

---

**AOAO Island Colony**  
2014 Budget

October 26, 2013

Dear Island Colony Homeowner:

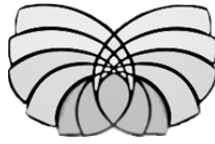
This letter is to notify you that the Board of Directors has approved the 2014 Budget. Effective January 1<sup>st</sup>, 2014, electricity will be billed directly to each unit based on the amount of electricity each unit consumes. **Your monthly statement will itemize your unit electricity reimbursement and your common element electricity reimbursement. If you are already on Sure-pay, your account will be charged the total due on your monthly statement. If you are not on Sure-pay, please follow the instructions on your statement to pay the total due each month.**

The Budget includes expenses for the Association's day to day maintenance operations, as well as funding the Reserves for future Capital expenditures. The total amount due is composed of line items for: Maintenance Fees, Reserve Fund Contributions, Unit Electricity Reimbursement, and Common Element Electricity Reimbursement. Commercial Units will also be billed Water & Sewer and Gas as invoiced monthly. In addition other charges such as Legal Fees, Fines or Late fees might appear on your account. Below is a breakdown of the maintenance fees based on unit type:

<b>Apartment Type</b>	<b>% of Common Interest</b>	<b>Unit Type Maintenance Fee</b>	<b>Unit Type Reserve Contribution</b>	<b>TOTAL Without Electricity</b>
Commercial Apartment 1	1.995	\$4,986.40	\$733.46	\$5,719.86
Commercial Apartment 2	1.869	\$4,671.47	\$687.14	\$5,358.61
Commercial Apartment 3	1.231	\$3,076.82	\$452.58	\$3,529.40
Commercial Apartment 4	2.26	\$5,648.75	\$830.89	\$6,479.64
Commercial Apartment 5	1.625	\$4,061.60	\$597.43	\$4,659.04
Lodging	0.109	\$309.24	\$40.07	\$349.31
Studio	0.111	\$314.91	\$40.81	\$355.72
One Bedroom	0.176	\$499.32	\$64.71	\$564.03

Payments are due on the first of the month and late after 15 days.

The Board has adopted the following priority of payment application for the Association:



---

**AOAO Island Colony**

(1) Fines, (2) Legal Fees, (3) Late fees and Interest, (4) Special assessments, (5) Association fees.

If you prefer to use the Sure-pay Electronic Bill Payment Plan, you must request an application form, complete it and return it to Hawaii First, Inc. "Attention: Accounting Department". Applications received by the 25<sup>th</sup> of the month will be effective the following month. If you are already using Sure-Pay your payment will adjust automatically. Should you have any questions, please contact Hawaii First, Inc., at, 808- 531-5566.

Sincerely,

Board of Directors  
AOAO Island Colony

AOAO ISLAND COLONY  
2014 Monthly Consolidated Budget

		2013 MONTHLY Budget	2014 MONTHLY Budget	2014 ANNUAL Budget
<b>REVENUES</b>				
<b>01 - Operating Revenues:</b>				
40100-00	Maintenance Fees - Residential	\$275,729	\$258,230	\$3,098,761
40105-00	Maintenance Fees - Commercial	\$18,893	\$22,445	\$269,341
40110-00	Special Assessments	\$0	\$0	\$0
40112-00	Reserve Contributions - Residential	\$31,273	\$33,464	\$401,562
40113-00	Reserve Contributions - Commercial	\$3,085	\$3,301	\$39,618
40120-00	Late Fees	\$400	\$100	\$1,200
40130-00	House Rule Fines	\$200	\$100	\$1,200
40140-00	Rental Income	\$1,600	\$2,300	\$27,600
40145-00	Lease Rent	\$7,584	\$5,930	\$71,154
40150-00	Parking Income	\$1,634	\$1,599	\$19,185
40155-00	Vending Machine Income	\$1,000	\$1,595	\$19,145
40160-00	Laundry Commisions	\$5,073	\$5,404	\$64,848
40170-00	Storage Income	\$200	\$200	\$2,400
40180-00	Miscellaneous Income	\$110	\$139	\$1,668
41100-00	Electricity Reimbursement - Residential	\$0	\$67,770	\$813,239
41105-00	Electricity Reimbursement - Commercial	\$10,373	\$7,495	\$89,935
44107-00	Electricity Reimbursement - Common	\$0	\$13,282	\$159,384
41200-00	Water Reimbursement - Commercial	\$544	\$495	\$5,945
41250-00	Sewer Reimbursement - Commercial	\$1,748	\$1,497	\$17,963
41350-00	Gas Reimbursement - Commercial	\$7,936	\$7,313	\$87,758
	Operating Fund Carryover from 2013	\$0	\$0	\$0
41505-00	Key Income	\$0	\$9	\$113
41605-00	Telephone Income	\$4	\$7	\$78
41610-00	Maintenance Service Fee	\$300	\$718	\$8,612
	<b>01 - TOTAL Operating Revenues:</b>	<b>\$367,686</b>	<b>\$433,392</b>	<b>\$5,200,709</b>
<b>02 - Non-Operating Revenues:</b>				
46200-00	Interest Income-Operating	\$88	\$17	\$203
<b>TOTAL</b>	<b>02 - Non-Operating Revenues:</b>	<b>\$88</b>	<b>\$17</b>	<b>\$203</b>
<b>TOTAL</b>	<b>REVENUES</b>	<b>\$367,774</b>	<b>\$433,409</b>	<b>\$5,200,912</b>
<b>EXPENSES</b>				
<b>01 - Payroll &amp; Benefits:</b>				
70020-00	Wages - Office	\$15,807	\$14,475	\$173,700
70030-00	Wages - Maintenance	\$16,033	\$23,969	\$287,625
70035-00	Wages - Janitorial	\$18,893	\$18,431	\$221,167
70050-00	Wages - Security	\$34,166	\$25,152	\$301,822
70055-00	Bonuses	\$250	\$625	\$7,500
70056-00	Holiday Pay	\$1,290	\$964	\$11,574
70060-00	Taxes-Payroll FICA	\$3,999	\$6,275	\$75,300
70070-00	Taxes-Payroll FUTA	\$418	\$1,554	\$18,648
70080-00	Taxes-Payroll SUTA	\$2,101	\$2,381	\$28,577
70090-00	Workers Compensation	\$1,198	\$1,199	\$14,387
70100-00	TDI Insurance	-\$8	\$334	\$4,008
70110-00	Medical Insurance	\$7,503	\$9,639	\$115,671
70115-00	Employee Education	\$0	\$500	\$6,000
70140-00	Uniforms	\$125	\$200	\$2,400
<b>TOTAL</b>	<b>01 - Payroll &amp; Benefits:</b>	<b>\$101,775</b>	<b>\$105,698</b>	<b>\$1,268,379</b>
<b>02 - Administrative &amp; Generals:</b>				
70300-00	Admin-General Expenses & Supplies	\$242	\$2,417	\$29,004
70310-00	Admin-Annual Association Meeting	\$50	\$62	\$746
70325-00	Admin-Office Equipment & Supplies	\$300	\$150	\$1,800
70326-00	Admin-Postage	\$50	\$47	\$561
70327-00	Office Equipment Lease	\$621	\$780	\$9,355
70330-00	Admin-Education & Subscription	\$31	\$275	\$3,295
70335-00	Admin-Office Rent	\$8,716	\$8,776	\$105,314
70342-00	Admin-Newsletter	\$283	\$300	\$3,600
70345-00	Admin-Parking Expense	\$1,994	\$2,220	\$26,635
70350-00	Admin-Bank Service Charges	\$0	\$0	\$0
70800-00	Property Mgmt-Contract	\$3,037	\$3,128	\$37,533
70810-00	Property Mgmt-Reimbursable	\$2,750	\$4,584	\$55,008
70830-00	Property Mgmt-Payroll	\$223	\$375	\$4,500
70900-00	Legal Fees-General	\$800	\$5,000	\$60,000
71100-00	Professional Fees-Other	\$350	\$840	\$10,080
71150-00	Accounting Fees-Annual Audit/Taxes	\$308	\$350	\$4,200
<b>TOTAL</b>	<b>02 - Administrative &amp; Generals:</b>	<b>\$19,755</b>	<b>\$29,303</b>	<b>\$351,631</b>

