

1st PHASE

REG. 1683

ISSUED: MARCH 21, 86

EXPIRED: APRIL 21, 87

2nd PHASE

REG. 1713

ISSUED: MAY 9, 86

EXPIRED: JUNE 9, 87

3rd PHASE

REG. 1720

ISSUED: DEC. 19, 85

EXPIRED: JAN. 19, 87

T.M.K. 1-1-9-044-099

REAL ESTATE COMMISSION

PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS
STATE OF HAWAII
1010 RICHARDS STREET
P. O. BOX 3469
HONOLULU, HAWAII 96801

**PRELIMINARY
HORIZONTAL PROPERTY REGIMES (CONDOMINIUM)
PUBLIC REPORT**

on
THE VILLAGES AT WAIPIO
PHASE II
Waipio Uka Street, Waipio, Oahu, Hawaii

Registration No. 1713

IMPORTANT — Read This Report Before Buying

This Report Is Not an Approval or Disapproval of This Condominium Project

It reflects information obtained by the Real Estate Commission in its investigation of the project. This report, based on a principle of disclosure, is issued by the Commission for the purpose of preventing fraud, misrepresentation or deceit.

The developer shall not enter into a binding contract or agreement for the sale of any unit in a Condominium Project but may only take reservations therefore after

- (1) A copy of this Report has been given to the prospective purchaser,
- (2) The latter has been given an opportunity to read same, and,
- (3) His receipt taken therefor.

ISSUED: November 19, 1985
EXPIRES: December 19, 1986

SPECIAL ATTENTION

A comprehensive reading of this report is urged in order that personal requirements and expectations to be derived from the property can be ascertained. The attention of the purchaser or prospective purchaser is particularly directed to the following:

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED OCTOBER 29, 1985, AND INFORMATION SUBSEQUENTLY FILED AS OF NOVEMBER 12, 1985. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY REGIMES LAW, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

- 1 THE VILLAGES AT WAIPIO PHASE II is a proposed fee simple condominium project which will contain: 84 apartment units located in 6 low-rise buildings; and 90 uncovered on-grade parking stalls. At least one parking stall will be assigned to each apartment; 12 parking stalls will be visitors stalls; and 14 will be available for purchase from the Developer as additional stalls for any apartment.

1st Floor
counter #9
523-450-8

CONDOMINIUM

DOCUMENTS

PACKAGE

THE VILLAGES AT WAIPIO - PHASE II
RESIDENTIAL CONDOMINIUM

by

JAMES K. SCHULER & ASSOCIATES, INC.

Enclosed are the below listed documents for the Villages at Waipio - Phase II - Condominium:

- 1) Escrow Agreement;
- 2) House Rules;
- 3) Declaration of Horizontal Property Regime;
- 4) By-laws of Association of Owners;
- 5) Disclosure Abstract;
- 6) Deed;
- 7) Preliminary Horizontal Property Regimes Public Report;
- 8) Final Horizontal Property Regimes Public Report.

This will act as a receipt of the above documents by the purchaser(s) of Apartment # _____ of the Villages at Waipio - Phase II.

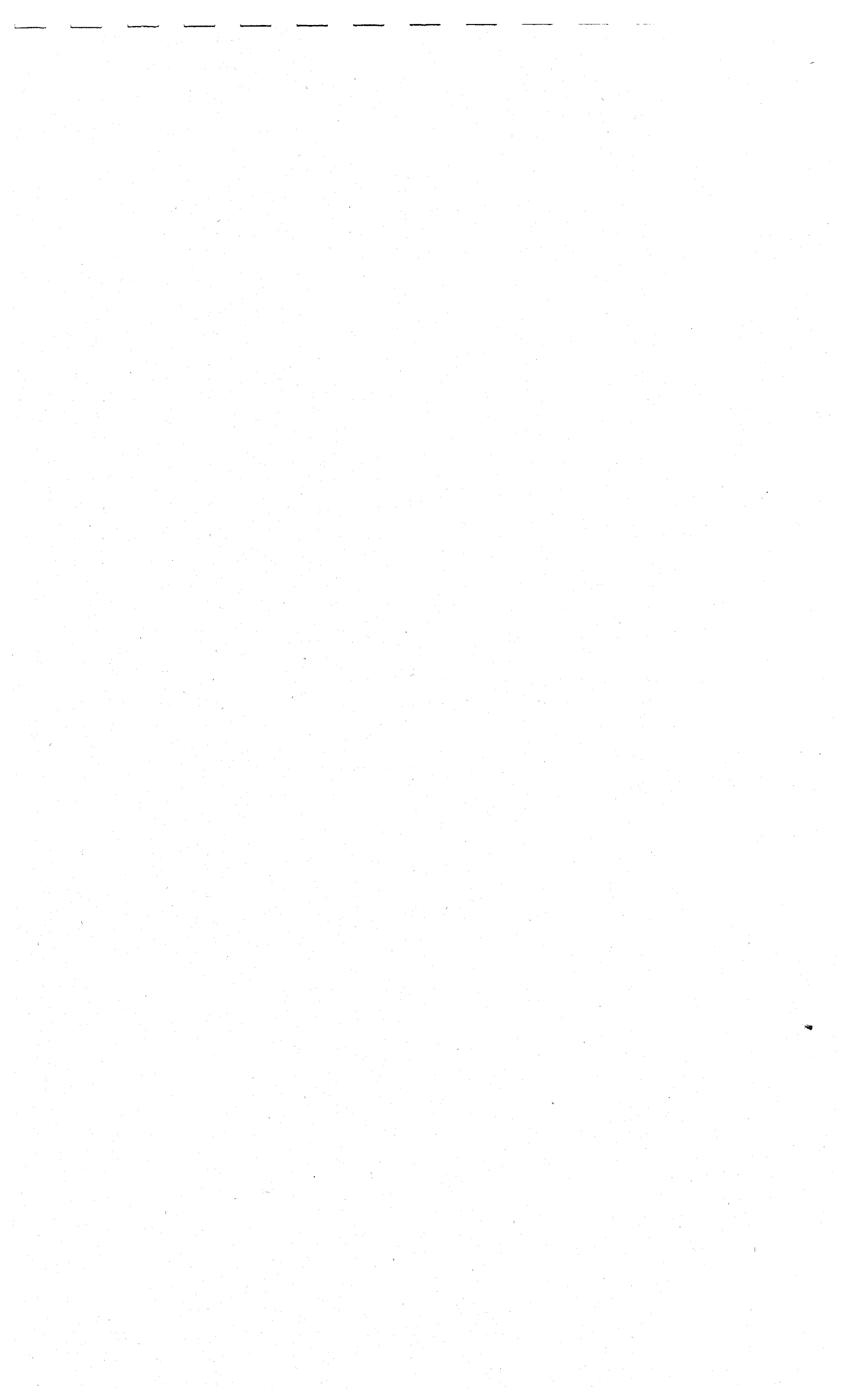
Date

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Date



THE VILLAGES AT WAIPIO PHASE II
ESCROW AGREEMENT

THIS AGREEMENT, made this 9th day of October, 1985, by and between FIRST HAWAIIAN BANK, a Hawaii corporation, having its principal place of business and post office address at 165 South King Street, Honolulu, Hawaii (hereinafter called "Escrow"), and JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation, with its principal place of business at 915 Fort Street, 10th Floor, Honolulu, Hawaii 96813 (hereinafter called "Developer");

W I T N E S S E T H:

WHEREAS, Developer is the owner of that certain fee simple property located at Waipio District of Ewa, City and County of Honolulu, State of Hawaii, more particularly described on the tax maps of the State of Hawaii as Tax Map Key No. 1-9-44-99 (Por. of 73) (hereinafter called the "Property"); and

WHEREAS, Developer proposes to create on said Property a condominium project to be known as THE VILLAGES AT WAIPIO PHASE II (hereinafter "Project") in accordance with the provisions of the Horizontal Property Act, Chapter 514A, Hawaii Revised Statutes, as amended (the "Condominium Act"); and

WHEREAS, Developer intends to enter into reservation agreements and/or contracts of sale in the forms attached hereto (hereinafter together referred to as "Sales Contracts") for the sale in fee simple of said condominium apartments, the terms of which contracts will provide for payments on account of the purchase price to be made to Escrow, to be held and disbursed by and according to the provisions hereof; and

WHEREAS, Escrow has consented to hold all payments received under such Sales Contracts entered into with purchasers ("purchasers") of the apartments in the Project, and any other funds received by it and to disburse same pursuant to the terms and provisions hereof;

NOW, THEREFORE, IT IS MUTUALLY AGREED THAT:

1. Payment of Funds to Escrow. As and when Developer enters into a Sales Contract for the conveyance of an apartment in the Project, it shall require the payment due thereunder to be promptly made to Escrow, and shall deliver an executed copy thereof to Escrow together with the name(s) and address(es) of the purchaser(s). Developer shall specify in writing to Escrow whether the purchaser's funds were received prior to or subsequent to the

issuance by the Real Estate Commission of a Final Public Report (as that term is used in the Condominium Act). Developer shall also promptly pay over to Escrow all monies received by Developer from or on behalf of the purchasers, including those received pursuant to any Sales Contract, and all disbursements made from lending institutions on loan commitments to individual purchasers on account of any apartments in the Project, and all other monies received from purchasers of apartments in the Project, and Escrow shall properly receipt therefor.

2. Receipt of Funds by Escrow. Escrow shall receive, deposit and hold in separate escrow accounts and disburse as herein set forth: (a) all payments received by it under Sales Contracts, (b) such sums received by it hereunder from or for the account of Developer, and (c) all sums received by it from any other source with respect to the project. Escrow shall not at any time commingle or permit the commingling of any purchaser's funds with funds belonging to or held for the benefit of Developer.

3. Deposit of Funds by Escrow; Interest. All monies received by Escrow hereunder shall be deposited, within a reasonable time of the receipt by Escrow and in reasonably convenient and practical sums in a trust fund with a bank, savings and loan or trust company, authorized to do business in the State of Hawaii under an escrow arrangement, and held in accordance with the terms hereof. As directed by Developer, said funds shall be deposited in an interest-bearing account in a federally insured bank or savings and loan institution in Honolulu, Hawaii, or shall be invested in federal funds or obligations of or guaranteed as to principal by the United State Government or any agency thereof, and except as otherwise provided by any rider to this Agreement all other income therefrom and interest paid thereon shall be credited to the account of Developer, pursuant to agreement between Developer and purchaser as set forth in the Sales Contract. Escrow shall have no liability for any claim or loss resulting from the deposit of funds in a depository other than First Hawaiian Bank.

4. Receipt of Purchaser's Financing Documents. Escrow shall receive evidence satisfactory to Developer of each purchaser's ability to pay in cash the purchase price stated in the Sales Contract either (i) from the purchaser's own funds, or (ii) partially from the purchaser's own funds and the balance from the proceeds of a loan (purchaser's "Permanent Loan") to the purchaser by a responsible lending institution (the "Permanent Lender") which has issued a written commitment to make a loan to the purchaser in the amount of such balance. If such Permanent Lender so permits, Escrow shall receive from the Permanent Lender a note and a mortgage for execution by, or

theretofore executed by, the purchaser and shall receive funds representing the Permanent Loan for the purchase of the apartment, such funds to be held for disbursement in accordance with the instructions of the Permanent Lender and in conformity with the Sales Contract and this Escrow Agreement. If the purchase price is to be paid with purchaser's own funds, Escrow shall receive from purchaser any security required by Developer pursuant to the Sales Contract; it is understood that any such security required by Developer is independently enforceable by Developer if purchaser is or becomes obligated to purchase.

5. Collection of Purchaser's Funds.

(a) Upon receipt of notice in writing from Developer that any payments are due under any Sales Contract, Escrow shall give notice in writing to each such purchaser and shall call for such payment to be made to Escrow. Upon written instructions from Developer, Escrow shall likewise call for and collect, when paid, all "late charges" or other similar penalties which may be imposed pursuant to the terms and conditions of the Sales Contract. "Late Charges" as so collected by Escrow shall be held, deposited and disbursed in accordance with written instruments given Escrow by Developer.

(b) Escrow shall collect from each purchaser no later than the time of closing maintenance charges and real property taxes due on the apartment, prorations, any special assessments or "start-up" fees thereon for commencement of the operations of the Project, and other sums due, as provided in the Sales Contract.

(c) Escrow shall not be required to file any action or suit to collect any payments due under any Sales Contract. Developer will be solely responsible for filing any such action or suit.

6. Handling of Purchaser's Funds. Escrow shall earmark funds received on account of the purchase of any particular apartment as funds for the purchase of said apartment and shall not cause the disbursement of such funds except as provided hereinbelow.

7. Disbursement of Purchaser's Funds. Escrow shall make no disbursements of purchaser's funds or proceeds on the sale of such apartments (including any payments made on loan commitments from Permanent Lenders), except by way of refunds thereof as provided hereinbelow, until: (a) Escrow receives a copy of a "Receipt and Notice of Right to Cancel", in the form specified by Section 514A-62 of the Condominium Act, executed by the purchaser; (b) Escrow has received a certification from Developer, acceptable

to Escrow, stating that the Sales Contract has become effective and requirements of Sections 514A-39 and 514A-63 have been met as those quoted phrases are used in Section 514A-65 of the Condominium Act; and (c) until the purchaser's apartment deed is recorded in the Land Court of the State of Hawaii.

8. Refunds to Purchasers; Return of Documents. Purchaser shall be entitled to a return of his or her funds, and Escrow shall pay such funds to such purchaser if one of the following has occurred:

(a) Escrow receives a written request from Developer to return to the purchaser the funds of the purchaser then being held hereunder by Escrow; or

(b) Developer notifies Escrow in writing of Developer's exercise of any option to rescind the Sales Contract pursuant to any right of rescission stated therein or otherwise available to Developer; or

(c) The conditions provided for a refund under Sections 514A-62 or 514A-63 of the Condominium Act have been met and written notice thereof has been provided to Developer.

Upon the occurrence of any of the foregoing entitling a purchaser to a return of his or her funds, neither purchaser nor Developer shall be obligated under the Sales Contract, and Escrow shall return said funds to purchaser, and return to Developer such purchaser's Sales Contract. Other documents delivered to Escrow relating to the sale of the apartment identified in such Sales Contract will be returned to the person from whom or entity from which they were received.

Upon the cancellation of any Sales Contract as specified in subparagraphs (a) and (b) above, Escrow shall be entitled to a cancellation fee equal to \$25.00. Upon cancellation of any Sales Contract as specified in subparagraph (c) above, Escrow shall be entitled to a cancellation fee equal to \$15.00. Said compensation of Escrow shall be the sole expense of Developer.

All escrow proceeds to be returned under this paragraph 8 shall not include any interest that has been generated by such purchaser's funds, except as otherwise provided in any rider to this Agreement.

9. Closing Duties and Responsibilities of Escrow. In addition to the foregoing duties and responsibilities with regard to funds placed in

escrow, Escrow shall act with diligence and dispatch to perform all necessary and customary escrow functions to close the sale pursuant to the terms and conditions set forth in the Sales Contracts. Without in any way limiting the generality of the foregoing, it is agreed that:

(a) Escrow shall coordinate with any Permanent Lender making a loan to any purchaser for the closing of the Sales Contract with the closing of the loan. Seller shall advise Escrow of the name of the primary lending institution(s) issuing written commitments to make loans to qualified purchasers of apartments in the Project (the "Primary Permanent Lender"), and Escrow shall determine, from the information received by Escrow from Seller pursuant to paragraph 4 above, whether the purchaser shall pay the purchase price stated in the Sales Contract from its own funds or partially from its own funds and partially from the proceeds of a loan to the purchasers from the Primary Permanent Lender or from such other Permanent Lender as the purchaser shall obtain a written commitment, and Escrow shall proceed in accordance with paragraph 4.

(b) Escrow shall coordinate with the title insurance company designated by Developer to record and file the necessary documents and to obtain requisite title searches and owners' and mortgagee's title insurance policies, shall coordinate with the attorney designated by Developer for the preparation of instruments of conveyance (other than notes and mortgages to be received from any Permanent Lender), and shall coordinate with the lender of the funds for the construction of the Project regarding the disbursement of such loan proceeds, the repayment of such loan from sales proceeds, and releases or partial releases of the lien of the mortgage securing such loan.

(c) Escrow shall arrange for and supervise the signing of all documents related to the closing of each Sales Contract, except for the Sales Contract itself and any purchase money mortgage and notes executed by purchasers and closed by the Permanent Lenders thereunder.

(d) If Developer desires to "pre-close" any or all sales, Escrow shall perform all necessary and customary escrow functions, including but not limited to the functions outlined in this paragraph 9, to "pre-close" each sale pursuant to the terms set forth in the Sales Contract.

(e) If Developer desires to "close" any or all sales at different times, Escrow shall cooperate with Developer to vary performance of the directions contained herein in such a manner as will facilitate its performance of partial closings.

(f) When all conditions for closing have been satisfied, all necessary sums received and all necessary closing documents obtained or otherwise provided for, Escrow shall proceed promptly and within three (3) business days (exclusive of the day of closing) to transmit to the title company designated by Developer, for filing and recording, the necessary documents in recordable form, to effect the conveyance to the purchaser. If for any reason Escrow determines that the necessary documents are defective for filing and recording, Escrow shall promptly notify Developer of such fact, and Escrow shall proceed promptly to correct, and to arrange for the correction of, such defects as are within its capacity as an escrow depository to correct and to arrange; provided that Escrow shall transmit the same to the title company designated by Developer for filing and recording within three (3) business days after the defects have been corrected and/or Escrow has obtained corrected documents. Thereafter, Escrow shall promptly deliver copies of all such documents to the parties thereto, and shall promptly disburse all sums to the appropriate parties. Such periods of three (3) business days shall be extended if the number of sales contracts being processed by Escrow at one time is so great that Escrow cannot reasonably process them within such three (3) day period.

10. Unclaimed Funds. Except as otherwise provided by law, Escrow shall give each purchaser entitled to a return of his or her funds notice thereof by certified or registered mail, addressed to such purchaser at his or her address shown on the Sales Contract or any address later made known to Escrow by such purchaser. If such purchaser shall not have claimed such refund within sixty (60) days, Escrow shall thereafter treat all funds of such purchaser as the escrowed funds of Developer and not of purchaser in accordance with the provisions of the Sales Contract executed by and between Developer and purchaser, and shall disburse such funds as directed by Developer. After having sent Developer written notice of the foregoing acts, Escrow shall thereupon be released from further liability hereunder with respect to such funds and such purchaser.

11. Purchaser's Default. If the purchaser fails to make any payment of or before the due date thereof or if the purchaser does or fails to do any other act which would constitute an event of default under the Sales Contract, Escrow shall promptly give to such purchaser written notice of such default; provided: (a) unless otherwise instructed by the Developer Escrow shall first promptly notify the Developer and receive from the Developer authorization to give such default notice; (b) Escrow is not obligated to bring to the Developer's attention or to send such a default notice for any such act done or not done by the purchaser of which Escrow has no actual

knowledge (or reason to know in the course of administering this Agreement in the ordinary course of its business); and (c) Escrow shall promptly give the purchaser written notice of default which is brought to Escrow's attention by the Developer. If purchaser has failed to cure the default after the delivery of notice by Escrow and such default continues after the expiration of any grace period, Escrow shall so advise Developer. If Developer shall thereafter certify in writing to Escrow (i) that Developer has elected to terminate the Sales Contract and has notified the purchaser, or (ii) that purchaser is otherwise in default and provides Escrow with a copy of the default notice, then, and in either event, Escrow shall thereafter treat all funds of the purchaser paid under such Sales Contract, or any portion thereof as may be allowed by said Sales Contract, less a cancellation fee of \$25.00 for Escrow, as funds of Developer and not of the purchaser. Thereafter, such funds shall be held free of the escrow established by this Agreement and shall be held by Escrow for the account of Developer. Upon written request by Developer, Escrow shall pay such funds to Developer or order and shall return to Developer the Sales Contract of such purchaser and any other documents theretofore delivered to Escrow in connection with the purchase of the apartment specified in such Sales Contract shall be returned to the person from whom or entity from which such documents were received.

12. Periodic Reports. During the term of this Agreement, Escrow shall report in writing to Developer and Developer's mortgage lender the status of receipts, interest-bearing deposits and disbursements at least once each calendar month; additional such reports requested by Developer or Developer's mortgage lender shall be provided by Escrow for a reasonable service charge not to exceed TEN DOLLARS (\$10.00) on each such occasion.

13. Disbursement of Developer's Funds. Escrow shall from time to time, release from Escrow, and pay and disburse to Developer, funds, other than funds from the sale of apartments (including any payments made on loan commitments from lending institutions) received prior to completion of construction, in the manner directed by Developer except as otherwise provided herein.

14. Exemptions of Escrow. In consideration of Escrow acting as escrow holder hereunder, it is agreed that Escrow is relieved from all liability for acting in accordance with the terms hereof, notwithstanding a notice to the contrary by Developer or any purchaser or third person. Escrow shall not be responsible for the validity or sufficiency of any Sales Contract received by it and shall be entitled for all purposes to assume that (a) all Sales Contracts and other documents have been signed by the person or persons

whose signature or signatures purport to be thereon, (b) the persons executing such documents are of legal age and competent, (c) any person signing in a representative capacity has the authority so to do, and (d) any written certification or instruction from Developer or the Permanent Lender is true and accurate. If any dispute or difference arises between Developer and any third person or if any conflicting demand shall be made upon Escrow, Escrow shall not be required to determine the same or take any action thereon; but Escrow may wait settlement of the controversy by final appropriate legal proceedings, or Escrow may file a suit in interpleader in the Circuit Court of the First Circuit of Hawaii for the purpose of having the respective rights of the parties adjudicated and may deposit with the Court any and all monies held hereunder. Upon instituting such interpleader suit, depositing such money with the Court and giving notice thereof to the parties thereto by personal service or in accordance with the order of the Court, Escrow shall be fully released and discharged from all further obligations hereunder with respect to the monies so deposited. The purchaser and Developer agree jointly and severally to pay to Escrow on demand and to indemnify and hold Escrow harmless from and against all costs, damages, judgments, attorneys' fees, expenses, obligations and liabilities of every kind and nature reasonably suffered or incurred in connection with or arising out of this escrow, excluding those arising out of the negligence or misconduct of Escrow, including, but not limited to, all costs and expenses incurred by the interpretation of these instructions, or with respect to any interpleader proceeding. Notwithstanding anything herein to the contrary, Developer will not indemnify Escrow against any costs, damage, judgment, attorneys' fees, expenses, obligation or liability which Escrow shall suffer or incur as a result of any act or omission by Escrow in breach of this Agreement.

15. Compensation of Escrow; and Expenses. The compensation of Escrow for performance hereunder shall be ONE HUNDRED THIRTY-FIVE AND NO/100 DOLLARS (\$135.00) for each apartment sold under a binding Sales Contract and for which an apartment deed has been duly filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii; provided, however, that if Escrow shall for any reason without fault on its part be required to change, subsequent to the commencement of preclosings for the Project, any closing statement or document previously approved as to form and figures by Developer, Developer agrees to pay additional costs of third parties to this Agreement that are incurred by Escrow by reason thereof and an additional charge for each such statement or document which is changed; provided that such additional charge shall not exceed \$10.00 per statement or document changed. The compensation of Escrow for acting hereunder shall become due and payable with respect to such unit upon the first to occur of the following events:

(1) the transfer to the purchaser of legal title to the apartment; or (2) final disbursement of the funds held in connection with such apartment to Developer.

16. Application and Succession. This Agreement shall be binding upon, shall apply to and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, devisees, successors and assigns, and shall, upon its acceptance by a given purchaser (which shall automatically occur upon execution of the Sales Contract by the purchaser), also be binding upon and inure to the benefit of such purchaser, or his or her heirs, personal representatives, devisees, successors and permitted assigns.

17. Termination. This Agreement may be terminated by either party hereto upon fifteen (15) days' written notice to the other; provided, however, that all transactions in progress hereunder at the time of such termination shall be completed under the terms of this Agreement. Upon such termination, Escrow shall make no disbursements of funds held hereunder (except with respect to transactions completed after the termination hereof, as provided in the proviso in the preceding sentence) except disbursements to another escrow depository which has entered into an escrow agreement which complies with the requirements of the Condominium Act with respect to escrow arrangements for the deposit and disbursement of purchaser's funds. In any event, this Agreement shall terminate upon the filing and delivery of all pertinent documents relating to the Project and final disbursement of all funds deposited in Escrow hereunder.

18. Subordination. This Agreement is, in all of its provisions, to be deemed and interpreted as supplementary and subject to the provisions of the Condominium Act, as amended, and if any conflict should arise between the provisions of this Agreement and the provisions of the Condominium Act, the provisions of the latter shall control.

19. Notices. Except as otherwise specifically provided herein or by law, notices hereunder by Escrow to a purchaser shall be deemed to be delivered upon delivering the notice in writing personally to the purchaser or within seventy-two (72) hours (or ninety-six (96) hours if mailed to an address outside of the State of Hawaii), excluding intervening Sundays and federal holidays, after depositing the notice in the United States mail, by certified mail, postage prepaid, address to the purchaser at the address set forth in his or her Sales Contract, or any address later made known to Escrow by the purchaser.

20. Assignment. Escrow may not assign its rights or delegate its duties under this Agreement without the prior written consent of Developer or Developer's mortgagee.

21. Definitions.

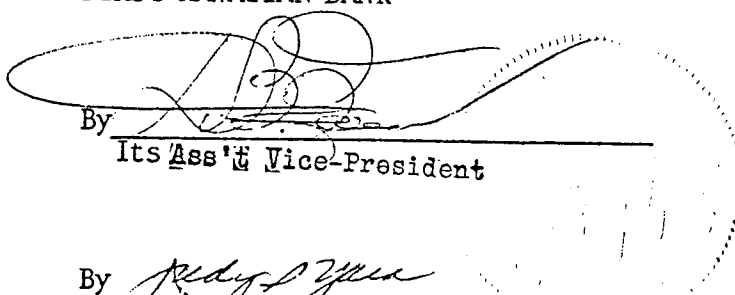
(a) The term "recording", "filing" and similar references as used herein means filing in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as may be necessary or appropriate to effectuate the conveyance of title to the unit and appurtenant common interest to the purchaser.

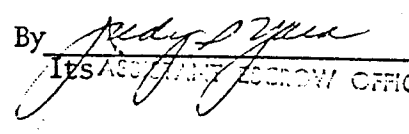
(b) The term "completion of construction" as used herein shall mean completion evidenced by the issuance of certificates of occupancy for the buildings in the Project by the City and County of Honolulu, unless such meaning is contrary to the definition of said term as set forth in Section 514A-3 of the Condominium Act, in which case the latter definition shall be deemed the meaning of said term.

22. Applicable Law. This Agreement shall be governed and construed in accordance with the laws of the State of Hawaii.

IN WITNESS WHEREOF, the parties hereto have executed these presents the day and year first hereinabove written.

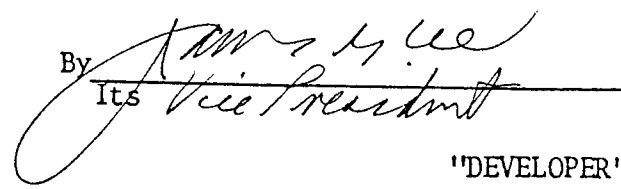
FIRST HAWAIIAN BANK

By 
Its Ass't Vice-President

By 
ITS ASSISTANT ESCROW OFFICER

"ESCROW"

JAMES K. SCHULER & ASSOCIATES, INC.

By 
Its Vice President

"DEVELOPER"


RIDER TO THE VILLAGES AT WAIPIO PHASE II
ESCROW AGREEMENT RE PURCHASERS
FINANCING BY A VA GUARANTEED LOAN

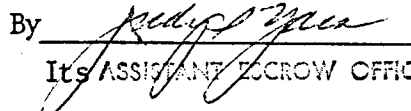
Notwithstanding anything to the contrary stated in or inferable from any Sales Contract or other provisions of the Escrow Agreement, it is mutually agreed that:

1. Interest. All interest, if any, earned or paid on account of monies paid into escrow by a veteran intending to finance his or her purchase by way of a VA guaranteed loan, shall be paid to such veteran.

2. Return of Escrow Proceeds. Whenever escrow proceeds are to be returned to a veteran intending to finance his or her purchase by way of a VA guaranteed loan, such proceeds shall include all interest, if any, on monies paid into escrow by such veteran.

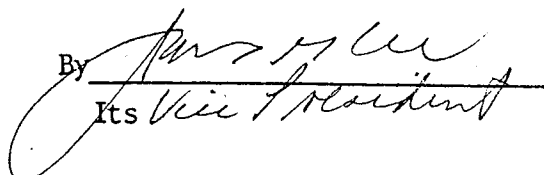
FIRST HAWAIIAN BANK

By 
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"ESCROW"

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By 
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"DEVELOPER"



THE VILLAGES AT WAIPIO PHASE II
RULES AND REGULATIONS

The primary purpose of these Rules and Regulations ("Rules") is to protect all occupants from annoyance and nuisance caused by improper use of the condominium apartments and also to protect the reputation and desirability thereof by providing maximum enjoyment of the premises. These Rules may be amended by the Board of Directors (the "Board") of the Association of Apartment Owners (the "Association"), as provided in the By-Laws of the Association.

The full authority and responsibility for enforcing these Rules may be delegated to a managing agent by the Board. All occupants and owners shall be bound by these Rules and by standards of reasonable conduct whether covered by these Rules or not; provided, however, neither the Board nor the Managing Agent shall be responsible for any noncompliance or violation of these Rules by the occupants.

I. OCCUPANCY OF APARTMENTS

1. Number of Occupants. Occupancy is limited to no more than two persons per bedroom contained in each apartment, excluding children under the age of five (5), except that in no event and under no circumstances shall the number of occupants per bedroom contained in each apartment exceed three (3) per bedroom inclusive of children under the age of five (5).

2. Absent Owner. Owners shall be responsible for designating a local agent to represent their interest if they will be absent from the apartment for more than thirty (30) days. Such owners shall file with the Managing Agent their out-of-town address and telephone number and the address and telephone number of their agent. At his or her expense, each such owner shall have his or her agent, friend or maid conduct periodic inspections of the closed apartment, assuming responsibility for the contents of the apartment.

3. Pets. No livestock, poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the Project except that dogs, cats or other household pets in reasonable number may be kept by the apartment owners and occupants in their respective apartments but shall not be kept, bred or used therein for any commercial purpose not allowed on any common elements except in transit when carried or on leash, provided that any such pet causing a nuisance or unreasonable disturbance to any other occupant of the project shall be permanently removed therefrom promptly upon notice given by the Board or Managing Agent. Owners shall be responsible for the immediate and proper disposal of all fecal matter of their pets. Members or tenants of any apartment keeping a pet are required to register their pet with the Board or Managing Agent. Pet owners shall indemnify the Association and hold it harmless against any loss or liability of any kind arising from such pet.

4. Water Facilities. Toilets, sinks, and other water apparatus in the project shall not be used for any purpose other than those for which they were designed, nor shall any sweepings, rubbish, rags or other articles be thrown into them. Any damage anywhere resulting from misuse of any toilets, sinks or other water apparatus in an apartment shall be repaired and paid for by the owner of such apartment.

5. Water Beds. There shall be no water beds of any nature allowed in any apartment of the project without prior written approval of the Board. All Members and tenants who wish to install a water bed must first supply to the Board written evidence of adequate liability insurance coverage listing

the Association as an additional insured and must display physically to the Board or Managing Agent a waterproof tank in which the water bed will rest.

6. Use by Owner's Co-Occupants; Children. Subject to the terms of these Rules, the Apartment Deed, and the Declaration and the By-Laws of the Association, an apartment owner may lease and permit occupancy of his or her apartment by family members, tenants, domestic servants or guests, but the persons or persons occupying the apartment shall abide by these Rules, and the owner shall assume responsibility for the conduct of all occupants. Each owner shall be responsible for the conduct of his or her children at all times, ensuring that their behavior is neither offensive to any occupant of the premises nor damaging to any portion of the common elements.

7. Conduct of Co-Occupants. Every apartment owner shall, upon request of the Board of Directors, or Managing Agent, immediately abate and remove, at his or her expense, any structure, thing or condition that may exist with regard to the occupancy of his or her apartment by his or her permitted occupants contrary to the interest and meaning of the provisions hereof; or, if the apartment owner is unable to control the conduct of his or her permitted occupants to conform with the interest and meaning of the provisions hereof, he shall, upon request of the Board of Directors or Managing Agent, immediately remove such occupants from the premises, without compensation for lost rentals or any other damage of whatever nature resulting therefrom.

II. COMMON AREAS, ENTRANCES AND LANAIS

1. Obstructions; Uses. Common areas, including the sidewalks, exterior stairways, landings and other passages, if any, must not be obstructed or used for any purpose other than ingress and egress, or for the appropriate use designated. Common elements not intended for recreational use shall not be used for recreational activities of any kind. Parents or legal guardians are responsible for the appropriate supervision of minors at all times.

2. Dusting or Shaking Objects on Common Areas. No rugs or other objects shall be dusted, shaken or cleaned on any part of the common elements (including limited common elements) or lanais. This is not meant to hamper the ability of owners to wash their vehicles as provided for elsewhere in these Rules.

3. Trash Disposal. Garbage, rubbish and other trash shall be disposed of only in receptacles and areas provided therefor. Trash containing food shall be securely wrapped before being placed in a receptacle.

4. Aesthetics. No unsightliness within the public view is permitted on the premises, and nothing shall be hung from windows, lanais, fences, exterior stairways and landings. For this purpose, "unsightliness" indicates but is not limited to the following: litter, trash containers, except as specifically provided, inappropriate, broken, scarred, or offensively ugly furniture or plants; non-decorative gear, equipment, cans, bottles, ladders, trash boxes, barrels, etc.; or unshaded or improperly shaded lights that create objectionable glare; untrimmed grass and/or other plant life. No shades, awnings or window guards shall be used, except as shall be approved by the Board. This rule does not prohibit displaying appropriate banners commemorating holidays or festivals from lanais and windows on holidays.

5. Personal Property. No items of personal property, including baby carriages, velocipedes, bicycles or surfboards shall be left or allowed to stand on any of the common areas. Articles of any kind left in any of the common areas will be removed at the owner's risk and expense at the direction of the Board.

6. Signs. No apartment owner will erect, affix or place any signs, electrical or otherwise, nor post or suffer to be posted any bills or other

advertising matter, in front of or on the common elements or visible from any point outside of his or her apartment except in accordance with the Declaration, By-Laws, these Rules and/or other lawful determinations of the Association; except owners may put their names in places provided therefor and on their mailboxes.

7. No Interference. Owners and occupants shall not interfere any manner with the common utilities, facilities and apparatus. Any furniture place in the common areas is for use in those specific areas and must not be moved therefrom.

8. Recreation Areas. It is understood that any Member or his or her tenant may use any recreational facilities so provided, individually or together with other Members or tenants. However, each Member or tenant shall assume all risk of personal injury or property damage that may result from the use of said recreational areas by the Member or tenant or the Member's or tenant's family, guests, or invitees. A guest of any Member or tenant may use such facilities only when accompanied by such Member or tenant.

9. Parking.

a. Filing of Information. Occupants shall file their name, address, phone number, signature and automobile model, make and license number with the Managing Agent or Resident Manager prior to taking occupancy of the apartment.

b. Washing of Vehicles. Occupants may only wash automobiles or motorcycles in the area specifically designated for such use. Residents shall clean such areas before leaving.

c. Maintenance of Spaces. Members are responsible for the cleanliness of their respective spaces, including the removal of any grease build-up. No personal items, such as lumber, furniture or crates, shall be permitted in the parking spaces.

d. Observance of Signs. Drivers are expected to observe traffic signs for the safety of all.

e. No Impeding of Access. No vehicles belonging to a Member or to a member of the family, a guest, tenant or employee of a Member shall be parked in such manner as to impede or prevent ready access to any entrance or to any exit from the project by another vehicle.

f. Parking in Proper Place. Parking spaces are assigned to specific apartments for their exclusive use. Cars parked in unauthorized spaces (which include cars not parked entirely within an assigned space) may be towed away at their owner's expenses. Vehicles belonging to guests shall be parked only in the spaces marked guest parking. Use of visitor parking spaces by residents having regularly assigned spaces is permitted with special permission from the Managing Agent or Resident Manager. No overnight parking is allowed in the guest parking spaces, except by special arrangement and registration with the Managing Agent or Resident Manager.

g. Condition of Vehicles. No major repairs to automobiles or motorcycles are permitted in the project. No racing of motors is permitted and all automobiles and motorcycles must be equipped with quiet mufflers. All cars parked in the project must be in operating condition with current vehicle license and safety stickers required by law. Nonmotorized vehicles (e.g., bikes and skateboards) shall not utilize the parking areas or driveways.

h. Towing of Vehicles. The Managing Agent or Resident Manager is authorized to tow away any vehicle or equipment at the owner's expense in the event these Rules and Regulations are violated.

III. NOISE, NUISANCES AND HARZARDS

1. No Nuisances. No nuisances shall be allowed on the premises nor shall any use or practice be allowed which is improper or offensive in the opinion of the Board or in violation of the By-Laws or these Rules or which unreasonably interferes with or is an unreasonable annoyance to the peaceful possession or proper use of the premises by other occupants.

2. No Disturbances. All occupants shall avoid excessive noise of any kind at any time and shall be considerate of other occupants of the premises at all times. Occupants shall not cause or permit any disturbing noise or objectionable odors to emanate from their respective apartments.

3. No Hazardous Activites or Materials. No activity shall be engaged in and no substance introduced into or manufactured within any apartment which might result in violation of the law. No activity shall be engaged in and no substance introduced into or manufactured within any apartment which might result in the cancellation of insurance or increased in the insurance rate on the premises (unless in case of such increase, the apartment owner responsible for such increase shall pay the same). Unless the Board gives advance written consent in each and every instance, occupants shall not use or permit to be brought into any building any flammable oils or fluids such as gasoline, kerosene, naptha or benzine, or other explosives or articles deemed extra hazardous to life, limb or property.

4. Removal of Items. Any unsightly or disturbing items or items creating a fire hazard within any apartment or the common elements shall be removed upon the request of the Board or the Managing Agent.

5. No Fireworks. No fireworks of any sort shall be set off in any part of the project.

6. Open Flame Cooking. Cooking over an open flame with charcoal grills and hibachis is not permissible within the apartment or on common areas, except on lanais, private patios or yard areas or in such portion of the common elements as may be designated for such activities.

7. No Speeding. Speeding will not be permitted on the premises. Appropriate action will be taken by the Board pursuant to the letter of the law.

IV. BUILDING MODIFICATIONS

1. No structural changes of any type shall be permitted either within or without an apartment except in acordance with the Declaration and By-Laws. No additions or alterations to the original design of the apartment which are visible from the exterior of any building will be permitted, except in accordance with the Declaration and By-Laws.

2. Every owner shall perform promptly all repair, maintenance and alteration work within and without his or her apartment, including the lanais and limited common elements, the omission of which would adversely affect any common element or any other apartment, and shall be responsible for all loss and damage caused by his or her failure to do so.

3. All interior walls, partitions, and the inner decorated or finished surfaces of the perimeter walls, floors, and ceilings and all internal installations within each apartment such as water, light, gas, power, sewage, telephone, air conditioning, sanitation, doors, windows, lamps and all other fixtures and accessories belong to such apartment, including waterheaters located outside of any apartment and all limited common elements to any apartment shall be at the apartment owner's expense.

4. It is intended that the buildings shall present a uniform appearance and, to effect that end, the Board may require the painting of exterior walls of all or part of any building and regulate the type and color of paint to be used. The Board is authorized to contract for said painting and to make payment therefor out of the maintenance fund in the case of common elements or limited common elements and in the case of individual apartments, the Board shall charge such sums to said apartment.

5. Nothing shall be allowed, done or kept in any apartment or common element which will cause any increase in the ordinary premium rates or the cancellation or invalidation of any insurance maintained by or for the Board with respect thereto, nor shall any noxious or offensive activity or nuisance be made or suffered thereon.

V. GENERAL RULES AND REGULATIONS

1. Employees of the Association.

a. The maintenance employees, if any, will use every effort to police the grounds effectively. Nonetheless, these employees are not available on a 24-hour daily basis, and much of their work time must be devoted to maintenance and repair, etc. Accordingly, and in the common interest, every occupant is to do his or her part and to use his or her influence on all members of his or her household to do their part towards abating unsightliness on the premises to the fullest practicable extent.

b. Maintenance employees of the Association are under the sole direction of the Managing Agent; and during the prescribed hours of work they shall in no case be diverted to the private business or employment of any occupant.

c. No employee shall be asked by an occupant to leave the common elements.

d. Cleaning of apartments, including all windows and exterior glass, lanais and limited common elements, is a responsibility of the respective apartment occupants.

2. No Solicitation. No solicitation or canvassing will be allowed in or on the common areas at any time.

3. Access to Apartments. The Managing Agent is not required to give access to apartments without the written permission of a responsible owner.

4. Registration of Occupants. Occupants shall file their name, address and phone number and signature with the Managing Agent upon purchasing and/or taking occupancy of an apartment, and shall furnish the Board and/or the Managing Agent with such other reasonable information as shall be requested from time to time.

5. Compliance. Each owner shall observe and perform these Rules and ensure that all occupants also observe and perform these Rules. In the event expenses are incurred due to violation of these Rules, the owner shall be responsible for payment of same, including reasonable attorneys' fees.

6. Each apartment owner will at all times during said term keep his or her apartment and (by the Association) all common elements in a strictly clean and sanitary condition, and will observe, perform and abide by all laws, ordinances, rules and regulations now or hereafter made by any governmental authority and all restrictions, covenants, conditions and provisions of the Declaration and amendments to it, and all By-Laws, rules, regulations,

agreements, decisions and determinations duly made by the Association during the period that the same are applicable to the premises or use thereof.

VI. VIOLATIONS OF THESE RULES.

1. Reporting Violations and Damages.

a. All corrective actions regarding violations of the Rules and damages to the common elements or common areas will be enforced by the Board and shall be reported promptly to the Board of the Managing Agent.

b. Damages to common elements or common areas shall be surveyed by the Board of the Managing Agent at the direction of the Board and the cost of repair or replacement and any legal fees incurred may be assessed by the Board against the person or persons responsible, including, but not limited to, against owners or occupants for damages caused directly or indirectly by their guests.

2. The Violation of Any Rules Adopted by the Association Shall Give the Board or Its Agents Right To:

a. ENTER THE APARTMENT IN WHICH, OR AS TO WHICH, SUCH VIOLATION OR BREACH EXISTS AND TO SUMMARILY ABATE AND REMOVE, AT THE EXPENSE OF THE DEFAULTING APARTMENT OWNER, ANY STRUCTURE, THING OR CONDITION THAT MAY EXIST THEREIN IN VIOLATION OF THESE RULES AND REGULATIONS, THE BY-LAWS OR THE DECLARATION; AND THE BOARD SHALL NOT THEREBY BE GUILTY OF ANY TRESPASS: PROVIDED, HOWEVER, THAT NOTWITHSTANDING THE FOREGOING, THE BOARD SHALL HAVE SUCH RIGHT OF ENTRY ONLY IN THE INSTANCE WHERE SUCH VIOLATION OR BREACH THREATENS AN IMMEDIATE, SUBSTANTIAL AND UNDENIABLE THREAT TO LIFE, LIMB OR PROPERTY OF ANY APARTMENT OWNER, MEMBER OF HIS FAMILY, TENANT, GUEST, LICENSEE OR INVITEE; OR

b. TO ENJOIN, ABATE OR REMEDY BY APPROPRIATE LEGAL PROCEEDINGS, EITHER AT LAW OR IN EQUITY, THE CONTINUANCE OF ANY SUCH BREACH, AND ALL COSTS THEREOF, INCLUDING ATTORNEYS' FEES, SHALL BE BORNE BY THE DEFAULTING APARTMENT OWNER.

VII. AMENDMENTS

These Rules may be amended only by a majority vote of the owners at a meeting of owners duly called and held in the manner provided for in the By-Laws or by a majority vote of the Board at a duly called meeting.

