reserved the right to and shall consolidate the Community land with adjacent lands owned by the developer and reconfigure the Community boundaries to include that land reflected generally on CPR-0.1 within the Community. This process will result in an increase of approximately 4.0 acres in the area of the initial lands made subject to the Declaration via the "annexation" of adjacent lands owned by Declarant and the withdrawal of certain lands now subject to the Declaration. The lands to be annexed are generally located within the area of Increment 2 of the Community. Developer may add these lands without payment of any kind to or from the Association and the Association is required to cooperate with the Developer in this effort. The reconfiguration of the Community land boundaries through the annexation or withdrawal of lands shall be effected prior to the recording of the conveyance for the first Increment 2 Residence.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

For Sub-leaseholds:

- Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is: Canceled Foreclosed
- As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

[] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: Elele Street Tax Map Key (TMK): (1) 9-2-19:71 and 56 (por.)
Kapolei, Hawaii 96707

Address TMK is expected to change because the apartments within the property have not yet been assigned specific street addresses.

Land Area: 3.226* square feet acre(s) Zoning: A-1

*Approximately 4 acres will be added into the Project by subsequent amendment to the Declaration for a total of approximately 7.3 acres.

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

Lessor: N/A
 Name
 Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 14 Floors Per Building: 2

Exhibit "B-1" contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other Steel and wood frames, metal, glass and other building materials

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>68</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No

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

Yes No

5. Special Use Restrictions:

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

Pets: Reasonable number of common household pets, such as small dogs, cats, aquarium fish and bird. No livestock or poultry and no animals classified as "pests" or prohibited from importation under state statutes.

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

Other: Residences shall be used for residential purposes only; no "time-sharing" permitted.

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf) *</u>	<u>Lanai/Patio (sf)</u>	<u>Entry Area (sf)</u>	<u>Garage (sf)</u>
A/AR	28	3/2-1/2	1,424	72	27	406
B/BR	40	3/2-1/2	1,529	**	17	406

Total Number of Apartments: 68

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

** The square footage for the lanai for all Unit Type B/BR (except for Residence numbers 103, 303, 1103, 1104, 1403 and 1404) is 78 square feet. The square footage for the lanai for Unit Type B/BR Residence numbers 103, 303, 1103, 1104, 1403 and 1404 is 39 square feet.

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

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

Residences followed by a "/R" represent a reverse floor plan configuration from that reflected on the condominium map.

Limits of Residences. Each Residence includes all walls, columns and partitions which are not load-bearing within the Residence's perimeter walls (including the garage, if any, associated therewith, as shown on the Condominium Map), the inner decorated or finished surfaces of all walls, floors, ceilings, doors, door frames and window frames along the perimeters, all windows along the perimeters, the air space within the perimeter, the lanais, if any, shown on the Condominium Map to the inner decorated or finished surfaces of the perimeter walls of such lanais and to the interior edge of the exterior railings or other boundaries of such lanais, the entry court or area, if any, shown on the Condominium Map to the inner decorated or furnished surfaces of the perimeter walls of such entry court or area and to the interior edge of other boundaries of such entry court or area, the exterior storage areas, if any, shown on the Condominium Map, all rollers, locks, handles, tracks, and appurtenant hardware associated with all windows, doors and exterior automobile garage doors, if any, and all sliding or swinging screen doors and all glass window screens and all fixtures originally installed in the Residence, and all pipes, plumbing (including water heaters), wires, conduits and other utility or service lines and facilities servicing only the Residence. The Residences shall not include the undecorated or unfinished surfaces of the perimeter party or non-party walls, the undecorated or unfinished surfaces of the doors, door frames and window frames along the perimeters, the interior load-bearing columns, girders, beams and walls, the undecorated or unfinished surfaces of the floors and ceiling surrounding each Residence, the exterior edge of the exterior railings or other exterior boundaries of the lanais, if any, shown on the Condominium Map, or any pipes, shafts, wires, conduits or other utility or service lines running through a Residence which are utilized for or serve more than one Residence, all of which are deemed common elements as provided in this Declaration.

Permitted Alterations to Apartments: Alterations or additions solely within or to a Residence or within a limited common element appurtenant to and for the exclusive use of a Residence shall require the written approval of the Board of Directors and all Residence owners directly affected thereby, as determined by the Board of Directors, and, where appropriate, the Palehua Community Association Design Review Committee. Any alteration or addition different in any material respect from the Condominium Map shall be commenced only pursuant to an amendment to the Declaration, as provided in Section M of the Declaration.

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

7. Parking Stalls:

Total Parking Stalls:

	<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)	136*	n/a	n/a	n/a	n/a	n/a	136
Guest	n/a	15	n/a	1	n/a	n/a	16
Unassigned	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Extra for Purchase	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other: Accessible	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other: Loading	n/a	1	n/a	n/a	n/a	n/a	1
Total Covered & Open	152		1		0		153

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

*Each Residence includes a two-car enclosed garage.

Commercial parking garage permitted in condominium project.

Exhibit "B-3" 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: Mail Boxes

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

There are no violations. Violations will not be cured.

Violations and cost to cure are listed below: Violations will be cured by _____
(Date)

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

N/A

11. Conformance to Present Zoning Code

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

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

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

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

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

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

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

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

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

described in Exhibit "B-2".

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 "B-3".

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 "C".

as follows:

The common interest and easements appurtenant to each Home shall have a permanent character and shall not be altered except as noted in Section F of the Declaration. The common interest, voting rights and easements appurtenant to each Home may be altered (diminished or increased) by a recorded amendment to the Declaration: (a) as may be determined necessary by Developer, without the consent of any party, to correct typographical or mathematical errors in the statement of such common interests, (b) filed by the Developer, without the joinder of any party, upon the alteration of the Community as permitted pursuant to Section F or Section M.3 of the Declaration as set forth in subpart H of this report, and/or (c) upon the action or consent of all Owners of Homes affected thereby, and the consent of the holders of any mortgage affecting such Homes as shown in the Association's records of ownership, or who have given the Board notice of their interest. The common interest and appurtenant easements shall not be separated from the Home to which they appertain and shall be deemed to be conveyed or encumbered with that Home even though such interest or easements are not expressly mentioned in the conveyance or other instrument. The common elements shall remain undivided and the right to partition or divide any part of the common elements shall not exist except as provided in the Act. In that the development of the Community will proceed incrementally, Section F also provides that common expense will be allocated based on common interests of the Homes in each increment as new increments are created within the Community. Initially, common expenses will be borne by Increment 1 homeowners in proportion to the common interest of the Increment 1 homeowners. Section M.3 allows the Developer prior to the sale of all Homes and the filing of an "as built" certificate to (a) make alterations in the Community which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any Home (and the limited common elements appurtenant thereto) in the Community which is not sold and the conveyance thereof recorded which right includes the ability to change the overall "product mix" (e.g., change the model home type and size of a Private Yard Area); and (b) make other alterations in the Community which make minor changes in any Home in the Community or in the common elements which do not affect the physical location, design or size of any Home which has been sold and the conveyance thereof recorded.

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

Exhibit "A" describes the encumbrances against the title contained in the title report dated May 11, 2005 and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

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

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
NONE	NONE

F. Construction Warranties:

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

1. Building and Other Improvements:

The Developer's sole warranty will be provided in the form attached to this Public Report as Exhibit "D". Prospective purchaser's should read the Limited Warranty with care to understand the coverage, limitations and exclusions, and procedures.

2. Appliances:

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

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

Construction shall commence approximately July 2005, and should be completed by approximately July 2007.

H. **Project Phases:**

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

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

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

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

Multi-Increment Phase: The Developer has reserved the right to develop this Community in increments as set forth in Section II. E.2 and page 20 of this Public Report.

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

B. **Estimate of Initial Maintenance Fees:**

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

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

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

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

NOTE: By purchasing a Home at Ocean Ridge at Makakilo, the Residence Owner will also become a member of the Palehua Community Association and be required to pay membership dues to that Association. The current Palehua Community Association dues are \$168 per annum. At closing, Buyer is required to pay a one time start up fee of \$100 to PCA and a one time transfer fee of \$175 to Equity Properties, Inc., the managing agent for PCA.

NOTE: The Developer intends to pay all of the actual common expenses for Increment 1 until March 2006, and for Increment 2 until August 2006. Accordingly, Residence Owners shall not be obligated for the payment of their respective shares of the common expenses until after that time. From and after such date Residence Owners will be obligated to pay their respective shares of the common expenses allocated to their Residence.

C. **Utility Charges for Apartments:**

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

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

(*) Water and sewer charges may be separately assessed to the Residences and uses may be submetered.

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:

[X] Notice to Owner Occupants

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

[X] Escrow Agreement dated December 7, 2004
Exhibit "G" contains a summary of the pertinent provisions of the escrow agreement.

[X] Other Exhibit "H" is the Owner-Occupant Affidavit Form
Exhibit "I" is the Shared Appreciation Addendum and Declaration of Covenants Restricting Sale of Property

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

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

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

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

- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime.
- C) Bylaws of the Association of Apartment Owners.
- D) House Rules, if any.
- E) Condominium Map.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other: Declaration of Covenants, Conditions and Restrictions of the Palehua Community dated January 14, 1977, recorded as Land Court Document No. 801577, as amended.

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's agents, if any. The Condominium Property Regime law (Chapter 514A, HRS) and the 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. 5697 filed with the Real Estate Commission on May 27, 2005.

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

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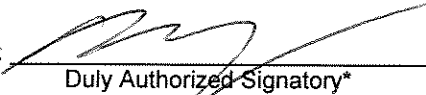
C. **Additional Information Not Covered Above**

1. All prospective purchasers should also be aware that the Project is within and a part of the master planned community known as the Palehua Community Association, and is subject to certain conditions and restrictions contained in various documents that affect the Project, including: (i) the covenants, conditions, restrictions, reservations, agreements, obligations and other provisions contained in the Declaration of Covenants, Conditions and Restrictions of the Palehua Community dated January 14, 1977, recorded in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 801577, as the same may be amended.
2. All prospective purchasers should also be aware that the Private Yard Area(s) available to certain Homes within the Ocean Ridge at Makakilo Community are not subdivided lots, but are exclusive use areas appurtenant to a Home.
3. Developer may revise the specimen deed and sales contract for the Ocean Ridge at Makakilo Community to conform with any future amendments that may be made to the Declaration and the community.
4. Each prospective purchaser should review the Condominium Map Site Plan (Sheets CPR-0.1, CPR 0.2 and CPR 0.3) so that they may identify easement areas benefiting the Ocean Ridge at Makakilo Community, which easement areas may affect the use of the Private Yard Area.
5. Prospective purchasers should be aware that the performance bond provided by the developer pursuant to Hawaii Revised Statutes 514A-40(5) is from Honsador, a material house and not a licensed surety. While the Real Estate Commission has accepted such bonds contingent on certain conditions first being fulfilled by escrow and the developer before full release of buyer's funds, prospective purchasers are urged to inquire into this matter if it is a concern to them.
6. Developer has specifically reserved the right, without limitation, to utilize utility service to the Community (such as water service and sewer service lines) to serve adjacent and separate developments outside of the Community provided Declarant submeters such use, and may use roadways in the Community to serve adjacent developments provided the association controlling such development shares pro rata in the cost of maintenance and repair of the roadway and reimburses the Association for any submetered use. The easement retained in the Declaration and the reserved rights shall be exercised in a manner that will not materially impair or interfere with the use of any Home. In the event of a submetered use (such as water service), the Association shall be entitled to confirm submeter readings. Each Owner, by purchasing a Home, consents to any such designation, granting, conveyance, transfer, cancellation, relocation and reservation of easements and/or rights of way as provided above without the necessity of any Owner or those claiming by, through or under an Owner entering into any further agreement respecting such action or document; provided, however, that such Owner and those claiming by, through or under an Owner agrees to join in and execute such documents and instruments and do such other things as may be necessary or convenient to effect the same promptly at the request of Developer without payment of additional consideration.
7. It is currently contemplated that this Community will be developed in two increments. In such event, the Final Public Report, which will cover the first increment, will identify the approximate number of increments to be developed and the approximate number of units in each. Each increment after the first will be identified by a different registration number, but it is the developer's intent that all increments, on completion, will constitute one integrated condominium project. Exhibit "E" attached hereto is the Estimate of Initial Maintenance Fees and Estimate of Maintenance Fee Disbursements for increment 1, and Increments 1 and 2.
8. All prospective purchasers should also be aware that sales of all Homes in the community will be made subject to a resale restriction for a limited period of time as set forth in the Shared Appreciation Addendum and Declaration of Covenants Restricting Sale of Property attached as Exhibit "I".