<b>03 - Utilities:</b>				
71200-00	Electricity	\$84,692	\$88,546	\$1,062,558
71250-00	Gas	\$11,898	\$9,928	\$119,138
71300-00	Water Usage	\$9,910	\$10,877	\$130,528
71400-00	Sewer Usage	\$32,273	\$31,078	\$372,932
71500-00	Telephone	\$521	\$400	\$4,800
71525-00	Telecommunications, Internet & Radio	\$116	\$11,624	\$139,488
<b>TOTAL</b>	<b>03 - Utilities:</b>	<b>\$139,410</b>	<b>\$152,454</b>	<b>\$1,829,444</b>

<b>04 - Contract Services:</b>				
71600-00	Cable Television Contract	\$17,500	\$17,448	\$209,380
71710-00	Exterminating Contract	\$4,554	\$7,360	\$88,316
71800-00	Refuse Removal Contract	\$4,366	\$5,259	\$63,110
71900-00	Elevator Maintenance Contract	\$6,214	\$6,346	\$76,152
<b>TOTAL</b>	<b>04 - Contract Services:</b>	<b>\$32,634</b>	<b>\$36,413</b>	<b>\$436,958</b>

<b>05 - Repairs/Maintenance/Supplies</b>				
72100-00	Reprs/Maint/Supl-Buildings	\$1,900	\$4,940	\$59,277
72110-00	Reprs/Maint/Supl-Grounds	\$306	\$741	\$8,897
72115-00	Reprs/Maint/Supl-Heat Pump	\$557	\$652	\$7,828
72120-00	Reprs/Maint/Supl-Elevator	\$400	\$700	\$8,400
72130-00	Reprs/Maint/Supl-Plumbing	\$1,406	\$1,406	\$16,872
72135-00	Reprs/Maint/Supl-Coin-Op Laundry	\$57	\$57	\$684
72140-00	Reprs/Maint/Supl-Equipment	\$546	\$546	\$6,552
72145-00	Reprs/Maint/Supl-Equipment Lease	\$0	\$8,900	\$106,800
72150-00	Reprs/Maint/Supl-Janitorial	\$1,400	\$3,275	\$39,300
72160-00	Reprs/Maint/Supl-Painting	\$250	\$250	\$3,000
72165-00	Reprs/Maint/Supl-Window Cleaning	\$442	\$500	\$6,000
72170-00	Reprs/Maint/Supl-Amenities	\$550	\$1,550	\$18,600
72185-00	Rprs/Maint/Supl-Security	\$382	\$34	\$408
72192-00	Rprs/Maint/Supl-Hui	\$129	\$292	\$3,504
72195-00	Fire Control Services	\$3,472	\$4,167	\$50,004
72197-00	Reprs/Maint/Supl-Lock/Keys/Repairs	\$59	\$500	\$6,000
72215-00	Supplies-Light Bulbs	\$166	\$100	\$1,200
<b>TOTAL</b>	<b>05 - Repairs/Maintenance/Supplies</b>	<b>\$12,022</b>	<b>\$28,611</b>	<b>\$343,326</b>

<b>06 - Taxes/Insurance/Other:</b>				
70360-00	Bad Debt	\$150	\$2,084	\$25,008
72300-00	Real Property Tax	\$70	\$25	\$300
72500-00	Taxes-General Excise	\$392	\$818	\$9,820
72510-00	Permits, Licenses, Fees	\$265	\$50	\$597
72650-00	Maintenance Fee	\$650	\$1,261	\$15,136
72665-00	Monthly Parking Expense	\$137	\$250	\$3,000
72700-00	Insurance-Package	\$3,673	\$5,187	\$62,245
72710-00	Insurance-Fidelity Bond	\$74	\$74	\$882
72720-00	Insurance-D & O	\$346	\$447	\$5,361
72730-00	Insurance-General Liability	\$3,736	\$3,735	\$44,817
72740-00	Insurance-Umbrella	\$1,400	\$1,680	\$20,160
72780-00	Insurance-Flood	\$3,811	\$4,993	\$59,911
72790-00	Insurance-Boiler & Machinery	\$305	\$431	\$5,166
72795-00	Auto Insurance and Expenses	\$96	\$96	\$1,147
72900-00	Interest Expense	\$8,980	\$5,600	\$67,200
73000-00	Loan payment-principal	\$17,420	\$17,420	\$209,040
<b>TOTAL</b>	<b>06 - Taxes/Insurance/Other:</b>	<b>\$41,505</b>	<b>\$44,149</b>	<b>\$529,789</b>

<b>07 - Non-Operating Expenses</b>				
76080-00	Allowance-Future Capital Reserve	\$34,359	\$36,765	\$441,180
76081-00	Loan Principle Payment - offset	\$0	\$0	\$0
<b>TOTAL</b>	<b>07 - Non-Operating Expenses</b>	<b>\$34,359</b>	<b>\$36,765</b>	<b>\$441,180</b>

<b>TOTAL EXPENSES</b>	<b>\$381,460</b>	<b>\$433,392</b>	<b>\$5,200,708</b>
-----------------------	------------------	------------------	--------------------

**RESERVE FUND NET TRANSACTIONS SUMMARY**

76080-00	Allowance-Future Capital Reserve	\$34,359	\$36,765	\$441,180
76090-00	Capital Reserve Expenditures	\$0	\$46,000	\$552,000
		<b>\$34,359</b>	<b>\$82,765</b>	<b>\$993,180</b>



## Order Summary

### Order

Owner's Name:	Jerry Olinski	Order Number:	76-00236502	Shipping Date:	2/28/2014 7:20:18 PM
Community:	Island Colony	Order Status:	Complete	Closing Date:	4/18/2014
Unit Address:	445 Seaside Ave	Order Date:	2/19/2014		

### Order Detail

Product: Resale Disclosure Package



#### Downloads

- [Budget Package](#)
- [W-9 Form](#)
- [Annual Meeting Minutes](#)
- [Public Report](#)
- [Regular Meeting Minutes](#)
- [Newsletters](#)
- [Current Financials](#)
- [Reserve Reports](#)
- [Governing Documents](#)
- [Insurance Certification](#)
- [Annual Financials](#)
- [Form RR105c](#)

**Print**

**ASSOCIATION OF APARTMENT OWNERS OF  
ISLAND COLONY  
Financial Statements  
December 31, 2012**

**George Lam  
Certified Public Accountant**

# GEORGE LAM, CPA, CMA

---

Post Office Box 700123  
Kapolei, Hawaii 96709  
Tel: 674-6699 / Fax: 674-0099

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Association of Apartment Owners of  
Island Colony

We have audited the accompanying balance sheet of the Association of Apartment Owners of Island Colony as of December 31, 2012 and the related statement of revenues, expenses, and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above represents fairly, in all material respects, the financial position of the Association of Apartment Owners of Island Colony as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America..



March 8, 2013  
Kapolei, Hawaii

**ASSOCIATION OF HOMEOWNERS OF  
ISLAND COLONY  
BALANCE SHEET  
December 31, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents (Note B)	\$3,019,513
Member Assessments Receivable (Note C)	145,806
Accounts Receivable - Utilities	24,380
Prepaid Insurance	119,883
Prepaid Expenses - Elevator Maintenance	6,349
	-----
<b>Total Current Assets</b>	<b>3,315,931</b>

**PROPERTY & EQUIPMENT**

Land	3,629,907
Furniture & Fixtures	169,025
Machinery & Equipment	46,885
Less Accumulated Depreciation	(215,910)
	-----
<b>Total Property &amp; Equipment</b>	<b>3,629,907</b>

<b>Total Assets</b>	<b>\$6,945,838</b>
	=====

**LIABILITIES AND FUND BALANCES**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Expenses (Note E)	\$366,316
Prepaid Member Assessments (Note F)	76,133
	-----
<b>Total Current Liabilities</b>	<b>442,449</b>

Note Payable (Note K)	1,757,159
	-----

<b>Total Liabilities</b>	<b>2,199,608</b>
--------------------------	------------------

