

**DEVELOPER'S PUBLIC REPORT  
FOR A CONDOMINIUM**

CONDOMINIUM PROJECT NAME	AINAHAU GARDENS
Project Address	2442 Tusitala Street Honolulu, Hawaii 96815
Registration Number	6456 (Conversion)
Effective Date of Report	<b>November 19, 2007</b>
Developer(s)	Ainahau Gardens LLC

**Preparation of this Report**

The Developer prepared this report to disclose relevant information, including "material facts", that are reasonably known to the Developer about the condominium project covered by this report. This report has been prepared pursuant to the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, as amended from time to time. The law defines "material facts" to mean "any fact, defect, or condition, past or present that to a reasonable person, would be expected to measurably affect the value of the project, unit, or property being offered or proposed to be offered for sale."

This report has not been prepared or issued by the Real Estate Commission or any other governmental agency. The issuance by the Commission of an effective date for this Developer's Public Report (1) does not mean that the Commission approves or disapproves of the project; (2) does not mean that the Commission thinks that either all material facts or all pertinent changes, or both, about the project have been fully or adequately disclosed; or (3) is not the Commission's judgment of the value or merits of the project.

This report may be used by the Developer for promotional purposes only if it is used in its entirety. No person shall advertise or represent that the Commission has approved or recommended the project, this report or any of the documents submitted with Developer's application for registration of this project.

This report will be amended if, after the effective date of this report, any changes, either material or pertinent changes, or both, occur regarding the information contained in or omitted from this report. In that case, the Developer is required to submit immediately to the Commission an amendment to this report or an amended Developer's Public Report, clearly reflecting the changes, including any omitted material facts, together with such supporting information as may be required by the Commission. In addition, the Developer may choose at any time to change or update the information in this report. Annually, at least thirty days prior to the anniversary date of the Effective Date of this report, the Developer shall file an annual report to update the material contained in this report. If there are no changes, the Developer is required to state that there are no changes. The Developer's obligation to amend this report or to file annual reports ends when the initial sales of all units in the project have been completed.

Purchasers are encouraged to read this report carefully and to seek professional advice before signing a sales contract for the purchase of a unit in the project.

Signing a sales contract may legally bind a purchaser to purchase a unit in the project, though a purchaser may have rights to cancel or rescind a sales contract under particular circumstances that may arise.

---

*This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.*

## **SPECIAL ATTENTION**

[Use this page for special or significant matters which should be brought to the purchaser's attention and that are not covered elsewhere in this report.]

## TABLE OF CONTENTS

	<u>Page</u>
Preparation of this Report .....	1
General Information On Condominiums .....	2
Operation of the Condominium Project.....	2
<b>1. THE CONDOMINIUM PROJECT .....</b>	<b>3</b>
1.1 The Underlying Land .....	3
1.2 Buildings and Other Improvements .....	3
1.3 Unit Types and Sizes of Units.....	3
1.4 Parking Stalls .....	4
1.5 Boundaries of the Units .....	4
1.6 Permitted Alterations to the Units .....	4
1.7 Common Interest .....	4
1.8 Recreational and Other Common Facilities .....	4
1.9 Common Elements .....	5
1.10 Limited Common Elements.....	5
1.11 Special Use Restrictions .....	5
1.12 Encumbrances Against Title .....	5
1.13 Uses Permitted by Zoning and Zoning Compliance Matters .....	6
1.14 Other Zoning Compliance Matters.....	6
1.15 Conversions .....	7
1.16 Project In Agricultural District.....	8
1.17 Project with Assisted Living Facility .....	8
<b>2. PERSONS CONNECTED WITH THE PROJECT .....</b>	<b>9</b>
2.1 Developer .....	9
2.2 Real Estate Broker.....	9
2.3 Escrow Depository.....	9
2.4 General Contractor .....	9
2.5 Condominium Managing Agent .....	9
2.6 Attorney for Developer.....	9
<b>3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS .....</b>	<b>10</b>
3.1 Declaration of Condominium Property Regime .....	10
3.2 Bylaws of the Association of Unit Owners .....	10
3.3 Condominium Map.....	10
3.4 House Rules .....	11
3.5 Changes to the Condominium Documents .....	11
3.6 Rights Reserved by the Developer to Make Changes to the Condominium Project or Condominium Documents .....	11
<b>4. CONDOMINIUM MANAGEMENT .....</b>	<b>12</b>
4.1 Management of the Common Elements .....	12
4.2 Estimate of the Initial Maintenance Fees .....	12
4.3 Utility Charges to be Included in the Maintenance Fee .....	12
4.4 Utilities to be Separately Billed to Unit Owner .....	12
<b>5. SALES DOCUMENTS .....</b>	<b>13</b>
5.1 Sales Documents Filed with the Real Estate Commission .....	13
5.2 Sales to Owner-Occupants .....	13
5.3 Blanket Liens .....	13
5.4 Construction Warranties .....	13
5.5 Status of Construction, Date of Completion or Estimated Date of Completion.....	14

## TABLE OF CONTENTS

	<u>Page</u>
5.6 Developer's Use of Purchaser Deposits to Pay for Project Construction Costs Before Closing or Conveyance .....	14
5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance .....	14
5.6.2 Purchaser Deposits Will Be Disbursed Before Closing .....	14
5.7 Rights Under the Sales Contract .....	16
5.8 Purchaser's Right to Cancel or Rescind a Sales Contract .....	16
5.8.1 Purchaser's 30-Day Right to Cancel a Sales Contract .....	16
5.8.2 Right to Cancel a Sales Contract if Completion Deadline Missed .....	17
5.8.3 Purchaser's Right to Rescind a Binding Sales Contract After a Material Change..	17
6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT .....	18
EXHIBIT A: Unit Types and Sizes of Units	
EXHIBIT B: Common Interest and Parking Stalls	
EXHIBIT C: Permitted Alterations to Units	
EXHIBIT D: Common Elements and Limited Common Elements	
EXHIBIT E: Encumbrances Against Title	
EXHIBIT F: Developer's Statement Regarding Present Condition of Building	
EXHIBIT G: Verified Statement by Department of Planning and Permitting of the City and County of Honolulu	
EXHIBIT H: Developer's Reserved Rights	
EXHIBIT I: Estimate of the Initial Maintenance Fees	
EXHIBIT J: Summary of Sales Contract	
EXHIBIT K: Summary of Escrow Agreement	
EXHIBIT L: Reserve Study by Reserves Systems	

## **General Information On Condominiums**

A condominium is a special form of ownership of real property. To create a condominium in Hawaii after July 1, 2006, the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, must be followed. 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 and/or the building(s) and other improvements are leased to the purchaser. The lease for the land usually requires that at the end of the lease term, the lessees (unit owners) deliver their interest in the land to the lessor (fee property owner).

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

You will be entitled to exclusive ownership and possession of your unit. Subject to the documents governing them, condominium units may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift or operation of law.

Your unit will, however, be part of the group of units that comprise the condominium project. Study the project's Declaration of Condominium Property Regime, Bylaws of the Association of Unit Owners, Condominium Map and House Rules, if any, which are concurrently delivered to you with this report. These documents contain important information on the use and occupancy of the units and the common elements of the project, as well as the rules and regulations of conduct for unit owners, tenants and guests.

## **Operation of the Condominium Project**

The Association of Unit Owners is the entity through which unit owners may take action with regard to the administration, management and operation of the condominium project. Each unit 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 a unit owner. The Board and officers can take certain actions without the vote of the unit owners. For example, the Board may hire and fire employees, increase or decrease maintenance fees, adopt budgets for revenues, expenses and reserves and regulate the use, maintenance, repair and replacement of common elements. Some of these actions may significantly impact the unit owners.

Until there is a sufficient number of purchasers of units to elect a majority of the Board, it is likely at first 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 purchasers should understand that it is important to all unit owners that the transition of control from the Developer to the unit owners be accomplished in an orderly manner and in a spirit of cooperation.

**1. THE CONDOMINIUM PROJECT**

**1.1 The Underlying Land**

Fee Simple or Leasehold Project	<input checked="" type="checkbox"/>	Fee Simple	<input type="checkbox"/>	Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
Fee Owner's Name if Developer is not the Fee Owner	Not applicable			
Address of Project	2442 Tusetala Street Honolulu, Hawaii 96815			
Address of Project is expected to change because	Not applicable			
Tax Map Key (TMK)	(1) 2-6-024:092 and 093			
Tax Map Key is expected to change because	Not applicable			
Land Area	12,942 sq. ft.			
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	Not applicable			

**1.2 Buildings and Other Improvements**

Number of Buildings	1
Floors Per Building	4
Number of New Building(s)	0
Number of Converted Building(s)	1
Principal Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	Concrete, concrete block, wood, gypsum board, and glass

**1.3 Unit Types and Sizes of Units**

Unit Type	Quantity	BR/Bath	Net Living Area	Net Other Areas	Other Areas (lanai, garage, etc.)	Total Area
See Exhibit <u> A </u> .						

56	<b>Total Number of Units</b>
----	------------------------------

Note: Net Living Area is the floor area of the unit measured from the interior surface of the perimeter walls of the unit. Other documents and maps may give floor area figures that differ from those above because a different method of determining floor area may have been used.

**1.4 Parking Stalls**

Total Parking Stalls in the Project:	28
Number of Guest Stalls in the Project:	0
Number of Parking Stalls Assigned to Each Unit:	See Exhibit B and note below
Attach Exhibit <u> B </u> specifying the Parking Stall number(s) assigned to each unit and the type of parking stall(s) (regular, compact or tandem and indicate whether covered or open).	
If the Developer has reserved any rights to assign or re-assign parking stalls, describe such rights.	
Not applicable	
* There are fewer parking stalls than there are units. Twenty-eight units have assigned parking stalls and twenty-eight units do not have an assigned parking stall as set forth in Exhibit B.	

**1.5 Boundaries of the Units**

Boundaries of the unit:
The space within the undecorated or unfinished surfaces of the perimeter or party walls or interior load-bearing walls (if any), the floors and the ceilings surrounding each unit.

**1.6 Permitted Alterations to the Units**

Permitted alterations to the unit (if the unit is defined as a non-physical or spatial portion of the project, also describe what can be built within such portion of the project):
See Exhibit C

**1.7 Common Interest**

<u>Common Interest:</u> Each unit will have a percentage interest in the common elements appurtenant to each unit. This interest is called the "common interest". It is used to determine each unit'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 unit owners. The common interest for each unit in this project, as described in Declaration, is:
Described in Exhibit <u> B </u> .
As follows:

**1.8 Recreational and Other Common Facilities (Check if applicable):**

<input type="checkbox"/>	Swimming pool
<input checked="" type="checkbox"/>	Laundry Area
<input type="checkbox"/>	Storage Area
<input type="checkbox"/>	Tennis Court
<input type="checkbox"/>	Recreation Area
<input type="checkbox"/>	Trash Chute/Enclosure(s)
<input type="checkbox"/>	Exercise Room
<input type="checkbox"/>	Security Gate
<input type="checkbox"/>	Playground
<input type="checkbox"/>	Other (describe):

**1.9 Common Elements**

<p><b>Common Elements:</b> Common elements are those parts of the condominium project other than the individual units and any other real estate for the benefit of unit owners. Although the common elements are owned jointly by all unit owners, those portions of the common elements that are designated as limited common elements (see Section 1.10 below) may be used only by those units to which they are assigned. In addition to the common facilities described in Section 1.8 above, the common elements for this project, as described in the Declaration, are set forth below.</p>	
<p>Described in Exhibit <u> D </u>.</p>	
<p>Described as follows:</p>	
<b>Common Elements</b>	<b>Number</b>
Elevators	1
Stairways	2
Trash Chutes	0

**1.10 Limited Common Elements**

<p><b>Limited Common Elements:</b> A limited common element is a portion of the common elements that is reserved for the exclusive use of one or more but fewer than all units in the project.</p>
<p>Described in Exhibit <u> D </u>.</p>
<p>Described as follows:</p>

**1.11 Special Use Restrictions**

<p>The Declaration and Bylaws may contain restrictions on the use and occupancy of the units. Restrictions for this project include, but are not limited to, those described below.</p>		
<input checked="" type="checkbox"/>		Pets: Up to two (2) cats and certified guide dogs, service animals and signal dogs
<input type="checkbox"/>		Number of Occupants:
<input type="checkbox"/>		Other:
<input type="checkbox"/>		There are no special use restrictions.