- D. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

D.R. HORTON-SCHULER HOMES, LLC, a Delaware limited liability company,
dba D.R. Horton-Schuler Division

Printed Name of Developer

By:  _____
Duly Authorized Signatory* May 26, 2005
Date

MICHAEL T. JONES, Division President
Printed Name & Title of Person Signing Above
Vertical Construction Corporation, a Delaware
Corporation, Developer's Manager

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

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

EXHIBIT "A"

1. GRANT in favor of HAWAIIAN ELECTRIC COMPANY, INC. dated June 16, 1969, filed as Land Court Document No. 477208; granting an easement for electrical purposes.
2. GRANT in favor of HAWAIIAN ELECTRIC COMPANY, INC. dated June 1, 1977, filed as Land Court Document No. 841709; granting an easement for electrical purposes.
3. Designation of Easement 2498 for flowage purposes, as shown on Map 533, as set forth by Land Court Order No. 98972, filed August 10, 1990.
4. Designation of Easement 2499 for drainage purposes, as shown on Map 533, as set forth by Land Court Order No. 98972, filed August 10, 1990.
5. Designation of Easement 2500 for sewer purposes, as shown on Map 533, as set forth by Land Court Order No. 98972, filed August 10, 1990.
6. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

LIMITED WARRANTY DEED
Filed: Document No. 1994025
7. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

TRUSTEES LIMITED WARRANTY DEED
Filed: Document No. 1994026
8. Designation of Easement 3821 for access and utility purposes, as shown on Map 655, as set forth by Land Court Order No. 113643, filed September 29, 1993.
9. Designation of Easement 5853 for sewer purposes, as shown on Map 835, as set forth by Land Court Order No. 123958, filed April 9, 1996.
10. GRANT in favor of FINANCE REALTY, LTD., dated October 15, 1997, filed as Land Court Document No. 2419893; granting a non-exclusive easement to connect to and use the sewer pipeline within Easement 5853 which easement shall be appurtenant to Lot 7231-C.
11. UNRECORDED DEVELOPMENT RIGHTS AGREEMENT dated October 26, 1960, by and between the TRUSTEES UNDER THE WILL AND OF THE ESTATE OF JAMES CAMPBELL, DECEASED, and FINANCE REALTY CO., LTD., a Hawaii corporation, as amended by unrecorded letter agreements dated September 9, 1960 and February 25, 1963.

A SHORT FORM of which is dated May 5, 1966, filed as Land Court Document No. 391241.

Said AGREEMENT was amended by the following unrecorded instruments:

- (a) dated December 22, 1976, a short form of which is dated January 12, 1977, filed as Land Court Document No. 801573;
- (b) dated December 24, 1984, a short form of which is dated January 15, 1985, filed as Land Court Document No. 1277747; and
- (c) dated and effective as of October 1, 1987, as mentioned in Land Court Order No. 110003, filed December 24, 1992.

12. The terms and provisions, including the failure to comply with any covenants, conditions, and restrictions contained in the:

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF THE PALEHUA COMMUNITY

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

Said Declaration was annexed by instrument dated December 23, 1996, filed as Land Court Document No. 2358414.

13. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

DEED

Dated: May 26, 1988
Filed: Document No. 1573089

14. The terms and provisions, including the failure to comply with any covenants, conditions and reservations contained in the following:

INSTRUMENT: AGREEMENT REGARDING EASEMENTS AND OTHER MATTERS

DATED: January 28, 1993

FILED: Document No. 1994021

PARTIES: FINANCE REALTY COMPANY, LIMITED, a Hawaii corporation, and SCHULER HOMES, INC., a Delaware corporation

Said Agreement was amended by instrument dated July 5, 1994, filed as Document No. 2163653.

15. The terms and provisions, including the failure to comply with any covenants, conditions and reservations contained in the following:

INSTRUMENT: AGREEMENT RE GRADING AND OTHER MATTERS
DATED: January 28, 1993
FILED: Document No. 1994022
PARTIES: PALAILAI ASSOCIATES, a Hawaii registered general partnership,
and SCHULER HOMES, INC., a Delaware corporation

16. Declaration of Condominium Property Regime of Ocean Ridge at Makakilo

DATED: May 13, 2005
FILED: 3273329

17. Condominium Map No. 1722

18. Bylaws of the Association of Home Owners of Ocean Ridge at Makakilo

DATED: May 13, 2005
FILED: 3273330

19. Real property taxes that may be due and owing. Check with the County tax assessor.

END OF EXHIBIT "A"

EXHIBIT "B-1"

DESCRIPTION OF BUILDING(S) AND RESIDENCES

DESCRIPTION OF BUILDINGS

There shall be two (2) different building types in the Community, designated as Building Types I and II. Building Types 1 and II have two (2) stories or two (2) levels. Building Type I has six (6) Residences, and Building Type II has four (4) Residences. Building Type II has a reverse building plan and is designated on the Condominium Map at Type IIR.

Each building is identified on the Condominium Map by a number designation. The following is a list of all of the Community's buildings by building type and number designation:

<u>Building Type</u>	<u>Buildings</u>
I	6, 8, 9, 10, 11, 14
II/IIR	1, 2, 3, 4, 5, 7, 12, 13

DESCRIPTION OF RESIDENCES

The Community shall contain sixty-eight (68) Residences in fourteen (14) buildings. The Residences and buildings shall be constructed principally of metal, wood, glass and related building materials.

There are two (2) different Unit types in the Community, designated as Unit types A/AR and B/BR and these unit types have reverse floor plans. A description of each Unit type is as follows:

Unit Type A/AR

Unit type A/AR is a two-story Residence containing three bedrooms, two and one-half bathrooms, living/dining area, kitchen/nook, laundry area located in the garage, lanai, entry, attached two-car garage and other improvements as shown on the Condominium Map. This Unit type contains a net living area of approximately 1,424 square feet, covered entry of approximately 27 square feet, lanai of approximately 32 square feet, and two-car garage area of approximately 406 square feet. There are twenty-eight (28) Unit type A/AR Residences in the Community.

Unit Type B/BR

Unit type B/BR is a two-story Residence containing three bedrooms, two and one-half bathrooms, living/dining area, kitchen/nook, laundry area located in the garage, lanai, entry, attached two-car garage and other improvements as shown on the Condominium Map. This Unit type contains a net living area of approximately 1,529 square feet, covered entry of approximately 17 square feet, and two-car garage area of approximately 406 square feet. The square footage for the lanai for all Unit Type B/BR (except for Residence numbers 103, 303, 1103, 1104, 1403 and 1404) is approximately 78 square feet. The square footage for the lanai for Unit Type B/BR Residence numbers 103, 303, 1103, 1104, 1403 and 1404 is approximately 39 square feet. There are forty (40) Unit type B/BR Residences in the Community.

ORIGINAL APPLIANCES, FIXTURES AND ADDITIONS:

In its original condition, each Residence will have carpeting (except in the kitchen, the bathroom(s) and other areas having continued exposure to water, which shall have sheet vinyl flooring), ceramic tile at entry, range, microwave hood, refrigerator/freezer, water heater, garbage disposal, garage door openers, and dishwasher.

LOCATION AND NUMBERING OF RESIDENCES:

Each Residence shall be designated by a number comprised of the Building number ("1," "2," "3," "4," etc.) followed by the Residence number (e.g. 101, 102, 103, etc.). The Residence numbers and locations are more fully illustrated on the Condominium Map.

ACCESS TO COMMON ELEMENTS:

Each Residence in the Community has immediate access to the common elements of the Community or to a walkway or stairway leading to the common elements of the Community.

END OF EXHIBIT "B-1"

EXHIBIT "B-2"

DESCRIPTION OF COMMON ELEMENTS

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

1. The Land and those improvements to the Land, excluding the Residences and Private Yard Areas, but including without limitation the Community Access Road, exterior lighting fixtures located along and/or adjacent to the Community Access Road, the common area landscaping and similar improvements.
2. All the benefits, if any, inuring to the Land or to the Community from all easements, if any, shown on the Condominium Map or listed in Exhibit "A" attached to the Declaration of Condominium Property Regime of Ocean Ridge at Makakilo.
3. All structural components, such as foundations, girders, columns, beams, floor slabs, supports, main walls, load-bearing walls, floors, ceilings (except the inner or decorated surfaces of such walls, floors and ceilings), roofs, exterior stairs and stairways, landings, railings, entrances and exits (other than the entry courts or entry areas included in the definition of a Residence) of the buildings and/or Residences, doors, door frames, windows, window frames, and other building appurtenances; provided, however, that all rollers, locks, handles, tracks and appurtenant hardware associated with all windows, doors and exterior garage doors, if any, and all sliding screen doors and all glass and window screens shall be the responsibility of the Residence Owners.
4. All yards, grounds, gardens, planters, plants, landscaping, refuse facilities, loading areas, barbecue areas, designated children's play areas, and recreational facilities, if any.
5. All fences and walls as shown on the Condominium Map.
6. All drainage facilities, drainage or flowage easements, or swales, pipes, shafts, wires, conduits or other utilities or service lines running through a Residence, or Private Yard Area which are utilized for or serve more than one Residence, or Private Yard Area or other features of the Community, including Easements 10000, 10001, 10002, 10003, 10004 and 10005 as shown on the Condominium Map unless dedicated to a municipality and/or granted to a third-party.
7. All sidewalks, pathways, curbs, trash receptacle areas, mailboxes and guest, special parking areas, or loading areas as labeled on the Condominium Map. "Guest" parking stalls are labeled with a "G" and a parking stall number on the Condominium Map.
8. Any and all apparatus and installations of common use and all other parts of the Community necessary or convenient to its existence, maintenance and safety, or normally in common use.
9. All ducts, electrical equipment, transformers, wiring, pipes and other central and appurtenant transmission facilities and installations over, under and across the Community or individual Private Yard Areas which are utilized by or serve more than one Residence or for services such as power, light, water, gas, sewer, drainage, telephone

and radio and television signal distribution, if any, including without limitation Easement 10003 for sewer purposes and as shown on the Condominium Map.

10. All areas, rooms, spaces, structures, housings, chutes, shafts or facilities of the Community within or outside of the buildings, which are for common use or which serve more than one Residence, such as electrical, maintenance, service, security, machine, mechanical and equipment rooms and the equipment, machinery and facilities therein.
11. All other parts of the Community not included in the definition of a Residence or Private Yard Area.
12. The Sign Monument identifying the Community, may be covered by a grant of easement in favor of the Association.

END OF EXHIBIT "B-2"

EXHIBIT "B-3"

DESCRIPTION OF LIMITED COMMON ELEMENTS

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

1. Private Yard Area:

The land area appurtenant to each Residence, as described in the Declaration of Condominium Property Regime of Ocean Ridge at Makakilo and as shown on the Condominium Map, and bearing the same Private Yard Area number as the unit number assigned to the Residence, is a limited common element. Private Yard Areas are not legally subdivided lots. Private Yard Areas include the land beneath the Residence bearing the same number as the Private Yard Area, the yard area in front of, to the rear and sides of the Residence as demarked (at the sole election of Declarant) by (1) fencing of the yard area or rear yard and/or front yard areas of the Residence; (2) appropriate physical monuments at the corners of the Private Yard Area and/or locations shown on the Condominium Map; or (3) by metes and bounds noted on the Condominium Map or contained in a Supplemental Declaration.

