

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

<b>CONDOMINIUM PROJECT NAME</b>	<b>PUNAHOU TERRACE</b>
<b>Project Address</b>	1630 Makiki Street, Honolulu, Hawaii 96822
<b>Registration Number</b>	<b>7481 (conversion)</b>
<b>Effective Date of Report</b>	<b>May 6, 2014</b>
<b>Developer(s)</b>	Punahou Terrace, Ltd. and Association of Unit Owners of Punahou Terrace

**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.

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*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.]

1. This Project is a conversion of a Cooperative Project into a Condominium Project. One of the developers is Punahou Terrace, Ltd. ("PTL"), a cooperative housing corporation that has issued stock to cooperative unit owners. The other developer is the Association of Unit Owners of Punahou Terrace ("AOUO"). PTL has conveyed to the AOOU all of its interest in the leased fee, the Master Lease (both as the master lessor and as master lessee) and as sublessor under the individual proprietary subleases.
2. The leased fee interest in the underlying land is being offered by the AOOU only to Shareholders of PTL ("Shareholder") who are already owners of a cooperative unit. The Project is currently subject to a master lease and individual proprietary subleases (collectively the "leases") that will be released or cancelled upon each sale of the leased fee and conveyance of the Condominium Unit Deed.
3. The Developer is offering to sell each Unit on the following basis:
  - a. The AOOU will issue a Condominium Unit Deed to the Shareholder free and clear of all leases and blanket liens.
  - b. The Master Lease will either be partially cancelled or partially released with respect to the Unit conveyed.
  - c. The Proprietary Sublease between the AOOU and the Shareholder will be cancelled.
  - d. The Shareholder will assign its stock in PTL back to PTL.
  - e. This offer is not being made to anyone who is not a Shareholder.
4. Upon the closing of the sale and the recordation of the Deed of his or her Unit, along with the release and cancellation referenced in this Section 3, such Shareholder would become a condominium unit owner and have the rights, including the right to vote, of a member of the AOOU and will no longer be a sublessee under the proprietary sublease and no longer be a Shareholder of PTL. There may be Shareholders who do not purchase the fee simple condominium interest and they will remain a Shareholder and a cooperative unit owner under a proprietary sublease either until they purchase the fee simple condominium interest or their proprietary sublease expires or is terminated.
5. This Project involves several structures and parking spaces that are non-conforming. Please see Section 1.14 on page 6a of this Public Report for greater detail.
6. This Project contains 4 Units that have Building Code violations for unpermitted lanai enclosures and possible Building Code violations in the construction of the enclosures. Developer will not cure these violations. Please see section 1.15 on page 7a of this Public Report for greater detail.
7. First Hawaiian Bank ("FHB") has a loan and mortgage on the underlying land (collectively "FHB Loan") and PTL and the AOOU have assigned to FHB collection and assessment rights against both the cooperative unit owners and the condominium unit owners to assess and collect moneys to pay its loan to PTL and the AOOU in the event PTL or the AOOU defaults on the FHB Loan. Even if the Condominium Unit Owners have paid off their proportionate share of the FHB Loan when they purchased the fee simple interest, they will still be subject to these assessment and collection rights in the event there is a default on the FHB Loan.
8. If all Shareholders purchase the leased fee interest in the condominium unit, PTL will eventually be dissolved after all Shareholders assign their share of stock in PTL back to PTL.

**SPECIAL ATTENTION SHOULD BE GIVEN TO THE MISCELLANEOUS INFORMATION (PAGES 19 and 19a AND THE SUMMARY OF RIGHTS RESERVED TO THE DEVELOPER (EXHIBIT D)**

**SPECIAL ATTENTION**

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

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

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## **General Information On Condominiums**

A condominium is a special form of 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 being 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	X	Fee Simple		Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	X	Yes		No
Fee Owner's Name if Developer is not the Fee Owner				
Address of Project	1630 Makiki Street, Honolulu, Hawaii 96822			
Address of Project is expected to change because	---			
Tax Map Key (TMK)	(1) 2-4-024-023			
Tax Map Key is expected to change because	Individual CPR Units			
Land Area	Approximately 31,250 sq.ft.			
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	---			

**1.2 Building and Other Improvements**

Number of Buildings	4
Floors Per Building	2 buildings have 3 floors; 1 building has 2 floors; parking structure has 2 floors
Number of New Building(s)	None
Number of Converted Building(s)	4
Principal Construction Materials (concrete, wood, hollow tile, steel, glass, etc.)	Hollow tile, concrete, steel, wood, drywall, glass and stucco

**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> .						

<b>45</b>	<b>Total Number of Units</b>
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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:	35
Number of Guest Stalls in the Project:	0
Number of Parking Stalls Assigned to Each Unit:	35 units have 1 stall; other units have none
Attach Exhibit <b>A</b> 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. N/A	

**1.5 Boundaries of the Units**

Boundaries of the unit: The interior decorated or finished surfaces of all perimeter walls, floors and ceilings of the unit. See Section 4.3.1 of the Declaration for a more detailed description.

**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 **B**

**1.7 Common Interest**

Common Interest: 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 **A**.  
As follows:

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

<input checked="" 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>									
Described in Exhibit <b>C</b> .									
Described as follows:									
<table border="1"> <thead> <tr> <th>Common Element</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Elevators</td> <td>0</td> </tr> <tr> <td>Stairways</td> <td>9</td> </tr> <tr> <td>Trash Chutes</td> <td>0</td> </tr> </tbody> </table>		Common Element	Number	Elevators	0	Stairways	9	Trash Chutes	0
Common Element	Number								
Elevators	0								
Stairways	9								
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>
Described in Exhibit <b>D</b> .
Described as follows:

### 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: see page 19 and Bylaws Art. VI.3.j
<input type="checkbox"/>	Number of Occupants:
<input checked="" type="checkbox"/>	Other: see pages 19 & 19a; Bylaws Art. VI.3; Rules and Regulations; see ¶ 10 of Declaration.
<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><b>Exhibit E</b> describes the encumbrances against title contained in the title report described below.</p>
<p>Date of the title report: December 4, 2013</p>
<p>Company that issued the title report: Title Guaranty of Hawaii, Incorporated</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	45	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	A-2
		Commercial			Yes	<input checked="" type="checkbox"/>	No	
		Mix Residential/Commercial			Yes	<input checked="" type="checkbox"/>	No	
		Hotel			Yes	<input checked="" type="checkbox"/>	No	
		Timeshare			Yes	<input checked="" type="checkbox"/>	No	
		Ohana			Yes	<input checked="" type="checkbox"/>	No	
		Industrial			Yes	<input checked="" type="checkbox"/>	No	
		Agricultural			Yes	<input checked="" type="checkbox"/>	No	
		Recreational			Yes	<input checked="" type="checkbox"/>	No	
		Other (specify)			Yes	<input checked="" type="checkbox"/>	No	
Is/Are this/these use(s) specifically permitted by the project's Declarations or Bylaws? Declaration allows uses permitted by Land Use Ordinance.				<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.				N/A				

**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>See page 6a attached</p>
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### **Section 1.14**

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 destroyed or more than 50% damaged:

Building C is non-conforming as it encroaches into the required front yard setback. If Building C is destroyed or 50% or more of the building is damaged, if the Building is rebuilt, it will have to be rebuilt so it does not encroach onto the setback area. If rebuilt, it is unclear whether the Units of Building C will remain the same and whether Building C will remain the same. Moreover, the newly built building would have to meet the current parking requirements for off street parking which it may not be able to meet because of the lack of land on the Project for additional parking.

The parking structure is non-conforming because it encroaches into the side yard setback. If the parking structure is destroyed or more than 50% of the parking structure is damaged, if it is rebuilt, the parking structure will have to be rebuilt so it does not encroach into the setback area. This may be difficult to do because of the lack of land in the Project. If it cannot be rebuilt according to existing laws and codes, some of the Unit owners may lose their parking stalls and the Project may be in violation of existing law and codes.

Parking stalls 9(C), 25(C), 33, 34, and 35 are compact stalls that are nonconforming because their dimensions are smaller than the existing building codes for compact stalls. If the parking structure is destroyed or more than 50% of the parking structure is damaged, if it is rebuilt, these five (5) stalls may have to be rebuilt to the dimensions for compact parking stalls under the existing building codes and because of space limitations, there are questions whether the stalls can be rebuilt to meet these existing codes. In addition, stalls 33, 34, and 35 are nonconforming because they are located within the current required front yard setback of the Project.

The number of parking stalls (35) in the Project is nonconforming because it is less than what is required under current existing codes. If either Building A, B or C is destroyed or 50% or more of a Building is damaged, if said Building is rebuilt, additional parking stalls may have to be constructed for Units in said Building that do not have parking stalls. This may not be feasible because of the lack of land area in the Project.

**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>Non 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>See Exhibit <u>F</u> attached</p>	
<p>Developer's statement of the expected useful life of each item reported above:</p> <p>See Exhibit <u>F</u> attached</p>	
<p>List of any outstanding notices of uncured violations of any building code or other county regulations:</p> <p>See page 7a attached.</p>	
<p>Estimated cost of curing any violations described above:</p> <p>See page 7a attached.</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 style="text-align: center;">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> <p>See Exhibit <u>H</u> re: letter from City Department of Planning &amp; Permitting dated October 18, 2010 verifying that Parking Stalls 9(C), 25(C), 33(C), 34(C), and 35(C) are legal parking stalls, though nonconforming.</p>

### **Section 1.15**

Condominium Units A-104 (Cooperative Unit A-4), B-301 (Cooperative Unit B-12), C-101 (Cooperative Unit C-6) and C-205 (Cooperative Unit C-8) (each a "Violating Unit") each have lanais that were enclosed by either the prior or current Unit owner without a permit from the City of Honolulu Department of Planning and Permitting ("DPP"), before the Condominium Property Regime of Punahou Terrace was formed by the Developer. Punahou Terrace, Ltd. ("PTL") recently paid for plans to be drawn for these lanai enclosures and obtained permits from the DPP for each Violating Unit for the enclosed lanais based on these plans. However, none of the Violating Units completed the process because they did not conduct a DPP inspection of the lanai enclosure and they did not have the permit "closed out" by the DPP. Although there has been no notice of violation issued by the DPP regarding these Violating Units' lanai enclosures, there may be building code violations because the construction of the lanai enclosures were not inspected by a DPP inspector to ensure the enclosures were done in compliance with approved plans submitted with the permit applications. In addition, the permit obtained for each Violating Unit was not closed and has since expired which means that the lanai enclosures were done without a permit, which is also a building code violation. Violations for each of the Violating Units will not be cured by Developer as the cure is the responsibility of the current Unit owner and any subsequent purchasers of the Unit. The cost to cure these violations will vary from Unit to Unit. Other Units in the Project spent between \$2,500 and \$4,000 in 2011 to cure their violations. The cost in 2014 will probably be in the range of \$4,000 to \$5,000, but each purchaser should consult its own contractor and design professionals to obtain a more realistic estimated cost to cure based on a Violating Unit's specific situation. In addition to being in violation of the building code, these Violating Units may also be deemed in violation of the Project's condominium documents and each Unit's Proprietary Sublease and therefore may be subject to a potential enforcement action by PTL or the Association of Unit Owners of Punahou Terrace to cure said violations. There is currently no time period established to cure these violations.

**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(1 0), HRS?</b>  <b>If answer is "Yes", complete 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(s)</b></p>	<p>Name: Punahou Terrace, Ltd. AOUO of Punahou Terrace</p> <p>Business Address: c/o Touchstone Properties, Ltd. 680 Iwilei Road, Suite 550 Honolulu, Hawaii 96817</p> <p>Business Phone Number: (808) 256-8859 E-mail Address: reginarmp@hawaiiantel.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>Regina Pfeiffer – Director &amp; President Mark Ludwig – Director, Secretary, &amp; Treasurer Shirley Ponciano – Director and Vice President Fred Hong – Director and Assistant Treasurer Doug Shanefield – Director and Assistant Secretary Edward Poh – Director and Assistant Secretary The above are directors and officers of Punahou Terrace, Ltd. All, except for Doug Shanefield, hold the same positions with the AOUO.</p>
<p><b>2.2 Real Estate Broker</b></p>	<p>Name: N/A</p> <p>Business Address:</p> <p>Business Phone Number:</p> <p>E-mail Address:</p>
<p><b>2.3 Escrow Depository</b></p>	<p>Name: Title Guaranty Escrow Services, Inc.</p> <p>Business Address: 235 Queen Street, 1<sup>st</sup> Floor Honolulu, Hawaii 96813</p> <p>Business Phone Number: (808) 521-0211</p>
<p><b>2.4 General Contractor</b></p>	<p>Name: N/A</p> <p>Business Address:</p> <p>Business Phone Number:</p>
<p><b>2.5 Condominium Managing Agent</b></p>	<p>Name: Touchstone Properties, Ltd.</p> <p>Business Address: 680 Iwilei Road, Suite 550 Honolulu, Hawaii 96817</p> <p>Business Phone Number: (808) 566-4100</p>
<p><b>2.6 Attorney for Developer</b></p>	<p>Name: Kenneth K. P. Wong</p> <p>Business Address: 841 Bishop Street, Suite 1090 Honolulu, Hawaii 96813</p> <p>Business Phone Number: (808) 536-3870</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
Bureau of Conveyances	May 10, 2013	A-49030482

#### 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
Bureau of Conveyances	May 10, 2013	A-49030483

#### 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	N/A
Bureau of Conveyances Map Number	5181
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 type="checkbox"/>	
Have Been Adopted and Date of Adoption	<input checked="" type="checkbox"/>	July 29, 2013
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"/>	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: <b>see Exhibit I</b>

## 4. CONDOMINIUM MANAGEMENT

### 4.1 Management of the Common Elements

**Management of the Common Elements:** 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.

The Initial Condominium Managing Agent for this project is (check one):

<input checked="" type="checkbox"/>		Not affiliated with the Developer
<input type="checkbox"/>		None (self-managed by the Association)
<input type="checkbox"/>		The Developer or any affiliate of the Developer
<input type="checkbox"/>		Other (explain)

### 4.2 Estimate of the Initial Maintenance Fees

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

Exhibit J 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.

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

If checked, the following utilities are included in the maintenance fee:

<input checked="" type="checkbox"/>		Electricity for the common elements
<input checked="" type="checkbox"/>		Gas for the common elements
<input checked="" type="checkbox"/>		Water
<input checked="" type="checkbox"/>		Sewer
<input type="checkbox"/>		TV cable
<input checked="" type="checkbox"/>		Other (specify) Air Conditioning Fee for certain Units

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

If checked, the following utilities will be billed to each unit owner and are not included in the maintenance fee:

<input 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 checked="" type="checkbox"/>		Other (specify) Internet and telephone

## 5. SALES DOCUMENTS

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

<input checked="" type="checkbox"/>	Specimen Sales Contract Exhibit <b>K</b> 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: May 10, 2013 Name of Escrow Company: Title Guaranty Escrow Services, Inc. Exhibit <b>L</b> 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 type="checkbox"/>	The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B. N/A
<input type="checkbox"/>	Developer has designated the units for sale to Owner-Occupants in this report. See Exhibit ____.
<input 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 and Financing Statement	The lien is superior to the interests of the buyers of the leased fee interests, and foreclosure of the lien would foreclose buyer's interest. If an interest is foreclosed, the buyer's deposit will be returned less any escrow cancellation fees.

### 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: Developer is not providing any warranties on the Units, Common Elements, Limited Common Elements or the Project.
Appliances: Developer is not providing any warranties on appliances.

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

<p>Status of Construction: This is a conversion. All units were completed by 1958. The parking structure was completed in 1968.</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>N/A</p>
<p>Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract:</p> <p>There is no completion deadline for repairs. But see Section 1.15, Page 7a of this Public Report to view disclosures about Units that may have building code violations.</p>

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

<input checked="" type="checkbox"/>	<p>Spatial Units. The Developer hereby declares by checking the box to the left that it is offering spatial units for sale and will not be using purchasers' deposits to pay for any costs to pay for project construction or to complete the project.</p> <p>Should the developer be using purchasers' deposits to pay for any project construction costs or to complete the project including lease payments, real property taxes, architectural, engineering, legal fees, financing costs; or costs to cure violations of county zoning and building ordinances and codes or other incidental project expenses, the Developer has to meet certain requirements, described below in 5.6.1 or 5.6.2..</p>
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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 checked="" 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><i>If this box is checked, Section 5.6.2, which follows below, will not be applicable to the project.</i></p>
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**5.6.2 Purchaser Deposits Will Be Disbursed Before Closing**

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):

<input type="checkbox"/>	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
<input type="checkbox"/>	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.

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

<p><b>Box A</b></p> <p><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></p> <p><input type="checkbox"/></p>	<p>The Developer has not 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 – Punahou Terrace Rules & Regulations**

**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: Purchase and Sales Contract  
Condominium Conversion Contract  
Assignment of Stock and Cancellation of Proprietary Sublease**

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

a. Developer has conducted a reserve study for 2013 substantially in accordance with Hawaii Revised Statutes Chapter 514B and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. See Exhibit **M** attached hereto. Please examine this reserve study for greater detail about the need for and costs of future maintenance and repairs in the Project.

b. The specimen Purchase and Sales Contract provides in part that Buyer understands the Units are being sold without any warranties provided by Developer. See Section 5.4 of this Public Report. The existence of any defect in the Units or anything installed thereon shall not excuse the Purchaser's obligation to perform all of his obligations under his contract as long as the Unit is livable. See Section 5.b of the Purchase and Sales Agreement.

c. HAWAII REVISED STATUTES CHAPTER 672E PASSED BY THE STATE OF HAWAII LEGISLATURE AND EFFECTIVE JULY 1, 2004, CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY FILE A LAWSUIT OR OTHER ACTION FOR DEFECTIVE CONSTRUCTION AGAINST THE CONTRACTOR WHO DESIGNED, REPAIRED, OR CONSTRUCTED YOUR HOME OR FACILITY. NINETY DAYS BEFORE YOU FILE YOUR LAWSUIT OR OTHER ACTION, YOU MUST SERVE ON THE CONTRACTOR A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS YOU ALLEGE ARE DEFECTIVE. UNDER THE LAW, A CONTRACTOR HAS THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR AND/OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY A CONTRACTOR. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER THE LAW AND FAILURE TO FOLLOW THEM MAY NEGATIVELY AFFECT YOUR ABILITY TO FILE A LAWSUIT OR OTHER ACTION.

d. Pets. Article VI, Section 3.j of the Punahou Terrace Bylaws dated May 10, 2013, states as follows:

"j. Pets. Subject to the provisions of all federal, state, and local laws prohibiting discriminatory practices in housing against disabled or impaired persons regarding service animals:

(i) No pets are allowed on the Project except that the Board will give reasonable consideration to an occupant of a Unit who desires to have a cat. Any occupant desiring to have a cat must complete a Pet Application obtained from the Managing Agent. The Pet Application shall be reviewed by the Board of Directors that can consent or deny consent depending on the facts and circumstances. The term "pet" is defined broadly and is not limited to dogs, cats, birds, reptiles, fish, guinea pigs, rats, pigs, etc., but includes any living animal. No visiting pets are allowed. No pets shall be kept, bred or used therein for any commercial purposes or money generating purposes. Any pet causing a nuisance or unreasonable disturbance to any other occupant of the Project as determined by the Board in its sole discretion, shall be permanently removed therefrom promptly by the pet's owner or the owner of the Unit in which the pet lives, within five (5) days after written notice given by the Board or Managing Agent.

(ii) All responsibility, both financial and otherwise, for personal property damage to any owner, occupant, guest, or employee, or any part of the common elements or Project caused by a pet shall be that of the Unit owner and not the Association.

(iii) A cat shall be kept within the confines of the Unit and not allowed on the lanai or on other parts of the Project. Cats shall be transported to and from a Unit by a cat carrier or a cage. No occupant shall permit a pet in his custody to excrete any body waste on any portion of the common elements or shared limited common elements. All cat refuse shall be securely wrapped and tied in plastic bags before being thrown in the dumpster.

(iv) Animals described as pests under Hawaii Revised Statutes ("HRS") 150A-2 as amended or any successor statute or animals prohibited from importation under HRS 141-2, 150A-5 or 150A-b, as amended or any successor statute, are not allowed on the Project or in any Unit.

(v) Violations of any of the provisions in this Article VI, Section 3.j on Pets shall subject the Unit owners and/or occupant of the Unit to fines in amounts as established by the Board. The Board may adopt other Rules and Regulations concerning pets."

e. Rentals, Time Share. Paragraph 10.1 of the Declaration states as follows: "The Units in the Project shall be occupied and used only for residential purposes by the respective owners thereof, their tenants, families, domestic servants and guests, and for any other purpose permissible by the Land Use Ordinance for the City and County of Honolulu, then in effect, subject to the provisions of this Declaration. The Units may not be used for transient or hotel purposes, which are defined as (i) rental for any period less than thirty (30) days, or (ii) any rental in which the occupants of the Unit are provided customary hotel services such as room service for food and beverage, maid service, laundry service, linen service or bellboy service. Notwithstanding the foregoing, the Units in the Project or any interest therein shall not be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any time-sharing purpose or under any time-sharing plan, arrangement or program, including without limitation any so-called "vacation license", "travel club membership" or "time-interval ownership" arrangement. The term "time-sharing" as used herein shall be deemed to include, but is not limited to, any plan, program or arrangement under which the right to use, occupy, own or possess a Unit or Units in the Project rotates among various persons on a periodically recurring basis according to a fixed or floating interval or period of time, whether by way of deed, lease, association or club membership, license, rental or use agreement, co-tenancy agreement, partnership or otherwise. Except for such transient, hotel or time-sharing purposes, the Units may be leased subject to all provisions of this Declaration and the Bylaws."

f. Maintenance. Paragraph 10.4 of the Declaration states as follows: "Subject to Paragraphs 11.1.4, 11.1.5 and 13.1.1, every Unit Owner and occupant shall at all times keep his Unit and the limited common elements appurtenant thereto in a strictly clean, sanitary, neat, maintained and repaired condition. This includes but is not limited to repairing and repainting the interior of the Unit, as such becomes reasonably necessary.

Notwithstanding the provisions of this Paragraph 10.4, the Association shall have the responsibilities with respect to certain limited common elements as set forth in Paragraphs 11.1.4, 11.1.5 and 13.1.1 below, the costs of which shall be charged as a common expense or limited common expense pursuant to Paragraphs 11 and 13 below."

g. Storage and Parking. Paragraph 10.5 of the Declaration states as follows: "It is intended that the exterior of the Project present a uniform appearance, and to effect that end the use of parking stalls, lanais and common elements for the open storage of boxes, equipment, supplies and materials of any sort or kind whatsoever is prohibited. All vehicles (including but not limited to cars, trucks, vans, motorbikes, mopeds and bicycles) parked in parking stalls shall have an unexpired and current registration certificate and safety inspection, shall be in running, operable condition, not leaking oil or other fluids, and not be unsightly. The Unit Owner with an appurtenant parking stall shall keep the parking stall clean and remove all oils, fluids or liquids that stain from the stall. The parking stalls shall not be used for conducting a vehicle repair business. All vehicles must fit within the confines of the marked parking stall. All vehicles parked in compact parking stalls shall not exceed fifteen (15) feet in length, and all vehicles parking in parking stalls numbered 33, 34 or 35 shall not protrude into the sidewalk."