**1.12 Encumbrances Against Title**

<p>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 a unit in the project. Encumbrances shown may include blanket liens which will be released prior to conveyance of a unit (see Section 5.3 on Blanket Liens).</p>
<p>Exhibit <u> E </u> describes the encumbrances against title contained in the title report described below.</p>
<p>Date of the title report: September 4, 2007</p>
<p>Company that issued the title report: Pacific Access Title, LLC</p>



**1.13 Uses Permitted by Zoning and Zoning Compliance Matters**

Uses Permitted by Zoning						
Type of Use		No. of Units	Use Permitted by Zoning			Zoning
<input checked="" type="checkbox"/>	Residential	56	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	Apartment Precinct
<input type="checkbox"/>	Commercial		<input type="checkbox"/>	Yes	<input type="checkbox"/>	
<input type="checkbox"/>	Mix Residential/Commercial		<input type="checkbox"/>	Yes	<input type="checkbox"/>	
<input type="checkbox"/>	Hotel		<input type="checkbox"/>	Yes	<input type="checkbox"/>	
<input type="checkbox"/>	Timeshare		<input type="checkbox"/>	Yes	<input type="checkbox"/>	
<input type="checkbox"/>	Ohana		<input type="checkbox"/>	Yes	<input type="checkbox"/>	
<input type="checkbox"/>	Industrial		<input type="checkbox"/>	Yes	<input type="checkbox"/>	
<input type="checkbox"/>	Agricultural		<input type="checkbox"/>	Yes	<input type="checkbox"/>	
<input type="checkbox"/>	Recreational		<input type="checkbox"/>	Yes	<input type="checkbox"/>	
<input type="checkbox"/>	Other (specify)		<input type="checkbox"/>	Yes	<input type="checkbox"/>	
Is/are this/these use(s) specifically permitted by the project's Declarations or Bylaws?			<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
Variances to zoning code have been granted.			<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Describe any variances that have been granted to zoning code						

**1.14 Other Zoning Compliance Matters**

Conforming/Non-Conforming Uses, Structures and Lots
<p>In general, a non-conforming use, structure or lot is a use, structure or lot that was lawful at one time but that does not now conform to present zoning requirements. Under present zoning requirements, limitations may apply to extending, enlarging or continuing the non-conformity and to altering and repairing non-conforming structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.</p> <p>If a variance has been granted or if uses, structures or lots are either non-conforming or illegal, the purchaser should consult with county zoning authorities as to possible limitations that may apply in situations such as those described above.</p> <p>A purchaser may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure or lot.</p>

	Conforming	Non-Conforming	Illegal
Uses	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Structures	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lot	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p>If a non-conforming use, structure or lot exists in this project, this is what will happen under existing laws or codes if the structure is damaged or destroyed:</p> <p>The building encroaches into the required front yard setback and there are fewer parking stalls than are currently required for the number of units in the Project. As a result, if the building were damaged or destroyed, the building would have to be reconstructed in compliance with existing laws and codes or the owners could apply for a variance, but there is no guaranty that a variance would be granted.</p>
---

**1.15 Conversions**

<p><b>Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.</b></p>	<p><input checked="" type="checkbox"/> <b>Applicable</b></p> <p><input type="checkbox"/> <b>Not Applicable</b></p>
<p>Developer's statement, based upon a report prepared by a Hawaii-licensed architect or engineer, describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the units:</p> <p style="text-align: center;">See Exhibit F</p>	
<p>Developer's statement of the expected useful life of each item reported above:</p> <p style="text-align: center;">No representations are made by the Developer with respect to the expected useful life of the structural components or the mechanical and electrical installations in the building.</p>	
<p>List of any outstanding notices of uncured violations of any building code or other county regulations:</p> <p style="text-align: center;">None</p>	
<p>Estimated cost of curing any violations described above:</p> <p style="text-align: center;">Not applicable</p>	

<p><b>Verified Statement from a County Official</b></p>
<p>Regarding any converted structures in the project, attached as Exhibit <u>  G  </u> is a verified statement signed by an appropriate county official which states that either:</p> <p>(A) The structures are in compliance with all zoning and building ordinances and codes applicable to the project at the time it was built, and specifying, if applicable:</p> <ul style="list-style-type: none"> <li>(i) Any variances or other permits that have been granted to achieve compliance;</li> <li>(ii) Whether the project contains any legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes; and</li> <li>(iii) Any violations of current zoning or building ordinances or codes and the conditions required to bring the structure into compliance;</li> </ul> <p>or</p> <p>(B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.</p>
<p>Other disclosures and information:</p>

**1.16 Project In Agricultural District**

<p><b>Is the project in an agricultural district as designated by the land use laws of the State of Hawaii?</b>  <b>If answer is "Yes", provide information below.</b></p>	<p><input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No</p>
<p>Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable state and county land use laws? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation.</p>	
<p>Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable county real property tax laws? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.</p>	
<p>Other disclosures and information:</p>	

**1.17 Project with Assisted Living Facility**

<p><b>Does the project contain any assisted living facility units subject to Section 321-11(10), HRS?</b>  <b>If answer is "Yes", provide information below.</b></p>	<p><input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No</p>
<p>Licensing requirements and the impact of the requirements on the costs, operations, management and governance of the project.</p>	
<p>The nature and the scope of services to be provided.</p>	
<p>Additional costs, directly attributable to the services, to be included in the association's common expenses.</p>	
<p>The duration of the provision of the services.</p>	
<p>Other possible impacts on the project resulting from the provision of the services.</p>	
<p>Other disclosures and information:</p>	

## 2. PERSONS CONNECTED WITH THE PROJECT

<p><b>2.1 Developer</b></p>	<p>Name: Ainahau Gardens LLC, a Hawaii limited liability company</p> <p>Business Address: 2442 Tusitala Street Honolulu, Hawaii 96815</p> <p>Business Phone Number: (808) 232-9880 E-mail Address: sdavis99@usa.net</p>
<p>Names of officers and directors of developers that are corporations; general partners of a partnership; partners of a limited liability partnership (LLP); or a manager and members of a limited liability company (LLC) (attach separate sheet if necessary).</p>	<p>Manager: Stephen E. Davis</p> <p>Members: Elizabeth S. Davis and Elizabeth D. Meyer, Co-Trustees of the Stephen E. Davis Trust dated November 7, 2005, as amended</p>
<p><b>2.2 Real Estate Broker</b></p>	<p>Name: Coldwell Banker Pacific Properties Ltd. Business Address: 1314 S. King Street, 2<sup>nd</sup> Floor Honolulu, Hawaii 96814</p> <p>Business Phone Number: (808) 342-1816 E-mail Address:</p>
<p><b>2.3 Escrow Depository</b></p>	<p>Name: Pacific Access Escrow Business Address: 1314 S. King Street, 2<sup>nd</sup> Floor Honolulu, Hawaii 96814</p> <p>Business Phone Number: (808) 748-2000</p>
<p><b>2.4 General Contractor</b></p>	<p>Name: None Business Address:</p> <p>Business Phone Number:</p>
<p><b>2.5 Condominium Managing Agent</b></p>	<p>Name: Cen Pac Properties, Inc. Business Address: 1150 S. King Street, Suite 1101 Honolulu, Hawaii 96814</p> <p>Business Phone Number: (808) 593-2902</p>
<p><b>2.6 Attorney for Developer</b></p>	<p>Name: Rush Moore LLP (Irene A. Anzai) Business Address: 737 Bishop Street, Suite 2400 Honolulu, Hawaii 96813</p> <p>Business Phone Number: (808) 521-0400</p>

### 3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances (Regular System) or filing in the Office of the Assistant Registrar of the Land Court, or both, a Declaration of Condominium Property Regime, a Condominium Map and the Bylaws of the Association of Unit Owners. The Condominium Property Act (Chapter 514B, HRS), the Declaration, Bylaws and House Rules control the rights and obligations of the unit owners with respect to the project and the common elements, to each other, and to their respective units.

#### 3.1 Declaration of Condominium Property Regime

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

Land Court or Bureau of Conveyances	Date of Document	Document Number
Land Court	September 25, 2007	3677646

#### Amendments to Declaration of Condominium Property Regime

Land Court or Bureau of Conveyances	Date of Document	Document Number

#### 3.2 Bylaws of the Association of Unit Owners

The Bylaws of the Association of Unit Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Unit 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 that affect how the condominium project will be governed.

Land Court or Bureau of Conveyances	Date of Document	Document Number
Land Court	September 25, 2007	3677647

#### Amendments to Bylaws of the Association of Unit Owners

Land Court or Bureau of Conveyances	Date of Document	Document Number

#### 3.3 Condominium Map

The Condominium Map contains a site plan and floor plans, elevations and layout of the condominium project. It also shows the floor plan, unit number and dimensions of each unit.

Land Court Map Number	1927
Bureau of Conveyances Map Number	
Dates of Recordation of Amendments to the Condominium Map:	

**3.4 House Rules**

The Board of Directors may adopt rules and regulations (commonly called "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. Changes to House Rules do not need to be recorded to be effective.

The House Rules for this project:

Are Proposed		<input checked="" type="checkbox"/>	
Have Been Adopted and Date of Adoption		<input type="checkbox"/>	
Developer does not plan to adopt House Rules		<input type="checkbox"/>	

**3.5 Changes to the Condominium Documents**

Changes to Condominium Documents: Changes to the Declaration, Bylaws and Condominium Map are effective only if they are duly adopted and recorded. Where permitted, the minimum percentages of the common interest that must vote for or give written consent to changes to the Declaration, Bylaws and Condominium Map are set forth below. The percentages for any individual condominium project may be more than the minimum set by law if the Declaration or Bylaws for the project so provide.

Document	Minimum Set by Law	This Condominium
Declaration	67%	67%
Bylaws	67%	67%

**3.6 Rights Reserved by the Developer to Make Changes to the Condominium Project or Condominium Documents**

<input type="checkbox"/>	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
<input checked="" type="checkbox"/>	<p>Developer has reserved the right to change the Declaration, Bylaws, Condominium Map and House rules (if any) and to add to or merge the project or to develop the project in one or more phases, and such rights are summarized as follows:</p> <p style="text-align: center;">See Exhibit H</p>

## 4. CONDOMINIUM MANAGEMENT

### 4.1 Management of the Common Elements

<p><u>Management of the Common Elements:</u> The Association of Unit 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.</p>		
<p>The Initial Condominium Managing Agent for this project is (check one):</p>		
<input checked="" type="checkbox"/>		Not affiliated with the Developer
<input type="checkbox"/>		None (self-managed by the Association)
<input type="checkbox"/>		The Developer or an affiliate of the Developer
<input type="checkbox"/>		Other (explain)

### 4.2 Estimate of the Initial Maintenance Fees

<p><u>Estimate of the Initial Maintenance Fees:</u> The Association will make assessments against your unit 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 unit and the unit 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.</p>	
<p>Exhibit <u>  1  </u> contains a breakdown of the estimated annual maintenance fees and the monthly estimated maintenance fee for each unit, certified to have been based on generally accepted accounting principles, with the Developer's statement as to when a unit owner shall become obligated to start paying the unit owner's share of the common expenses.</p>	

### 4.3 Utility Charges to be Included in the Maintenance Fee

<p>If checked, the following utilities are included in the maintenance fee:</p>		
<input checked="" type="checkbox"/>		Electricity for the common elements
<input checked="" type="checkbox"/>		Gas for the common elements (gas used for building's hot water heater)
<input checked="" type="checkbox"/>		Water
<input checked="" type="checkbox"/>		Sewer
<input checked="" type="checkbox"/>		TV cable (standard digital cable service)
<input type="checkbox"/>		Other (specify)

### 4.4 Utilities to be Separately Billed to Unit Owner

<p>If checked, the following utilities will be billed to each unit owner and are not included in the maintenance fee:</p>		
<input checked="" type="checkbox"/>		Electricity for the Unit only
<input type="checkbox"/>		Gas for the Unit only
<input type="checkbox"/>		Water
<input type="checkbox"/>		Sewer
<input checked="" type="checkbox"/>		TV cable *
<input type="checkbox"/>		Other (specify)

\* If any unit owner desires additional channels and services beyond standard digital cable service, the unit owner will need to contract for such additional channels and services directly with the cable provider.

## 5. SALES DOCUMENTS

### 5.1 Sales Documents Filed with the Real Estate Commission

Sales Documents on file with the Commission include, but are not limited to, the following:	
<input checked="" type="checkbox"/>	Specimen Sales Contract Exhibit <u>  J  </u> contains a summary of the pertinent provisions of the sales contract. Including but not limited to any rights reserved by the Developer.
<input checked="" type="checkbox"/>	Escrow Agreement dated: Name of Escrow Company: Exhibit <u>  K  </u> contains a summary of the pertinent provisions of the escrow agreement.
<input type="checkbox"/>	Other

### 5.2 Sales to Owner-Occupants

If this project contains three or more residential units, the Developer shall designate at least fifty percent (50%) of the units for sale to Owner-Occupants.

<input checked="" type="checkbox"/>	The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B.
<input type="checkbox"/>	Developer has designated the units for sale to Owner-Occupants in this report. See Exhibit <u>    </u> .
<input checked="" type="checkbox"/>	Developer has or will designate the units for sale to Owner-Occupants by publication.

### 5.3 Blanket Liens

Blanket Liens: A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project or more than one unit that secures some type of monetary debt (such as a loan) or other obligation. Blanket liens (except for improvement district or utility assessments) must be released as to a unit before the developer conveys the unit to a purchaser. The purchaser's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the unit to the purchaser.

<input type="checkbox"/>	There are <u>no blanket liens</u> affecting title to the individual units.
<input checked="" type="checkbox"/>	There are <u>blanket liens</u> that may affect title to the individual units.