2. Parking Stall Assignments:

All Residences have two (2) assigned parking stalls. Each Residence has a two car garage as a component of the Residence. The Condominium Map identifies each stall by a parking stall number. The particular parking stalls that initially will be appurtenant to the particular Residence are as follows:

OCEAN RIDGE AT MAKAKILO PARKING STALL CHART

UNIT#	STALL #1	STALL # 2	UNIT #	STALL #1	STALL #2
101	1	2	805	110	111
102	3	4	806	112	113
103	5	6	901	33	34
104	7	8	902	35	36
201	137	138	903	37	38
202	139	140	904	39	40
203	141	142	905	41	42
204	143	144	906	43	44
301	9	10	1001	90	91
302	11	12	1002	92	93
303	13	14	1003	94	95
304	15	16	1004	96	97
401	129	130	1005	98	99
402	131	132	1006	100	101
403	133	134	1101	45	46
404	135	136	1102	47	48
501	17	18	1103	49	50
502	19	20	1104	51	52
503	21	22	1105	53	54
504	23	24	1106	55	56
601	115	116	1201	81	82
602	117	118	1202	83	84
603	119	120	1203	85	86
604	121	122	1204	87	88
605	123	124	1301	57	58
606	125	126	1302	59	60
701	25	26	1303	61	62
702	27	28	1304	63	64
703	29	30	1401	69	70
704	31	32	1402	71	72
801	102	103	1403	73	74
802	104	105	1404	75	76
803	106	107	1405	77	78
804	108	109	1406	79	80

GUEST PARKING STALLS

STALL #	STALL #	STALL #
65G	127G	149G
66G	128G	150G
67G	145G	151G
68G	146G	152G
89G	147G	
114GC	148G	

Parking stalls may be "compact" and "standard" in size, but may not be labeled as such on the Condominium Map. The loading stall is labeled as "loading" on the Condominium Map.

END OF EXHIBIT "B-3"

EXHIBIT "C"

COMMON INTERESTS FOR ALL INCREMENTS *

(assuming all increments are constructed)

Unit Type	Residence Number	Undivided Common Interest of Each Residence
A/AR (28 units)	101, 104, 201, 204, 301, 304, 401, 404, 501, 504, 601, 606, 701, 704, 801, 806, 901, 906, 1001, 1006, 1101, 1106, 1201, 1204, 1301, 1304, 1401, 1406	0.0142762693
B/BR (40 units)	102, 103, 202, 203, 302, 303, 402, 403, 502, 503, 602, 603, 604, 605, 702, 703, 802, 803, 804, 805, 902, 903, 904, 905, 1002, 1003, 1004, 1005, 1102, 1103, 1104, 1105, 1202, 1203, 1302, 1303, 1402, 1403, 1404, 1405	0.0150066115

COMMON EXPENSE ALLOCATIONS

APPLICABLE TO INCREMENT 1 ONLY

Unit Type	Residence Number	Allocation of Common Expenses Until Addition of Future Increments
A/AR (14 units)	101, 104, 201, 204, 301, 304, 401, 404, 501, 504, 601, 606, 701, 704	0.0324480168
B/BR (16 units)	102, 103, 202, 203, 302, 303, 402, 403, 502, 503, 602, 603, 604, 605, 702, 703	0.0341079853

* The Developer contemplates that the development shall proceed in two increments. The Developer may alter the number of Residences within an Increment (by increasing or decreasing the number of Residences within an Increment) or construct the Community in one (1) or more Increments in Developer's discretion. Increment 1 shall consist of 30 Residences and Increment 2 shall consist of 38 Residences. The Private Yard Areas associated with each Residence are not subdivided lots, but rather exclusive limited common elements.

END OF EXHIBIT "C"

HOME BUILDER'S LIMITED WARRANTY

Administered by Professional Warranty Service Corporation

Throughout this HOME BUILDER'S LIMITED WARRANTY, referred to hereinafter as the "LIMITED WARRANTY", the words "YOU" and "YOUR" refer to the HOMEOWNER and HOMEOWNERS ASSOCIATION. The words "WE", "US" and "OUR" refer to the BUILDER. The other words and phrases which appear in boldface uppercase type also have special meaning. Refer to the Section X. Definitions, so that YOU will understand the terminology applicable to this LIMITED WARRANTY.

This LIMITED WARRANTY establishes an agreed method for determining when a CONSTRUCTION DEFECT exists and a clear understanding of OUR responsibilities for remedying any such CONSTRUCTION DEFECT. This LIMITED WARRANTY also helps distinguish a CONSTRUCTION DEFECT that is OUR responsibility from those minor imperfections that can reasonably be expected in a HOME or the COMMON ELEMENTS or result from normal wear and tear or are routine HOMEOWNER or HOMEOWNERS ASSOCIATION maintenance responsibilities.

This LIMITED WARRANTY contains the procedures YOU must use to notify US of a condition in YOUR HOME or the COMMON ELEMENTS, which YOU believe may constitute a CONSTRUCTION DEFECT. In the event a condition occurs in the HOME or the COMMON ELEMENTS that YOU believe may constitute a CONSTRUCTION DEFECT, YOU agree to submit any request for warranty performance under this LIMITED WARRANTY. Based on the information YOU provide, and where WE deem it necessary information obtained from OUR onsite investigation inspection and/or testing of the HOME or the COMMON ELEMENTS, WE will determine whether WE agree with YOU that the condition constitutes a CONSTRUCTION DEFECT. If WE determine that the condition reported by YOU is a CONSTRUCTION DEFECT, WE will remedy the condition in accordance with the remedies prescribed in this LIMITED WARRANTY. WE will make this determination in accordance with Section III, OUR Coverage Obligations, contained in this LIMITED WARRANTY.

If WE determine that a condition does not constitute a CONSTRUCTION DEFECT that is OUR responsibility and therefore deny YOUR request for warranty performance, YOU have the right to initiate binding arbitration that will irrevocably determine whether the condition constitutes a CONSTRUCTION DEFECT that is OUR responsibility. If this binding arbitration determines that the condition does constitute a CONSTRUCTION DEFECT that is OUR responsibility, WE will resolve the problem in accordance with the remedies prescribed in this LIMITED WARRANTY. The arbitrator will make a determination based on the language contained in Section III, OUR Coverage Obligations.

Enclosed with this LIMITED WARRANTY is a Limited Warranty Validation Form. The Limited Warranty Validation Form provides the dates on which the warranty coverage period begins and expires. It is important that this form is retained with the LIMITED WARRANTY. Liability under this LIMITED WARRANTY is limited to the amount shown on the Limited Warranty Validation Form.

All express or implied warranties other than this LIMITED WARRANTY, including any oral or written statement or representation made by US or any other person, and any implied warranty of habitability, merchantability or fitness, are hereby disclaimed by US and are waived by YOU. In addition, YOU waive the right to seek damages or other legal or equitable remedies from US, OUR subcontractors, agents, vendors, suppliers, design professionals and materialmen, under any other common law or statutory theory of liability, including but not limited to negligence and strict liability. YOUR only remedy in the event of a CONSTRUCTION DEFECT in or to the HOME or the COMMON ELEMENTS or to the real property on which the HOME or the COMMON ELEMENTS is situated is the coverage provided to YOU under this LIMITED WARRANTY. There may be instances where an additional PWC administered Builder's Limited Warranty is issued together with this LIMITED WARRANTY. If both of these warranties are issued to YOU, YOU agree to request warranty performance under either warranty relative to warrantable issues on the HOME or the COMMON ELEMENTS. YOU may not collect twice relative to the same defect and amounts paid or expended by US for warranty performance under either warranty will reduce the limit of liability remaining under both warranties simultaneously.

WE have contracted with PWC for certain administrative services relative to this LIMITED WARRANTY. PWC's sole responsibility is to provide administrative services. Under no circumstances or conditions is PWC responsible for fulfilling OUR obligations under this LIMITED WARRANTY.

If any provision of this LIMITED WARRANTY is determined to be unenforceable, such a determination will not affect the remaining provisions. If this LIMITED WARRANTY or any provision herein is determined to be unenforceable as to a HOMEOWNERS ASSOCIATION or a specific HOMEOWNER, such a determination will not affect the enforceability of this LIMITED WARRANTY or such provision as to any other HOMEOWNERS ASSOCIATION or any other HOMEOWNER. The issue of enforceability, as well as all other issues, will be determined by Binding Arbitration as provided for in this LIMITED WARRANTY.

I. Coverage Limit

The amount shown on the Limited Warranty Validation Form is OUR limit of liability. It is the most WE will pay or expend for all covered CONSTRUCTION DEFECTS regardless of the number of requests for warranty performance made against this LIMITED WARRANTY. Once OUR limit of liability has been paid, no further requests for warranty performance can be made against this LIMITED WARRANTY or any other PWC administered Builder's Limited Warranty issued for the HOME or the COMMON ELEMENTS.

II. Warranty Coverage

Coverage under this LIMITED WARRANTY is expressly limited to CONSTRUCTION DEFECTS which occur during the WARRANTY PERIOD indicated on the Limited Warranty Validation Form and are reported by YOU in accordance with the notification requirements of Section VII, Procedure to Request US To Perform Under This LIMITED WARRANTY.

Coverage During the WARRANTY PERIOD indicated on the Limited Warranty Validation Form that is attached to and made part of this LIMITED WARRANTY, WE warrant the HOME and the COMMON ELEMENTS will be free of CONSTRUCTION DEFECTS. To be eligible for coverage WE must receive written notice from YOU of the alleged CONSTRUCTION DEFECT as soon as it is reasonably possible after YOU have become aware or should have become aware of a CONSTRUCTION DEFECT but in no event later than thirty (30) days after the expiration of the coverage.

III. OUR Coverage Obligations

All notices of alleged CONSTRUCTION DEFECTS, and complaints under this LIMITED WARRANTY must be made by YOU in writing. Telephonic or face-to-face discussion will not protect YOUR rights under this LIMITED WARRANTY (see Section VII, Procedure to Request US To Perform Under This LIMITED WARRANTY).

In the event YOU allege a CONSTRUCTION DEFECT occurs during the WARRANTY PERIOD, upon receiving written notice from YOU, WE, or a third party designated by US or acting on OUR behalf, will inspect, investigate and/or test (including destructive testing) the alleged CONSTRUCTION DEFECT to determine if a CONSTRUCTION DEFECT exists. Upon confirmation of a CONSTRUCTION DEFECT, WE, or a third party designated by US or acting on OUR behalf, will (1) repair or replace the CONSTRUCTION DEFECT, (2) pay to YOU the actual amount it would cost US to repair or replace the CONSTRUCTION DEFECT or (3) PAY to YOU an amount equal to the diminution in fair market value caused by the CONSTRUCTION DEFECT. The decision to repair, replace, or to make payment to YOU is at OUR or OUR authorized representative's sole option.

WE will have been considered to have breached this LIMITED WARRANTY only if WE fail to resolve a CONSTRUCTION DEFECT in accordance with the terms and conditions of this LIMITED WARRANTY.