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.

Punahou Terrace, Ltd.

Printed Name of Developer

By:   
Duly Authorized Signatory\*

1/27/14  
Date

Fred Hong, Assistant Treasurer

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.**

370610.04

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.

**Association of Unit Owners of Punahou Terrace**

Printed Name of Developer

By: Regina R. Pfeiffer  
Duly Authorized Signatory\*

Jun. 29, 2014  
Date

**Regina Pfeiffer, President**

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City & County of Honolulu

Planning Department, City & County of Honolulu

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Association of Unit Owners of Punahou Terrace

Printed Name of Developer

By: Mark Ludwig  
Duly Authorized Signatory\*

1/29/2014  
Date

Mark Ludwig, Secretary/Treasurer

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City & County of Honolulu

Planning Department, City & County of Honolulu

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370610.04

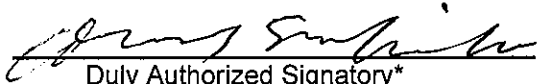
The Developer declares subject to the penalties set forth in Section 514B-69, HRS, that this project conforms to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located,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

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**Punahou Terrace, Ltd.**

Printed Name of Developer

By:  1/28/2014  
Duly Authorized Signatory\* Date

**Doug Shanefield, Assistant Secretary**

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City & County of Honolulu

Planning Department, City & County of Honolulu

**\*Must be signed for a corporation by an officer; 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.**

370610.04

**EXHIBIT A**

UNIT NO.	APARTMENT NO. CREATED UNDER PROPRIETARY SUBLEASE	TYPE	UNIT NET LIVING AREA (Sq. ft.)	LANAI AREA (Sq. ft.)	TOTAL AREA (Sq. ft.)	PARKING STALL	COMMON INTEREST
<b>A Building:</b>							
A101	A-7	1	572		572	13	1/45 <sup>th</sup>
A102	A-6	1	573		573	20 (U)	1/45 <sup>th</sup>
A103	A-5	1	573		573		1/45 <sup>th</sup>
A104	A-4	1	573		573		1/45 <sup>th</sup>
A105	A-3	1	573		573	15	1/45 <sup>th</sup>
A106	A-2	1	573		573	1	1/45 <sup>th</sup>
A107	A-1	1	572		572	3	1/45 <sup>th</sup>
A201	A-14	1	572		572	31 (U)	1/45 <sup>th</sup>
A202	A-13	1	452	149	601	14	1/45 <sup>th</sup>
A203	A-12	1	452	149	601	11	1/45 <sup>th</sup>
A204	A-11	1	573		573	6	1/45 <sup>th</sup>
A205	A-10	1	573		573	9 (C)	1/45 <sup>th</sup>
A206	A-9	1	573		573	33 (C) (U) formerly stall #36	1/45 <sup>th</sup>
A207	A-8	1	450	153	603	5	1/45 <sup>th</sup>
A301	A-21	1	572		572	12	1/45 <sup>th</sup>
A302	A-20	1	568		568	29 (U)	1/45 <sup>th</sup>
A303	A-19	1	452	149	601	32 (U)	1/45 <sup>th</sup>
A304	A-18	1	452	149	601		1/45 <sup>th</sup>
A305	A-17	1	573		573		1/45 <sup>th</sup>
A306	A-16	1	452	149	601	18 (U)	1/45 <sup>th</sup>
A307	A-15	1	450	153	603	4	1/45 <sup>th</sup>
<b>B Building:</b>							
B101	B-4	1	570		570	10	1/45 <sup>th</sup>
B102	B-3	1	452	135	587	35 (C) (U)	1/45 <sup>th</sup>
B103	B-2	1	573		573	2	1/45 <sup>th</sup>
B104	B-1	1	572		572	21 (U)	1/45 <sup>th</sup>
B201	B-8	1	450	149	599	34 (C) (U)	1/45 <sup>th</sup>
B202	B-7	1	573		573	22 (U)	1/45 <sup>th</sup>
B203	B-6	1	573		573	16	1/45 <sup>th</sup>
B204	B-5	1	450	149	599	25 (C) (U)	1/45 <sup>th</sup>
B301	B-12	1	572		572	23 (U)	1/45 <sup>th</sup>
B302	B-11	1	573		573	19 (U)	1/45 <sup>th</sup>
B303	B-10	1	573		573		1/45 <sup>th</sup>
B304	B-9	1	450	145	595	26 (U)	1/45 <sup>th</sup>
<b>C Building:</b>							
C101	C-6	S	460		460	17 (U)	1/45 <sup>th</sup>
C102	C-5	S	463		463	28 (U)	1/45 <sup>th</sup>
C103	C-4	S	388	83	471		1/45 <sup>th</sup>
C104	C-3	S	388	83	471		1/45 <sup>th</sup>
C105	C-2	S	388	83	471	27 (U)	1/45 <sup>th</sup>
C106	C-1	S	386	86	472	24 (C) (U)	1/45 <sup>th</sup>

UNIT NO.	APARTMENT NO. CREATED UNDER PROPRIETARY SUBLEASE	TYPE	UNIT NET LIVING AREA (Sq. ft.)	LANAI AREA (Sq. ft.)	TOTAL AREA (Sq. ft.)	PARKING STALL	COMMON INTEREST
C201	C-12	S	386	93	479		1/45 <sup>th</sup>
C202	C-11	S	388	89	477		1/45 <sup>th</sup>
C203	C-10	S	463		463	8 (C)	1/45 <sup>th</sup>
C204	C-9	S	388	89	477		1/45 <sup>th</sup>
C205	C-8	S	463		453	30 (U)	1/45 <sup>th</sup>
C206	C-7	S	386	93	479	7	1/45 <sup>th</sup>
							100%

NOTES: 1 designates a one bedroom and one bathroom Unit  
S designates a studio and one bathroom Unit  
(C) designates a compact stall  
(U) designates an uncovered stall  
Stalls not designated with a (C) are regular stalls  
Stalls not designated with a (U) are covered stalls



**EXHIBIT B**  
**PERMITTED ALTERATIONS TO UNITS**

1. Paragraph 19.2 of the Declaration states:

“19.2.1 Except as otherwise provided herein, no Owner of a Unit shall, without the prior written approval of the Board, make any structural alterations in or additions to his Unit or any limited common elements appurtenant to the Unit or make any alterations in or additions to his Unit or any limited common elements appurtenant to the Unit that would change the exterior appearance of the Project, including, but not limited to, any painting, altering or installing awnings, jalousies or screens.

19.2.2 In no event shall any Unit Owner do any work (including, but not limited to, any work to such Owner's Unit or the limited common elements assigned to the Unit) that may jeopardize the soundness or safety of the Project, reduce the value thereof, or impair any easement, as reasonably determined by the Board.

19.2.3 Except as otherwise provided herein, an Owner may make non-structural alterations and additions solely within his Unit, or solely within a limited common element (other than a lanai or an assigned limited common element parking stall) appurtenant to and for the exclusive use of his Unit, at the Owner's sole cost and expense and without Board approval, provided that such alterations or additions do not change the exterior appearance of the Project, jeopardize the soundness or safety of the Project or any part thereof, reduce the value of the Project, impair any easement or otherwise affect any other Unit or common elements, all as reasonably determined by the Board; and provided, further, that any building permit or other governmental permit or authorization required for such alterations or additions is first duly obtained and filed with the Board and the proposed alteration or addition will not adversely affect the Project's insurance rating or premiums.

19.2.4 No Unit Owner shall, without the prior written approval of the Board, install any wiring for electrical or telephone installations, television antenna, satellite dish or other telephone, television, radio, electronic or digital signal receiving device, machines or air-conditioning units, or other equipment, fixtures, appliances or appurtenances whatsoever on the exterior of the Building or protruding through the walls, windows or roof thereof.

19.2.5 To maintain a uniform and attractive exterior appearance for the Project, the backs of Owner-installed window coverings that are visible from the exterior must be of a neutral color and must be of a type and general appearance approved by the Board. In addition, window coverings covering sliding glass doors shall extend from floor to ceiling. Owners may not, without the prior written approval of the Board, apply any substance, material or process to the exterior or interior surfaces of the Unit's windows that may alter the exterior color, appearance or reflectivity of the windows.

19.2.6 It is intended that the exterior of the Project present a uniform and attractive appearance. Accordingly, whenever Board approval is required for any proposed modification, change, addition to or alteration of any Unit or limited common element, the Board shall base its decision to grant or deny approval at least in part upon considerations of whether (and to what extent) the proposed modification, change, addition or alteration will adversely affect the appearance of the Project. Unless the Board's decision violates laws accommodating Owners with disabilities, if the Board determines that the proposed modification, change, addition or alteration will materially adversely affect the appearance of the Project, the Board shall deny its approval. It is acknowledged that the Board's determination will unavoidably involve an element of subjective taste. Therefore, the Board's determination that a proposed

modification, change, addition or alteration will materially adversely affect the appearance of the Project shall not be challengeable by any Unit Owner or group of Unit Owners on the grounds that the determination is to any extent based upon subjective criteria.

19.2.7 Whenever Board approval is required for any proposed modification, change, addition to or alteration of any Unit or limited common element, if the Board determines that the proposed modification, change, addition or alteration will not materially adversely affect the appearance of the Project, the Board shall not unreasonably withhold its approval, provided that it shall not be deemed unreasonable for the Board to withhold its approval if the proposed modification, change, addition or alteration may, in the Board's reasonable judgment, jeopardize the soundness or safety of the Project or adversely affect any of the Project's common elements or any Unit or other part of the Project in any way, or increase the Project's hazard or liability insurance premiums or other common expenses, or otherwise violate any applicable law, any provision of this Declaration, the Bylaws, the House Rules (if any) or the Act.”

**EXHIBIT C**  
**COMMON ELEMENTS**

Paragraph 5 of the Declaration designates certain portions of the Project as "common elements", including specifically but not limited to:

“One freehold estate is hereby also designated in all the remaining portions of the Project, herein called "common elements", including specifically but not limited to:

5.1 The Land in fee simple, together with all rights, entitlements and easements now or hereafter made appurtenant thereof, including (but not limited to) easements for roadway, walkway, utility and other purposes, as the case may be;

5.2 All foundations, columns, girders, beams, floor slabs, supports, ceilings originally installed by the developer of the Project and located within or at the perimeter of or surrounding a Unit, perimeter walls, party and load-bearing walls and load bearing partitions (excluding the finishes thereon), roofs, skylights, swimming pools, lobby areas, stairways (except those located within a unit), walkways, tunnels, passages, corridors, ramps, loading spaces, walls, fences, gates, railings of all buildings, railings of exterior lanais, entrances, entryways and exits of the Project, the mailbox area, bulletin boards, all storage rooms not located within a Unit, all toilets and restroom facilities not located within a Unit, all laundry areas not located within a Unit, and all the following rooms, if any, located on the Project: all switching gear rooms, telephone/cable TV room, the television electrical room, the cooling tower room, the generator room, all equipment rooms, all pump rooms, all janitorial and maintenance rooms, all mechanical rooms, all electrical rooms (including the room for the electrical vault of HECO), all utility rooms, all fan rooms and all trash rooms;

5.3 All yards, landscaping, garden areas, planters, water features and trash facilities;

5.5 The Parking Structure, all driveways, driveway ramps, parking stalls and parking areas;

5.6 All pipes, ducts, conduits, wires or other utility or service lines running through a Unit that are utilized or serve more than one Unit, sewage treatment equipment and facilities, if any, electrical meters, panels and equipment serving more than one unit, hot water heaters, satellite dishes, if any, owned by the Association or fixtures that serve more than one unit or any portion of the common elements.

5.7 Any and all apparatus and installations existing for common use, such as fire alarms, fire extinguishers, washers, dryers, walkway lights, tanks, pumps, motors, fans, compressors and, in general, all other installations and apparatus existing for common use;

5.8 All mechanical and electrical equipment located within any pump room, mechanical room, transformer room, cooling room, or electrical room or located elsewhere in the Project, utilized for or serving more than one unit; and

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

5.10 All other portions of the Land and improvements, other than the Units, that are intended for common use and all other devices and installations existing for or rationally of common use or necessary to the existence, upkeep and safety of the Project.

The common elements shall be used for the purpose for which they are designated.”

**EXHIBIT D**  
**LIMITED COMMON ELEMENTS**

Paragraph 6 of the Declaration designates:

“6.1 Certain parts of the common elements, herein called the "limited common elements", are hereby designated and set aside for the exclusive use of each Unit, and each Unit shall have appurtenant thereto exclusive easements for the use of such limited common elements. Unless otherwise specified, all costs of every kind pertaining to each limited common element, including, but not limited to, costs of landscaping, maintenance, repair, replacement and improvement, shall be borne by the Unit to which it is appurtenant. The limited common elements so set aside and reserved are as follows:

6.1.1 The parking stalls which are numbered and shown on the Condominium Map are each designated limited common elements. Most Units shall have appurtenant to it and reserved for its exclusive use, as a limited common element, the parking stall (if any) designated as appurtenant to such Unit as shown in Exhibit B attached hereto and made a part hereof. Parking stalls may be transferred from Unit to Unit in the Project as hereinafter more particularly set forth or as provided by law. The entire Parking Structure as defined in Paragraph 3.7 is a limited common element to all Units that have parking stalls in the Parking Structure appurtenant to said Units.

6.1.2 A separate mailbox that is located in the mailbox area as shown on the Condominium Map, with the mailbox number corresponding to the Unit number.

6.1.3 Any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, lanais, the floor covering on the lanai slab, all exterior doors and door frames, windows, window frames, screens, louvers, or other fixtures designed to serve a single Unit but located outside the Unit's boundaries.

6.1.4 All pipes, wires, ducts, conduits or other utility or service lines located within or running through the Unit and utilized by or serving only that Unit, and all electrical fixtures, wires and panels, plumbing fixtures and drains utilized by or serving only that Unit.

6.1.5 All galvanized and other connectors from the Building's water supply line to the Unit's water line (even if connectors are in the wall of the Unit), and water lines serving the Unit that run from said connectors, including but not limited to those under the kitchen sink, the bathroom sink, the bathtub/shower, and toilet.

6.1.6 All common elements of the Project which are rationally related to less than all of said Units shall be limited to the use of such Units.”

**EXHIBIT E**  
**ENCUMBRANCES AGAINST TITLE**

**SUBJECT TO:**

1. Any and all real property taxes that may be due and owing.
2. Reservation in favor of the State of Hawaii of mineral and water rights of any nature.
3. LEASE dated March 22, 1958, effective as of January 1, 1958, recorded in Liber 3441 at Page 58, by and between WAH HIN LUM, husband of Kam Oot Young Lum, and KUN YIN LUM, husband of Minnie Cho Lum, "Lessor", and PUNAHOU TERRACE, LIMITED, a Hawaii corporation, "Lessee"; leasing and demising the land described therein for a term of fifty five (55) years from January 1, 1958 to and including December 31, 2013.

Said Lease was assigned to PUNAHOU TERRACE, LTD., a Hawaii corporation, by instrument dated ----- (acknowledged June 20, 1985 and June 21, 1985), recorded in Liber 18750 at Page 224.

Said Lease was amended and restated by unrecorded AMENDED AND RESTATED LEASE dated September 1, 1999, by and between PUNAHOU COURT, LLC, a Hawaii limited liability company, as "Lessor", and PUNAHOU TERRACE, LIMITED, a Hawaii corporation, as "Lessee", a short form of which is recorded as Document No. 99-181818, as corrected by instrument dated October 22, 2008, recorded as Document No. 2008-169618, by James Ian Sneddon, Receiver for the creditors and stockholders of PUNAHOU TERRACE, LIMITED, a dissolved Hawaii corporation, and PUNAHOU TERRACE, LTD., a Hawaii corporation.

The Lessor's interest is presently held by the ASSOCIATION OF UNIT OWNERS OF PUNAHOU TERRACE, an unincorporated condominium association, by instrument dated August 12, 2013, recorded as Document No. A-50020462B. Consent given by FIRST HAWAIIAN BANK, a Hawaii corporation, by instrument dated --- (acknowledged August 26, 2013), recorded as Document No. A-50020462C.

4. The terms and provisions contained in the following:

INSTRUMENT : LIMITED WARRANTY DEED

DATED : June 30, 2008

RECORDED : Document No. 2008-107897

5. REAL PROPERTY MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT

MORTGAGOR : PUNAHOU TERRACE, LTD., a Hawaii corporation

MORTGAGEE : FIRST HAWAIIAN BANK, a Hawaii corporation

DATED : as of June 30, 2008  
RECORDED : Document No. 2008-107898  
AMOUNT : \$5,215,000.00

ABOVE MORTGAGE AMENDED BY INSTRUMENT

DATED : November 20, 2013  
RECORDED : Document No. A-50810112

6. FINANCING STATEMENT

DEBTOR : PUNAHOU TERRACE, LTD., a Hawaii corporation

SECURED  
PARTY : FIRST HAWAIIAN BANK

RECORDED : Document No. 2008-107899  
RECORDED ON : July 3, 2008

UCC FINANCING STATEMENT AMENDMENT recorded as Document No. A-48980863 on May 30, 2013.

UCC FINANCING STATEMENT AMENDMENT recorded as Document No. A-50810113 on November 29, 2013.

7. The terms and provisions contained in the following:

INSTRUMENT : ABSOLUTE ASSIGNMENT OF ASSESSMENT,  
COLLECTION AND ENFORCEMENT RIGHTS

DATED : June 30, 2008  
RECORDED : Document No. 2008-107900  
PARTIES : PUNAHOU TERRACE, LTD., a Hawaii corporation,  
"Assignor", and FIRST HAWAIIAN BANK, a Hawaii  
corporation, "Assignee"

8. The terms and provisions contained in the following:

INSTRUMENT : ASSIGNMENT OF RENTS

DATED : June 30, 2008  
RECORDED : Document No. 2008-107901  
PARTIES : PUNAHOU TERRACE, LTD., a Hawaii corporation,  
"Assignor", and FIRST HAWAIIAN BANK, a Hawaii  
corporation, "Assignee"

RE : to secure the repayment of the principal sum of \$5,215,000.00

9. NEGATIVE PLEDGE AGREEMENT

DATED : June 30, 2008

RECORDED : Document No. 2008-107902  
BY : PUNAHOU TERRACE, LTD., a Hawaii corporation,  
"Borrower"  
WITH : FIRST HAWAIIAN BANK, a Hawaii corporation, "Lender"  
RE : Owner agrees and declares that the premises described herein  
shall not be sold, assigned, transferred, mortgaged, pledged or  
further encumbered in any way from and after the date hereof,  
etc., as an inducement for the making of a loan by Lender in  
the principal amount of \$5,215,000.00

10. The terms and provisions contained in the following:

INSTRUMENT : ABSOLUTE ASSIGNMENT OF ASSESSMENT,  
COLLECTION AND ENFORCEMENT RIGHTS  
  
DATED : November 20, 2013  
RECORDED : Document No. A-50810114  
PARTIES : ASSOCIATION OF UNIT OWNERS OF PUNAHOU  
TERRACE, a Hawaii condominium association, "Assignor",  
and FIRST HAWAIIAN BANK, a Hawaii corporation,  
"Assignee"

11. The terms and provisions contained in the following:

INSTRUMENT : ASSIGNMENT OF LESSOR'S INTEREST IN LEASES AND  
RENTS  
  
DATED : November 20, 2013  
RECORDED : Document No. A-50810115  
PARTIES : ASSOCIATION OF UNIT OWNERS OF PUNAHOU  
TERRACE, a Hawaii condominium association, "Assignor",  
and FIRST HAWAIIAN BANK, a Hawaii corporation,  
"Assignee"  
RE : to secure the repayment of the principal sum of \$5,215,000.00

12. NEGATIVE PLEDGE AGREEMENT

DATED : November 20, 2013  
RECORDED : Document No. A-50810116  
BY : ASSOCIATION OF UNIT OWNERS OF PUNAHOU  
TERRACE, a Hawaii condominium association, "Borrower"  
WITH : FIRST HAWAIIAN BANK, a Hawaii corporation, "Lender"  
RE : Borrower agrees and declares that the premises described  
therein or any portion thereof or interest therein shall not be  
sold, assigned, transferred, mortgaged, pledged or further  
encumbered in any way from and after the date thereof, etc.,  
as an inducement for the making of a loan by Lender in the  
principal amount of \$5,215,000.00

13. The terms and provisions contained in the following:

INSTRUMENT : DECLARATION OF CONDOMINIUM PROPERTY  
REGIME FOR "PUNAHOU TERRACE" CONDOMINIUM  
PROJECT

DATED : May 10, 2013  
RECORDED : Document No. A-49030482  
MAP : 5181 and any amendments thereto

Consent given by FIRST HAWAIIAN BANK, a Hawaii corporation, by instrument dated --- (acknowledged May 13, 2013), recorded as Document No. A-49030482.

14. The terms and provisions contained in the following:

INSTRUMENT : BY-LAWS OF THE ASSOCIATION OF UNIT OWNERS  
DATED : May 10, 2013  
RECORDED : Document No. A-49030483

Consent given by FIRST HAWAIIAN BANK, a Hawaii corporation, by instrument dated --- (acknowledged May 13, 2013), recorded as Document No. A-49030483.

15. Any recorded and unrecorded proprietary subleases covering apartment units within the Cooperative Project known as "PUNAHOU TERRACE" and matters arising from or affecting the same.

-Note:- This report does not show any proprietary subleases or encumbrances thereon which may exist. No search was made at this time as to those interests.

16. Encroachments, if any, which would be shown on a correct survey.



**EXHIBIT F**  
[DEVELOPER'S STRUCTURAL STATEMENT]

**Punahou Terrace, Ltd.**  
Association of Unit Owners of Punahou Terrace  
c/o Touchstone Properties, Ltd.  
680 Iwilei Road, Suite 550  
Honolulu, Hawaii 96817

July 29, 2013

Re: Punahou Terrace ("Project")

**TO WHOM IT MAY CONCERN:**

Based upon a report prepared by Roy K. Yamamoto, Registered Professional Architect, attached to this letter, Punahou Terrace, Ltd., the Developer of the above Project, states that with respect to Units 1 through 45 of the Punahou Terrace condominium Project:

- a. Subject to normal wear and tear, the present condition of all structural components of Units 1 through 45 and the mechanical and electrical installation material to the use and enjoyment of Units 1 through 45 appear to be good, consistent with their age.
- b. The Developer makes no representations with respect to the expected useful life of each item set forth in paragraph a.
- c. The architect's inspection was limited and did not include by way of example the condition of the soils or roofing or evidence of termite or other pests on the Project.
- d. As the Developer, I am disclaiming any warranties relating to the construction, materials, design, workmanship of the Units or anything in the Units, soils or the common elements of the Project. Accordingly, any prospective buyer is urged to do his own more complete inspection by a prospective buyer of a Unit. A prospective buyer is urged to understand the importance of making his own investigation or having an investigation made by trained professionals of the Units and the Project.
- e. To the best of my knowledge, there are no uncured violations of building code or other regulations.