Fund Balances	4,746,230
	-----

<b>Total Liabilities and Fund Balances</b>	<b>\$6,945,838</b>
	=====

**ASSOCIATION OF HOMEOWNERS OF  
ISLAND COLONY**

**Statement of Cash Receipts and Disbursements  
and Changes in Cash Balances  
For the Year Ended December 31, 2012**

**Revenues**

Maintenance Fees - Residential	3,308,750	
Maintenance Fees - Commercial	226,712	
Reserve Contributions - Residential	375,278	
Reserve Contributions - Commercial	37,025	
Dividends & Interest	161,085	
Late Fees & Fines	2,517	
Laundry Income	74,139	
Lease Rent	78,438	
Parking	18,910	
Reimbursements (Note I)	296,052	
Rent	44,878	
Tax Refunds - Federal Income Tax	568	
Vending Income	4,428	
Miscellaneous Admin, Telephone, & Surf Rack Fees	13,425	
	-----	
<b>Total Cash Receipts</b>		<b>\$4,642,205</b>

**Expenses**

Administration:		
Education & Training	383	
Management Services	36,440	
Meetings	1,068	
Office Supplies & Administrative Services	31,710	
Office Equipment	14,985	
Office Rent	113,274	
Parking	10,790	
Permits, Licenses, & Fees	498	
Professional Fees	27,865	
Reserve Study	366	
Temporary Employees	12,713	
	-----	
		250,092
Repair & Maintenance:		
Capital Improvements & Repairs (Note J)	922,549	
Building	69,583	
Electrical & Lighting	4,385	
Elevator	84,770	
Equipment	1,237	
Fire Control	44,727	
Grounds & Landscaping	14,110	
Janitorial	31,938	
Locks & Keys	3,912	
Painting	4,594	
Pest Control	110,099	
Plumbing	17,182	
Pool & Spa	28,056	
Pump & Ventilation	12,586	
Refuse	53,910	
Security Services	393,105	
Security Equipment	8,234	
Window Cleaning	5,302	
	-----	
		1,810,279

**ASSOCIATION OF HOMEOWNERS OF  
ISLAND COLONY**

**Statement of Cash Receipts and Disbursements  
and Changes in Cash Balances  
For the Year Ended December 31, 2012**

**(CONTINUED)**

Payroll:		
Salary & Wages	627,229	
Employee Benefits & Bonuses	98,400	
Payroll Preparation	2,626	
Payroll Taxes	74,065	
Uniforms	5,129	807,449
	-----	
Utilities:		
Cable Television	211,181	
Electricity	1,067,143	
Gas	131,273	
Telephone & Communications	18,632	
Sewer	401,356	
Water	135,715	1,965,300
	-----	
Other:		
Bad Debt	21,769	
Depreciation Expense	5,236	
General Excise Tax	7,794	
Insurance	187,633	
Loan Interest Expense (Note K)	84,126	
Maintenance Fees	15,136	
Rental Repair Expense	747	322,441
	-----	-----
<b>Total Cash Disbursements</b>		<b>5,155,561</b>
<b>Revenues over (under) Expenses</b>		<b>(513,356)</b>
<b>Fund Balances January 1, 2012</b>		<b>5,259,586</b>
<b>Fund Balances December 31, 2012</b>		<b>\$4,746,230</b>
		=====

See Notes to Financial Statement

**ASSOCIATION OF HOMEOWNERS OF  
ISLAND COLONY  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of revenues over (under) expenses		(\$513,356)
Adjustments to reconcile revenues over (under) expenses to net cash provided by (used in) operating activities:		
Depreciation	5,236	
(Increase) Decrease in:		
Assessments Receivable	34,385	
Prepaid Insurance	(20,195)	
Prepaid Expenses	14,638	
Increase (Decrease) in:		
Accounts Payable & Accrued Expenses	(63,061)	
Prepaid Assessments	(10,816)	
	-----	-----
<b>Net Cash used in Operating Activities</b>		<b>(\$553,169)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Fee Sales	507,743	
	-----	
<b>Net Cash used in Investment Activities</b>		<b>507,743</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan Principal Paid	(899,721)	
	-----	
<b>Net Cash provided by Financing Activities</b>		<b>(899,721)</b>
		-----
<b>Net Increase (Decrease) in Cash</b>		<b>(945,147)</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>3,964,660</b>
		-----
<b>CASH AT END OF YEAR</b>		<b>\$3,019,513</b>
		=====

See Notes to Financial Statement

**ASSOCIATION OF APARTMENT OWNERS OF  
ISLAND COLONY**

**Notes to Financial Statements  
December 31, 2012**

**NOTE A - NATURE OF ORGANIZATION & ACCOUNTING POLICIES**

Island Colony is a 47 story building located in the Waikiki district on the Hawaiian island of Oahu and consists of 740 apartments, five commercial units, and a 216 stall parking garage. The association was formed on November 26, 1979 and was incorporated on January 24, 2006 to provide for the management, maintenance, and care of the common areas of the project. The association's income is from monthly membership fees and special capital assessments to owners to provide funding for the association's normal operating expenses, future capital acquisitions, and major repairs and replacements. Any excess monies collected at year end are retained by the association for use in subsequent years.

The financial statements of the Association of Apartment Owners of Island Colony is presented on the accrual basis of accounting consequently, certain revenues are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when they are paid. In conformity with generally accepted accounting principles, management must make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The association capitalizes at cost all property and equipment to which it holds title or has other evidence of ownership. These assets are depreciated using the Modified Accelerated Cost Recover System (MACRS) over their estimated useful lives. The association's real property and common areas acquired from the developer and related improvements to such property are not recorded in the association's financial statements as those properties are owned by the individual unit owners in common and not by the association.

**NOTE B - ENDING CASH BALANCE**

The balance at December 31, 2012 is comprised of:

Operating Funds	\$ 14,913
Reserves	<u>3,004,600</u>
	<u>\$ 3,019,513</u>

In accordance with Hawaii Revised Statutes 514A & 514B, the association maintains cash deposits at several financial institutions as well as a trust company in the state of Hawaii. Accounts at each financial institution are currently insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Monies held in investment accounts are not covered by the FDIC but is covered by additional insurance carried by the trust company. As of December 31, 2012 no losses had been realized due to uninsured balances in the investment and reserve accounts.

**NOTE C - ASSESSMENTS RECEIVABLE**

As of December 31, 2012 Assessments Receivable was comprised of the following:

Maintenance Fees	\$ 111,051
Reimbursements - Utilities	28,794
Lease Rent	687
Legal	1,403
Late Fees & Fines	2,026
Reserve Contribution	<u>1,845</u>
	<u>\$ 145,806</u>



**ASSOCIATION OF APARTMENT OWNERS OF  
ISLAND COLONY**

**Notes to Financial Statements  
December 31, 2012**

(CONTINUED)

**NOTE D – PROPERTY, EQUIPMENT, AND FURNISHINGS**

As of December 31, 2012 the association's property, equipment, and furnishings consisted of the following:

Furniture & Fixtures	\$ 169,025
Machinery & Equipment	<u>46,885</u>
	215,910
Accumulated Depreciation	<215,910>
	<u>\$ --</u>
Land	<u>\$3,629,907</u>

On May 6, 2006 Island Colony purchased approximately 91% of the fee interest of the land underlying the association appurtenant to all apartments within the condominium for approximately \$27,100,000. Concurrent with this purchase, the association offered unit owners the option to purchase their proportionate share of the fee-simple interest at original cost.

**NOTE E –ACCOUNTS PAYABLE & ACCRUED EXPENSES**

As of December 31, 2012 Accounts Payable & Accrued Expenses totaling \$366,316 included:

<b>Accounts Payable</b>	
Insurance	\$ 110,458
Payroll Taxes	18,325
Elevator	17,512
Pest Control	15,991
Office Rent	8,678
Office & Administrative	7,516
Security	6,222
Plumbing	5,671
Audit & Tax Preparation	5,447
Refuse	4,767
Fire Safety	3,004
Janitorial	1,781
Parking	1,690
Building	1,323
General Excise Tax	995
Pool & Spa	801
Telephone	532
Tree Trimming	314
Legal	<u>115</u>
	<u>\$ 211,142</u>

**ASSOCIATION OF APARTMENT OWNERS OF  
ISLAND COLONY**

**Notes to Financial Statements  
December 31, 2012**

**NOTE E – ACCOUNTS PAYABLE & ACCRUED EXPENSES (CONTINUED)**

<b>Accrued Expenses</b>	
Electricity	\$ 98,292
Sewer	28,293
Water	9,885
Gas	9,820
Grounds	4,672
Windows	2,000
Building	1,639
Pool & Amenities	565
Tools	<u>8</u>
	<u>\$ 155,174</u>

**NOTE F – PREPAID ASSESSMENTS**

Prepaid assessments represent monthly maintenance assessments paid in advance from a unit owner for the future operating expenses, capital acquisitions, and major repairs and replacements of the association. As of December 31, 2012 total prepaid assessments amounted to \$76,133.