CERTIFICATE OF ADOPTION

The Developer acting as the initial Association hereby adopts the foregoing as the Rules and Regulations of the Association of Apartment Owners of The Villages at Waipio Phase II this 17th day of January, 1986.

JAMES K. SCHULER & ASSOCIATES, INC.

By James K. Schuler
Its PRESIDENT



We hereby certify that this is a true copy of the original
 filed as Land Court Document No. 1363616 and /or
 recorded in Liber _____ on Page _____
 on APR 09 1986 @ 8:11am

RECORDATION REQUESTED BY:

TITLE GUARANTY OF HAWAII, INCORPORATED
 By Danna Bourgeois

AFTER RECORDATION, RETURN TO:

RETURN BY: MAIL () PICKUP ()

DECLARATION OF HORIZONTAL PROPERTY REGIME:
THE VILLAGES AT WAIPIO PHASE II

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- Exhibit "A" Legal Land Description of Lot 11023
- Exhibit "B" Description of Condominium
- Exhibit "C" Common Interests
- Exhibit "D" Legal Land Descriptions of Lot 11025, Lot 11024, Lot 11021 and Lot 11022
- Exhibit "E" Regulatory Agreement

DECLARATION OF HORIZONTAL PROPERTY REGIME:

THE VILLAGES AT WAIPIO PHASE II

This Declaration is made by James K. Schuler and Associates, Inc. (the "Declarant"), which is the owner of the Land referred to later in this document.

1. Submittal of Property; Establishment and Name of Condominium; and Declarations.

1.01 In order to create a condominium project consisting of certain land and improvements pursuant to Chapter 514A, Hawaii Revised Statutes, as amended (the "Condominium Act"), the Declarant does hereby submit the Land and all improvements and appurtenances to the Land (the "property") and all of its estate, right, title and the interest therein to the Horizontal Property Regime (the "Condominium") established by this document.

1.02 The name of the Condominium is "The Villages at Waipio Phase II".

1.03 In furtherance thereof, the Declarant does hereby make the following declarations as to divisions, limitations, restrictions, covenants and conditions for the Condominium, and does hereby declare and agree that the property is held and shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied and improved subject to the declarations, restrictions and conditions set forth in this document and in the By-Laws (the "By-Laws"), which are to be duly recorded or officially filed of record in the State of Hawaii ("recorded") concurrently with this document (or nearly so), as each of them may from time to time be amended. Said declarations, restrictions and conditions are and shall constitute equitable servitudes and liens and covenants running with the land; are intended to create mutual servitudes upon each apartment within the Condominium and to create reciprocal rights between the respective owners of the apartments in the Condominium ("Apartment Owners" or simply "Owners"); and are and shall be binding on and inure to the benefit of the Declarant, its successors and assigns, and all subsequent owners and lessees of all or any part of the property, and their respective successors, heirs, personal representatives and assigns.

1.04 The Condominium is the second phase of an overall development plan that is stated and provided for later on in this document. While the Declarant reserves the right to develop other phases and merge each phase with this Condominium, the Declarant gives no promise, representation or other assurance that any other phase will be developed, or, if developed, that any other phase will be merged with the Condominium.

2. Land Description. The real property (the "Land") submitted in fee simple to the Condominium is described in Exhibit "A" attached hereto and by this reference made a part hereof.

3. Description and Division of the Buildings, Improvements and Apartments.

3.01 The buildings and improvements of the Condominium are in accordance with the plans recorded, together with this document, as Condominium File Plan No. 587, as the same shall from time to time be lawfully amended (the "Condominium Map"), and are also described in Exhibit "B" attached hereto and by this reference made a part hereof.

3.02 The Condominium is thus divided into 64 fee simple condominium apartment estates, which are also further described in said Exhibit "B". The term "apartment" as used in this Declaration shall mean and include each of the apartment units as so described and as shown on the Condominium Map, and, unless contrary to the context thereof, the common interest, limited common elements and other easements appurtenant thereto.

3.03 Should the descriptions and divisions set forth in said Exhibit "B" conflict with the depictions and divisions shown on the Condominium Map, the latter shall control; provided, further, that the Condominium Map is intended to show only the layout, location, apartment numbers and dimensions of the apartments, and is not intended and shall not be deemed to contain any other representation or warranty.

3.04 The perimeter of each of the apartments is established by the floor area computed in accordance with Rule 16-107-6 of the Rules Relating to Horizontal Property Regimes promulgated by the Real Estate Commission, as the net living area of the enclosed portion of the apartment measured from the interior surface of the apartment perimeter walls, plus lanai area. Each unit includes all walls, partitions, floors, ceilings and other improvements within this perimeter; the adjacent lanai shown on the Condominium Map; all air space within the perimeter (plus the lanai); all appliances originally furnished with each apartment; pipes, plumbing, wires, conduits or other utility or service lines serving on that apartment; the interior decorated or finished surfaces of the perimeter walls, floors and ceilings; and all glass, windows and window frames, doors and door frames along the perimeter and lanai railings (if any). But each apartment does not include any common elements in it (which are listed later).

4. Common Elements. The common elements will include all portions of the land and improvements, other than the apartments, including the buildings and all elements mentioned in the Condominium Act as common elements which are actually constructed on the Land. The common elements shall include, but are not limited to:

4.01 The Land in fee simple.

4.02 All foundations, floor slabs, columns, girders, beams, supports, load-bearing walls, main walls, interior walls separating adjacent apartments in the same building (except the inner decorated surfaces of such walls), and roofs of the building; all exterior stairs, stairways, landings, and railings (except lanai railings); and other building appurtenances, including but not necessarily limited to, the electrical cabinets and compartments for waterheaters located on the exteriors of the buildings.

4.03 All yards, grounds, landscaping, fences, and refuse areas and facilities.

4.04 All sidewalks, pathways, parking areas, parking stalls, driveways and roads within the Condominium.

4.05 All ducts, electrical equipment, transformers, wiring and other central and appurtenant installations including power, light, water, sewer, gas and telephone, if installed; all pipes, plumbing, wires, conduits or other utility or service lines which are utilized by or serve more than one apartment, including those which run through any apartment; and central air conditioning and like utilities, if installed.

4.06 All the benefits, if any, inuring to the Land or the Condominium of: (a) all easements shown on the Condominium Map or listed in said Exhibit "A", and (b) the covenants, agreements, obligations, conditions, exceptions, reservations, easements, rights, and other matters and provisions of the Declaration for Joint Use referred to in said Exhibit "A" (the "Declaration for Joint Use"). [Note: One benefit provided for in the Declaration for Joint Use is the right to use certain recreation facilities located in Phase I mentioned later in paragraph 19. The Association will have to pay, as a common expense, a share of the costs and expenses related to these facilities, as also provided for in the Declaration for Joint Use. However, this right to use is subject to the Declarant's rights set forth in the Declaration of Horizontal Property Regime and By-Laws for said Phase I, including, but not limited to, the exclusive right to use the "Sales Center" until no later than July 1, 1987.

4.07 All other portions of the property not specifically heretofore designated as apartments, but which 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 Condominium.

As used herein, unless clearly repugnant to the context thereof, the term "common elements" also means and includes the limited common elements described later on in this Declaration.

5. Limited Common Elements. Certain parts of the common elements, called "limited common elements", are set aside and reserved for the exclusive use of certain apartments. The limited common elements thus set aside and the apartments to which they are appurtenant are set forth in said Exhibit "B". Each Owner is responsible for keeping the limited common elements appurtenant to his or her apartment in good order and condition and for performing all maintenance and repair, at his or her expense, or, if any limited common element is appurtenant to two or more apartments, at the joint and several expense of the respective Owners thereof.

6. Easements. The apartments and common elements shall also have and be subject to the following easements:

6.01 Each apartment shall have appurtenant thereto non-exclusive easements in the common elements designed for such purposes for ingress to, egress from, and support, maintenance and repair of such apartment; in the other common elements for use according to their respective purposes, subject always to the exclusive use of the limited common elements as provided herein; and in all other apartments and limited common elements of the building for support.

6.02 If any portion of the common or limited common elements encroaches upon any apartment or limited common element, or if any apartment encroaches upon any other apartment, or any portion of the common or limited common elements as the result of the construction, reconstructions, repair, shifting settlement or movement of any portion of the improvements, a valid easement for such encroachment and for the maintenance thereof, so long as it continues, does and shall exist. If any building or any other improvement shall be partially or totally destroyed and then rebuilt, minor encroachments by any portion of the common or limited elements upon any apartment or limited

common element or by any apartment upon any other apartment or common or limited common elements due to construction shall be permitted, and valid easements for such encroachments and for the maintenance thereof shall exist.

6.03 The Association of Apartment Owners (the "Association") shall have the right, to be exercised by its Board of Directors (the "Board") or the agent engaged by the Association to manage the Condominium (the "Managing Agent"), to enter each apartment and the limited common elements from time to time during reasonable hours upon prior written notice as may be necessary for access to any common elements located in such apartment, and for the operation (including but not limited to improvement, repair, maintenance and repair) of the Condominium, and at any time for making emergency repairs therein necessary to prevent damage to any apartment or common or limited common element.

6.04 Each Apartment Owner shall have an easement in common with the Owners of all other apartments to use all pipes, wires, ducts, cables, conduits, public utility lines, if any, and other common elements, located in any of the other apartments and serving his or her apartment. Each apartment and the limited common elements shall be subject to an easement in favor of the Owners of all other apartments to use any such common elements serving such other apartments and located in such apartment or limited common element.

6.05 The Declarant hereby reserves the right, for itself and its successors and assigns, to designate and to grant to any public or governmental authority rights-of-way and other easements which are for the sole benefit of the Condominium, or which do not materially and adversely interfere with the use, nor materially and adversely impair the value of the Condominium or any apartment in it, over, across, under and through the common elements and limited common elements for lines and other transmission facilities and appurtenances for electricity, gas, telephone, water, sewer, drainage, and other public services and utilities, and rights to enter for the purpose of installing, repairing, altering and removing such lines and facilities and of trimming any trees in the way thereof; provided, the Association, through the Board, and with the consent and agreement of the holders of any then existing easements affected thereby, is authorized to grant, convey, transfer, cancel, relocate and otherwise deal with any and all such public services and utilities easements now or hereafter located on or affecting the Condominium without requiring any consideration therefor. To the extent that joinder of any Apartment Owner and lien holder or other person who may have any interest in the Land or the Condominium or any apartment in it may be required in order to validate any act or thing done pursuant to the foregoing reservation, such joinder shall be accomplished by power of attorney from each of the Owners, lien holders or other such parties, the acquiring or acceptance of ownership in an apartment or of a lien covering an apartment or any other interest in the Condominium or Land subject to this Declaration being a grant of such power and the grant being coupled with an interest, being irrevocable.

6.06 The Declarant hereby reserves the right, for itself and its successors and assigns, to conduct extensive sales activities on the Condominium, including without limitation: (a) the use of any apartments owned by the Declarant as model apartments and sales and management offices, and (b) the use of such apartments and the common elements (excluding limited common elements appurtenant to other apartments) for extensive sales displays and activities. Such sales activities are to be conducted in an unobtrusive manner which will not unreasonably interfere with the use, possession, and aesthetic enjoyment of the Condominium by the other Apartment Owners. Said rights of the Declarant shall last until the earlier of: (1) July 1, 1992, or (2) the date the last apartment in the Condominium and in any other

phases or increments that may be developed on the land described in Exhibit "D" attached hereto, is sold and recorded.

Without limiting the generality of the foregoing, such rights shall inure to the benefit of the Declarant's mortgage lender for not only the Condominium but also for any of the land referred to in said Exhibit "D" (or for any development thereof), and to any successor or assignee of every such lender, and to any person acquiring any portion of the Condominium or such other land or development in the course of any foreclosure or other legal proceedings or in the exercise of mortgage remedies or by assignment in lieu of foreclosure.

6.07 The Declarant, its agents, employees, contractors, licensees, successors and assigns shall have an easement over and upon the Condominium as may be reasonably necessary for the completion of improvements to and correction of defects in the Condominium. This easement shall terminate thirty (30) months after the later of: (a) the "as built" verified statement required by Section 514-12 of the Condominium Act is duly recorded in the State of Hawaii, or (b) the "date of completion" as defined in Section 507-43(f), Hawaii Revised Statutes, as amended, of the improvements for which provision is made in this Declaration.

6.08 The Declarant shall restore the common elements damaged by any exercise of the rights referred to in subparagraphs 6.06 and 6.07 to their condition immediately prior to such exercise.

6.09 The Apartment Owners shall also have a non-exclusive easement shared with all members of the Gentry-Waipio Community Association to use those certain common areas of the Gentry-Waipio Community Area as shall be designated from time to time pursuant to the Master Declaration referred to in said Exhibit "A" (the "Master Declaration"), subject to the provisions of the Master Declaration.

7. Common Interest, Share of Common Profits and Expenses, and Voting.

7.01 The undivided percentage interest in the common elements (the "common interest") appurtenant to each apartment is described in Exhibit "C" attached hereto and by this reference made a part hereof.

7.02 However, upon the merger of one or more additional phases, the common interest for each apartment shall change in accordance with paragraph 19 in this document regarding phased development and merger of phases and with said Exhibit "C".

7.03 The common interest for each apartment is based upon the net living area in square feet for that apartment, plus the lanai area, divided by the total net living area, plus lanais, of all apartments, rounded off so that the total of all common interests shall equal 100%. Upon any merger, the common interest for each apartment will likewise be based upon the net living

area, plus lanai, of each apartment divided by the total net living area, plus lanais, of all apartments in the merged phases, rounded off so that the total of all common interests shall equal 100%.

7.04 Each apartment shall have said percentage of common interest in all common profits and expenses of the Condominium, and for all other purposes including voting (but all costs and expenses of limited common elements to the extent incurred by the Association may be charged in a different manner, as set forth later in this document). Thus, the terms "majority" or "majority of Apartment Owners" as used in this document mean the Owners of apartments to which are appurtenant more than fifty percent (50%) of the common interests, and any specified percentage of the Apartment Owners means the Owners of apartments to which are appurtenant such percentage of the common interest.

8. Alteration and Transfer of Interests.

8.01 Except as expressly provided in paragraph 7.02, in the other parts of this document referred to in paragraph 7.02, and in paragraph 8.02: The common interest in the common elements and the limited common elements and easements appurtenant to each apartment shall have a permanent character; shall not be altered without the consent of all of the Apartment Owners affected thereby and their mortgagees, expressed in an amendment to this Declaration duly recorded; shall not be separated from the apartment to which they appertain.

8.02 As long as at all times (or immediately subsequent to an exchange of parking stalls as provided for in this paragraph), there is at least one parking stall appurtenant to each apartment as a limited common element, as permitted by Section 514A-14, Apartment Owners (including the Declarant) shall have the right to change the designation of parking stalls appurtenant to their respective apartments as limited common elements by a written document expressly providing that: (a) the document is an amendment to this Declaration as well as a amendment to the apartment deed whereby each such Owner or Owners (other than the Declarant) acquired their title to the Apartments involved; and (b) the identification of the parking stall being transferred, the apartment to which the parking stall is appurtenant prior to the transfer, and the apartment to which the parking stall is being transferred and to which it will become appurtenant as a limited common element. Said document must be executed only by the Owner or Owners directly affected and their respective mortgagees, if any, and shall be effective upon recording. A copy of said document shall be given to the Association within 15 days of the recording thereof. To the extent that the joinder of any other Apartment Owner, lien holder, or other person who may have an interest in the Land or the Condominium or any apartment in it may be required in order to validate such transfer of parking stalls pursuant to this paragraph 8.02, such joinder shall be accomplished by power of attorney to the Apartment Owners directly affected from each of such other Owners, lien holders and other persons, the acquiring or accepting of ownership in an apartment or a lien covering an apartment or any other interest in the Condominium or Land subject to this Declaration being a grant of such power and the grant being coupled with an interest, being irrevocable.

8.03 The common interest in the common elements and the limited common elements and easements appurtenant to each apartment shall be deemed to be conveyed, leased or encumbered with such apartment even though such common interest and limited common elements easements are not expressly mentioned or described in the conveyance or other instrument.

8.04 The common elements shall remain undivided, and no right shall exist to partition or divide any portion thereof except as provided in the Condominium Act.

9. Purposes and Uses.

9.01 Subject to the rights reserved by the Declarant in other parts of the Declaration or in the By-Laws: Each of the apartments are intended for and shall be restricted to the following purposes as to uses, which, together with the restrictions stated in the By-Laws and in the Rules and Regulations, are intended and shall be deemed to be cumulative.

(a) The apartments shall be occupied and used only for residential purposes and no apartment shall be used as a tenement or rooming house or for or in connection with the carrying on of any business, trade or profession whatsoever. The apartments shall not be rented (a) for any period less than thirty (30) days; or (b) in any manner by which the occupants of the apartment are provided customary hotel or like services, such as room service for food and beverage, maid service, laundry and linen service, or bellboy service. Other than the foregoing obligations and the restriction set forth in this subparagraph (a) and in subparagraph (b) below, the Owners shall have the absolute right to lease, provided that every lease must be made and shall be subject to the provisions of this Declaration, the By-Laws and the Rules and Regulations referred to in the By-Laws.

(b) The apartments in the project or any interest therein shall not be sold, transferred, conveyed, leased, occupied, rented or used for or in connection with any timesharing purpose or under any timesharing plan, arrangement or program, including without limitation any so-called "vacation license", "travel club membership" or "time-interval ownership" arrangement. The term "timesharing" as used herein shall be deemed to include, but is not limited to, any plan, program or arrangement under which the right to use, occupy, own or possess an apartment or apartments in the project rotates among various persons on a periodically recurring basis according to a fixed or floating interval or period of time, whether by way of deed, lease, association or club membership, license, rental or use agreement, co-tenancy agreement, partnership or otherwise.

9.02 Subject to the rights reserved by the Declarant and other parts of the Declaration or in the By-Laws, and subject also to the exclusive use of the limited common elements as provided in this Declaration: Each Apartment Owner may use the common elements in accordance with its purpose for which they were intended without hindering or encroaching upon the lawful rights of the other Apartment Owners, subject to the right of the Board:

(a) Upon the approval of 75% of the Owners, to change the use of the common elements;

(b) On behalf of the Association to lease or otherwise use for the benefit of the Association those common elements which are not actually used by any of the Apartment Owners for the originally intended special purpose, as determined by the Board; provided that unless the approval of 75% of the Owners is obtained, any such lease shall not have a term exceeding 5 years and shall contain a provision that the lease or agreement for use may be terminated by either party thereto on not more than 60 days' written notice; and

(c) To lease or otherwise use for the benefit of the Association those common elements not falling within subparagraph (b) above, upon obtaining (1) the approval of 75% of the Owners, including all directly affected Owners and all Owners of Apartments to which such common elements are appurtenant in the case of limited common elements, and (2) approval of all mortgagees of record on apartments with respect to which Owner approval is required by (a) above, if such lease or use would be in derogation of the interest of such mortgagees.

9.03 The Association shall have the right and power to enact, amend and repeal rules and regulations reasonably restricting and regulating the use of the Apartments and the common elements; provided, however, such rules or regulations shall be enacted, amended, or repealed in accordance with, and shall be consistent with the terms of this Condominium Declaration and the By-Laws, the Declaration for Joint Use, and the Regulatory Agreement, if any, which the Declarant may elect to execute on behalf of the Association as provided for later on in this Declaration (the "Regulatory Agreement, if any"), and shall not be in derogation of the rights reserved by the Declarant in this Declaration or in the By-Laws.

10. Administration: Governing Documents and Law; The Association, Its Members and Certain Rights and Duties.

10.01 The administration of the Condominium shall be governed by the Condominium Act, the Condominium Declaration, the By-Laws and any rules and regulations ("Rules and Regulations") promulgated pursuant to the By-Laws, agreements, decisions and determinations lawfully made by the Association, the Board, or the Managing Agent, as all of the same may be lawfully amended from time to time, and the Declaration for Joint Use referred to in said Exhibit "A" (the "Declaration for Joint Use"). The administration of the Condominium shall also be governed by the Regulatory Agreement, if any.

10.02 The administration of the Condominium shall be vested in the Association. Apartment owners acting for any purpose in connection with the common elements or the government, operation or administration of the Condominium and in accordance with the Condominium Act, the Condominium Declaration and the By-Laws, shall be deemed to be acting as the Association.

10.03 Each Owner of an apartment upon acquiring title thereto automatically shall become a member of the Association, and shall remain a member thereof until such time as his or her ownership of such apartment ceases for any reason, at which time his or her membership in the Association automatically shall cease; provided, however:

(a) To such extent and for such purposes, including the exercise of voting rights, as shall be provided by lease filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, a lessee of an apartment shall be deemed to be the Owner thereof;

(b) The purchaser of any apartment pursuant to an agreement of sale filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, shall have all the rights of an Apartment Owner, including the right to vote, provided that the seller may retain the right to vote on "matters substantially affecting his [or her] security interest in the apartment" as that phrase is used in the Condominium Act; and

(c) In the event that an apartment is transferred to a trustee under a land title holding trust under which substantially all powers of management, operation and control of the apartment remain vested in the trust beneficiary or beneficiaries, the beneficiary or beneficiaries of any such trust shall be deemed to be the Owner or Owners of such apartment to the extent of their interests therein, except insofar as the trustee notifies the Association otherwise in writing. A transferee of the beneficial interest in such trust shall have all of the rights and duties of an Apartment Owner when notice of such transfer is given to the Association by the trustee. Unless and until such notice is given, the Association shall not be required to recognize the transferee for any purpose, and the transferor may continue to be recognized by the Association as the Owner and shall have all of the rights and obligations of ownership.

10.04 In providing such administration, the Association shall, among other things:

(a) Make, build, maintain and repair all fences, sewers, drains, roads, curbs, sidewalks, street lights, and parking areas which may be required by law to be made, built, maintained and repaired upon or adjoining or in connection with or for the use of the common elements or any part thereof.

(b) Keep all common elements of the Condominium in a strictly clean and sanitary condition, and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority during the period that they are applicable to the Condominium or the use thereof.

(c) Well and substantially repair, maintain, amend and keep all common and limited common elements of the Condominium, including without limitation the buildings thereof, with all necessary reparations and amendments whatsoever, and maintain and keep the Land and all adjacent land between any street boundary of the Condominium and the established curb or street line in a neat and attractive condition and all trees, shrubs and grass thereon in good cultivation and replant the same as may be necessary, and repair and make good all defects in the limited or common elements of the Condominium.

(d) Before commencing or permitting construction of any improvement to the common or limited common elements of the Condominium costing in excess of Twenty-five Thousand Dollars (\$25,000.00), obtain a bond or certificate thereof naming as obligees and collectively the Association, the Board, and all Apartment Owners and their respective mortgagees, as their interests may appear, in a penal sum not less than one hundred percent (100%) of the cost of such construction and with a corporate surety authorized to do business in Hawaii, guaranteeing performance of such construction free and clear of all mechanics' and materialmen's liens arising under Section 514A-16, Hawaii Revised Statutes, as amended.

(e) Not make or suffer any strip or waste or unlawful, improper or offensive use of the Condominium, nor commit any act or neglect whereby the Condominium or any part thereof at any time becomes subject to any attachment, judgment, lien, charge or encumbrance whatsoever.

(f) Observe any setback lines affecting the Land and not erect, place or maintain any building or structure whatsoever except approved fences or walls between any street boundary of the Land and the setback lines along such boundary.

(g) Observe and perform the provisions of: the Declaration for Joint Use and the Master Declaration that are applicable to the Land or the Condominium, and the Regulatory Agreement, if any.

Nothing in this paragraph 10.04 is intended or shall be deemed to relieve any Owner of his or her responsibility, pursuant to other provisions of this Declaration and the By-Laws, for limited common elements appurtenant to his or her apartment.

11. Compliance with Condominium Declaration and By-Laws, Declaration for Joint Use and Regulatory Agreement (If Any). The Association, all Apartment Owners, their tenants, families, servants and guests, and any other persons who may in any manner use the Condominium, shall be bound by and comply strictly with the provisions of this Declaration, the By-Laws, the Declaration

for Joint Use, the Regulatory Agreement (if any), and all agreements, decisions and determinations, and resolutions, rule and regulations of the Association lawfully made or amended from time to time. The failure to comply with any of the same shall be grounds for action to recover sums due, for damages or injunctive relief, or both, maintainable by the Board or the Managing Agent on behalf of the Association, or, in the proper case, by any aggrieved Apartment Owner. Nothing stated in or inferable from this Declaration or the By-laws is intended or shall be deemed to abridge the right of any aggrieved Owner or the Association to bring and maintain an action against another Owner or the Association, as the case may be, for failure to comply with the documents or law governing this Condominium.

12. Managing Agent and Service of Process. Operation of the project shall be conducted for the Association by a responsible corporate Managing Agent who shall be appointed by the Association in accordance with the By-Laws except that the initial Managing Agent shall be appointed by the Declarant. The Managing Agent is hereby authorized to receive service of legal process in all cases provided in said Condominium Act. In addition, process may be served upon any member of the Board who has a residence or place of business with the City and County of Honolulu, State of Hawaii. Any officer of the Declarant is hereby designated as the agent to receive service of process until such time as the Board is elected. The Declarant's address is: 1001 Bishop Street, Pacific Tower, Suite 1060, Honolulu, Hawaii 96813.

13. Common Expenses.

13.01 All charges, costs, and expenses incurred by the Association for or in connection with the administration of the Condominium (including, without prejudice to the generality of the foregoing, operation of the Condominium and maintenance, repair, rebuilding, and restoration of the common elements, and any additions and alterations thereto; all costs and expenses incurred pursuant to the Declaration for Joint Use; all labor, services, materials, utility services and equipment therefor; all liability whatsoever for loss or damage arising out of or in connection with the common elements, or any accident, fire, or any nuisance thereon; and all premiums for fire and extended coverage and liability insurance required herein with respect to the Condominium; and the cost of all utility services, including water, electricity and gas, garbage disposal and any other similar service unless separately metered) shall constitute common expenses for which the Apartment Owners shall be severally liable in proportion to their respective common interests; provided however, that Apartment Owners shall be charged for costs and expenses incurred with respect to limited common elements as follows: Each Apartment Owner shall be charged all costs and expenses (including, but not limited to, maintenance, repair, replacement, additions and improvements) of each limited common element appurtenant to his apartment. If a limited common element is appurtenant to two or more apartments, all of such costs shall be charged to and divided among each Owner of such of an apartment in the proportion that the common interest to his or her apartment bears to the total common interest of all such apartments. However, it is recognized that extra costs and work may be incurred to account and charge Apartment Owners separately for limited common elements; that such extra costs and work may not be justified when taking into account the amount of any such cost or expense, the difficulty of segregating such costs, the number of apartments to which similar limited common elements are appurtenant, the apparent difference in the amount of the various assessments to Apartment Owners if such cost and expenses were separately charged rather than being assessed on the basis of each apartment's common interest, and other relative factors. Accordingly, the Board may decide by resolution to assess certain types of costs and expenses of limited common elements or to assess all costs and expenses of certain similar limited common elements to all Owners in accordance with the common interest appurtenant to their respective apartments, if the Board, in its discretion, determines that such a method of assessment would, in the circumstances, be equitable; and such a determination shall be final and binding on all Apartment Owners in the absence of a clear and convincing showing of an abuse of discretion by the Board. (The preceding provisions are

not intended to and shall not relieve the Owners of their responsibilities for limited common elements appurtenant to their respective apartments as provided in other provisions of this Declaration and the By-Laws.) Rent and real property taxes and special assessments referred to in Section 514A-6 of the Condominium Act, shall not be common expenses, and no payments thereof shall be payments of such common expenses.

The Board shall from time to time assess the common expenses against all the apartments in their respective proportionate shares as aforesaid. The unpaid amount of such assessments together with all special assessments, penalties, fines, late charges, interest, costs and reasonable attorney's fees, if any, against any apartment shall constitute a lien against such apartment which may be foreclosed as provided in the By-Laws and/or in the Condominium Act. All assessments of common expenses attributable to casualty and liability insurance, when collected, shall be escrowed separately and used only for insurance premiums.

13.02 No Apartment Owner may exempt himself or herself from liability for his or her contribution toward the common expenses by waiver of the use or enjoyment of any of the common elements or by abandonment of his or her apartment.

13.03 When the mortgagee of a mortgage of record or other purchase of any apartment acquires title to such apartment as a result of a forfeiture or as a result of foreclosure of the mortgage, they and their respective heirs, successors, legal representatives and assigns shall not be liable for the share of the common expenses or assessments chargeable to such apartment which become due prior to such acquisition of title. Such unpaid share shall be deemed common expenses collectible from all Apartment Owners, including such mortgagee or such other purchaser and their respective heirs, successors, legal representatives, and assigns.

14. Reserve Fund or Funds. The Board shall establish a working capital fund for the initial months of the Condominium operations equal to at least two months' estimated common expenses for each apartment. The Board shall also establish and maintain a maintenance reserve fund or funds in an amount in the aggregate of at least ten percent (10%) of the gross annual expenses of the Association by the monthly assessment against and payment by all the Apartment Owners in proportion to their respective common interests, of such annual amount as the Board determines to be adequate to provide for the common utilities, insurance, maintenance, repair, restoration, and replacement of the common elements and other expenses of administration of the Condominium, and the furniture, fixtures, and mechanical equipment thereof, and for such other purposes as the Board deems necessary, all of which shall be deemed conclusively to be a common expense. Such fund or funds shall meet the requirements of the Regulatory Agreement, if any. The Board may include reserves for contingencies in such assessment, and such assessment may from time to time be increased or decreased at the discretion of the Board. All assessments attributable to insurance shall be escrowed separately and used only for insurance premiums. The amount of the common expenses allocated, used or to be used for capital improvements, or any other capital expenditure, shall not be deemed income to the Association but shall be credited upon the books of the Association to the paid-in surplus account as a capital contribution by the Apartment Owner. The proportionate interest of each Apartment Owner in said fund or funds shall not be withdrawn or assigned separately but shall be deemed to be transferred with such apartment even though not mentioned or described expressly in the instrument of transfer. If the horizontal property regime established hereby is terminated or waived, said fund or funds remaining after full payment of all common expenses of the Association shall be distributed to all Apartment Owners, except for the Owners of apartments reconstituted as a new horizontal property regime, in proportion to their respective common interests.

15. Insurance (Casualty and Liability) and Fidelity Bonds.

15.01 Fire and Extended Coverage Insurance. The Association shall procure and at all times maintain from a company or companies qualified to do business in Hawaii and having a financial rating by Best's Insurance Report of Class VI or better (and, if necessary to procure the required coverage, from other companies) a policy or policies (hereinafter in this Section 15.01 called the "Policy") of fire insurance, with special extended coverage endorsement or such broader forms of protection as the Board shall determine (including flood insurance under the provisions of the federal Flood Disaster Protection Act of 1973, if the Condominium is located in an identified flood hazard area as designated by the federal Department of Housing and Urban Development), for an amount as nearly as practical equal to the full replacement cost without deduction for depreciation, with an Inflation Guard Endorsement, covering the apartments and fixtures therein and the buildings, fixtures and building service equipment and the common elements and, whether or not part of the common elements, all exterior and interior walls, floors and ceilings, and at the option of the Association, all exterior glass, but excluding any improvements made by an Owner, which the Owner himself may insure, and excluding property of every kind and description while underground (meaning below the level of contiguous ground and covered by earth, except underground conduit or wiring therein when beneath the buildings), in the name of the Association. The cost of the Policy shall be a common expense, and shall be assessed to the Owners by the Board. The Policy (unless unobtainable at a reasonable cost):

(a) Shall contain no provision limiting or prohibiting other insurance by the Owner of any apartment, but shall provide that the liability of the insurer shall not be affected by, nor shall the insurer claim any right of set-off, counterclaim, apportionment, proration, or contribution, by reason of any such other insurance;

(b) Shall contain no provision relieving the insurer from liability because of loss occurring while the hazard is increased in the buildings, whether or not within the control or knowledge of the Board, and, if obtainable, shall not relieve the insurer from liability by reason of any breach of warranty or condition caused by the Board of the Owner or tenant of any apartment or by reason of any act or neglect of the Board or the Owner or tenant of any apartment;

(c) Shall provide that the Policy and the coverage thereunder may not be cancelled or substantially modified (whether or not requested by the Association) except by the insurer giving to the Board and each Owner, first mortgagee of each apartment and any other person who shall have requested such notice from the insurer at least sixty (60) days' prior written notice thereof.

(d) Shall contain a provision waiving any right of the insurer to repair, rebuild or replace if a decision is made pursuant to the Condominium Declaration and these By-Laws not to repair, reinstate, rebuild or restore the damage or destruction.

(e) Shall contain a provision waiving any right of subrogation by the insurer to any right of the Board against the Owner of any apartment;

(f) Shall provide that any loss shall be adjusted with the insured and the Owner and mortgagee of any apartment directly affected by the loss;

(g) Shall contain a standard mortgagee clause which:

(1) Shall name the holder of any mortgage affecting any apartment whose name shall have been furnished to the Board and to the insurer;

(2) Shall provide that the insurance as to the interest of the mortgagee shall not be invalidated by any act or neglect of the Board or the Owner or tenant of any apartment;

(3) Shall waive: (a) any provision invalidating such mortgagee clause by reason of the failure of the mortgagee to notify the insurer of any hazardous use or vacancy; (b) any requirement that the mortgagee pay any premium (provided, that if the Board fails to pay any premium due or to become due under the Policy, the mortgagee may pay the same prior to termination of the Policy by reason of nonpayment of such premium); (c) any contribution clause; and (d) any right to be subrogated to the right of any mortgagee against the Owner or tenant of any apartment or the Board or to require an assignment of any mortgage to the insurer, except that the insurer will have the right of subrogation to the extent of insurance proceeds received by and retained by the mortgagee if the insurer shall claim no liability against the mortgagor or Owner, but without impairing the mortgagee's right to sue any person for any loss or deficiency not covered by the insurance proceeds.

(4) Shall provide that, without affecting the protection afforded to the mortgagee by such mortgagee clause, any proceeds payable under such clause, if in excess of Twenty Five Thousand Dollars (\$25,000.00), shall be payable to a corporate trustee selected by the Board which shall be a bank or trust company or real estate management company doing business in Honolulu having net assets of not less than Five Million Dollars (\$5,000,000.00), herein referred to as the "Insurance Trustee" or "Trustee"; and

(5) Shall provide that any reference to a mortgagee in the Policy shall include all mortgagees of any apartment, in their order of priority;

(h) Shall provide for payment of the proceeds to the Insurance Trustee if the total proceeds payable on account of any one casualty exceed Twenty Five Thousand Dollars (\$25,000.00); and

(i) Shall require the insurer, at the inception of the Policy and on each anniversary date thereof, to provide the Board with a written summary, in layman's terms, of the Policy. The summary shall include the type of policy, a description of the coverage and the limits thereof, amount of annual premium and renewal dates. The Board shall provide this information to each Owner.

15.02 Comprehensive Liability Insurance. The Board shall procure and maintain from a company or companies qualified to do business in Hawaii and having a financial rating by Best's Insurance Report of Class VI or better (and, if necessary to procure the required coverage, from other companies) a policy or policies (hereinafter in this Section 15.02 called the "Policy") of public liability insurance to insure the Board, each Owner, and the Managing Agent and other employees of the Association against claims for personal injury, death and property damage arising out of the condition of the property or activities thereon or construction work under a Comprehensive General Liability form, with minimum limits of not less than \$300,000 for damage to property and not less than \$2,500,000 for personal injury to one or more persons arising out of any one accident or occurrence. The Policy:

(a) Shall, if obtainable, not relieve the insurer from liability because of loss occurring while the hazard is increased in the buildings, whether or not within the control or knowledge of the Managing Agent or the Board, or because of any breach of warranty or condition caused by the Owner of any apartment or any act or neglect of the Managing Agent, the Board or the Owner or tenant of any apartment; and

(b) Shall provide that Policy and the coverage thereunder may not be cancelled or substantially modified (whether or not requested by the Association) except by the insurer giving to the Board and each Owner, first mortgagee of each apartment and any other person who shall have requested such notice from the insurer at least sixty (60) days' prior written notice thereof.

(c) Shall contain a "severability of interest" endorsement precluding the insurer from denying the claim of any Owner because of negligent acts of the Association or any other Owner.

(d) Shall, if obtainable at a reasonable cost, contain a waiver by the insurer of any right of subrogation to any right of the Board, the Managing Agent or Owners against any of them or any other persons under them.

15.03 Fidelity Bonds. The Board shall require that all officers, employees and agents of the Association handling or responsible for its funds, including but not limited to the Managing Agent, shall furnish adequate fidelity bonds as required in the By-Laws and the Condominium Act. If this Declaration and the By-Laws shall hereafter be lawfully amended so that there is no Managing Agent, subject to the requirements of the Condominium Act, the amount of such fidelity bonds shall be in an amount equal to \$500 multiplied by the number of apartments in the Condominium, but in any event not less than \$20,000 nor greater than \$100,000.

16. Condemnation. In the event of a taking in condemnation or by eminent domain of part or all of the Condominium, the proceeds of any award of compensation for any improvements shall be payable to a condemnation trustee (the "Condemnation Trustee") which shall be a bank, trust company or real estate management company designated by the Board doing business in Hawaii and having net assets of not less than Five Million Dollars (\$5,000,000.00).

16.01 If the entire Condominium is taken, the Condemnation Trustee shall pay to each Owner and mortgagee, as their interests may appear, that portion, as shall equal the common interest appurtenant to each apartment, of the condemnation proceeds.

16.02 In the event of a partial taking of the Condominium in which (i) any apartment is physically eliminated, or (ii) a portion thereof is eliminated and the remaining portion cannot be repaired or rebuilt in a manner satisfactory to the Owner of the apartment and to the Board, then such apartment shall be removed from the Condominium and the Condemnation Trustee shall disburse to the Owner and any mortgagee of such apartment, as their interests may appear, in full satisfaction of their interests in the apartment, the portion of the proceeds of such award allocable to such eliminated or removed apartment after deducting the proportionate share of such apartment in the cost of debris removal.

16.03 In the event of any partial taking of the Condominium, the Board shall, subject to the provisions of the preceding sentence concerning removal of an apartment, arrange for any necessary repair and restoration of the buildings and improvements remaining after the taking in accordance with the design thereof immediately prior to such condemnation, or, if repair and restoration in accordance with such design are not permissible under applicable laws and regulations then in force, in accordance with such modified plan as shall be approved by the Board and the Owner and the mortgagee of record of each apartment in the Condominium remaining after such taking. Such work shall be undertaken, and disbursements therefor shall be made, in the manner prescribed in paragraph 17 hereof. If the sums held by the Condemnation Trustee are insufficient to pay the cost for such repair and restoration, the Board shall pay such excess according to the same procedure set forth in said paragraph 17 in case of damage to the Condominium.

16.04 If the sums received as a result of a partial condemnation exceed the total of any amounts payable to the Owner and any mortgagee of a removed apartment and the amount of costs for debris removal and for repair and restoration of the remaining buildings and improvements, such excess shall be divided among the Owners in accordance with their common interest prior to the condemnation.

17. Damage, Destruction and Restoration. If a building is damaged by fire or other casualty which is insured against and said damage is limited to a single apartment, the insurance proceeds shall be used by the Board or the Trustee for payment of the contractor retained by the Board to rebuild or repair such apartment, including paint, floor covering and fixtures, in accordance with the original plans and specifications therefor. If the insurance proceeds are insufficient to pay all costs of repair, the remaining deficiency shall be paid as a special assessment to the Owner of said apartment.

If such damage extends to two or more apartments or extends to any part of the limited common elements or to the common elements:

(a) If the Owners of the apartments do not within sixty (60) days after such casualty or, if by such date the insurance loss has not been finally adjusted, within thirty (30) days after such final adjustment, agree in writing in accordance with the provisions of this Condominium Declaration that the building or any portion thereof need not be rebuilt or repaired, or if the Owners at an earlier date agree to rebuild immediately, then the Board shall contract to repair or rebuild the damaged portions of the building or buildings, including all apartments so damaged, as well as common elements:

(i) In accordance with plans and specifications therefor which will restore the same in conformity with the design immediately prior to the destruction; or

(ii) If reconstruction in accordance with such design is not permissible under applicable laws and regulations then in force, in accordance with such modified plan as shall be approved by the Board; provided, that, if such modified plan eliminates any apartment and such apartment is not reconstructed, the Insurance Trustee shall pay to the Owner of such apartment the portion of the insurance proceeds allocable to such apartment (less the proportionate share of such apartment in the cost of debris removal) and shall disburse the balance of the insurance proceeds as hereinafter provided.

The insurance proceeds shall be paid by the Trustee to the contractor employed for such work in accordance with the terms of the contract for such construction and in accordance with the terms of this paragraph 17. If the insurance proceeds are insufficient to pay all the costs of repairing and rebuilding all damaged apartments as well as the common elements and limited common elements, the Board is expressly authorized to pay such costs in excess of the insurance proceeds as a common expense, and if the reserves for these expenses is insufficient for this purpose, the Board shall levy a special assessment on the Owners in the proportions prescribed pursuant to this Condominium Declaration and the By-Laws for the allocation of common expenses.

If a decision is made in accordance with this Condominium Declaration and the Condominium Act not to repair or rebuild all or any lesser number of damaged or destroyed apartments, the insurance proceeds allocable to any apartment which is not to be rebuilt (hereinafter called an "eliminated apartment"), less the proportionate share of such apartment in the cost of debris removal, shall be paid to the Owner and any mortgagee of the eliminated

apartment as their interests may appear. The remaining insurance proceeds shall be paid to the Insurance Trustee, who shall apply such moneys to repair and rebuild any portion of the buildings that are to be reconstructed in accordance with this paragraph. If a decision is made to eliminate an apartment, the common interests and other rights of the remaining Owners in the Condominium shall be adjusted by amendment of this Condominium Declaration; provided, that the common interest of any Owner shall not be altered without his or her consent. The Owner of any eliminated apartment shall be discharged from all obligations to the Condominium after proper amendment of this Condominium Declaration. Alternatively, if this Declaration is not amended so as to discharge the Owners of eliminated apartments of all obligations to the Condominium and so as to adjust equitably the common interests appurtenant to those apartments not eliminated, the Owner of any eliminated apartment may, pursuant to Section 514A-92, Hawaii Revised Statutes, convey his or her interest to the Board for all other Owners and thereby be discharged of all obligations to the Condominium. The Owner of any eliminated apartment may, in addition to his or her allocable share of insurance proceeds, receive such reimbursement as the Board deems appropriate.

(b) The cost of the work (as estimated by the Board) shall be paid out from time to time or at the direction of the Board as the work progresses, subject to the following conditions:

(i) An architect or engineer (who may be an employee of the Board) shall be in charge of the work;

(ii) Each request for payment shall be made on seven (7) days' prior notice of the Trustee and shall be accompanied by a certificate to be made by such architect or engineer stating that: (a) all of the work completed has been done in compliance with the approved plans and specifications and that the sum requested is justly required to reimburse the Board for payments by the Board to, or is justly due to, the contractor, subcontractors, materialmen, laborers, engineers, architects or other persons rendering services or materials for the work (giving a brief description of such services and materials); and (b) when added to all sums previously paid out by the Trustee, the sum requested does not exceed the value of the work done to the date of such certificate;

(iii) Each request shall be accompanied by waivers of liens satisfactory to the Trustee, covering that part of the work for which payment or reimbursement is being requested and by a search prepared by a title company or licensed abstractor or other evidence satisfactory to the Trustee showing that no mechanics', materialmen's or other lien or instrument for the retention or encumbrance of title shall have been filed since the commencement of the reconstruction work and permitted to remain undischarged of record with respect to the premises or any part of the work;

(iv) The request for any payment after the work has been completed shall be accompanied by a copy of any certificate or certificates required by regulation or law to render occupancy of the premises legal;

(v) The fees and expenses of the Trustee as determined by the Board and the Trustee shall be paid by the Association as common expenses, and such fees and expenses may be deducted from any proceeds at any time in the hands of the Trustee;

(vi) The Trustee may impose other reasonable conditions consistent with the foregoing.

(c) Upon completion of the work and payment in full therefor, any remaining insurance proceeds then or thereafter in the hands of the Board or the Trustee shall be paid or credited to the Owners and mortgagees of the apartments in proportion to the respective common interests appurtenant to the apartments.