A. **Standards By Which the Presence of a CONSTRUCTION DEFECT Will Be Determined**

In the event YOU believe that a flaw in the HOME or the COMMON ELEMENTS constitutes a CONSTRUCTION DEFECT, the following factors will be considered by US in determining whether the condition constitutes a CONSTRUCTION DEFECT. Should either YOU or WE elect to initiate binding arbitration, these factors will be considered by the arbitrator in rendering a decision:

1. Any performance standards or guidelines or other documents or manuals that contain OUR building standards, that were provided to YOU at or prior to closing on the HOME, or in the case of the HOMEOWNERS ASSOCIATION, prior to transferring title to all the COMMON ELEMENTS. Absent such standards, the Residential Construction Performance Guidelines published by the National Association of Home Builders, in effect at the time of closing on the HOME, or in the case of the HOMEOWNERS ASSOCIATION, at the time of transferring title to all the COMMON ELEMENTS shall apply. Absent a specific standard in the documents identified above, building practices and standards in use in the region of the country in which the HOME or the COMMON ELEMENTS are located shall apply;
2. Consideration as to whether the magnitude of the flaw or imperfection:
 - materially affects the structural integrity of the HOME or COMMON ELEMENTS; or
 - has an obvious and material negative impact on the appearance of the HOME or COMMON ELEMENTS; or
 - jeopardizes the life or safety of the occupants; or
 - results in the inability of the HOME or the applicable COMMON ELEMENTS to provide the functions that can reasonably be expected in such a HOME or COMMON ELEMENT.
3. Consideration as to whether a condition is the result of normal wear and tear (conditions that are normal wear and tear, or are caused by normal wear and tear are not CONSTRUCTION DEFECTS);
4. Consideration as to whether the condition was caused by, or in any way resulted from, the failure of the HOMEOWNER or HOMEOWNERS ASSOCIATION to perform normal or routine maintenance (any condition that is determined to be a HOMEOWNER or HOMEOWNERS ASSOCIATION maintenance issue, or any condition that results from improper or inadequate HOMEOWNER or HOMEOWNERS ASSOCIATION maintenance, is not a CONSTRUCTION DEFECT);
5. Consideration as to whether the condition was caused by the HOMEOWNER or HOMEOWNERS ASSOCIATION or their representatives, other than US, after the HOMEOWNER took possession of the HOME or the COMMON ELEMENTS (WE and YOU conducted a walk through inspection just prior to closing on the HOME. Damage that was caused by YOU or YOUR representatives is not a CONSTRUCTION DEFECT, for example, a large, visible scratch on marble tile in the entry foyer that was not noted in the walk through inspection, but was reported after furniture was moved into the HOME, will not be considered a CONSTRUCTION DEFECT);
6. Recognition that any condition resulting directly or indirectly from or worsened by changes, additions, alterations or other actions or omissions by the HOMEOWNER or HOMEOWNERS ASSOCIATION or their agents, other than US, will not be considered a CONSTRUCTION DEFECT (this includes changes to the topography, drainage or grade of the property);
7. Any Exclusions contained in this LIMITED WARRANTY.

IV. Homeowner Maintenance Obligations

Maintenance of the HOME and the COMMON ELEMENTS is YOUR responsibility. All homes and common elements require periodic maintenance to prevent premature deterioration, water intrusion and to ensure adequate performance of the SYSTEMS. WE will make a "Homeowner Maintenance Manual" or similar publication available to YOU upon request. Whether from this document or others that are readily available to YOU, YOU must understand and perform the maintenance that the HOME and COMMON ELEMENTS require. As stated in other sections of this LIMITED WARRANTY, WE are not responsible for HOME or COMMON ELEMENTS maintenance issues or for damage that results from YOUR failure to maintain the HOME or the COMMON ELEMENTS.

V. Coverage Limitations

When WE or a third party designated by US or acting on OUR behalf, repair or replace a CONSTRUCTION DEFECT the repair or replacement will include the repair or replacement of only those surfaces, finishes and coverings that were damaged by the CONSTRUCTION DEFECT that were part of the HOME or the COMMON ELEMENTS when title was first transferred by US. Surfaces, finishes and coverings that require repair or replacement in order for US or a third party designated by US to repair or replace CONSTRUCTION DEFECTS will be repaired or replaced. The extent of the repair and replacement of these surfaces, finishes or coverings will be to approximately the same condition they were in prior to the CONSTRUCTION DEFECT, but not necessarily to a like new condition.

When repairing or replacing surfaces, finishes and coverings, the repair or replacement will attempt to achieve as close a match with the original surrounding areas as is reasonably possible, but an exact match cannot be guaranteed due to such factors as fading, aging and unavailability of the same materials.

In the case where a CONSTRUCTION DEFECT exists and the HOME is rendered uninhabitable and the CONSTRUCTION DEFECT is repaired or replaced, the repair or replacement shall include the reasonable cost of the HOMEOWNER'S alternative shelter until the HOME is made habitable.

VI. Exclusions

A. This LIMITED WARRANTY does not cover:

1. Any CONSTRUCTION DEFECTS or other damages resulting, either directly or indirectly, from the following causes or occurring in the following situations:
 - a. Fire;
 - b. Lightning;
 - c. Explosion;
 - d. Riot and Civil Commotion;
 - e. Smoke;
 - f. Hail;
 - g. Aircraft;
 - h. Falling Objects;
 - i. Vehicles;
 - j. Floods;
 - k. Earthquake;
 - l. Landslide or mudslide originating on property other than the site of the HOME or the COMMON ELEMENTS or other property developed by the BUILDER;
 - m. Mine subsidence or sinkholes;

- n. Changes in the underground water table not reasonably foreseeable by the **BUILDER**;
- o. Volcanic eruption; explosion or effusion;
- p. Wind including:
 - (i). Gale force winds;
 - (ii). Hurricanes;
 - (iii). Tropical storms;
 - (iv). Tornadoes;
- q. Insects, animals or vermin;
- r. Changes of the grading of the ground by anyone other than **US** or **OUR** agents, or subcontractors which results in surface drainage towards the **HOME** or other improper drainage or permits water to pond or become trapped in localized areas against the foundation or otherwise;
- s. Changes, additions, or alterations made to the **HOME** or the **COMMON ELEMENTS** by anyone after the **WARRANTY PERIOD** begins, except those made or authorized by **US**;
- t. Any defect in material or workmanship supplied by anyone other than **US** or **OUR** agents, or subcontractors;
- u. Improper maintenance, negligence or improper use of the **HOME** or the **COMMON ELEMENTS** by **YOU** or anyone other than **US** that results in rot, dry rot, moisture, rust, mildew or any other damage;
- v. Dampness or condensation due to **YOUR** failure to maintain adequate ventilation;
- w. Damage resulting from the weight and/or performance of any type of waterbed or other furnishings which exceeds the load-bearing design of the **HOME** or the **COMMON ELEMENTS**;
- x. Normal wear and tear or normal deterioration of materials;
- y. Economic damages due to the **HOME'S** or the **COMMON ELEMENTS'** failure to meet consumer expectations.

2. Any costs arising from, or any **CONSTRUCTION DEFECT** resulting from the actual, alleged or threatened discharge, dispersal, release or escape of **POLLUTANTS**. **WE** will not cover costs or expenses arising from the uninhabitability of the **HOME** or the **COMMON ELEMENTS** or health risk due to the proximity of **POLLUTANTS**. **WE** will not cover costs, or expenses resulting from the direction of any governmental entity to test, clean-up, remove, treat, contain or monitor **POLLUTANTS**;
3. Any costs arising from, or any **CONSTRUCTION DEFECT** resulting from the effects of electromagnetic fields (EMF's) or radiation;
4. Any damage to personal property that does not result from a **CONSTRUCTION DEFECT**;
5. Any "**CONSEQUENTIAL OR INCIDENTAL DAMAGES**";
6. Any damage to **CONSUMER PRODUCTS**;
7. Any **CONSTRUCTION DEFECT** as to which **YOU** have not taken timely and reasonable steps to protect and minimize damage after **WE** or **OUR** authorized representative have provided **YOU** with authorization to prevent further damage;
8. Any damage to the extent it is incurred after or as a result of **YOUR** failure to notify **US** in a reasonably timely manner after **YOU** have become aware or should have become aware of the **CONSTRUCTION DEFECT** or condition causing such damage.
9. Any costs or obligations paid or incurred by **YOU** in violation of Section VII. C. below;
10. Any non-conformity with local building codes, regulations or requirements that has not resulted in a **CONSTRUCTION DEFECT**. While **WE** acknowledge **OUR** responsibility to build in accordance with applicable building codes, this **LIMITED WARRANTY** does not cover building code violations in the absence of a **CONSTRUCTION DEFECT**;

11. Any deviation from plans and specifications that has not resulted in a **CONSTRUCTION DEFECT**.
- B. **OUR LIMITED WARRANTY** does not cover any **CONSTRUCTION DEFECT** which would not have occurred in the absence of one or more of the excluded events or conditions listed in Exclusions, Section VI. A.1 a. – A.1.q., A.2. or A.3. above, regardless of:
1. the cause of the excluded event or condition; or
 2. other causes of the loss or damage; or
 3. whether other causes acted concurrently or in any sequence with the excluded event or condition to produce the loss or damage.

VII. Procedure to Request US To Perform Under This LIMITED WARRANTY

If **YOU** become aware of a condition that **YOU** believe is a **CONSTRUCTION DEFECT** under this **LIMITED WARRANTY**, **YOU** have the following responsibilities:

A. Notification

YOU must notify **US** in writing as soon as it is reasonably possible after **YOU** have become aware or should have become aware of a **CONSTRUCTION DEFECT**, but in no event may **YOUR** written notice of a **CONSTRUCTION DEFECT** or **YOUR** written request for warranty performance be postmarked or received by **US** later than thirty (30) days after this **LIMITED WARRANTY** has expired.

If the written notice is postmarked or received by **US** more than thirty (30) days after the expiration of this **LIMITED WARRANTY**, **WE** shall have no obligation to remedy the **CONSTRUCTION DEFECT**. In order to establish a record of timely notification, **WE** recommend that written notice should always be sent by Certified Mail, return receipt requested.

B. Cooperate With US

YOU must give **US** and any third parties acting on **OUR** behalf reasonable help in inspecting, investigating, testing (including destructive testing), monitoring, repairing, replacing or otherwise correcting an alleged **CONSTRUCTION DEFECT**. Help includes, but is not limited to, granting reasonable access to the **HOME** or **COMMON ELEMENTS** for the forgoing purposes. If **YOU** fail to cooperate or provide such reasonable access to the **HOME** or **COMMON ELEMENTS**, **WE** will have no obligation to do any of the foregoing.

C. Do Not Make Voluntary Payments

YOU agree not to make any voluntary payments or assume any obligations or incur any expenses for the remedy of a condition **YOU** believe is a **CONSTRUCTION DEFECT** without prior written approval from **US**, or other parties authorized to act on **OUR** behalf. **WE** will not reimburse **YOU** for costs incurred where **YOU** did not obtain prior written approval.

However, **YOU** may incur reasonable expenses in making repairs in an **EMERGENCY CONDITION** without prior written approval, provided the repairs are solely for the protection of the **HOME** or **COMMON ELEMENTS** from further damage or to prevent an unsafe living condition and provided **YOU** notify **US** as soon as is reasonably possible. To obtain reimbursement for repairs made during an **EMERGENCY CONDITION**, **YOU** must provide **US** with an accurate written record of the repair costs.

D. Sign A Release

When **WE** or a third party designated by **US** or acting on **OUR** behalf have completed repairing, replacing or paying **YOU** as to any **CONSTRUCTION DEFECTS** or other related damage to the **HOME** or the **COMMON ELEMENTS** covered by this **LIMITED WARRANTY**. **YOU** must sign a full release of **OUR** obligation for the **CONSTRUCTION DEFECTS**. The release shall be applicable to the **CONSTRUCTION DEFECTS** and shall not prevent **YOU** from notifying **US** should **YOU** become aware of a subsequent **CONSTRUCTION DEFECT**.