Very truly yours,

Association of Unit Owners of Punahou  
Terrace

By: Regina Pfeiffer  
Regina Pfeiffer, Its President

By: Mark Ludwig  
Mark Ludwig, Its Secretary

Punahou Terrace, Ltd. a Hawaii Corporation

By: Regina Pfeiffer  
Regina Pfeiffer, Its President

By: Mark Ludwig  
Mark Ludwig, Its Secretary

Attachment

**EXHIBIT F**

**[Developer's Supplemental Structural Statement]**

**Punahou Terrace, Ltd.**  
**Association of Unit Owners of Punahou Terrace**  
c/o Touchstone Properties, Ltd.  
680 Iwilei Road, Suite 550  
Honolulu, Hawaii 96817

April 16, 2014

Re: **Punahou Terrace** ("Project")

**TO WHOM IT MAY CONCERN:**

This amends paragraph e. of the prior report by the undersigned dated July 29, 2013 that stated that there were no uncured violations of building code or other regulations. Said paragraph e. was in error and is hereby deleted in its entirety and replaced with the following paragraph e.

- e. There are uncured violations of building code or other regulations. Condominium Units A-104 (Cooperative Unit A-4), B-301 (Cooperative Unit B-12), C-101 (Cooperative Unit C-6) and C-205 (Cooperative Unit C-8) (each a "Violating Unit") each have lanais that were enclosed by either the prior or current Unit owner without a permit from the City of Honolulu Department of Planning and Permitting ("DPP"), before the Condominium Property Regime of Punahou Terrace was formed by the Developer. Please see page 7a of the Final Public Report for a more detailed disclosure

Very truly yours,

**Association of Unit Owners of Punahou Terrace**

By: Regina Pfeiffer  
Regina Pfeiffer, Its President

By: Mark Ludwig  
Mark Ludwig, Its Secretary

**Punahou Terrace, Ltd.** a Hawaii corporation

By: Regina Pfeiffer  
Regina Pfeiffer, Its President

By: Mark Ludwig  
Mark Ludwig, Its Secretary

Exhibit F – page 1a.

Roy K. Yamamoto  
Architect, AIA  
1580 Makaloa Street, Suite 788  
Honolulu, Hawaii 96814

July 24, 2013

Re: Punahou Terrace

I have made a limited visual inspection of the structural, electrical and mechanical systems, if any, of the Punahou Terrace Condominium Project. I have not made any invasive examination of covered components. My observations resulting from this inspection are:

1. Subject to normal wear and tear, the structural condition and electrical and mechanical systems of Units 1 through 45 appear to be in good condition, all consistent with their age.

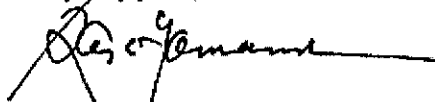
From discussions with the Developer and Owner and from my own observations during this inspection, each of Units 1 through 45 appear to have been built in the 1950's.

My inspection was limited and did not include by way of example the condition of the soils or roofing or evidence of termite or other pests on the Project.

I have been informed that the Developer will be disclaiming any warranties relating to the construction, materials, design or workmanship of the units, soils or the common elements of the Project.

Accordingly my visual inspection should not be a substitute for a more complete inspection by a prospective buyer of a Unit. A prospective buyer is urged to understand the importance of making his own investigation or having an investigation made by trained professionals of the Unit and the Project.

Very truly yours,



Roy K. Yamamoto  
Registered Professional Architect  
Registration No. 4649

**Roy K. Yamamoto**  
**Architect, AIA**  
1580 Makaloa Street, Suite 788  
Honolulu, Hawaii 96814

Apr. 14, 2014

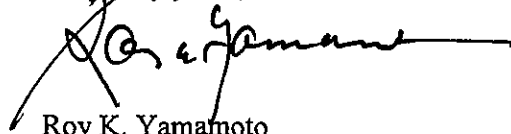
**Re: Punahou Terrace**

This supplements my letter of July 24, 2013, regarding my visual inspection of Punahou Terrace.

No representation is made regarding the expected useful life of the structural components and mechanical and electrical installations. All components and installations are subject to normal wear and tear and I disclaim any responsibility to conduct any further or additional inspections.

The undersigned further states that the letter of July 24, 2013 and this supplemental letter should not be relied upon by any purchaser of a unit in the Project. Given the age of the structure, each prospective purchaser should hire and retain his own professional home inspector to conduct a thorough examination of the unit and all components. No report is made or given as to the existence or nonexistence of any hazardous materials including lead based paint and asbestos and the existence or nonexistence of any termites or pests.

Very truly yours,



Roy K. Yamamoto  
Registered Professional Architect  
Registration No. 4649

**Exhibit F – page 2a.**

**EXHIBIT G**  
**[CITY INSPECTION LETTER]**

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**  
450 SOUTH KING STREET, 7<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 786-4000 • FAX: (808) 786-4041  
DEPT. WEB SITE: [www.honolulu.gov](http://www.honolulu.gov) • CITY WEB SITE: [www.honolulu.gov](http://www.honolulu.gov)

AUG 25 2011

PETER B. CARLISLE  
MAYOR



DAVID K. TANOUE  
DIRECTOR

JIRO A. SUMADA  
DEPUTY DIRECTOR

2010/ELOG-510 (LT)

August 24, 2011

Kenneth K.P. Wong, Esq.  
Attorney at Law  
841 Bishop Street, Suite 1090  
Davies Pacific Center  
Honolulu, Hawaii 96813

Dear Mr. Wong:

Subject: Condominium Conversion Project  
1630 Makiki Street  
Tax Map Key: 2-4-024: 023

This is in response to your letter dated March 9, 2010, requesting verification that the structures on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the two-story 14-unit apartment building (Bldg. A), the three-story 12-unit apartment building (Bldg. B), and the two-story 12-unit apartment building (Bldg. C), met all applicable code requirements when they were constructed in 1957 on this 31,250-square-foot A-2 Medium Density Apartment District zoned lot.

Investigation also revealed the following:

1. On April 21, 1958, Building Permit No. 144762 was issued for an addition of a third floor to add seven apartment units to Building A.
  2. On March 23, 1967, Building Permit No. 37342 was issued for a parking structure with 35 all-weather- surface off-street parking spaces.
  3. On November 2, 2001, Special District Permit (File No. 2001/SDD-70) was approved with conditions for lanai enclosures.
  4. Apartment Building C is considered a nonconforming structure because it encroaches into the required front yard setback.
  5. The garage structure is considered a nonconforming structure because it encroaches into the side yard setback.
-

Kenneth K.P. Wong, Esq.  
Attorney at Law  
August 24, 2011  
Page 2

6. The number of all-weather-surface off-street parking spaces (35) is considered to be nonconforming.

For your information, the Department of Planning and Permitting cannot determine all 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 Alex Sugal of our Commercial and Multi-Family Code Enforcement Branch at 768-8152.

Very truly yours,



*for* David K. Tanoue, Director  
Department of Planning and Permitting

DKT:co  
[871970]

**EXHIBIT H**  
**[CITY PARKING LETTER]**

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**  
888 SOUTH KING STREET, 7<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 735-3000 • FAX: (808) 735-6941  
DEPT. WEB SITE: [www.honolulu-dep.org](http://www.honolulu-dep.org) • CITY WEB SITE: [www.honolulu.gov](http://www.honolulu.gov)

PETER B. CARLISLE  
MAYOR



DAVID K. TANOUH  
ACTING DIRECTOR  
ROBERT M. BARNHOMO  
DEPUTY DIRECTOR

2010/ELOG-2019 (NA)

October 18, 2010

Mr. Henry Eng, FAICP  
HELPS LLC  
237 Kaalawai Place  
Honolulu, Hawaii 96816

Dear Mr. Eng:

Subject: Zoning Confirmation Request  
Punahou Terrace  
1630 Makiki Street – Makiki  
Tax Map Key 2-4-24: 23

This responds to your zoning confirmation request, received September 16, 2010, concerning off-street parking requirements for the Punahou Terrace apartment complex, which we understand is related to a pending condominium conversion for the existing 45 multi-family dwelling units. In your letter, you specifically asked that the Department of Planning and Permitting (DPP) find that the apartments are lawfully served by just 35 parking stalls. You submitted background information to support your request. After reviewing the available evidence, the DPP finds that the Punahou Terrace is served by 35 lawfully-established, albeit nonconforming, parking stalls, and that the parking nonconformity specifically relates to: (a) the number of stalls; (b) the dimensions of the one compact stall located on the right-rear-side of the upper parking deck, the one compact stall located on the right-rear-side of the basement of the parking deck, and three compact stalls on the Makiki Street side of the property; and (c) the encroachment into the front yard of the three stalls on Makiki Street up to the front property line.

This determination was actually first supported by the City Planning Director in 1968, and his preceding determination must be respected; particularly in light of the lesser parking standards in effect for apartment buildings like the Punahou Terrace when it was constructed in 1957 and 1958. Further, the City had reviewed and did not object to the Punahou Terrace's parking plan when it was attached to a Minor Punchbowl Special District Permit (No. 2001/SDD-70) approved on November 2, 2001. The off-street parking for the Punahou Terrace is, therefore, cleared for the purpose of its condominium conversion of the existing 45-unit complex of apartments.

Our understanding of the facts of this situation are as follows:

The 45-unit Punahou Terrace is located in Makiki on 31,250 square feet of land in the A-2 Medium Density Apartment District. The Punahou Terrace complex of apartment units was constructed in 1957 and 1958, and a building permit (No. 37342) for a parking structure for that project was issued in 1967. The relevant building permits for the Punahou Terrace are listed below:

- Building Permit No. 137361, which was approved on July 23, 1957, allowed the construction of a two-story apartment building ("Building A").
- Building Permit No. 137362, which was approved on July 23, 1957, allowed the construction of a three-story apartment building ("Building B").
- Building Permit No. 137363, which was approved on July 23, 1957, allowed the construction of a two-story apartment building ("Building C").
- Building Permit No. 144762, which was approved on April 21, 1958, allowed the addition of a third floor to existing Building A.
- Building Permit No. 37342, which was approved on March 23, 1967, allowed the construction of an 8,432-square-foot parking structure. The building permit states that the structure is "2-tier parking" with a "basement."

All of the above-listed building permits indicate that the Punahou Terrace was then in the Hotel and Apartment District. As the three apartment buildings received building permits in 1957 and 1958, they were subject to the zoning requirements then in effect for that district. And, the law at that time required apartment buildings like the Punahou Terrace to provide at least one parking space for every four apartments (reference: Ordinance No. 1468, which took effect on October 1, 1955). As the original plans for this project are not currently available to us, we can only presume that the 35-unit Punahou Terrace met this standard at the time of its construction and provided at least the minimum required nine parking stalls for its tenants. Ordinance No. 1468 also specified minimum dimensions of 8 x 20 feet for required parking spaces.

Parking standards for apartment houses were subsequently increased after the Punahou Terrace received its building permits and was constructed. Section 21-1.2(a)(3), Revised Ordinances of Honolulu (ROH) 1957, adopted on August 22, 1958, continued the requirement of one off-street parking space for every four apartments. This standard was subsequently increased to one off-street parking space for every two apartments in 1961 (reference: Section 21-1.2(a)(3), ROH 1961); and, later to one off-street parking space for every apartment unit in 1965 (reference: Ordinance No. 2645, which took effect on June 16, 1965). The size of each required off-street parking space, however, did not change. Like Ordinance No. 1468 requirements, both the 1958 and 1961 versions of the zoning code stated that a required parking space must be "not less than eight feet in width and 20 feet in length, exclusive of any lanes, aisles or driveways giving access thereto." [References: Ordinance No. 1468 and



Section 21-1.2(b)(1), ROH 1957 and ROH 1961.] There were no provisions for compact stalls at those times. And, there were no restrictions to locating uncovered parking stalls within required yards (setbacks); in fact, uncovered parking within a required yard was specifically allowed.

Despite the fact that it was not required to do so, the Punahou Terrace in 1967 obtained a building permit (No. 37342) to construct a two-tier, 8,432-square-foot parking structure. The plans attached to your letter, which you stated are dated January 1967 and "appear to be the set used for construction," show a total of 35 parking stalls, as follows: 16 stalls in the "Basement Plan," two of which are marked as "compact car"; 16 stalls in the "Upper Deck Plan," two of which are labeled as "compact car"; and, three compact stalls at the sidewalk fronting Makiki Street. These plans are blurry and difficult to read. You, therefore, clarified our understanding of the parking structure serving the Punahou Terrace in a telephone conversation with Nelson Amittage of our staff on October 5, 2010. At that time, you provided the following information, which you said was based upon "field measurements" you had made at the site:

1. The parking structure is set back 15 feet from the front (Makiki Street) property line. This conforms with (exceeds) the 10-foot minimum Land Use Ordinance (LUO) requirement for front yards in the A-2 District [reference: LUO Table 21-3.3].
2. The "typical" size of a stall in both the basement and upper deck of the parking structure is 8.5 x 19 feet. This conforms with the LUO requirements (8.25 x 18 feet) for the minimum dimensions for a standard-size automobile off-street parking space [reference: LUO Section 21-6.50(a)].
3. The January 1967 plans show a total of seven compact stalls in the structure (two in the basement, two on the upper deck and three fronting Makiki Street). You stated that there are now two compact stalls in the parking structure: one on the right-rear-side of the basement, with dimensions of 8.25 x 15 feet; and one on the right-rear-side of the upper deck that has dimensions of 8.5 x 15 feet. These two compact stalls do not conform to the current (7.5 x 16-foot) LUO minimum dimension requirements for compact stalls [reference: LUO Section 21-6.50(b)].
4. The three compact stalls fronting Makiki Street, which are identified as Stall Nos. 33, 34, and 35 on the January 1967 plans you submitted, have the following dimensions: Stall No. 33 is 10.75 x 15 feet; Stall No. 34 is 8.67 x 15 feet; and, Stall No. 35 is 10.583 x 15 feet. These three compact stalls, therefore, also do not conform to current LUO requirements for compact stalls (see 3, above). They are also located within the required (Makiki Street) front yard, which is not permitted under applicable LUO provisions for yards and off-street parking.

We also note that the 35-stall parking structure (this number includes the three compact stalls fronting Makiki Street) did not conform to the total minimum number of parking stalls required for multi-family (apartment) units in effect at the time that Building Permit No. 37342 was issued in 1967 to construct the parking structure. However, the Punahou Terrace's parking structure did

not need to comply with numerical and dimensional standards when it was constructed, since the multi-family dwelling units were lawfully established under the initial building permits issued in 1957 and 1958, when there were different (lesser) parking requirements for apartment buildings. The off-street parking provided by the new parking structure in 1987 was, in essence, "voluntary" and reduced the parking nonconformity. This is confirmed by the July 18, 1988 letter from Mr. Frank Skrivanek, Planning Director, a copy of which was attached to your letter as its Exhibit 2. In particular, in response to a written inquiry concerning whether a variance from off-street parking requirements was needed to permit the use of the three substandard parking stalls fronting Makiki Street, the Planning Director stated, in relevant part:

Our inspection of the site and study revealed that the existing parking facilities provided for the Punahou Terrace are adequate and conform to the aforementioned requirements [for off-street parking]. Since the three substandard stalls in question are in excess of the required off-street parking spaces, they need not conform to the required size. Consequently, we feel that there is no need for a variance.

By determining that these particular parking spaces for the Punahou Terrace did not need a variance for substandard size, the City Planning Director accepted, and in effect authorized those stalls at their present location. He also explicitly acknowledged that these parking stalls were "in excess of the required off-street parking spaces." This determination was made over 42 years ago and, in the absence of any clearly contradictory law or regulation, should continue to be respected. Accordingly, we find that the Punahou Terrace is served by lawfully-established, albeit nonconforming parking, with respect to total number, dimensions (of the above-identified spaces), and location of three stalls within the (Makiki Street) front yard.

Pursuant to LUO Section 21-4.110(e), nonconforming parking may be continued, subject to the following:

1. If there is a change in use to a use with a higher parking standard, then the new use must meet current off-street parking requirements;
2. Any use that adds floor area must provide off-street parking for the addition, as required by the LUO (expansion of a dwelling unit that results in a total floor area of no more than 2,500 square feet is exempt from this requirement); and
3. Reconfiguration of nonconforming parking must meet current LUO requirements for arrangement of parking spaces, dimensions, aisles, and, if applicable, ratio of compact to standard stalls.

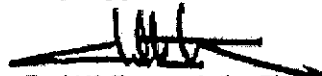
Please note that parking lots with an approved parking plan on file with the DPP and which include compact parking, such as the Punahou Terrace's parking structure, may retain up to the existing number of compact spaces when parking is reconfigured.

Mr. Henry Eng, FAJCP  
October 18, 2010  
Page 5

Finally, the upper parking plan attached to the Punchbowl Special District Permit No. 2001/SDD-70 shows a space, located on the extreme right and fronting Makiki Street that is labeled as "parking stall." However, the January 1987 parking plans that you attached to your letter depict that space as a "trash storage area." This particular space was not approved for parking when the parking structure was built, and any current use of it as a parking stall is not lawfully established and must, therefore, cease at once.

I hope that this information has been helpful. Your receipt for the \$50 zoning confirmation fee is enclosed. Please call Nelson Armitage at 768-8017, if you have any questions.

Very truly yours,



David K. Tanoue, Acting Director  
Department of Planning and Permitting

DKT:ca

Enclosure: Receipt No. 81143

**EXHIBIT I**  
**DEVELOPER'S RESERVATIONS TO CHANGE DECLARATION,**  
**BYLAWS, CONDOMINIUM MAP AND HOUSE RULES**

The Developer (Declarant) has reserved the following rights to change the Declaration, By-Laws, Condominium Map or House Rules:

1. Paragraph 8.1.7 of the Declaration states:

“8.1.7 The Declarant, its agents, employees, contractors, licensees, successors and assigns shall have an easement over, under and upon any portion of the Project, including the common elements, limited common elements and any Unit, as may be reasonably necessary for the completion of any improvements to and correction of repairs in the common elements, limited common elements or any Unit.”

2. Paragraph 8.1.8 of the Declaration states:

“8.1.8 The Declarant shall have a right and easement (assignable to any person including the Association): (i) to construct, install, operate, repair, maintain, and/or relocate television satellite dishes, microwave antenna or antennae and/or other electronic and telecommunications equipment and facilities on, within or from the roof of the Project, together with the right to connect the same with or to any transmission or reception facilities or other point(s) within or outside of the Project, through any of the Units and/or common elements of the Project, and together also with the right to transmit and receive microwave and/or other communication signals and (ii) to lease a portion of the common elements to an operator of coin operated laundry washers and dryers, for use by residents of the Units.”

3. Paragraphs 8.2.1 of the Declaration states:

“8.2.1 The Developer reserves the right to conduct extensive sales activities on and at the Project, including the use of model Units, sales and management offices, parking stalls and extensive sales displays and activities until the earlier to occur of: (i) thirty-six (36) months from the date of the filing in the Recording Office of the first Unit deed covering a Unit in the Project, or (ii) the closing of the sale of the last unsold Unit in the Project. In the event that the Declarant is unable to sell all of the Units within said thirty-six (36) month period, the Declarant shall, nevertheless, continue to have the right to conduct sales activities on and at the Project until the closing of the sale of the last unsold Unit in the Project, provided that such sales activities are conducted in an unobtrusive manner which will not unreasonably interfere with the use, possession and aesthetic enjoyment of the Project by the other Unit owners. Notwithstanding the foregoing, in the event that the Declarant's mortgage lender or any successor to or assignee of the Declarant's mortgage lender shall acquire any portion of the Project in the course of any foreclosure or other legal proceeding or by an assignment or sale in lieu of foreclosure, such mortgage lender and its successors and assigns shall have the right to conduct such extensive sales activities on and at the Project until at least ninety-five percent (95%) of all of the Units in the Project have been sold and such sales have been closed.”

4. Paragraph 11.2 of the Declaration states:

“11.2 Developer Retains Control of Association. Developer reserves the right to retain control of the Association for the maximum period of time allowed under Section 514B-106(d) of the Act or any successor statute. During such period of time, Developer or person(s) designated by Developer, reserves the right to appoint and remove all members of the Board and all officers of the Association. The Developer may voluntarily surrender the right to appoint and remove officers and members of the Board before termination of that period, but in that event the Developer may require, for the duration of the period of Developer control, that specified actions of the Association or Board, as described in a recorded instrument executed by the Developer, be approved by the Developer before they become effective.”

5. Paragraphs 20.2, 20.3, 20.4 and 20.6 of the Declaration state:

“20.2 Notwithstanding any provision to the contrary in this Declaration and in addition to any rights reserved by Developer in this Declaration or by the provisions of the Act, Developer reserves the following rights: (1) at any time prior to the first recording in the Recording Office of a conveyance of a Unit, the Developer may amend this Declaration, the Condominium Map and the Bylaws in any manner, without the consent of any Unit purchaser, but subject to the prior written consent of the Board and First Hawaiian Bank; and (2) at any time after the first recording in the Recording Office of a conveyance of a Unit, the Developer may amend this Declaration and the Condominium Map to file the "As Built" verified statement required by Section 514B-34 of the Act (i) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plan thereto filed fully and accurately depicts layout, location, Unit numbers, and the dimensions of an improvement or change in a Unit as built; or (ii) so long as the plans filed therewith involve only immaterial changes to the layout, location, or dimensions of the Units as built or any change in any Unit number.

20.3 Notwithstanding any other provision in this Declaration, a Unit Owner shall have the right without the consent or joinder of any other person to amend this Declaration and the Condominium Map to reflect alterations and additions made to the Unit that are allowed pursuant to Paragraph 19.2. Promptly upon completion of such alterations and additions, the Owner of the Unit making such alterations and additions shall duly record with the Recording Office an amendment to this Declaration and to the Condominium Map, together with a complete set of the floor plans of the Project as so altered, certified as built by a registered architect or professional engineer. All existing Unit Owners and all future Unit Owners and their mortgagees, by accepting an interest in a Unit, shall be deemed to have given each Unit Owner a Power of Attorney to execute an amendment to the Declaration solely for the purpose of describing the changes to his respective Unit on the Declaration and Condominium Map so that each Unit Owner shall hereafter have a Power of Attorney from all the other Unit Owners to execute such amendment to the Declaration and Condominium Map. This Power of Attorney shall be deemed coupled with each Owner's interest in his Unit (including his common interest) and shall be irrevocable.

20.4 Amendments Required by Law, Lenders, Title Insurers, Etc. Notwithstanding any other provision of this Declaration, for so long as the Developer retains any interest in a Unit in the Project, the Developer reserves the right (but not the obligation) to amend this Declaration and the Bylaws and the Condominium Map without the consent or joinder of any Unit Owner, lienholder or other person or entity, for the purpose of meeting any requirement imposed by (i) any applicable law, (ii) the Real Estate

Commission of the State of Hawaii, (iii) any title insurance company issuing a title insurance policy on the Project or any of the Units, (iv) any institutional lender lending funds on the security of the Project or any of the Units, or (v) any other governmental or quasi-governmental agency including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the U. S. Department of Housing and Urban Development or the Veterans Administration; provided, however, that the prior written consent of the Board shall be obtained; and further provided, however, that no amendment which would change the common interest appurtenant to a Unit or substantially change the design, location or size of a Unit shall be made without the consent of all persons having an interest in such Unit. Each and every party acquiring an interest in the Project, by such acquisition, consents to the amendments described in this Paragraph 20.4 and agrees to execute and deliver such documents and instruments and do such other things as may be necessary or convenient to effect the same, and appoints Developer and its assigns as his or her attorney-in-fact with full power of substitution to execute and deliver such documents and instruments and to do such things on his or her behalf, which grant of such power, being coupled with an interest, is irrevocable for the duration of such reserved rights, and shall not be affected by the disability of such party or parties.