(d) To the extent that any loss, damage or destruction to the buildings or other property is covered by insurance procured by the Board, the Board shall have no claim or cause of action for such loss, damage or destruction against any Owner or lessee. To the extent that any loss, damage or destruction to the property of any Owner or lessee is covered by insurance procured by such Owner or lessee, such Owner shall have no claim or cause of action for such loss, damage or destruction against the Board, the Managing Agent, any other Owner, or the Association. All policies of insurance referred to in this paragraph (d) shall contain appropriate waivers of subrogation by the insurers.

18. Percentage of Votes Required for Rebuilding. In the event of damage or destruction of all or any part of the Condominium, and where an election is otherwise permissible under the other provisions of this Declaration and the By-Laws, the Condominium shall be rebuilt, repaired or restored unless at least 80% of the Apartment Owners vote not to rebuild, repair or restore. The Board shall send notice in accordance with the By-Laws to all Owners entitled to vote at a special meeting of the Association against any proposed rebuilding or restoration. Such notice shall recite: the nature and extent of damage; the right of specified Owners to vote against rebuilding or restoration; the percentage of votes necessary to prevent rebuilding or restoration; the time when or within which any such vote must be cast; the place and manner in which any such vote must be cast; whether the loss is covered by insurance, and if so, the final insurance adjustment; and any other information deemed relevant by the Board.

19. Phased Development and Merger of Phases.

19.01 Background Information: General Plan for Total Development. The Declarant is planning the development of the 4 parcels of land adjoining the Condominium, which are described as Lots 11025, 11024, 11021 and 11022 in Exhibit "D" attached hereto and by this reference made a part hereof. Each of said Lots may be developed as a condominium project, even though the Declarant's present plan is not to develop Lot 11022 as a condominium. The present plan for such development may be derived from the site plan which is a part of the Condominium Map. The "Phase II" shown on said site plan is this Condominium; "Phase I" is the plan for Lot 11025; "Phase III" is the present plan for Lot 11024; "Phase IV" is the present plan for Lot 11021; and "Phase V" is the present plan for Lot 11022. Each contemplated building type shown on said site plan for these additional Phases (except "V") corresponds to one (or a portion of one) of the building types as shown for this Condominium, with corresponding unit types, locations, and unit mixes and number of units. The Declarant would determine in its discretion supporting and servicing common elements beneficial to each of these Phases, and, with the advice of an architect and professional engineer, the location of the buildings and common elements of each additional Phase. The buildings in each Phase are planned to be of substantially identical architectural style, quality and size as the previous Phases, with changes, if any, made where necessary because of changes required by the City and County of Honolulu in order to obtain the necessary building permits. If the Condominium is merged with Phases I, III and IV and developed in accordance with the present plan, the common interest for each apartment in the Condominium would be changed to that common interest set forth in said Exhibit "C". The Declarant is submitting this general plan for total development (the "overall plan") for approval by the Administrator (the "VA Administrator") for the Veterans Administration (the "VA").

Nothing in this paragraph or any other provision of this Declaration, however, is intended to or shall be deemed to obligate the Declarant to follow this plan. The Declarant has NO obligation to develop any one or more of these Phases, or to merge this Condominium with any one or more of these Phases, if developed. The Declarant also has the right to modify the present plan for each additional Phase by varying the mix and/or number of apartments; by modifying, deleting and/or adding apartment types; by modifying, deleting and/or adding building types or common elements; and by varying the specific common interest upon any merger or mergers from those stated in said Exhibit "C", as may be appropriate. However, if the Declarant does not follow the overall plan for each such Phase, it may not be able to satisfy, with respect to that Phase, the requirements for merger set forth in paragraph 19.02 below; and, therefore, while the Declarant has the right to develop each additional Phase in a manner different than as provided for in the overall plan, the Declarant may not have the right to merge any such Phase or Phases with this Condominium. Whether the overall plan is followed or modified, however, the Declaration for Joint Use, as the same may be lawfully amended from time to time, shall continue to be binding upon the Land and the Condominium.

19.02 Merger Provisions. At any time or times prior to July 1, 1992, notwithstanding anything stated in or inferable from any other provision of this Declaration or the By-Laws, the Declarant shall have the right at its option (but is not obligated) to amend this Condominium (Lot 11023, Phase "II") by expanding it by way of merger with any one or more condominiums developed on said Lots 11025 (Phase "I"), 11024 (Phase "III"), and/or 11021 (Phase "IV"). A merger of this Condominium may occur with respect to Phase I, Phase III, and Phase IV, or any one or some or all of them in any order, at the same or different times, and a merger with respect to one or some of said Phases shall not affect the right of the Developer to merge another Phase or Phases at a later date.

Every such merger shall take effect with respect to any one or more of such additional Phases upon the happening of all of the following conditions with respect thereto:

(a) Filing by the Declarant in the Office of the Assistant Registrar of the Land Court of the State of Hawaii (the "Land Court") of this Condominium Declaration, the By-Laws and the Condominium Map for this Condominium, plus all lawful amendments thereto, including but not limited to an amendment to the Condominium Declaration to which is attached a verified statement of a registered architect or professional engineer certifying that the final plans of the Condominium theretofore filed fully and accurately depict the layout, location, apartment numbers, and dimensions of the apartments as built (this type of a certificate being hereinafter called an "As-Built Certificate").

(b) Filing in the Land Court by the Declarant of a Declaration of Horizontal Property Regime and By-Laws covering each additional Phase, with all lawful amendments thereto including an "As-Built Certificate" for each such Phase, in a form substantially identical to the corresponding documents for this Condominium (except for the descriptions of apartments, the common elements (including limited common elements) and the percentage of common interest therein, and with such changes as may be appropriate due to changes in the applicable law); and a Condominium Map depicting the plot and floor plans of the additional Phase or Phases, all complying with the requirements of the Condominium Act. However, if the plan for any such Phase or Phases is not consistent with the overall plan referred to in paragraph 19.01, then the prior written approval of the VA Administrator must be obtained before any merger involving any such Phase or Phases may take effect; and, in any event,

the Declarant may not merge any Phase with this Condominium if the square footages of all of the apartments, including lanais, for such Phase is more or less than the maximum or minimum square footages set forth in said Exhibit "D" [NOTE: The maximum and minimum common interests for each of the apartments in this Condominium permissible upon any merger with any one or more such Phases may be calculated in accordance with paragraph 7.03 of this Declaration, based on said maximum and minimum square footages]. The Declarant covenants that it will not merge this Condominium with any additional Phase or Phases without the prior approval of the VA Administrator, if the plan for each such additional Phase or Phases is not consistent with the overall plan therefor previously approved by the VA Administrator.

(c) Filing in the Land Court by the Developer of an amendment to each of the Declarations referred to in clauses (a) and (b) above denominated as a "Certificate of Merger". This certificate shall contain:

(1) A certification by the Declarant, for the Condominium and each such Phase, that the Condominium and each such additional Phase have been substantially completed, that notices of completion therefor have been filed, that the respective periods for filing of mechanics' and materialmen's liens have expired, and that there are no such liens; and that the plan for each such additional Phase or Phases being merged with this Condominium is consistent with the overall plan, or if not, that the plan for such additional Phase has been approved by the VA Administrator.

(2) The revised common interest of each apartment in the merged condominium after completion of the merger, calculated in accordance with paragraph 7.03 (if the Condominium is merged with Phases I, III and IV and said Phases are built in accordance with the overall plan, the common interests after merger of the apartments in this Condominium shall be as set forth in said Exhibit "C"); and

(3) A revised site plan denominated as an amendment to each Condominium Map referred to in clauses (a) and (b) above showing the relative location of the buildings of the merged condominiums after completion of the merger.

19.03 Consequence of Merger. From and after the date of the filing of record of the said Certificate of Merger with respect to any additional Phase or Phases, the following consequences shall ensue:

(a) Use of Common Elements. The apartments in each of the merged condominiums shall have the right to use the common elements in all such condominiums to the same extent and subject to the same limitations as are imposed upon an apartment in each condominium just as though the merged condominiums had been developed as a single project.

(b) Common Interest. Each apartment in the merged condominiums shall have appurtenant thereto the common interest in the common elements of all the merged condominiums equal the common interest set forth for such apartment in the Certificate of Merger.

(c) Administration. There shall be only one Association and Board for the merged condominiums. A new Board shall be elected by all Apartment Owners by a special meeting of the single Association, notice of which meeting shall be given within 30 days following the merger. The new Board shall be elected in accordance with the By-Laws, as if that meeting were the first annual meeting of the Association. The financial affairs of each of the condominiums being merged shall be administered together, except that apartments in any one merged condominium shall not be assessed nor shall they

have any obligation with respect to debts or obligations of the other condominium existing at or accrued prior to the effective date of the merger; and any long-term funds accumulated prior to any merger for the purpose of major repairs and replacements in any one condominium shall remain intact in a separate account or otherwise isolated and identified and shall be expended solely for such purposes before funds from any other source are so expended. However, the Board, in its reasonable discretion, shall specifically determine whether such funds (together, if appropriate, with future uniform contributions be collected from Apartment Owners in and for the benefit of all merged condominiums) are or will be adequate for reasonably foreseeable items of major repair and replacement, and, if not, to make such specific assessments or other adjustments as are appropriate, to diminish the possibility that the Apartment Owners in any one condominium may later be subjected to assessments for such repairs and replacements in the other merged condominiums attributable to depreciation occurring prior to such merger. For this purpose, the Board may engage a construction consultant or other expert to advise the Board on the extent of any depreciation and the projected time and costs for such repair and replacement that may be reasonably anticipated. The determination (and any special assessments and other adjustments) once made by the Board pursuant to this paragraph shall be final and binding on each Apartment Owner in the the merged condominiums and not subject to further change thereafter pursuant to this paragraph, except in the case of a clear and convincing abuse of discretion.

(d) Governing Documents and Their Interpretation. For all other purposes, each of the merged condominiums shall be treated as part of a single project developed as a whole from the beginning. The Declaration of Horizontal Property Regime and By-Laws applicable to each merged condominium shall be construed as "a single set of governing documents" applicable to the entire merged condominium, except to the extent expressly otherwise provided for therein. To provide a single set of documents after completion of any merger, the Declarant shall have the irrevocable right (but not the obligation) at any time not later than 30 days after the last of such mergers, but not later than July 1, 1992, to amend the Declarations and By-Laws for each merged condominium in its entirety so that there shall be one revised Declaration and By-Laws applicable to all such merged condominiums showing a consolidated description of the land, buildings, apartments, common elements, limited common elements and common interests, without otherwise changing the form or content of such Declarations and By-Laws, except for amendments required by law, and except that after the last merger of Phases, the amended Declaration may omit all or parts of this Paragraph 19 (and other provisions containing reservations of rights by the Declarant), and the name of the merged condominiums shall be "THE VILLAGES AT WAIPIO" without references to "Phase I", "Phase II", and so on. Upon the filing of such a revised Declaration and By-Laws in the Land Court, the Declarant shall provide a copy of such amended Declaration and By-Laws to the Managing Agent for the merged condominiums and each Apartment Owner at his or her last-known address by certified mail. If more than one person owns an apartment, mailing of the amended Declaration and By-Laws to one of the Owners shall be sufficient.

19.04 Other Reserved Rights of the Declarant. In connection with such phased development and merger of Phases, the Declarant also reserves the following rights:

(a) Consolidation and Resubdivision. In connection with each merger or mergers, the Declarant reserves the right until July 1, 1992, to consolidate the Land with the land on which each such other Phase is located in order to constitute all of such real property as a single legal lot.

(b) VA/FHA Project Qualification; Regulatory Agreement. The Declarant intends to obtain the approval of the Condominium by the VA Administrator so that loans secured by mortgages of apartments in the Condominium might be guaranteed through the VA Home Loan Guarantee Program. The federal Housing and Rural Development Act requires reciprocity for housing subdivision approvals issued by VA and the federal Department of Housing and Urban Development (the "FHA"). Thus, if VA certification for the Condominium is obtained, loans secured by mortgages on apartments in the Condominium might also qualify for mortgage insurance through FHA. Nevertheless, to assure that loans made by mortgages on apartments in the Condominium, both before and after each such merger, will qualify for mortgage insurance or guarantees by FHA and VA, the Declarant reserves the right, both before and after each such merger, to amend this Declaration to satisfy VA requirements, and, if necessary or convenient in the judgment of the Declarant, to satisfy and separate FHA requirements so that such loans might be so made, guaranteed or insured. Without limiting the generality of the foregoing, the Declarant, on behalf of the Association, may execute and record as an amendment to the Declaration a Regulatory Agreement in form and substance meeting FHA requirements and substantially identical to the form of Regulatory Agreement attached hereto as Exhibit "E" and by this reference made a part hereof. This right to amend the Declaration and By-Laws, including the right to execute and record such a Regulatory Agreement, shall apply to the Condominium Declaration and By-Laws of this Condominium both before and after any merger or mergers with other condominiums, as provided for in this paragraph 19. The Developer reserves this right until July 1, 1992.

(c) Changes to and Use of the Common Elements. In connection with, and only to the extent necessary for the creation of apartments and common elements in any such additional Phases and for the development and construction of Phase V, the Developer shall have the right up to July 1, 1992, to: (i) make changes in the Condominium, both before and after each such merger, to remove, amend or add common elements; to remove, amend or add parking spaces; (ii) enter upon the Condominium with employees, agents and contractors for all purposes reasonably necessary for or useful to constructing and completing said additional Phases according to plans and specifications (or amended plans and specifications) approved by the officer of the City and County of Honolulu having jurisdiction over the issuance of building permits; (iii) connect the said additional apartments and common elements in Phases I, III, or IV to utilities of the Condominium; and (iv) file amendments to the Declaration for purposes of certifying condominium maps filed as reflecting the improvements shown therein to be "as built". In addition to the right reserved in paragraph 6.06, such rights shall include the following:

(1) An easement over, under and across the common elements of the Condominium for the purposes of performing all work connected with or incidental to the development and construction in any undeveloped portions of the additional Phases;

(2) The right appurtenant to the undeveloped Phases, in the nature of an easement over and upon the Condominium and any developed Phases to create and cause dust, noise, vibration and other nuisances created by and resulting from any work connected with or incidental to the development and construction of such undeveloped Phases;

Provided, however: (a) that before commencing any such work the Declarant shall first purchase, at its expense, a general liability insurance policy in an amount not less than \$1,000,000 for each occurrence, to cover any liability which Owners are exposed to as a result of such development and construction; and that such activities shall not cause any interruption, other than a

temporary interruption, in the service of utilities to the Condominium; (b) that the Declarant, all of the Declarant's contractors and their respective agents shall use reasonable efforts, consistent with maintaining the progress of such activities, to minimize the interference with the Apartment Owners' use and enjoyment of the Condominium; and (c) the Developer shall not permit any lien, encumbrance or charge upon the Condominium, or any part thereof, in connection with such work, and, without limiting the generality of the foregoing, the Developer shall require that the Developer's contractor or contractors performing such work (i) disclaim, release and waive its or their mechanic's and materialmen's and all other liens, charges, and claims as against the Condominium and every part thereof, (ii) agree to indemnify against any such lien, charge or claim of its or their subcontractors and suppliers, and (iii) post payment and performance bonds covering such work, and the Developer shall also require the Developer's contractor or contractors (iv) to agree to include in its or their contracts with subcontractors and suppliers similar disclaimers, releases and waivers and indemnities.

19.06 Each and every Owner or other person and entity acquiring an interest in the Condominium, by such acquisition, consents to the reserved rights of Declarant as stated in this paragraph 19, and further consents to such phased development, to such merger or mergers of phases, to such consolidation and resubdivision, and to such amendment or amendments of this Declaration, the By-Laws and the Condominium Map to effect the same; and agrees to execute such documents and to do such other things as may be necessary or convenient to effect the same and appoints the Declarant, with right of substitution, as his or her attorney-in-fact to execute such documents and do such things on his or her behalf, which grant of such power being coupled with an interest, is irrevocable until July 1, 1992 and as such shall not be affected by disability or death of such party. Each and every person also acknowledges and accepts that such phased development and construction may continue on the Land, as well as on adjacent land, after he or she has taken occupancy in the Condominium, that such activities may result in noise, dust or other annoyances to him or her, and waives any rights, claims, or actions he or she may acquire against the Declarant, its contractors or its respective agents, as a result of such activities. The rights reserved by the Declarant under this paragraph 19 shall inure to the benefit of the Declarant, and its successor and the assigns of such rights; and without limiting the generality thereof, such rights shall inure to the benefit of the Declarant's mortgage lender for not only for the Condominium, but also any of the land referred to in said Exhibit "D" (or any development thereof), and to any successor or assign of every such lender, and to any person acquiring any portion of the Condominium or such other land or development in the course of any foreclosure or other legal proceedings or in the exercise of mortgage remedies by assignment in lieu of foreclosure.

19.07 If any one or more of the provisions of this Paragraph 19 shall be declared to be contrary to law, then such provision or provisions shall be null and void and shall be deemed separable from the remaining provisions of this Paragraph 19 and shall in no way affect the enforceability of any other provision hereof.

20. Certificates of Title. Upon the issuance of a separate certificate of title for any apartment, the Declarant shall take possession of the "Owner's duplicate certificate" as Owner's "attorney duly authorized" (as those terms are used in Section 501-75 (H.R.S.)), and Declarant shall retain possession thereof until delivery of possession of the apartment to the purchaser; thereupon, Declarant shall deposit such certificates with the Board through the Managing Agent, who shall thereupon become Owner's "attorney duly authorized" and shall keep all Owners' duplicate certificates in a safe place; provided that (a) the Declarant or the Board and the Managing Agent shall

surrender or make available the Owner's duplicate certificate upon request from the Owner thereof for the purpose of having any conveyance or encumbrance noted thereon, on condition that such Owner's duplicate certificate, or any Owner's duplicate certificate issued in the place thereof, shall be redelivered to the Declarant or the Board of Directors promptly after any necessary processing in the Land Court, (b) the Declarant or the Board may deliver any Owner's duplicate certificate covering any apartment to any first mortgagee of such apartment which may require that it have possession of the Owner's duplicate certificate, on condition that such mortgagee shall promptly surrender such Owner's duplicate certificate to the Declarant or the Board, without further instruction or authorization from the Owner, if presentation of such Owner's duplicate certificate shall be required by the Declarant or the Board of Directors in order to permit amendment to the Declaration, the By-Laws, or the Condominium Map, the designation of any easement, the filing of any grant of easement, or the filing of any other instrument authorized hereunder, or to the apartment deed to the Owner's apartment, (c) the Declarant or the Board, without further authorization from the Owner, or any mortgagee, may (and shall at the request of the Declarant) present such Owner's duplicate certificate of title to the Land Court whenever it may be appropriate to note thereon the filing of an amendment to the Declaration, the By-Laws, or the Condominium Map, or any designation or grant of easement authorized hereunder, or under the Apartment Deed to the Owner's apartment or the filing of any other document incident to the exercise of any right reserved to the Declarant hereunder or under any such document.

21. Gentry-Waipio Community Area Association. Each Apartment Owner, upon acquiring his or her apartment shall become a member of the Gentry-Waipio Community Area Association, a non-profit Hawaii corporation, which is separate from the Association. All Apartment Owners and other persons and entities acquiring any right, title or interest in the Condominium, including contract purchasers, are subject to, bound by, and shall comply strictly with the provisions of the Master Declaration and the Charter of Incorporation and By-Laws of the Gentry-Waipio Community Area Association, as they have been or may be supplemented from time to time, and all rules and regulations which may lawfully be promulgated thereunder. Pursuant to the Master Declaration, the Community Area Association is authorized to assess a maintenance assessment to cover expenses incurred by said Community Area Association in providing for the maintenance, restoration and repair of any improvements located on the common areas, among other things, as more fully set forth in the Master Declaration. All assessments made by the Community Area Association shall be separate and distinct from assessments for the Condominium.

22. Latent Defects. So long as the Declarant and its successors and assigns (other than purchasers of apartments in the Condominium) owns one or more of the apartments, Declarant, for itself and such successors and assigns, agrees to take no action which would adversely affect the rights of the Association or Apartment Owners with respect to any assurances made by third parties against latent defects in the Condominium or other rights assigned to the Association, if any, by reason of the establishment of this Condominium.

23. Invalidity. The invalidity of any provision of this Declaration shall not be deemed to impair or affect in any manner the validity, enforceability or effect of the remainder of this Declaration and in such event, all of the other provisions of this Declaration shall continue in full force and effect as if such provision had never been included herein.

24. Amendment. Except as otherwise expressly provided herein or in the Condominium Act, this Declaration may be amended by the vote of at least seventy-five percent (75%) of the Apartment Owners, evidenced by an instrument in writing, signed and acknowledged by any two (2) officers of the

Association. Each such amendment shall be effective upon filing in said Land Court. However, at any time prior to the first recording in said Land Court transfer of an apartment (or any interest therein) to a party not a signatory hereto, the Declarant may amend this Declaration (including all exhibits) and the Condominium By-Laws in any manner, without the consent of any apartment purchaser. Notwithstanding the lease, sale or conveyance of any of the apartments, the Declarant may amend this Declaration (and when applicable, the Condominium Map) to file the "As-Built Certificate" required by Section 514A-12 of the Condominium Act: (1) 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, apartment numbers, and the dimensions of the apartments as built; or (2) so long as the plans filed therewith involve only immaterial changes to the layout, location, or dimensions of the apartments as built or any change in any apartment number. Paragraphs 6.05, 6.06, 6.07, 6.08, 8.02, 19 and 20 may not be amended without the prior written consent of the Declarant, notwithstanding that one hundred percent (100%) of the Apartment Owners may vote therefor. In case of a modification or amendment to the Condominium By-Laws, this Declaration shall be amended to set forth such modification or amendment pursuant to such percentage vote as required by the Condominium By-Laws which rendered the modification or amendment thereof effective.

IN WITNESS WHEREOF, the Declarant has executed this instrument this 17th day of January, 1986.

JAMES K. SCHULER & ASSOCIATES, INC.

By *James K. Schuler*
its PRESIDENT

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

On this 17th day of January, 1986, before me appeared JAMES K. SCHULER, to me personally known, who, being by me sworn, did say that he is the President of JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said James K. Schuler acknowledged said instrument to be the free act and deed of said corporation.

L.S.

Dana M. King
Notary Public, State of Hawaii

My commission expires: *Sept 25, '88*

EXHIBIT "A"

All of that certain parcel of land situate at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, described as follows:

LOT 11023, area 2.797 acres, as shown on Map 659, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 1000 of John Ii Estate,, Limited;

Being the same premises described in Transfer Certificate of Title No. 275,412 issued to JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation.

TOGETHER WITH the benefits of that certain Declaration for Joint Use dated February 5, 1986 and filed as Land Court Document No. 1353942.

NOTE: Lot 11023, among others, shall have access to Kamehameha Highway via Easement "4468", as shown on Map 659 and Roadway Access Lot 10793, as shown on Map 651, as set forth by Land Court Order No. 75434, filed September 26, 1985 and Roadway Access Lot 10509, as shown on Map 641 and Roadway Access Lot 7874, as shown on Map 510, as set forth by Land Court Order No. 70868, filed August 20, 1984.

SUBJECT, however, to the following encumbrances:

1. Declaration of Covenants, Conditions and Restrictions dated November 17, 1978, filed as Land Court Document No. 909239, as amended by instruments dated November 17, 1980, filed as Document No. 1042252, dated November 4, 1980, filed as Document No. 1042710, dated December 15, 1983, filed as Document No. 1208195, dated January 9, 1984, filed as Document No. 1213122, dated April 25, 1984, filed as Document No. 1233261, dated July 1, 1984, filed as Document No. 1247312, dated October 1, 1984, filed as Document No. 1257511, and dated December 18, 1984, filed as Document No. 1273254 (the "Master Declaration").
2. Unilateral Agreement and Declaration of Conditional Zoning dated February 12, 1982, filed as Document No. 1105595.
3. Easement "3491" over and across Lot 11023, besides other land, as shown on Maps 603 and 659, as set forth by Land Court Order No. 64825, filed January 27, 1983.
4. Reservation as set forth in Deed dated December 26, 1984, filed as Document No. 1275070.
5. Easement "4270" (15 feet wide) over and across Lot 11023, besides other land, as shown on Maps 648 and 659, as set forth by Land Court Order No. 72247, filed December 28, 1984.
6. Agreement for Issuance of Special Use Permit Under Section 21-2.71, Revised Ordinances of Honolulu, 1978, as amended, dated July 25, 1985 and filed as Land Court Document No. 1325518.
7. Declaration for Joint Use dated February 5, 1986 and filed as Land Court Document No. 1353942.

EXHIBIT "B"

DESCRIPTION OF CONDOMINIUM

PHASE II

The Condominium contains: sixty-four (64) apartment units located in 6 two-story wood framed buildings, without basements, lettered "P" thru "U". All buildings are built basically of concrete, wood, glass and allied building materials. There are 90 uncovered on-grade parking stalls located near the buildings. At least one parking stall will be assigned to each apartment. Twelve stalls will be set aside for visitors.

Apartment Unit Types. There are 16 Type A units; 32 Type B units and 16 Type C units. Types A and B are one story units and are further divided into two types depending on whether they are on the first or second story; Type C are 2 story end units. There are 3 different building plans. Buildings "P", "S", and "T" are building type III, and each contains 8 Type B and 4 Type C apartments; Buildings "Q" and "R" are building type V and each contains 8 Type A and 2 Type C apartments; and Building "U" is building type VI and contains 8 Type B apartments.

Each unit type and subtype is further described as follows:

(a) Type A-1: One-story units on the first floor containing 2 bedrooms, 1-1/2 bathrooms, a living/dining room, a kitchen, a hallway and a lanai. Each A-1 apartment will contain 770 square feet, more or less, plus a lanai of approximately 81 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There are 8 apartments of this type.

(b) Type A-2: One-story units on the second floor containing 2 bedrooms, 1-1/2 bathrooms, a living/dining room, a kitchen, a hallway and a lanai. A-2 units are the same as the A-1 units, except they have larger lanais. Each A-2 apartment will contain 770 square feet, more or less, plus a lanai of approximately 101 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There are 8 apartments of this type.

(c) Type B-1: One-story units on the first floor containing 2 bedrooms, 2 bathrooms, a living/dining room, a kitchen, a hall entryway and a lanai. Each B-1 apartment will contain 797 square feet, more or less, plus a lanai of approximately 52 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There are 16 apartments of this type.

(d) Type B-2: One-story units on the second floor containing 2 bedrooms, 2 bathrooms, a living/dining room, a kitchen, a hall entryway and a lanai. B-2 units are the same as the B-1 units, except they have larger lanais. Each B-2 apartment will contain 797 square feet, more or less, plus a lanai of approximately 115 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There are 16 apartments of this type.

(e) Type C: Two story units containing: on the first floor a living/dining room, a kitchen, a lanai, 1/2 bath and a stairway leading to the second floor; on the second floor 2 bedrooms, 1-1/2 bathrooms, and a hallway. Each C apartment will contain 902 square feet, more or less, plus a lanai of approximately 76 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There are 16 apartments of this type.

Each apartment includes carpeting (except in the kitchen and bathroom or rooms which will be sheet vinyl), drapes, refrigerator, range and oven with hood, garbage disposal, a dishwasher, a washer/dryer and a waterheater. The waterheater for Type C units is located inside the unit under the stairway. The waterheater for each Type A and B unit is located on the first floor level in an exterior compartment adjoining each such first floor unit. Each compartment contains 2 waterheaters, one for the adjoining first floor apartment and one for the second floor apartment above the adjoining unit. The waterheater for each apartment (including related piping serving only that unit) is part of that apartment, even if it is located outside of the perimeter of the unit.

Apartment Numbers and Access. Each apartment is identified by a letter followed by a three-digit number. The letter identifies the building in which the apartment is located, the first digit indicates the floor on which the apartment is located, and the last two digits indicate that apartment's relative location on a given floor, as follows: starting with the apartment in each building that is numbered "01" on the Condominium Map, the remaining apartments on that floor in that building are numbered in ascending order beginning with the digits "02" in a clockwise direction. However, the first digit for all the 2 story Type C units is "1", and therefore there are no second level apartments numbered P-201, P-202, P-207, P-208, Q-201, Q-202, R-201, R-202, S-201, S-202, S-207, S-208, T-201, T-202, T-207 or T-208. For one example, apartment P-102 is located in Building "P", it is on the first floor of that building, and it is located on that floor in that building next to apartment numbered P-101 in a clockwise direction. All first floor apartments have direct access to the grounds. The second floor Type A and B units have access to the grounds via a wooden landing and stairway. In some cases the stairway services that apartment only and in other cases services two apartments.

Limited Common Elements. The limited common elements and the apartments to which they are appurtenant are as follows:

(a) Each apartment has appurtenant to it at least one parking stall. The Condominium Map identifies each stall by a number from 1 thru 90. The particular apartment stall appurtenant to a particular apartment is listed on the attached schedule. [NOTE: The stalls listed on the attached schedule as "visitor" stalls will remain common elements. All other stalls may be transferred between apartments as provided in paragraph 8.02 of the Condominium Declaration. Without limiting the generality of said paragraph 8.02, the Declarant may transfer one or more of the stalls listed as appurtenant to Apartment No. U-101 to other apartments upon the original conveyance thereof to a purchaser.]

(b) Each private patio or yard area is a limited common element to first floor apartment adjoining such area, as shown on the site plan in the Condominium Map, as is the interior surface (i.e. the surface facing that apartment) of the fence around each such area.

(c) Each compartment designed to contain hot waterheaters and located on the exterior of the buildings adjacent to each Type A-1 and B-1 apartment, are limited common elements to such A-1 or B-1 apartment and to the Type A-2 or B-2 apartment above such unit.

(d) Each concrete pad outside the door of each Type B-1 and C apartment located on the first level is a limited common element appurtenant to that apartment. Each stairway and second story landing providing access to a second level apartment is a limited common element appurtenant to that apartment; provided, that those stairways which lead to two second level apartments shall be limited common elements to both those apartments, but the second story landing adjacent to the entrance to each such apartment is a limited common element to that apartment only.

(e) The mailbox bearing the same designation as the apartment is a limited common element to that apartment.

THE VILLAGES AT WAIPIO PHASE II
PARKING SCHEDULE

APARTMENT NO.	STALL NO.	APARTMENT NO.	STALL NO.
P-101	43	S-101	48
P-102	44	S-102	47
P-103	25	S-103	50
P-104	22	S-104	52
P-105	3	S-105	38
P-106	4	S-106	42
P-107	1	S-107	46
P-108	2	S-108	45
P-203	26	S-203	49
P-204	21	S-204	51
P-205	5	S-205	37
P-206	6	S-206	41
Q-101	13	T-101	62
Q-102	23	T-102	61
Q-103	18	T-103	60
Q-104	20	T-104	58
Q-105	7	T-105	55
Q-106	9	T-106	39
Q-203	17	T-107	54
Q-204	19	T-108	53
Q-205	8	T-203	59
Q-206	10	T-204	57
		T-205	56
		T-206	40
R-101	24		
R-102	36		
R-103	35	U-101	68, 11, 12, 90, 14, 15, 16, 31
R-104	33		83, 84, 85, 86, 87, 88 & 89
R-105	27	U-102	66
R-106	29	U-103	65
R-203	34	U-104	64
R-204	32	U-201	67
R-205	28	U-202	69
R-206	30	U-203	70
		U-204	63
VISITOR PARKING:	71		
	72		
	73		
	74		
	75		
	76		
	77		
	78		
	79		
	80		
	81		
	82		

EXHIBIT "C"

PHASE II

COMMON INTERESTS

<u>Type and Number of Apartments</u>	<u>Apartment Numbers</u>	<u>Percentage of Undivided Interest For Each Apt.</u>	<u>Total Percentage Of Undivided Interest For Each Apt. Type</u>
<u>A-1</u> (8):	Q-103, Q-104, Q-105, Q-106, R-103, R-104, R-105, R-106	1.49	11.92
<u>A-2</u> (8):	Q-203, Q-204, Q-205, Q-206, R-203, R-204, R-205, R-206	1.51	12.08
<u>B-1</u> (16):	P-103, P-104, P-105, P-106, S-103, S-104, S-105, S-106, T-103, T-104, T-105, T-106, U-101, U-102, U-103, U-104	1.47	23.52
<u>B-2</u> (16):	P-203, P-204, P-205, P-206, S-203, S-204, S-205, S-206, T-203, T-204, T-205, T-206, U-201, U-202, U-203, U-204	1.58	25.28
<u>C</u> (16):	P-101, P-102, P-107, P-108, Q-101, Q-102, R-101, R-102, S-101, S-102, S-107, S-108, T-101, T-102, T-107, T-108	1.70	<u>27.20</u>
Grand Total			<u>100.00%</u>

COMMON INTEREST OF APARTMENTS IN THE CONDOMINIUM
(If this Condominium is merged with condominiums
built on Lots 11025, 11024 and 11021 in accordance
with the general plan of development referred to in
Paragraph 19 of the Condominium Declaration)

<u>Type of Apartment</u>	<u>Percentage of Undivided Interest for Each Apartment</u>
A-1	.0039424
A-2	.004037
B-1	.003934
B-2	.004226
C	.004532

EXHIBIT "D"

PHASE I:

All of that certain parcel of land situate at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, described as follows:

LOT 11025, area 3.896 acres, as shown on Map 659, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 1000 of John Ii Estate, Limited;

Being the premises described in Transfer Certificate of Title No. 275,414 issued to JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation.

PHASE III:

All of that certain parcel of land situate at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, described as follows:

LOT 11024, area 2.504 acres, as shown on Map 659, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 1000 of John Ii Estate, Limited;

Being the premises described in Transfer Certificate of Title No. 275,413 issued to JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation.

PHASE IV:

All of that certain parcel of land situate at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, described as follows:

LOT 11021, area 1.598 acres, as shown on Map 659, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 1000 of John Ii Estate, Limited;

Being the premises described in Transfer Certificate of Title No. 275,410 issued to JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation.

PHASE V:

All of that certain parcel of land situate at Waipio, District of Ewa, City and County of Honolulu, State of Hawaii, described as follows:

LOT 11022, area 2.063 acres, as shown on Map 659, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 1000 of John Ii Estate, Limited;

Being the premises described in Transfer Certificate of Title No. 275,411 issued to JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

REGULATORY AGREEMENT*

AGREEMENT dated this _____ day of _____, 198__, by and between _____ ^{**}(hereinafter called the Association) whose address is _____, party of the first part, and _____, as Federal Housing Commissioner (hereinafter called the Commissioner) acting pursuant to authority granted him by the National Housing Act, as amended (hereinafter referred to as the Act), party of the second part.

WHEREAS, the Association has the responsibility for administering the _____ Condominium and desires to aid members in obtaining financing for the purchase of family units in the condominium; and

WHEREAS, mortgagees may be unwilling to lend sums to the members of the Association without FHA mortgage insurance; and

WHEREAS, the Commissioner is unwilling to endorse notes and mortgage insurance pursuant to Section 234 of Title II of the Act unless and until the Association shall be entering into the covenants and agreements set forth below, consent to be regulated and restricted by the Commissioner as provided in the Act:

NOW, THEREFORE, in consideration of One Dollar (\$1.00) in hand paid, and other good and valuable considerations by each party to the other, the receipt of which is hereby acknowledged, and in order to induce the Commissioner to endorse for mortgage insurance the notes secured by mortgages covering family units in the condominium, and in order that the Association may be regulated and restricted by the Commissioner as provided for in the Act and the applicable Regulations, the parties hereto agree as follows: that whenever a Contract of Mortgage Insurance for a mortgage covering a family unit in the condominium is in effect, or during any period of time as the Commissioner shall be owner, holder, or reinsurer of any mortgage covering a family unit in the condominium, or during any time the Commissioner is the owner of a family unit in the condominium or is obligated to insure a mortgage covering any family unit in the condominium:

1. The Association shall establish and maintain reserve fund for replacements by allocation and payment monthly to such reserve fund an amount to be designated from time to time by the Commissioner. Such fund shall be deposited in a special account with a safe and responsible depository approved by the Commissioner and may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America. The reserve fund is for the purpose of effecting replacements of structural elements and mechanical equipment of the condominium and for such other purposes as may be agreed to in writing by the Commissioner. Disbursements from such fund may be made only after receiving the consent in writing of the Commissioner.

* To be attached to the recorded Plan of Apartment Ownership and to be executed and dated as of the date of recordation.

** Insert name of Association of Owners as designated in the By-Laws of the Condominium, or the name of the Corporation, if the Association is incorporated.

2. The Association shall establish and maintain a general operating reserve by allocation and payment thereto monthly of a sum equivalent to not less than 3 percent of the monthly assessments chargeable to the owners of family units in the condominium pursuant to the by-laws. Upon accrual in said General Operating Reserve account of an amount equal to 15 percent of the current annual amount of assessments chargeable to the owners of family units in the condominium pursuant to the by-laws, the rate of such monthly allocations may, by appropriate action of the Association, be reduced from 3 percent to 2 percent provided, however, that in the event withdrawals from such account reduce it below said 15 percent accrual, the rate of such monthly deposits shall immediately be restored to 3 percent; at any time thereafter upon accrual in said General Operating Reserve Account of an amount equal to 25 percent of the current annual amount of assessments chargeable to the owners of family units in the condominium pursuant to the by-laws, such monthly deposits may, by appropriate action of the Association, be discontinued and no further deposits need be made into such General Operating Reserve so long as said 25 percent level is maintained and provided, further, that upon reduction of such reserve below 25 percent level is restored. This reserve shall remain in a special account and may be in the form of cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America, and shall at all time be under the control of the Association. This cumulative reserve is intended to provide a measure of financial stability during periods of special stress and may be used to meet deficiencies from time to time as a result of delinquent payments of assessments by owners of family units in the condominium and other contingencies. Disbursements totalling in excess of 20 percent of the total balance in the reserve as of the close of the preceding annual period may not be made during any annual period without the consent of the Commissioner. Reimbursements shall be made to the account upon payment of delinquencies for which funds were withdrawn from the reserve.
3. The Association will not employ a management agent for the buildings nor enter into a management contract nor undertake "self-management" unless the Commissioner has approved in writing the proposed management agent, form of management contract or other management arrangement.
4. The Association shall not without prior approval of the Commissioner, given in writing, remodel, reconstruct, demolish or subtract from the premises constituting the condominium.
5. The Association shall not without prior approval of the Commissioner given in writing:
 - (a) amend or change the Plan of Apartment Ownership or the by-laws of the Association;
 - (b) fail to establish and maintain the Fund for Replacements and general operating reserve as set forth herein;
 - (c) fail to provide for the management of the condominium in a manner approved by the Commissioner; and
 - (d) fail to keep in full force and effect an elevator contract satisfactory to the FHA covering the maintenance and replacement of parts of any elevator or related equipment, or, if such contract shall be allowed to expire, then fail to accrue an additional sum in such amount as shall be designated by the Commissioner to be sufficient to allow for deferred and future replacements as part of the annual Reserve for Replacement Fund collected by the Association so as to insure that Funds will be

available for replacement of elevator parts and related equipment.

6. The Association shall maintain the common areas and facilities, and each owner of a family unit shall maintain the family unit, in good repair and in such condition as will preserve the health and safety of the members.
7. The books, contracts, records, documents and papers of the Association and all of the property of the condominium shall be subject to inspection and examination by the Commissioner or his duly authorized agent at all reasonable times. The Association shall file with the Commissioner the following reports verified by the signature of such officers of the Association as may be designated and in such form as may be prescribed by the Commissioner:
 - (a) monthly operating reports, when required by the Commissioner;
 - (b) annual financial reports prepared by a certified public accountant or other person acceptable to the Commissioner, with sixty days after the end of each fiscal year;
 - (c) specific answers to questions upon which information is desired from time to time relative to the operation and condition of the property; and
 - (c) copies of minutes of all owner's meetings certified to by the secretary of the Association within thirty days after such meetings, and when required by the Commissioner, copies of minutes of directors' meetings.
8. The Association shall establish and collect from owners of family units monthly assessments pursuant to the conditions set forth herein. Monthly assessments charged to owners during the initial occupancy period shall be made by the Association in accordance with a schedule of charges filed with and approved in writing by the Commissioner prior to the opening of the project for occupancy. Such assessment shall be in an amount sufficient to meet the FHA estimate of management expense, operating expense, and maintenance expense, reserves, and all other expenses of the Association. Subsequent to the initial occupancy period, assessments made by the Association for its accommodations shall be in accordance with a schedule filed with and approved in writing by the Commissioner and shall be in amounts sufficient to meet the Association's estimate of expenses set forth in an operating budget which shall be prepared and submitted to the FHA sixty days prior to the beginning of each fiscal year. The operating budget shall set forth the anticipated income of the Association and a sufficiently detailed estimate of expenses which will include separate estimates for administration expense, operating expense, maintenance expense, utilities, hazard insurance, replacement reserve and operating reserve. Such assessments shall not be changed except with the written approval of the Commissioner. The Association agrees that if at any time the owner of a family unit fails to pay his monthly assessment as provided in the by-laws, the Association will, upon direction of the Commissioner, initiate necessary legal action to collect the assessment.
9. Upon a violation of any of the above provisions of this Agreement by the Association, or by any owner of a family unit, or upon the failure of the Association to abide by and carry out the provisions of the plan of Apartment Ownership and the By-Laws, the Commissioner may give written notice thereof to the Association or to the owner of a family unit, by registered or certified mail. If such violation is not corrected to the satisfaction of the Commissioner within 15 days after the date such notice is mailed, or with such additional period

of time as is set forth in the notice, without further notice the Commissioner may declare a default under this Agreement and upon such default the Commissioner may:

- (a) In the case of a default by the owner of a family unit:
 - (i) If the Commissioner holds the note of the defaulting owner - declare the whole of said indebtedness due and payable and then proceed with the foreclosure of the mortgage;
 - (ii) If said note is held by an FHA-insured mortgagee - notify the mortgagee of such default, and the mortgagee, with the prior written consent of the Commissioner, may declare the whole indebtedness due, and thereupon proceed with the foreclosure of the mortgage, or assign the note and mortgage to the Commissioner as provided in the Regulations.

- (b) In the case of a default by the Association or by the owner of a family unit:

Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, or for such other relief as may be appropriate, since the injury to the Commissioner arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.

- 10. The covenants and agreements herein set out shall be deemed to run with the land and the property described in the Plan of Apartment Ownership, and to bind all owners of family units, present and future.

- 11. As used in this Agreement the terms:

- (a) "Mortgage" shall include "Deed of Trust";
- (b) "Note" shall include "Bond";
- (c) "Mortgagee" shall include the "Beneficiary" under Mortgage or Deed of Trust however designated;
- (d) "Default" shall mean a default declared by the Commissioner when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Commissioner after written notice;
- (e) "Plan of Apartment Ownership" shall include all legal documents, deeds, by-laws, plans and specifications, required by the laws of the jurisdiction to establish condominium ownership.

(The use of the plural shall include the singular; the singular shall include the plural; and the use of any gender shall be deemed to include all genders.)

- 12. This instrument shall bind, and benefits shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in office or interest, and assigns.
- 13. The invalidity of any clause, part or provision of this agreement shall not affect the validity of the remaining portions thereof.
- 14. The Association agrees and assumes the obligation to have this Agreement recorded in the appropriate land records in the jurisdiction in which the real property herein described is situated, and in the event of failure to do so, it is agreed that the

Commissioner may have the same recorded at the expense of the Association.

- 15. It is specifically agreed between the parties hereto that the breach of any of the terms of this Agreement by the Association or by an owner of a family unit will substantially damage and inure the Commissioner in the proper performance of his duties under the provisions of the Act, and will impede and injure the proper operations intended under such Act; that such damage will be irrespective of and in addition to any damage to security of the mortgaged premises or to any financial damage the Commissioner may suffer as insurer; that, except for the agreements herein contained, the Commissioner would not issue and would not be authorized to issue a Contract of Mortgage Insurance, and that Mortgagees may not be willing to lend sums of money to owners of the family units on the security of mortgages covering such units, unless the same were insured by the Commissioner.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement the day and year first above written.