E. If **YOU** Disagree With **US**

If **YOU** believe **WE** have not responded to **YOUR** request for warranty performance to **YOUR** satisfaction or in a manner that **YOU** believe this **LIMITED WARRANTY** requires, **YOU** may provide written notice to **PWC** requesting Mediation. Upon **PWC**'s receipt of written notice from **YOU**, **PWC** may review and mediate **YOUR** request by communicating with **YOU**, **US**, and any other individuals or entities that **PWC** believes may possess relevant information. If after forty-five (45) days, **PWC** is unable to successfully mediate **YOUR** request for warranty performance, or at any earlier time when **PWC** determines that **YOU** and **WE** are at an impasse, **PWC** will notify **YOU** that **YOUR** request for warranty performance remains unresolved and that **YOU** may elect to initiate Binding Arbitration. Binding Arbitration as described in the following section is the sole remedy for the resolution of disputes between **YOU** and **US** as set forth in the following section.

VIII. Binding Arbitration Procedure

Any disputes between **YOU** and **US**, or parties acting on **OUR** behalf, including **PWC**, related to or arising from this **LIMITED WARRANTY**, the design or construction of the **HOME** or the **COMMON ELEMENTS** or the sale of the **HOME** or transfer of title to the **COMMON ELEMENTS** will be resolved by binding arbitration. Binding arbitration shall be the sole remedy for resolving any and all disputes between **YOU** and **US**, or **OUR** representatives. Disputes subject to binding arbitration include, but are not limited to:

- A. Any disagreement that a condition in the **HOME** or the **COMMON ELEMENTS** is a **CONSTRUCTION DEFECT** and is therefore covered by this **LIMITED WARRANTY**;
- B. Any disagreement as to whether a **CONSTRUCTION DEFECT** has been corrected in compliance with this **LIMITED WARRANTY**;
- C. Any alleged breach of this **LIMITED WARRANTY**;
- D. Any alleged violation of consumer protection, unfair trade practice, or any other statute;
- E. Any allegation of negligence, strict liability, fraud, and/or breach of duty of good faith, and any other claims arising in equity or from common law;
- F. Any dispute concerning the issues that should be submitted to binding arbitration;
- G. Any dispute concerning the timeliness of **OUR** performance and/or **YOUR** notifications under this **LIMITED WARRANTY**;
- H. Any dispute as to the payment or reimbursement of the arbitration filing fee;
- I. Any dispute as to whether this **LIMITED WARRANTY**, or any provision hereof, including, but not limited to any waiver hereunder, is unenforceable;
- J. Any other claim arising out of or relating to the sale, design or construction of **YOUR HOME** or the **COMMON ELEMENTS**, including, but not limited to any claim arising out of, relating to or based

on any implied warranty or claim for negligence or strict liability not effectively waived by this LIMITED WARRANTY.

The arbitration shall be conducted by Construction Arbitration Services, Inc., or such other reputable arbitration service that PWC shall select, at its sole discretion, at the time the request for arbitration is submitted. The rules and procedures of the designated arbitration organization, that are in effect at the time the request for arbitration is submitted, will be followed. A copy of the applicable rules and procedures will be delivered to YOU upon request.

This arbitration agreement shall be governed by the United States Arbitration Act (9 U.S.C. §§ 1 – 16) to the exclusion of any inconsistent state law, regulation or judicial decision. The award of the arbitrator shall be final and binding and may be entered as a judgment in any court of competent jurisdiction.

Each party shall bear its own attorneys fees and costs (including expert costs) for the arbitration. The arbitration filing fee and other arbitration fees shall be divided and paid equally as between YOU and US. This filing fee shall be no more than the amount charged by the arbitration service to PWC for each arbitration. Contact PWC to determine the arbitration filing fee in effect at the time an arbitration is being requested. The arbitrator shall, as part of any decision, award to the party prevailing at the arbitration any applicable filing fees or other arbitration fees paid by that party.

The process for YOU to initiate arbitration is described below.

Step 1 YOU complete a Binding Arbitration Request Form and mail it to PWC along with the appropriate arbitration filing fee. A Binding Arbitration Request Form is attached to this LIMITED WARRANTY. YOUR Binding Arbitration Request Form must be received no later than ninety (90) days after this LIMITED WARRANTY expires. YOU must still notify US of an alleged CONSTRUCTION DEFECT as soon as it is reasonably possible after YOU have become aware or should have become aware of the CONSTRUCTION DEFECT, but in no event later than thirty (30) days after expiration of this LIMITED WARRANTY. Please Note that while YOU have thirty (30) days after this LIMITED WARRANTY expires to notify US and ninety (90) days after it expires to file for arbitration, this time period does not extend the WARRANTY PERIOD for CONSTRUCTION DEFECTS. Additionally, no investigation, inspection, testing, repair, replacement, or payment, nor any promise of same by US under this LIMITED WARRANTY, nor any dispute resolution efforts, shall extend the term of this LIMITED WARRANTY or extend or toll any statutes of limitations or any of YOUR rights or remedies.

Step 2 PWC Will Arrange the Arbitration Proceeding. The arbitrator or arbitration organization will notify YOU of the time, date and location of the arbitration hearing. Most often the hearing will be conducted at the HOME or the COMMON ELEMENTS or some other location that is agreeable to all the parties to the dispute. In scheduling the hearing the arbitrator will set a time and date that is reasonably convenient to all the parties.

Step 3 The Arbitration Hearing. The parties at the arbitration hearing will include the arbitrator, YOU, US and/or a third party designated by US or acting on OUR behalf. Any party to the proceeding may be represented at the hearing. All persons who are parties to the arbitration, as well as representatives and witnesses, are entitled to attend hearings.

After evidence is presented by YOU, US or OUR representatives, a decision will be rendered by the arbitrator. The decision is final and binding on YOU and US. The arbitrator first will determine whether any claimed or alleged CONSTRUCTION DEFECT exists and whether it is OUR responsibility. Second, if the arbitrator finds US responsible for a CONSTRUCTION DEFECT, the arbitrator will determine the scope of any repair or replacement, OUR cost of any such repair or replacement, and the diminution in fair market value, if any, caused by such CONSTRUCTION DEFECT. Based upon the arbitrator's decision, WE shall choose whether WE shall (1) repair, replace the CONSTRUCTION DEFECT, (2) pay to YOU the actual amount it would cost US to repair or replace the CONSTRUCTION DEFECT or (3) PAY to YOU an amount equal to the diminution in fair market value caused by

the CONSTRUCTION DEFECT. The decision to repair, replace, or to make payment to YOU is at OUR or OUR authorized representative's sole option. In addition, the arbitrator shall render a decision resolving any other disputed matters or issues related to or arising from this LIMITED WARRANTY, the design or construction of the HOME or the COMMON ELEMENTS or the sale of the HOME or transfer of title to the COMMON ELEMENTS.

Step 4 OUR Arbitration Performance Obligations. WE will comply with the arbitrator's decision no later than 60 days from the date of the award or other such date as may be specified or allowed in the decision. However, delays caused by circumstances beyond OUR or OUR representative's control shall be excused.

Step 5. If YOU believe WE Have Failed To Comply With The Award. YOU should contact PWC at its mailing address specified in this LIMITED WARRANTY if YOU believe WE have not complied with the arbitrator's award. PWC will mediate this dispute and if it cannot be resolved, will advise YOU that a compliance inspection arbitration is available to determine whether WE have performed adequately under the original arbitration award. PWC will communicate these findings to both US and YOU. If it is determined that WE have not properly performed, WE will be obligated to immediately comply.

PWC's sole responsibility is to administer this LIMITED WARRANTY on OUR behalf and as such PWC assumes no other liabilities in connection with this LIMITED WARRANTY. Under no condition or circumstance is PWC responsible for fulfilling any of OUR obligations under this LIMITED WARRANTY.

IX. General Conditions

A. Separation of This LIMITED WARRANTY From The Contract Of Sale

This LIMITED WARRANTY is separate and independent of the contract between YOU and US for the construction and/or sale of the HOME or transfer of the COMMON ELEMENTS. The provisions of this LIMITED WARRANTY shall in no way be restricted or expanded by anything contained in the construction and/or sales contract or other documents between YOU and US.

B. Transfer to Subsequent HOMEOWNERS

This LIMITED WARRANTY will transfer to new owners of the HOME for the remainder of the WARRANTY PERIOD. YOU agree to provide this LIMITED WARRANTY to any subsequent purchaser of the HOME as a part of the contract of sale of the HOME. OUR duties under this LIMITED WARRANTY to the new HOMEOWNER will not exceed the limit of liability then remaining, if any.

C. Transfer of Manufacturer's Warranties

WE assign to YOU all the manufacturer's warranties on all appliances, fixtures and items of equipment that WE installed in the HOME. Should an appliance or item of equipment malfunction YOU must follow the procedures set forth in that manufacturer's warranty to correct the problem. OUR obligation under this LIMITED WARRANTY is limited to the workmanlike installation of such appliances and equipment. WE have no obligation for appliances and equipment defined as CONSUMER PRODUCTS.

D. Recovery Rights

If WE or a third party designated by US or acting on OUR behalf repairs, replaces or pays YOU as to a CONSTRUCTION DEFECT, or other related damage to the HOME or the COMMON ELEMENTS covered by this LIMITED WARRANTY, WE are entitled, to the extent of OUR payment, to take over YOUR related rights of recovery from other people and organizations, including but not limited to, other warranties and insurance. YOU have an obligation not to make it harder for US to enforce these rights. YOU agree to sign any papers, deliver them to US, and do anything else that is necessary to help US exercise OUR rights.

E. General Provisions

1. If any provision of this **LIMITED WARRANTY** is determined to be unenforceable, such a determination will not affect the remaining provisions. If this **LIMITED WARRANTY** or any provision herein is determined to be unenforceable as to a **HOMEOWNERS ASSOCIATION** or a specific **HOMEOWNER**, such a determination will not affect the enforceability of this **LIMITED WARRANTY** or such provision as to any other **HOMEOWNERS ASSOCIATION** or any other **HOMEOWNER**. The issue of enforceability, as well as all other issues, will be determined by Binding Arbitration as provided for in this **LIMITED WARRANTY**.
2. This **LIMITED WARRANTY** and the binding arbitration process are binding on **YOU** and **US**. It is also binding on **YOUR** and **OUR** heirs, executors, administrators, successors, and assigns, subject to paragraph B of the **General Conditions**.
3. As may be appropriate, the use of the plural in this **LIMITED WARRANTY** includes the singular, and the use of one gender includes all genders.

X. Definitions

BUILDER means the individual, partnership, corporation or other entity, which participates in the Warranty Program administered by the Professional Warranty Service Corporation and provides **YOU** with this **LIMITED WARRANTY**. Throughout this document the **BUILDER** is also referred to as "**WE**", "**US**" and "**OUR**".

COMMON ELEMENTS means the property as specified in the recorded Covenants, Conditions and Restrictions as common area and any other property as to which the **HOMEOWNERS ASSOCIATION** has standing under the law to make a claim. This may include, but is not limited to, streets, slopes, the structure or components of enclosure or other parts of the **HOME**, corridors, lobbies, vertical transportation elements, rooms, balconies, clubhouses or other spaces that are for the common use of the residents of the development in which the **HOME** is located. **SYSTEMS** serving two or more **HOMES**, and the outbuildings that contain parts of such **SYSTEMS** are also included in this definition.

CONSEQUENTIAL OR INCIDENTAL DAMAGES means any loss or injury other than:

- A. **OUR** cost to correct a **CONSTRUCTION DEFECT** including the correction of those surfaces, finishes and coverings damaged by the **CONSTRUCTION DEFECT**;
- B. **OUR** cost of repair or replacement of furniture, carpet or personal property damaged by the **CONSTRUCTION DEFECT**. Should replacement be necessary, **OUR** obligation is limited to replacement with items providing the same function and quality and that are readily available at the time the item is being replaced.
- C. **OUR** costs of removal or replacement in order to repair or replace a **CONSTRUCTION DEFECT**;
- D. The reasonable cost of the **HOMEOWNER'S** alternative shelter where the **HOME** is uninhabitable due to a **CONSTRUCTION DEFECT** or where the **HOME** is rendered uninhabitable by the repair of the **CONSTRUCTION DEFECT**.