20.6 Developer's Reservation and Assignment. Notwithstanding anything to the contrary contained in this Declaration, this Declaration cannot be amended to remove or lessen rights reserved by Developer in this Declaration for its benefit or the benefit of its successors, assigns, transferees or designees unless Developer, its successors, assigns, transferees or designees, as the case may be, consents to the amendment, which consent may be withheld in the sole discretion of the Developer, its successors, assigns, transferees or designees, as the case may be.

Immediately upon the recordation in the Recording Office of Developer's assignment of its right, title and interest in the Land to the Association, including the Developer's leased fee interest in the Land and Developer's interest as Master Lessor in the Land, the Association shall be the successor, assignee and transferee to all of Developer's rights under this Declaration and the Bylaws including, but not limited to, the rights set forth in the immediately preceding paragraph. As a result, all amendments to this Declaration and the Bylaws shall require the written consent of the Association, and the Developer shall sign all amendments requested by the Association; the Association shall have the rights of approval, to take actions or sign instruments where the Developer has been given such rights; and the Developer shall grant such approvals, take such actions and sign instruments only when requested by the Association."

**EXHIBIT J**  
**ESTIMATES OF INITIAL MAINTENANCE FEE DISBURSEMENTS**  
 January 1, 2014 to December 31, 2014

**Punahou Terrace**  
 (45 units)

Item	Monthly	Annually
Wages	100	1200
Benefits	281	3372
Office & Admin	534	6408
Property Management	1247	14964
Legal & Professional Fees	1232	14784
Electricity	4855	58260
Water & Sewer	3331	39972
Gas	1546	18552
Exterminating	139	1668
Rubbish	611	7332
Grounds	1284	15408
General Maintenance	610	7320
Amenities	79	948
Taxes (not including property taxes)	125	1500
Insurance	1456	17472
Loan Payment	29768	357216
Real Property Taxes	2054	24648
Other Expenses 1/	1511	18132
Reserve Contributions	4628	55536
<b>TOTAL</b>	<b>55,391</b>	<b>664,692</b>

1/ These expenses consist of maintenance fees for the three units owned by Punahou Terrace, Ltd. and property management fees paid to rent out these three units.

I, JAMES M. MERRELL, as agent for Touchstone Properties, Ltd., the managing agent for the Punahou Terrace condominium project, hereby certify that the above Estimates of Initial Fee Disbursements and the attached Estimate of Initial Maintenance Fees were prepared in accordance with other Comprehensive Basis of Accounting (cash basis). The estimates herein do not include the collections of a start-up fee equal to approximately one month's estimated maintenance fees from each purchaser at closing of sale that shall be used to fund the association's capital reserve account.

**Touchstone Properties, Ltd.**

By James M. Merrell  
 its PRESIDENT

AUGUST 14, 2013  
 Date

**Developer's Statement**

PUNAHOU TERRACE, LTD. and the ASSOCIATION OF UNIT OWNERS OF PUNAHOU TERRACE, co-developers of the Punahou Terrace condominium project, state that a Unit owner shall become obligated to pay the Unit's maintenance fee upon the Owner taking title to the Condominium Unit.

**Punahou Terrace, Ltd.,**  
a Hawaii corporation

By *Doug Shanefield*  
**Doug Shanefield, its Assistant Secretary**

Dated: 12/30/2013

By *Fred Hong*  
**Fred Hong, its Assistant Secretary**

Dated: 12/30/2013

**Association of Unit Owners of  
Punahou Terrace**

By *Regina Pfeiffer*  
**Regina Pfeiffer, its President**

Dated: 12/31/2013

By *Mark Ludwig*  
**Mark Ludwig, its Secretary**

Dated: 12/30/2013

**Punahou Terrace**  
**Estimates of Initial Maintenance Fees**  
January 1, 2014 to December 31, 2014

<u>CONDOMINIUM UNIT NO.</u>	<u>APARTMENT NO. CREATED UNDER PROPRIETARY SUBLEASE</u>	<u>COMMON INTEREST</u>	<u>MONTHLY MAINTENANCE FEE 1/</u>	<u>MONTHLY LIMITED COMMON ELEMENT PARKING FEE</u>	<u>MONTHLY AIR CONDITIONING REIMBURSEMENT FEE</u>	<u>TOTAL MONTHLY MAINTENANCE FEE 1/</u>	<u>ANNUAL MAINTENANCE FEE</u>
A101	A-7	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
A102	A-6	1/45 <sup>th</sup>	\$1,230.92	\$10.00	\$35.00	\$1,275.92	\$15,311.01
A103	A-5	1/45 <sup>th</sup>	\$1,230.92			\$1,230.92	\$14,771.01
A104	A-4	1/45 <sup>th</sup>	\$1,230.92		\$35.00	\$1,265.92	\$15,191.01
A105	A-3	1/45 <sup>th</sup>	\$1,230.92	\$12.50	\$35.00	\$1,278.42	\$15,341.01
A106	A-2	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
A107	A-1	1/45 <sup>th</sup>	\$1,230.92	\$12.50	\$35.00	\$1,278.42	\$15,341.01
A201	A-14	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
A202	A-13	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
A203	A-12	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
A204	A-11	1/45 <sup>th</sup>	\$1,230.92	\$12.50	\$35.00	\$1,278.42	\$15,341.01
A205	A-10	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
A206	A-9	1/45 <sup>th</sup>	\$1,230.92	\$10.00	\$35.00	\$1,275.92	\$15,311.01
A207	A-8	1/45 <sup>th</sup>	\$1,230.92	\$12.50	\$35.00	\$1,278.42	\$15,341.01
A301	A-21	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
A302	A-20	1/45 <sup>th</sup>	\$1,230.92	\$10.00	\$35.00	\$1,275.92	\$15,311.01
A303	A-19	1/45 <sup>th</sup>	\$1,230.92	\$10.00	\$35.00	\$1,275.92	\$15,311.01



CONDOMINIUM UNIT NO.	APARTMENT NO. CREATED UNDER PROPRIETARY SUBLEASE	COMMON INTEREST	MONTHLY MAINTENANCE FEE 1/	MONTHLY LIMITED COMMON ELEMENT PARKING FEE	MONTHLY AIR CONDITIONING REIMBURSEMENT FEE	TOTAL MONTHLY MAINTENANCE FEE 1/	ANNUAL MAINTENANCE FEE
A304	A-18	1/45 <sup>th</sup>	\$1,230.92		\$35.00	\$1,265.92	\$15,191.01
A305	A-17	1/45 <sup>th</sup>	\$1,230.92			\$1,230.92	\$14,771.01
A306	A-16	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
A307	A-15	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
B101	B-4	1/45 <sup>th</sup>	\$1,230.92	\$12.50	\$35.00	\$1,278.42	\$15,341.01
B102	B-3	1/45 <sup>th</sup>	\$1,230.92	\$10.00	\$35.00	\$1,275.92	\$15,311.01
B103	B-2	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
B104	B-1	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
B201	B-8	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
B202	B-7	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
B203	B-6	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
B204	B-5	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
B301	B-12	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
B302	B-11	1/45 <sup>th</sup>	\$1,230.92	\$10.00	\$35.00	\$1,275.92	\$15,311.01
B303	B-10	1/45 <sup>th</sup>	\$1,230.92			\$1,230.92	\$14,771.01
B304	B-9	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
C101	C-6	1/45 <sup>th</sup>	\$1,230.92	\$10.00	\$35.00	\$1,275.92	\$15,311.01
C102	C-5	1/45 <sup>th</sup>	\$1,230.92	\$10.00	\$35.00	\$1,275.92	\$15,311.01
C103	C-4	1/45 <sup>th</sup>	\$1,230.92			\$1,230.92	\$14,771.01
C104	C-3	1/45 <sup>th</sup>	\$1,230.92		\$35.00	\$1,265.92	\$15,191.01
C105	C-2	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
C106	C-1	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
C201	C-12	1/45 <sup>th</sup>	\$1,230.92			\$1,230.92	\$14,771.01
C202	C-11	1/45 <sup>th</sup>	\$1,230.92			\$1,230.92	\$14,771.01
C203	C-10	1/45 <sup>th</sup>	\$1,230.92		\$35.00	\$1,265.92	\$15,191.01
C204	C-9	1/45 <sup>th</sup>	\$1,230.92	\$12.50		\$1,243.42	\$14,921.01
C205	C-8	1/45 <sup>th</sup>	\$1,230.92	\$10.00		\$1,240.92	\$14,891.01
C206	C-7	1/45 <sup>th</sup>	\$1,230.92	\$12.50	\$35.00	\$1,278.42	\$15,341.01
		100%	\$55,391.40	\$390.00	\$630.00	\$56,502.48	\$676,935.45

1/ Included in this amount is \$676.55 per month for loan payments to First Hawaiian Bank, real property taxes of \$45.00 per month, fees to cover the maintenance fees for three (3) Units that are owned by Punahou Terrace, Ltd., and the property management fees paid to rent out these 3 units. When the Condominium Unit is conveyed to a condominium Unit purchaser (a) the monthly real property taxes payment of \$45.00 will not be part of the monthly and annual maintenance fee, but instead, a new real property tax payment will be billed by the City and County of Honolulu real property tax department to the Unit Owner separately as real property taxes; (b) the monthly loan payment of \$676.55 will not be part of the monthly and annual maintenance fee; instead, each condominium Unit purchaser may be making loan payments to his or her lender in a monthly amount depending on the amount borrowed to purchase the Unit; (c) the result will be that maintenance fees will be reduced by \$676.55 per month (loan payment) and \$45.00 per month (real property tax) resulting in approximately a \$721.55 monthly reduction and an \$8,658.60 annual reduction of maintenance fees per Unit.

**EXHIBIT K**  
**SUMMARY OF PERTINENT PROVISIONS OF CONVERSION CONTRACT**

Developer has filed a specimen Conversion Contract (“Conversion Contract”) with the Hawaii Real Estate Commission. The Conversion Contract will be used to sell the fee unit to owners of a cooperative unit in the Project, i.e., those that own stock in the Cooperative. The Conversion Contract contains pertinent provisions summarized as follows:

D.3. **NO WARRANTIES.** The Unit is conveyed without any warranties “AS IS, WHERE IS” AND WITH ALL FAULTS AND DEFECTS.” The Developer is making no warranties, express or implied, regarding the Unit or the Project, including without limitation any implied warranty of habitability. The Buyer agrees that the Developer will not be liable for any construction or other defects in the Project or the Unit, including latent or hidden defects.

D.4. **CLOSING.** At Closing, the Buyer will execute other documents required by Seller to surrender or assign the Buyer’s stock and cancel the Proprietary Lease in the Unit.

D.5. **CLOSING COSTS.** The Buyer will pay all closing costs.

D.13. **CONDOMINIUM DOCUMENTS.** Buyer acknowledges that Buyer has examined and approved the Public Report, the Declaration, the Bylaws, the Condominium Map, the Condominium Unit Deed, the Conversion Contract and Addendum, the House Rules, the Design Committee Rules, the Escrow Agreement, and the Assignment of Stock and Cancellation of Proprietary Lease.

D.14. **MODIFICATION OF DOCUMENTS.** Developer can make certain modifications to the Project Documents. If the modification results in a “Material Change” or an increase in Owner’s percentage share of common expenses, Buyer will have the right to cancel the Conversion Contract and Addendum pursuant to Hawaii Revised Statutes 514B-87.

D.16 & 17 **TAX MATTERS.** There may be adverse tax consequences to both Buyer and Developer arising out of the transactions contemplated by the Conversion Contract and Addendum. This Section describes some of the tax consequences. Buyer assumes the tax risks and releases the Developer from all potential liability. Buyer is encouraged to retain Buyer’s own tax professionals for advice.

D.24. **DEFAULT.** If Buyer defaults under the Conversion Contract and Addendum, Developer may terminate the Conversion Contract and Addendum and may keep all deposits made by Buyer and exercise any other remedies available to the Developer under law.

THIS EXHIBIT CONTAINS ONLY SUMMARIES OF CERTAIN PERTINENT PROVISIONS CONTAINED IN THE CONVERSION CONTRACT. PROSPECTIVE OWNERS SHOULD READ AND UNDERSTAND ALL OF THE PROVISIONS IN THEIR ENTIRETY CONTAINED IN THE AFORESAID DOCUMENT.

## SUMMARY OF PERTINENT PROVISIONS OF ADDENDUM

Developer has filed a specimen Addendum to Conversion Contract (“Addendum”) with the Hawaii Real Estate Commission, which contains certain pertinent provisions summarized as follows:

I.4.a & I.5.c. CONDOMINIUM DOCUMENTS. By closing the purchase of the Unit, Buyer acknowledges that it has examined and approved the form of the Condominium Unit Deed, Declaration of Condominium Property Regime of Punahou Terrace (“Declaration”), By-Laws, Escrow Agreement, Public Report, Rules and Regulations, Condominium Map, amendments to such documents or plan (collectively “Project Documents”). The Condominium Map is intended to show only the approximate layout, location, unit numbers and dimensions of the Units and is not intended to be and is not a representation, warranty or promise to Buyer.

I.4.b. MODIFICATION OF DOCUMENTS. Developer can make certain modifications to the Project Documents. If the modification results in a “material change,” Buyer may rescind the Sales Contract pursuant to HRS Section 514B-87.

I.5.a. NO WARRANTIES. Seller is making no warranties, express or implied (including warranties of merchantability, habitability, workmanlike construction or fitness for a particular purpose), regarding the Units, Common Elements, or Project, fixtures, appliances, furnishings, consumer items in the Units or anything connected with the Project.

Condominium Units A-104 (Cooperative Unit A-4), B-301 (Cooperative Unit B-12), C-101 (Cooperative Unit C-6) and C-205 (Cooperative Unit C-8) each had lanai enclosures constructed without a building permit. The absence of a building permit is a building code violation. There may also be building code violations in the construction of the enclosures. Developer will not cure these violations. It is the responsibility of the Unit owner/purchaser to effectuate the cure. These building code violations may also be violations of the Condominium Documents and Proprietary Subleases potentially subjecting the Unit Owner or Buyer to enforcement actions by Developer.

Ninety days before filing a lawsuit against a contractor who designed, repaired or constructed Buyer’s house, Buyer must file a written notice with the contractor alleging the defective construction conditions. Contractor has an opportunity to offer to repair and/or pay for defects but Buyer is not obligated to accept the offer. Under law, there are strict deadlines that, if not followed, may negatively affect Buyer’s ability to file a lawsuit or other action.

I.5.b. ACCEPTANCE OF UNIT. Developer or contractor may ask Buyer to inspect the Unit before Closing. Buyer agrees to accept possession of the Unit even if Buyer has not inspected the Unit prior to Closing.

I.5.e. SELLER’S STATEMENT. Seller’s disclosures in the Sales Contract and the Project Documents about the Unit and the Project are based on observations of visible, accessible areas and information within the knowledge and control of Seller. Buyer should hire his own experts to inspect the Unit and Project.

I.5.f.(6). LIQUIDATED DAMAGES. In the event Buyer alleges that Seller violated any federal or state disclosure laws or regulations (including the Hawaii Condominium Property Act and federal and state securities law), Buyer’s only remedy will be to sue for a refund of the purchase price and closing costs actually paid plus interest at 2% per annum from the date of closing until the date of repayment. If Buyer is successful, this remedy will constitute liquidated damages and Buyer cannot claim damage for

changes to the Unit, maintenance fees, real property taxes, mortgage fees and interest on the mortgage or any other damages.

I.3; I.6.; I.9. SELLER'S RIGHT TO CANCEL. In addition to any other rights of cancellation reserved to Seller, if (a) Buyer's deposit check is returned for insufficient funds, (b) Buyer intends to obtain financing and fails to meet the deadlines regarding applying for financing or to obtain an irrevocable written commitment for an adequate loan within 20 days of the acceptance of the Sales Contract by Seller, (c) Buyer intends to pay all cash and fails to provide proof of ability to pay within 5 days after Seller accepts the Sales Contract, or (d) Buyer should die prior to Closing, or (e) Buyer shall default or fail to perform other obligations under the Sales Contract that are not cured within 5 days of Seller's notice to Buyer, Seller reserves the right to cancel the Sales Contract and return Buyer's check or payments, without interest and less the processing and cancellation fee imposed by Escrow Agent and any other actual expenses incurred by reason of Buyer's execution of the Sales Contract.

I.6.d. & I.6.h. BUYER'S RIGHT TO CANCEL. Buyer has the right to cancel a binding Sales Contract at any time prior to the earlier of (1) the conveyance of a Unit to Buyer, or (2) midnight of the thirtieth (30<sup>th</sup>) day after (i) the date Buyer signs the Sales Contract, and (ii) the items referenced in HRS Section 514B-86(b)(2) have been delivered to Buyer unless Buyer waives his right to cancel in writing prior to such time.

I.7.d. CLOSING COSTS. Buyer shall pay all closing costs. Real property taxes, assessments paid and insurance shall be prorated as of the Closing.

I.8. SUBORDINATION. Buyer acknowledges that Seller may obtain a loan and grant a mortgage covering Seller's interest in the Project, including the Sales Contract. Buyer acknowledges and agrees that all security interests obtained by a lender in connection with such loan as well as any extensions, renewals and modifications thereof, shall be and remain at all times a lien or charge on the Project, including the Unit covered by the Sales Contract, prior to and superior to any and all liens or charges on the Project arising from the Sales Contract. Buyer hereby expressly waives, relinquishes and subordinates the priority or superiority of any lien under the Sales Contract in favor of the lien or charge on the Project of the security interests of lender.

I.5.b. & I.9. DEFAULT. Time is of the essence of the Sales Contract, and if the Sales Contract is binding and Buyer shall default in any payment when required or fail to perform any other obligations required of Buyer and shall fail to cure such default within five (5) days after receipt of written notice thereof from Seller, Seller may, at Seller's option, terminate the Sales Contract by written notice to Buyer. In the event of such default, the parties hereto understand and agree that the sums paid by Buyer prior to such default shall belong to Seller as liquidated damages. In addition, Buyer shall pay all fees for documents that have been prepared in connection with Buyer's proposed purchase of the Unit. Seller may also pursue any other remedy at law or in equity for specific performance or damages, and all costs, including attorneys' fees, incurred by reason of default by Buyer shall be borne by Buyer.

THIS EXHIBIT CONTAINS ONLY SUMMARIES OF CERTAIN PERTINENT PROVISIONS CONTAINED IN THE PURCHASE AND SALES CONTRACT. PROSPECTIVE OWNERS SHOULD READ AND UNDERSTAND ALL OF THE PROVISIONS IN THEIR ENTIRETY CONTAINED IN THE AFORESAID DOCUMENT.

**EXHIBIT L**  
**SUMMARY OF THE MATERIAL PROVISIONS OF THE ESCROW AGREEMENT**

Summary of the Condominium Escrow Agreement between the Developer and Title Guaranty Escrow Services, Inc. ("Escrow")

1. All deposits will be paid to Escrow. A copy of each Sales Contract and all payments made to purchase a Unit shall be turned over to the Escrow.

2. Refunds. A Buyer shall be entitled to a return of his funds, and Escrow shall pay such funds to such Buyer, without interest, in accordance with the Sales Contract if any of the following has occurred:

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

(b) Developer shall have notified Escrow in writing of Developer's exercise of the option to cancel or rescind the Sales Contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer; or

(c) Buyer shall have notified Escrow in writing that the conditions provided for a refund under Section 514B-86 (30 day right to cancel) or Section 514B-87 (right to rescind because of a material change) or Section 514B-89 (failure to complete construction before specified completion deadline) of Hawaii Revised Statutes, as amended, have been met.

Escrow shall be entitled to a cancellation fee commensurate with the work done by Escrow of up to \$250.00 (i) from Seller if cancellation is under Section 514B-87, or (ii) from Buyer if cancellation is under Sections 514B-86 or 514B-89.

3. Requirements Prior to Disbursement of Buyer's Funds. Except for refunds pursuant to Section 2 above, Escrow shall make no disbursements of Buyer's funds pursuant to paragraph 5 of the Escrow Agreement until the applicable conditions of said paragraph 5 have been met. Some of these conditions are the Buyer's waiver of rescission and cancellation rights. Buyer is encouraged to read paragraph 5 of the Escrow Agreement.

4. Buyer's Lender. If Buyer does not obtain a mortgage loan from a lender designated by Developer, Buyer will pay Escrow an additional fee of \$250.00. If Buyer obtains a mortgage loan from an out-of-state lender, Buyer will pay Escrow a fee of \$500.00 for each out-of-state mortgage loan obtained.

5. Buyer's Default. Seller must notify Escrow in writing if Buyer defaults, and must certify that Seller has terminated the Buyer's Sales Contract and provide Escrow with copies of all such notices and termination sent to the Buyer. After such cancellation Escrow will treat the Buyer's funds less Escrow's cancellation fees as belonging to the Seller.

**EXHIBIT M**  
Reserve Study for 2013

COOP Reserve Analysis

**BUDGET YEAR 2013**

For CALENDAR YEAR Ending 12/31/13

**Punahou Terrace**

TITLE AND CONTENTS
INTRODUCTION
EXECUTIVE FINANCIAL SUMMARY
TABLE 1: REPLACEMENT RESERVE ANALYSIS
TABLE 2: REPLACEMENT RESERVE FUNDING OPTIONS
TABLE 3: GENERAL OPERATING RESERVE ANALYSIS
OWNERS REPORT

VERSION	DATE
Draft	9/15/2012
Rev 1	11/1/2012
Rev 2	12/12/2012
Rev 3	
Rev 4	
Approval	12/18/2012
Owners Rpt.	12/18/2012

*Committee Members*

John Schamber
Anne Hayes
Lorraine Dayoan
Regina Pfeifer
Edward Poh

*Property Manager: S. Smith-Keya*

Touchstone Project No. 144

TOUCHSTONE PROPERTIES, LTD.