ASSOCIATION OF OWNERS OF _____ CONDOMINIUM

By _____

FEDERAL HOUSING COMMISSIONER

By _____ (Authorized Agent)

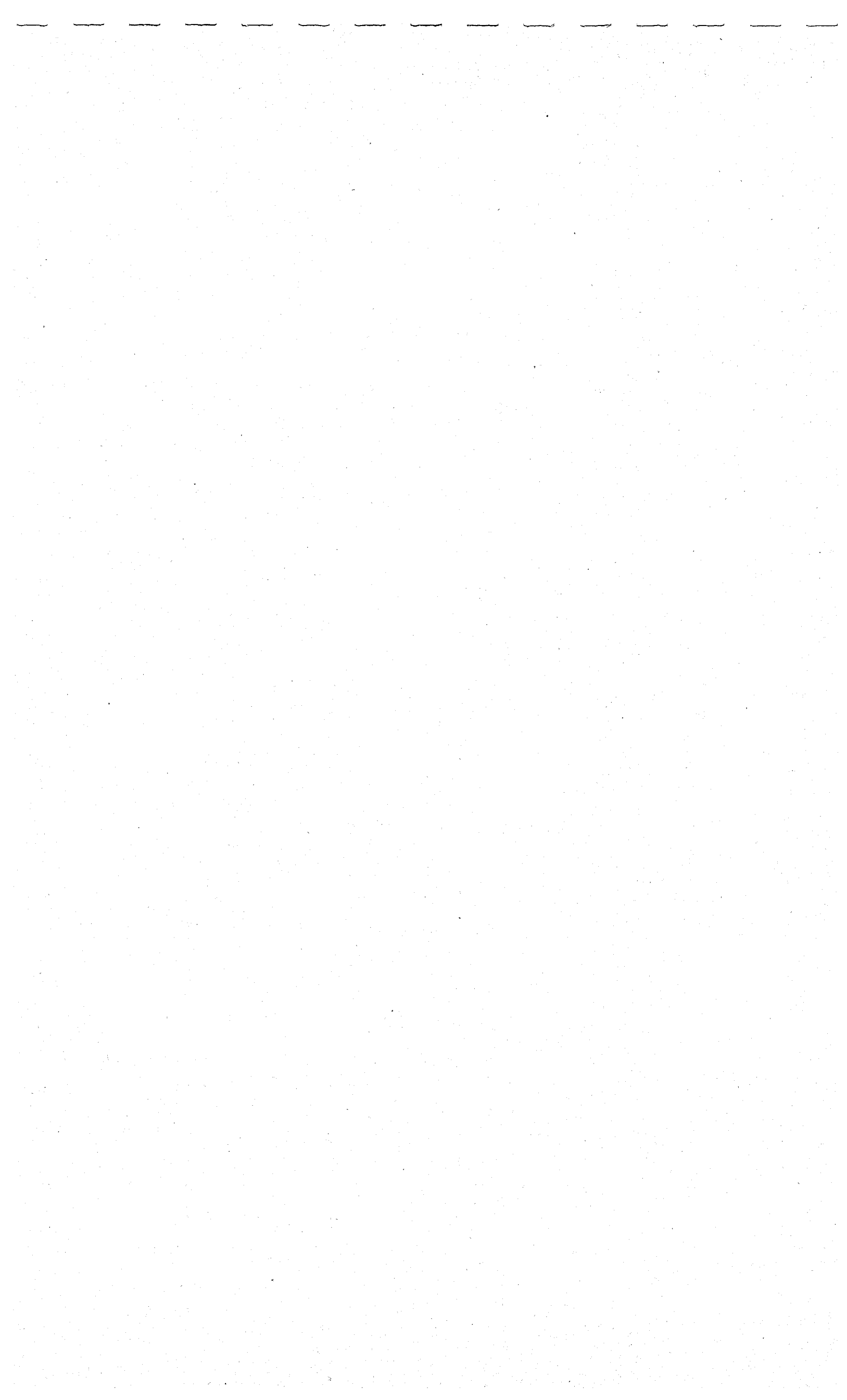
ACKNOWLEDGEMENT OF ASSOCIATION OF OWNERS OF _____ CONDOMINIUM (In accordance with the form in State where property is located)

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

On this ____ day of _____, 198__, before me appeared _____, to me personally known to be the person described in and who executed the foregoing instrument and who, being by me duly sworn, did say that he is the _____ of _____, a _____, and who, on behalf of said _____, acknowledged that he executed the foregoing instrument as the free act and deed of said _____.

Notary Public, State of Hawaii

My Commission Expires: _____



RECORDATION REQUESTED BY:

We hereby certify that this is a true copy of the original filed as Land Court Document No. 1363611 and /or recorded in Liber _____ on Page _____ on APR 09 1986 @ 8:01am

AFTER RECORDATION, RETURN TO:

TITLE GUARANTY OF HAWAII, INCORPORATED
By Donna Bergersen

RETURN BY: () Mail () Pickup

**BY-LAWS
OF THE ASSOCIATION OF APARTMENT OWNERS OF
THE VILLAGES AT WAIPIO PHASE II**

DECLARATION AND ADOPTION

By signing this document and having it recorded, JAMES K. SCHULER & ASSOCIATES, INC. (the "Declarant") hereby: (a) makes and adopts the attached By-Laws as the By-Laws of the Association of Apartment Owners of The Villages at Waipio Phase II (the "Association"); and (b) declares that the Horizontal Property Regime known as "The Villages at Waipio Phase II" (the "Condominium"), as created and established by the Declaration of Horizontal Property Regime: The Villages at Waipio Phase II (the "Condominium Declaration"), to be recorded or filed of record in the State of Hawaii concurrently herewith (or nearly so), is held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following By-Laws; that these By-Laws are in furtherance of the plan set forth in the Condominium Declaration to constitute the Condominium and are established and agreed upon for said purposes and for the purpose of enhancing and perfecting the value, desirability, and attractiveness of the Condominium; and that these By-Laws are and shall constitute equitable liens and servitudes and covenants running with the land, are intended to create mutual servitudes upon each apartment within the Condominium and to create reciprocal rights between the respective apartment owners, and are and shall be binding on and inure to the benefit of the Declarant, its successors and assigns, and all subsequent parties having or acquiring any right, title or interest in any part of said real property and their respective successors, heirs, personal representatives and assigns.

JAMES K. SCHULER & ASSOCIATES, INC.

Dated: January 17, 1986

By James K. Schuler
Its President

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

On this 17th day of January, 1986, before me appeared JAMES K. SCHULER, to me personally known, who, being by me sworn, did say that he is the President of JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board and said JAMES K. SCHULER acknowledged said instrument to be the free act and deed of said corporation.

L.S.

Dana M. Keefe
Notary Public, State of Hawaii

My commission expires: Sept. 25, '88.

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BY-LAWS
OF THE ASSOCIATION OF APARTMENT OWNERS OF
THE VILLAGES AT WAIPIO PHASE II

ARTICLE I
ASSOCIATION OF OWNERS

Section 1.01 Qualification and Membership. All owners of apartments of the Condominium ("Owners" or "Apartment Owners") shall constitute the Association. The Owner of any apartment upon acquiring title thereto shall automatically become a member of the Association and shall remain a member thereof until such time as his or her ownership of such apartment ceases for any reason, at which time his or her membership in the Association shall automatically cease; provided that:

(a) to such extent and for such purposes, including voting, as shall be provided by lease of any apartment registered under Chapter 501 or recorded under Chapter 502 of the Hawaii Revised Statutes, as amended (i.e., filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii or recorded in the Bureau of Conveyances of the State of Hawaii), the lessee of such apartment shall be deemed the Owner thereof;

(b) the purchaser of an apartment pursuant to an agreement of sale duly recorded or filed of record in the State of Hawaii shall have all the rights of an Apartment Owner, including the right to vote, provided that the seller thereunder may retain the right to vote on certain matters substantially affecting his security interest in the apartment, in accordance with Section 514-83 of the Condominium Act, as the same may be amended from time to time; and

(c) if any interest in an apartment is transferred to a trustee under a land title holding trust under which substantially all powers of management, operation and control of the apartment remain vested in the trust beneficiary or beneficiaries, the beneficiary or beneficiaries of such trust shall be deemed to be the Owner or Owners of said apartment to the extent of their interest therein, unless the trustee notifies the Association to the contrary in writing. A transferee of the beneficial interest in any such trust shall have all of the rights and duties of an Apartment Owner when notice of such transfer is given to the Association by the trustee. Unless and until such notice is given, the Association shall not be required to recognize the transferee for any purpose, and the transferor may be continued to be recognized by the Association as the Owner and shall have all of the rights and obligations of ownership.

Notwithstanding anything in these By-Laws to the contrary, at all times prior to a first apartment conveyance as defined in Section 1.03 below, the Declarant shall act in any and all matters as the Association and its Board of Directors.

Section 1.02 Place of Meetings. Meetings of the Association shall be held at the Condominium or such other suitable place within the State of Hawaii convenient to the Owners, as may be designated by the Board of Directors of the Association (the "Board").

Section 1.03 Annual Meetings. At any time following the issuance by the appropriate county agency of a certificate of occupancy for the Condominium, the first annual meeting shall be held at the call of the Declarant upon the giving notice thereof otherwise in accordance with Section 1.05 of this Article to all Apartment Owners; provided, the Declarant shall call the first annual meeting and give such notice thereof, and the first annual meeting shall be held:

(a) not later than one hundred and eighty (180) days after the first apartment conveyance is duly recorded or filed of record in the State of Hawaii, if apartments to which are appurtenant forty percent (40%) or more of the common interests have been sold and the conveyance thereof so recorded; and

(b) if such number of apartments have not been sold and recorded or filed within said one hundred and eighty (180) day period, promptly thereafter as soon as such number of apartments have been sold and recorded or filed; except that

(c) if such number of apartments have not been sold and recorded or filed at the end of one (1) year after the recordation of the first apartment conveyance, then promptly upon the request of Owners of apartments to which are appurtenant ten percent (10%) of the common interests.

The term "apartment conveyance" shall mean and refer to the transfer of any interest in an apartment to a person other than the Declarant by written instrument "duly recorded or filed of record" in the State of Hawaii (i.e., filed in said Office of the Assistant Registrar of the Land Court, or recorded in said Bureau of Conveyances), whereby such person acquires any right to vote at a meeting of the Association, whether the right to vote is acquired by deed, lease, agreement of sale or otherwise; excluding, however, the acquisition of any right to vote by way of a mortgage or similar device or by instrument expressly declared not to be an apartment conveyance within the meaning of this section. The term "first apartment conveyance" shall mean and refer to the first such transfer.

The Managing Agent shall call the first annual meeting and give notice thereof as required by this Section 1.03, if the Declarant shall so authorize the Managing Agent or if the Declarant shall fail or neglect so to do. At the first annual meeting the Apartment Owners shall elect the Board. Thereafter, the annual meetings of the Apartment Owners shall be held on such date as the Board shall designate within three (3) months following the end of the fiscal year established for the Association. At such subsequent meetings successor directors shall be elected by ballot of the Apartment Owners as provided in Section 2.03. The Apartment Owners may transact such other business at the first and subsequent annual meetings as may properly come before them.

Section 1.04 Special Meetings. Special meetings of the Association may be held at any time upon the call of a majority of a quorum of the Board, or upon a petition signed by not less than twenty-five percent (25%) of the Owners and presented to the Secretary (and if the Regulatory Agreement referred to in the Condominium Declaration is executed and recorded or filed of record in the State of Hawaii, at the request of the Federal Housing Commissioner or his duly authorized representative). The business considered shall be limited to that stated in the notice of the special meeting, unless at least eighty percent (80%) of the Owners present, either in person or by proxy, decide otherwise.

Section 1.05 Notice of Meetings. The Secretary shall give written or printed notice of each annual and special meeting to every Owner according to the Association's record of ownership (and if the Regulatory Agreement referred to in the Condominium Declaration is executed and recorded or filed of record, to the Director of the local insuring office of the Federal Housing Administration), at least fourteen (14) days before the date set for such meeting. The notice shall state whether it is an annual or special meeting, the authority for the call thereof, the place, day and hour of such meeting, the agenda thereof, and the purpose therefore, and shall include a standard proxy form authorized by the Association, if any. The notice shall be given in any of the following ways:

(a) by delivering it to him or her personally,
or

(b) by leaving it at his or her apartment in the Condominium or at his or her usual residence or place of business, or

(c) by mailing it, postage prepaid, addressed to him or her at his or her address as it appears on the Association's record of ownership.

If notice is given pursuant to the provisions of this section, the failure of any Owner to receive actual notice of any meeting shall in no way invalidate such meeting or any proceedings thereat. The presence of any Owner in person or by proxy at any meeting shall be deemed a waiver of any required notice to such Owner, unless he or she shall at the opening thereof object to the holding of such meeting because of the failure to give notice in accordance with the provisions hereof. Any Owner may waive notice before, at or after any meeting by written waiver filed with the Secretary. Upon written request for notices delivered to the Board, the holder of any duly recorded mortgage from an Owner, or the holder of the seller's or purchaser's interest under any duly recorded agreement of sale of an apartment may obtain a copy of any and all notices permitted or required to be given to the Owner of an apartment, whose interest is subject to said mortgage or agreement of sale.

Section 1.06 Quorum; Definition of a Majority (or Other Percentage) of Owners. The presence at any meeting in person or by proxy of not less than a majority of the Owners shall constitute a quorum, and the acts of a majority

of the Owners at any meeting at which a quorum is present shall be the acts of the Association except as otherwise provided herein, or in the Condominium Declaration or in the Condominium Act. The term "majority (or other percentage) of Owners" means the Owners of apartments to which are appurtenant a majority (or other percentage) of the common interests as established by the Condominium Declaration.

Section 1.07 Voting. Voting shall be on a percentage basis, and the percentage of the total vote to which each apartment is entitled shall be the percentage of the common interests assigned to such apartment in the Condominium Declaration. Votes may be cast in person or by proxy by the respective Owners as shown in the record of ownership of the Association. An executor, administrator, guardian, personal representative or trustee may vote in person or by proxy at any meeting of the Association the percentage of vote for any apartment owned or controlled by him or her in such capacity, whether or not the same shall have been transferred to his or her name in the Association's record or ownership, provided that he or she shall first present evidence satisfactory to the Secretary that he or she owns or controls such apartment in such capacity. The vote for any apartment owned of record by two or more persons may be exercised by any one of them present at any meeting in the absence of protest by the other or others, and in case of protest each co-tenant shall be entitled to only a share of such vote in proportion to his or her share of ownership in such apartment. Votes allocated to any area which constitutes a common element under Section 514-13(h) of the Condominium Act, whether or not so designated in the Declaration, shall not be cast at any Association meeting.

Section 1.08 Proxies and Pledges. (a) A proxy, to be valid, must be delivered to the Secretary of the Association or the Managing Agent, if any, no later than 4:30 p.m. on the second business day prior to the date of the meeting to which it pertains, and must contain at least: the name of the Association, the date of the meeting of the Association, the printed name and signature of the person or persons giving the proxy, the apartment or apartments for which the proxy is given, the printed name of the person or entity to whom the proxy is given, and the date that the proxy is given.

(b) A proxy shall only be valid for the meeting to which the proxy pertains and its adjournments, may designate any person as proxy, and may be limited as the Apartment Owner desires and indicates.

(c) Proxies may be given to the Board as an entity.

(d) Nothing in (a), (b) or (c) above shall affect the holder of any proxy under a first mortgage of record encumbering an apartment or under an agreement of sale affecting an apartment. Voting rights transferred or pledged by mortgage, deed of trust or agreement of sale of any apartment or interest therein, a true copy of which is filed with the Board through the Secretary or Managing Agent, shall be exercised only by the person designated in such instrument until the written release or other termination thereof is filed with the Board in like manner.

(e) No resident manager or Managing Agent shall solicit, for use by such manager or Managing Agent, any proxies from any Apartment Owner of the Association which employs him or her, nor shall he or she cast any proxy vote at any association meeting except for the purpose of establishing a quorum.

(f) No member of the Board who uses Association funds to solicit proxies shall cast any proxy votes for the election or re-election of Board members at any Association meeting unless the proxy form specifically authorizes the Board member to vote for the election or re-election of Board directors.

Section 1.09 Adjournment. Any meeting of the Association may be adjourned from time to time to such place and time as may be determined by majority vote of the Owners present, without notice other than the announcement at such meeting; provided if a quorum is not then present, the adjournment must be to a date not less than five (5) days nor more than thirty (30) days from the original meeting date. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted by a quorum at the meeting as originally called.

Section 1.10 Order of Business. The order of business at all meetings of the Association shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting.
- (c) Reading of minutes of preceding meeting.
- (d) Report of officers.
- (e) Report of Federal Housing Administration representative, if any.
- (f) Report of committees.
- (g) Election of directors (when so required).
- (h) Unfinished business.
- (i) New business.

Section 1.11 Conduct of Meetings. All meetings of the Association shall be conducted in accordance with the most current edition of Robert's Rules of Order.

Section 1.12 Minutes of Association Meetings. The Secretary of the Association shall cause all minutes of Association meetings to be recorded and maintained at such place as the Board shall designate; provided that the Board may delegate the recording and maintaining of the minutes to the Managing Agent. The minutes of meetings of the Association shall be made available to each Owner and his or her authorized representative for inspection and copying at such designated place at convenient hours designated by the Board; provided, that said minutes shall be mailed to any Owner upon his or her request.

Section 1.13 List of Apartment Owners and Record of Ownership.

(a) The Board shall keep an accurate and current list of members of the Association, and their current addresses, and also the names and addresses of the vendees under an agreement of sale, and shall maintain said list at such place as shall be designated by the Board; provided that the Board may delegate the keeping of said list to the Managing Agent or resident manager. Said list shall be made available to each Owner and his or her authorized representative for inspection and copying as the Board may provide from time to time in the Rules and Regulations; provided that, in any case said list shall be made available, at cost, to any Owner who furnishes to the Board, the Managing Agent or resident manager a duly executed and acknowledged affidavit stating that the list: (1) will be used by such Owner personally and only for the purpose of soliciting votes or proxies or providing information to other Owners with respect to Association matters, and (2) shall not be used by such Owner or furnished to anyone else for any other purpose.

(b) Every Owner shall promptly cause to be duly recorded or filed of record the deed, lease, assignment, agreement of sale, or other conveyance to him or her of such apartment or other evidence of his or her title thereto and shall file a copy of such conveyance with and present such other evidence of his or her title to the Board through the Managing Agent, and shall also promptly so file each change in his or her current address. Every Owner shall likewise duly and promptly so record and file each mortgage on his or her Apartment. The Board shall keep or cause to be kept a list of such mortgagees.

ARTICLE II BOARD OF DIRECTORS

Section 2.01 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. The Board shall be composed of five (5) persons; provided, if upon any merger or mergers of phases provided for in the Condominium Declaration, the number of apartments in the merged projects exceeds 100, the Board shall be composed of nine (9) persons, unless not less than 75% of the Apartment Owners of the merged projects vote by mail ballot, or at a special or annual meeting, to reduce the number of directors at less than nine (9) during an annual meeting or at a special meeting called for the purpose of reducing the minimum number of directors. All Directors shall be Owners or Co-Owners or vendees under an agreement of sale, or an officer of any corporate Owner of any apartment. The partners in a general partnership and the general partners of a limited partnership shall be deemed to be the Owners of an apartment for this purpose. In the case of fiduciary owners, the fiduciaries or officers or employees of such fiduciaries shall be eligible to serve as directors. There shall not be more than one representative on the Board from any one apartment. No resident manager of the Condominium shall serve on the Board.

Section 2.02 Powers. The Board shall have all powers necessary for the administration of the affairs of the Association and may do all such acts and things for such purpose as are not by law, the Condominium Declaration or these By-Laws directed to be exercised or done only by the Owners.

Section 2.03 Election and Term. Election of directors shall be by secret written ballot at each annual meeting and any special meeting called for this purpose. Directors shall hold office for a period of two (2) years and until their respective successors have been elected, subject to the removal provisions contained herein; except that at the first annual meeting, the number of persons equal a majority of Directors (but no more) who receive the largest number of votes shall be elected for a term of two (2) years, and the remaining person shall be elected for a term of one (1) year. Thereafter, at the expiration of the term of office of each of the initial members of the Board, each successor member shall be elected for a term of two (2) years.

Section 2.04 Cumulative Voting For Election Of Directors. Cumulative voting is required for the elections of directors. Each Owner may give all of his or her cumulated votes to one nominee or distribute his or her cumulated votes in such manner as he or she shall determined among any, some or all of the nominees. The nominees receiving the largest number of votes on the foregoing basis, up to the number of directors to be elected, shall be deemed elected.

Section 2.05 Inspectors For Voting And Elections. Before the meeting of the Association, the Board must appoint inspectors of the voting at the meeting, including the voting for the election of directors. The number of inspectors will be either 1 or 3. The inspector or inspectors will: (a) determine the number of votes that may be cast; the authenticity, validity and effect of proxies, pledges and other documents purporting to give any person the right to represent, act and vote for an Owner; (b) receive votes, ballots and consents; (c) hear and determine all challenges, questions and conflicts relating in any way to the right to cast votes; (d) count and tabulate all votes and consents; (e) decide when the polls will close; (f) determine the results of all votes and elections; (g) do other acts that may be proper to conduct the vote or election with fairness to all Owners; (h) perform such duties impartially, in good faith, to the best of his, her or their ability and as quickly as practical. The decision, act or certificate of a majority

of inspectors, if there are 3, or of a single inspector will be effective. Any facts stated in any effective report or certificate are presumed to be accurate.

Section 2.06 Nominees For Election To The Board. The Board will appoint a committee to nominate Owners for election to the Board at each annual meeting. This committee will make their selections at least 60 days before the date of each of these meetings. The list of nominees must also include any qualified person nominated in any petition signed by at least 5% of the Owners and received by the Board 60 days before the meeting. This list of nominees must be sent to each Owner. If the list is prepared before the notice of meeting is sent, it must be sent with the notice. Each person nominated must be placed on the ballot at the meeting. But at the meeting any Owner present may nominate any other qualified person for director, and the person nominated must be added to the ballot.

Section 2.07 Vacancies. Vacancies in the Board caused by any reason other than removal of a director by the Association shall be filled by vote of a majority of the remaining directors, even though they may constitute less than a quorum, and each person so elected shall be a director until his or her successor is elected at the next annual meeting of the Association. Death, incapacity or resignation of any director, or his or her continuous absence from the State of Hawaii for more than six (6) months, or his or her ceasing to be qualified under Section 2.01 shall cause his or her office to become vacant.

Section 2.08 Removal of Directors. (a) At any regular or special meeting of the Association duly called, any one or more of the directors may be removed with or without cause by vote of a majority of Owners and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Owners shall be given an opportunity to be heard at such meeting. However, unless the entire Board is removed, no individual director shall be removed if the votes cast against removal would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors being elected at the most recent election were then being elected.

(b) The other members of the Board may (but are not required) to remove any director who is not present at 3 or more consecutive regular meetings of the Board. But if before he or she is removed, he or she is present at any meeting held later, he or she must miss at least 3 more consecutive meetings before he or she may be removed.

Section 2.09 Annual Meeting. An organizational meeting of the Board shall be held at the place of and immediately following each annual meeting of the Association, and no specific notice shall be necessary to any directors in order validly to constitute such meeting, provided that a majority of the whole Board shall be present; provided, further, that a general notice of such annual meeting of the Board shall be given with and contained in the notice of the annual meeting of the Association. At such meeting the Board shall elect the officers of the Association for the ensuing year.

Section 2.10 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least one (1) such meeting shall be held during each calendar quarter of every year. Notice of regular meetings of the Board shall be posted at a prominent place or places within the common elements of the Condominium and shall be given to each director, personally or by mail, telephone or telegraph, at least fourteen (14) days, if practicable, prior to the date of such meeting.

Section 2.11 Special Meetings. Special meetings of the Board may be called by the President on at least eight (8) hours notice to each director, given personally or by telephone or telegraph, which notice shall state the time, place and purpose of such meeting. On the written request of at least two (2) directors, special meetings of the Board shall be called by the President or the Secretary in like manner and with like notice. Notice shall also be posted in the same manner as specified in Section 2.10. Notwithstanding anything in these By-Laws to the contrary, the Declarant, when acting as the Board as provided in Section 1.01, may act without a formal meeting and without call or notice.

Section 2.12 Open Meetings. (a) All Board meetings will be open to all Owners. But Owners who are not on the Board may not take part in any discussion or deliberation, unless allowed to do so by the vote of a majority of a quorum of the Board. If there is not enough room for all the Owners wishing to attend at the place of the meeting, the Board must adjourn and reconvene the meeting as soon as possible where there is enough room.

(b) The Board may, upon the vote of a majority of a quorum of the Board, adjourn any meeting and reconvene in a closed executive session to discuss and vote upon: (1) personal matters; and (2) lawsuits in which the Association is or may become involved. But before adjourning to executive session, the Board must announce the general nature of all business that will be considered there.

Section 2.13 Waiver of Notice. Before or at any meeting of the Board any director may in writing waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice to him or her of such meeting. If all the directors are present at any meeting of the Board, no notice thereof to any Director shall be required, and any business may be transacted at such meeting.

Section 2.14 Quorum of Board. At all meetings of the Board a majority of the total number of directors established by these By-Laws shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at any meeting at which a quorum is present shall be the acts of the Board. Any such meeting may be adjourned to such place and time as may be determined by a majority of directors present without notice other than an announcement at such meeting; provided if the meeting is adjourned for more than 24 hours, notice must be given to those directors who are absent. At any such adjourned meeting at which a quorum is present any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 2.15 No Proxy Voting; Conflicts of Interest. A director shall not cast any proxy vote at any meeting of the Board. Nor shall a director vote at any board meeting on any issue in which the director has a conflict of interest. The determination of whether a conflict of interest exists as to any one or more directors may be made by a majority of the other directors, and, if made, shall be conclusive and binding on all parties.

Section 2.16 Conduct of Meetings. All meetings of the Board shall be conducted in accordance with the most current edition of Robert's Rules of Order.

Section 2.17 Minutes of Board Meetings. The Secretary of the Association shall cause all minutes of Board meetings to be recorded and maintained at such place as the Board shall designate; provided that the Board may delegate the recording and maintaining of such minutes to the Managing Agent. Said minutes shall include the recorded vote of each Board member on all motions except motions voted on in executive session. The minutes of

meetings of the Board shall be made available to each Owner and his or her authorized representative for inspection and copying at such designated place at convenient hours designated by the Board; provided, that said minutes shall be mailed to any Owner upon his or her request.

Section 2.18 Executive And Other Committees. The Board may establish one or more committees to serve at its pleasure. The Board may appoint any two or more directors or any one or more Directors and other Owners to serve on committees. The Board may also designate one or more directors to serve as alternate members on any committee, to replace any member who is absent at a meeting of that committee. Such appointments require the vote of a majority of all Directors. The purpose of the committee, its members and its authorities and duties must be stated in the minutes of the meetings of the Board before these appointments will be effective. Each committee will automatically be dissolved at the time of the next annual meeting of the Board.

Each committee appointed may (but does not have to) be given all the powers and authorities of the Board. But it may not: adopt, amend or repeal the Condominium Declaration, these By-Laws or the Rules and Regulations; fill vacancies on the Board, or in any office of the Association, or in any committee; amend or repeal any resolution of the Board unless by its express terms such resolution is made so amendable or repealable; appoint any other committees of the Board or the members of these committees; approve any transaction: (a) between the Association and one or more of its Directors; or (b) between the Association and any entity in which one or more of its Directors have a material financial interest; incur any debt or other obligation in excess of \$10,000; take any other action which by the express terms of the Condominium Declaration, these By-Laws, or the Condominium Act must be taken only upon the vote or approval of the Board itself.

Each committee must govern itself in the same manner as the Board is governed by these By-Laws.

ARTICLE III OFFICERS

Section 3.01 Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by and, in the case of the President from, the Board. The Board may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgement may be necessary.

Section 3.02 Election and Term. The officers of the Association shall be elected annually by the Board at its annual meeting and shall hold office at the pleasure of the Board.

Section 3.03 Removal. Any officer may be removed either with or without cause by vote of a majority of the members of the Board, and his or her successor elected, at any regular meeting of the Board or any special meeting called for such purpose.

Section 3.04 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board. Subject to the control of the Board, he or she shall exercise general supervision and direction over the management and conduct of the business and affairs of the Association. The President shall also have such other powers and duties as may be provided by these By-Laws or assigned to him or her from time to time by the Board, including, but not limited to, the power to appoint committees from among the Owners from time to time as the President may in his or her discretion decide to be appropriate to assist in the conduct of the affairs of the Association.

Section 3.05 Vice President. The Vice President shall assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice President shall also have such other powers and duties as may be assigned to him or her from time to time by the Board. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to act temporarily in the place of the President.

Section 3.06 Secretary. The Secretary shall attend and keep the minutes of all meetings of the Association and of the Board, give all notices thereof as provided by these By-Laws, maintain and keep a continuous and accurate record of ownership of all apartments, maintain and keep a minute book wherein resolutions shall be recorded, have charge of such books, documents and records of the Association as the Board may direct, and in general perform all the duties incident to the office of Secretary. The duties of the Secretary may be delegated to the Managing Agent.

Section 3.07 Treasurer. The Treasurer shall be responsible for the keeping of full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data. The Treasurer shall be responsible for the deposit and custody in the name of the Association of all moneys and other valuable effects of the Association in such depositories as may be designated by the Board; and he or she shall, in general, perform all the duties incident to the office of Treasurer. The duties of the Treasurer may be delegated to the Managing Agent.

ARTICLE IV ADMINISTRATION

Section 4.01 Delegation of Management To the Board. On behalf of the Association, the Board shall at all times administer the affairs of the Association and manage and operate the Condominium in accordance with the Condominium Act, the Condominium Declaration, these By-Laws, and the Rules and Regulations, as the same shall be lawfully amended from time to time, and the Declaration for Joint Use referred to in the Condominium Declaration. If the Regulatory Agreement referred to in the Condominium Declaration is executed by the Declarant, recorded or filed of record in the State of Hawaii, the term "Condominium Declaration" as used herein shall mean and include the Regulatory Agreement. For these purposes, the Board shall have such powers and duties as may be necessary or proper therefor. Said powers and duties shall include all of the powers and duties of the Association, except whereby express provision of the Condominium Act, the Condominium Declaration, or these By-Laws, any such power or duty is to be exercised by the Association at large.

By way of illustration, and not in limitation, the Board shall have the following powers and duties:

- (a) Operation, care, upkeep and maintenance of the common and limited elements;
- (b) Employment, supervision and dismissal of the personnel necessary for the maintenance, operation, repair and replacement of the common elements;
- (c) Purchase, maintenance and replacement of any equipment and provision of utility services required for the common elements;
- (d) Provision at each apartment of utility services either at the expense of such apartment or as a common expense as determined by the Board in accordance with the Condominium Declaration and these By-Laws;

(e) Making additions and improvements to or alterations of the Condominium and repairs to and restoration of the Condominium in accordance with the other provisions of the Condominium Declaration and these By-Laws, including, but not limited to, provisions regarding damage or destruction by fire or other casualty or provisions regarding condemnation or eminent domain proceedings;

(f) Maintenance and repair of any apartment if such maintenance or repair is necessary, in the discretion of the Board, to protect the common elements (including limited common elements) or any other portion of the buildings and if the Owner or Owners of said apartment shall have failed or refused to perform said maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair is delivered by the Board to said Owner or Owners; provided that the Board shall levy a special assessment against such apartment for the cost of such maintenance or repair and any attorneys' fees and other expenses incurred in levying and collecting such special assessment;

(g) Payment of any amount necessary to discharge any lien or encumbrance levied against the entire Condominium or any part thereof which may in the opinion of the Board constitute a lien against the Condominium or against the common elements (including limited common elements) rather than merely against the interest therein of particular Owners. If one or more Owners are responsible for the existence of any such lien, they shall be jointly and severally liable for the cost of discharging it and for the costs incurred by the Board by reason of such lien;

(h) Adoption and amendment of the administrative rules and regulations covering the details of the operation and use of the Condominium.

(i) Preparation annually of a budget of the common expenses and other charges required for the affairs of the Association (including, without limitation, the operation and maintenance of the Condominium), and determination of the amounts of monthly and special assessments and reserves, and preparation and maintenance of full and accurate books of account and other records and information, and providing or making available the same and giving notices, all in accordance with the provisions of the Condominium Declaration, these By-Laws, and the Condominium Act;

(j) Levy and collection of monthly and special assessments of the common expenses and other charges payable by the Owners;

(k) Opening bank accounts on behalf of the Association and designating the signatories required therefor and borrowing money for Association purposes;

(l) Obtaining insurance and bonds for the Condominium as required by the Condominium Declaration and these By-Laws;

(m) Procuring legal and accounting services necessary or proper for the operation of the Condominium or the interpretation, enforcement or implementation of the Condominium Declaration, these By-laws and any other material documents affecting the Condominium;

(n) Purchasing any other materials, supplies, furniture, labor and services, making repairs and structural alterations, and payment of all insurance premiums, taxes and assessments and common expenses and other charges which the Association or the Board is required to secure, make or pay pursuant to the Condominium Declaration, these By-Laws or by law, or which in its opinion shall be necessary or proper for the operation of the buildings or the enforcement of the Condominium Declaration or these By-Laws; provided that if any such materials, supplies, furniture, labor, services, repairs,

structural alterations, insurance, taxes or assessments are required because of the particular actions or negligence of the Owner or Owners of particular apartment(s), the cost thereof shall be specially assessed to such Owner or Owners;

(o) Purchasing or leasing or otherwise acquiring any apartment in the name of the Board or its nominee, corporate or otherwise, on behalf of all Owners;

(p) Purchasing any apartment at foreclosure or other judicial sales in the name of the Board or its nominee, corporate or otherwise, on behalf of all Owners;

(q) Organizing corporations to act as designees of the Board in acquiring title to or leasing of apartments on behalf of all Owners;

(r) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of members of the Board), and otherwise dealing with apartments acquired by, and subleasing apartments leased by, the Board or its designee, corporate or otherwise, on behalf of all Owners; and

(s) Enforcement of the Condominium Declaration these By-Laws, and the Rules and Regulations, as the same may be lawfully amended from time to time, including the establishment of such penalties, fines, charges and additional assessments as it deems appropriate therefor in accordance with the provisions of said documents.

(t) Enforcement and administration of, including the power to make amendments to, the Declaration for Joint Use referred to in the Condominium Declaration.

Section 4.02 Managing Agent. Except as herein otherwise provided with respect to the initial Managing Agent, the Board shall employ a responsible corporation as Managing Agent to manage the Condominium subject at all times to direction by the Board, with all the administrative functions set forth specifically in the preceding Section 1 of this Article and such other powers and duties and at such compensation and for such term as the Board may establish; provided, however, that the term of any contract with a Managing Agent may not exceed three (3) years; provided, further, that if the initial Managing Agent is the Declarant or any affiliate of the Declarant within the meaning of Section 514A-84(a) of the Condominium Act, then the contract shall not have a term exceeding one (1) year and shall contain a provision that the contract may be terminated by either party thereto on not more than sixty (60) days' written notice, and in any event any management contract negotiated by the Declarant shall not exceed one (1) year. The Board may in its discretion limit any of the powers herein granted to the Managing Agent or grant additional powers to the Managing Agent. The Declarant has and reserves the power to designate the initial Managing Agent for the Condominium.

Section 4.03 Execution of Instruments. All checks, drafts, notes, acceptances, conveyances, contracts and other instruments shall be signed on behalf of the Association by such person or persons as shall be provided by general or special resolution of the Board or, in the absence of any such resolution applicable to such instrument, by the President or Vice President and by the Treasurer or Secretary.

Section 4.04 Representation. The President or the Managing Agent, subject to the direction of the Board, shall represent the Association or any two or more Owners similarly situated as a class in any action, suit, hearing or other proceeding concerning the Association, the common elements or more than one apartment, and on its or their behalf may institute, defend, intervene in, prosecute and settle any such actions, suits and proceedings, without prejudice to the rights of any Apartment Owners individually to appear, sue or be sued. Service of process on two or more Owners in any such action, suit or proceeding may be made on the President or the Managing Agent.

Section 4.05 Compensation of Officers and Directors. No officer or director shall receive any compensation from the Association for acting as such, but may be reimbursed for actual expenses reasonably incurred in the course of so acting.

Section 4.06 Liability and Indemnity of the Board of Directors and Officers. The members of the Board and officers shall not be liable to the Owners of any mistake of judgment or otherwise, except for their own individual negligence or willful misconduct. The Association shall (a) obtain and maintain at the Association's expense a policy of directors' and officers' liability insurance covering all directors and officers, in accordance with the Condominium Declaration, and (b) indemnify each director and officer against all costs, expenses and liabilities, including the amounts of judgments, amounts paid in compromise settlement and amounts paid for services of counsel and other related expenses which may be incurred by or imposed on him or her in connection with any claim, action, suit, proceeding, investigation or inquiry hereafter made, instituted or threatened in which he or she may be involved as a party or otherwise by reason of his or her being or having been such director, or by reason of any past or future action taken or authorized or approved by him or her or any omission to act as such director, whether or not he or she continues to be such director at the time of the incurring or imposition of such costs, except such costs, expenses or liabilities as shall relate to matters as to which he or she shall in such action, suit, or proceeding be finally adjudged to be, or shall be, liable by reason of his or her negligence or willful misconduct toward the Association in the performance of his or her duties as such director or officer. As to whether or not a director or officer was liable by reason of negligence or willful misconduct toward the Association in the performance of his or her duties as such director or officer, in the absence of such final adjudication of the existence of such liability, the Board and each director may conclusively rely upon an opinion of legal counsel selected by or in the manner designated by the Board. The foregoing right of indemnification is not exclusive of other rights to which any such director or officer may be entitled as a matter of law or otherwise, and inures to the benefit of the heirs, personal representatives and assigns of each such director and officer.

Section 4.07 Rules and Regulations. The Declarant shall initially and the Board may thereafter from time to time establish and amend such uniform rules and regulations (the "Rules and Regulations") not inconsistent with the Condominium Declaration, other provisions of these By-Laws, the Declaration for Joint Use referred to in the Condominium Declaration and the Regulatory Agreement, if any, as the Declarant or the Board, as the case may be, may deem necessary for the management and control of the Condominium and the affairs of the Association. However, before the Board may amend and establish the Rules and Regulations, all Apartment Owners shall first be given notice thereof in the same manner as notice is to be given for meetings of the Association's and an opportunity to be heard thereon. The Board shall include in the Rules and Regulations provisions dealing with those subjects that, in other sections of these By-Laws, are referred to as required to be stated or contained in the Rules and Regulations. Each Owner and other person and occupant having any interest in the Condominium shall take such interest in all respects subject to the Rules and Regulations, which shall for this purpose be deemed to be a part hereof; and each Owner and such other person and occupant shall abide by all the Rules and Regulations, as the same now are or may from time to time be amended, and shall see that the same are faithfully observed by his or her invitees, guests, employees and undertenants.

Section 4.08 Enforcement Generally. (a) The Board shall have the full power and authority to enforce compliance with the Condominium Act, the rules and regulations of the Real Estate Commission of the State of Hawaii ("REC") regarding Condominiums, the Condominium Declaration (which shall mean and include the Regulatory Agreement if executed and duly recorded or filed of record in the State of Hawaii), these By-Laws, and the Rules and Regulations, as the same may be amended from time to time (in this Section collectively called the "governing law and documents"), in any manner provided for herein or by law or in equity.

(b) Without limiting the generality of part (a) of this Section, and in addition to the specific powers stated in of the Condominium Declaration and these By-Laws with respect to default in the payment of assessments, for any violation of the governing law and documents, the Board shall have the following cumulative rights: (a) to bring a suit for damages; (b) to bring a suit for specific enforcement thereof; (c) to suspend the privileges of the Owner as a member of the Association; (d) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any violation; or (e) to fine the Owner, in accordance with such reasonable provisions as are from time to time stated in the Rules and Regulations or elsewhere in these By-Laws.

(c) All costs and expenses, including reasonable attorneys' fees, incurred by or on behalf of the Association for: (i) collecting any delinquent assessments against any Owner's apartment; (ii) foreclosing any lien thereon, (iii) enforcing any provision of the governing law or documents, or (iv) the rules and regulations of REC, against an Owner, occupant, tenant, employee of an Owner, or any other person who may in any manner use the Condominium shall be promptly paid on demand to the Association by such person or persons; provided that if the claims upon which the Association takes any action are not substantiated, all costs and expenses, including reasonable attorneys' fees, incurred by any such person or persons as a result of the action of the Association, shall be promptly paid on demand to such person or persons by the Association.

If any claim by an Owner is substantiated in any action against an Association, any of its officers or directors, or the Board to enforce any provision of the governing law or documents, then all reasonable and necessary expenses, costs and attorneys' fees incurred by an Owner shall be awarded to such Owner; provided that no such award shall be made in any derivative action unless: (1) the Owner first shall have demanded and allowed reasonable time for the Board to pursue such enforcement; or (2) the Owner demonstrates to the satisfaction of the court that a demand for enforcement made to the Board would have been fruitless.

(d) The Board shall give a defaulting Owner notice and an opportunity to appear at a hearing before the Board and state any reasons he or she has against a suspension or fine, unless the suspension or fine is due to the Owner's failure to pay regular or special assessments or to pay for late charges, interest, attorney's fees and other collection costs on such assessments. The notice must be in writing and must state: the purpose of the hearing; the reasons for the suspension or fine; and the place and date of the hearing. Said notice must be deposited in the U.S. mail, addressed to the Owner in default at least twenty-five (25) days before the scheduled hearing date. The Board's decision made after the hearing will be final, whether or not the defaulting Owner attends. The Board must give written notice of its decision to the defaulting Owner, which decision shall be come effective within four (4) days after it is deposited in the U.S. mail addressed to the defaulting Owner.

(e) The failure of the Board to insist in any one or more instances upon a strict performance of or compliance with any of the provisions of the governing law and documents, or to exercise any right or option provided for therein, or to serve any notice or to institute any action or summary proceeding, shall not be construed as a waiver or a relinquishment of such provision, right, option or action. Instead, each such provision, right, option or action shall continue and remain in full force and effect. The receipt by the Board of any sum paid by an Owner, with or without knowledge by the Board of the breach of any provision of the governing law and documents, shall not be deemed a waiver of such breach, and no waiver, express or implied, by the Board of any provision thereof shall otherwise be deemed to have been made, unless expressed in writing and signed by the President

pursuant to authority contained in a resolution of the Board. The foregoing shall apply without regard to the number of violations which may occur without or without action to enforce the applicable provision of the governing law and documents.

Section 4.09 Right of Access. Each Owner and occupant hereby grants a right of access to his or her apartment to the Manager and/or Managing Agent and/or any other person authorized by the Board, the resident manager or the Managing Agent, for the purpose of making inspections or for the purpose of correcting any condition originating in his or her apartment and threatening another apartment or a common element, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical services or other common elements in his or her apartment or elsewhere in the building; provided that requests for entry are made in writing in advance and that any such entry is at a time reasonably convenient to the Owner or occupant. In case of an emergency, such right of entry shall be deemed granted, to be effective immediately whether the Owner or occupant is present at the time or not.

Section 4.10 Books of Account. (a) The Board will maintain or cause to be maintained by the Managing Agent, in accordance with recognized accounting practices, books of account of the common and other expenses, in which shall be kept detailed, accurate records in chronological order, of the receipts and expenditures affecting the common elements, specifying and itemizing the maintenance and repair expenses of the common elements and any other expenses incurred. The Board shall also keep or cause to be kept by the Managing Agent monthly statements indicating the total dollar amount of any unpaid assessments for common expenses. All records and the vouchers authorizing the payments, and statements, shall be kept and maintained at the address of the Condominium, or elsewhere within the State as determined by the Board, and shall be available for examination by Owners at convenient hours of week days. However, each director shall have the absolute right at any reasonable time to inspect all such books and records (and all other records and documents of the Association) and all properties controlled by the Association. This right of each director includes the right to make extracts and copies.