Diminished fair market value is considered "**CONSEQUENTIAL OR INCIDENTAL DAMAGE**" and is excluded under this **LIMITED WARRANTY** unless **WE** elect this remedy in lieu of the repair, replacement or other payment as to a **CONSTRUCTION DEFECT**.

CONSTRUCTION DEFECT(S) means a flaw in the materials or workmanship used in constructing the **HOME** that:

- materially affects the structural integrity of the **HOME** or the **COMMON ELEMENTS**; or
- has an obvious and material negative impact on the appearance of the **HOME** or the **COMMON ELEMENTS**;

or

- jeopardizes the life or safety of the occupants; or
- results in the inability of the **HOME** or the applicable **COMMON ELEMENTS** to provide the functions that can reasonably be expected in a residential dwelling.

WE and any arbitrator assigned to rule relative to a **CONSTRUCTION DEFECT** will consider both this definition and

Section III – A. (Standards By Which the Presence of a CONSTRUCTION DEFECT Will Be Determined) in determining the existence of a CONSTRUCTION DEFECT. A flaw is a CONSTRUCTION DEFECT if either WE or an arbitrator conducting a binding arbitration hearing declares the flaw to be a CONSTRUCTION DEFECT. OUR obvious and visible failure to complete the construction of the HOME or COMMON ELEMENTS, or any portion of the HOME or COMMON ELEMENTS, is not a CONSTRUCTION DEFECT.

CONSUMER PRODUCT means any item of equipment, appliance or other item defined as a CONSUMER PRODUCT in the Magnuson-Moss Warranty Act (15 U.S.C. §. 2301, et seq.) Examples of Consumer Products include, but are not limited to dishwasher, garbage disposal, gas or electric cook-top, range, range hood, refrigerator or refrigerator/freezer combination, gas oven, electric oven, microwave oven, trash compactor, garage door opener, clothes washer and dryer, hot water heater and thermostat.

EMERGENCY CONDITION means an event or situation that creates the imminent threat of damage to the HOME or COMMON ELEMENTS, or results in an unsafe living condition due to a CONSTRUCTION DEFECT that YOU (or as applicable, the HOMEOWNERS ASSOCIATION) become aware of at a point in time other than OUR normal business hours and YOU were unable to obtain OUR or OUR authorized representative's prior written approval to initiate repairs to stabilize the condition or prevent further damage.

HOME means a single family residence either attached or detached covered by this LIMITED WARRANTY or a condominium or cooperative unit in a multi-unit residential structure/building covered by this LIMITED WARRANTY.

HOME BUILDER'S LIMITED WARRANTY means only this express warranty document provided to YOU by US.

HOMEOWNER means the first person(s) to whom a HOME (or a unit in a multi-unit residential structure/building) is sold, or for whom such HOME is constructed, for occupancy by such person or such person's family, and such person's(s) successors in title to the HOME or mortgagees in possession and any representative of such person(s) who has standing to make a claim on that person(s) behalf, including any class representative or HOMEOWNERS ASSOCIATION making a claim in a representative capacity.

HOMEOWNERS ASSOCIATION means a profit or nonprofit corporation, unincorporated association, organization, partnership, assessment district, limited liability company, limited liability partnership or other entity of any kind that owns, manages, maintains, repairs, administers, or is otherwise responsible for and has standing to make a claim as to any part of the COMMON ELEMENTS.

POLLUTANTS means all solid, liquid, or gaseous irritants or contaminants. The term includes, but is not limited to, petroleum products, smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, radon gas, and waste materials, including materials to be recycled.

PWC means Professional Warranty Service Corporation, which administers the warranty program in which WE participate. As such, PWC assumes no other liabilities in connection with this LIMITED WARRANTY. The PWC mailing address is: Professional Warranty Service Corporation
P.O. Box 800 Annandale, VA 22003-0800

SYSTEMS means the following:

- (a) Plumbing system - gas supply lines and fittings; water supply, waste and vent pipes and their fittings; septic tanks and their drain fields; and water, gas and sewer services piping and their extensions to the tie-in of a public utility connection or on-site well and sewage disposal system.
- (b) Electrical system - all wiring, electrical boxes, switches, outlets, and connections up to the public utility connection.
- (c) Heating, Cooling, and Ventilation system - all duct-work; steam, water and refrigerant lines; and registers, connectors, radiation elements and dampers.

WARRANTY PERIOD shall commence on the date the title to the HOME is transferred to the first HOMEOWNER. Notwithstanding anything to the contrary set forth in this LIMITED WARRANTY, the WARRANTY PERIOD for the COMMON ELEMENTS of an individual structure/building commences on the date the title for the first HOME in the structure/building is transferred to the first HOMEOWNER or as concerns clubhouses or outbuildings or other COMMON ELEMENTS not part of the HOME the date the title to these structures is transferred to the

HOMEOWNERS ASSOCIATION. The dates the **WARRANTY PERIOD** begins and ends are indicated on the Limited Warranty Validation Form, which is attached to and made part of this **LIMITED WARRANTY**.

WE, US, OUR means the **BUILDER**.

YOU, YOUR means the **HOMEOWNER** and the **HOMEOWNERS ASSOCIATION**.

SAMPLE

BINDING ARBITRATION REQUEST FORM

Dear Homeowner (Homeowners Association):

Prior to requesting binding arbitration under the terms of the HOME BUILDER'S LIMITED WARRANTY, you should have sent your builder a clear and specific written request outlining the situation or condition that you are herein submitting to binding arbitration. If you have taken this step and believe the builder has not properly responded in accordance with the HOMEBUILDER'S LIMITED WARRANTY, fill out this form and send it to PWC along with the arbitration filing fee. Be sure to attach a copy of all pertinent correspondence between you and your builder relative to the issue.

The information you need to fill out this form can be found on the Limited Warranty Validation Form. However, if you do not know the answers to any questions, write "Don't Know." Please do not leave any item blank.

Your name: _____

Address: _____

CITY

STATE

ZIP

Home Phone: (____) _____

Business Phone: (____) _____

LIMITED WARRANTY #:

Date Warranty Period begins: _____

Builder's Name:

Address: _____

Describe the dispute that you wish to submit to binding arbitration under the terms of the HOME BUILDER'S LIMITED WARRANTY. If the dispute is relative to a construction defect please include information on when the construction defect(s) first occurred or when you first noticed the construction defect. (Attach additional sheets, if necessary).

I/we are hereby requesting PWC to initiate a binding arbitration to resolve the dispute described herein above.

Signature

Date

Signature

Date

INSTRUCTIONS: Photo-copy this form and complete the fields.

Obtain the required arbitration filing fee by contacting PWC at 1-800/850-2799.

Send this Binding Arbitration Request Form and the arbitration filing fee to:

PROFESSIONAL WARRANTY SERVICE CORPORATION
P. O. BOX 800
ANNANDALE, VIRGINIA 22003-0800

SUBSEQUENT HOME BUYER ACKNOWLEDGMENT AND TRANSFER

Any coverage remaining under the HOME BUILDER'S LIMITED WARRANTY applicable to the home specified on the Limited Warranty Validation Form is transferred to the subsequent homeowner. Any obligations under the HOME BUILDER'S LIMITED WARRANTY to any subsequent homeowner shall not exceed the limit of liability remaining at the time of transfer, if any.

The undersigned home buyer(s) hereby acknowledge and agree:

I/we acknowledge that I have reviewed, understand and agree to all the terms of the HOME BUILDER'S LIMITED WARRANTY document (PWC Form No. 117)

I/we understand and acknowledge that Professional Warranty Service Corporation ("PWC") is not the warrantor of the HOME BUILDER'S LIMITED WARRANTY.

I/we understand that I/we am responsible for the maintenance of the home including maintenance of the grade of the land surrounding the home, and that the builder shall not be responsible for any defect of damage to the home which is the result of my/our failure to maintain the home.

I/we acknowledge and agree to the Binding Arbitration Procedure contained in the HOME BUILDER'S LIMITED WARRANTY.

Signature(s) of Subsequent Home Buyer(s): _____ Date: _____

Print above name(s): _____

Re-issuance of the Limited Warranty Validation Form with the name(s) of the new Home Buyer(s) is not necessary for you to receive the coverage remaining under the HOME BUILDER'S LIMITED WARRANTY. Upon receipt of this signed form, PWC will update its records to reflect the name(s) of the new homeowner(s). If you want PWC to issue another Limited Warranty Validation Form with your name(s) on the form, please check the box below and send a check in the amount of \$20.00 made payable to "PWC" with your submission of this form.

YES, re-issue the Limited Warranty Validation Form in the above name(s) (check box) Initial _____

Address of Home: _____

Limited Warranty No.: _____

INSTRUCTIONS: Photo-copy this form. Provide information requested, sign, fill in Limited Warranty # in the space provided (this number is provided on the Limited Warranty Validation Form), and provide a telephone number where you can be reached (_____) _____. If you want the Limited Warranty Validation Form reissued in your name, enclose your check to PWC in the amount of \$20.00 (check box above and initial). To reach PWC by phone, call: 1-800/850-2799.

Mail this form and a photocopy of applicable settlement/closing documents indicating transfer of title, to:

PROFESSIONAL WARRANTY SERVICE CORPORATION P.O. BOX 800 ANNANDALE, VA 22003-0800

EXHIBIT "E"

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

Apartment

Monthly Fee x 12 months = Yearly Total

Note on page 17 of this Public Report that in addition to the monthly maintenance fees herein, annual dues must be paid to the Palehua Community Association, of which the Ocean Ridge Project is a part of.

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

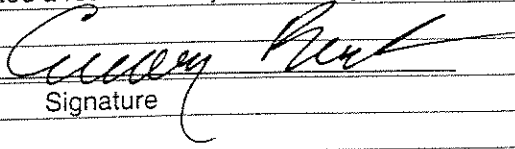
**Estimated Fee
Disbursement
Incr 1**

Ocean Ridge at Makakilo
(30 units)

	<u>Monthly</u>	<u>Annually</u>
<u>Utilities and Services</u>		
Electricity (common elements only)	\$240.00	\$2,880.00
Water	\$1,200.00	\$14,400.00
Sewer	\$900.00	\$10,800.00
<u>Maintenance, Repairs and Supplies</u>		
Grounds Maintenance	\$1,100.00	\$13,200.00
Tree Trimming	\$250.00	\$3,000.00
Pest Control	\$180.00	\$2,160.00
Fire System and Equipment	\$10.00	\$120.00
Supplies/Misc Repairs	\$300.00	\$3,600.00
Trash Collection	\$650.00	\$7,800.00
Management Fee	\$675.00	\$8,100.00
Design Review Services	\$150.00	\$1,800.00
Misc/Office/Education Expenses	\$200.00	\$2,400.00
<u>Insurance</u>		
Property	\$1,300.00	\$15,600.00
General Liability	\$85.00	\$1,020.00
Umbrella Liability	\$45.00	\$540.00
D & O	\$45.00	\$540.00
Bond	\$40.00	\$480.00
<u>Taxes and Government Assessments</u>	\$15.00	\$180.00
<u>Professional Services/Legal/Other</u>	\$50.00	\$600.00
<u>Audit and Tax Preparation</u>	\$75.00	\$900.00
<u>Reserves</u>	\$1,050.00	\$12,600.00
Total	\$8,560.00	\$102,720.00

I, Emory Bush, as agent for/and/or employed by Hawaiiana Management Company, the condominium managing agent/developer for the Ocean Ridge at Makakilo Incr 1 project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Pursuant to 514A-83.6, Hawaii Revised Statutes, a new association created after January 1, 1993 need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting. The Developer has not conducted a reserve study for the Project. The budget amount for Reserves is an estimate only.