Punahou Terrace

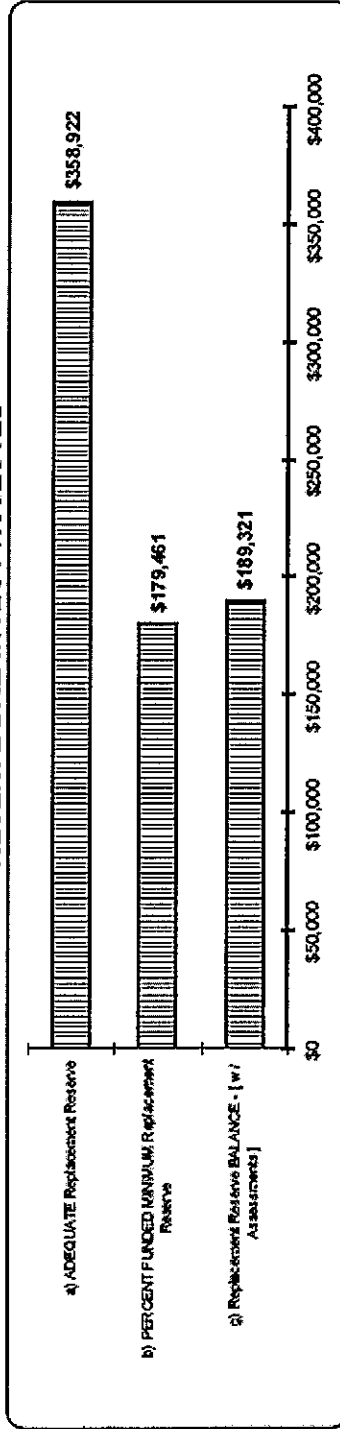
**1) FINANCIAL ASSUMPTIONS:**

CASH FLOW CONVENTION =	YEAR END	All transactions assumed to take place at end of the fiscal year
PRESENT YEAR #	2012	Last day of fiscal year.
RECOMMENDED INFLATION RATE =	3.60%	Honolulu Urban Consumers CPI in prior year = 3.55%
RECOMMENDED INTEREST RATE =	0.60%	Average Interest rate for 7 year US Treasury Bill = 1.02%
COMBINED TAX RATE =	16.5%	1120H (Homeowner's Assn) 30% Fed; 1120 (Corporation) 15% Fed; G-45 (GET) 4% [Interest Rate * (1 - Combined Tax Rate)] * HI GET exempt on U.S. Govt. obligations
AFTER-TAX INTEREST RATE =	0.42%	
NUMBER OF APARTMENTS =	45	Average Number of Units used to calculate per unit costs.

**2) PROJECTED RESERVE STATUS AT THE END OF FISCAL YEAR - 2012**

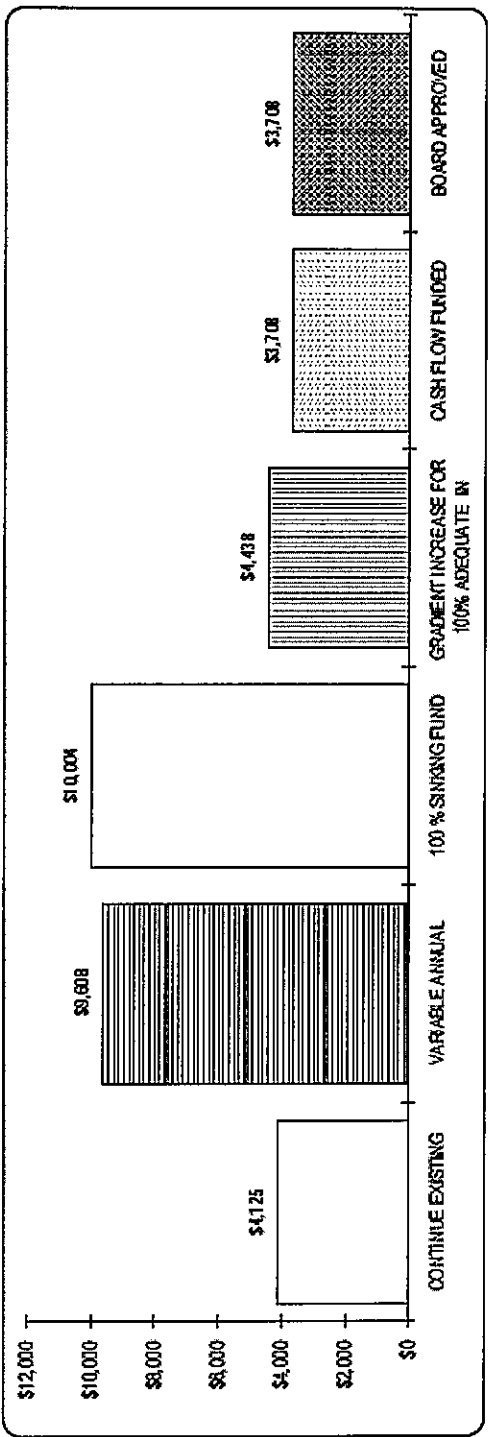
a) ADEQUATE Replacement Reserve	\$ 358,922	NOTES:
b) PERCENT FUNDED MINIMUM Replacement Reserve	\$ 179,461	
c) Total ANNUAL CAPITAL EXPENDITURES	\$ 0	
d) ANNUAL Replacement Reserve CONTRIBUTION	\$ 49,500	
e) Replacement Reserve BALANCE - [w/o Assessments]	\$ 189,321	
f) SPECIAL ASSESSMENT REQ'D - [Unfunded Statutory Reserve]	\$ 0	
g) Replacement Reserve BALANCE - [w/ Assessments]	\$ 189,321	
h) % ADEQUATE FUNDED - [incl Assessments - (g/a X 100%)	53%	

**RESERVE BALANCES PROJECTED**



4) REPLACEMENT RESERVE OPTIONS FOR YEAR <b>2013</b>									
OPTION	DESCRIPTION OF FUNDING OPTION	Percent Funded - Minimum 50% Required					2013 % ADEQUATE RESERVE		
		ANNUAL REPLACEMENT RESERVES	MONTHLY REPLACEMENT RESERVES	AVERAGE PER UNIT PER MO.	CHANGE FROM EXISTING	%CHANGE FROM EXISTING			
1	CONTINUE EXISTING	\$ 49,500	\$ 4,125	\$ 91.67	\$ 0	0.00%	\$ 0	58%	
2	VARIABLE ANNUAL	\$ 115,300	\$ 9,608	\$ 213.52	\$ 121.85	132.93%	\$ 0	75%	
3	100% SINKING FUND	\$ 120,042	\$ 10,004	\$ 222.30	\$ 130.63	142.51%	\$ 0	76%	
4	GRADIENT INCREASE FOR 100% ADEQUATE IN 10 YRS	\$ 53,254	\$ 4,438	\$ 98.62	\$ 6.95	7.56%	\$ 0	59%	
5	CASH FLOW FUNDED	\$ 44,500	\$ 3,708	\$ 82.41	\$ (9.26)	-10.10%			
*	BOARD APPROVED	\$ 44,500	\$ 3,708	\$ 82.41	\$ (9.26)	-10.10%	\$ 0	57%	

MONTHLY REPLACEMENT RESERVE OPTIONS:



EXECUTIVE SUMMARY - 2

TOUCHSTONE PROPERTIES, LTD.

Punahou Terrace



TABLE 1: GLOSSARY OF TERMS

<b>CODE Nos.:</b>	
a)	"ITEM No." - A unique identifying number for each asset.
b)	"SORT CODE" - A sort code for each asset. Legend noted at bottom of sheet.
c)	"RSV CAT" - Defines replacement reserve funding approach. Legend noted at bottom of sheet.
<b>ASSETS:</b>	
d)	"DESCRIPTION" - Asset (a part of the association property) description.
<b>LIFE CYCLE:</b>	
e)	"ACTUAL START YEAR" - Year that asset was actually first placed in service.
f)	"HRS START YEAR" - HRS 514B Condominium Property Regimes - 148 [Subchapter 16-107-4(b)] option to use Jan 1, 1994 as start year to calculate "Adequate Replacement Reserve".
g)	"EST USEFUL LIFE" - Estimated Useful Life of the Asset.
h)	"FIRST YEAR REPL" - Estimated first year the asset will be replaced, repaired, or refurbished. NOTE: Assets are listed in ascending order of replacement year.
i)	"REM LIFE" - Estimated remaining useful life of the asset.
<b>ESTIMATED COSTS:</b>	
j)	"YR OF COST EST" - The year in which the estimated replacement cost was computed (used as the base or present year to inflate to the future cost).
k)	"ESTIMATED REPLACE COST" - Estimated cost to replace OR refurbish the asset at the end of the "YEAR OF COST ESTIMATE".
l)	"1st CYCLE FUTURE COST" - Future cost of asset at the end of its estimated useful life (in 1st yr of replacement at the estimated inflation rate).
<b>STATUTORY RESERVE REQUIREMENTS:</b>	
m)	"FRONT LOAD YEAR END RESERVE BALANCE" - Forecast balance of reserve funds projected at end of present year, front loaded.
n)	"PERCENT FUNDED MINIMUM RESERVE" - HRS 514B Condominium Property Regimes - 148 (16-107-64) - 50% of Adequate Reserve.
o)	"ADEQUATE RESERVE" - HRS 514B Condominium Property Regimes - 148 (16-107-62). Equal to [(Age/Remaining Life)*1st Cycle Future Cost] assuming that the Start Year is Jan 1, 1994 as permitted by HRS 514B Condominium Property Regimes - 148 (16-107-64b).
<b>REPLACEMENT RESERVES FUNDING OPTIONS:</b>	
p)	"CONTINUE EXISTING REPLACEMENT RESERVES" - Present year annual reserve contribution.
q)	"% # % 10 YR GRADIENT" - Equal annual percentage increase (i.e. Gradient) over the next 10 years to accumulate 100% of "Adequate Reserve" (HRS 514B Condominium Property Regimes - 148 (16-107-62)) at the end of the 10 years.
r)	"VARIABLE ANNUAL REPLACEMENT FUND" - Even contribution over a 20 year period that will maintain not less than the "Percent Funded Minimum Reserve" in any given year.
s)	"100% SINKING FUND" - Equal annual contributions over the assets remaining life to accumulate 100% of the 1st Cycle Future Cost.
t)	"CASH FLOW FUNDED" - This option provides a minimum 20 year projection of estimated annual reserve contributions that does not require a special assessment or loan, except in an emergency, to fund future capital replacement costs.
u)	"BOARD APPROVED" - Amount of replacement reserves authorized by the Board for the year following the present year.

REPLACEMENT RESERVE ANALYSIS FOR THE PRESENT YEAR

A	B	C	ASSETS	LIFE CYCLE			ESTIMATED COSTS			PERCENT FUNDED RESERVE REQUIREMENTS (Excludes Cash Flow Method)					REPLACEMENT RESERVE FUNDING OPTIONS											
				E	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U							
12	11	10	DESCRIPTION	ACTUAL COST YEAR	EST. USEFUL LIFE	FIRST YEAR REPL.	YR OF COST EST.	ESTIMATED REPLACEMENT COST	CYCLE DURATION	PORTFOLIO PORTFOLIO RESERVE	MINIMUM FUNDING CO. TO X 100%	2013 100% RESERVE	CONTRIBUTION 2012 REPLACEMENT RESERVE	2013 YR 11	2013 YR 10	2013 YR 9	2013 YR 8	2013 YR 7	2013 YR 6	2013 YR 5	2013 YR 4	2013 YR 3	2013 YR 2	2013 YR 1	2013 YR 0	
1	A	R	Land Building at Post	2009	40	2049	37	2008	\$ 11,000	\$ 46,807	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	R	R	Office Building	2005	30	2035	23	2005	\$ 50,000	\$ 144,065	\$ 32,112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
3	R	R	Building-Office	2003	30	2033	21	2003	\$ 50,000	\$ 114,465	\$ 41,403	\$ 21,923	\$ 43,940	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530	\$ 4,530
4	R	R	Building-Office	1998	30	2028	16	1990	\$ 30,000	\$ 115,025	\$ 51,892	\$ 24,839	\$ 52,678	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007	\$ 3,007
5	A	R	Post-Property of the	1990	24	2014	2	2009	\$ 20,000	\$ 23,868	\$ 21,004	\$ 10,396	\$ 21,583	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030	\$ 1,030
6	B	R	Jan-Warehouse	1998	20	2018	6	1999	\$ 75,000	\$ 152,145	\$ 30,100	\$ 53,251	\$ 106,501	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802	\$ 18,802
7	B	R	Post-Office, Warehouse	2010	16	2026	14	2009	\$ 15,000	\$ 27,356	\$ 0	\$ 1,710	\$ 3,421	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902	\$ 1,902
8	B	R	Post-Office, Warehouse	2010	16	2026	14	2009	\$ 30,700	\$ 70,804	\$ 0	\$ 4,413	\$ 8,825	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808
9	B	R	Office-Building Entry	2011	13	2024	12	2011	\$ 5,000	\$ 7,019	\$ 0	\$ 302	\$ 603	\$ 645	\$ 645	\$ 645	\$ 645	\$ 645	\$ 645	\$ 645	\$ 645	\$ 645	\$ 645	\$ 645	\$ 645	\$ 645
10	M	R	Post-Office	2002	11	2013	1	2011	\$ 11,000	\$ 11,816	\$ 0	\$ 5,356	\$ 10,732	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806	\$ 11,806
11	B	R	Building Warehouse	2005	9	2014	2	2005	\$ 10,000	\$ 13,748	\$ 0	\$ 3,348	\$ 10,033	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530	\$ 2,530
12	P	R	Post-Office Building (includes parking)	2006	8	2014	2	2006	\$ 100,000	\$ 132,100	\$ 0	\$ 49,763	\$ 99,527	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
				TOTAL REPLACEMENT RESERVES										2013												
				\$ 180,321										\$ 3,591,622												
				Annual Funding Option Surplus ((Deduct) - (Option vs 100% Sinking Fund))										\$ (66,789)												
														\$ (70,312)												
														\$ 41,25												
														\$ 4,418												
														\$ 10,014												
														\$ 3,708												
														\$ 44,000												
														\$ 12,012												
														\$ 6,608												
														\$ 10,014												
														\$ 3,708												
														\$ 15,312												

TABLE 1 - 2  
 SORT CODE: A-amenities, B-Bldg/struc, G-grounds, M-mechanical/electrical, P-parking, R-roofing  
 RSV CAT: R-recurring, NR-non-recurring, SVV-assembly warehouse  
 TOUCHSTONE PROPERTIES, LTD.

**TABLE 2: GLOSSARY OF TERMS**

a) "TOTAL ADEQUATE REPLACEMENT RESERVE" - The reserve fund balance computed in accordance with HRS 514B Condominium Property Regimes - 148 Subchapter 16-107-62 by the formula:

$$(\text{Future Cost}) \times [(\text{estimated age}) / (\text{estimated life})] = \text{Adequate Replacement Reserve}$$

Note: The option to use January 1, 1994 (end of 1993) as the start of service, as permitted by HRS 514B Condominium Property Regimes - 148 Subchapter 16-107-64(b), has been taken for all existing assets.

b) "PERCENT FUNDED REPLACEMENT RESERVE" - The reserve being equal to a minimum of 50% of its "Adequate Replacement Reserve";

c) "TOTAL ANNUAL CAPITAL EXPENDITURES" - The total forecast estimated capital expenditures inflated to future cost

d) "TOTAL ANNUAL 100% SINKING FUND REPLACEMENT RESERVES" - A method of funding capital assets through equal annual payments over the assets life.

e) "TOTAL 100% SINKING FUND REPLACEMENT RESERVE BALANCE" - The reserve balance if the 100% Sinking Fund Method is used.

f) "PERCENT FUNDED" =  $(\text{e/a} \times 100\%) - \{(\text{TOTAL 100\% SINKING FUND REPLACEMENT RESERVE BALANCE}) / (\text{TOTAL ADEQUATE REPLACEMENT RESERVE})\} \times 100\%$ .

Item No.	DESCRIPTION	UNIT	QTY	UNIT PRICE	AMOUNT	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
1	Local Redevelopment			\$12,672		37	36	35	34	33	32	31	30	29	28	27	22	17
	NO INDEMNITY																	
	Capital Expenditure																	
	Investment																	
	Reserve Balance																	
2	Building - BUILDING A		23	\$6,046		23	22	21	20	19	18	17	16	15	14	13	8	3
	NO INDEMNITY																	
	Capital Expenditure																	
	Investment																	
	Reserve Balance																	
3	Building - BUILDING B		21	\$90,740		21	20	19	18	17	16	15	14	13	12	11	6	1
	NO INDEMNITY																	
	Capital Expenditure																	
	Investment																	
	Reserve Balance																	
4	Building - BUILDING C		16	\$66,318		16	15	14	13	12	11	10	9	8	7	6	1	28
	NO INDEMNITY																	
	Capital Expenditure																	
	Investment																	
	Reserve Balance																	
5	Pool - Pool/locker or Tlo		2	\$22,228		2	1	0	23	22	21	20	19	18	17	16	11	6
	NO INDEMNITY																	
	Capital Expenditure																	
	Investment																	
	Reserve Balance																	
6	Iron Machinery/Storage Pooling		6	\$123,660		6	5	4	3	2	1	0	0	0	0	0	0	0
	NO INDEMNITY																	
	Capital Expenditure																	
	Investment																	
	Reserve Balance																	
7	Permit Lic. Spill/pond Watercontrol/Lease		14	\$16,679		14	13	12	11	10	9	8	7	6	5	4	15	10
	NO INDEMNITY																	
	Capital Expenditure																	
	Investment																	
	Reserve Balance																	
8	Permit Lic. Spill/pond Watercontrol/Lease		14	\$43,000		14	13	12	11	10	9	8	7	6	5	4	15	10
	NO INDEMNITY																	
	Capital Expenditure																	
	Investment																	
	Reserve Balance																	

OLD TABLE 2-2 ADEQUATE REPLACEMENT RESERVE & 100% SINKING FUND

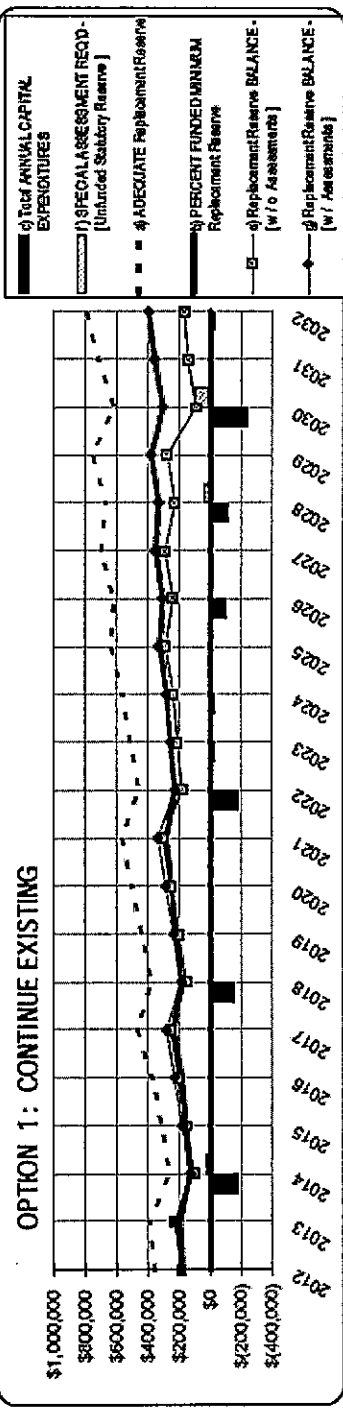
LINE NO.	DESCRIPTION	BRIEFING		DATE		TYPE		FISCAL YEAR												
		ACT	RS	STRT	END	PRESET	COST	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027	2032
8	Guernsey Building 2 Entry	2011		13	12	RS/RO		12	11	10	8	6	7	6	6	4	3	2	10	6
							3000	\$1,238	\$1,237	\$2,338	\$2,048	\$1,055	\$1,284	\$1,823	\$5,432	\$8,081	\$6,700	\$2,884	\$7,711	
							50	50	50	50	50	50	50	50	50	50	50	50	50	50
							\$640	\$640	\$640	\$640	\$640	\$640	\$640	\$640	\$640	\$640	\$640	\$640	\$640	\$640
							50	50	50	50	50	50	50	50	50	50	50	50	50	50
							\$1,238	\$1,237	\$2,338	\$2,048	\$1,055	\$1,284	\$1,823	\$5,432	\$8,081	\$6,700	\$2,884	\$7,711		
10	104 Water Pumps (2)	2002		11	1	RS/RO		1	0	10	9	8	7	6	5	4	3	2	8	3
							311,023	\$11,882	\$11,882	\$23,764	\$23,764	\$47,528	\$47,528	\$95,056	\$190,112	\$380,224	\$760,448	\$1,520,896	\$3,041,792	\$6,083,584
							50	50	50	50	50	50	50	50	50	50	50	50	50	50
							\$11,882	\$11,882	\$23,764	\$23,764	\$47,528	\$47,528	\$95,056	\$190,112	\$380,224	\$760,448	\$1,520,896	\$3,041,792	\$6,083,584	
11	Mold Building Pumps	2005		9	2	RS/RO		2	1	0	8	7	6	5	4	3	2	1	5	0
							118,683	\$13,278	\$13,278	\$26,556	\$26,556	\$53,112	\$53,112	\$106,224	\$212,448	\$424,896	\$849,792	\$1,699,584	\$3,399,168	\$6,798,336
							50	50	50	50	50	50	50	50	50	50	50	50	50	50
							\$13,278	\$13,278	\$26,556	\$26,556	\$53,112	\$53,112	\$106,224	\$212,448	\$424,896	\$849,792	\$1,699,584	\$3,399,168	\$6,798,336	
12	Prepaid Parts/Supplies/Utilities under contract etc.	2008		8	2	RS/RO		2	1	0	7	6	5	4	3	2	1	0	3	6
							398,527	\$118,114	\$118,114	\$236,228	\$236,228	\$472,456	\$472,456	\$944,912	\$1,889,824	\$3,779,648	\$7,559,296	\$15,118,592	\$30,237,184	\$60,474,368
							50	50	50	50	50	50	50	50	50	50	50	50	50	50
							\$118,114	\$118,114	\$236,228	\$236,228	\$472,456	\$472,456	\$944,912	\$1,889,824	\$3,779,648	\$7,559,296	\$15,118,592	\$30,237,184	\$60,474,368	

LINE NO.	DESCRIPTION	BALANCE		COST		EST		REB		LIFE		LIFE		LIFE		LIFE		LIFE		
		ACT	PREP	PREP	COST	EST	REB	LIFE	LIFE	LIFE	LIFE	LIFE	LIFE	LIFE	LIFE	LIFE	LIFE	LIFE	LIFE	
0		10/12/11	10/12/11	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
0	TOTAL ADEQUATE REPLACEMENT RESERVE (HRS 5144-82.0)	\$328,022	\$380,020	\$353,056	\$314,845	\$371,011	\$474,750	\$442,000	\$203,129	\$268,379	\$450,844	\$102,618	\$102,618	\$102,618	\$102,618	\$102,618	\$102,618	\$102,618	\$102,618	\$102,618
0	MINIMUM STATUTORY REPLACEMENT RESERVE (PERS 5144-83.0)	\$179,461	\$166,215	\$151,658	\$157,429	\$166,256	\$235,375	\$221,046	\$52,865	\$59,872	\$104,308	\$21,308	\$21,308	\$21,308	\$21,308	\$21,308	\$21,308	\$21,308	\$21,308	\$21,308
0	TOTAL ANNUAL CAPITAL EXPENDITURES	\$0	\$11,650	\$170,319	\$0	\$0	\$0	\$102,145	\$0	\$0	\$175,069	\$0	\$175,069	\$0	\$175,069	\$0	\$175,069	\$0	\$175,069	\$0
0	TOTAL ANNUAL 100% SINKING FUND REPLACEMENT RESERVE	\$48,560	\$170,082	\$100,707	\$61,407	\$88,528	\$98,538	\$84,865	\$84,865	\$84,865	\$84,865	\$84,865	\$84,865	\$84,865	\$84,865	\$84,865	\$84,865	\$84,865	\$84,865	\$84,865
0	TOTAL 100% SINKING FUND REPLACEMENT RESERVE BALANCE	\$163,901	\$336,897	\$253,365	\$218,836	\$254,483	\$379,435	\$357,134	\$148,264	\$224,737	\$246,536	\$80,303	\$80,303	\$80,303	\$80,303	\$80,303	\$80,303	\$80,303	\$80,303	\$80,303
0	PERCENT(S) HRS & UA RE-FUNDED = (min * 100%)	4.3%	0.7%	7.7%	8.4%	9.0%	8.6%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
*** ANNUAL AFTER TAX INTEREST EARNED		\$56	\$93	\$1,007	\$46	\$1,116	\$1,471	\$1,660	\$1,551	\$1,827	\$1,914	\$2,184	\$2,380	\$2,748	\$2,748	\$2,748	\$2,748	\$2,748	\$2,748	\$2,748