Type of Lien	Effect on Purchaser's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance
Mortgage	Buyer's contract will be cancelled and Buyer's deposits will be returned less escrow cancellation fee. Buyer may lose all rights to buy the unit.

### 5.4 Construction Warranties

Construction Warranties: Warranties for individual units and the common elements, including the beginning and ending dates for each warranty (or the method of calculating them), are as set forth below:

Building and Other Improvements:  
None

Appliances: Seller makes no warranties to Buyers, but will assign or cause to be assigned the unexpired term, if any, of any manufacturer's or dealer's warranties.



**5.5 Status of Construction, Date of Completion or Estimated Date of Completion**

<p>Status of Construction:</p> <p>Construction completed in 1963.</p>
<p>Completion Deadline: If a sales contract for a unit is signed before the construction of the unit has been completed, or, in the case of a conversion, completion of any repairs, does not occur by the completion deadline set forth below, one of the remedies available to a purchaser is a cancellation of the purchaser's sales contract. The sales contract may include a right of the Developer to extend the completion deadline for force majeure as defined in the sales contract. The sales contract may also provide additional remedies for the purchaser.</p>
<p>Completion Deadline for any unit not yet constructed, as set forth in the sales contract:</p> <p>Not applicable</p>
<p>Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract:</p> <p>Not applicable</p>

**5.6 Developer's Use of Purchaser Deposits to Pay for Project Construction Costs Before Closing or Conveyance**

The Developer is required to deposit all moneys paid by purchasers in trust under a written escrow agreement with a Hawaii licensed escrow depository. Escrow shall not disburse purchaser deposits to the Developer or on behalf of the Developer prior to closing, except if a sales contract is canceled or if Developer has met certain requirements, which are described below.

**5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance**

<input type="checkbox"/>	<p>The Developer hereby declares by checking the box to the left that it shall use its own funds to complete the construction of the condominium project by the date indicated in Section 5.5 of this report, and the Developer, pursuant to its own analysis and calculations, certifies that it has sufficient funds to complete the construction of the condominium project.</p> <p>If the box to the left is checked, Sections 5.6.2 and 5.7, which follow below, will not be applicable to the project.</p>
--------------------------	--

**5.6.2 Purchaser Deposits Will Be Disbursed Before Closing**

<p>Hawaii law provides that, if certain statutory requirements are met, purchaser deposits in escrow under a binding sales contract may be used before closing to pay for certain project costs. For this project, the Developer indicates that purchaser deposits may be used for the following purposes (check applicable box):</p>	
<input type="checkbox"/>	<p>For new construction: to pay for project construction costs described in the Developer's budget and approved by the Developer's lender or an otherwise qualified, financially disinterested person; or</p>
<input type="checkbox"/>	<p>For conversions: to pay for repairs necessary to cure violations of county zoning and building ordinances and codes, for architectural, engineering, finance and legal fees, and for other incidental expenses.</p>

In connection with the use of purchaser deposits (check Box A or Box B):

<p><b>Box A</b> <input type="checkbox"/></p>	<p>The Developer has submitted all information and documents required by law and the Commission prior to the disbursement of purchaser deposits before closing. This means that the Developer may use such deposits before closing. If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report.</p> <p>If Box A is checked, you should read and carefully consider the following notice, which is required by law:</p> <p><b><u>Important Notice Regarding Your Deposits:</u></b> Deposits that you make under your sales contract for the purchase of the unit may be disbursed before closing of your purchase to pay for project costs, construction costs, project architectural, engineering, finance, and legal fees, and other incidental expenses of the project. While the developer has submitted satisfactory evidence that the project should be completed, it is possible that the project may not be completed. If your deposits are disbursed to pay project costs and the project is not completed, there is a risk that your deposits will not be refunded to you. You should carefully consider this risk in deciding whether to proceed with your purchase.</p>
<p><b>Box B</b> <input type="checkbox"/></p>	<p>The Developer has <b>not</b> submitted all information and documents required by law and the Commission, and, until all such information and documents are submitted, thus, the Developer cannot use purchaser deposits.</p> <p>If the Developer later submits all information and documents required by law and the Commission for the use of purchaser deposits, then the Developer must provide an amendment to this report or an amended developer's public report to each purchaser who has signed a sales contract. At such time, the <b><u>Important Notice Regarding Your Deposits</u></b> set forth immediately above will apply to all purchasers and will be restated in the amendment to this report or an amended developer's public report. When an effective date for such an amendment or an amended developer's public report is issued, <b><u>you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment.</u></b> (This, however, does not affect your right to rescind for material changes or any other right you may have to rescind or cancel the sales contract, as described in Section 5.8 below.) If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report.</p> <p>You should understand that, although the <b><u>Important Notice Regarding Your Deposits</u></b> set forth above does not currently apply to you, it might apply to you in the future, and, therefore, you should read and carefully consider it now to ensure that you understand the risk involved in deciding whether to proceed with your purchase.</p>

**Material House Bond.** If the Developer has submitted to the Commission a completion or performance bond issued by a material house instead of a surety as part of the information provided prior to the use of purchaser deposits prior to closing or conveyance of a unit, the Developer shall disclose the same below and disclose the impact of any restrictions on the Developer's use of purchaser deposits.

## 5.7 Rights Under the Sales Contract

Before signing the sales contract, prospective purchasers should carefully review all documents relating to the project. These include but are not limited to the documents listed below. Items 2, 3 and 4 are made a part of this public report, as well as Item 5, if any, and are being delivered to you with this report.

1. **Developer's Public Report**
2. **Declaration of Condominium Property Regime (and any amendments)**
3. **Bylaws of the Association of Unit Owners (and any amendments)**
4. **Condominium Map (and any amendments)**
5. House Rules, if any
6. Escrow Agreement
7. Hawaii's Condominium Property Act (Chapter 514B, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended), provided that rules and regulations under Chapter 514B have not yet been adopted.
8. Other:

Copies of the condominium and sales documents and amendments made by the Developer are available for review through the Developer or through the Developer's sales agent, if any. The Condominium Property Regime law (Chapter 514B, HRS) and the Administrative Rules (Chapter 107, HAR), are available online. Please refer to the following sites:

Website to access official copy of laws: [www.capitol.hawaii.gov](http://www.capitol.hawaii.gov)

Website to access rules: [www.hawaii.gov/dcca/har](http://www.hawaii.gov/dcca/har)

## 5.8 Purchaser's Right to Cancel or Rescind a Sales Contract

A purchaser's right to cancel a sales contract or to rescind a sales contract may arise under varying circumstances. In the sections below, some circumstances that will give rise to a purchaser's right to cancel or rescind are described, together with what a purchaser must do if the purchaser wishes to exercise any of the rights.

### 5.8.1 When a Sales Contract becomes Binding and Purchaser's 30-Day Right to Cancel a Sales Contract

A sales contract signed by a purchaser and the developer will not become binding on a purchaser or the Developer until the following events have taken place:

- (1) The purchaser has signed the sales contract.
- (2) The Developer has delivered to the purchaser a true copy of the developer's public report with an effective date issued by the Commission, together with all amendments to the report as of the date of delivery, and the project's recorded Declaration and Bylaws, House Rules (if any), the Condominium Map and any amendments to them to date (all of which are a part of the developer's public report). If it is impracticable to include a letter-sized Condominium Map, the Developer must provide written notice of an opportunity to examine the Condominium Map.
- (3) The Developer has delivered to the purchaser a notice of the purchaser's 30-day cancellation right on a form prescribed by the Commission.
- (4) The purchaser does at least one of the following:
  - (a) Waives the purchaser's right to cancel the sales contract within 30 days from receipt of the notice of the purchaser's 30-day cancellation right; or

- (b) Allows the 30-day cancellation period to expire without exercising the right to cancel; or
- (c) Closes the purchase of the unit before the 30-day cancellation period expires.

The purchaser or the Developer may cancel the sales contract at any time during the 30-day cancellation period, and the sales contract will be canceled and the purchaser's deposits returned to the purchaser, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of \$250.

### **5.8.2 Right to Cancel a Sales Contract if Completion Deadline Is Missed**

In addition to the purchaser's 30-day cancellation right described in Section 5.8.1 above, when a sales contract is signed before completion of construction of a project, the purchaser will have the right to cancel if the unit is not completed by certain deadlines. In conversion projects, there must be a deadline for completion of any required repairs. Every sales contract shall contain an agreement of the Developer that the completion of construction shall occur on or before the completion deadline, and that completion deadline is set forth in this report in Section 5.5. The sales contract shall provide that the purchaser may cancel the sales contract at any time after the specified completion deadline, if completion of construction does not occur on or before the completion deadline, as the same may have been extended. Upon a cancellation, the purchaser's deposits shall be refunded, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of \$250.00.

### **5.8.3 Purchaser's Right to Rescind a Binding Sales Contract After a Material Change**

If a "material change" in a project occurs after a purchaser has signed a sales contract that has become binding, the purchaser will have a 30-day right to rescind after notification and description of the material change. A material change is defined in the Condominium Property Act to be any change that "directly, substantially and adversely affects the use or value of (1) a purchaser's unit or appurtenant limited common elements; or (2) those amenities of the project available for the purchaser's use."

The purchaser will be informed of the material change by the developer on a form prescribed by the Commission containing a description of the material change.

After notice of the material change, the purchaser may waive the right to rescind by:

- (1) Checking the waiver box on the rescission form; or
- (2) Letting the 30-day rescission period expire, without taking any action to rescind; or
- (3) Closing the purchase of the unit before the 30-day rescission period expires.

The rescission form must be signed by all purchasers of the affected unit and delivered to the developer no later than midnight of the 30<sup>th</sup> calendar day after the purchasers received the rescission form from the developer. Purchasers who validly exercise the right of rescission shall be entitled to a prompt and full refund of any moneys paid.

A rescission right shall not apply in the event of any additions, deletions, modifications and reservations including, without limitation, the merger or addition or phasing of a project, made pursuant to the terms of the project's Declaration.

These provisions shall not preclude a purchaser from exercising any rescission rights pursuant to a contract for the sale of a unit or any applicable common law remedies.

## 6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT

1. Hazardous Materials. Apart from the report and observations set forth in Exhibit F attached hereto, Developer has made no independent investigation as to asbestos or other hazardous substances in the building, or in, under or around the building, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Developer does not represent or warrant in any way whatsoever that the reports and observations set forth in Exhibit E are correct or complete. In light of the age of the building, there may be mold and other hazardous substances in the building or in, under or around the building. Because of the possible presence of such substances, the Buyer should have the unit inspected to determine the extent (if any) of such contamination and any necessary remedial action. Prior to any construction or renovation to the unit, the Buyer should consult with an environmental engineer to determine if the scope of such construction or renovation will require such Buyer to remove or encapsulate in place asbestos-containing material and other hazardous substances that may be present in the unit. Developer will not correct any defects in the unit or the building or anything installed or contained therein and Buyer shall expressly indemnify the Developer from any liability if any hazardous materials are discovered.

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

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

4. General Condition of the Building. Based on the report for the building obtained from an architect, described in Exhibit F to this public report, Developer believes that the building is in average condition consistent with its age. Notwithstanding anything to the contrary contained herein, the fixtures, appliances and electrical and plumbing equipment included in the unit and the common elements of the project will be sold "AS IS, WHERE IS" WITH ALL FAULTS, and neither Developer nor any of its affiliates or representatives make any warranties, express or implied, as to their working order and condition. Developer makes no warranties or representations regarding the completeness or accuracy of the foregoing reports. Developer further discloses that the building may be subject to exterior weathering, rust, earthquake, fire, floods, erosion, high water table, dangerous underground soil conditions and similar occurrences or conditions which may alter the project's condition or affect its suitability for any proposed use.

5. Reserve Study by Reserve Systems. Developer has engaged Reserves Systems to perform a reserve study on the Project, a copy of which is attached hereto as Exhibit L. Developer does not represent or warrant that the attached reserve study is accurate or complete. The attached reserve study should not be relied upon as the opinion of Developer.

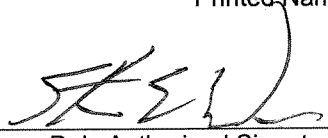
The Developer declares subject to the penalties set forth in Section 514B-69, HRS, that this project conforms to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located, all in accordance with Sections 514B-5 and 32(a)(13), HRS.

For any conversion, if any variances have been granted, they are specified in Section 1.14 of this report, and, if purchaser deposits are to be used by the Developer to cure any violations of zoning, permitting requirements or rules of the county in which the project is located, the violation is specified in Section 1.15 of this report, along with the requirements to cure any violation, and Section 5.5 specifies the date by which the cure will be completed.

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 purchasers 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. The Developer hereby agrees promptly to amend this report to report and include either or all material facts, material or pertinent changes to any information contained in or omitted from this report and to file annually a report to update the material contained in this report at least 30 days prior to the anniversary date of the effective date of this report.