**NOTE G - INCOME TAXES**

For the year ended December 31, 2012 Island Colony is classified as a non-exempt membership organization for both federal and state tax purposes. Membership income is exempt if certain elections are made, and the association is taxed only on non-membership income, such as interest, commissions, and rental revenue. All income obtained from non-membership activities can only be reduced by losses from non-membership activities. Furthermore, any membership losses or excess membership deductions may only be applied toward membership income of prior or future periods.

The association has the option to file its tax returns either as a homeowners' association or as a regular corporation. For the year ended December 31, 2012, the association intends to file the tax form that proves to be most beneficial in minimizing tax payments.

**NOTE H - SURPRISE CASH CONFIRMATION**

Associations consisting of twenty or more units are required by Hawaii Revised Statutes to have a surprise cash verification conducted of the association's cash and cash equivalent accounts each year. In compliance with this requirement, we performed a surprise cash audit for the association as of March 31, 2012. No major discrepancies were encountered.

**ASSOCIATION OF APARTMENT OWNERS OF  
ISLAND COLONY**

**Notes to Financial Statements  
December 31, 2012**

**(CONTINUED)**

**NOTE I – REIMBURSEMENTS**

Reimbursements received during the year ended December 31, 2012 included funds for the following:

Electricity	\$ 151,708
Gas	115,269
Sewer	22,097
Water	<u>6,978</u>
	<u>\$ 296,052</u>

**NOTE J – CAPITAL IMPROVEMENTS & REPAIRS**

Disbursements relating to Capital Improvements & Repairs for calendar year ended December 31, 2012 included:

Deck Restoration & Improvements	\$ 253,263
Circuit Breaker Panel Replacements	136,248
Elevator	68,829
Energy Consultants	62,827
Fobs/Door Access Control System	60,839
Internet Wireless Installation	46,759
New Association Office & Meeting Room	32,344
Consultants & Professional Services	32,122
LED Lighting	36,947
Gym Equipment	27,999
Hallway Project	24,234
Pest Control	24,035
Deck Furniture	12,445
Deck Planter Boxes	11,735
Barbecue Gas Lines & Conversion Kits	10,561
Backflow Preventer	10,471
Lobby Renovations	9,632
Equipment – Floor Cleaning Machine	9,368
Windows	8,500
Aquatic Pool Lift	7,795
Spalling	7,695
Barrier Gate	7,387
Painting	6,539
Security Camera Recorder	5,561
Tools, Materials, & Supplies	5,445
ADA Faucets & Dispensers	4,810
Bus Lane Doors	4,000
Pool Gate	3,319
Stair Coating	2,975
Landscaping	2,608
Construction Debris Hauling	2,379
Structural Scanning	982
Waterfall Pump	631
Railings	532
Water Heater – Voided Check	<u>&lt;19,267&gt;</u>
	<u>\$ 922,549</u>

**ASSOCIATION OF APARTMENT OWNERS OF  
ISLAND COLONY**  
**Notes to Financial Statements**  
**December 31, 2012**

**(CONTINUED)**

**NOTE K – NOTE PAYABLE**

During June 2009 the association refinanced its long term debt with a new loan from First Hawaiian Bank. The loan is payable over ten years and will mature in 2019. Interest was originally fixed at 5.375% for the first five years resulting in monthly payments of \$26,553. In April 2011 the association applied for a loan modification reducing the interest rate to 3.75% thereby lowering the monthly payment to \$21,047. Interest will be adjusted again in 2014 for the final five years of the loan to the bank's then prevailing interest rate. The outstanding balance of this loan as of December 31, 2012 approximated \$1,757,159.

**NOTE L – SIGNIFICANT CONCENTRATION OF CREDIT RISK**

The business activity of Island Colony is the repair and maintenance of the building's common elements. As such, the association is dependent upon the collection of current maintenance fees or special assessments from unit owners to conduct its business in an effective manner. Financial risks potentially exposing the association to a concentration of credit risk consist of member receivables.

**NOTE M - REPLACEMENT RESERVE FUNDS**

State of Hawaii law requires homeowner associations to accumulate reserves for anticipated future major repairs and replacement of common property elements. Associations may accumulate funds using either the straight-line method or a cash flow assumption.

Associations using the straight-line method are required to collect reserves for each component in equal annual installments over its life expectancy. In addition, adequate reserves amounting to at least 50% of the total cost of repairs and replacements must be established by the subsequent budget year. Under the cash flow system, associations must have sufficient cash flow over a twenty year period to fund the replacement of building components without special assessments or loans, except in unforeseen or emergency circumstances.

A reserve study has been conducted to determine the amount of funds the association needs to collect each year in order to comply with the State of Hawaii Reserve Law. A copy is on file with the association's managing agent. Associations should review and update this study annually to ensure that there is adequate reserve funding for anticipated future major repairs and replacement of common property elements.

The association is accumulating funds for major repairs and replacements on a cash flow method of analysis. However, actual expenditures may have variations from these estimated amounts that are material. If additional funds are needed, the association has the right to increase regular assessments, levy special assessments, or delay repairs and replacements until funds become available.



An **Associa**® Company

COMMUNITY ASSOCIATION MANAGEMENT

Queen's Court ◀ 800 Bethel Street, Suite 501 ◀ Honolulu, Hawaii 96813

# AOAO Island Colony

## #237

UNAUDITED

## FINANCIAL REPORT AS OF DECEMBER 31, 2013

**Keith Brunner**

Community Association Manager

ext#: 3046

e-mail: [Keith@hawaiifirst.com](mailto:Keith@hawaiifirst.com)



**ISLAND COLONY  
FINANCIAL REPORTS  
TABLE OF CONTENTS**

<b>Section pages</b>	<b>Description</b>	<b>No. of</b>
1	Balance Sheet	2
2	Comparative Income Statement	6
3	Consolidated Income Statement	4
4	Cash Receipts and Disbursements	1
5	FHB Loan Stmt	1
6	AP Check Register with Detail	14
7	Bank Reconciliation Report	10
8	Bank Recon & Bank Statements-Rsv Acct	14
9	Prepaid Expenses – Other / AR – Others / Accrued Exp-others	1
10	Accounts Payable Aging Report	2
11	Aging Delinquency	2
12	Aging Prepaid	4
13	Aging Applied with Breakdown Summary (cash)*	n/a
14	General Ledger LS Summary Standard	43
15	Property Management Reimbursable Expenses	9

\* Will Provide Upon Request

Island Colony (237)