Touchstone Properties, Ltd. OLD TABLE 2-4 ADEQUATE REPLACEMENT RESERVE & 100% SINKING FUND Punahou Terrace

	0	1	2	3	4	5	6	7	8	9	10
END OF YEAR<>>>>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CALENDAR YEAR<>>>>											
A) REQUIRE FUNDING	\$ 45,922	\$ 400,130	\$ 200,950	\$ 314,845	\$ 371,011	\$ 474,750	\$ 378,150	\$ 410,060	\$ 505,729	\$ 599,379	\$ 458,944
B) PERCENT FUNDED MINIMUM	\$ 179,481	\$ 165,215	\$ 131,948	\$ 157,473	\$ 185,505	\$ 237,375	\$ 189,215	\$ 221,040	\$ 252,896	\$ 284,869	\$ 229,972
C) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ 0	\$ (11,658)	\$ (170,318)	\$ 0	\$ 0	\$ 0	\$ (152,145)	\$ 0	\$ 0	\$ 0	\$ (176,069)
D) ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500
E) REPLACEMENT RESERVE BALANCE - (w/o Assessments)	\$ 169,321	\$ 227,805	\$ 107,938	\$ 157,868	\$ 206,048	\$ 258,416	\$ 186,851	\$ 207,565	\$ 237,370	\$ 307,844	\$ 382,831
F) SPECIAL ASSESSMENT REQD. - (Unfunded Statutory Reserve)	\$ 0	\$ 0	\$ 24,030	\$ 0	\$ 0	\$ 0	\$ 7,620	\$ 0	\$ 0	\$ 0	\$ 14,432
G) REPLACEMENT RESERVE BALANCE - (w/ Assessments)	\$ 169,321	\$ 227,805	\$ 131,948	\$ 162,019	\$ 232,279	\$ 282,749	\$ 189,215	\$ 258,305	\$ 280,006	\$ 340,716	\$ 229,972
H) % ADEQUATE FUNDING - (w/ Assessments)	61%	54%	68%	68%	61%	68%	64%	64%	67%	64%	64%
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 790	\$ 951	\$ 921	\$ 861	\$ 700	\$ 970	\$ 1,180	\$ 700	\$ 1,000	\$ 1,211	\$ 1,522

	11	12	13	14	15	16	17	18	19	20
END OF YEAR<>>>>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CALENDAR YEAR<>>>>										
I) REQUIRE FUNDING	\$ 518,188	\$ 501,072	\$ 641,707	\$ 620,863	\$ 702,818	\$ 650,682	\$ 759,723	\$ 617,600	\$ 789,749	\$ 740,053
J) PERCENT FUNDED MINIMUM	\$ 257,594	\$ 282,536	\$ 320,853	\$ 310,345	\$ 351,209	\$ 334,931	\$ 379,861	\$ 308,900	\$ 359,875	\$ 348,031
K) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ (16,991)	\$ (25,338)	\$ 0	\$ (97,368)	\$ 0	\$ (115,025)	\$ 0	\$ (253,887)	\$ 0	\$ (25,964)
L) ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500	\$ 49,500
M) REPLACEMENT RESERVE BALANCE - (w/o Assessments)	\$ 213,980	\$ 239,047	\$ 289,545	\$ 242,286	\$ 292,796	\$ 228,194	\$ 278,948	\$ 95,925	\$ 146,328	\$ 109,950
N) SPECIAL ASSESSMENT REQD. - (Unfunded Statutory Reserve)	\$ 0	\$ 0	\$ 0	\$ 19,922	\$ 0	\$ 37,610	\$ 0	\$ 105,087	\$ 115	\$ 13,139
O) REPLACEMENT RESERVE BALANCE - (w/ Assessments)	\$ 261,532	\$ 282,764	\$ 337,481	\$ 310,243	\$ 361,138	\$ 334,931	\$ 385,329	\$ 308,900	\$ 359,875	\$ 348,031
P) % ADEQUATE FUNDING - (w/ Assessments)	61%	61%	63%	50%	61%	64%	61%	64%	64%	64%
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 800	\$ 1,022	\$ 1,187	\$ 1,429	\$ 1,269	\$ 1,508	\$ 1,388	\$ 1,511	\$ 1,260	\$ 1,522



TOUCHSTONE PROPERTIES, LTD. TABLE 2-1: FUNDING OPTION 1 Punahou Terrace

END OF YEAR<<<<<>>	1	2	3	4	5	6	7	8	9	10
CALENDAR YEAR<<<<<>>>>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
a) ADEQUATE REPLACEMENT RESERVE	\$ 365,922	\$ 385,430	\$ 413,845	\$ 447,707	\$ 487,218	\$ 531,309	\$ 580,862	\$ 636,723	\$ 698,973	\$ 768,643
b) PERCENT FUNDED MINIMUM REPLACEMENT RESERVE	\$ 178,481	\$ 185,215	\$ 191,808	\$ 197,173	\$ 202,339	\$ 207,315	\$ 212,090	\$ 216,675	\$ 221,068	\$ 225,272
c) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ 0	\$ (11,806)	\$ (170,319)	\$ 0	\$ 0	\$ (192,145)	\$ 0	\$ (223,657)	\$ 0	\$ (176,099)
d) ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 49,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500
e) REPLACEMENT RESERVE BALANCE - [w/o Assessments]	\$ 189,321	\$ 293,605	\$ 239,812	\$ 338,114	\$ 472,800	\$ 590,175	\$ 731,620	\$ 872,113	\$ 1,006,620	\$ 1,125,119
f) SPECIAL ASSESSMENT REQD- [Unfunded Statutory Reserve]	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
g) REPLACEMENT RESERVE BALANCE - [w/ Assessments]	\$ 189,321	\$ 293,605	\$ 239,812	\$ 338,114	\$ 472,800	\$ 590,175	\$ 731,620	\$ 872,113	\$ 1,006,620	\$ 1,125,119
h) % ADEQUATE FUNDED - [w/ Assessments] - (g/f x 100%)	83%	76%	57%	77%	97%	102%	102%	102%	102%	102%
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 790	\$ 1,228	\$ 1,601	\$ 1,974	\$ 2,347	\$ 2,720	\$ 3,093	\$ 3,466	\$ 3,839	\$ 4,212
END OF YEAR<<<<<>>>>	11	12	13	14	15	16	17	18	19	20
CALENDAR YEAR<<<<<>>>>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
a) ADEQUATE REPLACEMENT RESERVE	\$ 515,185	\$ 565,072	\$ 614,707	\$ 662,865	\$ 709,488	\$ 754,522	\$ 798,021	\$ 840,041	\$ 880,648	\$ 919,897
b) PERCENT FUNDED MINIMUM REPLACEMENT RESERVE	\$ 237,664	\$ 262,456	\$ 280,645	\$ 299,088	\$ 317,839	\$ 336,953	\$ 356,487	\$ 376,506	\$ 397,067	\$ 418,138
c) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ (18,601)	\$ (25,339)	\$ 0	\$ (97,999)	\$ 0	\$ (115,025)	\$ 0	\$ (223,657)	\$ 0	\$ (25,984)
d) ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500	\$ 115,500
e) REPLACEMENT RESERVE BALANCE - [w/o Assessments]	\$ 653,093	\$ 1,047,633	\$ 1,160,704	\$ 1,486,305	\$ 1,508,170	\$ 1,531,670	\$ 1,556,760	\$ 1,583,500	\$ 1,611,940	\$ 1,642,120
f) SPECIAL ASSESSMENT REQD- [Unfunded Statutory Reserve]	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
g) REPLACEMENT RESERVE BALANCE - [w/ Assessments]	\$ 653,093	\$ 1,047,633	\$ 1,160,704	\$ 1,486,305	\$ 1,508,170	\$ 1,531,670	\$ 1,556,760	\$ 1,583,500	\$ 1,611,940	\$ 1,642,120
h) % ADEQUATE FUNDED - [w/ Assessments]	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 3,622	\$ 3,979	\$ 4,371	\$ 4,801	\$ 5,270	\$ 5,780	\$ 6,329	\$ 6,916	\$ 7,541	\$ 8,204

OPTION 2 : VARIABLE ANNUAL

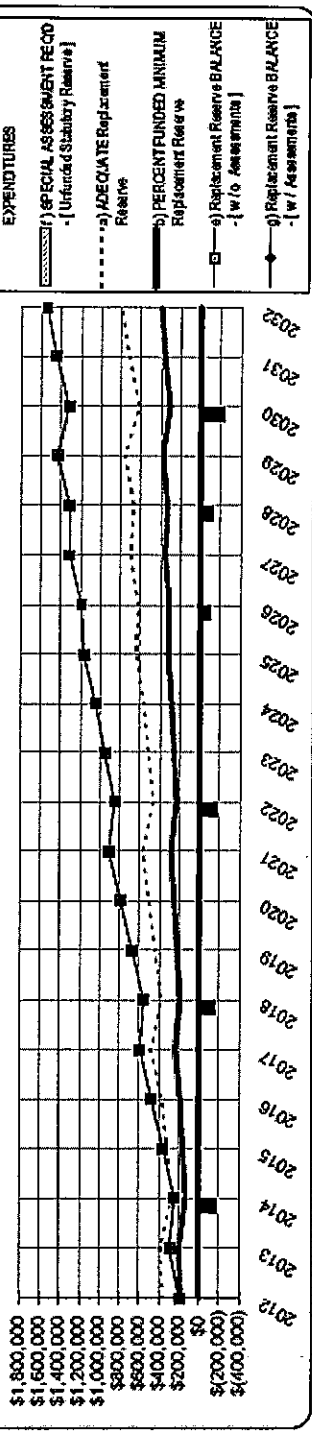


TABLE 2 - 2: FUNDING OPTION 2

TOUCHSTONE PROPERTIES, LTD.

Punahou Terrace



	1	2	3	4	5	6	7	8	9	10
END OF YEAR >>>>>>										
CALENDAR YEAR >>>>>>										
A) ADEQUATE REPLACEMENT RESERVE	\$ 358,822	\$ 264,404	\$ 261,815	\$ 261,616	\$ 267,287	\$ 281,818	\$ 289,819	\$ 293,820	\$ 297,821	\$ 298,822
B) PERCENT FUNDED MINIMUM REPLACEMENT RESERVE	\$ 178,461	\$ 131,505	\$ 127,473	\$ 126,505	\$ 127,375	\$ 130,215	\$ 133,055	\$ 135,895	\$ 138,735	\$ 139,872
C) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ 0	\$ (17,509)	\$ (170,319)	\$ 0	\$ 0	\$ (152,115)	\$ 0	\$ 0	\$ 0	\$ (178,099)
D) ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 49,500	\$ 120,042	\$ 108,787	\$ 65,838	\$ 68,538	\$ 68,838	\$ 64,835	\$ 64,835	\$ 64,835	\$ 64,835
E) REPLACEMENT RESERVE BALANCE - (w/o Assessments)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
F) SPECIAL ASSESSMENT RECD - (Unfunded Statutory Reserve)	\$ 89,321	\$ 208,348	\$ 235,032	\$ 301,637	\$ 371,434	\$ 441,543	\$ 516,760	\$ 592,832	\$ 668,904	\$ 744,976
G) REPLACEMENT RESERVE BALANCE - (w Assessments)	\$ 89,321	\$ 286,348	\$ 259,032	\$ 301,637	\$ 371,434	\$ 441,543	\$ 516,760	\$ 592,832	\$ 668,904	\$ 744,976
H) % ADEQUATE FUNDED - (w Assessments - (g) / a X 100%)	84%	78%	74%	74%	75%	75%	75%	77%	77%	78%
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 700	\$ 1,308	\$ 908	\$ 1,039	\$ 1,181	\$ 1,343	\$ 1,502	\$ 1,678	\$ 1,869	\$ 2,067
END OF YEAR >>>>>>										
CALENDAR YEAR >>>>>>										
A) ADEQUATE REPLACEMENT RESERVE	\$ 815,188	\$ 655,072	\$ 641,707	\$ 620,665	\$ 702,618	\$ 699,852	\$ 789,723	\$ 817,900	\$ 719,749	\$ 768,063
B) PERCENT FUNDED MINIMUM REPLACEMENT RESERVE	\$ 257,664	\$ 232,538	\$ 202,653	\$ 193,543	\$ 351,369	\$ 334,281	\$ 379,561	\$ 346,360	\$ 339,875	\$ 398,031
C) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ (18,901)	\$ (23,358)	\$ 0	\$ (87,569)	\$ 0	\$ (115,035)	\$ 0	\$ (233,057)	\$ 0	\$ (25,983)
D) ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 71,979	\$ 72,783	\$ 73,787	\$ 73,787	\$ 77,428	\$ 77,428	\$ 84,241	\$ 85,484	\$ 85,508	\$ 83,308
E) REPLACEMENT RESERVE BALANCE - (w/o Assessments)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
F) SPECIAL ASSESSMENT RECD - (Unfunded Statutory Reserve)	\$ 505,859	\$ 555,355	\$ 631,490	\$ 609,844	\$ 698,910	\$ 655,977	\$ 742,173	\$ 598,079	\$ 690,483	\$ 769,314
G) REPLACEMENT RESERVE BALANCE - (w Assessments)	\$ 505,859	\$ 555,355	\$ 631,490	\$ 609,844	\$ 698,910	\$ 655,977	\$ 742,173	\$ 598,079	\$ 690,483	\$ 769,314
H) % ADEQUATE FUNDED - (w Assessments - (g) / a X 100%)	86%	84%	84%	84%	86%	86%	89%	87%	91%	97%
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 1,882	\$ 2,112	\$ 2,319	\$ 2,838	\$ 2,647	\$ 2,810	\$ 2,735	\$ 3,009	\$ 2,487	\$ 2,508

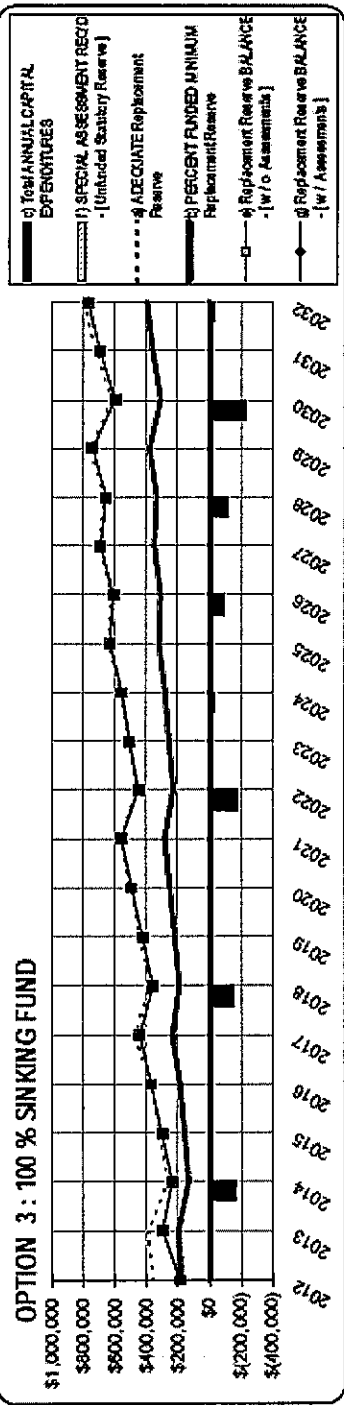


TABLE 2 - 3: FUNDING OPTION 3

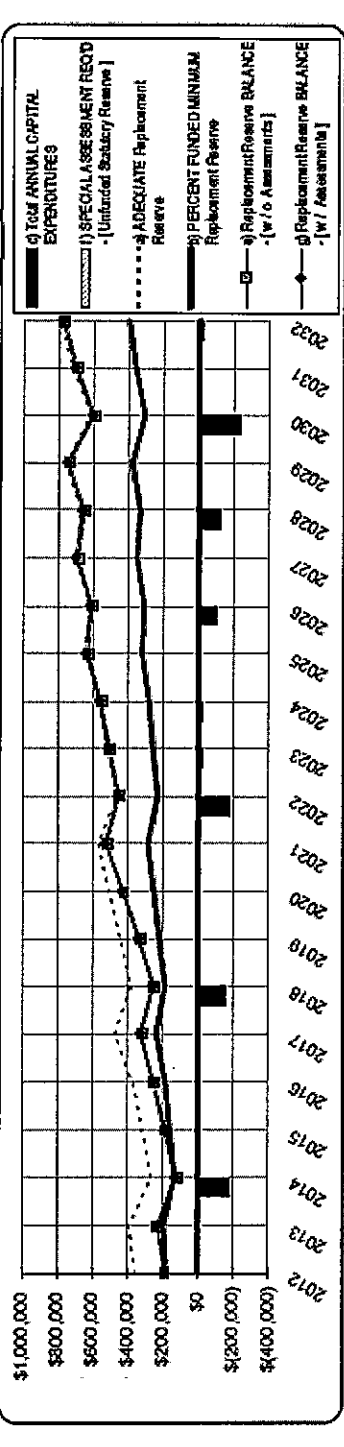
Touchstone Properties, Ltd.

Punahou Terrace

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END OF YEAR<>>><><	1	2	3	4	5	6	7	8	9	10
CALENDAR YEAR<>>><><	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
g) ADEQUATE REPLACEMENT RESERVE	\$ 368,922	\$ 390,430	\$ 263,938	\$ 314,945	\$ 371,011	\$ 474,730	\$ 378,430	\$ 462,080	\$ 508,720	\$ 469,370
h) PERCENT FUNDED MINIMUM REPLACEMENT RESERVE	\$ 179,461	\$ 195,215	\$ 131,968	\$ 157,473	\$ 185,505	\$ 237,375	\$ 189,215	\$ 221,040	\$ 252,165	\$ 238,972
i) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ 0	\$ (11,860)	\$ (170,319)	\$ 0	\$ 0	\$ (152,145)	\$ 0	\$ 0	\$ 0	\$ (170,090)
ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 49,500	\$ 53,254	\$ 57,292	\$ 61,637	\$ 71,340	\$ 78,750	\$ 82,571	\$ 86,832	\$ 85,569	\$ 102,516
j) REPLACEMENT RESERVE BALANCE - [w/o Assessments]	\$ 89,921	\$ 231,559	\$ 119,500	\$ 181,835	\$ 248,705	\$ 321,084	\$ 247,000	\$ 300,832	\$ 420,845	\$ 618,171
k) SPECIAL ASSESSMENT REQD. - [Unfunded Statutory Reserve]	\$ 0	\$ 0	\$ 12,468	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
l) REPLACEMENT RESERVE BALANCE - [w/ Assessments]	\$ 89,921	\$ 231,559	\$ 131,968	\$ 184,159	\$ 258,708	\$ 333,708	\$ 258,708	\$ 303,903	\$ 426,405	\$ 618,171
m) % ADEQUATE FUNDED - [w/ Assessments - (g/i * 100%)]	85%	89%	82%	76%	76%	69%	78%	84%	85%	100%
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 780	\$ 987	\$ 561	\$ 811	\$ 1,088	\$ 1,303	\$ 1,084	\$ 1,434	\$ 1,810	\$ 2,217
END OF YEAR<>>><><	11	12	13	14	15	16	17	18	19	20
CALENDAR YEAR<>>><><	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
n) ADEQUATE REPLACEMENT RESERVE	\$ 618,108	\$ 681,072	\$ 644,707	\$ 620,005	\$ 702,618	\$ 688,002	\$ 719,720	\$ 612,910	\$ 719,740	\$ 719,080
o) PERCENT FUNDED MINIMUM REPLACEMENT RESERVE	\$ 287,594	\$ 282,538	\$ 303,883	\$ 310,943	\$ 351,938	\$ 334,031	\$ 378,661	\$ 309,891	\$ 369,875	\$ 398,001
p) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ (18,800)	\$ (25,237)	\$ 0	\$ (87,067)	\$ 0	\$ (15,027)	\$ 0	\$ (23,307)	\$ 0	\$ (23,939)
q) ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 71,918	\$ 72,750	\$ 73,780	\$ 74,760	\$ 77,626	\$ 77,435	\$ 84,241	\$ 86,484	\$ 86,910	\$ 85,900
r) REPLACEMENT RESERVE BALANCE - [w/o Assessments]	\$ 501,910	\$ 554,008	\$ 627,588	\$ 696,033	\$ 665,893	\$ 651,254	\$ 738,213	\$ 594,102	\$ 682,460	\$ 745,394
s) SPECIAL ASSESSMENT REQD. - [Unfunded Statutory Reserve]	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
t) REPLACEMENT RESERVE BALANCE - [w/ Assessments]	\$ 519,402	\$ 564,486	\$ 641,680	\$ 619,141	\$ 664,471	\$ 654,471	\$ 751,495	\$ 607,433	\$ 702,674	\$ 779,744
u) % ADEQUATE FUNDED - [w/ Assessments - (g/i * 100%)]	100%	100%	100%	100%	100%	94%	99%	94%	94%	99%
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 1,930	\$ 2,550	\$ 2,357	\$ 2,575	\$ 2,685	\$ 2,910	\$ 2,774	\$ 3,137	\$ 2,618	\$ 2,417