AINAHAU GARDENS LLC  
Printed Name of Developer

By:



Duly Authorized Signatory

September 25, 2007  
Date

Stephen E. Davis, Manager

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, \_\_\_\_\_ City & County of Honolulu

Planning Department, \_\_\_\_\_ City & County of Honolulu

**\*Must be signed for a corporation by an officer; for a partnership or limited liability partnership (LLP) by the general partner; for a limited liability company (LLC) by the manager or an authorized member; and for an individual by the individual.**

EXHIBIT "A"

UNIT TYPES AND FLOOR AREAS

Unit	Unit Type	Approximate Net Floor Area (square feet)
101	A	300
102	B	379
103	A	300
104	A	300
105	A	300
106	A	300
107	A	300
108	A	300
109	A	300
110	A	300
111	A	300
112	A	300
113	A	300
114	A	300
115	A	300
116	A	300
117	A	300
118	A	300
119	A	300
201	A	300
202	B	379
203	A	300
204	A	300
205	A	300
206	A	300
207	A	300
208	A	300
209	A	300

Unit	Unit Type	Approximate Net Floor Area (square feet)
210	A	300
211	A	300
212	A	300
213	A	300
214	A	300
215	A	300
216	A	300
217	A	300
218	A	300
219	A	300
302	B	379
303	C	602
304	A	300
305	A	300
306	A	300
307	A	300
308	A	300
309	A	300
310	A	300
311	A	300
312	A	300
313	A	300
314	A	300
315	A	300
316	A	300
317	A	300
318	A	300
319	A	300

END OF EXHIBIT "A"



EXHIBIT "B"

COMMON INTEREST AND PARKING STALLS

Unit	Common Interest	Parking Stall
101	1.730%	2
102	2.193%	17
103	1.730%	4
104	1.730%	--
105	1.730%	--
106	1.730%	--
107	1.730%	--
108	1.730%	--
109	1.730%	--
110	1.730%	--
111	1.730%	--
112	1.730%	--
113	1.730%	--
114	1.730%	19A
115	1.730%	7
116	1.730%	22
117	1.730%	10
118	1.730%	25
119	1.730%	13
201	1.730%	3
202	2.193%	18
203	1.730%	5
204	1.730%	--
205	1.730%	--
206	1.730%	--
207	1.730%	--
208	1.730%	--
209	1.730%	--

Unit	Common Interest	Parking Stall
210	1.730%	--
211	1.730%	--
212	1.730%	--
213	1.730%	--
214	1.730%	20
215	1.730%	8
216	1.730%	23
217	1.730%	11
218	1.730%	26
219	1.730%	14
302	2.193%	19
303	3.461%	28
304	1.730%	16
305	1.730%	6
306	1.730%	--
307	1.730%	--
308	1.730%	--
309	1.730%	--
310	1.730%	--
311	1.730%	--
312	1.730%	--
313	1.730%	--
314	1.730%	21
315	1.730%	9
316	1.730%	24
317	1.730%	12
318	1.730%	27
319	1.730%	15

Due to the fact that the building was constructed in 1963, the dimensions of most of the parking stalls at the Project do not fit within the categories of standard-sized and compact parking stalls under the current Land Use Ordinance, Chapter 21 of the Revised Ordinances of Honolulu ("LUO"). Parking Stall No. 28, the only uncovered stall at the Project, meets the

minimum dimensional requirements for a standard-sized parking stall. Twenty-four (24) of the parking stalls at the Project exceed the length requirement of 17 feet for a standard-sized stall but are narrower than the required width of 8 feet 3 inches for a standard-sized stall by approximately between 2 to 4 inches. These twenty-four (24) parking stalls are referred to as "Regular" stalls below. One parking stall at the Project exceeds the length of 17 feet but is approximately 8 inches narrower than the required width for a standard-sized stall and this stall is referred to below as a "Regular Modified" stall. Two (2) of the parking stalls at the Project are wider than the required width of 7 feet 6 inches for a compact stall under the LUO but are slightly below the length requirement of 16 feet for a compact stall. These two (2) parking stalls are referred to as "Compact Modified" stalls below. Using the foregoing definitions of the different parking stall types, the parking stalls at the Project are as follows:

Parking Stall	Parking Stall Type	Covered/ Uncovered
2	Regular	Covered
3	Regular	Covered
4	Regular	Covered
5	Regular	Covered
6	Regular	Covered
7	Regular	Covered
8	Regular	Covered
9	Regular	Covered
10	Regular	Covered
11	Regular	Covered
12	Regular	Covered
13	Regular	Covered
14	Regular	Covered
15	Regular	Covered
16	Regular	Covered
17	Regular	Covered
18	Regular	Covered
19	Regular	Covered
19A	Compact Modified	Covered
20	Compact Modified	Covered
21	Regular Modified	Covered
22	Regular	Covered
23	Regular	Covered
24	Regular	Covered
25	Regular	Covered
26	Regular	Covered
27	Regular	Covered
28	Standard	Uncovered

**END OF EXHIBIT "B"**

## EXHIBIT "C"

### PERMITTED ALTERATIONS TO UNITS

Section 15 of the Declaration provides as follows:

#### SECTION 15. ALTERATION OF PROJECT.

Section 15.1. Alteration of Building. Except as otherwise provided by applicable law or the Declaration, restoration or replacement of any of the Improvements different in any material respect from the Condominium Map, or the construction of any additional building, or any material addition to or alteration of the Project, or the excavation of any basement or cellar shall be undertaken by the Association or any Owner only pursuant to an amendment of the Declaration, duly executed by or pursuant to a vote or the written consent of at least sixty-seven percent (67%) of the Owners and in accordance with complete plans and specifications first approved in writing by the Board, and promptly upon completion of such restoration, replacement, construction, alteration or addition the Association shall record such amendment in the Recording Office together with a complete set of floor plans and elevations, as applicable, of the Project as so altered, certified as built by a registered architect or professional engineer.

Section 15.2. Nonmaterial Alterations. Subject to the provisions of the Declaration, nonmaterial additions to or alterations of the common elements or Units, including, without limitation, the installation of solar energy devices, or additions to or alterations of a Unit made within the Unit or within a limited common element appurtenant to and for the exclusive use of the Unit, shall require the approval only by the Board, which shall not unreasonably withhold such approval, and all other directly affected Owners (as determined by the Board).

The phrase "nonmaterial additions and alterations" shall mean an addition to or alteration of the common elements or a Unit that does not jeopardize the soundness or safety of the Project, reduce the value of the common elements or the Unit, impair any easement, detract from the appearance of the Project, interfere with or deprive any nonconsenting Owner of the use or enjoyment of any part of the Project, or directly affect any nonconsenting Owner.

The phrase "solar energy device" shall mean any new identifiable facility, equipment, apparatus, or the like which makes use of solar energy for heating, cooling, or reducing the use of other types of energy dependent upon fossil fuel for its generation; provided that if the equipment sold cannot be used as a solar device without its incorporation with other equipment, it shall be installed in place and be ready to be made operational in order to qualify as a "solar energy device".

Section 15.3. Building Permits. The Association or Owner(s), as applicable, shall obtain any required building permits and governmental approvals for any construction, restoration or replacement, and shall comply with all applicable laws, ordinances, codes, rules, regulations and administrative orders.

END OF EXHIBIT "C"

## EXHIBIT "D"

### COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

#### Common Elements

The common elements of the Project include the following:

1. The land of the Project in fee simple.
2. All grounds, landscaping, planters, fences and walls.
3. All parking areas, driveways, walkways and corridors.
4. The elevator and all stairways.
5. All mailboxes located on the ground floor of the building.
6. The laundry areas located next to the elevator on the first, second and third floors of the building, as shown on the Condominium Map;
7. The building office, storage areas and bike storage area located on the ground floor of the building as shown on the Condominium Map;
8. All pipes, wires, cables, conduits, ducts, water meters, electrical equipment, and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one Unit for services such as power, light, water, sewer, storm drainage, telephone and television signal distribution, if any.
9. Any and all other apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use.

#### Limited Common Elements

The limited common elements of the Project include the following:

1. Each parking stall, the number of which is shown on the Condominium Map, shall be appurtenant to and for the exclusive use of the respective designated Unit, as set forth on Exhibit "C" attached to the Declaration of Condominium Property Regime and on Exhibit "B" to this Developer's Public Report.
2. One (1) mailbox shall be appurtenant to and for the exclusive use of each Unit.

END OF EXHIBIT "D"

EXHIBIT "E"

ENCUMBRANCES AGAINST TITLE

The following are the encumbrances against title to the land of the Project, identified as Tax Map Key No. (1) 2-6-024-092 and 093.

1. Setback line for future road widening purposes, as shown on or disclosed by the survey map dated January 29, 1997, prepared by George A. Sumida, registered professional surveyor, with Paren, Inc., dba Park Engineering, as set forth or disclosed by the Warranty Deed dated October 10, 2002, recorded in the Office of the Assistant Registrar of the Land Court of the State of Hawaii (the "Land Court") as Document No. 2853997.

2. Any rights, interests or claims which may exist or arise by reason of the facts, as shown on or disclosed by the survey plat dated March 10, 2004, prepared by George A. Sumida, licensed Professional Surveyor, Certificate No. 4330, designated Job No. None, as set forth or disclosed by the Trustee's Deed dated August 10, 2007, recorded in the Land Court as Document No. 3649635.

3. Declaration of Condominium Property Regime of Ainahau Gardens dated September 25, 2007, recorded in the Land Court as Document No. 3677646, and Condominium Map No. 1927 filed in the Land Court.

4. Bylaws of the Association of Unit Owners of Ainahau Gardens dated September 25, 2007, recorded in the Land Court as Document No. 3677647.

END OF EXHIBIT "E"

EXHIBIT "F"

DEVELOPER'S STATEMENT REGARDING PRESENT CONDITION OF PROJECT

1. **ZONING AND CODE COMPLIANCE.** The Project is zoned Apartment Precinct under the Land Use Ordinance of the City and County of Honolulu ("LUO"). According to the letter from the Department of Planning and Permitting of the City and County of Honolulu ("DPP") dated July 12, 2006 (the "2006 DPP Letter"), the 4-story 57-unit apartment building with 28 all-weather-surface off-street parking spaces met all applicable code requirements when it was constructed in 1963. The 2006 DPP Letter states that further investigation revealed the following deficiencies:

- (1) The office and apartment unit on the ground floor was constructed without a building permit;
- (2) The construction of the office and apartment unit on the ground floor eliminated three parking spaces and reduced the required number of nonconforming parking spaces from 28 to 25; and
- (3) Apartments #301 and #303 were converted into one apartment unit with interior alterations without a building permit.

The 2006 DPP Letter also states that investigation revealed the following:

- (1) On January 25, 1962, a subdivision [File No. 1962 (28)] was granted approval by the Planning Director to the proposed consolidation of Lots 7-A and 7-B (Map 3) of Land Court Consolidation 4 of Waikiki into Lot 8, 12,942 square feet.
- (2) The apartment building, which encroaches into the required front yard setback, is considered a nonconforming structure (spacing).

The 2006 DPP Letter also states that no variances or other permits were granted to allow deviations from any applicable codes.

According to the letter from DPP dated July 20, 2007 (the "2007 DPP Letter"), DPP acknowledges that an inspection on July 17, 2007 revealed that the deficiencies cited in the 2006 DPP Letter have been corrected as follows:

- (1) The office and apartment unit addition on the ground floor have been removed;
- (2) By the removal of the office and apartment unit addition, the 25 parking spaces were converted back to the required number of nonconforming parking of 28 spaces; and
- (3) Investigation revealed Building Permit No. 611853 was issued on May 2, 2007 to convert Apt. #301 and Apt. #303 into one apartment.

Developer certifies, subject to the penalties set forth in Section 514B-69(b) of the Act, that to the best of Developer's knowledge, based upon the 2006 DPP Letter and 2007 DPP Letter, the Project is in compliance with all zoning and building ordinances and codes applicable to the Project at the time it was built and all other applicable permitting requirements, including any supplemental rules adopted by the City and County of Honolulu, and that the Building is considered a nonconforming structure because it encroaches into the required front yard setback and because there are fewer parking stalls than are currently required under the LUO for the number of units in the Project.

2. **DEVELOPER MAKES NO WARRANTIES OR PROMISES.** Except as set forth in Section 1 above, the Developer cannot determine whether the Project contains any legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes. The Developer does not give any warranties or assurances that the units can be expanded or that variances are obtainable from the City and County of Honolulu for any proposed improvements. The units and anything installed or contained therein are being sold in "AS IS, WHERE IS" condition "WITH ALL FAULTS" by the Developer, without any warranties whatsoever, express or implied.

Developer disclaims any warranties, either express or implied, including any implied warranty of habitability, merchantability or fitness for a particular purpose, with respect to the Project, the Building or the units or anything installed or contained therein. Neither the Developer nor its representatives will be liable to the Association or the unit owners for any construction or other defects (including any latent or hidden defects in the Project, the units or anything installed or contained therein) or for any other aspects of the Project, the units or anything installed or contained therein. This means that neither the Association nor the unit owners will have the right to file any lawsuit for damages against Developer or its representatives for any defects or other matters later discovered by the Association or the unit owners.