Balance Sheet

Period Through 12/31/2013

**Assets**

Cash - Operating

11100 Checking 88,696.27

Total Cash - Operating 88,696.27

Cash - Reconstruction Reserve

11140 MOB ICS #3018 1,370,795.08

11142 Ameriprise - 1Yr CD 11/14/14 1.15% 128,445.88

11143 Ameriprise - 1Yr CD 6/7/14 1.15% 169,837.60

11145 Ameriprise - 6-Mo CD 3/9/14 1.15% 112,052.28

11151 FHB CD #81053635 10/24/14 0.15% 100,539.18

Total Cash - Reconstruction Reserve 1,881,670.02

Current Assets - Other

11350 Assessments Receivable 42,883.67

11355 Allowance for Doubtful Accounts (21,758.05)

11360 Accounts Receivable - Other 13,715.91

11400 Prepaid Insurance-Package 60,480.84

11420 Prepaid Insurance-Umbrella/Gen. Liability 54,147.50

11430 Prepaid Insurance-Fidelity / D&O 5,202.50

11445 Prepaid Insurance-Flood 4,634.75

11446 Prepaid Insurance-Auto 1,338.16

11490 Prepaid Exp-Other 14,948.46

Total Current Assets - Other 175,593.74

Property & Equipment

17000 Land 3,224,687.52

17300 Furniture & Fixtures 169,025.32

17400 Machinery & Equipment 46,884.68

18000 Accumulated Depreciation (215,910.00)

Total Property & Equipment 3,224,687.52

*Total Assets*

5,370,647.55

**Liabilities & Equity**

Current Liabilities

23100 Accounts Payable-Trade 303,163.94

23300 Payroll Payable-Federal WH 4,036.58

23400 Payroll Payable-State WH 5,208.11

23500 Payroll Payable-EE FICA 2,886.77

23600 Payroll Payable-FICA 2,886.77

23700 Payroll Payable-FUTA 154.87

23800 Payroll Payable-SUTA 10,908.68

24000 Prepaid Assessments 64,426.06

25400 GET Tax Payable 531.95

25500 Insurance Premium Payable 72,841.20

25900 Accrued Expense-Other 145,183.58

Total Current Liabilities 612,228.51

Long Term Liabilities

27100 FHB Loan# 38-3042840-8 970,739.86

Total Long Term Liabilities 970,739.86

Other Liabilities

28400 Due to/from Operating Funds 403,061.10

28500 Due to/from Reserve Funds (403,061.10)

Total Other Liabilities

Equity-Owner's Equity

Island Colony (237)

Balance Sheet

Period Through 12/31/2013

---

**Liabilities & Equity**

Equity-Owner's Equity

31000	Owners' Equity-Carryforward	4,746,230.48
32000	Equity Designated Future Capital Exp-CY	137,436.00
33000	Prior Year's Adjustments	(2,442.21)
	Net Income/Loss	(1,093,545.09)

Total Equity-Owner's Equity

3,787,679.18

*Total Liabilities & Equity*

5,370,647.55



**Island Colony (237)**  
**Comparative Income Statement**  
 Period 12/1/2013 to 12/31/2013 11:59:00 PM

	Current Month Operation			Year to Date Operation					
	Actual	Budget	\$ Var	% Var	Actual	Budget	\$ Var	% Var	Annual
<b>Income</b>									
<b>01 Operating Revenues</b>									
40100 Maintenance Fees - Residential	275,729.18	275,729.00	0.18	0.00%	3,306,750.16	3,308,748.00	(1,997.84)	(0.06)%	3,308,748.00
40105 Maintenance Fees - Commercial	18,892.69	18,893.00	(0.31)	0.00%	226,712.28	226,716.00	(3.72)	0.00%	226,716.00
40110 Special Assessments	0.00	0.00	0.00	0.00%	4,916.16	0.00	4,916.16	0.00%	0.00
40112 Reserves Contribution - Residential	31,273.14	31,273.00	0.14	0.00%	375,277.68	375,276.00	1.68	0.00%	375,276.00
40113 Reserves Contribution - Commercial	3,085.39	3,085.00	0.39	0.01%	37,024.68	37,020.00	4.68	0.01%	37,020.00
40120 Late Fees	500.00	400.00	100.00	25.00%	3,852.82	4,800.00	(947.18)	(19.73)%	4,800.00
40130 House Rule Fine	350.00	200.00	150.00	75.00%	700.00	2,400.00	(1,700.00)	(70.83)%	2,400.00
40140 Rental Income	0.00	1,600.00	(1,600.00)	(100.00)%	43,278.40	19,200.00	24,078.40	125.41%	19,200.00
40145 Lease Rent	5,573.81	7,584.00	(2,010.19)	(26.51)%	69,935.18	91,008.00	(21,072.82)	(23.15)%	91,008.00
40150 Parking income	0.00	1,634.00	(1,634.00)	(100.00)%	17,492.50	19,608.00	(2,115.50)	(10.79)%	19,608.00
40155 Vending Machine Income	2,121.00	1,000.00	1,121.00	112.10%	15,685.40	12,000.00	3,685.40	30.71%	12,000.00
40160 Laundry Commissions	6,832.99	5,073.00	1,759.99	34.69%	63,516.22	60,876.00	2,640.22	4.34%	60,876.00
40170 Storage Income	0.00	200.00	(200.00)	(100.00)%	500.00	2,400.00	(1,900.00)	(79.17)%	2,400.00
40180 Miscellaneous & Other income accour	61.75	110.00	(48.25)	(43.86)%	2,055.30	1,320.00	735.30	55.70%	1,320.00
41100 Electricity Reimbursement	7,321.50	10,373.00	(3,051.50)	(29.42)%	89,669.75	124,476.00	(34,806.25)	(27.96)%	124,476.00
41200 Water Reimbursement	440.96	544.00	(103.04)	(18.94)%	7,155.71	6,528.00	627.71	9.62%	6,528.00
41250 Sewer Reimbursement	1,507.63	1,748.00	(240.37)	(13.75)%	32,165.80	20,976.00	11,189.80	53.35%	20,976.00
41350 Gas Reimbursement	4,445.82	7,936.00	(3,490.18)	(43.98)%	77,988.97	95,232.00	(17,243.03)	(18.11)%	95,232.00
41505 Key Income	50.00	0.00	50.00	0.00%	435.00	0.00	435.00	0.00%	0.00
41605 Telephone Income	0.00	4.00	(4.00)	(100.00)%	52.05	48.00	4.05	8.44%	48.00
41610 Maintenance Services Fee	404.00	300.00	104.00	34.67%	7,571.88	3,600.00	3,971.88	110.33%	3,600.00
<b>TOTAL 01 Operating Revenues</b>	<b>358,589.86</b>	<b>367,686.00</b>	<b>(9,096.14)</b>	<b>(2.47)%</b>	<b>4,382,735.94</b>	<b>4,412,232.00</b>	<b>(29,496.06)</b>	<b>(0.67)%</b>	<b>4,412,232.00</b>
<b>02 Non-Operating Revenues</b>									
46200 Interest Income-Operating Accounts	17.15	88.00	(70.85)	(80.51)%	205.23	1,056.00	(850.77)	(80.57)%	1,056.00
47000 Interest on Sale of Fee Purchased	0.00	0.00	0.00	0.00%	126,716.94	0.00	126,716.94	0.00%	0.00
<b>TOTAL 02 Non-Operating Revenues</b>	<b>17.15</b>	<b>88.00</b>	<b>(70.85)</b>	<b>(80.51)%</b>	<b>126,922.17</b>	<b>1,056.00</b>	<b>125,866.17</b>	<b>11,919.14%</b>	<b>1,056.00</b>