OPTION 4: GRADIENT SERIES TO 100% "ADEQUATE RESERVE" OVER 10 YRS AT **7.58%** PER YEAR



TOUCHSTONE PROPERTIES, LTD. TABLE 2 - 4: FUNDING OPTION 4 Punahou Terrace

	0	1	2	3	4	5	6	7	8	9	10
<b>END OF YEAR-----&gt;&gt;&gt;&gt;</b>											
<b>CALENDAR YEAR-----&gt;&gt;&gt;&gt;</b>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
a) ADEQUATE REPLACEMENT RESERVE	\$ 252,922	\$ 390,430	\$ 263,956	\$ 314,945	\$ 371,011	\$ 474,760	\$ 378,430	\$ 442,060	\$ 605,729	\$ 569,379	\$ 459,944
b) PERCENT FUNDED MINIMUM REPLACEMENT RESERVE	\$ 179,461	\$ 183,216	\$ 131,968	\$ 157,473	\$ 185,308	\$ 237,375	\$ 189,216	\$ 221,040	\$ 282,865	\$ 284,669	\$ 229,972
c) Total ANNUAL CAPITAL EXPENDITURES	\$ 0	\$ (11,806)	\$ (170,319)	\$ 0	\$ 0	\$ 0	\$ (152,145)	\$ 0	\$ 0	\$ 0	\$ (178,099)
d) ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 49,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500
e) REPLACEMENT RESERVE BALANCE - [w/ Assessments]	\$ 169,961	\$ 222,695	\$ 97,617	\$ 142,828	\$ 187,802	\$ 203,207	\$ 128,536	\$ 171,564	\$ 248,760	\$ 262,165	\$ 131,681
f) SPECIAL ASSESSMENT REQ'D - [Unfunded Salary Reserve]	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
g) REPLACEMENT RESERVE BALANCE - [w/ Assessments]	\$ 169,961	\$ 222,695	\$ 97,617	\$ 142,828	\$ 187,802	\$ 203,207	\$ 128,536	\$ 171,564	\$ 248,760	\$ 262,165	\$ 131,681
h) % ADEQUATE FUNDED - [Inc Assessments - (g/a X 100%)]	55%	67%	37%	46%	61%	49%	33%	39%	43%	48%	28%
<b>*** ANNUAL AFTER TAX INTEREST EARNED</b>	\$ 760	\$ 920	\$ 409	\$ 528	\$ 528	\$ 765	\$ 971	\$ 528	\$ 716	\$ 805	\$ 1,095
<b>END OF YEAR-----&gt;&gt;&gt;&gt;</b>											
<b>CALENDAR YEAR-----&gt;&gt;&gt;&gt;</b>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
a) ADEQUATE REPLACEMENT RESERVE	\$ 515,168	\$ 565,072	\$ 641,707	\$ 620,565	\$ 702,618	\$ 702,618	\$ 649,682	\$ 750,723	\$ 617,900	\$ 719,748	\$ 746,063
b) PERCENT FUNDED MINIMUM REPLACEMENT RESERVE	\$ 257,584	\$ 282,536	\$ 320,853	\$ 310,283	\$ 351,309	\$ 351,309	\$ 319,841	\$ 375,361	\$ 308,950	\$ 359,875	\$ 396,031
c) Total ANNUAL CAPITAL EXPENDITURES	\$ (8,501)	\$ (25,339)	\$ 0	\$ (97,869)	\$ 0	\$ (115,025)	\$ 0	\$ (233,587)	\$ 0	\$ (23,567)	\$ (23,567)
d) ANNUAL REPLACEMENT RESERVE CONTRIBUTION	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500
e) REPLACEMENT RESERVE BALANCE - [w/ Assessments]	\$ 157,650	\$ 177,650	\$ 222,892	\$ 170,383	\$ 215,564	\$ 145,939	\$ 191,048	\$ 2,659	\$ 47,170	\$ 47,170	\$ 65,583
f) SPECIAL ASSESSMENT REQ'D - [Unfunded Salary Reserve]	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
g) REPLACEMENT RESERVE BALANCE - [w/ Assessments]	\$ 157,650	\$ 177,650	\$ 222,892	\$ 170,383	\$ 215,564	\$ 145,939	\$ 191,048	\$ 2,659	\$ 47,170	\$ 47,170	\$ 65,583
h) % ADEQUATE FUNDED - [Inc Assessments - (g/a X 100%)]	31%	31%	34%	27%	31%	23%	28%	6%	7%	7%	6%
<b>*** ANNUAL AFTER TAX INTEREST EARNED</b>	\$ 559	\$ 659	\$ 742	\$ 811	\$ 811	\$ 711	\$ 900	\$ 609	\$ 798	\$ 111	\$ 197

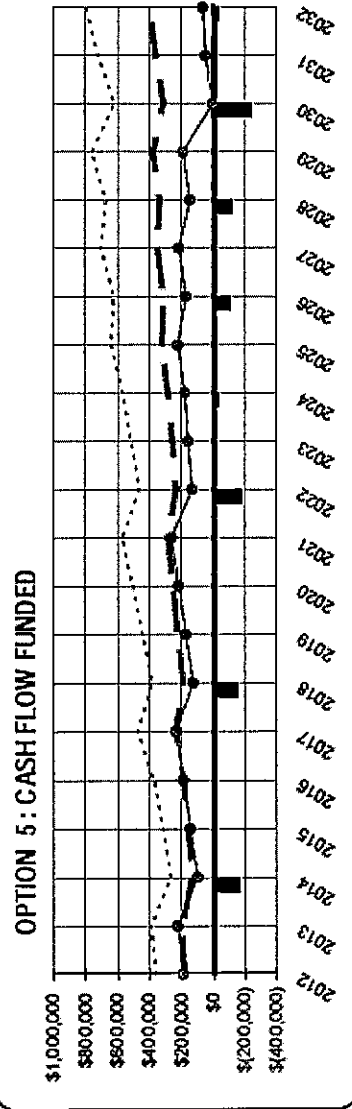


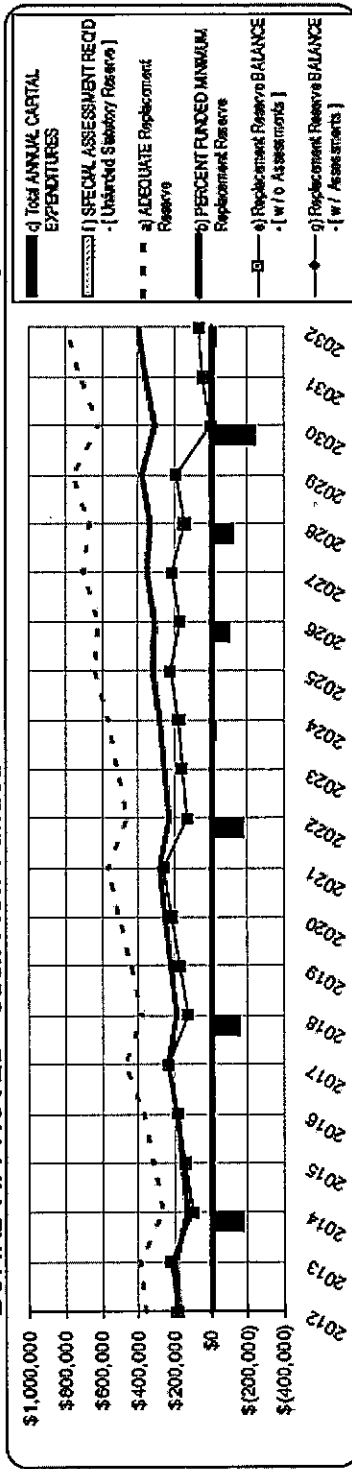
TABLE 2 - 5: FUNDING OPTION 5

TOUCHSTONE PROPERTIES, LTD.

Punahou Terrace

	0	1	2	3	4	5	6	7	8	9	10
END OF YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CALENDAR YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
A) ADEQUATE Replacement Reserve	\$ 569,922	\$ 569,922	\$ 569,922	\$ 569,922	\$ 569,922	\$ 569,922	\$ 569,922	\$ 569,922	\$ 569,922	\$ 569,922	\$ 569,922
B) PERCENT FUNDED MINIMUM Replacement Reserve	\$ 179,461	\$ 185,215	\$ 191,969	\$ 198,723	\$ 205,477	\$ 212,231	\$ 218,985	\$ 225,739	\$ 232,493	\$ 239,247	\$ 246,001
C) Total ANNUAL CAPITAL EXPENDITURES	\$ 0	\$ (11,506)	\$ (70,319)	\$ 0	\$ 0	\$ 0	\$ (152,145)	\$ 0	\$ 0	\$ 0	\$ (175,089)
D) ANNUAL Replacement Reserve CONTRIBUTION	\$ 49,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500
E) Replacement Reserve BALANCE - (w/o Assessments)	\$ 169,331	\$ 222,805	\$ 276,279	\$ 329,753	\$ 383,227	\$ 436,701	\$ 490,175	\$ 543,649	\$ 597,123	\$ 650,597	\$ 704,071
F) SPECIAL ASSESSMENT REQ'D - (Unlimited Strategy Reserve)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
G) Replacement Reserve BALANCE - (w/ Assessments)	\$ 169,331	\$ 222,805	\$ 276,279	\$ 329,753	\$ 383,227	\$ 436,701	\$ 490,175	\$ 543,649	\$ 597,123	\$ 650,597	\$ 704,071
H) ADEQUATE FUNDED - (w/o Assessments) (G/A X 100%)	53%	57%	37%	49%	51%	49%	33%	38%	43%	46%	29%
*** ANNUAL AFTER TAX INTEREST EARNED											
	\$ 750	\$ 900	\$ 499	\$ 499	\$ 566	\$ 765	\$ 974	\$ 522	\$ 776	\$ 905	\$ 1,095
END OF YEAR											
CALENDAR YEAR	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
A) ADEQUATE Replacement Reserve	\$ 515,188	\$ 595,072	\$ 641,707	\$ 620,695	\$ 702,618	\$ 699,852	\$ 759,723	\$ 617,900	\$ 719,749	\$ 790,663	\$ 790,663
B) PERCENT FUNDED MINIMUM Replacement Reserve	\$ 257,594	\$ 282,536	\$ 320,853	\$ 310,343	\$ 351,309	\$ 334,931	\$ 379,861	\$ 309,950	\$ 359,875	\$ 399,031	\$ 399,031
C) Total ANNUAL CAPITAL EXPENDITURES	\$ (18,601)	\$ (25,339)	\$ 0	\$ (97,869)	\$ 0	\$ (115,029)	\$ 0	\$ (223,657)	\$ 0	\$ (25,884)	\$ (25,884)
D) ANNUAL Replacement Reserve CONTRIBUTION	\$ 44,200	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500
E) Replacement Reserve BALANCE - (w/o Assessments)	\$ 167,530	\$ 177,830	\$ 177,830	\$ 222,892	\$ 216,564	\$ 145,939	\$ 191,048	\$ 2,659	\$ 47,170	\$ 47,170	\$ 65,863
F) SPECIAL ASSESSMENT REQ'D - (Unfunded Statutory Reserve)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
G) Replacement Reserve BALANCE - (w/ Assessments)	\$ 167,530	\$ 177,830	\$ 177,830	\$ 222,892	\$ 216,564	\$ 145,939	\$ 191,048	\$ 2,659	\$ 47,170	\$ 47,170	\$ 65,863
H) % ADEQUATE FUNDED - (w/o Assessments) (G/A X 100%)	31%	31%	35%	27%	31%	22%	25%	6%	7%	7%	8%
*** ANNUAL AFTER TAX INTEREST EARNED											
	\$ 500	\$ 650	\$ 142	\$ 142	\$ 931	\$ 711	\$ 900	\$ 609	\$ 798	\$ 11	\$ 197

BOARD APPROVED - Cash Flow Funded



TOUCHSTONE PROPERTIES, LTD. TABLE 2 - 6: BOARD APPROVED FUNDING OPTION

PRESENT YEAR= 2012	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
PLANNED ACCUMULATION PERIOD (YRS)= 10											
FORECAST OPERATING COST INFLATION RATE = 3.00%											
FORECAST OP RESERVE INTEREST RATE = 1.50%											
TARGET % OF OPR BUDGET FOR RESERVE = 25.00%											
END OF YEAR>>>>>>>>>>	0	1	2	3	4	5	6	7	8	9	10
CALENDAR YEAR>>>>>>>>>>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022

100% SINKING FUND :

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
a) 100% SINKING FUND PAYMENTS TO OPERATING RESERVE	\$ 5,328	\$ 18,134	\$ 18,134	\$ 18,134	\$ 18,134	\$ 18,134	\$ 18,134	\$ 18,134	\$ 18,134	\$ 18,134	\$ 18,134
b) OPERATING RESERVE BALANCE	\$ 20,068	\$ 39,623	\$ 59,230	\$ 79,273	\$ 99,697	\$ 120,225	\$ 141,162	\$ 162,414	\$ 183,984	\$ 205,878	\$ 228,100
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 301	\$ 593	\$ 889	\$ 1,189	\$ 1,494	\$ 1,893	\$ 2,117	\$ 2,458	\$ 2,780	\$ 3,098	

GRADIENT ANNUAL INCREASE OF 22.87%

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
c) GRADIENT PAYMENTS TO OPERATING RESERVE	\$ 5,328	\$ 6,546	\$ 8,043	\$ 9,882	\$ 12,142	\$ 14,918	\$ 18,330	\$ 22,522	\$ 27,672	\$ 33,993	\$ 41,774
d) OPERATING RESERVE BALANCE	\$ 20,068	\$ 28,936	\$ 38,383	\$ 48,798	\$ 59,825	\$ 74,424	\$ 93,870	\$ 117,990	\$ 147,238	\$ 183,446	\$ 227,972
*** ANNUAL AFTER TAX INTEREST EARNED	\$ 301	\$ 404	\$ 531	\$ 687	\$ 879	\$ 1,116	\$ 1,408	\$ 1,767	\$ 2,209	\$ 2,762	

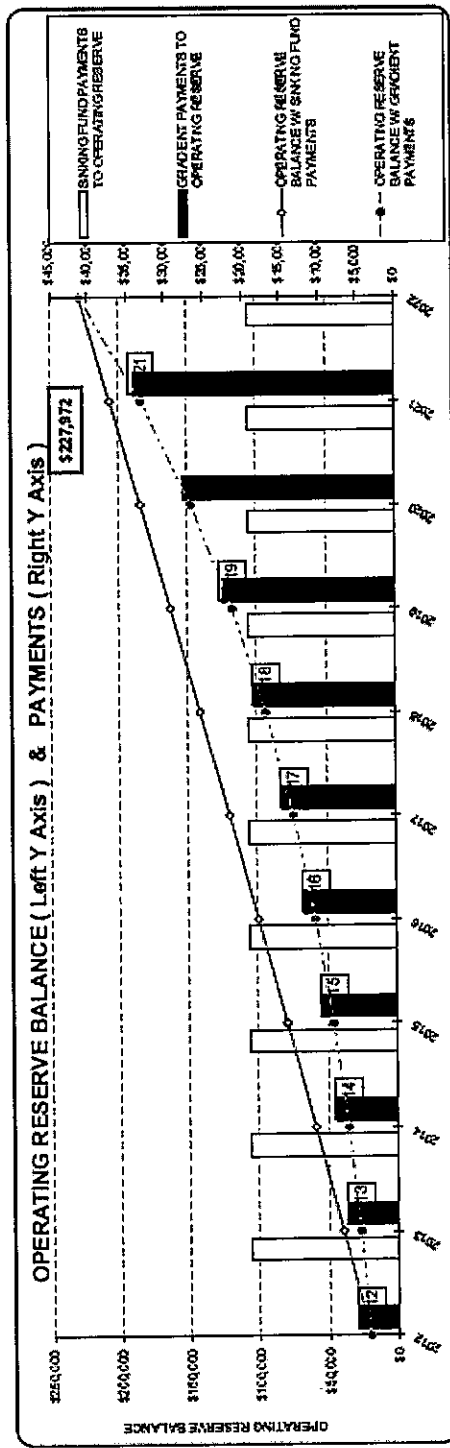


TABLE 3: OPERATING RESERVE

TOUCHSTONE PROPERTIES, LTD.

Punahou Terrace

RESERVE ANALYSIS  
Budget Year  
2013

Punahou Terrace

1. WHAT IS A RESERVE ANALYSIS?

As a building ages, components wear out and must be refurbished or replaced. A Reserve Analysis identifies assets the Association of Apartment Owners (AOAO) is responsible to preserve, estimates asset remaining life and replacement cost, calculates the funds required by Hawaii law, and evaluates how to fund the replacement costs. The intent is to fairly distribute the cost of replacing assets evenly over the to all Owners by regularly saving annual amounts and thereby avoid large special assessments in the year of asset replacement.

2. WHAT DOES HAWAII LAW REQUIRE ?

HRS 514B Condominium Property Regimes - 148 requires that an AOAO collect adequate funds ("Replacement Reserves") to restore or replace those parts of the Association property that it is obligated to maintain. Effective June 16, 1997, the law provides for condominium associations to calculate their replacement reserves by either the straight line "Percent Funded" or the "Cash Flow Funded" method. The main elements of the Hawaii Real Estate Commission rules governing Replacement Reserves are currently defined only for the "percent funded" method as follows:

- a) ADEQUATE REPLACEMENT RESERVE is defined as: ( asset cost at the end of estimated useful life ) X ( age / estimated useful life )
- b) PERCENT FUNDED MINIMUM REPLACEMENT RESERVE is defined as: being equal to a minimum of 50% of its ADEQUATE REPLACEMENT RESERVE.
- c) ASSOCIATION PROPERTY to be included in the Replacement Reserves are common elements that the AOAO is obligated to preserve under its Declarations or By-laws. Except assets with a value less than \$1,000 or with a value less than 0.1% of an AOAO's Annual Operating Budget or an estimated useful life greater than 20 Years.

\*\* "CASH FLOW FUNDED" - This option provides a minimum 20 year projection of estimated annual reserve contributions that does not require a special assessment or loan, except in an emergency, to fund future capital replacement costs.

Element "b)" noted above does not apply when using the Cash Flow method.

3. WHAT ARE THE RESULTS OF THE RESERVE STUDY? ( See attached Tables )

- a) TABLE 1: Presents a forecast of Capital Expenditures, Special Assessments, and Replacement Reserves that will be collected from Owners.
- b) TABLE 2: Presents the assets in chronological order of replacement with Estimated Useful Life, Estimated Costs, and the Replacement Reserves.

**FORECAST REPLACEMENT RESERVE PROJECTIONS:** The AOA has selected the Cash Flow method of reserve funding. The annual replacement reserve funding option selected reflects a -10.10% change from the current year 2012 to 2013. The AOA intends to collect amounts shown on line "f" projected over the next 20 year period. Reserve contributions may change year to year with each budget review. Changes will be based on annual evaluations of the condition of asset components that the AOA is responsible to maintain and the estimated useful life of the components.

END OF YEAR =>	0	1	2	3	4	5	6	7	8	9	10
CALENDAR YEAR ==>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
a) ADEQUATE Replacement Reserve	\$ 353,922	\$ 391,450	\$ 263,956	\$ 314,915	\$ 371,011	\$ 474,750	\$ 378,450	\$ 442,000	\$ 505,729	\$ 563,379	\$ 499,944
b) PERCENT FUNDED MINIMUM Replacement Reserve	\$ 179,461	\$ 196,215	\$ 131,968	\$ 157,473	\$ 185,506	\$ 237,375	\$ 189,215	\$ 221,040	\$ 252,865	\$ 284,689	\$ 229,972
c) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ 0	\$ (11,806)	\$ (170,319)	\$ 0	\$ 0	\$ 0	\$ (152,145)	\$ 0	\$ 0	\$ 0	\$ (176,089)
d) BOARD APPROVED REPLACEMENT RESERVES	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500
e) PROJECTED SPECIAL ASSESSMENTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
f) PROJECTED Replacement Reserves + Special Assessments	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500
g) AFTER-TAX INTEREST EARNED @ RATE = 0.42%	\$ 0	\$ 790	\$ 930	\$ 409	\$ 598	\$ 785	\$ 974	\$ 528	\$ 716	\$ 905	\$ 1,095
h) FORECAST REPLACEMENT RESERVE BALANCE	\$ 180,321	\$ 222,805	\$ 97,917	\$ 142,826	\$ 187,922	\$ 233,207	\$ 128,535	\$ 171,564	\$ 216,780	\$ 262,185	\$ 131,681
i) FORECAST % FUNDED	53%	57%	37%	45%	51%	49%	33%	29%	43%	46%	29%

END OF YEAR =>	11	12	13	14	15	16	17	18	19	20
CALENDAR YEAR ==>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
a) ADEQUATE Replacement Reserve	\$ 515,188	\$ 565,072	\$ 641,707	\$ 628,885	\$ 702,618	\$ 669,882	\$ 759,723	\$ 617,908	\$ 719,749	\$ 796,063
b) PERCENT FUNDED MINIMUM Replacement Reserve	\$ 257,594	\$ 282,535	\$ 320,853	\$ 318,343	\$ 351,308	\$ 334,931	\$ 378,861	\$ 308,950	\$ 359,875	\$ 398,031
c) TOTAL ANNUAL CAPITAL EXPENDITURES	\$ (18,901)	\$ (25,339)	\$ 0	\$ (97,869)	\$ 0	\$ (115,025)	\$ 0	\$ (233,667)	\$ 0	\$ (26,984)
d) BOARD APPROVED REPLACEMENT RESERVES	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500
e) PROJECTED SPECIAL ASSESSMENTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
f) PROJECTED Replacement Reserves + Special Assessments	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500	\$ 44,500
g) AFTER-TAX INTEREST EARNED @ RATE = 0.42%	\$ 650	\$ 659	\$ 742	\$ 591	\$ 711	\$ 900	\$ 609	\$ 790	\$ 11	\$ 197
h) FORECAST REPLACEMENT RESERVE BALANCE	\$ 157,430	\$ 177,650	\$ 222,892	\$ 176,263	\$ 215,564	\$ 145,939	\$ 191,048	\$ 2,659	\$ 47,170	\$ 65,883
i) FORECAST % FUNDED	31%	31%	35%	27%	30%	22%	25%	0%	7%	8%