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

3. **CONDITION OF BUILDING AND UNITS.** The Developer is not a professional developer, has never been involved in the planning and construction of a condominium project, and was not involved in the planning and construction of this Project. The Developer has engaged an architect to provide his opinion about the condition of the Building (the "Architect Inspection Report"). The architect states in his report that "[w]ithout invasive examination of covered components, the structures, mechanical and electrical components of the Unit(s) and building on the condominium map appeared to be in average condition consistent with their age." Based upon this professional third party Architect Inspection Report, Developer believes that the Building is in average condition consistent with its age. Notwithstanding anything to the contrary contained herein, the Building, units and common elements and any fixtures, appliances and electrical and plumbing equipment located therein will be sold "AS IS" WITH



ALL FAULTS, and neither Developer nor any of its representatives, make any warranties, express or implied, as to their working order and condition. The unit owners, by acceptance of their respective unit deeds, shall be deemed to have accepted the existing condition of the Project and agreed that, except as otherwise set forth herein, neither the Developer nor any of its representatives, shall be responsible for changing any nonconforming conditions.

The Developer does not represent or warrant that the Architect Inspection Report is correct or complete. The report should not be relied upon as the opinion of the Developer. No representations are made by the Developer with respect to the expected useful life of the structural components or the mechanical and electrical installations of the Building.

In 1997, a Phase I Environmental Site Assessment ("Assessment") was prepared by a company named REST, Inc. for Skybird Properties, Inc. Def. Ben. Pen. Plan, a prior owner of the building unrelated to Developer. The Assessment states that no evidence of recognized environmental conditions in connection with the site were found except for building components which probably contain asbestos, namely vinyl floor tiles with mastic, black sink undercoating, and spray applied, acoustical ceiling material, and that based on the age of the structure, interior and exterior building components may have been coated with lead-based paint. The Assessment states that the lead-based paint most likely was abated with additional coats of non-lead containing paint. In view of the fact that the Assessment was not ordered by Developer, Developer makes no representations whatsoever regarding the Assessment and whether it is correct or complete.

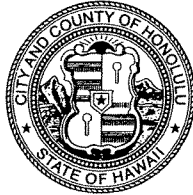
END OF EXHIBIT "F"

EXHIBIT "G"

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813  
TELEPHONE: (808) 768-8000 • FAX: (808) 527-6743  
INTERNET: [www.honolulu.gov](http://www.honolulu.gov) • DEPT. WEB SITE: [www.honoluludpp.org](http://www.honoluludpp.org)

MUFI HANNEMANN  
MAYOR



HENRY ENG, FAICP  
DIRECTOR

DAVID K. TANOUE  
DEPUTY DIRECTOR

2006/ELOG-618(LT)

July 20, 2007

Mr. Stephen E. Davis  
2442 Tusitala Street  
Honolulu, Hawaii 96815

Dear Mr. Davis:

Subject: Condominium Conversion Project  
2442 Tusitala Street (Listed as 2444 Tusitala Street)  
Tax Map Keys: 2-6-024: 092 & 2-6-024: 093

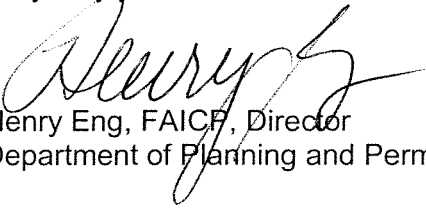
This is in reference to the deficiencies mentioned in our letter [2006/ELOG-618 (LT)], dated July 12, 2006.

An inspection on July 17, 2007 revealed that the deficiencies have been corrected as follows:

1. The office and apartment unit addition on the ground floor have been removed.
2. By the removal of the office and apartment unit addition, the 25 parking spaces were converted back to the required number of nonconforming parking of 28 spaces.
3. Investigation revealed Building Permit No. 611853 was issued on May 2, 2007 to convert Apt. #301 and Apt. #303 into one apartment unit.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-Family Code Enforcement Branch at 768-8151.

Very truly yours,

  
Henry Eng, FAICP, Director  
Department of Planning and Permitting

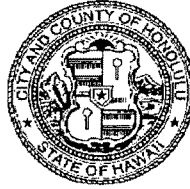
HE:ft

doc554282

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
TELEPHONE: (808) 523-4432 • FAX: (808) 527-6743  
DEPT. INTERNET: [www.honoluluodpp.org](http://www.honoluluodpp.org) • INTERNET: [www.honolulu.gov](http://www.honolulu.gov)

MUFI HANNEMANN  
MAYOR



HENRY ENG, FAICP  
DIRECTOR

DAVID K. TANOUÉ  
DEPUTY DIRECTOR

2006/ELOG-618(LT)

July 12, 2006

Mr. Stephen E. Davis  
2442 Tusitala Street  
Honolulu, Hawaii 96815

Dear Mr. Davis:

Re: Condominium Conversion Project  
2442 Tusitala Street  
Tax Map Keys: 2-6-024: 092 & 2-6-024: 093

This is in response to your letter dated March 14, 2006, requesting verification that the structure on the above-referenced properties met all applicable code requirements at the time of construction.

Investigation revealed that the 4-story 57-unit apartment building with 28 all-weather-surface off-street parking spaces met all applicable code requirements when it was constructed in 1963 on these two (combined total of 12,942-square-foot) Apartment Precinct zoned lots.

Investigation revealed the following deficiencies:

- 1) The office and apartment unit on the ground floor was constructed without a building permit.
- 2) The construction of the office and apartment unit on the ground floor eliminated three parking spaces and reduced the required number of nonconforming parking spaces from 28 to 25.
- 3) Apartments #301 and #303 were converted into one apartment unit with interior alterations without a building permit.

Investigation also revealed the following:

- 1) On January 25, 1962, a subdivision [File No. 1962(28)] was granted approval by the Planning Director to the proposed consolidation of Lots 7-A and 7-B (Map 3) of Land Court Consolidation 4 at Waikiki into Lot 8, 12,942-square-foot.

Mr. Stephen E. Davis  
July 12, 2006  
Page 2

- 2) The apartment building, which encroaches into the required front yard setback, is considered a nonconforming structure (spacing).

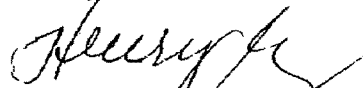
For your information, the Department of Planning and Permitting cannot determine all other legal nonconforming uses or structures, as a result of the adoption or amendment of any ordinance or code.

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

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

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-Family Code Enforcement Branch at 527-6341.

Very truly yours,



Henry Eng, FAICP, Director  
Department of Planning and Permitting

HE:ft

doc464413

## EXHIBIT "H"

### DEVELOPER'S RESERVED RIGHTS

1. The Developer reserves an easement over, under and upon the Project, the common elements of the Project and each unit in the Project as may be reasonably necessary for the completion of any renovations of the Project, the sale of the units in the Project, and the correction of defects in the Project (see Section 4.6 of the Declaration).

2. The Developer reserves the right to conduct extensive sales activities on the Project for the sale of Units in the Project, including without limitation, the use of model units, sales and management offices, and extensive sales displays and activities until the date of the closing of the sale of the last unsold unit in the Project (see Section 4.7 of the Declaration).

3. The Developer reserves the right, for itself and its successors and assigns, at any time prior to December 31, 2014, to designate and to grant to any public or governmental authority or other entity rights-of-way and other easements affecting the Project or the land of the Project which are for the sole benefit of the Project, or which are for the benefit of lands located near or adjacent to the Project, or which do not materially and adversely interfere with the use, nor materially and adversely impair the value of the Project or any unit in it, over, across, under and through the common elements for lines and other transmission facilities and appurtenances for electricity, telephone, water, sewer, drainage, rubbish collection, mail delivery and other public services and utilities, and the right to enter the Project for the purpose of installing, repairing, altering and removing such lines and facilities and trimming any trees in the way of such lines and facilities; provided that in connection with the installation, maintenance, repair, alteration or removal of any such lines and facilities pursuant to rights-of-way and other easements granted hereunder, the Developer or its successors or assigns, as applicable, must require that any damage to the common elements shall be restored promptly at the expense of the party owning and exercising such easement right; provided, further, that the Association, through the Board, and with the consent and agreement of the holders of any affected easements, is authorized to grant, convey, transfer, cancel, relocate and otherwise deal with any and all such public services and utility easements now or hereafter located on or affecting the Project without requiring any consideration. To the extent that joinder of any unit owner and lien holder or other person who may have any interest in the Project, any unit, or the land of the Project, may be required in order to validate any act or thing done pursuant to the foregoing reservation, such joinder shall be accomplished by a power of attorney from each of the unit owners, lien holders or other such parties. The acquiring or acceptance of ownership in a unit or of a lien covering a unit or any other interest in the Project or in the land of the Project shall constitute a grant of such power of attorney and the grant, being coupled with an interest, shall be irrevocable and shall not be affected by the disability of the party granting such power (see Section 4.8 of the Declaration).

4. The Developer reserves the right to amend the Declaration (see Section 17 of the Declaration), without the consent or joinder of the Association or the persons then owning or leasing the units or their mortgagees, to satisfy any requirement of the Department of Veterans' Affairs ("VA"), the Federal Housing Administration ("FHA"), the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), or any federally chartered lending institution that Declarant deems necessary or convenient and to such extent and with such language as may be requested by the FHA, VA, FNMA, FHLMC or

any federally chartered lending institution as a condition precedent to lending funds upon the security of a unit in the Project.

5. The Developer reserves the right to amend the Declaration (see Section 18 of the Declaration), without the consent or joinder of the Association or the persons then owning or leasing the units or their mortgagees, as follows:

a. To make changes to the Project and to amend the Declaration and the Condominium Map in any manner, as long as the Developer owns all of the units in the Project.

b. To change the number of each type of unit in the Project; provided, however, that this right shall apply only to units that are owned by the Developer.

c. To make changes to the Project and the Condominium Map; provided that such changes do not violate applicable laws and codes and do not constitute a material change to the Project or to any unit not owned by the Developer.

END OF EXHIBIT "H"

EXHIBIT "I"

ESTIMATE OF THE INITIAL MAINTENANCE FEES

Estimate of the Initial Maintenance Fees:

<u>Units</u>	<u>Monthly Fee Per Unit</u>	x	<u>12 months</u>	=	<u>Yearly Total Per Unit</u>
101, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 201, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, and 319	\$212.46	x	12 months	=	\$2,549.54
102, 202, and 302	\$268.41	x	12 months	=	\$3,220.92
303	\$424.92	x	12 months	=	\$5,099.09

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

**Operating Budget - First Year  
Ainahau Gardens  
2442 Tusitala Street, Honolulu, HI 96815**

<b>Maintenance Fees</b>	<b>Monthly</b>		<b>Yearly</b>
Maintenance Fee	12,278.17	x 12 months=	147,338.04
<b>TOTAL</b>	<u>\$ 12,278.17</u>	x 12 months=	<u>\$ 147,338.04</u>
 <b>Utilities and Services</b>			
Cable	1,860.17	x 12 months=	22,322.04
Electricity			
<input checked="" type="checkbox"/> common elements only	779.77	x 12 months=	9,357.24
<input type="checkbox"/> common elements and apartments			
Elevator	501.48	x 12 months=	6,017.79
Fire Alarm	27.92	x 12 months=	335.00
Gas			
<input checked="" type="checkbox"/> common elements only	475.90	x 12 months=	5,710.80
<input type="checkbox"/> common elements and apartments			
Laundry Revenues	(490.00)	x 12 months=	(5,880.00)
Refuse Collection	373.77	x 12 months=	4,485.24
Telephone	155.61	x 12 months=	1,867.32
Water and Sewer	1,747.46	x 12 months=	20,969.52
 <b>Maintenance, Repairs and Supplies</b>			
Building	950.00	x 12 months=	11,400.00
Grounds	650.00	x 12 months=	7,800.00
 <b>Management</b>			
Management Fee	560.00	x 12 months=	6,720.00
Payroll and Payroll Taxes	1,200.00	x 12 months=	14,400.00
Office Expenses	150.00	x 12 months=	1,800.00
Audit Fees	100.00	x 12 months=	1,200.00
 <b>Insurance</b>			
Property, Comprehensive & General Liability	700.00	x 12 months=	8,400.00
Commercial Umbrella, E&O, Fidelity Bond	215.17	x 12 months=	2,582.00
Flood	404.17	x 12 months=	4,850.00
Worker's Compensation	68.76	x 12 months=	825.12
<b>Reserves</b>	1,848.00	x 12 months=	22,176.00
 <b>TOTAL OPERATING EXPENSES</b>	 <u>\$ 12,278.17</u>	 x 12 months=	 <u>\$ 147,338.07</u>

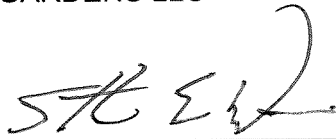


DEVELOPER'S STATEMENT REGARDING COMMENCEMENT  
OF OWNERS' OBLIGATION TO PAY MAINTENANCE FEES

Developer shall initially assume all the actual common expenses of the Project. The unit owners shall not be obligated for the payment of their share of the common expenses until such time as Developer sends the unit owners written notice that, after a specified date, the unit owners shall be obligated to pay for the portion of the common expenses that is allocated to their respective units. Developer's written notice shall be mailed to the owners, the Association and the Managing Agent at least thirty (30) calendar days before the specified date.