**Island Colony (237)**  
**Comparative Income Statement**  
 Period 12/1/2013 to 12/31/2013 11:59:00 PM

	Current Month Operation			Year to Date Operation			
	Actual	Budget	% Var	Actual	Budget	% Var	
		\$ Var		\$ Var			
4,624.12	2,750.00	(1,874.12)	(68.15)%	66,897.43	33,000.00	(33,897.43)	(102.72)%
361.26	223.00	(138.26)	(62.00)%	4,335.12	2,676.00	(1,659.12)	(62.00)%
6,673.88	800.00	(5,873.88)	(734.24)%	59,532.25	9,600.00	(49,932.25)	(520.13)%
7,799.49	350.00	(7,449.49)	(2,128.43)%	11,554.61	4,200.00	(7,354.61)	(175.11)%
0.00	308.00	308.00	100.00%	0.00	3,696.00	3,696.00	100.00%
<b>38,418.26</b>	<b>19,755.00</b>	<b>(18,663.26)</b>	<b>(94.47)%</b>	<b>359,475.25</b>	<b>237,060.00</b>	<b>(122,415.25)</b>	<b>(51.64)%</b>
<b>03 - Utilities</b>							
88,298.92	84,692.00	(3,606.92)	(4.26)%	1,048,454.92	1,016,304.00	(32,150.92)	(3.16)%
5,757.36	11,898.00	6,140.64	51.61%	106,040.66	142,776.00	36,735.34	25.73%
8,928.50	9,910.00	981.50	9.90%	119,592.09	118,920.00	(672.09)	(0.57)%
31,582.56	32,273.00	690.44	2.14%	381,898.40	387,276.00	5,377.60	1.39%
310.54	521.00	210.46	40.40%	7,050.77	6,252.00	(798.77)	(12.78)%
9,910.99	116.00	(9,794.99)	(8,443.96)%	65,110.03	1,392.00	(63,718.03)	(4,577.44)%
<b>144,788.87</b>	<b>139,410.00</b>	<b>(5,378.87)</b>	<b>(3.86)%</b>	<b>1,728,146.87</b>	<b>1,672,920.00</b>	<b>(55,226.87)</b>	<b>(3.30)%</b>
<b>04 - Contract Services</b>							
17,212.55	17,500.00	287.45	1.64%	197,141.41	210,000.00	12,858.59	6.12%
5,360.19	4,554.00	(806.19)	(17.70)%	82,694.71	54,648.00	(28,046.71)	(51.32)%
5,486.10	4,366.00	(1,120.10)	(25.66)%	61,832.07	52,392.00	(9,440.07)	(18.02)%
0.00	34,166.00	34,166.00	100.00%	8,965.02	409,992.00	401,026.98	97.81%
6,349.00	6,214.00	(135.00)	(2.17)%	70,453.57	74,568.00	4,114.43	5.52%
<b>34,407.84</b>	<b>66,800.00</b>	<b>32,392.16</b>	<b>48.49%</b>	<b>421,086.78</b>	<b>801,600.00</b>	<b>380,513.22</b>	<b>47.47%</b>
<b>05 - Repairs and Maintenance</b>							
5,357.87	1,900.00	(3,457.87)	(181.99)%	55,041.19	22,800.00	(32,241.19)	(141.41)%
4,039.37	306.00	(3,733.37)	(1,220.06)%	12,556.73	3,672.00	(8,884.73)	(241.96)%
0.00	557.00	557.00	100.00%	6,989.48	6,684.00	(305.48)	(4.57)%
1,297.49	400.00	(897.49)	(224.37)%	10,401.78	4,800.00	(5,601.78)	(116.70)%
696.34	1,406.00	709.66	50.47%	11,120.97	16,872.00	5,751.03	34.09%
0.00	57.00	57.00	100.00%	0.00	684.00	684.00	100.00%

**Island Colony (237)**  
**Comparative Income Statement**  
 Period 12/1/2013 to 12/31/2013 11:59:00 PM

	Current Month Operation			Year to Date Operation					
	Actual	Budget	\$ Var	% Var	Actual	Budget	\$ Var	% Var	Annual
0.00	546.00	546.00	(1,428.15)	100.00%	4,329.32	6,552.00	2,222.68	33.92%	6,552.00
2,828.15	1,400.00	(1,428.15)	250.00	(102.01)%	40,867.21	16,800.00	(24,067.21)	(143.26)%	16,800.00
0.00	250.00	250.00	442.00	100.00%	1,518.03	3,000.00	1,481.97	49.40%	3,000.00
1,767.49	442.00	(1,325.49)	550.00	(299.88)%	7,514.98	5,304.00	(2,210.98)	(41.69)%	5,304.00
3,529.25	550.00	(2,979.25)	18.00	(541.68)%	18,477.85	6,600.00	(11,877.85)	(179.97)%	6,600.00
0.00	18.00	18.00	59.00	100.00%	0.00	216.00	216.00	100.00%	216.00
387.23	382.00	(5.23)	129.00	(1.37)%	4,453.10	4,584.00	130.90	2.86%	4,584.00
134.68	129.00	(5.68)	337.15	(4.40)%	3,071.26	1,548.00	(1,523.26)	(98.40)%	1,548.00
3,134.85	3,472.00	337.15	59.00	9.71%	53,737.79	41,664.00	(12,073.79)	(28.98)%	41,664.00
157.07	59.00	(98.07)	339.27	(166.22)%	4,950.52	708.00	(4,242.52)	(599.23)%	708.00
870.73	1,210.00	339.27	166.00	28.04%	870.73	14,520.00	13,649.27	94.00%	14,520.00
0.00	166.00	166.00		100.00%	628.06	1,992.00	1,363.94	68.47%	1,992.00
<b>24,200.52</b>	<b>13,250.00</b>	<b>(10,950.52)</b>		<b>(82.65)%</b>	<b>236,529.00</b>	<b>159,000.00</b>	<b>(77,529.00)</b>	<b>(48.76)%</b>	<b>159,000.00</b>
<b>06 - Insurance, Taxes &amp; Misc.</b>									
0.00	150.00	150.00	70.00	100.00%	14,119.40	1,800.00	(12,319.40)	(684.41)%	1,800.00
0.00	70.00	70.00	392.00	100.00%	0.00	840.00	840.00	100.00%	840.00
531.95	392.00	(139.95)	0.00	(35.70)%	7,621.74	4,704.00	(2,917.74)	(62.03)%	4,704.00
0.00	0.00	0.00	265.00	0.00%	(2,078.76)	0.00	2,078.76	0.00%	0.00
0.00	265.00	265.00	0.00	100.00%	6,234.50	3,180.00	(3,054.50)	(96.05)%	3,180.00
0.00	0.00	0.00	611.30	0.00%	300.00	0.00	(300.00)	0.00%	0.00
1,261.30	650.00	(611.30)	137.00	(94.05)%	17,501.60	7,800.00	(9,701.60)	(124.38)%	7,800.00
0.00	137.00	137.00	3,673.00	100.00%	0.00	1,644.00	1,644.00	100.00%	1,644.00
5,617.58	3,673.00	(1,944.58)	74.00	(52.94)%	61,983.26	44,076.00	(17,907.26)	(40.63)%	44,076.00
73.50	74.00	0.50	346.00	0.68%	882.00	888.00	6.00	0.68%	888.00
446.75	346.00	(100.75)	3,736.00	(29.12)%	4,527.68	4,152.00	(375.68)	(9.05)%	4,152.00
3,734.75	3,736.00	1.25	1,400.00	0.03%	46,778.68	44,832.00	(1,946.68)	(4.34)%	44,832.00
1,680.00	1,400.00	(280.00)	3,811.00	(20.00)%	20,160.00	16,800.00	(3,360.00)	(20.00)%	16,800.00
4,634.75	3,811.00	(823.75)	305.00	(21.62)%	54,848.74	45,732.00	(9,116.74)	(19.94)%	45,732.00
430.50	305.00	(125.50)		(41.15)%	5,044.42	3,660.00	(1,384.42)	(37.83)%	3,660.00

# Island Colony (237)

## Comparative Income Statement

Period 12/1/2013 to 12/31/2013 11:59:00 PM

	Current Month Operation			Year to Date Operation					
	Actual	Budget	\$ Var	% Var	Actual	Budget	\$ Var	% Var	Annual
(95.58)	96.00	191.58	199.56%		764.68	1,152.00	387.32	33.62%	1,152.00
3,031.01	8,980.00	5,948.99	66.25%		56,714.38	107,760.00	51,045.62	47.37%	107,760.00
23,368.99	17,420.00	(5,948.99)	(34.15)%		786,419.40	209,040.00	(577,379.40)	(276.21)%	209,040.00
<b>44,715.50</b>	<b>41,505.00</b>	<b>(3,210.50)</b>	<b>(7.74)%</b>		<b>1,081,821.72</b>	<b>498,060.00</b>	<b>(583,761.72)</b>	<b>(117.21)%</b>	<b>498,060.00</b>
<b><u>07 - Non-Operating Expenses</u></b>									
(240,513.00)	34,359.00	274,872.00	800.00%		137,436.00	412,308.00	274,872.00	66.67%	412,308.00
(23,368.99)	0.00	23,368.99	0.00%		(786,419.40)	0.00	786,419.40	0.00%	0.00
<b>(263,881.99)</b>	<b>34,359.00</b>	<b>298,240.99</b>	<b>868.01%</b>		<b>(648,983.40)</b>	<b>412,308.00</b>	<b>1,061,291.40</b>	<b>257.40%</b>	<b>412,308.00</b>
<b>144,424.21</b>	<b>382,688.00</b>	<b>238,263.79</b>	<b>62.26%</b>		<b>4,455,898.00</b>	<b>4,592,256.00</b>	<b>136,358.00</b>	<b>2.97%</b>	<b>4,592,256.00</b>
<b>214,182.80</b>	<b>(14,914.00)</b>	<b>(229,096.80)</b>	<b>1,536.12%</b>		<b>53,760.11</b>	<b>(178,968.00)</b>	<b>(232,728.11)</b>	<b>130.04%</b>	<b>(178,968.00)</b>