Signature

1-20-05
Date

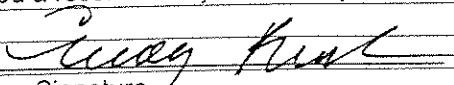
**Estimated Fee
Disbursement
Incr 1 and 2**

Ocean Ridge at Makakilo
(68 units)

	<u>Monthly</u>	<u>Annually</u>
Utilities and Services		
Electricity (common elements only)	\$544.00	\$6,528.00
Water	\$2,720.00	\$32,640.00
Sewer	\$2,040.00	\$24,480.00
Maintenance, Repairs and Supplies		
Grounds Maintenance	\$2,275.00	\$27,300.00
Tree Trimming	\$500.00	\$6,000.00
Pest Control	\$410.00	\$4,920.00
Fire System and Equipment	\$20.00	\$240.00
Supplies/Misc Repairs	\$600.00	\$7,200.00
Trash Collection	\$1,300.00	\$15,600.00
Management Fee	\$1,250.00	\$15,000.00
Design Review Services	\$300.00	\$3,600.00
Misc/Office/Education Expenses	\$400.00	\$4,800.00
Insurance		
Property	\$2,950.00	\$35,400.00
General Liability	\$210.00	\$2,520.00
Umbrella Liability	\$105.00	\$1,260.00
D & O	\$105.00	\$1,260.00
Bond	\$90.00	\$1,080.00
Taxes and Government Assessments	\$30.00	\$360.00
Professional Services/Legal/Other	\$100.00	\$1,200.00
Audit and Tax Preparation	\$100.00	\$1,200.00
Reserves	\$2,380.00	\$28,560.00
Total	\$18,429.00	\$221,148.00

I, Emory Bush, as agent for/and/or employed by Hawaiiana Management Company, the condominium managing agent/developer for the Ocean Ridge at Makakilo Incr 1&2 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.

Pursuant to 514A-83.6, Hawaii Revised Statutes, a new association created after January 1, 1993 need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting. The Developer has not conducted a reserve study for the Project. The budget amount for Reserves is an estimate only.


Signature

1-20-05
Date

Estimate of Initial Maintenance Fees

Incr 1 and 2

Ocean Ridge at Makakilo
(68 Units)

Model Type	Residence Number	% Common Interest	Monthly Fee	Yearly Total
A/AR	101	1.4423000%	\$265.80	\$3,189.62
A/AR	104	1.4423000%	\$265.80	\$3,189.62
A/AR	201	1.4423000%	\$265.80	\$3,189.62
A/AR	204	1.4423000%	\$265.80	\$3,189.62
A/AR	301	1.4423000%	\$265.80	\$3,189.62
A/AR	304	1.4423000%	\$265.80	\$3,189.62
A/AR	401	1.4423000%	\$265.80	\$3,189.62
A/AR	404	1.4423000%	\$265.80	\$3,189.62
A/AR	501	1.4423000%	\$265.80	\$3,189.62
A/AR	504	1.4423000%	\$265.80	\$3,189.62
A/AR	601	1.4423000%	\$265.80	\$3,189.62
A/AR	606	1.4423000%	\$265.80	\$3,189.62
A/AR	701	1.4423000%	\$265.80	\$3,189.62
A/AR	704	1.4423000%	\$265.80	\$3,189.62
A/AR	801	1.4423000%	\$265.80	\$3,189.62
A/AR	806	1.4423000%	\$265.80	\$3,189.62
A/AR	901	1.4423000%	\$265.80	\$3,189.62
A/AR	906	1.4423000%	\$265.80	\$3,189.62
A/AR	1001	1.4423000%	\$265.80	\$3,189.62
A/AR	1006	1.4423000%	\$265.80	\$3,189.62
A/AR	1101	1.4423000%	\$265.80	\$3,189.62
A/AR	1106	1.4423000%	\$265.80	\$3,189.62
A/AR	1201	1.4423000%	\$265.80	\$3,189.62
A/AR	1204	1.4423000%	\$265.80	\$3,189.62
A/AR	1301	1.4423000%	\$265.80	\$3,189.62
A/AR	1304	1.4423000%	\$265.80	\$3,189.62
A/AR	1401	1.4423000%	\$265.80	\$3,189.62
A/AR	1406	1.4423000%	\$265.80	\$3,189.62
B/BR	102	1.4903900%	\$274.66	\$3,295.97
B/BR	103	1.4903900%	\$274.66	\$3,295.97
B/BR	202	1.4903900%	\$274.66	\$3,295.97
B/BR	203	1.4903900%	\$274.66	\$3,295.97
B/BR	302	1.4903900%	\$274.66	\$3,295.97
B/BR	303	1.4903900%	\$274.66	\$3,295.97
B/BR	402	1.4903900%	\$274.66	\$3,295.97
B/BR	403	1.4903900%	\$274.66	\$3,295.97
B/BR	502	1.4903900%	\$274.66	\$3,295.97
B/BR	503	1.4903900%	\$274.66	\$3,295.97
B/BR	602	1.4903900%	\$274.66	\$3,295.97
B/BR	603	1.4903900%	\$274.66	\$3,295.97
B/BR	604	1.4903900%	\$274.66	\$3,295.97
B/BR	605	1.4903900%	\$274.66	\$3,295.97
B/BR	702	1.4903900%	\$274.66	\$3,295.97

EXHIBIT "F"

SUMMARY OF SALES CONTRACT

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

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

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

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS-CONTAINED IN THE PURCHASE AGREEMENT. WHILE A BUYER CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF BUYER'S RIGHTS AND OBLIGATIONS UNDER THE PURCHASE AGREEMENT, BUYER MUST REFER TO THE PURCHASE AGREEMENT TO DETERMINE BUYER'S ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE PURCHASE AGREEMENT, THE PURCHASE AGREEMENT WILL CONTROL.

END OF EXHIBIT "F"

EXHIBIT "G"

SUMMARY OF ESCROW AGREEMENT

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

- (a) Escrow will let the purchaser know when payments are due.
- (b) Escrow will arrange for the purchaser to sign all necessary documents.
- (c) Except under certain circumstances as set forth in the Sales Contract, all deposits toward the purchase price shall be the property of the Developer. Provided that the purchaser is not in default under the Sales Contract and the Sales Contract contains a financing provision, purchaser's deposits, less escrow cancellation fees and third party lender fees, is refundable to purchaser if purchaser fails to qualify for a mortgage loan. Otherwise, all deposits toward the purchase price shall be the property of the Developer. The purchaser will be entitled to a refund of his or her funds only under certain circumstances.

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

END OF EXHIBIT "G"

EXHIBIT "H"

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

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

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT "I"

OCEAN RIDGE AT MAKAKILO SHARED APPRECIATION ADDENDUM Condominium Residence No. _____

This Addendum amends that Fee Simple Home Purchase Agreement (the "Sales Contract"), reference dated _____, by and between D.R. Horton-Schuler Homes, LLC dba D.R. Horton-Schuler Division ("Seller") and _____ ("Buyer") for the purchase of Residence No. _____ ("Residence") at the Ocean Ridge at Makakilo community ("Community"). Buyer and Seller agree as follows:

1. REPRESENTATION REGARDING OCCUPANCY OR INVESTMENT

Buyer to initial either A or B:

_____/_____/_____ A. Buyer hereby represents and warrants that Buyer is purchasing the Residence to be owned and occupied by Buyer as Buyer's **primary residence** and not for investment purposes or rental. Buyer acknowledges that any misrepresentation in this respect of this issue will be a material default of the Sales Contract that entitles Seller to all remedies thereunder including, but not limited to, a termination of the Sales Contract and retention of any deposits made by Buyer as liquidated damages. Additionally, Buyer understands that if Buyer is applying for FHA or VA financing, such misrepresentation on any FHA or VA application form may result in criminal penalties, including, but not limited to, a fine or imprisonment or both under the provisions of federal law. Buyer further acknowledges that this representation and warranty must be renewed at close of escrow (hereafter "Closing") by signing the Declaration of Covenants Restricting Resale or Rental of Property hereinafter defined.

_____/_____/_____ B. Buyer hereby represents and warrants that Buyer is purchasing the Residence to be owned and occupied as Buyer's **secondary residence** and not for investment purposes or rental. Buyer acknowledges that any misrepresentation in this respect will be a material default of the Sales Contract that entitles Seller to all remedies thereunder including, but not limited to, a termination of the Sales Contract and retention of any deposits made by Buyer as liquidated damages. Additionally, Buyer understands that if Buyer is applying for FHA or VA financing, such misrepresentation on any FHA or VA application form may result in criminal penalties, including but not limited to a fine or imprisonment or both under the provisions of federal law. Buyer further acknowledges that this representation and warranty must be renewed at Closing by signing the Declaration of Covenants Restricting Resale or Rental of Property hereinafter defined. Buyer acknowledges that Seller can, in its sole and absolute discretion, prohibit or limit the number of secondary residence purchases in the subdivision.

If Buyer represents and warrants to Seller that Buyer will occupy the Residence pursuant to paragraphs A or B above and Seller becomes aware through any source that Buyer's representation and warranty to occupy the Residence is not true (for example, but without limitation, Buyer is actively marketing the Residence for sale or rent, Buyer informs Seller's salesperson, or Buyer's lender indicates that Buyer is purchasing for investment purposes), Seller shall have the right, in its sole discretion, to either (a) increase the amount that Buyer must pay as an earnest money deposit ("Deposits") or (b) terminate the Sales Contract by written notice to Buyer of the same, in which event such activity shall be deemed a material default of the Sales Contract and Seller shall be entitled to retain any Deposits made by Buyer as liquidated damages. Buyer shall be deemed to be actively marketing the Residence for sale

or rent if Buyer lists the Residence for sale, advertises the Residence for sale or rent or solicits buyers or renters for the Residence.

2. COVENANTS RESTRICTING RENTAL OF PROPERTY. If Buyer represents and warrants to Seller that Buyer will occupy the Residence pursuant to paragraph A or B above, the following applies to Buyer's use of the Residence. The following covenants shall apply to any Buyer other than a Buyer that purchases the Residence using FHA or VA financing.

a. Buyer hereby agrees and covenants not to rent the Residence for a period of 365 days after recordation of the conveyance document (hereafter the "Owner Occupant Period"). Buyer and Seller recognize and acknowledge that it is impossible to determine accurately the amount of any damages that Seller will incur if Buyer breaches this Paragraph 2(a) and, therefore, in the event of any such breach, Buyer shall pay Seller as liquidated damages, and not as a penalty, \$20,000.00 if Buyer rents the Residence prior to the expiration of such Owner Occupant Period. Further, and in addition to any restriction set forth in any recorded covenant, condition or restriction affecting the Residence, Buyer shall not place a "for rent" or "for sale" sign on the Residence until the expiration of the Owner Occupant Period (collectively the "Rental Covenant").

b. Buyer hereby agrees to occupy Buyer's new home during the Owner Occupant Period. Buyer also agrees that the conveyance of the Residence shall be made subject to a transfer restriction during the Owner Occupant Period that provides in the event Buyer elects to sell or to market for sale the Residence during the Owner Occupant Period, Seller shall have a priority lien on the Residence (the "Shared Appreciation Lien") in the amount of 50% of the amount by which the net re-sale price of the Residence exceeds the Purchase Price, defined in the Sales Contract. The Shared Appreciation Lien shall be payable at the closing of any re-sale of the Residence that occurs during the Owner Occupant Period or for a period of 90 days thereafter (the "Transfer Restriction Period". The Shared Appreciation Lien shall expire, automatically without further action of the parties, at the conclusion of the Transfer Restriction Period. The Shared Appreciation Lien shall be enforceable as if it were a mortgage and Seller shall be entitled to all of the remedies at law and equity in respect of this mortgage lien right.

c. Buyer's covenant not to sell and not to rent, Buyer's obligation to pay liquidated damages to Seller if Buyer breaches the rental covenant, the foregoing Shared Appreciation Lien and transfer restriction and the foregoing restriction on displaying "for rent" or "for sale" sign shall be set forth in a separate Declaration of Covenants Restricting Resale or Rental of Property (the "Use Restriction Covenant") that shall be executed by Buyer at Closing and shall be recorded upon Closing as an encumbrance upon the Residence. The Use Restriction Covenant shall be subordinate to all mortgages or mortgage or home equity loans on the Residence.