AINAHAU GARDENS LLC

By: \_\_\_\_\_

  
Stephen E. Davis  
Its Manager

Dated: September 25, 2007

"Developer"

END OF EXHIBIT "I"

EXHIBIT "J"

SUMMARY OF SALES CONTRACT

A copy of the form of Condominium Sales Agreement ("Sales Contract") has been submitted to the Real Estate Commission and is available for inspection at Developer's office. The following is a summary of some of the provisions of the Sales Contract. ALL PURCHASERS AND PROSPECTIVE PURCHASERS SHOULD CAREFULLY READ THE SALES CONTRACT IN FULL SINCE THIS SUMMARY IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OF THE PROVISIONS OF THE SALES CONTRACT.

1. The Sales Contract does not become a binding contract until the Binding Date occurs as described hereinbelow. The Effective Date of the Sales Contract shall be the date on which all of the following conditions are fulfilled:

- (a) The Sales Contract has been accepted by Developer;
- (b) A true copy of Developer's Public Report is mailed or otherwise delivered to the purchaser; and
- (c) A notice of the purchaser's thirty-day right to cancel this Agreement is mailed or otherwise delivered to the purchaser.

The Binding Date of the Sales Contract shall be the date when all of the foregoing conditions have been fulfilled and the following additional condition has been fulfilled:

The purchaser has waived or be deemed to have waived the purchaser's right to cancel the Sales Contract pursuant to Section 514B-86 of the Act.

Until the Binding Date of the Sales Contract, it may be terminated at any time, with or without cause, at the option of either party, by written notice of termination to the other.

2. If the unit covered by a particular Sales Contract is an Owner-Occupant Designated Unit, and the purchaser has executed an affidavit stating purchaser's intent to become an owner-occupant of the unit, then purchaser agrees when signing the Sales Contract that purchaser will occupy the unit as purchaser's principal residence. Any such purchaser shall be required to reaffirm his or her intent to be an owner-occupant no later than the Closing Date. Failure to sign the reaffirmation upon the reasonable request of Developer shall constitute a default under the Sales Contract by such purchaser and Developer shall have the remedies provided in the Sales Contract.

3. The unit is sold in "AS IS, WHERE IS" condition and "WITH ALL FAULTS." Developer makes no warranties, express or implied, oral or written, with respect to the unit, its size or dimensions, or the Project (including the common elements of the Project), or about any furnishings, fixtures, appliances or other consumer products or anything else installed, attached, affixed, or otherwise contained in any of the units (including the common elements of the Project).

4. The purchaser agrees that all payments required by the Sales Contract will be deposited with Escrow and that all checks will be made payable to Escrow. The purchaser also

agrees that any money that the purchaser deposits with Escrow may be deposited together with other purchasers' money in a federally insured interest bearing account, and that Escrow may distribute the money in this account according to the Escrow Agreement between Developer and Escrow. The purchaser also agrees that all the interest earned from the funds deposited by purchasers will be credited to Developer, except as may be provided in the Sales Contract. In case purchaser is late in making payments to Escrow, the late payment will bear interest at the rate of one percent (1%) per month until paid.

5. All taxes, assessments, and charges of any kind assessable against the unit or the land of the Project will be prorated as of the Closing Date. The purchaser will be responsible for paying all closing costs in connection with the purchase of the unit, including all costs related to any mortgages, all notary fees, recording fees, escrow fees, title insurance, conveyance taxes and fees, and preparation of the Unit Deed to the purchaser.

6. The purchaser must deposit with Escrow at Preclosing a contribution for the common expenses operating account equal to two (2) months of the estimated assessments for common expenses (being a nonrefundable "start-up operating" fee for the condominium association). This amount does not constitute a pre-payment of maintenance fees and purchaser shall be required to pay monthly maintenance fees when the collection of such fees is commenced by the Association.

7. The purchaser may not assign purchaser's rights under the Sales Contract without the prior written consent of Developer. Under no circumstances may the purchaser assign purchaser's rights to the Sales Contract after the Preclosing or the Closing Date. If purchaser attempts to assign the Sales Contract without Developer's written consent, purchaser shall be in default under the Sales Contract.

8. Developer, at its sole discretion, shall determine the Closing Date. Developer may, at its option, preclose the sale of a unit by requiring the purchaser to deliver all documents necessary for closing and certain funds to Escrow up to sixty (60) days prior to the closing date. The purchaser will have ten (10) days notice of such preclosing.

9. The purchaser shall not be able to occupy the unit until the Closing Date. Purchaser shall not be able to enter the unit until the Closing Date, except with the prior consent of Developer. If the purchaser attempts to take occupancy of or enter the unit prior to the Closing Date without the consent of Developer, then the purchaser will be in default of the Sales Contract, and Developer has the right to remove the purchaser from the unit using any lawful means and at the purchaser's expense. The foregoing provisions shall not apply to purchasers who are tenants renting their respective unit at the Project at the time they executed the Sales Contract and who continue to rent their unit prior to the Closing Date.

10. The purchaser may inspect the unit, at reasonable hours arranged by the purchaser and Developer, within ten (10) days of the Binding Date of the Sales Contract.

11. By signing the Sales Contract, the purchaser represents that the purchaser is financially capable of paying the purchase price for the unit. The purchaser also represents that any financial data the purchaser has given Developer is accurate.

If the purchaser intends to finance the purchase of the unit, then the purchaser must deliver to Developer, together with the copy of this Agreement signed by purchaser, a pre-qualification letter for a mortgage loan in the amount set forth in Section C.2.c of the Sales

Contract from an established lending institution duly authorized to do business in the State of Hawaii. The purchaser must also apply for financing and inform Developer of the name and address of the lending institution and the loan officer handling the loan application within five (5) days from the Effective Date of the Sales Contract. The lender must be an established financial institution duly authorized to do business in the State of Hawaii. The purchaser must obtain from the funding permanent lender, and must provide to Developer a copy of, written conditional loan approval of the loan within twenty-one (21) calendar days from the Effective Date of the Sales Contract. The purchaser agrees to do everything possible and/or necessary to successfully obtain the loan. Not later than five (5) calendar days after issuance of the written conditional loan approval, purchaser must deliver to Developer written evidence that purchaser has satisfied all conditions specified by the lender, except conditions that cannot be satisfied by purchaser until the Closing Date. Purchaser authorizes Developer and Developer's agents to contact purchaser's lender and escrow regarding the status of purchaser's mortgage loan, including loan approval and satisfaction of conditions. If purchaser makes a bona fide effort to obtain financing but is unsuccessful in doing so, then purchaser may cancel the Sales Contract upon written notice to Developer on or before thirty (30) days from the Effective Date of the Sales Contract. If the Sales Contract is cancelled, the purchaser will be entitled to a refund of any money the purchaser has deposited with Escrow, without interest and less an escrow cancellation fee.

If the purchaser is making a cash purchase of a unit, the purchaser must provide proof to Developer within ten (10) days after Developer accepts the Sales Contract that purchaser is financially capable of making all payments under the Sales Contract. Developer has the option to terminate the Sales Contract if Developer determines at any time that the purchaser is unable to make the required payments. If the Sales Contract is cancelled, the purchaser will be entitled to a refund of any money the purchaser has deposited with Escrow, without interest, and less an escrow cancellation fee, the cost of any credit reports and all other costs incurred by Developer.

12. If the purchaser defaults after the Binding Date of the Sales Contract, Developer may cancel the Sales Contract and may keep any amounts previously paid by the purchaser as liquidated damages to compensate Developer for its damages. Developer may also pursue any other legal remedy for purchaser's default. If Developer defaults after the Binding Date of the Sales Contract, the purchaser's only remedy is to cancel the Sales Contract and have all of the purchaser's money refunded.

13. If less than forty (40) units have been sold within one hundred eighty (180) days after the date a purchaser signs the first Sales Contract for a unit in the Project, Developer has the option to cancel the Sales Contract. If Developer cancels the Sales Contract, the purchaser will be entitled to a refund of any money the purchaser has deposited with Escrow, without interest and less an escrow cancellation fee.

14. By entering into the Sales Contract, the purchaser acknowledges that the purchaser has never received any information of representations from Developer or any of Developer's agents regarding rental income from the unit or other economic or tax benefits that purchaser may receive from ownership of the unit. The purchaser further agrees that he or she will not participate in any rental pool for the renting of the unit. The purchaser may be required to sign documents which satisfy Developer that no such representations have been made.

15 Subject to the requirements of the Hawaii Contractor Repair Act (Hawaii Revised Statutes Chapter 672E), if applicable, any dispute between Developer and purchaser arising out of or relating to the Sales Contract or the unit, or the construction, development or management

of the Project or the sale of any unit or the use or occupancy of any unit, or any other aspect of the relationship between Developer and the purchaser regarding the Project shall be subject to non-binding mediation and, if necessary, shall be resolved by mandatory arbitration.

16. The purchaser accepts the following conditions as well as any inconvenience or annoyance which the purchaser may experience as a result of such conditions and expressly waives any rights, claims or actions which he might otherwise have against Developer or third parties as a result of such circumstances:

(a) Sales activities, including the use of model units, sign and extensive sales displays and other activities for the sale of units in the Project.

(b) Developer reserves the right for itself, its employees, agents, sales representatives, business invitees and prospective purchasers to utilize the common elements for ingress and egress to model units and parking spaces and in order to show the common elements to prospective purchasers.

17. By signing the Sales Contract, the purchaser acknowledges receipt of notice that:

(a) Mold and Mildew. The purchaser has been informed that microorganisms, including, but not limited to, mold, mildew, spores, or any other form of fungi or bacteria ("Microorganisms"), may be present in the unit and that Microorganisms, at certain levels, can cause deterioration of building materials, damage to property, health hazards, personal injuries and/or other irritant effects, such as, without limitation to, skin irritation, respiratory problems and/or allergic reactions. Concentrations of chemicals released from household furnishings, appliances, mechanical equipment, personal possessions or building materials may, at certain levels, create health hazards and/or other irritant effects, such as, without limitation to, skin irritation, respiratory problems and allergic reactions. Because Microorganisms occur naturally in the environment, Developer cannot eliminate the possibility that Microorganisms may grow in, on or about the unit. purchaser releases and agrees to indemnify and defend Developer and its successors and assigns from and against any and all claims, obligations, demands, damages, causes of action, liabilities, losses and expenses, including reasonable attorneys' and expert fees, whether now known or hereafter known, foreseen or unforeseen, that purchaser or any occupant of the unit had, has, or may have in the future, in law or in equity (the "claim"), that are attributable to (1) bodily injury, sickness, emotional distress, disease, death or any other personal injury or adverse health effects, or (2) injury to or destruction of tangible personal property, including loss of the use thereof arising out of or relating to, or in any way connected with, indoor air quality, moisture, or the growth, release, discharge, dispersal or presence of any Microorganisms or any chemicals in the indoor air or on the interior surfaces of the unit including, without limitation to, wall cavities, the attic, windows and the basement, or on the exterior surfaces of the unit or on any part thereof.

(b) Hazardous Materials. The purchaser is aware that apart from the Architect Inspection Report disclosed in Developer's Public Report, Developer has made no independent investigation as to asbestos or other hazardous substances in the Project or Units, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601, Federal Resource

Conservation and Recovery Act, 42 U.S.C. §6901, or any other federal, State or local law or ordinance relating to pollution or protection of the environment. Developer does not represent or warrant in any way whatsoever that the Architect Inspection Report is correct or complete. In 1997, a Phase I Environmental Site Assessment ("Assessment") was prepared by a company named REST, Inc. for Skybird Properties, Inc. Def. Ben. Pen. Plan, a prior owner of the building unrelated to Developer. The Assessment states that building components were observed which probably contain asbestos, namely vinyl floor tiles with mastic, black sink undercoating, and spray applied, acoustical ceiling material, and that based on the age of the structure, interior and exterior building components may have been coated with lead-based paint. Given that the Assessment was not ordered by Developer, Developer makes no representations whatsoever regarding the Assessment and whether it is correct or complete. In light of the age of the Project, however, there may be hazardous substances in the Units and Project. Because of the possible presence of such substances, the purchaser should have the Unit inspected to determine the extent (if any) of such contamination and any necessary remedial action. Developer will not correct any defects in the Unit or the Project or anything installed or contained therein and the purchaser shall expressly release Developer from any liability if any hazardous materials are discovered.