(b) The Board must give each Owner a copy of each budget and supplemental budget (including a schedule of assessments) and an annual financial statement. The budget shall be sent to each Owner as the Board shall direct, and if practical each year's budget shall be sent at least 30 days before the annual meeting of the Association. But the budget for the first fiscal year need not be sent out. The annual financial statement shall also be sent out as the Board shall direct, and if practical at least 30 days before the annual meeting of the Association. It must include at least a statement, determined on a cash basis, of all receipts and expenditures and a statement of all Association funds and other assets, including without limitation all reserve accounts.

Section 4.11 Audit. The Association shall require a yearly audit of the Association's financial accounts and no less than one yearly unannounced audit of the Association's financial accounts by a certified public accountant; provided that the yearly audit and the yearly unannounced audit may be waived by a majority vote of all members taken at an Association meeting.

Section 4.12 Additional Inspection Rights. During normal business hours or under other reasonable circumstances, the Association shall have or make available for inspection by Owners, any prospective purchasers of an apartment, and to any mortgagee of an apartment (or insurer or guarantor of a mortgage) current copies of the Condominium Declaration, By-Laws, the Rules and Regulations for the Condominium, the books and records, and financial statements of the Association, including the most recent annual audited financial statement, if such is prepared.

Section 4.13 Fidelity Bonds; Additional Provisions Regarding Insurance. (a) The Board shall require that all directors, officers, employees and agents of the Association and the managing agent, its directors, officers, employees and agents, and all other persons handling or responsible for funds of or administered on behalf of the Association, shall furnish adequate fidelity bonds. The Association shall be the named insured and the premiums on such bonds, except those maintained by the Managing Agent, shall be paid by the Association. Every bond shall:

(1) provide that the bond(s) may not be cancelled or substantially modified (including cancellation for non payment of premiums) without at least thirty (30) days' prior written notice to the Board, the first mortgagees, and every other person in interest who shall have requested such notice;

(2) provide that the bond(s) applies to this Condominium alone and not any other project;

(3) contain a waiver of any defense based upon the exclusion of persons who serve without compensation from any definition of the term "employee" or similar terms, and, by appropriate endorsement, provide coverage for any such persons not otherwise covered; and

(4) be for a sum not less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the Managing Agent, at any given time during the term of the bond(s), provided however, in no event may the aggregate amount of the bond(s) be less than a sum equal to three (3) months' aggregate assessments on all units, plus all reserve funds.

(b) Additional Insurance: The Board shall review at least annually the adequacy of the insurance program for the Condominium. The Board may obtain insurance against such additional risks as the Board may deem appropriate for the protection of the Owners. All insurance procured shall be without prejudice to the right of the Owners to insure their respective apartments and the contents thereof for their own benefit at their own expense.

Section 4.14 Association May Incorporate. All of the rights, powers, obligations and duties of the Association imposed under the Condominium Act, the Condominium Declaration and these By-Laws may be exercised and enforced by a non-profit membership corporation formed under the laws of the State of Hawaii for such purposes. Said corporation shall be formed upon the vote or written approval of a majority of Owners. The formation of said corporation shall in no way alter the terms, covenants and conditions set forth in the Condominium Act, the Condominium Declaration, including the Regulatory Agreement if executed and duly recorded or filed of record, and these By-Laws; and the Articles and By-Laws of said corporation shall be subordinated hereto and controlled hereby in the event of any conflict. Any action taken by said corporation which is in violation of any of the terms, covenants or conditions set forth in the Condominium Act, the Condominium Declaration, including the Regulatory Agreement as aforesaid, and these By-Laws shall be void and of no effect.

ARTICLE V MAINTENANCE, ALTERATION AND USE OF THE CONDOMINIUM

Section 5.01 Maintenance of Apartments and Limited Common Elements. Every Owner shall at his or her own expense at all times well and substantially repair, maintain, amend and keep his or her apartment, including without limitation all internal installations therein such as water, electricity, gas, telephone, sewer, sanitation, air conditioning, lights and all other fixtures and accessories belonging to such apartment and the interior decorated or finished surfaces of all walls, floors and ceiling of such apartment and all limited common elements appurtenant thereto, with all necessary reparations and amendments whatsoever in good order and condition except as otherwise provided

by law or the Declaration, and shall be liable for all loss or damage whatsoever caused by his or her failure to perform any such work diligently, and in case of such failure after reasonable notice to perform shall reimburse to the Association promptly on demand all expenses incurred by it in performing any such work authorized by the Board or the Managing Agent. Every Owner and occupant shall reimburse the Association promptly on demand all expenses incurred by it in repairing or replacing any uninsured loss or damage to the common elements or any furniture, furnishings and equipment thereof caused by such Owner or occupant or any person under either of them and shall give prompt notice to the Managing Agent or any such loss or damage or other defect in the Condominium when discovered. All costs of maintenance, repair, replacement, additions and improvements to any limited common element shall be charged to the Owner or Owners of the apartments to which such limited common element is appurtenant in accordance with the provisions of the Condominium Declaration and Article VI of these By-Laws.

Section 5.02 Maintenance and Repair of Common Elements (Excluding Limited Common Elements). All maintenance, repair and replacements of the common elements, whether located inside or outside of the apartments, shall be made only by or at the direction of the Board and be charged to all the Owners as a common expense; provided, that the costs of maintenance, repairs and replacements necessitated by the negligence, misuse or neglect of an identified Owner shall be charged to such Owner as a special assessment.

Section 5.03 Use of Condominium.

(a) All apartments of the Condominium shall be used only for such purposes as stated in the Condominium Declaration.

(b) The common elements of the Condominium shall be used only for their respective purposes as designed, subject to the provisions of Section 514A-13(d) of the Condominium Act, as the same may be amended from time to time.

(c) No Owner or occupant shall suffer anything to be done or kept in his or her apartment or elsewhere which will jeopardize the soundness or safety of the buildings of the Condominium, or which will be noxious or offensive or will interfere with or unreasonably disturb the rights of other Owners and occupants, or which will increase the rate or result in the cancellation of fire insurance on the buildings or the contents thereof or which will reduce the value of the buildings.

(d) No fires, including barbecuing, shall be allowed in any part of any apartment or common element, except that barbecuing is permitted on lanais, in private patio or yard areas, and in such portions of the common elements as the Board may designate from time to time by resolution or in the Rules and Regulations. Barbecuing shall include, but shall not be limited to, the broiling of any food items over a charcoal fire, gas grill or on an electrical grill.

(e) Every Owner and occupant shall at all times keep his or her apartment in a strictly clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association applicable to the use of the Condominium.

(f) All Owners and occupants shall exercise extreme care about making noises and in the use of musical instruments, radios, televisions and amplifiers that may disturb other occupants.

(g) No livestock poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the Condominium except that dogs, cats and other household pets in reasonable number may be kept by the Owners and occupants in their respective residential apartments, but shall not be kept, bred or used therein for any commercial purpose, nor allowed on any common

elements except in transit when carried or on leash; provided, however, that any such pet causing a nuisance or unreasonable disturbance to any other occupant of the Condominium shall be permanently removed therefrom promptly upon notice given by the Board or Managing Agent. Owners shall be responsible for the immediate and proper disposal of all fecal matter of their pets.

(h) No Owner or occupant shall make or suffer any strip or waste or unlawful, improper or offensive use of his or her apartment, any limited common elements appurtenant thereto or any other part of the Condominium, nor alter or remove any furniture, furnishings or equipment of the common elements.

(i) The Owner or occupant of any apartment will not, without the prior written consent of the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein, display any sign or place any other thing in or upon any door, window, wall or other portion of the apartment or common elements, so as to be visible from the exterior.

(j) No Owner or occupant shall decorate or landscape any entrance, planting area, lanai, landing or stairway or other limited common element appurtenant to his or her apartment except in accordance with applicable provisions, if any, in the Rules and Regulations, or with specific plans approved first in writing by the Board.

(k) No garments, rugs or other objects shall be hung from the windows or facades of the Condominium. No rugs or other objects shall be dusted or shaken from the windows of the Condominium or cleaned by beating or sweeping onto any exterior part of the Condominium. No refuse, garbage or trash of any kind shall be thrown, placed or kept on any common elements of the Condominium outside of the disposal facilities provided for such purposes.

(l) No Owner or occupant shall, without the written approval of the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein, install any wiring for electrical installations, television antenna, machines or air conditioning units, or other equipment or appurtenances whatsoever on the exterior of the Condominium or protruding through the walls, windows or roof thereof.

(m) No Owner or occupant shall place, store or maintain in the landings, stairways, walkways, sidewalks, parking areas, driveways, roads, grounds or other common elements of similar nature any furniture, packages or objects of any kind or otherwise obstruct transit through such common elements.

(n) Each Owner and occupant shall be responsible for the care and maintenance of any lanais and limited common elements which are included in his or her apartment. However, no Owner may paint or otherwise decorate his or her lanais or limited common elements without prior approval by the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein. It is intended that the exterior of the buildings shall present a uniform appearance, and to effect that end, the Owners hereby agree that the Board may require the painting or repair of each lanai, exterior limited common elements, outside doors, windows, trim, fences, stairways, landings, railings and other exterior portions of the buildings and regulate the type and color of paint to be used. The Board is authorized to contract for said painting and repair and to make payment therefor out of a maintenance fund, subject to direct charges for negligence, misuse or neglect as provided hereinabove. No awnings, shades, jalousies or other device shall be erected or placed on the lanais or limited common elements so as to be visible from the exterior without prior written permission from the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein.

(o) No Owner or occupant shall permit any person who has not obtained the age of majority and who is residing or visiting with him or her to loiter or play in any common areas of the Condominium which the Board may designate as a non-play area.

Section 5.04 Alteration of the Condominium.

(a) Additions, alterations, repairs or improvements to the common or limited common elements of the Condominium may be made only by or at the direction of the Board. No Owner of an apartment may make, except with the prior written permission of the Board, or in accordance with the Rules and Regulations, if applicable provisions are stated therein, any alteration, addition, repair or improvement (1) to his or her apartment which may affect the common elements or change the exterior appearance of the buildings, or (2) to any of the common elements including, without limitation, common or limited common elements within, encompassing or adjacent to his or her apartment. Nothing herein is intended to or shall be deemed to relieve any Owner of the responsibility for the limited common elements appurtenant to his or her apartment, as elsewhere provided in the By-Laws or in the Condominium Declaration.

(b) Whenever in the judgment of the Board, the common or limited common elements shall require additions, alterations, repairs or improvements with a total cost of less than Twenty-Five Thousand Dollars (\$25,000), the Board may proceed with such additions, alterations, repairs or improvements and shall assess the cost thereof as a common expense, except that the cost of any such work performed on any limited common elements shall be charged to the Owners of apartments to which such limited common elements are appurtenant. Any additions, alterations, repairs or improvements costing in excess of Twenty-Five Thousand Dollars (\$25,000) may be made by the Board only after obtaining approval of the Owners of seventy-five percent (75%) of the interests in the common elements; except that such approval shall not be required for any additions, alterations or improvements required by law or in the event of an emergency threatening immediate and substantial damage to person or property. If such approval shall be obtained, the cost thereof shall constitute part of the common expense.

(c) Unless otherwise prohibited or conditioned by the provisions of the Condominium Declaration, or these By-Laws, or the Condominium Act, an Apartment Owner may make additions, alterations or improvements solely within his or her apartment or within a limited common element appurtenant to and for the exclusive use of his or her apartment at his or her sole cost and expense.

(d) No Owner shall do any work to his or her Apartment which could jeopardize the soundness or safety of any part of the Condominium, reduce the value thereof, or impair any easement or hereditament, nor may any Owner add any material structure or excavate any additional basement or cellar, without in every such case the consent of seventy-five percent (75%) of the Owners being first obtained, together with the consent of all Owners whose apartments or limited common elements appurtenant thereto are directly affected. However, the installation of solar energy devices as defined by section 468B-1, Hawaii Revised Statutes, or material additions to or alterations of an apartment made within such apartment or within a limited common element appurtenant to and for the exclusive use of the apartment shall require approval only by the Board. The Board shall not unreasonably withhold or delay its approval, and shall have the obligation to answer any written request by an Owner for its consent within thirty (30) days after its receipt of such a request describing the proposed alteration in reasonable detail.

Section 5.05 Interpretation. The provisions of Article V of these By-Laws and of each section therein are, together with similar provisions in the Condominium Declaration, intended to be cumulative, such that all Owners and occupants are required to comply with each and every such provision. If there is a conflict in this regard between the Condominium Declaration and Article V, the Condominium Declaration shall control.

ARTICLE VI
BUDGETING FOR AND COLLECTING
COMMON AND OTHER EXPENSES

Section 6.01 Budget for Common Expenses. Before the start of each fiscal year of the Association, the Board shall prepare or cause to be prepared an estimate of common expenses. Upon review and approval by the Board, said estimate, with any changes the Board may make, shall become the budget of common expenses for that year. The Board must budget for a working capital fund and maintenance reserves in accordance with applicable provisions in the Condominium Declaration, including the Regulatory Agreement, if any, executed and duly recorded or filed of record in the State of Hawaii. The common expenses shall also include such amounts as the Board may deem appropriate to make up any deficiency for any prior year. In the event of a surplus from the prior year, the surplus funds must be budgeted for and used to pay common expenses in the next year. Regular assessments to the Owners shall be based on the budget.

The Board may, but is not required to, adjust the budget during any year in the event of surplus funds or projected surplus funds. But, no Owner will have the right, because of any adjustment in the budget, to a refund of any assessment already paid, or not to pay any assessment due but unpaid.

Section 6.02 Resolution Regarding Surplus Funds. At the annual meeting each year, the Association shall adopt a resolution that the surplus funds collected from the Owners for common expenses but left over after the end of the previous year shall be used to pay common expenses, excluding any capital improvements, in the next year. For this purpose, each Owner irrevocably appoints the President his proxy and attorney-in-fact to adopt such a resolution.

Section 6.03 Supplemental Budget. If for any reason, including but not limited to an item of expense not provided for in the budget or in any maintenance reserve fund or the nonpayment of any assessments, the Board does not have or projects that it will not have sufficient funds from the Owners to pay common expenses on a current basis, the Board shall prepare or cause to be prepared a revision of the estimate of common expenses for that year. Upon review and approval by the Board, the increased amounts of such revision shall be established as a supplemental budget for that year. A supplemental budget may be established as many times each year as needed. Special assessments to the Owners shall be based on the supplemental budget.

Section 6.04 Notice of Increase in Maintenance Fees. The Board shall send, or have the Managing Agent send, to all Owners thereby effected written notice of any increase in the common expenses or of any special assessment for common expenses at least thirty (30) days before the effective date of such increase or assessment.

Section 6.05 An Owner's Obligations. The Owner of each apartment shall be liable for and shall pay a share of the common expenses in proportion to his or her interest in the common elements appurtenant to his or her apartment, or in the case of limited common elements in the proportion otherwise provided in these By-Laws and the Condominium Declaration, and regular assessments and special assessments arising from any supplemental budget shall be charged to each Owner accordingly. Each Owner, including the Declarant as and to the extent provided for in Section 514A-15(b), Hawaii Revised Statutes, shall be liable for common expenses as of the time the certificate of occupancy relating to his or her apartment is issued by the appropriate county agency. Each Owner shall also be liable for and shall pay all other amounts chargeable to him or her in accordance with the Condominium Act, the Condominium Declaration and these By-Laws, and all of such amounts shall be charged to such Owner as a special assessment.

Section 6.06 Land Trust. (a) In the event title to any apartment and its appurtenant common interest is transferred to a trustee under a land title holding trust under which substantially all powers of management, operation and control of the apartment remain vested in the trust beneficiary or beneficiaries, the trust estate and the beneficiaries thereunder from time to time shall be liable for and shall pay all common expenses and all other charges, costs and expenses assessed against such apartment or the owner thereof pursuant to the Declaration, these By-Laws, the Rules and Regulations (House Rules) or the Horizontal Property Act.

(b) No claim for payment of common expenses or other charges, costs or expenses shall be made against any such trustee personally and the trustee shall not be obligated to sequester funds or trust property to apply in whole or in part against any such lien or assessment, but the amount thereof shall constitute a lien on the apartment as provided in the Declaration, these By-Laws and the Horizontal Property Act, notwithstanding any transfer of beneficial interest under such trust.

Section 6.07 Due Date of Assessments. Regular and special assessments of common expenses shall be payable in monthly installments, unless otherwise determined by the Board, on the first day of each month, commencing with respect to each apartment on the first day of the first month following the issuance by the appropriate county agency of a certificate of occupancy for such apartment. The first regular installment of common expenses shall be prorated for each apartment from the date of issuance of such certificate of occupancy. Special assessments for common expenses may be made payable in a lump sum or in installments, as the Board shall determine. Special assessments for other charges to an Owner shall be due on the date the next regular assessment is due or on demand or such other date as the Board shall determine.

Section 6.08 Taxes and Assessments. Each Owner of an apartment shall be obligated to have the real property taxes for such apartment and its appurtenant interest in the common elements assessed separately by the proper governmental authority and to pay the amount of all such real property taxes so determined. The foregoing sentence shall apply to all types of taxes which now are or may hereafter be assessed separately by law on each apartment and the common interest in the common elements appertaining thereto or the personal property or any other interest of the Owner. Each Owner shall execute such documents and take such action as may be reasonably specified by the Board to facilitate dealing with the proper governmental authority regarding such taxes and assessments.

However, each Owner shall be obligated to pay, as a common expense, his or her share of any portion of taxes or assessments which are assessed against the entire Condominium or any part of the common elements as a whole and not separately or which, in the opinion of the Board, may be a lien on the entire Condominium or any part of the common elements.

Section 6.09 Default In Payment of Assessments. Each regular assessment and each special assessment shall be the separate, distinct and personal debt and obligation, as of the date of assessment, of the Owner against whom the same are assessed and, in the case of an apartment owned by more than one person, shall be the joint and several obligation of such Co-Owners. Any assessment not paid within fifteen (15) days after the due date thereof shall be subject to a late charge as may from time to time be established in the Rules and Regulations, but not in excess of \$30.00, to defray the additional costs to the Association, and shall accrue interest at the rate of twelve percent (12%) per annum from such due date until paid.

In the event of a default or defaults in payment of any such assessment or assessments and in addition to any other remedies the Board may have, the Board may enforce each such obligation as follows:

(a) By suit or suits to enforce such assessment obligations. Each such action must be authorized by a majority of a quorum of the Board at a regular or special meeting hereof, and any such suit may be instituted by any one member of the Board or by the Manager if the latter is so authorized in writing. Each such action shall be brought in the name of the Board, and the Board shall be deemed to be acting on behalf of all the Owners. Any judgment rendered in any such action shall include, where permissible under any law, a sum for attorneys' fees in such amount as the court may adjudge against such defaulting Owner. Upon full satisfaction of any such judgment, it shall be the duty of the Board to authorize any two members hereof, acting in the name of the Board, to execute and deliver to the judgment debtor an appropriate satisfaction thereof.

(b) At any time after the occurrence of any such default, the Board (acting upon the authorization of the majority thereof at any regular or special meeting) may give a notice of the defaulting Owner (with a copy to the mortgagee of such Owner if such mortgagee has furnished its name and address to the Board) stating the date of the delinquency, the amount of the delinquency and making demand for payment thereof. If such delinquency is not paid within ten (10) days after delivery of such notice, the Board may file a claim of lien against the apartment of such delinquent Owner. Such claim of lien shall state: (i) the name of the delinquent Owner; (ii) a designation of the apartment against which the claim of lien is made; (iii) the amount claimed to be due and owing (after the allowance of any proper offset); (iv) that the claim of lien is made by the Board pursuant to the terms of these By-Laws and the Condominium Act; and (v) that a lien is claimed against such apartment in an amount equal to the net amount of the stated delinquency plus any accrued interest and costs of collection, including attorneys' fees, if any. Such claims of lien shall be signed and acknowledged by any two or more members of the Board or by the attorney for the Board, or by the Managing Agent and shall be dated as of the date of such execution. Upon recordation or filing of record in the State of Hawaii of a duly executed original or copy of such claim of lien, the Board shall have all the remedies as provided in Section 514A-90, Hawaii Revised Statutes, as amended, and otherwise by law. Said remedies include, but are not limited to, foreclosure of said lien in a like manner as to the foreclosure of a mortgage of real property, including foreclosure under power of sale, as provided for in Chapter 667, Hawaii Revised Statutes, and otherwise by law. Each default shall constitute a separate basis for a claim of lien, but a single claim of lien may be filed with respect to more than one default.

(c) If the Owner at any time rents or leases his or her apartment and defaults for a period of thirty (30) days or more in the payment of any assessment, the Board may, so long as such default continues, demand and receive from any renter or lessee (hereinafter in this subparagraph referred to as "lessee") of the Owner occupying the apartment the rent due or becoming due from such lessee to the Owner up to an amount sufficient to pay all sums due from the Owner, including interests and cost of enforcement if any. Any such payment of such rent to the Board by the lessee shall be a full and sufficient discharge of such lessee as between such lessee and the Owner to the extent of the amount so paid, but no such demand or acceptance of rent from any lessee shall be deemed to be a consent to or approval of any lease by the Owner or a release or discharge of any of the obligations of the Owner hereunder remaining unpaid or unperformed or an acknowledgement of surrender of any rights or duties hereunder. The lessee shall not have the right to question the right of the Board to make such demand, but shall be obligated to make such payments to the Board as demanded by the Board with the effect as aforesaid. However, the Board may not exercise this right if a receiver has been appointed to take charge of the premises pending a mortgage foreclosure or if a mortgagee is in possession pending a mortgage foreclosure.

Section 6.10 Certificate of Unpaid Assessments. A certificate regarding unpaid assessments executed and acknowledged or made under penalty of perjury by any two members of the Board or the Managing Agent shall be conclusive upon the Board and the Association in favor of any and all persons, as stated therein, who rely thereon in good faith as to the matters therein contained, except as to the amount of subsequently dishonored checks mentioned in such statement as having been received within the 30 day period immediately preceding the date of such statement. Any Owner (and his or her mortgagee or any purchaser of an interest in his or her apartment) shall be entitled to such a certificate setting forth the amount of any due and unpaid assessments with respect to his or her apartment (or the fact that all assessments due are paid if such is the case) within fifteen (15) days after demand therefor and upon payment of a reasonable fee as stated from time to time in the Rules and Regulations, but not to exceed thirty dollars (\$30.00). If any claim of lien is recorded and thereafter the Board receives payment in full of the amount claimed to be due and owing (including accrued interest and any costs of enforcement), then upon demand of the Owner and payment of said a reasonable fee as stated from time to time in the Rules and Regulations, but not to exceed thirty dollars (\$30.00), the Board, acting by any two members, shall execute, acknowledge and deliver to the Owner a release of lien, stating the date of the original claim of lien, the amount claimed, the book and page where such lien is recorded and that the lien is fully satisfied, released and discharged.

ARTICLE VII MORTGAGES AND MORTGAGEES

Section 7.01 Notice to Board of Directors. Any Apartment Owner who mortgages his or her interest in an apartment shall notify the Association of the name and address of his or her mortgagee and shall file a conformed copy of the mortgage with the Association within ten (10) days after the execution of the same. The Association shall maintain such information in a book entitled "Mortgages of Apartments".

Section 7.02 Notice of Unpaid Common Expenses. The Association, whenever so requested in writing by an Owner or mortgagee of an apartment, shall promptly report any then unpaid assessments or common expenses due from the Apartment Owner involved, and if no request is made then notice shall be given as provided in Section 7.05(e)(vii).

Section 7.03 Notice of Default. The Board, when giving notice to an Apartment Owner of a default in paying common expenses or any other default in performance of any obligation under the Condominium Declaration, By-Laws, Rules and Regulations or other document of the Association, shall send a copy of such notice to each mortgagee of such apartment whose name and address has theretofore been furnished to the Association.

Section 7.04 Examination of Books. Each mortgagee of an apartment shall be permitted to examine the books of account and records of the Association at reasonable times on business days, and each mortgagee shall have the right to require the submission of annual reports and other financial data.

Section 7.05 Mortgage Protection. Notwithstanding any other provision contained in these By-Laws or the Condominium Declaration:

(a) The liens in favor of the Association on any apartment and its appurtenant interest in the common elements created by the Condominium Declaration, these By-Laws or the Condominium Act, as amended, shall be

subject and subordinate to the rights of the holder of any indebtedness secured by any recorded mortgage under such interest, made for value, provided that after the foreclosure of any such mortgage there shall be a lien upon the interest of the purchaser at such foreclosure sale to secure all assessments, whether regular or special, assessed to such apartment if falling due after the date of such foreclosure sale.

(b) All taxes, assessments and charges which may become liens prior to the first mortgage under the laws of the State of Hawaii shall relate only to the individual apartment units and not to the Condominium as a whole.

(c) The Condominium Declaration and By-Laws shall not give an Apartment Owner priority over any rights of first mortgagees of apartments pursuant to their mortgages in the case of a distribution to apartment owners of insurance proceeds or condemnation awards for losses to or a taking of apartment units and/or common elements.

(d) No amendment to this Article VII shall affect the rights of the holder of any first mortgage filed in the Bureau of Conveyances, State of Hawaii, or the Office of the Assistant Registrar of the Land Court, State of Hawaii, who does not join in the execution thereof if such mortgage was filed prior to the filing of such amendment.

(e) Any holder, insurer or guarantor of a first mortgage of an apartment or of an apartment lease or condominium conveyance document covering the same whose interest appears in the record of ownership or who has otherwise delivered a written request to the Association (such request to state the name and address of such holder, insurer or guarantor and the apartment number) shall be entitled to:

(i) Prior written notice of any proposed amendment to the Condominium Declaration or these By-Laws affecting a change in (1) the boundaries of an apartment, (2) the common interest pertaining to the apartment, or (3) the purposes to which the apartment, the limited common elements appurtenant thereto or the common elements are restricted;

(ii) Prior written notice of any proposed termination of the Condominium;

(iii) Timely written notice of any actual or threatened condemnation or eminent domain proceeding affecting the Condominium or any portion thereof;

(iv) Timely written notice of any significant damage or destruction to the common elements;

(v) A copy of any bond required to be posted before commencing or permitting construction of any improvements on the Condominium;

(vi) Timely written notice of all meetings of the Association; and the holder or insurer of a first mortgage shall be permitted to designate a representative to attend all such meetings;

(vii) Notice of any default of the apartment owner which is not cured within sixty (60) days;

(viii) Upon request therefor, a statement of any then unpaid assessments for common expenses due from the Owner of the apartment involved;

(ix) A copy of all pleadings filed in any lawsuit, administrative proceedings, or other action affecting the project or any portion thereof, at such person's expense and specific written request; and

(x) Prior written notice of any proposal to subdivide, encumber, sell or transfer the common elements or any part thereof. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the common elements by the condominium project shall not be deemed a transfer with the meaning of this clause).

Provided, however, this subsection (e) shall not apply to any actions to be taken pursuant to paragraph 19 of the Condominium Declaration regarding merger of phases.

(f) Unless at least seventy-five percent (75%) of the Apartment Owners have given their prior written approval, or such higher percentage as otherwise provided by these By-Laws, the Condominium Declaration or the Condominium Act, and the approval by the eligible holders of first mortgages on apartments to which at least fifty-one percent (51%) of the votes of apartments subject to mortgages held by such eligible holders are allocated is obtained, the Association shall not be entitled to:

(i) by act or omission, seek to abandon or terminate the project;

(ii) change the common interest appurtenant to any individual apartment;

(iii) partition or subdivided any apartment;

(iv) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the common elements. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the common elements by the project shall not be deemed a transfer within the meaning of this clause:

(v) use condemnation proceeds or hazard insurance proceeds for losses to the project or any part thereof (whether to apartments or to common elements) for other than the repair, replacement or reconstruction of same.

(vi) materially amend any provision of the Condominium Declaration or By-Laws or to add material provisions thereto, which establish, provide for, govern or regulate any of the following:

(1) Voting;

(2) Assessments, assessment liens or subordination of such liens;

(3) Reserves for maintenance, repair and replacement of the common elements;

- (4) Insurance or Fidelity Bonds;
- (5) Right to use of the common elements;
- (6) Responsibility for maintenance and repair of the several portions of the Condominium;
- (7) Expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium;
- (8) Boundaries of any unit;
- (9) The interests in the general or limited common elements;
- (10) Convertibility of units into common elements or of common elements into units;
- (11) Leasing of units;
- (12) Imposition of any right of first refusal or similar restriction on the right of a unit owner to sell, transfer, or otherwise convey his or her unit in the Condominium;
- (13) Establishment of self-management by the Association;

Provided, however, this subsection (f) shall not apply to any actions taken pursuant to paragraph 19 of the Condominium Declaration regarding merger of phases.

Section 7.06 Right of First Refusal Not Applicable. In the event that there shall be any right of first refusal to purchase any apartment by the Association, any first mortgagee who obtains title to an apartment pursuant to the remedies provided in the mortgage, or foreclosure of the mortgage or assignment of apartment lease or deed in lieu of foreclosure, shall be exempt from such "right of first refusal".

Section 7.07 Unpaid Common Expenses or Assessments. Any first mortgagee who obtains title to the apartment pursuant to the remedies provided in the mortgage or foreclosure of the mortgage shall not be liable for such apartment's unpaid common expenses and assessments which accrue prior to the acquisition of title to such unit by the mortgagee. The unpaid share of common expenses or assessments shall be deemed to be collectible from all of the apartment owners, including the acquirer of such apartment, his or her successors and assigns.

Section 7.08 Release of Information. The Board may provide any information available to it pertaining to an apartment or the Condominium to the first mortgagee of such apartment and such mortgagee may provide any information to the Board regarding the mortgagor, the mortgagor's loan and the status of such loan.

Section 7.09 Eligible Holders, Etc. As used in these By-Laws, an "eligible holder, insurer or guarantor" shall mean a holder, insurer or governmental guarantor of a first mortgage on an apartment which has requested notice in accordance with Article VII, Section 7.05(e) of these By-Laws.

ARTICLE VIII
GENERAL AND MISCELLANEOUS PROVISIONS

Section 8.01 Amendment. Except as otherwise provided in the Condominium Declaration or elsewhere herein, these By-Laws may be modified or amended in any respect not inconsistent with provisions of law or the Condominium Declaration by vote of not less than sixty-five percent (65%) of the Owners at any meeting of the Association duly called for such purpose. Such modification or amendment shall be effective only when set forth in an amendment to the By-Laws duly recorded and also noted in a duly recorded amendment to the Condominium Declaration.

Section 8.02 Subordination and Conflicts. These By-Laws are subordinate and subject to all the provisions of the Condominium Declaration and any amendments thereto. All terms herein (except where clearly repugnant to the context) shall have the same meaning as in the Condominium Declaration. These By-Laws are set forth to comply with the requirements of the Condominium Act. In case any of these By-Laws conflict with the provisions of the Condominium Act or of the Condominium Declaration, the Condominium Act or the Condominium Declaration, as the case may be, shall control.

Section 8.03 Interpretation. The provisions of these By-Laws shall be liberally construed to effectuate the purpose of creating a uniform condominium residential complex whereby the Association shall carry out and pay for the operation and maintenance of the Condominium as a mutually beneficial and efficient establishment; provided, nothing in these By-laws shall be deemed or construed to authorize the Association or Board to conduct or engage in any active business for profit on behalf of any or all of the Owners.

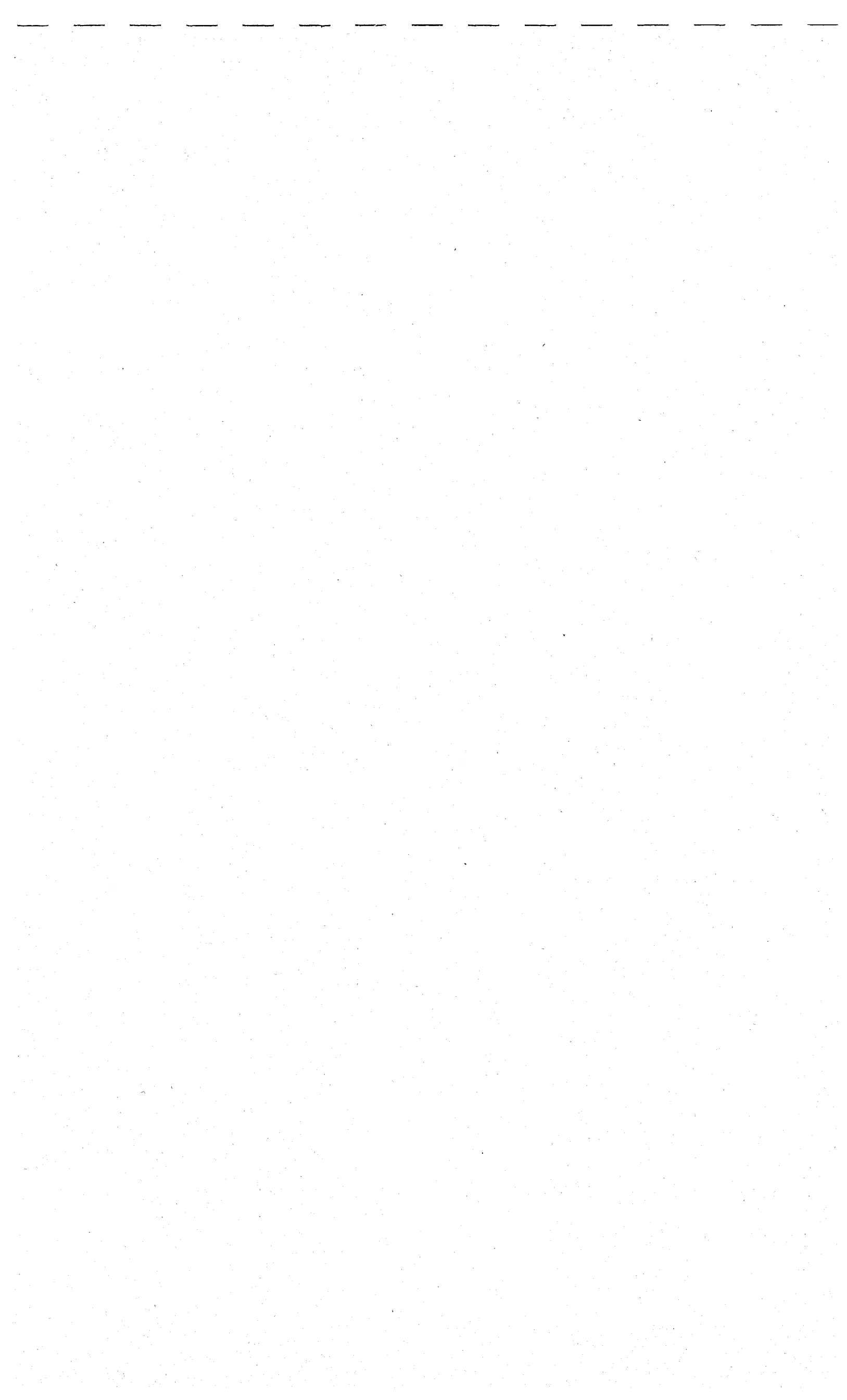
Section 8.04 Severability. In case any provision of these By-Laws shall be held invalid, such invalidity shall not render invalid any other provision hereof which can be given effect.

Section 8.05 Notices. Except as may otherwise be required by any other provision of these By-Laws or by the Condominium Act or Condominium Declaration: All notices hereunder to the Association or the Board shall be sent by registered or certified mail to the Board, c/o the Managing Agent, or if there be no Managing Agent, to the office of the Board or to such other address as the Board may hereafter designate from time to time, by notice in writing to all Owners and to all mortgagees of apartments whose names and addresses are listed with the Association. All notices to any Owner shall be in writing and may be personally delivered to such Owner, or sent to the building in which his apartment is located or to such other address as may have been designated by him from time to time, in writing, to the Board. All notices to mortgagees of apartments shall be sent to their respective addresses, as designated by them from time to time in writing to the Board. All notices shall be deemed to have been given when personally delivered or four (4) days after they are mailed, except notices of change of address which shall be deemed to have been given when received.

Section 8.06 Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, modify, enlarge, limit or describe the scope of these By-Laws, or the intent of any provision thereof.

Section 8.07 Gender and Number. The use of any gender in these By-Laws shall be deemed to include either or all of the other genders, and the use of the singular shall be deemed to include the plural, whenever the context so requires.

Section 8.08 Application. All present and future Owners, mortgagees, tenants and occupants of apartments and their employees, and any other persons who may have any interest in or use of any portion of the Condominium in any manner are subject to these By-Laws, the Condominium Declaration, the Regulatory Agreement, Rules and Regulations and the Condominium Act. The acceptance of any such interest or any occupancy or use of an apartment or any other part of the Condominium shall constitute the agreement of each such person that these By-Laws, the Condominium Declaration, the Regulatory Agreement, Rules and Regulations and the Condominium Act are accepted, ratified, and will be complied with.



THE VILLAGES AT WAIPIO PHASE II
CONDOMINIUM DISCLOSURE ABSTRACT

This document is given to prospective buyers together with the Preliminary Public Report as required by Hawaii's Condominium Law. Buyers are referred to as "you" in this document.

1. THE PROJECT:

Name: THE VILLAGES AT WAIPIO PHASE II
Address: Waipio Uka Street, Waipio, Oahu, Hawaii

Developer: JAMES K. SCHULER & ASSOCIATES, INC.
1001 Bishop Street
Pacific Tower, Suite 1060
Honolulu, Hawaii 96813
Telephone No. (808) 521-5661

Project Manager: CHANEY & BROOKS COMPANY
(also known as 606 Coral Street
the Managing Honolulu, Hawaii 96813
Agent) Telephone No: (808) 524-1600

2. Maintenance Fees: Attached as Exhibit "1" is an estimated budget covering maintenance fees for the Condominium and an annual and monthly breakdown of these fees, as estimated, for each residential apartment in the Condominium. The maintenance fees will cover the "common expenses" of the Condominium, as defined in the Condominium Declaration and By-laws. You know and accept: (a) that you are personally liable for and must pay the maintenance fees on your Apartment to the Association of Apartment Owners of The Villages at Waipio Phase II; (b) that if you do not pay, among other things, you are subject to the loss of certain rights of ownership and to the payment of additional sums for interest and late charges, penalties and fines, and collection costs and attorneys' fees, and the Association may foreclose on your Apartment and/or sue you for payment.

However, the Developer assumes all actual common expenses and an apartment owner shall not be obligated for the payment of his or her respective share of the common expenses until such time as the Developer files an amended Abstract with the Real Estate Commission of the State of Hawaii which shall provide that, after a date certain, the respective apartment owners shall thereafter be obligated to pay for his or her respective share of common expenses as allocated to his or her apartment.

You should understand that: (a) this information has been prepared by the Managing Agent and has not been prepared by the Developer; (b) that the Condominium does not have any operating history; (c) the budget and maintenance fees are only estimates prepared without the availability of data for past operations and costs to maintain and operate any Condominium are difficult to estimate at first, so there is no assurance that actual expenses and maintenance fees will not be more or less than that estimated; and (d) additionally, even if these costs have been accurately estimated, they will tend to increase over time because of the aging of the Condominium and inflation and such other variables as uninsured casualty, loss or damage, increased or decreased services from those now contemplated, failure of other owners to pay and related collection costs, and so on. The Developer does not promise that this information will reflect actual expenses and/or maintenance assessments in the first year of operation of the Condominium or in any subsequent year.

The attached breakdown of estimated maintenance fees does not include the buyer's obligation for the payment of real property taxes or maintenance fees to the Gentry-Waipio Community Area Association. Estimates of real property taxes and such maintenance fees will be provided upon request.

3. Warranties: The Developer is giving you the EXPRESS LIMITED WARRANTY attached hereto as Exhibit "2" and that warranty only. Defects in any appliance or other consumer products installed or located on your Apartment or the Common Elements are not included in that warranty. THAT LIMITED EXPRESS WARRANTY IS GIVEN TO YOU INSTEAD OF ANY OTHER WARRANTY OF ANY KIND, EXPRESS OR IMPLIED. YOU DO NOT HAVE: (A) ANY OTHER WRITTEN WARRANTIES; OR (B) ANY WARRANTIES THAT THE LAW MIGHT OTHERWISE GIVE TO YOU, EXCEPT AS PROHIBITED BY EXPRESS PROVISION OF LAW. THE DEVELOPER IS NOT THE MANUFACTURER OR MANUFACTURER'S AGENT FOR ANY OF THE APPLIANCES, FURNISHINGS AND OTHER CONSUMERS PRODUCTS INSTALLED OR LOCATED IN YOUR APARTMENT OR THE COMMON ELEMENTS.

THEREFORE, YOU UNDERSTAND AND AGREE THAT, EXCEPT FOR THE EXPRESS LIMITED WARRANTY REFERRED TO ABOVE, THE DEVELOPER IS NOT GIVING YOU ANY WARRANTIES, EXPRESSED OR IMPLIED, ON YOUR APARTMENT, THE CONDOMINIUM, OR ANYTHING INSTALLED IN THEM. FOR SOME EXAMPLES, YOU DO NOT HAVE ANY WARRANTIES OF MERCHANTABILITY; OR FITNESS FOR A PARTICULAR PURPOSE; OR HABITABILITY; OR WORKMANLIKE CONSTRUCTION; OR SUFFICIENCY OF DESIGN; OR ANY OTHER WARRANTY.

Among other things, this also means that you cannot complain against the Developer or force the Developer to fix any other defects. It makes no difference what caused any other defect or when it was discovered. The Developer does not have to fix it or pay for it to be fixed.

YOU ALSO GIVE UP (IN LEGAL TERMS - RELEASE AND DISCHARGE) ALL CLAIMS AGAINST THE DEVELOPER OVER ANY DEFECTS. THIS INCLUDES ANY CLAIMS OF NEGLIGENCE. YOU ALSO AGREE THAT THE DEVELOPER HAS NO LIABILITY FOR ANY INJURY OR DAMAGE TO PEOPLE OR THINGS WHICH MIGHT BE CAUSED BY ANY DEFECT. YOU ALSO RELEASE AND DISCHARGE THE DEVELOPER FROM THIS KIND OF LIABILITY.

4. Residential Use: According to the Condominium Declaration, all of the 64 apartments may be used by apartment purchasers for residential purposes, but not as a tenement or rooming house or for any commercial purpose and not for rent for any period less than 30 days or where renters are given customary hotel services. Timesharing is prohibited.

You are referred to the Condominium Declaration, By-Laws, Rules and Regulations and your Sales Contract and form of Apartment Deed as to further use restrictions. For your convenience, however, Article V of the By-Laws which contains certain use restrictions, is attached hereto as Exhibit "3". You are also advised that the Rules and Regulations state that: (a) only common household pets may be kept in any part of the Condominium, but if these pets become a nuisance, they must be removed, and Apartment Owners are responsible for picking up the fecal matter of all their pets; and (b) water beds are not permitted, except upon approval by the Board of Directors and written evidence of adequate liability insurance coverage.

5. Commercial Use: There will be no commercial use permitted by apartment purchasers within the project.

EXHIBIT "1"

PROPOSED OPERATING BUDGET
1986

VILLAGES AT WAIPIO
Phase II - 64 Units

RECEIPTS	ANNUALLY
Maintenance Fees	90,896
DISBURSEMENTS	
Audit and Tax Fees	640
Insurance Package	39,619
Insurance Liability	1,344
Insurance Other	84
Insurance Medical	1,165
Insurance Workers' Compensation	1,936
Legal Fees	480
Management and Accounting Services	5,760
Misc. Project Office Expenses	480
Refuse Service	3,484
Maintenance and Repair - Building	480
Maintenance and Repair - Other Equip.	800
Maintenance and Repair - Pest Control	480
Payroll, Maintenance	12,458
Payroll, Resident Manager	3,200
Supplies, Grounds	800
Supplies, Janitorial	480
Supplies, Painting	160
Supplies, Pool	480
Supplies, Electric and Lighting	480
Supplies, Building and Other	800
Taxes, Payroll	1,958
Electricity	2,653
Telephone	112
Water/Sewer	7,680
Other Disbursements	<u>800</u>
SUBTOTAL DISBURSEMENTS	88,813
TRANSFER TO RESERVES	<u>2,083</u>
TOTAL DISBURSEMENTS	90,896

We certify that the monthly maintenance fee and the monthly operating costs have been based on generally accepted accounting principles and prorated from the operating budget for the total project of The Villages at Waipio. Fiscal projections assume that project will be built in four separate phases which will merge with each preceding phase(s) upon phase completion.