3. RELEASE OF COVENANTS.

a. Seller may in its reasonable discretion, based on proof satisfactory to Seller, waive the foregoing Use Restriction Covenant and Shared Appreciation Lien under certain extenuating circumstances, including but not limited to the following:

- i. A transfer by Buyer where the spouse or one or more children of Buyer become the only co-owner with Buyer of the Residence;

- ii. A transfer by Buyer into a revocable inter vivos trust in which Buyer is a beneficiary;
- iii. A transfer resulting from the decree of dissolution of marriage or legal separation or from a property settlement agreement incident to such decree;
- iv. A transfer, conveyance, pledge, assignment or other hypothecation of the Residence to secure the performance of an obligation, which transfer, conveyance, pledge, assignment or hypothecation will be released or reconveyed upon the completion of such performance;
- v. A transfer by Buyer where (1) at the time of transfer Buyer is occupying the Residence as Buyer's place of residence and (2) the transfer is necessary to facilitate Buyer's relocation of his place of residence in order to accommodate a job transfer or to accommodate a change in employment locater greater than twenty-five miles; and
- vi. A transfer resulting from circumstances beyond the control of Buyer.
- vii. An unforeseeable transfer of Buyer, if Buyer is in a branch of the United States Armed Forces.

b. Seller may release the foregoing restrictions and the Shared Appreciation Lien in favor of the Seller if the Residence is financed under a federally subsidized mortgage program and such restrictions and Shared Appreciation Lien would jeopardize the federal government's ability to recapture any interest credit subsidies. Similarly, the Seller may waive any of the foregoing restrictions and the Shared Appreciation Lien in favor of the Seller in order to comply with or conform to the requirements of federal laws or regulations governing mortgage insurance or guarantee programs or requirements set forth by federally chartered secondary mortgage market participants.

c. The foregoing restrictions and the Shared Appreciation Lien in favor of the Seller shall not apply in the case of a partial transfer of title to the Residence to a surviving Buyer by operation of law upon the death of a Buyer who held title to the Residence in joint tenancy or tenancy by the entirety with the surviving Buyer, provided that the restriction and Shared Appreciation Lien shall remain in full force and effect with regard to any subsequent transfer by the surviving Buyer.

d. The foregoing restrictions and the Shared Appreciation Lien in favor of the Seller shall be automatically extinguished and shall not apply in subsequent transfers of title to the Residence when a mortgage holder or other party becomes the owner of the Residence pursuant to a mortgage foreclosure, foreclosure under power of sale, or a conveyance in lieu of foreclosure after a foreclosure action is commenced. The term "mortgage holder" as used herein shall include the United States Department of Housing and Urban Development, Federal Housing Administration, the United States Department of Agriculture, the Farmers Home Administration or other federal or state agencies engaged in housing activity, the Administrator of Veterans Affairs, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, and any private mortgage lender, private mortgage insurer and their successors, grantees and assigns.

All defined terms herein shall have the same meaning as set forth in the Sales Contract.

All other terms and conditions of this Sales Contract Addendum shall remain in full force and effect. The undersigned acknowledges receipt of a fully completed copy of this addendum.

BUYER:

Date: _____

Date: _____

ACCEPTED BY SELLER:

D.R. HORTON -- SCHULER HOMES, LLC,
a Delaware limited liability company
dba D.R. HORTON-SCHULER DIVISION

Mary K. Flood
Vice President/Sales & Marketing

Date: _____

Return by Mail [] Pickup []

Total Pages:

DECLARATION OF COVENANTS RESTRICTING RESALE OR RENTAL OF PROPERTY

This Declaration of Covenants Restricting Resale or Rental of Property (the "Declaration of Covenants") is made on _____, by _____, the owner ("Owner") and D.R. HORTON-SCHULER HOMES, LLC, a Delaware limited liability company, dba D.R. Horton – Schuler Division ("Seller").

A. Owner has purchased from Seller the property described on Exhibit A attached hereto and incorporated hereby by this reference (the "Property").

B. Seller desires to ensure the availability of "owner occupied" financing for its communities and provide as many people as possible with the opportunity for home ownership. Accordingly, as partial consideration paid to Seller by Owner for the purchase of the Property, Owner agreed to enter into this Declaration of Covenants that provides, among other things, that Owner will not resell or rent the Property for one (1) year from the date of recordation of the conveyance document (hereinafter "Closing").

C. Upon execution, this Declaration of Covenants shall be recorded in the Bureau of Conveyances of the State of Hawaii and/or the Office of the Assistant Registrar of the Land Court of the State of Hawaii.

ARTICLE I
DECLARATION

1.1 Restriction on Rental of Property. Owner, for itself, its successors, and its assigns, hereby declares and agrees that it shall not lease, rent or otherwise transfer its rights, title, or interest in the Property during the period beginning as of even date herewith and expiring one (1) year from Closing (the "Owner Occupant Period"), without the prior written consent of Seller, which consent may be withheld in Seller's sole discretion.

1.2 Resale and Transfer Restriction Period. During the Owner Occupant Period, Owner shall not sell, offer for sale or transfer the Property to a third party except as permitted by this Declaration of Covenants. If Owner sells or offers for sale the Property and transfers the Property to a third party during the Owner Occupant Period or for a period of 90 days thereafter (the "Transfer Restriction Period"), Seller shall have a priority lien on the Property (the "Shared Appreciation Lien") in the amount of 50% of the amount by which the net re-sale price of the Property, defined below, exceeds the Adjusted Purchase Price, also defined below. The Shared Appreciation Lien shall be payable at the closing of any re-sale of the Property that occurs during the Transfer Restriction Period. The Shared Appreciation Lien shall expire, automatically without further action of the parties, at the conclusion of the Transfer Restriction Period. Seller's Shared Appreciation Lien shall be enforceable as if it were a mortgage and Seller shall be entitled to all of the remedies at law and equity in respect of this mortgage lien right. "Net re-sale price of the Property" means the gross sales price of the Property, less sales commissions not exceeding six percent (6%) of the gross sales price and less customary closing costs incurred in the State of Hawaii in an amount not exceeding one percent (1%) of the gross sales price.

The "Adjusted Purchase Price" shall not exceed the sum of:

- (A) The original cost of the Property to the Owner,
- (B) The cost of any capital improvements added to the Property by the Owner; and
- (C) Simple interest on the original cost of the Property and the cost of the Owner's capital improvements calculated at the rate of one percent (1%) per annum.

1.3 Sign Restriction. Owner, its successors and assigns shall not place a "for sale" or "for rent" sign on the Property during the Owner Occupant Period.

1.4 Liquidated Damages. Owner acknowledges and agrees that if Owner breaches its obligation under Section 1.1 or Section 1.3, the damages sustained by Seller shall be difficult to calculate with any precision. Accordingly, if Owner or any of its successors or assigns leases, rents or otherwise licenses during the Owner Occupant Period any rights, title, or interest in the Property without Seller's written consent, Owner shall pay to Seller as liquidated damages the sum of \$20,000.00.

1.5 Covenants Run with the Property. These covenants shall run with the Property and shall bind and be a charge on the Property, Owner, and Owner's heirs, successors, and assigns from the date hereof until the expiration of the Restriction Period.

1.6 Consideration. Owner's execution of this Declaration of Covenants is partial consideration for Seller's agreement to execute the purchase contract by which the Property was conveyed by Seller to Owner.

ARTICLE II
LIEN AND SUBORDINATION TO LENDER

2.1 Grant of Lien to Seller. Without limitation of the Shared Appreciation Lien set forth in Section 1.2, Owner hereby grants to Seller a lien against the Property (the "Lien") to secure Owner's obligations hereunder. Seller may promptly initiate proceedings to foreclose the Lien if Owner defaults in its obligation to pay Seller liquidated damages in the amount of \$20,000.00 under the Declaration of Covenants. Owner agrees that all of Seller's reasonable costs and expenses of foreclosure, including reasonable attorney's fees and interest at the rate of 15% per annum from the date of said default, shall become additional indebtedness owed by Owner to Seller that is secured by this Lien. Owner hereby waives any "home" exemption or other exemption now or hereafter existing or enacted under either Hawaii or federal law. No transfer of any rights, title or interest in the Property shall relieve Owner from the personal obligation to pay liquidated damages, together with interest, costs, and other reasonable attorneys' fees, pursuant to this Declaration of Covenants; provided, however, that Owner's obligations under this Declaration of Covenants shall not extend to any breach of this Declaration of Covenants by Owner's successor(s) in title.

2.2 Subordination to Lender. This Declaration of Covenants shall have priority over all liens or claims created subsequent to the recordation of this Declaration of Covenants except for (i) tax liens for real property taxes on the Property, (ii) assessments on the Property in favor of any municipal or other governmental body and (iii) any lien of all mortgages or home equity loans encumbering the Property.

ARTICLE III
EXCEPTIONS

3.1 Seller's Exceptions. Seller may in its reasonable discretion, based on proof satisfactory to Seller, waive the foregoing covenant under certain extenuating circumstances, including but not limited to the following:

- a. A transfer by Owner where the spouse or one or more children of Owner become the only co-owner of the Property;
- b. A transfer by Owner into a revocable inter vivos trust in which Owner is a beneficiary;
- c. A transfer resulting from the decree of dissolution of marriage or legal separation or from a property settlement agreement incident to such decree;
- d. The transfer, conveyance, pledge, assignment or other hypothecation of the Property to secure the performance of an obligation, which transfer, conveyance, pledge, assignment or hypothecation will be released or reconveyed upon the completion of such performance;
- e. The transfer by Owner where (1) at the time of transfer Owner is occupying the Property as Owner's place of residence and (2) the transfer is necessary to

facilitate Owner's relocation of his place of residence in order to accommodate a job transfer or to accommodate a change in reemployment location greater than twenty-five miles; and

- f. A transfer resulting from circumstances beyond the control of Owner.
- g. An unforeseeable transfer of Buyer, if Buyer is in a branch of the United States Armed Forces.

ARTICLE IV MISCELLANEOUS

4.1 Remedies. In addition to its right of foreclosure under Section 2.1, Seller shall have all other remedies of a legal or equitable nature provided by Hawaii law, including, but not limited to, the right to initiate an action to enjoin any rental of this Property during the Owner Occupant Period.

4.2 Attorneys' Fees. Seller shall be entitled to reimbursement by Owner of all of Seller's reasonable costs and attorneys' fees if it prevails in any action to enforce the provisions of this Declaration of Covenants.

4.3 Governing Law and Venue. This Declaration of Covenants shall be construed according to the laws of the State of Hawaii, and venue for any action hereunder shall be in any court of competent jurisdiction located in the county in which the Property is located.

4.4 Severability. If any provision of this Declaration of Covenants is held invalid or void by a court of competent jurisdiction, such provision shall be deemed severable from the remainder of this Declaration of Covenants and shall in no other way affect the enforceability of any other provision herein.

4.5 Captions. The titles, headings, and captions used in this Declaration of Covenants are for convenience of reference and are not to be interpreted to affect the meaning of any of the provisions herein.

(THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, Owner and D.R. Horton-Schuler Homes, LLC, dba D.R. Horton – Schuler Division have executed this Declaration of Covenants effective as of the date first written above.

OWNER:

SELLER:

D.R. HORTON – SCHULER HOMES, LLC,
a Delaware limited liability company,
dba D.R. Horton – Schuler Division

By VERTICAL CONSTRUCTION ORPORATION,
a Delaware corporation
Its Manager

By _____

Its

Owner

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

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

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

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

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

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