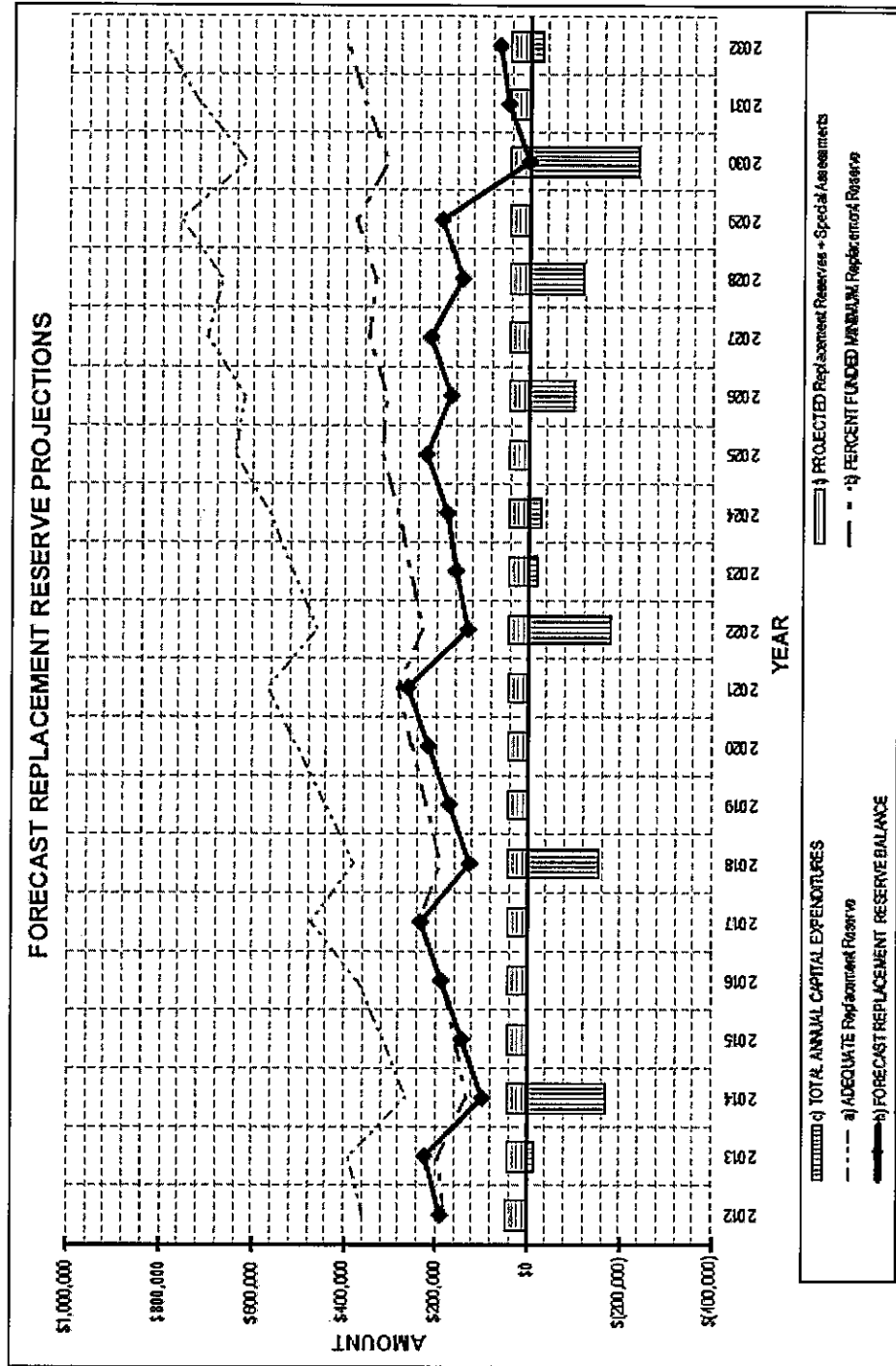




TABLE 2 - REPLACEMENT RESERVE ANALYSIS FOR THE YEAR 2013

ITEM No.	ASSETS DESCRIPTION	LIFECYCLE				ESTIMATED COSTS			PERCENT FUNDED RESERVE REQUIREMENTS (per Life Cash Flow Method)				REPLACEMENT RESERVE FUNDING	
		ACTUAL START YEAR	IPIS START YEAR	EST. USEFUL LIFE	FIRST YEAR REEL	YEAR OF COST ESTIMATE	ESTIMATED REPLACE COST	15% YR. FUTURE COST	2012 ACTUAL RESERVE BAL.	2012 ACTUAL RESERVE BAL.	MINIMUM RESERVE	ADEQUATE RESERVE	2012 BOARD APPROVED CONTRIBUTIONS	2013
1	Roofing - BUILDING A	2009	2009	40	2049	2008	\$ 11,000	\$ 46,897	\$ 3,253	\$ 0	\$ 0	\$ 1,080	\$ 1,080	
2	Roofing - BUILDING B	2005	2005	30	2035	2005	\$ 50,000	\$ 144,465	\$ 32,112	\$ 0	\$ 0	\$ 4,530	\$ 4,530	
3	Roofing - BUILDING C	2003	2003	30	2033	2003	\$ 50,000	\$ 144,465	\$ 41,460	\$ 21,670	\$ 43,340	\$ 4,530	\$ 4,530	
4	Roofing - BUILDING D	1998	1998	30	2028	1990	\$ 30,000	\$ 115,025	\$ 51,892	\$ 26,839	\$ 53,678	\$ 3,607	\$ 3,607	
5	Floor - Replacement of Tiles	1990	1993	24	2014	2009	\$ 20,000	\$ 23,869	\$ 21,504	\$ 10,798	\$ 21,595	\$ 1,080	\$ 1,080	
6	Iron Walkway Exterior Railing	1998	1998	20	2018	1998	\$ 75,000	\$ 152,145	\$ 39,100	\$ 53,251	\$ 106,501	\$ 34,663	\$ 29,663	
7	Parking Lot, Sealing and Waterproofing Lower	2010	2010	16	2026	2009	\$ 15,000	\$ 27,366	\$ 0	\$ 1,710	\$ 3,421	\$ 0	\$ 0	
8	Parking Lot, Sealing and Waterproofing Upper	2010	2010	16	2026	2009	\$ 38,700	\$ 70,604	\$ 0	\$ 4,413	\$ 8,825	\$ 0	\$ 0	
9	Columns - C BUILDING 2 STORY	2011	2011	13	2024	2011	\$ 5,000	\$ 7,919	\$ 0	\$ 305	\$ 609	\$ 0	\$ 0	
10	Floor Wear Floors (2)	2002	2002	11	2013	2011	\$ 11,000	\$ 11,806	\$ 0	\$ 5,365	\$ 10,733	\$ 0	\$ 0	
11	Wind Building Repairs	2005	2005	9	2014	2005	\$ 10,000	\$ 13,748	\$ 0	\$ 5,346	\$ 10,693	\$ 0	\$ 0	
12	Project Painting/Sealing includes water repellents	2006	2006	8	2014	2006	\$ 100,000	\$ 132,702	\$ 0	\$ 49,763	\$ 99,527	\$ 0	\$ 0	
TOTAL ANNUAL RESERVES ==>									\$ 189,321	\$ 179,461	\$ 399,922	\$ 49,500	\$ 44,500	
TOTAL MONTHLY REPLACEMENT RESERVES ==>									\$ 15,777	\$ 14,955	\$ 33,327	\$ 4,125	\$ 3,708	
Estimated Inflation Rate =		3.60%												
After-Tax Interest Rate =		0.42%												

TOUCHSTONE PROPERTIES, LTD.

OWNER'S REPORT : Table 2 - 15

Punahou Terrace

Rev1	Rev2	Rev3	Rev4	Approval	Cons'g Rep	BUDGET COMMITTEEMEMBERS																																				
11/7/2012	12/12/2012			12/18/2012	12/18/2012	John Schrabar																																				
S. Smith-Kaya	S. Smith-Kaya			S. Smith-Kaya	S. Smith-Kaya	Arma Hayes																																				
<p>Project Name - Punahou Terrace                  Touchstone Project No. 144                  Project Address - 1630 Maiki Street                  Town, State, Zip - Honolulu HI 96826                  Total Number of Units - 45                  Does not account for different types and sizes</p>																																										
<p>Res. Mgr. - Joe and Leena Howard                  Telephone No. - 948-4749                  Facsimile No. -                  Pager No. -                  Cell No. -                  Email Address - 1630pt@gmail.com</p>																																										
<p>Update TEXT on Intros &amp; Glossaries</p>																																										
<p>Intros &amp; Glossaries updated with CONDO terms</p>																																										
<p>COOP - Project Type</p>																																										
<p>CALENDAR - Budget Cycle</p>																																										
<p>12/31/2013 - Budget End Date</p>																																										
<p>BOARD APPROVED FUNDING OPTION = 5 [0 - 5]</p> <p>0 = unapproved; 1 - 5 = approved funding options</p>																																										
<p>FINANCIAL PARAMETERS</p> <p>CASH FLOW CONVENTION = END                  PRESENT YEAR = 2012                  RECOMMENDED INFLATION RATE (e.g. .0300) = 3.50%                  RECOMMENDED INTEREST RATE (e.g. .05) = 0.50%                  COMBINED TAX RATE (e.g. .18) = 18.5%                  AFTER-TAX INTEREST RATE = 0.42%                  GRADIENT YEAR FACTOR = 10                  Assumed last day of fiscal year.</p>																																										
<p>OPERATING RESERVE PARAMETERS</p> <p>PLANNED ACCUMULATION PERIOD (YRS) = 10                  FORECAST OPERATING RESERVE INTEREST RATE (e.g. .01) = 1.50%                  TARGET % OF OPERATING BUDGET FOR RESERVE (e.g. .25) = 25.00%                  HONOLULU WHEN CONSUMERS CPI IN prior year = 3.55%                  AVERAGE LIBOR RATE for 7 year US Treasury Bill = 1.02%                  * HI GET exemption U.S. Govt. obligations</p>																																										
<p>BOARD APPROVED REPLACEMENT RESERVES</p> <table border="1"> <thead> <tr> <th>YEAR</th> <th>Last Years Board Approved Replacement Reserves</th> <th>This Years Board Approved Replacement Reserves</th> <th>Last Years Board Approved Special Assessments</th> <th>This Years Board Approved Special Assessments</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>\$ 49,500</td> <td>\$ 49,500</td> <td>\$ 0</td> <td>\$ 0</td> </tr> <tr> <td>2013</td> <td>\$ 49,500</td> <td>\$ 44,500</td> <td>\$ 0</td> <td>\$ 0</td> </tr> <tr> <td>2014</td> <td>\$ 49,500</td> <td>\$ 44,500</td> <td>\$ 0</td> <td>\$ 0</td> </tr> <tr> <td>2015</td> <td>\$ 49,500</td> <td>\$ 44,500</td> <td>\$ 0</td> <td>\$ 0</td> </tr> <tr> <td>2016</td> <td>\$ 49,500</td> <td>\$ 44,500</td> <td>\$ 0</td> <td>\$ 0</td> </tr> <tr> <td>2017</td> <td>\$ 49,500</td> <td>\$ 44,500</td> <td>\$ 0</td> <td>\$ 0</td> </tr> </tbody> </table>								YEAR	Last Years Board Approved Replacement Reserves	This Years Board Approved Replacement Reserves	Last Years Board Approved Special Assessments	This Years Board Approved Special Assessments	2012	\$ 49,500	\$ 49,500	\$ 0	\$ 0	2013	\$ 49,500	\$ 44,500	\$ 0	\$ 0	2014	\$ 49,500	\$ 44,500	\$ 0	\$ 0	2015	\$ 49,500	\$ 44,500	\$ 0	\$ 0	2016	\$ 49,500	\$ 44,500	\$ 0	\$ 0	2017	\$ 49,500	\$ 44,500	\$ 0	\$ 0
YEAR	Last Years Board Approved Replacement Reserves	This Years Board Approved Replacement Reserves	Last Years Board Approved Special Assessments	This Years Board Approved Special Assessments																																						
2012	\$ 49,500	\$ 49,500	\$ 0	\$ 0																																						
2013	\$ 49,500	\$ 44,500	\$ 0	\$ 0																																						
2014	\$ 49,500	\$ 44,500	\$ 0	\$ 0																																						
2015	\$ 49,500	\$ 44,500	\$ 0	\$ 0																																						
2016	\$ 49,500	\$ 44,500	\$ 0	\$ 0																																						
2017	\$ 49,500	\$ 44,500	\$ 0	\$ 0																																						
<p>PRESENT ANNUAL OPERATING BUDGET IN 2012 = \$640,602                  PRESENT OPERATING RESERVE BALANCE IN 2012 = \$20,088                  PRESENT PAYMENT TO OPERATING RESERVE IN 2012 = \$5,328                  LAST YEAR'S RESERVE BALANCE ( 2011 ) = \$136,240</p>																																										

PROJECTED RESERVES - VARIABLE ANNUAL REPLACEMENT FUNDING - OPTION 2												
REPL. RESERVE FOR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
MONTHLY CONTRIBUTION PER UNIT -	\$49,500	\$115,300	\$115,300	\$115,300	\$115,300	\$115,300	\$115,300	\$115,300	\$115,300	\$115,300	\$115,300	\$115,300
ENTER AMOUNT FOR EACH YEAR =>		\$0	\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274
CALCULATED Special Assessments Paid =>		\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274
MONTHLY CONTRIBUTION PER UNIT ->		\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274	\$274
RESERVE BALANCE ->	\$293,605	\$293,612	\$293,612	\$293,612	\$293,612	\$293,612	\$293,612	\$293,612	\$293,612	\$293,612	\$293,612	\$293,612
% FUNDED ->	75%	91%	91%	91%	91%	91%	91%	91%	91%	91%	91%	91%
Steady - Variable Amount ->	\$92,390	\$107,844	\$107,844	\$107,844	\$107,844	\$107,844	\$107,844	\$107,844	\$107,844	\$107,844	\$107,844	\$107,844
2023	2024	2024	2025	2025	2026	2027	2028	2029	2030	2031	2032	2032
ENTER AMOUNT FOR EACH YEAR =>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CALCULATED Special Assessments Paid =>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MONTHLY CONTRIBUTION PER UNIT ->		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
RESERVE BALANCE ->	\$883,063	\$1,047,033	\$1,047,033	\$1,047,033	\$1,047,033	\$1,047,033	\$1,047,033	\$1,047,033	\$1,047,033	\$1,047,033	\$1,047,033	\$1,047,033
% FUNDED ->	183%	183%	183%	183%	183%	183%	183%	183%	183%	183%	183%	183%
Steady - Variable Amount ->	\$695,459	\$764,497	\$764,497	\$764,497	\$764,497	\$764,497	\$764,497	\$764,497	\$764,497	\$764,497	\$764,497	\$764,497
2023	2024	2024	2025	2025	2026	2027	2028	2029	2030	2031	2032	2032

**INSTRUCTIONS For VARIABLE ANNUAL FUNDING OPTION ABOVE**  
 Modify amounts shown in RED, BOLD text.  
 Any assessments calculated will appear in turquoise blue beneath budget year.  
 Steady LESS Variable Amounts - on the last line in table text shows the difference between annual statutory and variable funding amounts.  
**YOUR GOAL = ADJUST Annual Reserve Amounts incrementally with a target of 50% Auditing so NOT to realize a Special Assessment in any given year.**

PROJECTED RESERVES - CASHFLOW FUNDING - OPTION 5												
REPL. RESERVE FOR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
MONTHLY CONTRIBUTION PER UNIT -	\$49,500	\$44,500	\$44,500	\$44,500	\$44,500	\$44,500	\$44,500	\$44,500	\$44,500	\$44,500	\$44,500	\$44,500
ENTER AMOUNT FOR 1ST YEAR ONLY =>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CALCULATED Special Assessments Paid =>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MONTHLY CONTRIBUTION PER UNIT ->		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
RESERVE BALANCE ->	\$222,805	\$97,917	\$142,826	\$187,822	\$233,207	\$278,236	\$323,236	\$368,236	\$413,236	\$458,236	\$503,236	\$548,236
% FUNDED ->	57%	37%	37%	42%	42%	42%	42%	42%	42%	42%	42%	42%
2023	2024	2024	2025	2025	2026	2027	2028	2029	2030	2031	2032	2032
ENTER AMOUNT FOR EACH YEAR =>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CALCULATED Special Assessments Paid =>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MONTHLY CONTRIBUTION PER UNIT ->		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
RESERVE BALANCE ->	\$157,630	\$177,650	\$177,650	\$177,650	\$177,650	\$177,650	\$177,650	\$177,650	\$177,650	\$177,650	\$177,650	\$177,650
% FUNDED ->	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%
2023	2024	2024	2025	2025	2026	2027	2028	2029	2030	2031	2032	2032

**INSTRUCTIONS For CASHFLOW FUNDING OPTION ABOVE**  
 Modify amounts shown in RED, BOLD text.  
 INPUT the Board Approved Contingency Amount.  
 You can modify the Cashflow amount for ONLY the 1st budget reserve year.  
 Annual Cashflow amounts are static over the 20 year period.  
 1st year input determines subsequent 19 years.  
 Any assessments calculated will appear in turquoise blue beneath budget year.  
**YOUR GOAL = ADJUST the 1st Annual Reserve Amount so as NOT to realize a Special Assessment in any given year thereafter.**

Line No	Set Code	Req Code	DESCRIPTION	Actual Start Year	Est. Life	Year of Cap Ex	ESTIMATED REPL. COST	Est. In Year to Replace	PRESENT YEAR CAPITAL EXPENSE - Enter negative	REMARKS	Source of Est.
1	RR A	SW	Metal Railings at Pool	2009	40	2008	\$11,000	2009	\$0	Vryl Tech & Masonry in 2009 for \$10,980 for new (onox. Lifetime warranty.	C
2	RR R	SW	Roofing - BUILDING A	2005	30	2005	\$50,000	2005	\$0	Bolt up roofing system (flat roof - pitch and gravel) Get New Estimate in 2013	C
3	RR R	R	Roofing - BUILDING B	2003	30	2003	\$50,000	2003	\$0	Bolt up roofing system (flat roof - pitch and gravel) Get New Estimate in 2013	C
4	RR R	R	Roofing - BUILDING C	1998	30	1990	\$30,000	2008	\$0	Bolt up roofing system (flat roof-pitch and gravel) Get New Estimate in 2013	C
5	RR A	R	Pool - Repaster or Tile	1990	24	2009	\$20,000	2014	\$0	PUSH TO 2014. Pending Condo Conversion.	C
6	RR B	R	Iron Walkway Stairwell Railing	1988	20	1998	\$75,000	2018	\$0	Get Estimates in 2013 for updated cost. Metal railings need to be replaced at the same time.	C
7	RR B	R	Parking Lot Spalling and Waterproofing Lower	2010	16	2008	\$15,000	2008	\$0	Concrete repairs, re-slope seals, paint and waterproof structure.	C
8	RR B	R	Parking LA Spalling and Waterproofing Upper	2010	16	2009	\$38,700	2008	\$0	Concrete repairs, re-slope seals, paint and waterproof structure.	C
9	RR B	R	Gutters - BUILDING 2 STORY	2011	13	2011	\$5,000	2024	\$0	In 2008 replaced pipes and hangers over C building shed (\$2,475). In 2011 finished downspout in C building. (\$1,257.) Rainbow Gutters.	C
10	RR M	R	Pool Water Heaters (3)	2002	11	2011	\$11,000	2013	\$0	3 ready areas. In 2001 A Bldg \$4k (commercial 76 gal) In 2011 B Bldg \$2,710 (75 gal residential). C Bldg. \$4k. (\$5 gal commercial heater 1999) \$5,000.	C
11	RR B	R	Metal Building Repairs	2005	9	2005	\$10,000	2014	\$0	FOR ALL THREE BUILDINGS	A
12	RR P	R	Project Painting/Spalling includes water proofing etc.	2006	8	2006	\$100,000	2014	\$0	In 2011 Williams Hewitt - Water proofing repairs to common rock well outside C201 W \$5,577.	C
TOTALS ==>								\$415,700	\$0		

SORT CODE: A-amenities, B-bldg/struct, G-grounds, M-mech/eled, P-painting, R-roofing, O-other  
 RSV CAT: R-recurring, NR-non-recurring, SW-statutory waiver  
 TOUCHSTONE PROPERTIES, LTD.



SOURCE OF ESTIMATE CODE: A-Assess (Board Member/Agent), C-Contractor, P-Statistical Publication  
 FUND CODE: GO-sprinkler system, RR-repair/replacement

**ASSET DATA - (For BOARD REVIEW)**

NO.	SYMBOL	DESCRIPTION	FAIR VALUE	ESTIMATED APPL. COST	TA X COST	NET VALUE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE	NET VALUE LESS RESERVE			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22		
1	A	RR-Rep/Repl of roof	2,100	11,000	46,887	0	3,250	10,800	10,800	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
2	R	RR-Rep/Repl of Building A	2,050	50,000	144,465	27,467	4,000	22,112	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300
3	R	RR-Rep/Repl of Building B	2,000	50,000	144,465	30,776	4,000	41,460	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300	45,300
4	R	RR-Rep/Repl of Building C	3,660	30,000	115,005	46,004	3,007	51,802	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
5	A	RR-Rep/Repl of Roof	600	20,000	23,600	20,300	1,000	21,004	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
6	R	RR-Rep/Repl of Building	846	75,000	182,146	4,419	34,883	36,100	29,919	29,919	29,919	29,919	29,919	29,919	29,919	29,919	29,919	29,919	29,919	29,919	29,919	29,919	29,919
7	R	RR-Rep/Repl of Building	2,100	15,000	27,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	R	RR-Rep/Repl of Building	2,100	30,000	70,004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	R	RR-Rep/Repl of Building	2,110	5,000	7,919	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	R	RR-Rep/Repl of Building	2,020	11,000	11,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	R	RR-Rep/Repl of Building	2,100	10,000	13,746	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	P	RR-Rep/Repl of Building	2,100	10,000	132,702	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTALS				415,200	881,008	138,240	46,500	188,321	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500	46,500

SOURCE CODE: A-Assess, B-Contractor, C-Contractor, M-Member, P-Statistical Publication  
 RSVCAT: Repair/Replacement, RR-repair/replacement, RR-repair/replacement

<p><b>1. WHAT IS A RESERVE ANALYSIS?</b></p> <p>As a holding agent, components wear out and must be repaired or replaced. A Reserve Analysis identifies assets the Association of Apartment Owners (AOAO) is responsible to preserve, estimates asset remaining life and replacement cost, calculates the funds required by Hawaii law, and evaluates how to fund the replacement costs. The intent is to fairly distribute the cost of replacing assets evenly over time to all Owners by regularly saving annual amounts and thereby avoid large special assessments in the year of asset replacement.</p>	<p><b>2. WHAT DOES HAWAII LAW REQUIRE? (Year 2000 and beyond)</b></p> <p>Hawaii Revised Statutes, Chapter 514B, Condominium Property Regimes, 14B Association of Apartment Owners (AOAO); Budgets and Reserves; and Title 16 Department of Regulatory Agencies, Chapter 107, Subchapter 6 Requirements for Replacement Reserves are the statutory regulations and commission rules established to define operating budget and reserve requirements for Associations of Apartment Owners.</p> <p>a) <u>ADEQUATE REPLACEMENT RESERVE</u> is defined as: (asset cost at the end of estimated useful life) X (age / estimated useful life).</p> <p>b) <u>PERCENT FUNDED REPLACEMENT RESERVE</u> is defined as: being equal to a minimum of 50% of its ADEQUATE REPLACEMENT RESERVE.</p> <p>c) <u>ASSOCIATION PROPERTY</u> to be included in the Replacement Reserves are common elements that the AOAO is obligated to preserve under its Declarations or By-laws, except assets with a value less than \$1,000 or with a value less than 0.1% of an AOAO's Annual Operating Budget or an estimated useful life greater than 20 Years.</p>	<p><b>3. WHAT FACTORS SHOULD THE AOAO EVALUATE?</b></p> <p>a) Rates of Inflation and Interest (Executive Summary Item 1) - Assume that the assumptions made are realistic over optimistic rates may result in unexpected cash flow shortfalls in future years.</p> <p>b) Asset Life and Replacement Cost (Table 1) - Assume that all required assets are included, useful lives are reasonable, and that cost estimates are substantiated by quotation or published data.</p> <p>c) Minimum Reserves Required (Executive Summary Item 3) - "Percent Funded" method requires a minimum of 50% of Adequate Reserves. No minimum required for "Cash Flow" method.</p> <p>d) Replacement Reserve Funding Options:</p> <ul style="list-style-type: none"> <li>* "Existing" - This option is based on last year's annual reserve contribution projected over the next 20 year period.</li> <li>* "Variable Annual Replacement" - This option provides a static (even) contribution over a 20 year period that will maintain not less than the Statutory Replacement Reserve in any given year.</li> <li>* "100% Sinking Fund" - This option will accumulate the estimated future cost at the end of the estimated useful life.</li> <li>* "1) Year Gradient" - This option will "gradually" increase annual replacement reserves a fixed % each year to accumulate 100% Adequate Reserves by the 10th year. Assessment may be required in the early years to meet capital expenditures or statutory minimums.</li> <li>* "Cash Flow Method" - This option provides a minimum 20 year projection of estimated annual reserve contributions that does not require a special assessment or loan, except in an emergency, to fund future capital replacement costs.</li> </ul>	<p><b>4. REPLACEMENT RESERVES versus OPERATING RESERVES:</b></p> <p>The statutes only require "Replacement" Reserves; however as a contingency for unexpected operating expenses, the AOAO should consider establishing an "Operating" Reserve. An analysis of funding an Operating Reserve is presented in Table - 4. The target operating reserve balance used is a 3-month reserve ( 3 mos. / 12 mo. peryr. = 25% of the annual operating budget).</p>
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**INTRODUCTION**