The information contained herein is based on data available to us at this time.
February 27, 1986

Phyllis A. Okada

Phyllis A. Okada
Vice President
Chaney, Brooks & Company

S-5397n/11

EXHIBIT "2"

WARRANTY OF COMPLETION OF CONSTRUCTION IN SUBSTANTIAL
CONFORMITY WITH APPROVED PLANS AND SPECIFICATIONS

Property Location:

Purchaser(s)/Owner(s):

For good and valuable consideration the undersigned Warrantor hereby warrants to the Purchaser(s) or Owner(s) identified in the caption hereof, and to his (their) successors or transferees, that:

The dwelling located on the property identified in the caption hereof is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variation therein) which have been approved in writing by the Federal Housing Commissioner or the Administrator of Veterans Affairs on which the Federal Housing Commissioner or the Administrator of Veterans Affairs based his valuation of the dwelling: Provided, however, that this warranty shall apply only to such instances of substantial nonconformity as to which the Purchaser(s)/Owner(s) or his (their) successors or transferees shall have given written notice to the Warrantor at any time or times within: (a) with respect to the dwelling unit, one (1) year, and (b) with respect to the common elements, two (2) years from the date of the original conveyance of title to such Purchaser(s)/Owner(s) or the date of initial occupancy of the dwelling, whichever first occurs: Provided further, however, that in the event the Purchaser(s)/Owner(s) acquired title to the captioned property prior to the completion of construction of the dwelling thereon, such notice of nonconformity to the Warrantor may be given at any time or times within: (a) with respect to the dwelling unit, one (1) year, and (b) with respect to the common elements, two (2) years from the date of completion or initial occupancy of such dwelling, whichever first occurs.

The term "dwelling" as used herein shall be deemed to include all improvements or appurtenances set forth in the plans and specifications upon which the Federal Housing Commissioner or the Administrator of Veterans Affairs has based his valuation of the property, excepting those constructed by a municipality or other governmental authority.

This warranty shall be in addition to, and not in derogation of, all other rights and privileges which such Purchaser(s)/Owner(s) may have under any other law or instrument, and shall survive the conveyance of title, delivery of possession of the property, or other final settlement made by the Purchaser(s)/Owner(s), and shall be binding on the Warrantor notwithstanding any provision to the contrary contained in the contract of purchase or other writing executed by the Purchaser(s)/Owner(s) heretofore or contemporaneously with the execution of this agreement or prior to final settlement.

IN TESTIMONY WHEREOF, the Warrantor has signed and sealed this warranty this _____ day of _____, 198__.

(Warrantor's Address)

By _____ (SEAL)
Warrantor (Signature and Title)

This warranty is executed for the purpose of inducing the Federal Housing Commissioner or the Administrator of Veterans Affairs to make, to guarantee or to insure a mortgage on the captioned property, and the person signing for the Warrantor represents and verified that he is authorized to execute the same by the Warrantor and by his signature the Warrantor is duly bound under the terms and conditions of said warranty.

W A R N I N G

Section 1010 of Title 18, U.S.C., "Federal Housing Administration transactions," provides: "Whoever, for the purpose of--influencing in any way the action of such Administration--makes, passes, utters, or publishes any statement, knowing the same to be false--shall be fined not more than \$3,000 or imprisoned not more than two years, or both." Other Federal Statutes provide severe penalties for any fraud as intentional misrepresentation made for the purpose of influencing the issuance of any guaranty or insurance or the making of any loan by the Administrator of Veterans Affairs.

NOTICE TO PURCHASER: ANY NOTICE OF NONCONFORMITY MUST BE DELIVERED TO THE WARRANTOR NO LATER THAN _____, as to the dwelling unit, and _____, as to the common elements. (Warrantor shall insert date 1 year or 2 years from initial occupancy, date of conveyance of title or date of completion, whichever event is applicable.)

Receipt of this warranty is acknowledged this _____ day of _____, 198__.

EXHIBIT "3"

ARTICLE V
MAINTENANCE, ALTERATION AND USE OF THE CONDOMINIUM

Section 5.01 Maintenance of Apartments and Limited Common Elements. Every Owner shall at his or her own expense at all times well and substantially repair, maintain, amend and keep his or her apartment, including without limitation all internal installations therein such as water, electricity, gas, telephone, sewer, sanitation, air conditioning, lights and all other fixtures and accessories belonging to such apartment and the interior decorated or finished surfaces of all walls, floors and ceiling of such apartment and all limited common elements appurtenant thereto, with all necessary reparations and amendments whatsoever in good order and condition except as otherwise provided by law or the Declaration, and shall be liable for all loss or damage whatsoever caused by his or her failure to perform any such work diligently, and in case of such failure after reasonable notice to perform shall reimburse to the Association promptly on demand all expenses incurred by it in performing any such work authorized by the Board or the Managing Agent. Every Owner and occupant shall reimburse the Association promptly on demand all expenses incurred by it in repairing or replacing any uninsured loss or damage to the common elements or any furniture, furnishings and equipment thereof caused by such Owner or occupant or any person under either of them and shall give prompt notice to the Managing Agent or any such loss or damage or other defect in the Condominium when discovered. All costs of maintenance, repair, replacement, additions and improvements to any limited common element shall be charged to the Owner or Owners of the apartments to which, such limited common element is appurtenant in accordance with the provisions of the Condominium Declaration and Article VI of these By-Laws.

Section 5.02 Maintenance and Repair of Common Elements (Excluding Limited Common Elements). All maintenance, repair and replacements of the common elements, whether located inside or outside of the apartments, shall be made only by or at the direction of the Board and be charged to all the Owners as a common expense; provided, that the costs of maintenance, repairs and replacements necessitated by the negligence, misuse or neglect of an identified Owner shall be charged to such Owner as a special assessment.

Section 5.03 Use of Condominium.

(a) All apartments of the Condominium shall be used only for such purposes as stated in the Condominium Declaration.

(b) The common elements of the Condominium shall be used only for their respective purposes as designed, subject to the provisions of Section 514A-13(d) of the Condominium Act, as the same may be amended from time to time.

(c) No Owner or occupant shall suffer anything to be done or kept in his or her apartment or elsewhere which will jeopardize the soundness or safety of the buildings of the Condominium, or which will be noxious or offensive or will interfere with or unreasonably disturb the rights of other Owners and occupants, or which will increase the rate or result in the cancellation of fire insurance on the buildings or the contents thereof or which will reduce the value of the buildings.

(d) No fires, including barbecuing, shall be allowed in any part of any apartment or common element, except that barbecuing is permitted on lanais, in private patio or yard areas, and in such portions of the common elements as the Board may designate from time to time by resolution or in the Rules and Regulations. Barbecuing shall include, but shall not be limited to, the broiling of any food items over a charcoal fire, gas grill or on an electrical grill.

(e) Every Owner and occupant shall at all times keep his or her apartment in a strictly clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association applicable to the use of the Condominium.

(f) All Owners and occupants shall exercise extreme care about making noises and in the use of musical instruments, radios, televisions and amplifiers that may disturb other occupants.

(g) No livestock poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the Condominium except that dogs, cats and other household pets in reasonable number may be kept by the Owners and occupants in their respective residential apartments, but shall not be kept, bred or used therein for any commercial purpose, nor allowed on any common elements except in transit when carried or on leash; provided, however, that any such pet causing a nuisance or unreasonable disturbance to any other occupant of the Condominium shall be permanently removed therefrom promptly upon notice given by the Board or Managing Agent. Owners shall be responsible for the immediate and proper disposal of all fecal matter of their pets.

(h) No Owner or occupant shall make or suffer any strip or waste or unlawful, improper or offensive use of his or her apartment, any limited common elements appurtenant thereto or any other part of the Condominium, nor alter or remove any furniture, furnishings or equipment of the common elements.

(i) The Owner or occupant of any apartment will not, without the prior written consent of the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein, display any sign or place any other thing in or upon any door, window, wall or other portion of the apartment or common elements, so as to be visible from the exterior.

(j) No Owner or occupant shall decorate or landscape any entrance, planting area, lanai, landing or stairway or other limited common element appurtenant to his or her apartment except in accordance with applicable provisions, if any, in the Rules and Regulations, or with specific plans approved first in writing by the Board.

(k) No garments, rugs or other objects shall be hung from the windows or facades of the Condominium. No rugs or other objects shall be dusted or shaken from the windows of the Condominium or cleaned by beating or sweeping onto any exterior part of the Condominium. No refuse, garbage or trash of any kind shall be thrown, placed or kept on any common elements of the Condominium outside of the disposal facilities provided for such purposes.

(l) No Owner or occupant shall, without the written approval of the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein, install any wiring for electrical installations, television antenna, machines or air conditioning units, or other equipment or appurtenances whatsoever on the exterior of the Condominium or protruding through the walls, windows or roof thereof.

(m) No Owner or occupant shall place, store or maintain in the landings, stairways, walkways, sidewalks, parking areas, driveways, roads, grounds or other common elements of similar nature any furniture, packages or objects of any kind or otherwise obstruct transit through such common elements.

(n) Each Owner and occupant shall be responsible for the care and maintenance of any lanais and limited common elements which are included in his or her apartment. However, no Owner may paint or otherwise decorate his or her lanais or limited common elements without prior approval by the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein. It is intended that the exterior of the buildings shall present a uniform appearance, and to effect that end, the Owners hereby agree that the Board may require the painting or repair of each lanai, exterior limited common elements, outside doors, windows, trim, fences, stairways, landings, railings and other exterior portions of the buildings and regulate the type and color of paint to be used. The Board is authorized to contract for said painting and repair and to make payment therefor out of a maintenance fund, subject to direct charges for negligence, misuse or neglect as provided hereinabove. No awnings, shades, jalousies or other device shall be erected or placed on the lanais or limited common elements so as to be visible from the exterior without prior written permission from the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein.

(o) No Owner or occupant shall permit any person who has not obtained the age of majority and who is residing or visiting with him or her to loiter or play in any common areas of the Condominium which the Board may designate as a non-play area.

Section 5.04 Alteration of the Condominium.

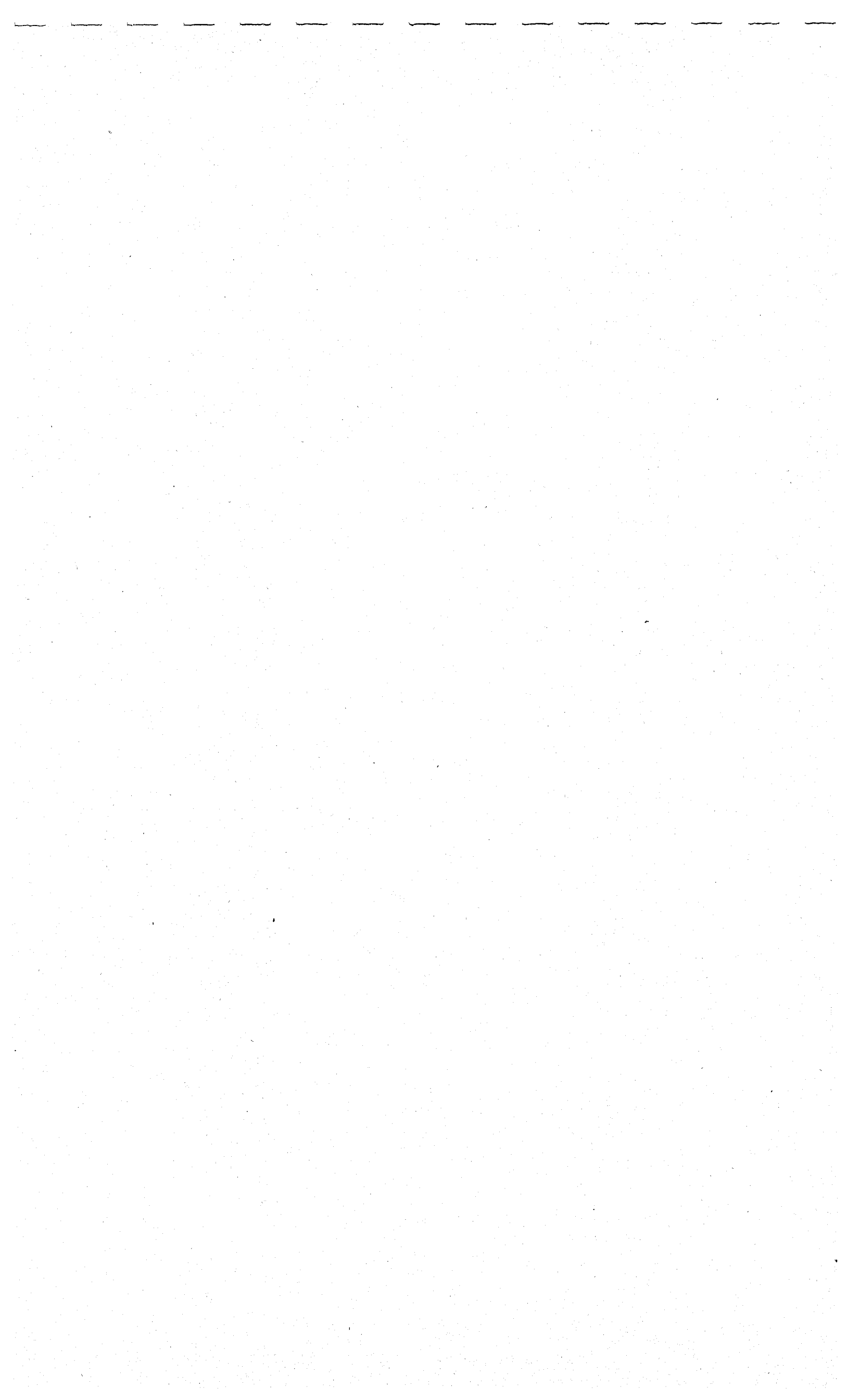
(a) Additions, alterations, repairs or improvements to the common or limited common elements of the Condominium may be made only by or at the direction of the Board. No Owner of an apartment may make, except with the prior written permission of the Board, or in accordance with the Rules and Regulations, if applicable provisions are stated therein, any alteration, addition, repair or improvement (1) to his or her apartment which may affect the common elements or change the exterior appearance of the buildings, or (2) to any of the common elements including, without limitation, common or limited common elements within, encompassing or adjacent to his or her apartment. Nothing herein is intended to or shall be deemed to relieve any Owner of the responsibility for the limited common elements appurtenant to his or her apartment, as elsewhere provided in the By-Laws or in the Condominium Declaration.

(b) Whenever in the judgment of the Board, the common or limited common elements shall require additions, alterations, repairs or improvements with a total cost of less than Twenty-Five Thousand Dollars (\$25,000), the Board may proceed with such additions, alterations, repairs or improvements and shall assess the cost thereof as a common expense, except that the cost of any such work performed on any limited common elements shall be charged to the Owners of apartments to which such limited common elements are appurtenant. Any additions, alterations, repairs or improvements costing in excess of Twenty-Five Thousand Dollars (\$25,000) may be made by the Board only after obtaining approval of the Owners of seventy-five percent (75%) of the interests in the common elements; except that such approval shall not be required for any additions, alterations or improvements required by law or in the event of an emergency threatening immediate and substantial damage to person or property. If such approval shall be obtained, the cost thereof shall constitute part of the common expense.

(c) Unless otherwise prohibited or conditioned by the provisions of the Condominium Declaration, or these By-Laws, or the Condominium Act, an Apartment Owner may make additions, alterations or improvements solely within his or her apartment or within a limited common element appurtenant to and for the exclusive use of his or her apartment at his or her sole cost and expense.

(d) No Owner shall do any work to his or her Apartment which could jeopardize the soundness or safety of any part of the Condominium, reduce the value thereof, or impair any easement or hereditament, nor may any Owner add any material structure or excavate any additional basement or cellar, without in every such case the consent of seventy-five percent (75%) of the Owners being first obtained, together with the consent of all Owners whose apartments or limited common elements appurtenant thereto are directly affected. However, the installation of solar energy devices as defined by section 468B-1, Hawaii Revised Statutes, or material additions to or alterations of an apartment made within such apartment or within a limited common element appurtenant to and for the exclusive use of the apartment shall require approval only by the Board. The Board shall not unreasonably withhold or delay its approval, and shall have the obligation to answer any written request by an Owner for its consent within thirty (30) days after its receipt of such a request describing the proposed alteration in reasonable detail.

Section 5.05 Interpretation. The provisions of Article V of these By-Laws and of each section therein are, together with similar provisions in the Condominium Declaration, intended to be cumulative, such that all Owners and occupants are required to comply with each and every such provision. If there is a conflict in this regard between the Condominium Declaration and Article V, the Condominium Declaration shall control.



RECORDATION REQUESTED BY:

SPECIMEN

AFTER RECORDATION, RETURN TO:

RETURN BY: MAIL () PICKUP ()

SPACE ABOVE LINE FOR REGISTRAR'S USE

APARTMENT DEED

KNOW ALL MEN BY THESE PRESENTS:

That JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation, whose principal place of business and post office address is 915 Fort Street, 10th Floor, Honolulu, Hawaii 96813, for itself and its successors and assigns, hereinafter called the "Grantor", in consideration of TEN DOLLARS (\$10.00) and other valuable consideration to them paid, receipt of which is hereby acknowledged, does hereby grant, bargain, sell and convey unto JOHN R. and MARY S. DOE, husband and wife whose residence and post office address is 1234 ABC Street, Honolulu, Hawaii 96813,

hereinafter called the "Grantee", the following described property:

All of the premises comprising a portion of the Horizontal Property Regime known as "THE VILLAGES AT WAIPIO PHASE II", hereinafter called the "Condominium", situate at Waipio, Oahu, Hawaii, consisting of that real property, and the improvements and appurtenances thereof as more particularly described in and established by Declaration of Horizontal Property Regime: THE VILLAGES AT WAIPIO PHASE II dated _____, 1985, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. _____, as the same may be amended from time to time, said Declaration and any amendment thereof, including without limitation any amendment made pursuant to paragraph 19 of said Declaration, hereinafter being called the "Condominium Declaration", said premises being more particularly described as follows:

FIRST: Apartment No. Q-103 of the Condominium as shown on the plans thereof filed in said Office of the Assistant Registrar as Condominium Map No. _____, as the same may be amended from time to time, said Condominium Map and all such amendments hereinafter being called the "Condominium Map".

TOGETHER WITH the exclusive right to use those certain common elements of the Condominium which are described in the Condominium Declaration as being appurtenant to said apartment, including without limitation parking stall or stalls numbered 18 on the Condominium Map.

TOGETHER WITH nonexclusive easements in the common elements designed from time to time for such purposes for ingress to, egress from, utility services for and support of said apartment and in the other common elements for use and enjoyment according to their respective purposes, subject always

to the exclusive or limited use of the limited common elements and the exclusive appurtenant easements as set forth from time to time in the Condominium Declaration.

SUBJECT TO easements for the encroachment of any part of the common elements now or hereafter existing thereon and for entry as may be necessary for the operation of the Condominium or for making repairs therein or for the installation, repair, or replacement of any common elements as provided from time to time in the Condominium Declaration.

SECOND: A _____ % undivided interest, or such other undivided percentage interest as hereafter established for said apartment by any amendment to the Condominium Declaration, in the real property more particularly described therein, which description is by this reference incorporated herein, and in all the other common elements of the Condominium as established thereby, as TENANTS IN COMMON with the other owners and the tenants thereof, subject to the encumbrances on said property as set forth in the Condominium Declaration, and subject also to all easements from time to time appurtenant to any apartment in the Condominium. [NOTE: Said undivided interest shall be revised upon any merger or mergers of the Condominium with one or more other condominium projects, as provided for in paragraph 19 of the Condominium Declaration.]

ALL TOGETHER WITH AND SUBJECT TO all the covenants, agreements, obligations, conditions, exceptions, reservations and other matters and provisions, including without limitation to paragraphs 19 and 20, of the Condominium Declaration, and of the By-Laws attached thereto (including any amendments to said By-Laws), and all rules and regulations which from time to time may be duly promulgated pursuant thereto, and to the Declaration for Joint Use and to the Master Declaration referred to in Exhibit "A" attached hereto and by this reference made a part hereof, and all lawful amendments made from time to time to said Declaration for Joint Use and to said Master Declaration, all of which are incorporated herein by this reference and constitute and shall constitute covenants running with the land, equitable servitudes and liens to the extent set forth therein and as provided by law, and which are hereby accepted by the Grantee as binding and to be binding on the Grantee.

SUBJECT, ALSO, TO the encumbrances listed on said Exhibit "A".

TO HAVE AND TO HOLD the same, together with all the improvements, tenements, rights, easements, privileges and appurtenances thereunto belonging or in anywise appertaining or held and enjoyed therein unto the Grantee in the tenancy aforesaid, in fee simple, forever.

AND the Grantee hereby covenants and agrees with the Grantor and with all who may from time to time own any other apartment in the Condominium, at all times to observe, perform, comply with, and abide by the Condominium Declaration and the By-Laws attached thereto, as the same may be lawfully amended from time to time (and all rules and regulations which from time to time may be duly promulgated pursuant thereto), and at all times from and after the effective date hereof to indemnify and save them and each of them harmless from and against any breach of the foregoing covenant, and this covenant to indemnify.

AND, without limiting the generality of foregoing covenants made by the Grantee, the Grantee does hereby specifically covenant and agree to and with the Grantor as follows:

(a) that the Grantee consents and agrees to: (1) the reservations of rights in favor of the Grantor set forth in the Condominium

Declaration, the provisions of paragraphs 19 of the Condominium Declaration and the provisions of paragraph 20 of the Condominium Declaration (concerning possession and use of the "Owner's duplicate certificate" of ownership of the property conveyed hereby as Owner's "attorney duly authorized" (as those terms are used in Section 501-75, H.R.S., as amended, by the Grantor and the Board of Directors of the Association of Apartment Owners for the Condominium); and (b) changes to and use of the common elements by the Grantor in connection with the development, construction and sale of real properties adjoining the Condominium, the consolidation and resubdivision by the Grantor of the real property described in the Condominium Declaration with other real properties adjoining the Condominium, and the amendment or amendments of the Condominium Declaration, By-Laws and Condominium Map and this and any other Apartment Deed, all made by the Grantor from time to time and at any time prior to July 1, 1992, (and the noting thereof on said Owner's duplicate certificate), all pursuant to such reserved rights of the Grantor, and/or said paragraphs 19 or 20. [Note: Such amendments include without limitation any amendment or amendments to merge the Condominium with one or more additional condominiums developed on such adjoining real properties, to provide a single set of condominium documents to govern the Condominium as so merged, and to comply with requirements of the Veterans Administration ("VA") or the Department of Housing and Urban Development ("FHA") so that loans secured by mortgages of apartments in the Condominium, both before and after any merger, may be made, guaranteed or insured by the VA or FHA.] Grantee agrees not to vote for any change, amendment or alteration to said paragraphs 19 or 20);

(b) that Grantee hereby makes, constitutes and appoints the Grantor, with full power of substitution in the premises, Grantee's true and lawful attorney, for Grantee and in Grantee's name, place and stead: (1) to sign and acknowledge, file and record and have noted on said "Owner's duplicate certificate" one or more amendments to the Condominium Declaration, By-Laws and the Condominium Map and this and any other Apartment Deed and any other instrument or document deemed by the Grantor to be necessary or desirable to provide for and effect the provisions of said paragraphs 19 and/or 20 of the Condominium Declaration. The foregoing grant of authority to the Grantor's a special power of attorney coupled with an interest is irrevocable until July 1, 1992, shall survive the death or disability of the Grantee, and upon any transfer the rights reserved by the Grantor pursuant to said paragraphs 19 and/or 20 of the Condominium Declaration, the transferee shall automatically be substituted as the true and lawful attorney of the Grantee; and Grantee hereby authorizes the Grantor to take any further action which it shall consider necessary or convenient to effect this special power of attorney granted to it herein, hereby giving Grantor full power and authority to do and perform each and every act and thing whatsoever necessary or desirable to be done in and about the foregoing as fully as the Grantee might and could do if personally present, hereby ratifying and confirming all that the Grantor shall lawfully do or caused to be done by virtue hereof;

(c) that Grantee will, if requested by Grantor prior to July 1, 1992, join in and execute (1) any instrument or document deemed necessary or desirable by Grantor to implement the provisions of said paragraphs 19 and/or 20 of the Condominium Declaration and/or the provisions of this Apartment Deed, and (2) any instrument to evidence further and/or to then constitute the Grantor (or any transferee of Grantor) his or her true and lawful attorney as aforesaid;

(d) that Grantee will in any deed, agreement of sale, or other instrument of conveyance of any interest covered hereby, recite and require that Grantee's transferee expressly make the foregoing covenants, agreements, and consents to, and appointment as special attorney in fact of, the Grantor herein made by the Grantee. Any such deed, agreement of sale, or other

instrument conveyance not reciting and obligating such transferee to such covenants, agreements and consents to and appointments of the Grantor, shall be void as against the Grantor; provided, that such instruments of conveyance may be corrected to contain the same.

(e) that the development, construction and sales activities for such adjoining real properties, as contemplated by said paragraph 19, may continue on the Condominium, as well as on such adjacent properties, after Grantee has taken occupancy and that such activities may result in noise, dust, or other annoyances to the Grantee, and Grantee hereby waive any rights, claims, or actions Grantee may have or acquire against the Grantor, Grantor's contractors and their respective agents, as a result of any such activity or activities; and

(f) that Grantor is under no obligation to develop any such adjoining real property, or to develop any of the same in any particular manner, or if developed, to merge any such development with the Condominium.

AND the Grantee hereby covenants and agrees with the Grantor and with all who may from time to time own any interest in the Condominium and the adjacent real property subject to said Declaration for Joint Use, at all times to observe, perform, comply with, and abide by said Declaration for Joint Use, as the same may be lawfully amended from time to time, and at all times from and after the effective date hereof to indemnify and save them and each of them harmless from and against any breach of the foregoing covenant, and this covenant to indemnify.

AND the Grantee hereby covenants and agrees with the Grantor and with all others who may from time to time be members of the Gentry-Waipio Community Area Association, at all times to observe, perform, comply with, and abide by the Master Declaration, and the Charter and By-Laws of the Gentry-Waipio Community Area Association, as the same may be lawfully amended from time to time (and all rules and regulations which from time to time may be duly promulgated pursuant thereto), and at all times from and after the effective date hereof to indemnify and save them and each of them harmless from any breach of the foregoing covenant, and this covenant to indemnify.

AND the Grantor does hereby covenant with the Grantee that the Grantor is lawfully seized in fee simple of said granted premises and that said premises are free and clear of all encumbrances except as set forth herein and in the Condominium Declaration and real property taxes which will be prorated; that the Grantor has good right to sell and convey said premises in the manner aforesaid; and that the Grantor shall warrant and defend the same unto the Grantee against the claims of all persons, except as aforesaid.

These presents shall be equally binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns, as the case may be, and the terms "Grantor" and "Grantee" or any pronoun in place thereof as and when used herein shall mean and include the masculine or feminine, the singular or plural number, individuals, trustees, partnerships or corporations, and if these presents shall be signed by two or more Grantees, all covenants of such parties shall be and for all purposes deemed to be joint and several, and without limiting the generality of the foregoing, each and every acknowledgement, acceptance, appointment, agreement and covenant of the Grantee herein shall run with the land and constitute an equitable servitude and lien, and is made by the Grantee for him or herself and on behalf of his or her heirs, personal representatives, successors and assigns. Each and every person hereafter acquiring from the Grantee or his or her heirs, personal representatives, successors or assigns, any interest in the property hereby conveyed, by such

acquisition, makes said acknowledgements, acceptances, appointments, agreements and covenants for himself and for his or her heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed this _____ day of _____, 198__.

JAMES K. SCHULER & ASSOCIATES, INC.

By _____
Its

"Grantor"

"Grantee"

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

On this ____ day of _____, 198__, before me appeared _____, to me known, who, being by me sworn, did say that he (she) is the _____ of JAMES K. SCHULER & ASSOCIATES, INC., a Hawaii corporation and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public, State of Hawaii

My commission expires: _____

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

On this ____ day of _____, 198__, before me personally appeared _____, to me known to be the persons described in _____ and who executed the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

Notary Public, State of Hawaii

My commission expires: _____



REAL ESTATE COMMISSION

PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS
STATE OF HAWAII

1010 RICHARDS STREET
P. O. BOX 3469
HONOLULU, HAWAII 96801

PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT

on
THE VILLAGES AT WAIPIO
PHASE II
Waipio Uka Street, Waipio, Oahu, Hawaii

Registration No. 1713

IMPORTANT — Read This Report Before Buying

This Report Is Not an Approval or Disapproval of This Condominium Project

It reflects information obtained by the Real Estate Commission in its investigation of the project. This report, based on a principle of disclosure, is issued by the Commission for the purpose of preventing fraud, misrepresentation or deceit.

The developer shall not enter into a binding contract or agreement for the sale of any unit in a Condominium Project but may only take reservations therefore after

- (1) A copy of this Report has been given to the prospective purchaser,
- (2) The latter has been given an opportunity to read same, and,
- (3) His receipt taken therefor.

ISSUED: November 19, 1985
EXPIRES: December 19, 1986

SPECIAL ATTENTION

A comprehensive reading of this report is urged in order that personal requirements and expectations to be derived from the property can be ascertained. The attention of the purchaser or prospective purchaser is particularly directed to the following:

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED OCTOBER 29, 1985, AND INFORMATION SUBSEQUENTLY FILED AS OF NOVEMBER 12, 1985. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY REGIMES LAW, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

1. THE VILLAGES AT WAIPIO PHASE II is a proposed fee simple condominium project which will contain: 64 apartment units located in 6 low-rise buildings; and 90 uncovered on-grade parking stalls. At least one parking stall will be assigned to each apartment; 12 parking stalls will be visitors stalls; and 14 will be available for purchase from the Developer as additional stalls for any apartment.

2. The Developer of the Condominium has submitted to the Commission for examination all documents deemed necessary for the registration of this Condominium Project and the issuance of this Preliminary Public Report.
3. The basic documents to create and govern THE VILLAGES AT WAIPIO PHASE II Condominium are called the "Condominium Documents". They will include the Declaration of Horizontal Property Regime: The Villages At Waipio Phase II (the "Condominium Declaration"); the By-Laws of the Association of Apartment Owners for The Villages At Waipio Phase II (the "Condominium By-Laws"); and a copy of the plans for The Villages at Waipio Phase II (the "Condominium Map"). The Condominium Documents have not been recorded (meaning officially filed) in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.
4. As of the date of issuance of this Report, no advertising or promotional matter has been submitted pursuant to the Commission's Rules Relating to Horizontal Property Regimes (the "Condominium Rules").
5. The buyer or prospective buyer is advised to acquaint himself with the provisions of Hawaii's Condominium Act (Chapter 514A, Hawaii Revised Statutes, as amended), as well as the Condominium Rules.
6. This Preliminary Public Report is made a part of the registration on THE VILLAGES AT WAIPIO PHASE II Condominium. The Developer shall be responsible for: (a) placing this Preliminary Public Report (yellow paper stock) and the Condominium Disclosure Abstract in the hands of all purchasers and prospective purchasers; and (b) securing a signed copy of the receipt for this Public Report and the Condominium Disclosure Abstract from each purchaser and prospective purchaser.
7. This Preliminary Public Report automatically expires thirteen (13) months after the date of issuance, November 19, 1985, unless a Supplementary Public Report issues or the Commission upon review of the registration issues an order extending the effective period of this Report.

NAME OF PROJECT: THE VILLAGES AT WAIPIO PHASE II.

LOCATION: The Condominium is located in Waipio, on the Island of Oahu, Hawaii and will contain an area of approximately 2.797 acres (the "Land").

TAX MAP KEY: First Division, 9-44-99: Portion of Parcel 73.

ZONING: A-1 Residential.

DEVELOPER: James K. Schuler & Associates, Inc., a Hawaii corporation, 1001 Bishop Street, Pacific Tower, Suite 1060, Honolulu, Hawaii 96813. Telephone: (808) 521-5661. The officers of this corporation are James K. Schuler, President, Vice President, Secretary and Treasurer; E. W. Gordon, Jr., Vice President, Assistant Secretary and Treasurer; James G. Lee, Vice President; and Joanne Hruby, Assistant Secretary.

ATTORNEY REPRESENTING DEVELOPER: Robert E. Warner, Attorney at Law, A Law Corporation, 2012 Davies Pacific Center, 841 Bishop Street, Honolulu, Hawaii 96813. Telephone: (808) 524-8855.

DESCRIPTION OF PROJECT: According to the Developer's plans and intention to sell, 64 apartment units will be constructed on the Land. These units will be located in 6 two-story wood framed buildings, without basements. The buildings are lettered "P" thru "U". All buildings will be constructed basically of concrete, wood, glass and allied building materials. There will be 90 uncovered on-grade parking stalls located near the buildings. At least one parking stall will be assigned to each apartment. Twelve (12) stalls will be set aside for visitors. The remaining 14 stalls may be purchased as additional parking stalls for a given apartment. Pursuant to the Declaration for Joint Use referred to in the Note under the heading ENCUMBRANCES AGAINST TITLE, the Project will share use of the swimming pool and pool deck (and a recreation center, upon its conversion from use by the Developer as a sales office by not later than July 1, 1987), all of which are located on Phase I referred to under the heading PHASED DEVELOPMENT AND MERGER OF PHASES.

Apartment Unit Types. The Condominium Declaration divides the apartment units into three basic types. There are 16 Type A units; 32 Type B units and 16 Type C units. Types A and B are one story units and are further divided into two types depending on whether they are on the first or second story; Type C are 2 story end units. There are 3 different building types. Buildings "P" "S" and "T" are building type III, and each contains 8 Type B and 4 Type C apartments; Buildings "Q" and "R" are building type V and contain 8 Type A and 2 Type C apartments; and Building "U" is building type VI and contains 8 Type B apartments.

Each unit type and subtype is further described as follows:

(a) Type A-1: One-story units on the first floor containing 2 bedrooms, 1-1/2 bathrooms, a living/dining room, a kitchen, a hallway and a lanai. Each A-1 apartment will contain 770 square feet, more or less, plus a lanai of approximately 81 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There will be 8 apartments of this type.

(b) Type A-2: One-story units on the second floor containing 2 bedrooms, 1-1/2 bathrooms, a living/dining room, a kitchen, a hallway and a lanai. A-2 units are the same as the A-1 units, except they have larger lanais. Each A-2 apartment will contain 770 square feet, more or less, plus a lanai of approximately 101 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There will be 8 apartments of this type.

(c) Type B-1: One-story units on the first floor containing 2 bedrooms, 2 bathrooms, a living/dining room, a kitchen, a hall entryway and a lanai. Each B-1 apartment will contain 797 square feet, more or less, plus a lanai of approximately 52 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There will be 16 apartments of this type.

(d) Type B-2: One-story units on the second floor containing 2 bedrooms, 2 bathrooms, a living/dining room, a kitchen, a hall entryway and a lanai. B-2 units are the same as the B-1 units, except they have larger lanais. Each B-2 apartment will contain

797 square feet, more or less, plus a lanai of approximately 115 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There will be 16 apartments of this type.

(e) Type C: Two story units containing: on the first floor a living/dining room, a kitchen, a lanai, 1/2 bath and a stairway leading to the second floor; on the second floor 2 bedrooms, 1-1/2 bathrooms, and a hallway. Each C apartment will contain 902 square feet, more or less, plus a lanai of approximately 76 square feet. The configuration of some of these units is the reverse or mirror image of other units of this type. There will be 16 apartments of this type.

Each apartment will include carpeting (except in the kitchen and bathroom or rooms which will be sheet vinyl), drapes, refrigerator, range and oven with hood, garbage disposal, a dishwasher, a washer/dryer and a waterheater. The waterheater for Type C units is located inside the unit under the stairway. The waterheater for each Type A and B unit is located on the first floor level in an exterior compartment adjoining each such first floor unit. Each compartment will contain 2 waterheaters, one for the adjoining first floor apartment and one for the second floor apartment above the adjoining unit. The waterheater for each apartment (including related piping serving only that unit) is to be a part of that apartment, even if it is located outside of the perimeter of the unit.

Limits of Apartments. The perimeter of each of the apartments is established by the floor area computed in accordance with Condominium Rule 16-107-6. This floor area is: (i) the net living area of the enclosed portion of the apartment measured from the interior surface of the apartment perimeter walls, plus (ii) lanai area. Each unit includes all walls, partitions, floors, ceilings and other improvements within this perimeter; the adjacent lanai shown on the Condominium Map; all air space within the perimeter (plus the lanai); the interior decorated or finished surfaces of the perimeter walls, floors and ceilings; all appliances originally furnished with each apartment, including a waterheater and related piping servicing that apartment (even if located outside of the perimeter); all pipes, plumbing, wires, conduits or other utility or service lines serving only that apartment; and all glass, windows and window frames, doors and door frames along the perimeter. But each apartment does not include all common elements in it (which are listed later).

NOTE: The areas stated above for each apartment type and subtype are the net living areas, not including the lanai area, as determined from the Condominium Map. As constructed, the net living area of each apartment may, and indeed most probably will, vary to a minor degree from the area taken off of the Condominium Map. Buyers and prospective buyers should also be aware that the net living area may be significantly less than the apartment area calculated according to methods more prevalently used in real estate practice than Condominium Rule 16-107-6.

Apartment Numbers and Access: Each apartment is identified by a letter followed by a three-digit number. The letter identifies the building in which the apartment is located, the first digit indicates the floor on which the apartment is located, and the last two digits indicate that apartment's relative location on a given floor, as follows: starting with the apartment in each building that is numbered "01" on the Condominium Map, the remaining apartments on that floor in that building are numbered

in ascending order beginning with the digits "02" in a clockwise direction. However, the first digit for all the 2 story Type C units is "1", and therefore there are no second level apartments numbered P-201, P-202, P-207, P-208, Q-201, Q-202, R-201, R-202, S-201, S-202, S-207, S-208, T-201, T-202, T-207, or T-208. For one example, apartment P-102 is located in Building "P", it is on the first floor of that building, and it is located on that floor in that building next to apartment numbered P-101 in a clockwise direction. All first floor apartments have direct access to the grounds. The second floor Type A-2 and B-2 units have access to the grounds via a wooden landing and stairway. In some cases the stairway services that apartment only and in other cases services two apartments.

COMMON ELEMENTS: The Condominium Declaration states that the common elements consist of:

(a) Said land in fee simple.

(b) All foundations, floor slabs, columns, girders, beams, supports, load-bearing walls, main walls, interior walls separating adjacent apartments in the same building (except the inner decorated surfaces of such walls), and roofs of the buildings; all exterior stairs, stairways, landings and railings (except lanai railings, if any); and other building appurtenances, including but not necessarily limited to, the electrical cabinets and the compartments for waterheaters located on the exteriors of the buildings.

(c) All yards, grounds, landscaping, fences, and refuse areas and facilities.

(d) All sidewalks, pathways, parking areas, parking stalls (including 12 visitor parking stalls nos. 71 to 82), driveways and roads within the Condominium.

(e) All ducts, electrical equipment, transformers, wiring and other central and appurtenant installations including power, light, water, sewer, gas and telephone; all pipes, plumbing, wires, conduits or other utility or service lines, which are used by or serve more than one apartment, including any such lines that run through any apartment; and central air conditioning and like central utilities, if installed.

(f) All the benefits, if any, inuring to the Land or the Condominium of: (a) all easements shown on the Condominium Map or listed in the Condominium Declaration; and (b) the covenants, agreements, obligations, conditions, exceptions, reservations, easements, rights and other matters and provisions of the Declaration for Joint Use referred to in Note 1 under the heading ENCUMBRANCES AGAINST TITLE, including without limitation, shared use of the swimming pool and pool deck (and recreation center, upon its conversion from use by the Developer as a sales office not later than July 1, 1985), which are located in Phase I referred to under the heading PHASED DEVELOPMENT AND MERGER OF PHASES, and access over the roadway easement from Ka Uka Street to the Land.

(g) All other portions of the land and improvements that are not specifically designated as apartments, but which 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 Condominium.

NOTE: The common elements will include the common elements of any one or more condominiums that may be developed on any of the adjoining 4 parcels of land, upon any one or more merger of phases as explained later under the heading PHASED DEVELOPMENT AND MERGER OF PHASES.

LIMITED COMMON ELEMENTS: Certain parts of the common elements, called "limited common elements", are set aside and reserved for the exclusive use of certain apartments. The limited common elements are as follows:

(a) Each apartment will have appurtenant to it at least one parking stall. The Condominium Map identifies each stall by a number from 1 thru 90. The particular apartment stall that will initially be appurtenant to a particular apartment is listed in the Condominium Declaration, is as follows:

<u>APARTMENT NO.</u>	<u>STALL NO.</u>	<u>APARTMENT NO.</u>	<u>STALL NO.</u>
P-101	43	S-101	48
P-102	44	S-102	47
P-103	25	S-103	50
P-104	22	S-104	52
P-105	3	S-105	38
P-106	4	S-106	42
P-107	1	S-107	46
P-108	2	S-108	45
P-203	26	S-203	49
P-204	21	S-204	51
P-205	5	S-205	37
P-206	6	S-206	41
Q-101	13	T-101	62
Q-102	23	T-102	61
Q-103	18	T-103	60
Q-104	20	T-104	58
Q-105	7	T-105	55
Q-106	9	T-106	39
Q-203	17	T-107	54
Q-204	19	T-108	53
Q-205	8	T-203	59
Q-206	10	T-204	57
		T-205	56
R-101	24	T-206	40
R-102	36		
R-103	35	U-101	68, 11, 12, 90, 14, 15, 16, 31
R-104	33		83, 84, 85, 86, 87, 88 & 89
R-105	27	U-102	66
R-106	29	U-103	65
R-203	34	U-104	64
R-204	32	U-201	67
R-205	28	U-202	69
R-206	30	U-203	70
		U-204	63

VISITOR PARKING: 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82,

[Note: Those stalls listed as "visitor" stalls will remain common elements. The other stalls may be transferred between apartments, as provided in the Condominium Declaration, so long as at least one stall is appurtenant to each apartment. Thus, the Developer may sell to apartment purchasers the additional 14 parking stalls listed as appurtenant to Apartment U-101, and may also change parking stall assignments as long as one or more parking stall will be included as a limited common element to each apartment. The parking stall or stalls assigned to each purchaser shall be listed in the apartment deed from the Developer.]

(b) Each private patio or yard area is a limited common element to first floor apartment adjoining such area, as shown on the site plan in the Condominium Map, as is the interior surface of the fence (i.e. facing that apartment) around each such area.

(c) Each compartment designed to contain hot waterheaters and located on the exterior of the buildings adjacent to each Type A-1 and B-1 apartment, are limited common elements to such A-1 or B-1 apartment and to the Type A-2 or B-2 apartment above such unit.

(d) Each concrete pad outside the door of each Type B-1 and C apartment located on the first level is a limited common element appurtenant to that apartment. Each stairway and second story landing providing access to a second level apartment is a limited common element appurtenant to that apartment; provided, that those stairways which lead to two second level apartments shall be limited common elements to both those apartments, but the second story landing adjacent to the entrance to each such apartment is a limited common element to that apartment only.

(e) The mailbox bearing the same designation as the apartment is a limited common element to that apartment.

NOTE: All costs and expenses pertaining to limited common elements are to be charged to the apartment to which the limited common element appertains, pursuant to the Condominium Declaration and Section 514A-15(a) of the Condominium Act. If a limited common element is appurtenant to two or more apartments, such costs and expenses shall be charged proportionately to each. Thus, if a limited common element is appurtenant to two apartments, one-half of such costs and expenses are to be charged to each such apartment. However, the Board of Directors of the Association may, as permitted in the Condominium Declaration, determine that certain of such costs and expenses may instead be charged in accordance with the common interest. Apartment owners are responsible for the maintenance and repair of their limited common elements.