(c) Lead-Based or Lead-Containing Paint. The Unit and the Project may present exposure to lead from lead-based or lead-containing paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. Developer is required by law to provide the purchaser with any information on lead-based or lead-containing paint hazards from risk assessments or inspections in Developer's possession and notify the purchaser of any known lead-based or lead-containing paint hazards. The Assessment, discussed in Section 17(b) above, states that based on the age of the structure, interior and exterior building components may have been coated with lead-based paint. Other than the statements in the Assessment and the age of the building, Developer has no actual knowledge of lead-based paint and/or lead-based paint hazards at the Project.

The purchaser acknowledges, consents to, and approves all of the matters described in Sections 17(a) through 17(c) above, and the purchaser assumes any and all risks in connection with each of those matters and releases and agrees to indemnify and defend Developer and its successors and assigns from and against any and all claims, obligations, demands, damages, causes of action, liabilities, losses and expenses, including attorney's fees and expert fees, whether now known or hereafter known, foreseen or unforeseen, that the purchaser or any occupant of the unit had, has or may have in the future, in law or equity (the "claim") that are attributable to or connected with any of the matters hereinabove disclosed.

END OF EXHIBIT "J"

EXHIBIT "K"

SUMMARY OF ESCROW AGREEMENT

A copy of the Condominium Escrow Agreement dated September 10, 2007, between the Developer and Pacific Access Escrow, Inc. ("Escrow"), has been submitted to the Real Estate Commission and is available for inspection at the Developer's sales office. The following is a summary of some of the provisions of the Escrow Agreement.

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

1. A signed copy of each sales contract for a unit in the Project must be given to Escrow.
2. All money received by the Developer from purchasers under sales contracts for units in the Project must be given to Escrow. Escrow, in accordance with written instructions from the Developer, shall deposit all money so received in an interest-bearing account at a federally insured bank, savings and loan association or other financial institution. Any interest earned on funds deposited into Escrow will accrue as set forth in the sales contract unless otherwise provided.
3. Escrow will not make any disbursements of funds at closing unless and until the following conditions have been fulfilled:
  - (a) The purchaser shall have received a copy of (i) Developer's Public Report issued by the Real Estate Commission, together with a receipt and notice from which complies with Sections 514B-87, Hawaii Revised Statutes;
  - (b) The purchaser has signed the receipt and notice form and waived the purchaser's right to cancel or thirty (30) days have elapsed since the purchaser received a copy of the Public Report and receipt and notice form;
  - (c) Escrow receives satisfactory assurances, including a commitment by a duly licensed title insurer, that the unit has been conveyed free and clear of any liens and that all blanket mortgages and liens have been released from purchaser's unit in accordance with Section 514B-45, Hawaii Revised Statutes; and
  - (d) purchaser's deed is recorded in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.

Given that construction of the Project is complete, Developer does not plan to use purchaser's funds to pay project costs prior to closing. Therefore, the provisions in the escrow agreement regarding the disbursement of funds prior to closing are not applicable to this Project.

4. A purchaser shall be entitled to a return of such purchaser's funds held in Escrow under a sales contract, and Escrow will pay such funds to the purchaser, together with any interest which may have accrued to the credit of such purchaser, if any one of the following has occurred:

(a) Developer and purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held by Escrow; or

(b) Developer or purchaser shall have notified Escrow of Developer's or purchaser's exercise of an option to cancel the sales contract pursuant to any right of cancellation provided in the sales contract or otherwise available to Developer or purchaser; or

(c) The purchaser shall have notified Escrow of purchaser's exercise of purchaser's right to cancel the sales contract pursuant to Section 514B-90, Hawaii Revised Statutes, as amended; or

(d) The purchaser shall have notified Escrow of purchaser's exercise of his or her right to rescind the sales contract pursuant to Section 514B-87, Hawaii Revised Statutes.

In the event Escrow receives notice of cancellation or termination of the sales contract pursuant to sub-sections (a), (b), or (c), Escrow shall, unless the purchaser has waived or has been deemed to have waived the right to a refund, pay said funds to said purchaser (less a cancellation fee commensurate with the work done by Escrow prior to such cancellation and other costs associated with the purchase, up to a maximum of \$250.00); provided, however, that no refund shall be made to a purchaser at the purchaser's request prior to receipt by Developer of written notice from Escrow of Escrow's intent to make such refund.

In the event Escrow receives notice of purchaser's election to rescind the sales contract pursuant to Section 514B-87, Hawaii Revised Statutes, Escrow shall return said funds to purchaser; provided, however, that no refund shall be made to a purchaser at the purchaser's request prior to receipt by Developer of written notice from Escrow of Escrow's intent to make such refund.

5. If a purchaser fails to claim a refund for a cancelled sales contract, Escrow will notify the purchaser at the purchaser's address shown on the sales contract.

6. If a purchaser fails to make a payment to Escrow in a timely manner, Escrow will notify Developer. If the Developer subsequently notifies Escrow in writing that Developer has terminated the sales contract and provides Escrow with copies of all notices of termination sent to the purchaser, Escrow will then treat any funds the purchaser has already paid as though they belong to the Developer. Upon written request by the Developer, Escrow will pay all such sums to Developer minus any escrow cancellation fee.

7. The Escrow Agreement is subject to the provisions of Hawaii Revised Statutes, Chapter 514B, as it may be amended.

END OF EXHIBIT "K"



## Component Report



Ainahau Gardens Owners Corp.  
Honolulu, HI

Date: 12-Jun-2007  
Units: 56  
Fiscal Year End: 31-Dec-2007  
Report Start Date: 1-Jan-2008

Current Replacement Cost Total: \$261,217

Component	Service Life	Remaining Life	Cost Per Unit	Approx Qty	Current Replace Cost	Future Cost	Source
<b>Asphalt &amp; Concrete Surfaces</b>							
Asphalt - Reseal/Strip & Repair	4	4	\$0.35 / Square Feet (SF)	12,468	\$4,364	\$5,008	Inspector
Asphalt Overlay	22	22	\$2.00 / Square Feet (SF)	12,468	\$24,936	\$53,151	Inspector
Concrete - Repairs	<i>Maintenance / Operating</i>						
					<b>\$29,300</b>	<b>\$58,159</b>	
<b>Common Areas</b>							
Boiler System #1	15	15	\$7,500.00 / Each (EA)	1	\$7,500	\$12,565	Management
Boiler System #2	15	5	\$7,500.00 / Each (EA)	1	\$7,500	\$8,908	Awaiting Additional Information
Carpeting - Corridors	7	7	\$40.00 / Square Yards (SY)	256	\$10,240	\$13,028	Inspector
Entry Phone System (DK)	14	14	\$3,500.00 / Each (EA)	1	\$3,500	\$5,665	Inspector
Security Cameras (4)	12	12	\$350.00 / Each (EA)	4	\$1,400	\$2,115	Inspector
					<b>\$30,140</b>	<b>\$42,282</b>	
<b>Elevator</b>							
Cab Refurbishment	20	10	\$5,000.00 / Each (EA)	1	\$5,000	\$7,053	Awaiting Additional Information
Upgrade Mechanical System	25	10	\$50,000.00 / Each (EA)	1	\$50,000	\$70,530	Awaiting Additional Information
					<b>\$55,000</b>	<b>\$77,583</b>	
<b>Fencing &amp; Rails</b>							
Chain Link Fencing - Perimeter	25	20	\$18.00 / Linear Feet (LF)	264	\$4,752	\$9,455	Awaiting Additional Information
Metal Gates - Main	20	20	\$500.00 / Each (EA)	2	\$1,000	\$1,990	Inspector
Metal Rails - Roof	20	20	\$45.00 / Linear Feet (LF)	388	\$17,460	\$34,742	Inspector
					<b>\$23,212</b>	<b>\$46,187</b>	
<b>Lighting</b>							
Corridor Ceiling Fixtures	18	18	\$100.00 / Each (EA)	15	\$1,500	\$2,786	Inspector
Parking Fixtures	16	16	\$135.00 / Each (EA)	9	\$1,215	\$2,107	Inspector
					<b>\$2,715</b>	<b>\$4,893</b>	

## Component Report



**Ainahau Gardens Owners Corp.**  
Honolulu, HI

Date: 12-Jun-2007  
Units: 56  
Fiscal Year End: 31-Dec-2007  
Report Start Date: 1-Jan-2008

**Current Replacment Cost Total: \$261,217**

Component	Service Life	Remaing Life	Cost Per Unit	Approx Qty	Current Replace Cost	Future Cost	Source
<b>Miscellaneous</b>							
Bike Rack	20	20	\$1,000.00 / Each (EA)	1	\$1,000	\$1,990	Management
Exterior Doors	<i>Maintenance / Operating</i>						
Fire Panel/System	<i>Maintenance / Operating</i>						
Mailboxes	16	16	\$85.00 / Each (EA)	59	\$5,015	\$8,696	Inspector
Solar Panels	<i>Other</i>						
Solar System	<i>Other</i>						
Stairwells - Coating	8	8	\$1.50 / Square Feet (SF)	792	\$1,188	\$1,564	Inspector
Storage Boxes	<i>Maintenance / Operating</i>						
Surf Rack	18	18	\$2,000.00 / Each (EA)	1	\$2,000	\$3,715	Management
Tile Flooring - Parking Level	18	18	\$20.00 / Square Feet (SF)	149	\$2,980	\$5,535	Inspector
					<b>\$12,183</b>	<b>\$21,500</b>	
<b>Painting</b>							
Block Wall - Exterior Parking	10	10	\$0.80 / Square Feet (SF)	552	\$442	\$623	Inspector
Exterior Surfaces	10	10	\$1.90 / Square Feet (SF)	20,088	\$38,167	\$53,839	Inspector
Hallway Surfaces	8	8	\$1.10 / Square Feet (SF)	6,144	\$6,758	\$8,900	Inspector
Metal Surfaces (Rails/Gates)	4	4	\$6.00 / Linear Feet (LF)	400	\$2,400	\$2,754	Inspector
					<b>\$47,767</b>	<b>\$66,115</b>	
<b>Roofing</b>							
Built-Up Roofing - Elevator	15	15	\$700.00 / Square (SQ)	2	\$1,400	\$2,345	Board of Directors
Built-Up Roofing - Units	15	6	\$700.00 / Square (SQ)	85	\$59,500	\$73,141	Inspector
					<b>\$60,900</b>	<b>\$75,486</b>	

## Percentage Funded Report



**Ainahau Gardens Owners Corp.**  
Honolulu, HI

Date: 12-Jun-2007  
Units: 56  
Fiscal Year End: 31-Dec-2007  
Report Start Date: 1-Jan-2008

**Percent Funded: 0%**

Component	Service Life (a)	Remaining Life (b)	Years in Service (c)	Current Replacement Cost (d)	Projected Reserve Balance (e)	Required Reserve Funding (f)	Projected Fully Funded Reserves (g)	Deficit/Surplus of Fully Funded Reserves (h)	Per Unit Deficit/Surplus of Fully Funded Reserves (i)
<b>Asphalt &amp; Concrete Surfaces</b>									
Asphalt - Reseal/Strip & Repair	4	4	0	\$4,364	\$0	\$1,091	\$0	\$0	\$0.00
Asphalt Overlay	22	22	0	\$24,936	\$0	\$1,133	\$0	\$0	\$0.00
<b>Common Areas</b>									
Boiler System #1	15	15	0	\$7,500	\$0	\$500	\$0	\$0	\$0.00
Boiler System #2	15	5	10	\$7,500	\$0	\$500	\$5,000	\$(5,000)	\$(89.29)
Carpeting - Corridors	7	7	0	\$10,240	\$0	\$1,463	\$0	\$0	\$0.00
Entry Phone System (DK)	14	14	0	\$3,500	\$0	\$250	\$0	\$0	\$0.00
Security Cameras (4)	12	12	0	\$1,400	\$0	\$117	\$0	\$0	\$0.00
<b>Elevator</b>									
Cab Refurbishment	20	10	10	\$5,000	\$0	\$250	\$2,500	\$(2,500)	\$(44.64)
Upgrade Mechanical System	25	10	15	\$50,000	\$0	\$2,000	\$30,000	\$(30,000)	\$(535.71)
<b>Fencing &amp; Rails</b>									
Chain Link Fencing - Perimeter	25	20	5	\$4,752	\$0	\$190	\$950	\$(950)	\$(16.97)
Metal Gates - Main	20	20	0	\$1,000	\$0	\$50	\$0	\$0	\$0.00
Metal Rails - Roof	20	20	0	\$17,460	\$0	\$873	\$0	\$0	\$0.00
<b>Lighting</b>									
Corridor Ceiling Fixtures	18	18	0	\$1,500	\$0	\$83	\$0	\$0	\$0.00
Parking Fixtures	16	16	0	\$1,215	\$0	\$76	\$0	\$0	\$0.00
<b>Miscellaneous</b>									
Bike Rack	20	20	0	\$1,000	\$0	\$50	\$0	\$0	\$0.00
Mailboxes	16	16	0	\$5,015	\$0	\$313	\$0	\$0	\$0.00
Stairwells - Coating	8	8	0	\$1,188	\$0	\$149	\$0	\$0	\$0.00
Surf Rack	18	18	0	\$2,000	\$0	\$111	\$0	\$0	\$0.00

Report Generated by eReserves - www.ereserves.com - All Rights Reserved. eReserves has not reviewed the data and information contained in this report for its accuracy or completeness and takes no responsibility whatsoever for the content contained herein. Such data and information shall be used at your own risk. Please refer to the end of the consolidated report for an important disclaimer.