**Island Colony (237)**  
**Comparative Income Statement**

Period 12/1/2013 to 12/31/2013 11:59:00 PM

Current Month Reconstruction				Year to Date Reconstruction			
Actual	Budget	\$ Var	% Var	Actual	Budget	\$ Var	% Var
<b>Income</b>							
<b>02 Non-Operating Revenues</b>							
1,248.99	0.00	1,248.99	0.00%	7,185.16	0.00	7,185.16	0.00%
<b>1,248.99</b>	<b>0.00</b>	<b>1,248.99</b>	<b>0.00%</b>	<b>7,185.16</b>	<b>0.00</b>	<b>7,185.16</b>	<b>0.00%</b>
<b>1,248.99</b>	<b>0.00</b>	<b>1,248.99</b>	<b>0.00%</b>	<b>7,185.16</b>	<b>0.00</b>	<b>7,185.16</b>	<b>0.00%</b>
<b>Expense</b>							
<b>07 - Non-Operating Expenses</b>							
212,079.82	0.00	(212,079.82)	0.00%	1,154,490.36	0.00	(1,154,490.36)	0.00%
<b>212,079.82</b>	<b>0.00</b>	<b>(212,079.82)</b>	<b>0.00%</b>	<b>1,154,490.36</b>	<b>0.00</b>	<b>(1,154,490.36)</b>	<b>0.00%</b>
<b>212,079.82</b>	<b>0.00</b>	<b>(212,079.82)</b>	<b>0.00%</b>	<b>1,154,490.36</b>	<b>0.00</b>	<b>(1,154,490.36)</b>	<b>0.00%</b>
<b>(210,830.83)</b>	<b>0.00</b>	<b>210,830.83</b>	<b>0.00%</b>	<b>1,147,305.20</b>	<b>0.00</b>	<b>1,147,305.20</b>	<b>0.00%</b>

Island Colony (237)

Consolidated Income Statement

Period 12/1/2013 to 12/31/2013 11:59:00 PM

	Current Month			Year To Date		
	Operation	Reconstruction	Total	Operation	Reconstruction	Total
<b>REVENUES</b>						
<b>01 Operating Revenues</b>						
Maintenance Fees - Reside	275,729.18		275,729.18	3,306,750.16		3,306,750.16
Maintenance Fees - Comm	18,892.69		18,892.69	226,712.28		226,712.28
Special Assessments				4,916.16		4,916.16
Reserves Contribution - Re	31,273.14		31,273.14	375,277.68		375,277.68
Reserves Contribution - Co	3,085.39		3,085.39	37,024.68		37,024.68
Late Fees	500.00		500.00	3,852.82		3,852.82
House Rule Fine	350.00		350.00	700.00		700.00
Rental Income				43,278.40		43,278.40
Lease Rent	5,573.81		5,573.81	69,935.18		69,935.18
Parking income				17,492.50		17,492.50
Vending Machine Income	2,121.00		2,121.00	15,685.40		15,685.40
Laundry Commissions	6,832.99		6,832.99	63,516.22		63,516.22
Storage Income				500.00		500.00
Miscellaneous & Other inc	61.75		61.75	2,055.30		2,055.30
Electricity Reimbursement	7,321.50		7,321.50	89,669.75		89,669.75
Water Reimbursement	440.96		440.96	7,155.71		7,155.71
Sewer Reimbursement	1,507.63		1,507.63	32,165.80		32,165.80
Gas Reimbursement	4,445.82		4,445.82	77,988.97		77,988.97
Key Income	50.00		50.00	435.00		435.00
Telephone Income				52.05		52.05
Maintenance Services Fee	404.00		404.00	7,571.88		7,571.88
TOTAL 01 Operating Reven	358,589.86		358,589.86	4,382,735.94		4,382,735.94
<b>02 Non-Operating Revenues *</b>						
Interest Income-Reserves		1,248.99	1,248.99		7,185.16	7,185.16
Interest Income-Operating	17.15		17.15	205.23		205.23
Interest on Sale of Fee Pur				126,716.94		126,716.94
TOTAL 02 Non-Operating R	17.15	1,248.99	1,266.14	126,922.17	7,185.16	134,107.33
TOTAL REVENUES	358,607.01	1,248.99	359,856.00	4,509,658.11	7,185.16	4,516,843.27
<b>EXPENSES</b>						
<b>01 - Payroll &amp; Benefits</b>						
Wages-Office	12,294.07		12,294.07	163,471.59		163,471.59
Wages-Maintenance	23,774.49		23,774.49	288,655.35		288,655.35
Wages-Janitorial	18,812.41		18,812.41	231,282.00		231,282.00
Wages-Safety Systems	30,174.96		30,174.96	325,057.42		325,057.42

Island Colony (237)

Consolidated Income Statement

Period 12/1/2013 to 12/31/2013 11:59:00 PM

Bonuses	13,601.52	13,601.52	18,601.52
Holiday Pay		7,715.76	7,715.76
Payroll Tax FICA	6,665.00	78,089.48	78,089.48
Payroll Tax FUTA	23.67	1,697.84	1,697.84
Payroll Tax SUTA	1,854.04	27,109.32	27,109.32
Workers' Comp Insurance	1,198.99	14,387.00	14,387.00
TDI Insurance		3,847.70	3,847.70
Medical Insurance	10,457.39	112,950.30	112,950.30
Uniforms	2,918.67	4,956.50	4,956.50
<b>TOTAL 01 - Payroll &amp; Benef</b>	<b>121,775.21</b>	<b>1,277,821.78</b>	<b>1,277,821.78</b>
<b>02 - Administrative</b>			
Admin-General Expenses &	3,590.53	30,014.46	30,014.46
Admin-Annual Assoc Meeti		497.38	497.38
Admin-Office Equip & Supp	68.40	1,061.15	1,061.15
Admin-Postage		373.84	373.84
Office Equipment Lease	594.06	9,905.84	9,905.84
Admin-Education & Subscr		2,503.38	2,503.38
Admin-Office Rent	8,939.87	105,969.05	105,969.05
Admin-Parking Expense	2,730.00	30,390.94	30,390.94
Property Mgmt-Contract	3,036.65	36,439.80	36,439.80
Property Mgmt-Administrati	4,624.12	66,897.43	66,897.43
Property Mgmt-Payroll	361.26	4,335.12	4,335.12
Legal Fees-General	6,673.88	59,532.25	59,532.25
Professional Fees-Other	7,799.49	11,554.61	11,554.61
<b>TOTAL 02 - Administrative</b>	<b>38,418.26</b>	<b>359,475.25</b>	<b>359,475.25</b>
<b>03 - Utilities</b>			
Electricity	88,298.92	1,048,454.92	1,048,454.92
Gas	5,757.36	106,040.66	106,040.66
Water Usage	8,928.50	119,592.09	119,592.09
Sewer Usage	31,582.56	381,898.40	381,898.40
Telephone	310.54	7,050.77	7,050.77
Telecommunication\Interne	9,910.99	65,110.03	65,110.03
<b>TOTAL 03 - Utilities</b>	<b>144,788.87</b>	<b>1,728,146.87</b>	<b>1,728,146.87</b>
<b>04 - Contract Services</b>			
Cable Television Contract	17,212.55	197,141.41	197,141.41
Exterminating Contract	5,360.19	82,694.71	82,694.71
Refuse Removal Contract	5,486.10	61,832.07	61,832.07
Security Contract		8,965.02	8,965.02



Island Colony (237)