INTEREST TO BE CONVEYED AN APARTMENT BUYER: The Condominium Declaration states that the undivided interest in the common elements, called the "common interest", belonging to each apartment for voting and all other purposes will be as follows:

<u>Type and Number of Apartments</u>	<u>Apartment Numbers</u>	<u>Percentage of Undivided Interest For Each Apt.</u>	<u>Total Percentage Of Undivided Interest For Each Apt. Type</u>
<u>A-1</u> (8):	Q-103, Q-104, Q-105, Q-106, R-103, R-104, R-105, R-106	1.49	11.92
<u>A-2</u> (8):	Q-203, Q-204, Q-205, Q-206, R-203, R-204, R-205, R-206	1.51	12.08
<u>B-1</u> (16):	P-103, P-104, P-105, P-106, S-103, S-104, S-105, S-106, T-103, T-104, T-105, T-106, U-101, U-102, U-103, U-104	1.47	23.52
<u>B-2</u> (16):	P-203, P-204, P-205, P-206, S-203, S-204, S-205, S-206, T-203, T-204, T-205, T-206, U-201, U-202, U-203, U-204	1.58	25.28
<u>C</u> (16):	P-101, P-102, P-107, P-108, Q-101, Q-102, R-101, R-102, S-101, S-102, S-107, S-108, T-101, T-102, T-107, T-108	1.70	<u>27.20</u>
Grand Total			<u>100.00%</u>

Each apartment owner will be assessed a share, equal to the common interest of his or her apartment, of all common expenses of the Condominium, except all expenses of relating to limited common elements will be charged as noted before under the heading LIMITED COMMON ELEMENTS.

The common interest is based upon the net living area, plus lanai area, in square feet for that apartment divided by the total net living area, plus lanais, of all apartments, rounded off so the common interest for all apartments equals 100%.

NOTE: The common interest for each apartment will change upon any merger of this Condominium with one or more condominiums that may be built on the adjoining parcels of land, see the information under the heading PHASED DEVELOPMENT AND MERGER OF PHASES.

PHASED DEVELOPMENT AND MERGER OF PHASES. In addition to this Project, which is Phase "II", the Developer is planning to develop 4 adjacent lots (Phases "I", "III", "IV" and "V"). Each of these

Phases may be developed as a condominium project; however, the present plan is to develop one lot (Phase "V") as a rental apartment complex. The present plan calls for the condominium development of the remaining 3 lots (Phases "I", "III" and "IV") to include a total of 176 additional apartments of the same type as the apartments in this Phase II; and also subjecting all Phases with: (a) an agreement in favor of the City and County of Honolulu so that the land on all of the lots may be treated as one lot for zoning purposes; and (b) a Declaration for Joint Use to provide, among other things: (1) for the benefit of each Phase, vehicular access and egress to and from Ka Uka and Waipio Uka Boulevards, pedestrian access to a pedestrian underpass under Waipio Uka Boulevard located on the southeast boundary of Phase II, and for joint use of and access to utility facilities, including sewer, water, electricity, gas and telephone lines and for drainage; and (2) for Phase II and Phases "I", "III" and "IV", for the joint use of the recreational facilities located in Phase I, together with access to such facilities. The proposed Declaration for Joint Use also provides for the maintenance and sharing of expenses among the various Phases.

This plan also provides for the merger of this Phase "II" with one or some or all of Phases "I", "III", and "IV". The purpose of the merger provisions, as contained in the Condominium Declaration, are to provide for a merger of these Phases as if they had been developed as a single project. This Phase II may be merged with respect to these Phases, or any or some or all of them in any order, at the same or different times, and a merger with respect to one or some of these Phases will not affect the right of the Developer to merge this Phase II with another Phase or Phases at a later time. The Developer would have the right to merge Phases up to July 1, 1992, upon the happening of certain events listed in the Condominium Declaration. These events include: the filing of the Condominium Documents for this Phase II and substantially identical documents for each other Phase being merged with it, and the substantial completion of the construction of this Phase II and each such other Phase, free and clear of mechanics' and materialmen's liens. To effect any merger the Developer would file in the Office of the Assistant Registrar of the Land Court of the State of Hawaii a "Certificate of Merger", which, among other things would revise the common interest appurtenant to the apartments in this Phase II. [NOTE: If all these Phases are merged and Phases "I", "III" and "IV" are built as presently planned, the revised common interest for the apartments shall be as follows:

<u>Type of Apartment</u>	<u>Percentage of Undivided Interest for Each Apartment</u>
A-1	.0039424
A-2	.0040370
B-1	.0039340
B-2	.0042260
C	.0045320]

Upon any merger, the common interest for each apartment in the merged Phases would be as revised; each apartment in a merged Phase would have the right to use the common elements of all such Phases; and the merged Phases would have one association and one board of directors, to be elected after the merger. The financial affairs of the merged Phases would also be administered together, except that: Apartments in any one such Phase would not be liable for the debts and obligations of the other merged Phase existing

at or accrued prior to the date of the merger. Also capital improvement reserve funds accumulated prior to the merger would remain intact, and the new board would have the authority to make special assessments for such reserves, for the purpose of minimizing later assessments to apartments in one merged Phase for repairs and replacements in the other merged Phases attributable to depreciation occurring prior to the merger. The Condominium Documents for each of the merged Phases would be interpreted together as a single set of documents applicable to the all merged Phases. However, the Developer has the right (but not the obligation) to provide a single Declaration, By-Laws and Condominium Map governing the merged Phases and showing a consolidated description of the land, buildings, apartments, common elements, limited common elements and common interests, but not otherwise changing the form or content of the Condominium Documents for any Phase, except for amendments required by law, and except that after the last merger of phases, to delete the merger provisions and other rights reserved by the Developer to provide for the development, construction and sale of property in each of the 5 Phases.

The Developer is not obligated to follow the present plan. However, if the plan for any additional Phase is not consistent with the present plan, as approved by the Administrator for the Veterans Administration ("VA Administrator"), then before the Developer may effect any merger, it must obtain a prior written approval of the VA Administrator.

The Developer also reserves the right, until July 1, 1992: (a) to amend the Condominium Documents, both before and after any merger, to conform these documents to VA and FHA requirements so that loans secured by mortgages of apartments in any Phase may be made, guaranteed or insured by VA or FHA. This includes the right to execute and record on behalf of the Association a Regulatory Agreement in form and substance meeting FHA requirements; (b) upon any merger to consolidate the lots on which the merged Phases are located as a single legal lot; and (c) to modify and realign the common elements, parking areas and utilities lines in this Phase II to the extent necessary to connect with any additional Phase. The Developer also has the right to enter on the common elements of the Condominium in order to perform development and construction work for each the additional Phases; provided that the Developer must first obtain a general liability policy to protect apartment owners in this Phase II in an amount of at least \$1,000,000, and must make reasonable efforts, consistent with maintaining the progress of such work, to minimize the disruption such work may cause owners.

The Developer is also not obligated to follow this plan for phased development and has no obligation to develop any one or more of these Phases or to merge this Phase II with any one or more of them. The Developer may also modify the plan for each of the additional Phases.

PURPOSE OF BUILDING AND RESTRICTIONS AS TO USE: The Condominium Declaration states that each apartment may be occupied and used only for residential purposes and no apartment shall be used as a tenement or rooming house or for or in connection with the carrying on of any business, trade, or profession. No apartment may be rented by owners for any period less than 30 days or where the occupants are provided customary hotel services such as room service for food and beverages, or maid or laundry and linen or bellboy services. Timesharing is prohibited. However, the

Condominium Declaration states an exception to these restrictions, as follows. The Developer reserves a right to conduct extensive sales activities on the Condominium. This includes the rights: (a) to use any apartments owned by the Developer as model apartments and sales and management offices; and (b) to use such apartments and the common elements, excluding the limited common elements appurtenant to other apartments, for extensive sales displays and activities. These rights to conduct extensive sales activities will last until the sale of the last apartment in the Condominium and the sale of last apartment in any condominium that may be developed on any of the 4 adjoining parcels of land, or until July 1, 1992, whichever first occurs. But these sales activities are to be conducted in an unobtrusive manner that will not unreasonably interfere with the use, possession and aesthetic enjoyment of the Condominium.

The Condominium Declaration also states that the Developer reserves the rights: (a) to enter and work on the Condominium as may be reasonably necessary for the completion of the improvements to and corrections of defects in the Condominium (this right will terminate about 30 months after the improvements for the Condominium are completed); and (b) to use the common elements of the Condominium as may be reasonably necessary for the construction and completion of improvements on any of the 4 adjoining parcels of land (this right will terminate no later than July 1, 1992).

The proposed House Rules provide, in part: (1) Occupancy is limited to no more than two persons per bedroom contained in each apartment, excluding children under the age of five, except that in no event shall the number of occupants per bedroom exceed three per bedroom inclusive of children under the age of five; (2) No water beds of any nature are allowed in any apartment without prior written approval of the Board and written evidence of adequate liability insurance coverage; and (3) Cooking over an open flame with charcoal grills and hibachis is not permissible within the apartment or on common areas, except on lanais, on private patios or yard areas, and on those portions of the common elements as may be designated for such activities by the Board.

Buyers and prospective buyers are also referred to the Condominium Disclosure Abstract attached to this Public Report and to the documents incorporated or mentioned in that Abstract for further information regarding restrictions as to use. [Note: The breakdown of annual maintenance fees and monthly estimated cost for each apartment are also included in the Condominium Disclosure Abstract and must be updated as required by Section 514A-61 of the Condominium Act. Accordingly, upon filing with the Commission of a revised Abstract which is changed only to reflect the required updating of this information, the Developer may attach such revised Abstract to this or subsequent Reports without the Commission issuing a Supplementary Public Report.]

OWNERSHIP TO TITLE: The Preliminary Title Report issued by Title Guaranty of Hawaii, Inc. dated October 1, 1985 certifies that the fee simple title to the Land is vested in the Developer.

ENCUMBRANCES AGAINST TITLE: Said Preliminary Title Report dated October 1, 1985 reveals the following encumbrances:

1. For any taxes that are due and owing, reference is made to the Office of the Finance Director, City and County of Honolulu.

2. Declaration of Covenants, Conditions and Restrictions dated November 17, 1978, filed as Land Court Document No. 909239, as amended by instruments dated November 17, 1980, filed as Document No. 1042252, dated November 4, 1980, filed as Document No. 1042710, dated December 15, 1983, filed as Document No. 1208195, dated January 9, 1984, filed as Document No. 1213122, dated April 25, 1984, filed as Document No. 1233261, dated July 1, 1984, filed as Document No. 1247312, dated October 1, 1984, filed as Document No. 1257511, and dated December 18, 1984, filed as Document No. 1273254 (the "Master Declaration").

3. Easement "3491" over and across Lot 11023, besides other land, as shown on Maps 603 and 659, as set forth by Land Court Order No. 74825, filed January 27, 1983.

4. Unilateral Agreement and Declaration of Conditional Zoning dated February 12, 1982, filed as Document No. 1105595.

5. Reservation as set forth in Deed dated December 26, 1984, filed as Document No. 1275070.

6. Easement "4270" (15 feet wide) over and across Lot 11023, besides other land, as shown on Maps 648 and 659, as set forth by Land Court Order No. 72247, filed December 28, 1984.

7. Real Property Mortgage from the Developer to First Hawaiian Bank dated January 31, 1985 in the amount \$8,250,000 and filed as Land Court Document No. 1280422, and a UCC-1 Financing Statement also from the Developer to the Bank recorded in the Bureau of Conveyances of the State of Hawaii in Book 18424, Page 502, as increased to \$10,600,000 and amended by Amendment to Real Property Mortgage filed as Land Court Document No. 1317293.

8. Agreement for Issuance of Special Use Permit Under Section 21-2.71, Revised Ordinances of Honolulu, 1978, as amended, dated July 25, 1985 and filed as Land Court Document No. 1325518.

9. Agreement dated December 26, 1984 filed as Document No. 1275069, made by and between Gentry-Waipio, a joint venture, and the Developer.

NOTES: 1. The Land will also be encumbered by: (a) the Condominium Documents; (b) such easements as the Developer may designate and grant pursuant to the rights the Developer reserves in the Condominium Documents; and (c) a Declaration for Joint Use made by the Developer (to provide for the joint use of and sharing of expenses between the Condominium and the 4 adjoining parcels of land of roadways, pedestrian walkways, the recreation facilities in the Condominium, certain utilities, including sewer, water, electricity, gas, telephone lines; drainage lines and systems, and so on).

2. The Developer advises that it will also encumber the property by further increasing the amount of the Real Property Mortgage, as amended, and Financing Statement referred to above and/or placing further mortgages and financing statements on the Land, up to an aggregate principal balance of not more than \$15,000,000, in order to provide funds for the construction of site improvements to the Land (as well as to the 4 adjoining parcels of land) and to construct the buildings and other improvements that will become a part of the Condominium. The Developer also advises that the Real Property Mortgage, as amended, and Financing Statement referred to above, every such increase in such Mortgage and Financing Statement, and every such further mortgage and financing statement are and will remain superior to the interests of all buyers under sales contracts held in escrow pending closing. But these mortgages and financing statements must be released prior to the closing and transfer of an apartment to any purchaser.

3. Each apartment will be conveyed to a buyer subject to the foregoing encumbrances, excluding such mortgages and financing statements, but including the encumbrances referred to in Note 1, and the terms, covenants and conditions of the Apartment Deed conveying the apartment to a purchaser.

PURCHASE MONEY HANDLING OF APARTMENT UNIT SALES: Copies of the specimen Apartment Sales Contract, Apartment Deed and executed Escrow Agreement have been submitted as part of the registration. On examination, these documents are found to comply with the Condominium Act. Specifically, but without limitation, they comply with Section 514A-40(6) and Sections 514A-37, 514A-39, 514A-62, 514A-63 and 514A-65. The Escrow Agreement is dated October 9, 1985, and identifies First Hawaiian Bank as the Escrow Agent for the handling of purchase money for apartment sales.

It is incumbent upon the purchaser and prospective purchaser that he or she read with care these documents. The Escrow Agreement establishes how the proceeds from the sale of apartments are placed in trust, as well as the retention and disbursement of this trust fund. According to this Agreement, downpayment funds may not be released from escrow for the payment of development and construction costs, even though such use is permitted in compliance with the above-noted sections of the Condominium Act. The specimen Sales Contract also determines the time for and the amount of installment payments on the purchase price, and for the payment for all closing costs which are the buyer's obligations.

Prior to the issuance of a final public report, the Contract operates as a reservation only and may be canceled by either the Developer or buyer. A separate written affirmation must be signed by both parties after the final public report is issued to convert the reservation into a binding contract. The documents also provide, in effect, that a buyer shall be entitled to a refund of his or her funds, and Escrow shall pay such funds to a buyer, if:

(a) Escrow receives a written request from Developer to return to buyer the funds of such buyer then held by Escrow; or

(b) If a buyer's funds were obtained prior to the issuance of a final public report and the request is prior to the time the final public report is issued or prior to the time the parties sign a separate written affirmation; or

(c) If a buyer's funds were obtained prior to the issuance of a final public report, then in the event that the parties do sign

a separate written affirmation, the buyer nevertheless exercises his or her right to cancel at any time prior to the earlier of (1) the conveyance of the apartment to the buyer, or (2) midnight of the thirtieth (30th) day following the date of delivery of the final public report, provided that the buyer has not previously waived his or her right to cancel; or

(d) If a buyer's funds were obtained after the issuance of a final public report and the buyer exercises his or her right to cancel prior to the earlier of (1) the conveyance of the apartment to buyer or (2) midnight of the thirtieth (30th) day following the date of delivery of the final public report, provided however, that the buyer has not previously waived his or her right to cancel; or

(e) Except for any addition, deletions, or modifications resulting from the merger or phasing of the Condominium as provided for in the Condominium Declaration, the Sales Contract, and Apartment Deed, the buyer shall have the right to rescind the Sales Contract if there is a material change in the Condominium which directly, substantially and adversely affects the use of value of (1) such buyer's apartment or appurtenant limited common elements, or (2) those amenities of the Condominium available for such buyer's use, unless the buyer has waived his or her rights of rescission or deemed to have waived such rights.

In the specimen Sales Contract, the Developer also promises to complete the Condominium no later than two years from the date a final public report is issued. The 2-year period is subject to extensions of time only for the occurrence of any event outside of the Developer's control that makes performance by the Developer within this period impossible as a matter of Hawaii law.

By signing a Sales Contract, each buyer, among other things, will: (1) warrant that he or she has the ability to pay the purchase price for the apartment either from his or her own funds and/or the proceeds of a loan that the buyer promises he or she can obtain and that obtaining such a loan is the buyer's sole responsibility, even if the Developer has made arrangements with a lender generally to provide financing; and (2) acknowledge, consent and agree that all mortgage liens and other security interests obtain by the construction lender in connection with the construction loan (as well as any extensions, renewals and modifications of that loan) will be and remain at all times a lien or charge on the Condominium prior to and superior to any and all liens or charges arising from the Sales Contract or any other sale and/or reservation agreement with the buyer. In addition, among other things, the specimen Sales Contract contains provisions which: (3) permit the Developer to keep the buyer's payment deposits under certain circumstances if the Developer cancels a contract due to buyer's default; (4) provide for "preclosing" of the Sales Contract; (5) provide the right for the Developer to change the Condominium Documents; (6) provide that all interest earned on buyer's funds will belong to the Seller; (7) limit warranties the buyer will receive -- see the attached Condominium Disclosure Abstract; (8) limit assignment of the Sales Contract; and (9) cover many other important matters that are not described in this Report.

By signing a Sales Contract and an Apartment Deed, each Buyer, among other things, also will consent and agree to the phased development of adjoining lands and the merger of such phases with this Condominium, as discussed above under the heading PHASED

DEVELOPMENT AND MERGER OF PHASES, and at the Developer's request, to execute additional documents and to do such other things necessary or convenient therefor. Buyer also will appoint the Developer as the Buyer's attorney-in-fact to execute such documents and do such other things, and to hold the buyer's "Owner's duplicate certificate" for his or her apartment and to have such documents noted thereon.

Apartment unit purchasers and prospective purchasers should read all provisions of the specimen Sales Contract and Apartment Deed and the Escrow Agreement with care.

MANAGEMENT AND OPERATION OF THE CONDOMINIUM: The Condominium Declaration and By-Laws state that the Association of Apartment Owners (the "Association") has the power and duty to manage the common elements of the Condominium and to administer its overall affairs.

Administration of the Condominium will be governed by the Condominium Documents, as they may be amended from time to time. Such amendments may include an amendment or amendments made by the Developer in connection with any merger of phases or by an FHA Regulatory Agreement that the Developer may execute and record; also administration will be governed by the Declaration for Joint Use. For information on all these matters, refer back to the information under the heading PHASED DEVELOPMENT AND MERGER OF PHASES.

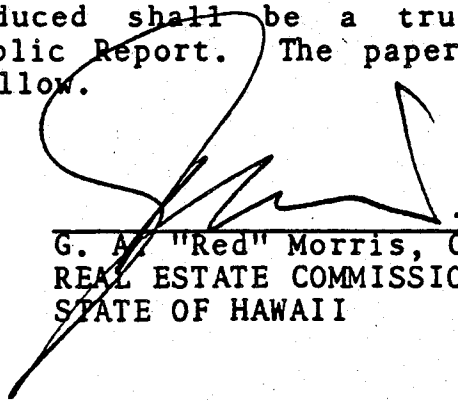
The Board of Directors of the Association may employ a management agent to perform such duties as the Board authorizes, including the collection of all assessments from apartment owners. The specimen Sales Contract states that the Developer, acting on behalf of the Association, has the authority to appoint an initial responsible corporate management agent. The Developer intends to select Chaney Brooks & Company, whose principal place of business and mailing address is 606 Coral Street, Honolulu, Hawaii 96815, as the initial managing agent.

STATUS OF PROJECT: The Notice of Intention submitted by the Developer reflects that a building permit for the Condominium has not yet been obtained and that construction has not yet commenced. The estimated date of commencement of construction is November 15, 1985 and the estimated date of substantial completion of the Condominium is given as May 1, 1986.

The buyer or prospective buyer should be cognizant of the fact that this published report represents information disclosed by the Developer in the required Notice of Intention submitted on October 29, 1985, and additional information subsequently filed as of November 12, 1985.

This PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1713 filed with the Commission on October 29, 1985.

The report when reproduced shall be a true copy of the Commission's Preliminary Public Report. The paper stock used in making facsimiles must be yellow.



G. A. "Red" Morris, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:

DEPARTMENT OF FINANCE, CITY AND COUNTY OF HONOLULU
LAND COURT
PLANNING DEPARTMENT, CITY AND COUNTY OF HONOLULU
FEDERAL HOUSING ADMINISTRATION
ESCROW AGENT

Registration No. 1713

November 13, 1985

THE VILLAGES AT WAIPIO PHASE II
CONDOMINIUM DISCLOSURE ABSTRACT

This document is given to prospective buyers together with the Preliminary Public Report as required by Hawaii's Condominium Law. Buyers are referred to as "you" in this document.

1. THE PROJECT:

Name: THE VILLAGES AT WAIPIO PHASE II
Address: Waipio Uka Street, Waipio, Oahu, Hawaii

Developer: JAMES K. SCHULER & ASSOCIATES, INC.
915 Fort Street, 10th Floor
Honolulu, Hawaii 96813
Telephone No. (808) 521-5661

Project Manager: CHANEY & BROOKS COMPANY
(also known as 606 Coral Street
the Managing Honolulu, Hawaii 96813
Agent) Telephone No: (808) 524-1600

2. Maintenance Fees: Attached as Exhibit "1" is an estimated budget covering maintenance fees for the Condominium and an annual and monthly breakdown of these fees, as estimated, for each residential apartment in the Condominium. The maintenance fees will cover the "common expenses" of the Condominium, as defined in the Condominium Declaration and By-laws. You know and accept: (a) that you are personally liable for and must pay the maintenance fees on your Apartment to the Association of Apartment Owners of The Villages at Waipio Phase II; (b) that if you do not pay, among other things, you are subject to the loss of certain rights of ownership and to the payment of additional sums for interest and late charges, penalties and fines, and collection costs and attorneys' fees, and the Association may foreclose on your Apartment and/or sue you for payment.

However, the Developer assumes all actual common expenses and an apartment owner shall not be obligated for the payment of his or her respective share of the common expenses until such time as the Developer files an amended Abstract with the Real Estate Commission of the State of Hawaii which shall provide that, after a date certain, the respective apartment owners shall thereafter be obligated to pay for his or her respective share of common expenses as allocated to his or her apartment.

You should understand that: (a) this information has been prepared by the Managing Agent and has not been prepared by the Developer; (b) that the Condominium does not have any operating history; (c) the budget and maintenance fees are only estimates prepared without the availability of data for past operations and costs to maintain and operate any Condominium are difficult to estimate at first, so there is no assurance that actual expenses and maintenance fees will not be more or less than that estimated; and (d) additionally, even if these costs have been accurately estimated, they will tend to increase over time because of the aging of the Condominium and inflation and such other variables as uninsured casualty, loss or damage, increased or decreased services from those now contemplated, failure of other owners to pay and related collection costs, and so on. The Developer does not promise that this information will reflect actual expenses and/or maintenance assessments in the first year of operation of the Condominium or in any subsequent year.

The attached breakdown of estimated maintenance fees does not include the buyer's obligation for the payment of real property taxes or maintenance fees to the Gentry-Waipio Community Area Association. Estimates of real property taxes and such maintenance fees will be provided upon request.

3. Warranties: The Developer is giving you the EXPRESS LIMITED WARRANTY attached hereto as Exhibit "2" and that warranty only. Defects in any appliance or other consumer products installed or located on your Apartment or the Common Elements are not included in that warranty. THAT LIMITED EXPRESS WARRANTY IS GIVEN TO YOU INSTEAD OF ANY OTHER WARRANTY OF ANY KIND, EXPRESS OR IMPLIED. YOU DO NOT HAVE: (A) ANY OTHER WRITTEN WARRANTIES; OR (B) ANY WARRANTIES THAT THE LAW MIGHT OTHERWISE GIVE TO YOU, EXCEPT AS PROHIBITED BY EXPRESS PROVISION OF LAW. THE DEVELOPER IS NOT THE MANUFACTURER OR MANUFACTURER'S AGENT FOR ANY OF THE APPLIANCES, FURNISHINGS AND OTHER CONSUMERS PRODUCTS INSTALLED OR LOCATED IN YOUR APARTMENT OR THE COMMON ELEMENTS.

THEREFORE, YOU UNDERSTAND AND AGREE THAT, EXCEPT FOR THE EXPRESS LIMITED WARRANTY REFERRED TO ABOVE, THE DEVELOPER IS NOT GIVING YOU ANY WARRANTIES, EXPRESSED OR IMPLIED, ON YOUR APARTMENT, THE CONDOMINIUM, OR ANYTHING INSTALLED IN THEM. FOR SOME EXAMPLES, YOU DO NOT HAVE ANY WARRANTIES OF MERCHANTABILITY; OR FITNESS FOR A PARTICULAR PURPOSE; OR HABITABILITY; OR WORKMANLIKE CONSTRUCTION; OR SUFFICIENCY OF DESIGN; OR ANY OTHER WARRANTY.

Among other things, this also means that you cannot complain against the Developer or force the Developer to fix any other defects. It makes no difference what caused any other defect or when it was discovered. The Developer does not have to fix it or pay for it to be fixed.

YOU ALSO GIVE UP (IN LEGAL TERMS - RELEASE AND DISCHARGE) ALL CLAIMS AGAINST THE DEVELOPER OVER ANY DEFECTS. THIS INCLUDES ANY CLAIMS OF NEGLIGENCE. YOU ALSO AGREE THAT THE DEVELOPER HAS NO LIABILITY FOR ANY INJURY OR DAMAGE TO PEOPLE OR THINGS WHICH MIGHT BE CAUSED BY ANY DEFECT. YOU ALSO RELEASE AND DISCHARGE THE DEVELOPER FROM THIS KIND OF LIABILITY.

4. Residential Use: According to the Condominium Declaration, all of the 64 apartments may be used by apartment purchasers for residential purposes, but not as a tenement or rooming house or for any commercial purpose and not for rent for any period less than 30 days or where renters are given customary hotel services. Timesharing is prohibited.

You are referred to the Condominium Declaration, By-Laws, Rules and Regulations and your Sales Contract and form of Apartment Deed as to further use restrictions. For your convenience, however, Article V of the By-Laws which contains certain use restrictions, is attached hereto as Exhibit "3". You are also advised that the Rules and Regulations state that: (a) only common household pets may be kept in any part of the Condominium, but if these pets become a nuisance, they must be removed, and Apartment Owners are responsible for picking up the fecal matter of all their pets; and (b) water beds are not permitted, except upon approval by the Board of Directors and written evidence of adequate liability insurance coverage.

5. Commercial Use: There will be no commercial use permitted by apartment purchasers within the project.

17-Oct-85

EXHIBIT "1"

PROPOSED OPERATING BUDGET
1986

VILLAGES AT WAIPIO

(PHASE II)--64 UNITS TOTAL

RECEIPTS

ANNUALLY--

Maintenance Fees

\$53,280.00

DISBURSEMENTS

Audit & Tax Fees	540.00
Insurance Package	3,068.80
Insurance - Liability	266.80
Insurance - Other	83.84
Insurance - Medical	1,164.80
Insurance - Workmen's Compensation	1,256.00
Legal Fees	480.00
Management & Accounting Services	5,760.00
Misc. Project Office Expenses	480.00
Refuse Service	3,494.40
Maintenance & Repair - Building	480.00
Maintenance & Repair - Other Equip.	800.00
Maintenance & Repair - Pest Control	480.00
Payroll, Maintenance	12,457.60
Payroll, Resident Manager	3,200.00
Supplies, Grounds	800.00
Supplies, Janitorial	480.00
Supplies, Painting	160.00
Supplies, Pool	480.00
Supplies, Electric & Lighting	480.00
Supplies, Building & Other	800.00
Taxes, Payroll	1,958.40
Electricity	2,652.80
Telephone	112.00
Water/Sewer	7,680.00
Other Disbursements	800.00

SUBTOTAL DISBURSEMENTS	\$51,197.44
TRANSFER TO RESERVES	2,082.56

TOTAL DISBURSEMENTS	\$53,280.00
=====	

We certify that the monthly maintenance fee and the monthly operating costs have been based on generally accepted accounting principles and prorated from the operating budget for the total project of The Villages at Waipio.

James K. Schuler & Associates, Inc.

By James K. Schuler

Its Vice President

EXHIBIT "2"

WARRANTY OF COMPLETION OF CONSTRUCTION IN SUBSTANTIAL
CONFORMITY WITH APPROVED PLANS AND SPECIFICATIONS

Property Location:

Purchaser(s)/Owner(s):

For good and valuable consideration the undersigned Warrantor hereby warrants to the Purchaser(s) or Owner(s) identified in the caption hereof, and to his (their) successors or transferees, that:

The dwelling located on the property identified in the caption hereof is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variation therein) which have been approved in writing by the Federal Housing Commissioner or the Administrator of Veterans Affairs on which the Federal Housing Commissioner or the Administrator of Veterans Affairs based his valuation of the dwelling: Provided, however, that this warranty shall apply only to such instances of substantial nonconformity as to which the Purchaser(s)/Owner(s) or his (their) successors or transferees shall have given written notice to the Warrantor at any time or times within: (a) with respect to the dwelling unit, one (1) year, and (b) with respect to the common elements, two (2) years from the date of the original conveyance of title to such Purchaser(s)/Owner(s) or the date of initial occupancy of the dwelling, whichever first occurs: Provided further, however, that in the event the Purchaser(s)/Owner(s) acquired title to the captioned property prior to the completion of construction of the dwelling thereon, such notice of nonconformity to the Warrantor may be given at any time or times within: (a) with respect to the dwelling unit, one (1) year, and (b) with respect to the common elements, two (2) years from the date of completion or initial occupancy of such dwelling, whichever first occurs.

The term "dwelling" as used herein shall be deemed to include all improvements or appurtenances set forth in the plans and specifications upon which the Federal Housing Commissioner or the Administrator of Veterans Affairs has based his valuation of the property, excepting those constructed by a municipality or other governmental authority.

This warranty shall be in addition to, and not in derogation of, all other rights and privileges which such Purchaser(s)/Owner(s) may have under any other law or instrument, and shall survive the conveyance of title, delivery of possession of the property, or other final settlement made by the Purchaser(s)/Owner(s), and shall be binding on the Warrantor notwithstanding any provision to the contrary contained in the contract of purchase or other writing executed by the Purchaser(s)/Owner(s) heretofore or contemporaneously with the execution of this agreement or prior to final settlement.

IN TESTIMONY WHEREOF, the Warrantor has signed and sealed this warranty this _____ day of _____, 198____.

(Warrantor's Address)

By _____ (SEAL)
Warrantor (Signature and Title)

This warranty is executed for the purpose of inducing the Federal Housing Commissioner or the Administrator of Veterans Affairs to make, to guarantee or to insure a mortgage on the captioned property, and the person signing for the Warrantor represents and verified that he is authorized to execute the same by the Warrantor and by his signature the Warrantor is duly bound under the terms and conditions of said warranty.

W A R N I N G

Section 1010 of Title 18, U.S.C., "Federal Housing Administration transactions," provides: "Whoever, for the purpose of--influencing in any way the action of such Administration--makes, passes, utters, or publishes any statement, knowing the same to be false--shall be fined not more than \$3,000 or imprisoned not more than two years, or both." Other Federal Statutes provide severe penalties for any fraud as intentional misrepresentation made for the purpose of influencing the issuance of any guaranty or insurance or the making of any loan by the Administrator of Veterans Affairs.

NOTICE TO PURCHASER: ANY NOTICE OF NONCONFORMITY MUST BE DELIVERED TO THE WARRANTOR NO LATER THAN _____, as to the dwelling unit, and _____, as to the common elements. (Warrantor shall insert date 1 year or 2 years from initial occupancy, date of conveyance of title or date of completion, whichever event is applicable.)

Receipt of this warranty is acknowledged this _____ day of _____, 198__.

EXHIBIT "3"

ARTICLE V
MAINTENANCE, ALTERATION AND USE OF THE CONDOMINIUM

Section 5.01 Maintenance of Apartments and Limited Common Elements. Every Owner shall at his or her own expense at all times well and substantially repair, maintain, amend and keep his or her apartment, including without limitation all internal installations therein such as water, electricity, gas, telephone, sewer, sanitation, air conditioning, lights and all other fixtures and accessories belonging to such apartment and the interior decorated or finished surfaces of all walls, floors and ceiling of such apartment and all limited common elements appurtenant thereto, with all necessary reparations and amendments whatsoever in good order and condition except as otherwise provided by law or the Declaration, and shall be liable for all loss or damage whatsoever caused by his or her failure to perform any such work diligently, and in case of such failure after reasonable notice to perform shall reimburse to the Association promptly on demand all expenses incurred by it in performing any such work authorized by the Board or the Managing Agent. Every Owner and occupant shall reimburse the Association promptly on demand all expenses incurred by it in repairing or replacing any uninsured loss or damage to the common elements or any furniture, furnishings and equipment thereof caused by such Owner or occupant or any person under either of them and shall give prompt notice to the Managing Agent or any such loss or damage or other defect in the Condominium when discovered. All costs of maintenance, repair, replacement, additions and improvements to any limited common element shall be charged to the Owner or Owners of the apartments to which such limited common element is appurtenant in accordance with the provisions of the Condominium Declaration and Article VI of these By-Laws.

Section 5.02 Maintenance and Repair of Common Elements (Excluding Limited Common Elements). All maintenance, repair and replacements of the common elements, whether located inside or outside of the apartments, shall be made only by or at the direction of the Board and be charged to all the Owners as a common expense; provided, that the costs of maintenance, repairs and replacements necessitated by the negligence, misuse or neglect of an identified Owner shall be charged to such Owner as a special assessment.

Section 5.03 Use of Condominium.

(a) All apartments of the Condominium shall be used only for such purposes as stated in the Condominium Declaration.

(b) The common elements of the Condominium shall be used only for their respective purposes as designed, subject to the provisions of Section 514A-13(d) of the Condominium Act, as the same may be amended from time to time.

(c) No Owner or occupant shall suffer anything to be done or kept in his or her apartment or elsewhere which will jeopardize the soundness or safety of the buildings of the Condominium, or which will be noxious or offensive or will interfere with or unreasonably disturb the rights of other Owners and occupants, or which will increase the rate or result in the cancellation of fire insurance on the buildings or the contents thereof or which will reduce the value of the buildings.

(d) No fires, including barbecuing, shall be allowed in any part of any apartment or common element, except that barbecuing is permitted on lanais, in private patio or yard areas, and in such portions of the common elements as the Board may designate from time to time by resolution or in the Rules and Regulations. Barbecuing shall include, but shall not be limited to, the broiling of any food items over a charcoal fire, gas grill or on an electrical grill.

(e) Every Owner and occupant shall at all times keep his or her apartment in a strictly clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association applicable to the use of the Condominium.

(f) All Owners and occupants shall exercise extreme care about making noises and in the use of musical instruments, radios, televisions and amplifiers that may disturb other occupants.

(g) No livestock poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the Condominium except that dogs, cats and other household pets in reasonable number may be kept by the Owners and occupants in their respective residential apartments, but shall not be kept, bred or used therein for any commercial purpose, nor allowed on any common elements except in transit when carried or on leash; provided, however, that any such pet causing a nuisance or unreasonable disturbance to any other occupant of the Condominium shall be permanently removed therefrom promptly upon notice given by the Board or Managing Agent. Owners shall be responsible for the immediate and proper disposal of all fecal matter of their pets.

(h) No Owner or occupant shall make or suffer any strip or waste or unlawful, improper or offensive use of his or her apartment, any limited common elements appurtenant thereto or any other part of the Condominium, nor alter or remove any furniture, furnishings or equipment of the common elements.

(i) The Owner or occupant of any apartment will not, without the prior written consent of the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein, display any sign or place any other thing in or upon any door, window, wall or other portion of the apartment or common elements, so as to be visible from the exterior.

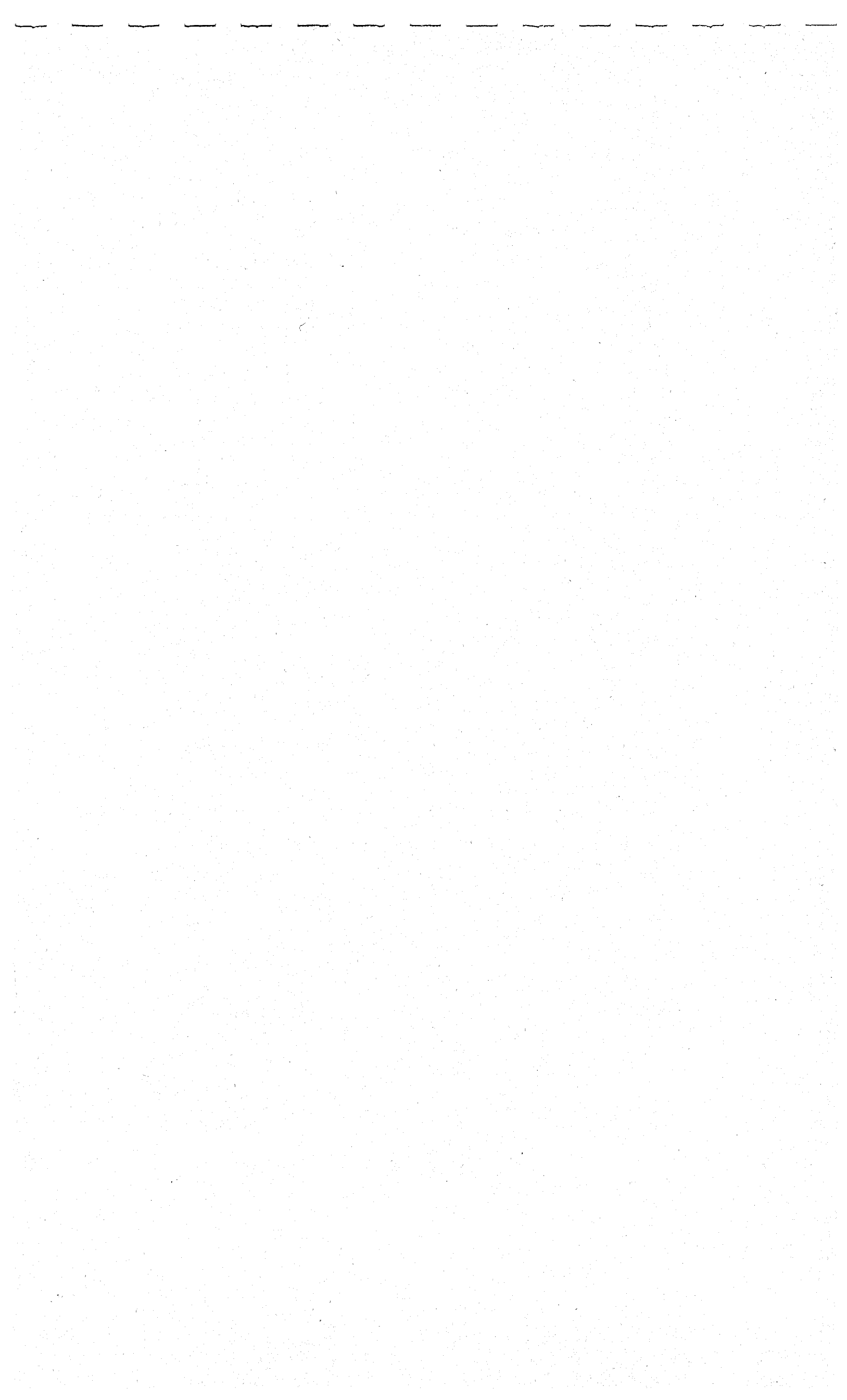
(j) No Owner or occupant shall decorate or landscape any entrance, planting area, lanai, landing or stairway or other limited common element appurtenant to his or her apartment except in accordance with applicable provisions, if any, in the Rules and Regulations, or with specific plans approved first in writing by the Board.

(k) No garments, rugs or other objects shall be hung from the windows or facades of the Condominium. No rugs or other objects shall be dusted or shaken from the windows of the Condominium or cleaned by beating or sweeping onto any exterior part of the Condominium. No refuse, garbage or trash of any kind shall be thrown, placed or kept on any common elements of the Condominium outside of the disposal facilities provided for such purposes.

(l) No Owner or occupant shall, without the written approval of the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein, install any wiring for electrical installations, television antenna, machines or air conditioning units, or other equipment or appurtenances whatsoever on the exterior of the Condominium or protruding through the walls, windows or roof thereof.

(m) No Owner or occupant shall place, store or maintain in the landings, stairways, walkways, sidewalks, parking areas, driveways, roads, grounds or other common elements of similar nature any furniture, packages or objects of any kind or otherwise obstruct transit through such common elements.

(n) Each Owner and occupant shall be responsible for the care and maintenance of any lanais and limited common elements which are included in his or her apartment. However, no Owner may paint or otherwise decorate his or her lanais or limited common elements without prior approval by the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein. It is intended that the exterior of the buildings shall present a uniform appearance, and to effect that end, the Owners hereby agree that the Board may require the painting or repair of each lanai, exterior limited common elements, outside doors, windows, trim, fences, stairways, landings, railings and other exterior portions of the buildings and regulate the type and color of paint to be used. The Board is authorized to contract for said painting and repair and to make payment therefor out of a maintenance fund, subject to direct charges for negligence, misuse or neglect as provided hereinabove. No awnings, shades, jalousies or other device shall be erected or placed on the lanais or limited common elements so as to be visible from the exterior without prior written permission from the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein.



(o) No Owner or occupant shall permit any person who has not obtained the age of majority and who is residing or visiting with him or her to loiter or play in any common areas of the Condominium which the Board may designate as a non-play area.

Section 5.04 Alteration of the Condominium.

(a) Additions, alterations, repairs or improvements to the common or limited common elements of the Condominium may be made only by or at the direction of the Board. No Owner of an apartment may make, except with the prior written permission of the Board, or in accordance with the Rules and Regulations, if applicable provisions are stated therein, any alteration, addition, repair or improvement (1) to his or her apartment which may affect the common elements or change the exterior appearance of the buildings, or (2) to any of the common elements including, without limitation, common or limited common elements within, encompassing or adjacent to his or her apartment. Nothing herein is intended to or shall be deemed to relieve any Owner of the responsibility for the limited common elements appurtenant to his or her apartment, as elsewhere provided in the By-Laws or in the Condominium Declaration.

(b) Whenever in the judgment of the Board, the common or limited common elements shall require additions, alterations, repairs or improvements with a total cost of less than Twenty-Five Thousand Dollars (\$25,000), the Board may proceed with such additions, alterations, repairs or improvements and shall assess the cost thereof as a common expense, except that the cost of any such work performed on any limited common elements shall be charged to the Owners of apartments to which such limited common elements are appurtenant. Any additions, alterations, repairs or improvements costing in excess of Twenty-Five Thousand Dollars (\$25,000) may be made by the Board only after obtaining approval of the Owners of seventy-five percent (75%) of the interests in the common elements; except that such approval shall not be required for any additions, alterations or improvements required by law or in the event of an emergency threatening immediate and substantial damage to person or property. If such approval shall be obtained, the cost thereof shall constitute part of the common expense.

(c) Unless otherwise prohibited or conditioned by the provisions of the Condominium Declaration, or these By-Laws, or the Condominium Act, an Apartment Owner may make additions, alterations or improvements solely within his or her apartment or within a limited common element appurtenant to and for the exclusive use of his or her apartment at his or her sole cost and expense.

(d) No Owner shall do any work to his or her Apartment which could jeopardize the soundness or safety of any part of the Condominium, reduce the value thereof, or impair any easement or hereditament, nor may any Owner add any material structure or excavate any additional basement or cellar, without in every such case the consent of seventy-five percent (75%) of the Owners being first obtained, together with the consent of all Owners whose apartments or limited common elements appurtenant thereto are directly affected. However, the installation of solar energy devices as defined by section 468B-1, Hawaii Revised Statutes, or material additions to or alterations of an apartment made within such apartment or within a limited common element appurtenant to and for the exclusive use of the apartment shall require approval only by the Board. The Board shall not unreasonably withhold or delay its approval, and shall have the obligation to answer any written request by an Owner for its consent within thirty (30) days after its receipt of such a request describing the proposed alteration in reasonable detail.

Section 5.05 Interpretation. The provisions of Article V of these By-Laws and of each section therein are, together with similar provisions in the Condominium Declaration, intended to be cumulative, such that all Owners and occupants are required to comply with each and every such provision. If there is a conflict in this regard between the Condominium Declaration and Article V, the Condominium Declaration shall control.