Percent Funded: 0%

Component	Service Life (a)	Remaining Life (b)	Years in Service (c)	Current Replacement Cost (d)	Projected Reserve Balance (e)	Required Reserve Funding (f)	Projected Fully Funded Reserves (g)	Deficit/Surplus of Fully Funded Reserves (h)	Per Unit Deficit/Surplus of Fully Funded Reserves (i)
<u>Miscellaneous</u>									
Tile Flooring - Parking Level	18	18	0	\$2,980	\$0	\$166	\$0	\$0	\$0.00
<u>Painting</u>									
Block Wall - Exterior Parking	10	10	0	\$442	\$0	\$44	\$0	\$0	\$0.00
Exterior Surfaces	10	10	0	\$38,167	\$0	\$3,817	\$0	\$0	\$0.00
Hallway Surfaces	8	8	0	\$6,758	\$0	\$845	\$0	\$0	\$0.00
Metal Surfaces (Rails/Gates)	4	4	0	\$2,400	\$0	\$600	\$0	\$0	\$0.00
<u>Roofing</u>									
Built-Up Roofing - Elevator	15	15	0	\$1,400	\$0	\$93	\$0	\$0	\$0.00
Built-Up Roofing - Units	15	6	9	\$59,500	\$0	\$3,967	\$35,700	\$(35,700)	\$(637.50)

## Percentage Funded Report



**Ainahau Gardens Owners Corp.**  
Honolulu, HI

Date: 12-Jun-2007  
Units: 56  
Fiscal Year End: 31-Dec-2007  
Report Start Date: 1-Jan-2008

**Percent Funded: 0 %**

	Current Replacement Cost (d)	Projected Reserve Balance (e)	Required Reserve Funding (f)	Projected Fully Funded Reserves (g)	Surplus/Deficit of Fully Funded Reserves (h)	Per Unit Deficit/Surplus of Fully Funded Reserves (i)
<b>Totals</b>	\$261,217	\$0	\$18,731	\$74,150	\$(74,150)	\$(1,324.11)

## PERCENTAGE FUNDED & DEFINITIONS

Based on the estimated total current replacement cost of \$261,217 and estimated service lives and remaining useful lives for the individual reserve components, the annual (day 1) reserve funding for the Ainahau Gardens Owners Corp. is \$18,731 and the Fully Funded Reserve as of fiscal year-end 31-Dec-2007 is \$74,150. As of this date, the Association has projected \$0 to be in savings available for reserves. This will be a deficit of \$74,150 under the Fully Funded Reserve. Based on these numbers, the Ainahau Gardens Owners Corp. will be 0% funded as of 31-Dec-2007.

This percent funded value presented in the data summary sheet is calculated by dividing the current (or projected) cash reserve savings by the Fully Funded reserve amount.

### DEFINITION OF TERMS

(For Percentage Funded Page Calculations)

Column a - Service Life: Normal time period the association reserve component can be expected to remain in functional or useful condition.

Column b - Remaining Life (B): An estimate of years remaining before repair, replacement or refurbishment will be necessary.

Column c - Calculated Years in Service (C): A calculation derived by subtracting Remaining Life from Service Life. (Note: Years in service is a calculated value, not necessarily the actual age of the component.) Calculation: (A) - (B) = (C).

Column d - Current Replacement Cost (D): The current cost of repairing, replacing or refurbishing a component.

Column e - Current Actual Reserve Funds (E): Current amount of reserve funds available for each component. This is calculated by: (individual component Fully Funded Reserve) / (the total Fully Funded Reserve for all components) x (the Total Current Actual Reserve Balance for all reserve components) Calculation G / G (Total) x E (Total) = (E) Individual Component Current Actual Reserve Balance.

Column f - Day 1 Reserve Funding (Annual) (F): The annual amount of reserve funding required as of the Fiscal Year End which, when Fully Funded from the first year of service for all components will achieve full funding. This annualized value is calculated by dividing Current Replacement Cost by the Useful Life. This funding level makes no adjustment to eliminate any current reserve deficits. Calculation: (D) / (A) = (F).

Column g - Fully Funded Reserve (G): This value is calculated by multiplying the Calculated Years in Service by the Day 1 Reserve Funding Amount. If an association is 100% funded, this number will be equal or less than the Current Allocated Reserve Fund Balance for each component. Calculation: (C) x (F) = (G).

Column h - Deficit/Surplus to the Fully Funded Reserve (H): The shortage or surplus of reserve funding with respect to the Fully Funded Reserve as of the reported Current Actual Reserve Balance (E). The deficit is calculated by subtracting the Current Actual Reserve Balance from the Fully Funded Reserve: (G) - (E) = (H).

Column i - Per Unit Deficit/Surplus of Fully Funded Reserves (I): The per unit breakdown of the shortage or surplus of reserve funding with respect to the Fully Funded Reserve. Calculated by dividing the current Deficit/Surplus of the Fully Funded Reserve by the number of units.

# Hawaii Compliance Funding



**Ainahau Gardens Owners Corp.**  
Honolulu, HI

Date: 12-Jun-2007  
Units: 56  
Fiscal Year End: 31-Dec-2007  
Report Start Date: 1-Jan-2008

Hawaii - Compliance Funding (50%): This option projects the lowest annual funding feasible over the next 20 years which will meet statutory reserve requirements. This funding level is calculated to achieve the Statutory Replacement Reserve (50% of the Full Replacement Reserve) by the end of year one of the report and maintain the minimum 50% funded level throughout the remaining 20 years. This method of funding considers total disbursements one year at a time and annual requirements may fluctuate widely. If implemented, this allocation should be reviewed on a regular basis and adjusted as required to ensure future-funding requirements will be met.

The annual percentage funded projections are based on the assumption that reserve components and their useful lives will remain constant, that the remaining life will decrease by one each year, and that actual reserve contributions, inflation, and interest will equate to the respective projected values.

Year	Annual Funding Amount	Average Monthly	Beginning Cash	Annual Interest	Reserve Funds	Annual Disbursements	End Balance	Surplus/Deficit of Fully Funded Reserves	Projected Percent Funded YE
2008	\$47,200	\$70.24	\$0	\$944	\$48,144	\$0	\$48,144	\$(47,988)	50%
2009	\$19,200	\$28.57	\$48,144	\$2,310	\$69,654	\$0	\$69,654	\$(49,907)	58%
2010	\$19,872	\$29.57	\$69,654	\$3,184	\$92,710	\$0	\$92,710	\$(51,803)	64%
2011	\$20,568	\$30.61	\$92,710	\$4,120	\$117,397	\$0	\$117,397	\$(53,667)	69%
2012	\$21,287	\$31.68	\$117,397	\$4,966	\$143,651	\$7,762	\$135,889	\$(55,375)	71%
2013	\$22,032	\$32.79	\$135,889	\$5,698	\$163,619	\$8,908	\$154,711	\$(57,053)	73%
2014	\$22,804	\$33.93	\$154,711	\$5,182	\$182,696	\$73,141	\$109,555	\$(57,750)	65%
2015	\$23,602	\$35.12	\$109,555	\$4,594	\$137,750	\$13,028	\$124,722	\$(59,620)	68%
2016	\$24,428	\$36.35	\$124,722	\$5,090	\$154,240	\$19,370	\$134,870	\$(61,403)	69%
2017	\$25,283	\$37.62	\$134,870	\$5,900	\$166,053	\$0	\$166,053	\$(63,511)	72%
2018	\$26,168	\$38.94	\$166,053	\$4,525	\$196,745	\$132,045	\$64,700	\$(63,578)	50%
2019	\$19,600	\$29.17	\$64,700	\$2,980	\$87,280	\$0	\$87,280	\$(73,791)	54%
2020	\$20,286	\$30.19	\$87,280	\$3,650	\$111,216	\$12,336	\$98,880	\$(84,355)	54%
2021	\$20,996	\$31.24	\$98,880	\$4,375	\$124,251	\$0	\$124,251	\$(95,716)	56%
2022	\$21,731	\$32.34	\$124,251	\$4,960	\$150,942	\$22,240	\$128,702	\$(107,325)	55%
2023	\$22,491	\$33.47	\$128,702	\$5,300	\$156,493	\$14,910	\$141,583	\$(119,751)	54%
2024	\$23,279	\$34.64	\$141,583	\$5,403	\$170,264	\$36,311	\$133,953	\$(132,562)	50%
2025	\$18,900	\$28.13	\$133,953	\$5,736	\$158,589	\$0	\$158,589	\$(152,046)	51%
2026	\$19,562	\$29.11	\$158,589	\$6,494	\$184,645	\$12,036	\$172,609	\$(172,450)	50%
2027	\$20,246	\$30.13	\$172,609	\$7,309	\$200,164	\$0	\$200,164	\$(194,242)	51%

# Hawaii Cash Flow Plan



**Ainahau Gardens Owners Corp.**  
Honolulu, HI

Date: 12-Jun-2007  
Units: 56  
Fiscal Year End: 31-Dec-2007  
Report Start Date: 1-Jan-2008

This funding plan follows the definition of the "Cash Flow Plan" (§514B - 148 (h)) meaning a minimum twenty-year projection of an association's future income and expense requirements to fund fully its replacement reserves requirements each year during that twenty-year period, except in an emergency; provided that it does not include a projection of special assessments or loans during that twenty-year period. This funding requirement is calculated with the constraint that the ending reserve balance for each year (1 through 20) must be greater than or equal to five percent (5%) of the current replacement cost (see designated threshold). The calculation takes into consideration only the immediate total annual disbursement requirements and does not take into account annual funding percentages. Due to this fact, annual allocations may fluctuate widely from year to year. This option provides a minimal contingency for unanticipated emergency expenditures. If implemented, funding and required disbursements should be reviewed on an annual basis and adjusted as required to ensure current and future funding requirements will be met.

**Threshold: \$15,000**

Year	Annual Funding Amount	Average Monthly Fee Per Unit	Beginning Cash	Annual Interest	Reserve Funds	Annual Disbursements	End Balance (Min \$15,000)	Surplus/Deficit of Fully Funded Reserves	Projected % Funded (YE)
2008	\$18,200	\$27.08	\$0	\$364	\$18,564	\$0	\$18,564	\$(77,568)	19%
2009	\$18,837	\$28.03	\$18,564	\$1,119	\$38,520	\$0	\$38,520	\$(81,041)	32%
2010	\$19,496	\$29.01	\$38,520	\$1,931	\$59,947	\$0	\$59,947	\$(84,566)	41%
2011	\$20,179	\$30.03	\$59,947	\$2,801	\$82,927	\$0	\$82,927	\$(88,137)	48%
2012	\$20,885	\$31.08	\$82,927	\$3,580	\$107,391	\$7,762	\$99,629	\$(91,635)	52%
2013	\$21,616	\$32.17	\$99,629	\$4,239	\$125,484	\$8,908	\$116,576	\$(95,188)	55%
2014	\$22,372	\$33.29	\$116,576	\$3,648	\$142,596	\$73,141	\$69,455	\$(97,850)	42%
2015	\$23,155	\$34.46	\$69,455	\$2,981	\$95,591	\$13,028	\$82,563	\$(101,779)	45%
2016	\$23,966	\$35.66	\$82,563	\$3,394	\$109,923	\$19,370	\$90,553	\$(105,720)	46%
2017	\$24,805	\$36.91	\$90,553	\$4,118	\$119,476	\$0	\$119,476	\$(110,088)	52%
2018	\$25,673	\$38.20	\$119,476	\$2,652	\$147,800	\$132,045	\$15,755	\$(112,523)	12%
2019	\$11,900	\$17.71	\$15,755	\$868	\$28,523	\$0	\$28,523	\$(132,548)	18%
2020	\$12,316	\$18.33	\$28,523	\$1,141	\$41,980	\$12,336	\$29,644	\$(153,591)	16%
2021	\$12,748	\$18.97	\$29,644	\$1,441	\$43,832	\$0	\$43,832	\$(176,135)	20%
2022	\$13,194	\$19.63	\$43,832	\$1,572	\$58,598	\$22,240	\$36,358	\$(199,669)	15%
2023	\$13,656	\$20.32	\$36,358	\$1,429	\$51,443	\$14,910	\$36,533	\$(224,801)	14%
2024	\$14,133	\$21.03	\$36,533	\$1,018	\$51,684	\$36,311	\$15,373	\$(251,142)	6%
2025	\$5,100	\$7.59	\$15,373	\$717	\$21,190	\$0	\$21,190	\$(289,445)	7%
2026	\$5,279	\$7.85	\$21,190	\$712	\$27,181	\$12,036	\$15,145	\$(329,914)	4%
2027	\$5,463	\$8.13	\$15,145	\$715	\$21,323	\$0	\$21,323	\$(373,083)	5%