REAL ESTATE COMMISSION

PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS
STATE OF HAWAII
1010 RICHARDS STREET
P. O. BOX 3469
HONOLULU, HAWAII 96801

FINAL HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT

on
THE VILLAGES AT WAIPIO
PHASE II
Waipio Uka Street, Waipio, Oahu, Hawaii

Registration No. 1713

IMPORTANT — Read This Report Before Buying

This Report Is Not an Approval or Disapproval of This Condominium Project

It reflects information obtained by the Real Estate Commission in its investigation of the project. This report, based on a principle of disclosure, is issued by the Commission for the purpose of preventing fraud, misrepresentation or deceit.

The developer shall not enter into a binding contract or agreement for the sale of any unit in a Condominium Project until

- (1) A copy of this Report has been given to the prospective purchaser,
- (2) The latter has been given an opportunity to read same, and,
- (3) His receipt taken therefor.

ISSUED: May 9, 1986
EXPIRES: June 9, 1987

SPECIAL ATTENTION

A comprehensive reading of this report is urged in order that personal requirements and expectations to be derived from the property can be ascertained. The attention of the purchaser or prospective purchaser is particularly directed to the following:

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED OCTOBER 29, 1985, AND INFORMATION SUBSEQUENTLY FILED AS OF APRIL 30, 1986. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY REGIMES LAW, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

1. Since the issuance of the Commissions' Preliminary Report of November 19, 1985 on THE VILLAGES AT WAIPIO. PHASE II, Registration No. 1713, the Developer reports that certain changes have been made in the Project.
2. The Developer has submitted to the Commission for examination all documents deemed necessary for the registration of the condominium project and the issuance of this Final Public Report.

3. The Developer advises that the Declaration of Horizontal Property Regime: The Villages at Waipio Phase II and the By-Laws of the Association of Apartment Owners for The Villages At Waipio Phase II are filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document Nos. 1363610 and 1363611, respectively. The Condominium Map has been filed in said Land Court as Condominium File Plan No. 587.
4. No advertising or promotional matter has been submitted pursuant to the Commission's Rules Relating to Horizontal Property Regimes (the "Condominium Rules").
5. The buyer or prospective buyer is advised to acquaint himself with the provisions of Hawaii's Condominium Act (Chapter 514A, Hawaii Revised Statutes, as amended), as well as the Condominium Rules.
6. This Final Public Report automatically expires thirteen (13) months after date of issuance, May 9, 1986, unless a Supplementary Public Report issues, or the Commission, upon review of the registration, issues an order extending the effective period of this report.
7. This Final Public Report Report (white paper stock) amends the Preliminary Public Report (yellow paper stock) becoming a part of THE VILLAGES AT WAIPIO PHASE II registration. The Developer is responsible for placing a true copy of this Final Public Report (white paper stock) in the hands of all purchasers and prospective purchasers, along with a copy of the Preliminary Report (yellow paper stock). The Developer is responsible for securing from each purchaser or prospective purchaser a signed receipt signifying that he has had an opportunity to read both reports.

Except for information under the topical headings which follow, the information in the Preliminary Report dated November 19, 1985 has not been disturbed.

ENCUMBRANCES AGAINST TITLE: A Preliminary Title Report issued by Title Guaranty of Hawaii, Inc. dated April 4, 1986 reveals changes in encumbrances affecting title. The following encumbrances have been added:

1. Another mortgage has been added, namely a Phase II Real Property Mortgage and Financing Statement (undated) in the amount of \$3,110,000 and filed as Land Court Document No. 1356097 (the "Phase II Mortgage").

2. The Real Property Mortgage from the Developer to First Hawaiian Bank dated January 31, 1985 in the amount \$8,250,000 and filed as Land Court Document No. 1280422 (the "Development Mortgage"), as increased in amount to \$10,600,000 by an Amendment to Real Property Mortgage (undated) from the Developer to First Hawaiian Bank filed as Land Court Document No. 1319293, has been added to as follows:

- a. By the filing as Land Court Document No. 1346726 of an Additional Charge and Additional Security Mortgage dated January 17, 1986, from the Developer to First Hawaiian Bank,

amounts due under another mortgage (filed as Land Court Document No. 1346725 and affecting Phase I, not this Phase II) were further secured by the Development Mortgage and were charged against all of the Property covered by the Development Mortgage.

b. By the filing as Land Court Document No. 1356098 of a Phase II Additional Charge and Additional Security Mortgage (undated) from the Developer to First Hawaiian Bank, amounts due under the Phase II Mortgage were further secured by the Development Mortgage and were charged against all of the Property covered by the Development Mortgage.

NOTE: As disclosed in the Preliminary Report, the Phase II and the Development Mortgages are and will remain superior to the interests of all buyers under sales contracts held in escrow pending closing but must be released prior to closing and transfer of an apartment to purchaser.

3. A Declaration for Joint Use dated February 5, 1986 has been filed as Land Court Document No. 1353942. (Note: This is the Declaration for Joint Use which the Preliminary Report disclosed would be an encumbrance on title. It reflects changes from the proposed Declaration for Joint Use submitted by the Developer with the Notice of Intention.)

4. The Declaration of Horizontal Property Regime: The Villages at Waipio Phase II dated January 17, 1986 has been filed as Land Court Document No. 1363610.

5. The By-Laws of the Association of Apartment Owners of The Villages at Waipio Phase II dated January 17, 1986 has been filed as Land Court Document No. 1363611.

6. Condominium Map has also been filed as Condominium File Plan No. 587.

MANAGEMENT AND OPERATION OF THE CONDOMINIUM: Acting on behalf of the Association, the Developer has adopted the House Rules and has executed a Property Management Contract dated February 25, 1986 with Chaney Brooks & Company. This Contract appoints Chaney Brooks & Company as the managing agent for the Project.

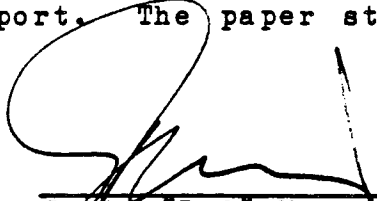
STATUS OF PROJECT: Building permits for the construction of the Buildings have been issued. The contractor for the building work is Hawaiian Dredging & Construction Company. The contractor for the civil work is Oahu Construction Company. Such construction has commenced and is scheduled to be substantially completed on or about August 31, 1986, subject to extensions for certain unforeseen causes outside of the control of the contractor.

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The buyer or prospective buyer should be cognizant of the fact that this published report represents information disclosed by the Developer in the required Notice of Intention submitted on October 29, 1985, and additional information subsequently filed as of April 30, 1986.

This FINAL HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1713 filed with the Commission on October 29, 1985.

The report when reproduced shall be a true copy of the Commission's Final Public Report. The paper stock used in making facsimiles must be white.



G. A. "Red" Morris, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:

DEPARTMENT OF FINANCE, CITY AND COUNTY OF HONOLULU
LAND COURT
PLANNING DEPARTMENT, CITY AND COUNTY OF HONOLULU
FEDERAL HOUSING ADMINISTRATION
ESCROW AGENT

Registration No. 1713

May 9, 1986

THE VILLAGES AT WAIPIO PHASE II
CONDOMINIUM DISCLOSURE ABSTRACT

This document is given to prospective buyers together with the Preliminary Public Report as required by Hawaii's Condominium Law. Buyers are referred to as "you" in this document.

1. THE PROJECT:

Name: THE VILLAGES AT WAIPIO PHASE II
Address: Waipio Uka Street, Waipio, Oahu, Hawaii

Developer: JAMES K. SCHULER & ASSOCIATES, INC.
1001 Bishop Street
Pacific Tower, Suite 1060
Honolulu, Hawaii 96813
Telephone No. (808) 521-5661

Project Manager: CHANEY & BROOKS COMPANY
(also known as 606 Coral Street
the Managing Honolulu, Hawaii 96813
Agent) Telephone No: (808) 524-1600

2. Maintenance Fees: Attached as Exhibit "1" is an estimated budget covering maintenance fees for the Condominium and an annual and monthly breakdown of these fees, as estimated, for each residential apartment in the Condominium. The maintenance fees will cover the "common expenses" of the Condominium, as defined in the Condominium Declaration and By-laws. You know and accept: (a) that you are personally liable for and must pay the maintenance fees on your Apartment to the Association of Apartment Owners of The Villages at Waipio Phase II; (b) that if you do not pay, among other things, you are subject to the loss of certain rights of ownership and to the payment of additional sums for interest and late charges, penalties and fines, and collection costs and attorneys' fees, and the Association may foreclose on your Apartment and/or sue you for payment.

However, the Developer assumes all actual common expenses and an apartment owner shall not be obligated for the payment of his or her respective share of the common expenses until such time as the Developer files an amended Abstract with the Real Estate Commission of the State of Hawaii which shall provide that, after a date certain, the respective apartment owners shall thereafter be obligated to pay for his or her respective share of common expenses as allocated to his or her apartment.

You should understand that: (a) this information has been prepared by the Managing Agent and has not been prepared by the Developer; (b) that the Condominium does not have any operating history; (c) the budget and maintenance fees are only estimates prepared without the availability of data for past operations and costs to maintain and operate any Condominium are difficult to estimate at first, so there is no assurance that actual expenses and maintenance fees will not be more or less than that estimated; and (d) additionally, even if these costs have been accurately estimated, they will tend to increase over time because of the aging of the Condominium and inflation and such other variables as uninsured casualty, loss or damage, increased or decreased services from those now contemplated, failure of other owners to pay and related collection costs, and so on. The Developer does not promise that this information will reflect actual expenses and/or maintenance assessments in the first year of operation of the Condominium or in any subsequent year.

The attached breakdown of estimated maintenance fees does not include the buyer's obligation for the payment of real property taxes or maintenance fees to the Gentry-Waipio Community Area Association. Estimates of real property taxes and such maintenance fees will be provided upon request.

3. Warranties: The Developer is giving you the EXPRESS LIMITED WARRANTY attached hereto as Exhibit "2" and that warranty only. Defects in any appliance or other consumer products installed or located on your Apartment or the Common Elements are not included in that warranty. THAT LIMITED EXPRESS WARRANTY IS GIVEN TO YOU INSTEAD OF ANY OTHER WARRANTY OF ANY KIND, EXPRESS OR IMPLIED. YOU DO NOT HAVE: (A) ANY OTHER WRITTEN WARRANTIES; OR (B) ANY WARRANTIES THAT THE LAW MIGHT OTHERWISE GIVE TO YOU, EXCEPT AS PROHIBITED BY EXPRESS PROVISION OF LAW. THE DEVELOPER IS NOT THE MANUFACTURER OR MANUFACTURER'S AGENT FOR ANY OF THE APPLIANCES, FURNISHINGS AND OTHER CONSUMERS PRODUCTS INSTALLED OR LOCATED IN YOUR APARTMENT OR THE COMMON ELEMENTS.

THEREFORE, YOU UNDERSTAND AND AGREE THAT, EXCEPT FOR THE EXPRESS LIMITED WARRANTY REFERRED TO ABOVE, THE DEVELOPER IS NOT GIVING YOU ANY WARRANTIES, EXPRESSED OR IMPLIED, ON YOUR APARTMENT, THE CONDOMINIUM, OR ANYTHING INSTALLED IN THEM. FOR SOME EXAMPLES, YOU DO NOT HAVE ANY WARRANTIES OF MERCHANTABILITY; OR FITNESS FOR A PARTICULAR PURPOSE; OR HABITABILITY; OR WORKMANLIKE CONSTRUCTION; OR SUFFICIENCY OF DESIGN; OR ANY OTHER WARRANTY.

Among other things, this also means that you cannot complain against the Developer or force the Developer to fix any other defects. It makes no difference what caused any other defect or when it was discovered. The Developer does not have to fix it or pay for it to be fixed.

YOU ALSO GIVE UP (IN LEGAL TERMS - RELEASE AND DISCHARGE) ALL CLAIMS AGAINST THE DEVELOPER OVER ANY DEFECTS. THIS INCLUDES ANY CLAIMS OF NEGLIGENCE. YOU ALSO AGREE THAT THE DEVELOPER HAS NO LIABILITY FOR ANY INJURY OR DAMAGE TO PEOPLE OR THINGS WHICH MIGHT BE CAUSED BY ANY DEFECT. YOU ALSO RELEASE AND DISCHARGE THE DEVELOPER FROM THIS KIND OF LIABILITY.

4. Residential Use: According to the Condominium Declaration, all of the 64 apartments may be used by apartment purchasers for residential purposes, but not as a tenement or rooming house or for any commercial purpose and not for rent for any period less than 30 days or where renters are given customary hotel services. Timesharing is prohibited.

You are referred to the Condominium Declaration, By-Laws, Rules and Regulations and your Sales Contract and form of Apartment Deed as to further use restrictions. For your convenience, however, Article V of the By-Laws which contains certain use restrictions, is attached hereto as Exhibit "3". You are also advised that the Rules and Regulations state that: (a) only common household pets may be kept in any part of the Condominium, but if these pets become a nuisance, they must be removed, and Apartment Owners are responsible for picking up the fecal matter of all their pets; and (b) water beds are not permitted, except upon approval by the Board of Directors and written evidence of adequate liability insurance coverage.

5. Commercial Use: There will be no commercial use permitted by apartment purchasers within the project.

EXHIBIT "1"

PROPOSED OPERATING BUDGET
1986

VILLAGES AT WAIPIO
Phase II - 64 Units

RECEIPTS	ANNUALLY
Maintenance Fees	90,896
 DISBURSEMENTS	
Audit and Tax Fees	640
Insurance Package	39,619
Insurance Liability	1,344
Insurance Other	84
Insurance Medical	1,165
Insurance Workers' Compensation	1,936
Legal Fees	480
Management and Accounting Services	5,760
Misc. Project Office Expenses	480
Refuse Service	3,484
Maintenance and Repair - Building	480
Maintenance and Repair - Other Equip.	800
Maintenance and Repair - Pest Control	480
Payroll, Maintenance	12,458
Payroll, Resident Manager	3,200
Supplies, Grounds	800
Supplies, Janitorial	480
Supplies, Painting	160
Supplies, Pool	480
Supplies, Electric and Lighting	480
Supplies, Building and Other	800
Taxes, Payroll	1,958
Electricity	2,653
Telephone	112
Water/Sewer	7,680
Other Disbursements	<u>800</u>
 SUBTOTAL DISBURSEMENTS	 88,813
TRANSFER TO RESERVES	<u>2,083</u>
 TOTAL DISBURSEMENTS	 90,896

We certify that the monthly maintenance fee and the monthly operating costs have been based on generally accepted accounting principles and prorated from the operating budget for the total project of The Villages at Waipio. Fiscal projections assume that project will be built in four separate phases which will merge with each preceding phase(s) upon phase completion.

The information contained herein is based on data available to us at this time.
February 27, 1986

Phyllis A. Okada

Phyllis A. Okada
Vice President
Chaney, Brooks & Company

S-5397n/11

EXHIBIT "1"
PAGE 1 of 1

EXHIBIT "2"

WARRANTY OF COMPLETION OF CONSTRUCTION IN SUBSTANTIAL
CONFORMITY WITH APPROVED PLANS AND SPECIFICATIONS

Property Location:

Purchaser(s)/Owner(s):

For good and valuable consideration the undersigned Warrantor hereby warrants to the Purchaser(s) or Owner(s) identified in the caption hereof, and to his (their) successors or transferees, that:

The dwelling located on the property identified in the caption hereof is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variation therein) which have been approved in writing by the Federal Housing Commissioner or the Administrator of Veterans Affairs on which the Federal Housing Commissioner or the Administrator of Veterans Affairs based his valuation of the dwelling: Provided, however, that this warranty shall apply only to such instances of substantial nonconformity as to which the Purchaser(s)/Owner(s) or his (their) successors or transferees shall have given written notice to the Warrantor at any time or times within: (a) with respect to the dwelling unit, one (1) year, and (b) with respect to the common elements, two (2) years from the date of the original conveyance of title to such Purchaser(s)/Owner(s) or the date of initial occupancy of the dwelling, whichever first occurs: Provided further, however, that in the event the Purchaser(s)/Owner(s) acquired title to the captioned property prior to the completion of construction of the dwelling thereon, such notice of nonconformity to the Warrantor may be given at any time or times within: (a) with respect to the dwelling unit, one (1) year, and (b) with respect to the common elements, two (2) years from the date of completion or initial occupancy of such dwelling, whichever first occurs.

The term "dwelling" as used herein shall be deemed to include all improvements or appurtenances set forth in the plans and specifications upon which the Federal Housing Commissioner or the Administrator of Veterans Affairs has based his valuation of the property, excepting those constructed by a municipality or other governmental authority.

This warranty shall be in addition to, and not in derogation of, all other rights and privileges which such Purchaser(s)/Owner(s) may have under any other law or instrument, and shall survive the conveyance of title, delivery of possession of the property, or other final settlement made by the Purchaser(s)/Owner(s), and shall be binding on the Warrantor notwithstanding any provision to the contrary contained in the contract of purchase or other writing executed by the Purchaser(s)/Owner(s) heretofore or contemporaneously with the execution of this agreement or prior to final settlement.

IN TESTIMONY WHEREOF, the Warrantor has signed and sealed this warranty this _____ day of _____, 198____.

(Warrantor's Address)

By _____ (SEAL)
Warrantor (Signature and Title)

This warranty is executed for the purpose of inducing the Federal Housing Commissioner or the Administrator of Veterans Affairs to make, to guarantee or to insure a mortgage on the captioned property, and the person signing for the Warrantor represents and verified that he is authorized to execute the same by the Warrantor and by his signature the Warrantor is duly bound under the terms and conditions of said warranty.

W A R N I N G

Section 1010 of Title 18, U.S.C., "Federal Housing Administration transactions," provides: "Whoever, for the purpose of--influencing in any way the action of such Administration--makes, passes, utters, or publishes any statement, knowing the same to be false--shall be fined not more than \$3,000 or imprisoned not more than two years, or both." Other Federal Statutes provide severe penalties for any fraud as intentional misrepresentation made for the purpose of influencing the issuance of any guaranty or insurance or the making of any loan by the Administrator of Veterans Affairs.

NOTICE TO PURCHASER: ANY NOTICE OF NONCONFORMITY MUST BE DELIVERED TO THE WARRANTOR NO LATER THAN _____, as to the dwelling unit, and _____, as to the common elements. (Warrantor shall insert date 1 year or 2 years from initial occupancy, date of conveyance of title or date of completion, whichever event is applicable.)

Receipt of this warranty is acknowledged this _____ day of _____, 198__.

EXHIBIT "3"

ARTICLE V
MAINTENANCE, ALTERATION AND USE OF THE CONDOMINIUM

Section 5.01 Maintenance of Apartments and Limited Common Elements. Every Owner shall at his or her own expense at all times well and substantially repair, maintain, amend and keep his or her apartment, including without limitation all internal installations therein such as water, electricity, gas, telephone, sewer, sanitation, air conditioning, lights and all other fixtures and accessories belonging to such apartment and the interior decorated or finished surfaces of all walls, floors and ceiling of such apartment and all limited common elements appurtenant thereto, with all necessary reparations and amendments whatsoever in good order and condition except as otherwise provided by law or the Declaration, and shall be liable for all loss or damage whatsoever caused by his or her failure to perform any such work diligently, and in case of such failure after reasonable notice to perform shall reimburse to the Association promptly on demand all expenses incurred by it in performing any such work authorized by the Board or the Managing Agent. Every Owner and occupant shall reimburse the Association promptly on demand all expenses incurred by it in repairing or replacing any uninsured loss or damage to the common elements or any furniture, furnishings and equipment thereof caused by such Owner or occupant or any person under either of them and shall give prompt notice to the Managing Agent or any such loss or damage or other defect in the Condominium when discovered. All costs of maintenance, repair, replacement, additions and improvements to any limited common element shall be charged to the Owner or Owners of the apartments to which, such limited common element is appurtenant in accordance with the provisions of the Condominium Declaration and Article VI of these By-Laws.

Section 5.02 Maintenance and Repair of Common Elements (Excluding Limited Common Elements). All maintenance, repair and replacements of the common elements, whether located inside or outside of the apartments, shall be made only by or at the direction of the Board and be charged to all the Owners as a common expense; provided, that the costs of maintenance, repairs and replacements necessitated by the negligence, misuse or neglect of an identified Owner shall be charged to such Owner as a special assessment.

Section 5.03 Use of Condominium.

(a) All apartments of the Condominium shall be used only for such purposes as stated in the Condominium Declaration.

(b) The common elements of the Condominium shall be used only for their respective purposes as designed, subject to the provisions of Section 514A-13(d) of the Condominium Act, as the same may be amended from time to time.

(c) No Owner or occupant shall suffer anything to be done or kept in his or her apartment or elsewhere which will jeopardize the soundness or safety of the buildings of the Condominium, or which will be noxious or offensive or will interfere with or unreasonably disturb the rights of other Owners and occupants, or which will increase the rate or result in the cancellation of fire insurance on the buildings or the contents thereof or which will reduce the value of the buildings.

(d) No fires, including barbecuing, shall be allowed in any part of any apartment or common element, except that barbecuing is permitted on lanais, in private patio or yard areas, and in such portions of the common elements as the Board may designate from time to time by resolution or in the Rules and Regulations. Barbecuing shall include, but shall not be limited to, the broiling of any food items over a charcoal fire, gas grill or on an electrical grill.

(e) Every Owner and occupant shall at all times keep his or her apartment in a strictly clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association applicable to the use of the Condominium.

(f) All Owners and occupants shall exercise extreme care about making noises and in the use of musical instruments, radios, televisions and amplifiers that may disturb other occupants.

(g) No livestock poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the Condominium except that dogs, cats and other household pets in reasonable number may be kept by the Owners and occupants in their respective residential apartments, but shall not be kept, bred or used therein for any commercial purpose, nor allowed on any common elements except in transit when carried or on leash; provided, however, that any such pet causing a nuisance or unreasonable disturbance to any other occupant of the Condominium shall be permanently removed therefrom promptly upon notice given by the Board or Managing Agent. Owners shall be responsible for the immediate and proper disposal of all fecal matter of their pets.

(h) No Owner or occupant shall make or suffer any strip or waste or unlawful, improper or offensive use of his or her apartment, any limited common elements appurtenant thereto or any other part of the Condominium, nor alter or remove any furniture, furnishings or equipment of the common elements.

(i) The Owner or occupant of any apartment will not, without the prior written consent of the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein, display any sign or place any other thing in or upon any door, window, wall or other portion of the apartment or common elements, so as to be visible from the exterior.

(j) No Owner or occupant shall decorate or landscape any entrance, planting area, lanai, landing or stairway or other limited common element appurtenant to his or her apartment except in accordance with applicable provisions, if any, in the Rules and Regulations, or with specific plans approved first in writing by the Board.

(k) No garments, rugs or other objects shall be hung from the windows or facades of the Condominium. No rugs or other objects shall be dusted or shaken from the windows of the Condominium or cleaned by beating or sweeping onto any exterior part of the Condominium. No refuse, garbage or trash of any kind shall be thrown, placed or kept on any common elements of the Condominium outside of the disposal facilities provided for such purposes.

(l) No Owner or occupant shall, without the written approval of the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein, install any wiring for electrical installations, television antenna, machines or air conditioning units, or other equipment or appurtenances whatsoever on the exterior of the Condominium or protruding through the walls, windows or roof thereof.

(m) No Owner or occupant shall place, store or maintain in the landings, stairways, walkways, sidewalks, parking areas, driveways, roads, grounds or other common elements of similar nature any furniture, packages or objects of any kind or otherwise obstruct transit through such common elements.

(n) Each Owner and occupant shall be responsible for the care and maintenance of any lanais and limited common elements which are included in his or her apartment. However, no Owner may paint or otherwise decorate his or her lanais or limited common elements without prior approval by the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein. It is intended that the exterior of the buildings shall present a uniform appearance, and to effect that end, the Owners hereby agree that the Board may require the painting or repair of each lanai, exterior limited common elements, outside doors, windows, trim, fences, stairways, landings, railings and other exterior portions of the buildings and regulate the type and color of paint to be used. The Board is authorized to contract for said painting and repair and to make payment therefor out of a maintenance fund, subject to direct charges for negligence, misuse or neglect as provided hereinabove. No awnings, shades, jalousies or other device shall be erected or placed on the lanais or limited common elements so as to be visible from the exterior without prior written permission from the Board or in accordance with the Rules and Regulations, if applicable provisions are stated therein.



(o) No Owner or occupant shall permit any person who has not obtained the age of majority and who is residing or visiting with him or her to loiter or play in any common areas of the Condominium which the Board may designate as a non-play area.

Section 5.04 Alteration of the Condominium.

(a) Additions, alterations, repairs or improvements to the common or limited common elements of the Condominium may be made only by or at the direction of the Board. No Owner of an apartment may make, except with the prior written permission of the Board, or in accordance with the Rules and Regulations, if applicable provisions are stated therein, any alteration, addition, repair or improvement (1) to his or her apartment which may affect the common elements or change the exterior appearance of the buildings, or (2) to any of the common elements including, without limitation, common or limited common elements within, encompassing or adjacent to his or her apartment. Nothing herein is intended to or shall be deemed to relieve any Owner of the responsibility for the limited common elements appurtenant to his or her apartment, as elsewhere provided in the By-Laws or in the Condominium Declaration.

(b) Whenever in the judgment of the Board, the common or limited common elements shall require additions, alterations, repairs or improvements with a total cost of less than Twenty-Five Thousand Dollars (\$25,000), the Board may proceed with such additions, alterations, repairs or improvements and shall assess the cost thereof as a common expense, except that the cost of any such work performed on any limited common elements shall be charged to the Owners of apartments to which such limited common elements are appurtenant. Any additions, alterations, repairs or improvements costing in excess of Twenty-Five Thousand Dollars (\$25,000) may be made by the Board only after obtaining approval of the Owners of seventy-five percent (75%) of the interests in the common elements; except that such approval shall not be required for any additions, alterations or improvements required by law or in the event of an emergency threatening immediate and substantial damage to person or property. If such approval shall be obtained, the cost thereof shall constitute part of the common expense.

(c) Unless otherwise prohibited or conditioned by the provisions of the Condominium Declaration, or these By-Laws, or the Condominium Act, an Apartment Owner may make additions, alterations or improvements solely within his or her apartment or within a limited common element appurtenant to and for the exclusive use of his or her apartment at his or her sole cost and expense.

(d) No Owner shall do any work to his or her Apartment which could jeopardize the soundness or safety of any part of the Condominium, reduce the value thereof, or impair any easement or hereditament, nor may any Owner add any material structure or excavate any additional basement or cellar, without in every such case the consent of seventy-five percent (75%) of the Owners being first obtained, together with the consent of all Owners whose apartments or limited common elements appurtenant thereto are directly affected. However, the installation of solar energy devices as defined by section 468B-1, Hawaii Revised Statutes, or material additions to or alterations of an apartment made within such apartment or within a limited common element appurtenant to and for the exclusive use of the apartment shall require approval only by the Board. The Board shall not unreasonably withhold or delay its approval, and shall have the obligation to answer any written request by an Owner for its consent within thirty (30) days after its receipt of such a request describing the proposed alteration in reasonable detail.

Section 5.05 Interpretation. The provisions of Article V of these By-Laws and of each section therein are, together with similar provisions in the Condominium Declaration, intended to be cumulative, such that all Owners and occupants are required to comply with each and every such provision. If there is a conflict in this regard between the Condominium Declaration and Article V, the Condominium Declaration shall control.

REAL ESTATE COMMISSION

PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS

STATE OF HAWAII

1010 RICHARDS STREET
P. O. BOX 3469
HONOLULU, HAWAII 96801

FINAL HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT

on
THE VILLAGES AT WAIPIO
PHASE I
Waipio Uka Street, Waipio, Oahu, Hawaii

Registration No. 1683

IMPORTANT — Read This Report Before Buying

This Report Is Not an Approval or Disapproval of This Condominium Project

It reflects information obtained by the Real Estate Commission in its investigation of the project. This report, based on a principle of disclosure, is issued by the Commission for the purpose of preventing fraud, misrepresentation or deceit.

The developer shall not enter into a binding contract or agreement for the sale of any unit in a Condominium Project until

- (1) A copy of this Report has been given to the prospective purchaser,
- (2) The latter has been given an opportunity to read same, and,
- (3) His receipt taken therefor.

ISSUED: March 21, 1986
EXPIRES: April 21, 1987

SPECIAL ATTENTION

A comprehensive reading of this report is urged in order that personal requirements and expectations to be derived from the property can be ascertained. The attention of the purchaser or prospective purchaser is particularly directed to the following:

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED MAY 28, 1985, AND INFORMATION SUBSEQUENTLY FILED AS OF MARCH 18, 1986. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY REGIMES LAW, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

1. Since the issuance of the Commissions' Preliminary Report of June 20, 1985 on THE VILLAGES AT WAIPIO PHASE I, Registration No. 1683, the Developer reports that certain material changes have been made in the Project.
2. The Developer has submitted to the Commission for examination all documents deemed necessary for the registration of the condominium project and the issuance of this Final Public Report.

3. The Developer advises that the Declaration of Horizontal Property Regime: The Villages at Waipio Phase I and the By-Laws of the Association of Apartment Owners for The Villages At Waipio Phase I are filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document Nos. 1357179 and 1357180, respectively. The Condominium Map has been filed in said Land Court as Condominium File Plan No. 583.
4. No advertising or promotional matter has been submitted pursuant to the Commission's Rules Relating to Horizontal Property Regimes (the "Condominium Rules").
5. The buyer or prospective buyer is advised to acquaint himself with the provisions of Hawaii's Condominium Act (Chapter 514A, Hawaii Revised Statutes, as amended), as well as the Condominium Rules.
6. This Final Public Report automatically expires thirteen (13) months after date of issuance, March 21, 1986, unless a Supplementary Public Report issues, or the Commission, upon review of the registration, issues an order extending the effective period of this report.
7. This Final Public Report Report (white paper stock) amends the Preliminary Public Report (yellow paper stock) becoming a part of THE VILLAGES AT WAIPIO PHASE I registration. The Developer is responsible for placing a true copy of this Final Public Report (white paper stock) in the hands of all purchasers and prospective purchasers, along with a copy of the Preliminary Report (yellow paper stock). The Developer is responsible for securing from each purchaser or prospective purchaser a signed receipt signifying that he has had an opportunity to read both reports.

Except for information under the topical headings which follow, the information in the Preliminary Report dated June 20, 1985 has not been disturbed.

DESCRIPTION OF PROJECT: The numbering of the Apartments in Building "E" has been changed, as follows:

<u>TYPE OF APARTMENT</u>	<u>APARTMENT NUMBER</u>
A-1	E-102, E-103, E-106 and E-107
A-2	E-202, E-203, E-206 and E-207
B-1	E-101
B-2	E-201
C	E-104 and E-105 (Note: There are no apartments numbered E-204 or E-205, since Type C units are two story apartments.)

INTEREST TO BE CONVEYED AND APARTMENT BUYER: The common interest appurtenant to each of the apartments in Building "E" have likewise been changed, as follows:

<u>TYPE AND NUMBER OF APARTMENTS</u>	<u>APARTMENT NUMBERS</u>	<u>PERCENTAGE OF UNDIVIDED INTEREST FOR EACH APARTMENT</u>
A-1 (4)	E-102, E-103, E-106 and E-107	1.1276
A-2 (4)	E-202, E-203, E-206 and E-207	1.1540
B-1 (1)	E-101	1.1246
B-2 (1)	E-201	1.2080
C (2)	E-104 and E-105	1.2957

PURPOSE OF BUILDING AND RESTRICTION AS TO USE: Cooking over an open flame with charcoal grills and hibachis within the interior of an apartment or generally on the common elements is still prohibited. However, the House Rules have been revised so that cooking over an open flame with charcoal grills and hibachis is permitted on lanais, private patios and yard areas, and on such portions of the common elements as may be designated for such purposes.

ENCUMBRANCES AGAINST TITLE: A Preliminary Title Report issued by Title Guaranty of Hawaii, Inc. dated March 10, 1986 reveals changes in encumbrances affecting title.

The following encumbrances have been added:

1. Another mortgage has been added, namely a Real Property Mortgage and Financing Statement dated January 17, 1986 in the amount of \$3,210,000 and filed as Land Court Document No. 1346725 (the "Phase I Mortgage").

2. The Real Property Mortgage from the Developer to First Hawaiian Bank dated January 31, 1985 in the amount \$8,250,000 and filed as Land Court Document No. 1280422 (the "Development Mortgage") has been added to as follows:

a. The amount of the Development Mortgage was increased to \$10,600,000 by an Amendment to Real Property Mortgage (undated) from the Developer to First Hawaiian Bank filed as Land Court Document No. 1317293.

b. By the filing as Land Court Document No. 1346726 of an Additional Charge and Additional Security Mortgage dated January 17, 1986, from the Developer to First Hawaiian Bank, amounts due under the Phase I Mortgage were further secured by the Development Mortgage and were charged against all of the Property covered by the Development Mortgage.

NOTE: As disclosed in the Preliminary Report, the Phase I and the Development Mortgages are and will remain superior to the interests of all buyers under sales contracts held in escrow pending closing but must be released prior to closing and transfer of an apartment to purchaser.

3. A Declaration for Joint Use dated February 5, 1986 has been filed as Land Court Document No. 1353942. (Note: This is the Declaration for Joint Use which the Preliminary Report disclosed would be an encumbrance on title. It reflects changes from the proposed Declaration for Joint Use submitted by the Developer with the Notice of Intention.)

4. The Declaration of Horizontal Property Regime: The Villages at Waipio Phase I dated January 17, 1986 has been filed as Land Court Document No. 1357179. (Note: This document reflects changes from the proposed Declaration of Horizontal Property Regime submitted by the Developer with the Notice of Intention.)

5. The By-Laws of the Association of Apartment Owners of The Villages at Waipio Phase I dated January 17, 1986 has been filed as Land Court Document No. 1357180. (Note: This document reflects changes from the proposed By-Laws submitted by the Developer with the Notice of Intention.)

6. Easements "4468" and "4469" for road and utility purposes and for sanitary sewer purposes, respectively, as shown on Map 659, as set forth by Land Court Order No 75434, filed September 26, 1985. (Note: These are easements which the Preliminary Report disclosed would be encumbrances as Easements 1 and 2.)

7. Agreement for Issuance of Special Use Permit Under Section 21.2.71, Revised Ordinances of Honolulu, 1978, As Amended, dated July 25, 1985 and filed as Land Court Document No. 1325518. (Note: This is an Agreement which the Preliminary Report disclosed would be an encumbrance.)

The following encumbrances are deleted:

a. Easement "3350" as shown on Maps 557 and 642, as set forth by Land Court Order No. 59411, filed April 2, 1981.

b. Easement "3491" over and across Lot 11023, besides other land, as shown on Maps 603 and 659, as set forth by Land Court Order No. 74825, filed January 27, 1983.

c. Easement "4270" (15 feet wide) over and across Lot 11023, besides other land, as shown on Maps 648 and 659, as set forth by Land Court Order No. 72247, filed December 28, 1984.

d. Grant in favor of Hawaiian Electric Company, In. dated October 5, 1981, filed as Document No. 1091123.

MANAGEMENT AND OPERATION OF THE CONDOMINIUM: Acting on behalf of the Association, the Developer has adopted the House Rules, as revised, and has executed a Property Management Contract dated February 25, 1986 with Chaney Brooks & Company. This Contract appoints Chaney Brooks & Company as the managing agent for the Project.

STATUS OF PROJECT: The subdivision of the land on which the Project is located from adjoining lands has been filed with and approved by the Land Court. Building permits for the construction of the Buildings have been issued. The contractor for the building work is Hawaiian Dredging & Construction Company. The contractor for the civil work, including the roadways and utility facilities that will be shared with other Phases, is Oahu Construction Company. Such construction has commenced and is scheduled to be substantially completed on or about June 15, 1986, subject to extensions for certain unforeseen causes outside of the control of the contractor.

The buyer or prospective buyer should be cognizant of the fact that this published report represents information disclosed by the Developer in the required Notice of Intention submitted on May 28, 1985, and additional information subsequently filed as of March 18, 1986.

This FINAL HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1683 filed with the Commission on May 28, 1985.

The report when reproduced shall be a true copy of the Commission's Final Public Report. The paper stock used in making facsimiles must be white.



G. A. "Red" Morris, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

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FEDERAL HOUSING ADMINISTRATION
ESCROW AGENT

Registration No. 1683

March 21, 1986

**THE VILLAGES AT WAIPIO PHASE I
CONDOMINIUM DISCLOSURE ABSTRACT**

This document is given to prospective buyers together with the Preliminary Public Report as required by Hawaii's Condominium Law. Buyers are referred to as "you" in this document.

1. THE PROJECT:

Name: THE VILLAGES AT WAIPIO PHASE I
Address: Waipio Uka Street, Waipio, Oahu, Hawaii

Developer: JAMES K. SCHULER & ASSOCIATES, INC.
915 Fort Street, 10th Floor
Honolulu, Hawaii 96813
Telephone No. (808) 521-5661

Project Manager: CHANEY & BROOKS COMPANY
(also known as
the Managing
Agent) 606 Coral Street
Honolulu, Hawaii 96813
Telephone No: (808) 524-1600

2. Maintenance Fees: Attached as Exhibit "1" is an estimated budget covering maintenance fees for the Condominium and an annual and monthly breakdown of these fees, as estimated, for each residential apartment in the Condominium. The maintenance fees will cover the "common expenses" of the Condominium, as defined in the Condominium Declaration and By-laws. You know and accept: (a) that you are personally liable for and must pay the maintenance fees on your Apartment to the Association of Apartment Owners of The Villages at Waipio Phase I; (b) that if you do not pay, among other things, you are subject to the loss of certain rights of ownership and to the payment of additional sums for interest and late charges, penalties and fines, and collection costs and attorneys' fees, and the Association may foreclose on your Apartment and/or sue you for payment.

However, the Developer assumes all actual common expenses and an apartment owner shall not be obligated for the payment of his or her respective share of the common expenses until such time as the Developer files an amended Abstract with the Real Estate Commission of the State of Hawaii which shall provide that, after a date certain, the respective apartment owners shall thereafter be obligated to pay for his or her respective share of common expenses as allocated to his or her apartment.

You should understand that: (a) this information has been prepared by the Managing Agent and has not been prepared by the Developer; (b) that the Condominium does not have any operating history; (c) the budget and maintenance fees are only estimates prepared without the availability of data for past operations and costs to maintain and operate any Condominium are difficult to estimate at first, so there is no assurance that actual expenses and maintenance fees will not be more or less than that estimated; and (d) additionally, even if these costs have been accurately estimated, they will tend to increase over time because of the aging of the Condominium and inflation and such other variables as uninsured casualty, loss or damage, increased or decreased services from those now contemplated, failure of other owners to pay and related collection costs, and so on. The Developer does not promise that this information will reflect actual expenses and/or maintenance assessments in the first year of operation of the Condominium or in any subsequent year.

The attached breakdown of estimated maintenance fees does not include the buyer's obligation for the payment of real property taxes or maintenance fees to the Gentry-Waipio Community Area Association. Estimates of real property taxes and such maintenance fees will be provided upon request.

3. warranties: The Developer is giving you the EXPRESS LIMITED WARRANTY attached hereto as Exhibit "2" and that warranty only. Defects in any appliance or other consumer products installed or located on your Apartment or the Common Elements are not included in that warranty. THAT LIMITED EXPRESS WARRANTY IS GIVEN TO YOU INSTEAD OF ANY OTHER WARRANTY OF ANY KIND, EXPRESS OR IMPLIED. YOU DO NOT HAVE: (A) ANY OTHER WRITTEN WARRANTIES; OR (B) ANY WARRANTIES THAT THE LAW MIGHT OTHERWISE GIVE TO YOU, EXCEPT AS PROHIBITED BY EXPRESS PROVISION OF LAW. THE DEVELOPER IS NOT THE MANUFACTURER OR MANUFACTURER'S AGENT FOR ANY OF THE APPLIANCES, FURNISHINGS AND OTHER CONSUMERS PRODUCTS INSTALLED OR LOCATED IN YOUR APARTMENT OR THE COMMON ELEMENTS.

THEREFORE, YOU UNDERSTAND AND AGREE THAT, EXCEPT FOR THE EXPRESS LIMITED WARRANTY REFERRED TO ABOVE, THE DEVELOPER IS NOT GIVING YOU ANY WARRANTIES, EXPRESSED OR IMPLIED, ON YOUR APARTMENT, THE CONDOMINIUM, OR ANYTHING INSTALLED IN THEM. FOR SOME EXAMPLES, YOU DO NOT HAVE ANY WARRANTIES OF MERCHANTABILITY; OR FITNESS FOR A PARTICULAR PURPOSE; OR HABITABILITY; OR WORKMANLIKE CONSTRUCTION; OR SUFFICIENCY OF DESIGN; OR ANY OTHER WARRANTY.

Among other things, this also means that you cannot complain against the Developer or force the Developer to fix any other defects. It makes no difference what caused any other defect or when it was discovered. The Developer does not have to fix it or pay for it to be fixed.

YOU ALSO GIVE UP (IN LEGAL TERMS - RELEASE AND DISCHARGE) ALL CLAIMS AGAINST THE DEVELOPER OVER ANY DEFECTS. THIS INCLUDES ANY CLAIMS OF NEGLIGENCE. YOU ALSO AGREE THAT THE DEVELOPER HAS NO LIABILITY FOR ANY INJURY OR DAMAGE TO PEOPLE OR THINGS WHICH MIGHT BE CAUSED BY ANY DEFECT. YOU ALSO RELEASE AND DISCHARGE THE DEVELOPER FROM THIS KIND OF LIABILITY.

4. Residential Use: According to the Condominium Declaration, all of the 84 apartments may be used by apartment purchasers for residential purposes, but not as a tenement or rooming house or for any commercial purpose and not for rent for any period less than 30 days or where renters are given customary hotel services. Timesharing is prohibited.

You are referred to the Condominium Declaration, By-Laws, Rules and Regulations and your Sales Contract and form of Apartment Deed as to further use restrictions. For your convenience, however, Article V of the By-Laws which contains certain use restrictions, is attached hereto as Exhibit "3". You are also advised that the Rules and Regulations state that: (a) only common household pets may be kept in any part of the Condominium, but if these pets become a nuisance, they must be removed, and Apartment Owners are responsible for picking up the fecal matter of all their pets; and (b) water beds are not permitted, except upon approval by the Board of Directors and written evidence of adequate liability insurance coverage.

5. Commercial Use: There will be no commercial use permitted by apartment purchasers within the project.

EXHIBIT "1"

PROPOSED OPERATING BUDGET
1986

VILLAGES AT WAIPIO
Phase I - 84 Units

RECEIPTS	ANNUALLY
Maintenance Fees	115,762
DISBURSEMENTS	
Audit and Tax Fees	812
Insurance Package	52,000
Insurance Liability	1,764
Insurance Other	109
Insurance Medical	1,479
Insurance Workers' Compensation	2,459
Legal Fees	609
Management and Accounting Services	5,760
Misc. Project Office Expenses	609
Refuse Service	4,438
Maintenance and Repair - Building	609
Maintenance and Repair - Other Equip.	1,016
Maintenance and Repair - Pest Control	609
Payroll, Maintenance	15,823
Payroll, Resident Manager	4,064
Supplies, Grounds	1,016
Supplies, Janitorial	609
Supplies, Painting	203
Supplies, Pool	609
Supplies, Electric and Lighting	609
Supplies, Building and Other	1,016
Taxes, Payroll	2,487
Electricity	3,369
Telephone	142
Water/Sewer	9,754
Other Disbursements	<u>1,016</u>
SUBTOTAL DISBURSEMENTS	112,990
TRANSFER TO RESERVES	<u>2,772</u>
TOTAL DISBURSEMENTS	115,762

We certify that the monthly maintenance fee and the monthly operating costs have been based on generally accepted accounting principles and prorated from the operating budget for the total project of The Villages at Waipio. Fiscal projections assume that project will be built in four separate phases which will merge with each preceding phase(s) upon phase completion.

The information contained herein is based on data available to us at this time.

February 27, 1986



Phyllis A. Okada
Vice President
Chaney, Brooks & Company