Consolidated Income Statement

Period 12/1/2013 to 12/31/2013 11:59:00 PM

Elevator Maintenance Cont	6,349.00	70,453.57	70,453.57
TOTAL 04 - Contract Servic	34,407.84	421,086.78	421,086.78
<b>05 - Repairs and Maintenance</b>			
Reprs/Maint/Supl-Buildings	5,357.87	55,041.19	55,041.19
Reprs/Maint/Supl-Grounds	4,039.37	12,556.73	12,556.73
Reprs/Maint/Supl-Heat PUn		6,989.48	6,989.48
Reprs/Maint/Supl-Elevator	1,297.49	10,401.78	10,401.78
Reprs/Maint/Supl-Plumbing	696.34	11,120.97	11,120.97
Reprs/Maint/Supl-Equipme		4,329.32	4,329.32
Reprs/Maint/Supl-Janitorial	2,828.15	40,867.21	40,867.21
Reprs/Maint/Supl-Painting		1,518.03	1,518.03
Reprs/Maint/Supl-Window	1,767.49	7,514.98	7,514.98
Reprs/Maint/Supl-Pool/Amc	3,529.25	18,477.85	18,477.85
Reprs/Maint/Supl-Security	387.23	4,453.10	4,453.10
Reprs/Maint/Supl-Hui	134.68	3,071.26	3,071.26
Fire Control Services	3,134.85	53,737.79	53,737.79
Reprs/Maint/Supl-Lock/Key	157.07	4,950.52	4,950.52
Reprs/Maint/Supl-Others	870.73	870.73	870.73
Supplies - Light Bulbs		628.06	628.06
TOTAL 05 - Repairs and Ma	24,200.52	236,529.00	236,529.00
<b>06 - Insurance, Taxes &amp; Misc.</b>			
Bad Debt		14,119.40	14,119.40
Taxes-General Excise	531.95	7,621.74	7,621.74
State Taxes/Estimated & D		(2,078.76)	(2,078.76)
Permits, Licenses, Fees		6,234.50	6,234.50
Rental Repair Expense		300.00	300.00
Maintenance Fee	1,261.30	17,501.60	17,501.60
Insurance-Package	5,617.58	61,983.26	61,983.26
Insurance-Fidelity Bond	73.50	882.00	882.00
Insurance-D&O	446.75	4,527.68	4,527.68
Insurance-General Liability	3,734.75	46,778.68	46,778.68
Insurance-Umbrella	1,680.00	20,160.00	20,160.00
Insurance-Flood	4,634.75	54,848.74	54,848.74
Insurance-Boiler & Machine	430.50	5,044.42	5,044.42
Auto Insurance and expens	(95.58)	764.68	764.68
Interest Expense	3,031.01	56,714.38	56,714.38
Loan payment-principal	23,368.99	786,419.40	786,419.40
TOTAL 06 - Insurance, Taxe	44,715.50	1,081,821.72	1,081,821.72

Island Colony (237)

Consolidated Income Statement

Period 12/1/2013 to 12/31/2013 11:59:00 PM

<b>07 - Non-Operating Expenses</b>				
Allowance-Future Capital R	(240,513.00)		137,436.00	137,436.00
Loan Principal Payment - o	(23,368.99)		(786,419.40)	(786,419.40)
Capital Expenditures	212,079.82	212,079.82	1,154,490.36	1,154,490.36
TOTAL 07 - Non-Operating	(263,881.99)	212,079.82	(648,983.40)	505,506.96
TOTAL EXPENSES	144,424.21	212,079.82	4,455,898.00	5,610,388.36
EXCESS OF REVENUE OV	214,182.80	(210,830.83)	53,760.11	(1,093,545.09)

**PROJECT INFORMATION FORM**  
**Condominium, Co-op, PUD, and other Homeowner Organizations**  
**Hawaii Association of Realtors® Standard Form**  
**(To be used in conjunction with RR109 Seller's Real Property Disclosure Statement)**  
**Revised 12/10 (N/C) For Release 5/13**

Property Reference or Address: 445 Seaside Ave  
(Project)

Tax Map Key: Div. 1-2-6-21-26-435 (if applicable)

Project is managed by a licensed real estate broker? Y

If a licensed real estate broker, is managing agent registered with the Real Estate Commission as a Condominium Managing Agent? Y

Name of Managing Agent: Hawaii First, Inc.

Managed by this Managing Agent since: January 1, 2011

Managing Agent provides (check those services that apply):

- Administrative Managing Services
  - Fiscal Management Services
  - Physical Management Services
  - Other Management Services
- 
- This Project is self-managed.

**A. GENERAL & LEGAL**

Total number of apartments / units: 745

Number of guest parking stalls available: 0

If applicable, what percentage of Condominium Apartments has been sold and conveyed (excluding to the Developer)? 100

What approximate percentage of Condominium Apartments are primary residences? 75.7

What approximate percentage of Condominium Apartments are second homes? Included in primary.

What approximate percentage of Condominium Apartments are investor properties? 24.3

Approximately how many foreclosures have been filed by the Board of Directors during the past twelve (12) months? 3

What approximate percentage of owners is more than one month delinquent in maintenance fees? 1.2

\*\*If answer is "yes", using the SAME number below, describe in the space provided.\*\*

Yes	No	NTMK (Not To My Knowledge)	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(1) Within the past year, has the Board of Directors had discussions with the Lessor regarding the purchase of the leased fee interest in the land?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(2) Does the Association own any fee interest in the Project?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(3) Has the Association taken a loan to acquire its fee interest?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(4) Are any owners assessed to repay the Association's loan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(5) Are there any current or contemplated negotiations regarding the lease?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(6) Is this Project subject to phasing or development of additional increments?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(7) Has the Owners Association or Corporation been in control of the operations of the Project for less than two (2) years?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(8) Are there any lawsuits, arbitration or mediation actions affecting this Project and/or Association other than delinquent owner maintenance fees?

Attorney for Association of Apartment Owners: See explanation after #15.

**NOTE: Any attorney fees or other costs incurred for further answering this inquiry shall not be at the expense of the Association of Apartment Owners, nor of the Managing Agent.**

\_\_\_\_\_  
 BUYER'S INITIALS & DATE

**PROJECT INFORMATION FORM**  
**Condominium, Co-op, PUD, and other Homeowner Organizations**  
**Hawaii Association of Realtors® Standard Form**  
**(To be used in conjunction with RR109 Seller's Real Property Disclosure Statement)**  
**Revised 12/10 (N/C) For Release 5/13**

- (9) If project is a Condominium, does any single entity, individual or partnership own more than 10 percent of the common interest of this project?
- (10) Are any Association or Corporation approvals required for transfer of Ownership?
- (11) Is a resident manager's apartment a part of the common elements, or is one owned by the Association or Corporation (does not apply to Planned Unit Development)?
- (12) Is a time share operation existing at this Project?  
 Name of operator: \_\_\_\_\_
- (13) Is there a hotel operation or mandatory rental pool?  
 Name of Operator: Island Colony Partners DBA
- (14) Have any of the following items been discovered by the Association or Corporation at the Project?  
 Asbestos  
 Formaldehyde  
 Radon Gas  
 Lead-Based Paint  
 Mold, Mildew, Fungus
- (15) Are there commercial apartments, lots or commercial use of the common areas or common elements at the Project?

**Number of Question answered "YES" and Explain:**

1 & 2) The Board of Directors has contracted Monarch Properties to negotiate with Harry & Jeanette Weinberg Foundation for the lease to fee, 75% of owners voted to amend the declaration of condominium property regime - 08/05. As of 5/5/06 AOAO closed escrow on the purchase of the 740 leased-fee interests from the fee owner (Harry & Jeanette Wienberg Foundation). Owners wanting to purchase the fee, please contact Monarch Properties directly at 735-0000.

3 & 4) Loan in 2006 with about \$2.9 million balance, loan payments collected as part of Maintenance fees.

8) Swimming pool death 2 years ago. Atty R. Aaron Creps, (808) 524-8350. ADA including the AOAO as a defendant.

13) Approximately 171 units participate in an organized rental pool, known as Island Colony Partners, DBA Island Colony Hotel.

14) Related to leaks in units: treated as discovered.

15) There are 5 Commercial Apartments. Commercial Apartment 5 includes toll public parking.

148 (1 bdrm), 222 (studio), 370 (lodging).

\_\_\_\_\_  
 BUYER'S INITIALS & DATE

**PROJECT INFORMATION FORM**  
**Condominium, Co-op, PUD, and other Homeowner Organizations**  
**Hawaii Association of Realtors® Standard Form**  
**(To be used in conjunction with RR109 Seller's Real Property Disclosure Statement)**  
**Revised 12/10 (N/C) For Release 5/13**

**B. INSURANCE**

Name of Insurance Company:

Insurance Associates

Name of Insurance Agent:

Sue Savio

Phone Number:

808-538-6938

\*\*If answer is "yes", using the SAME number below, describe in the space provided.\*\*

Yes	No	NTMK	<b>Note: In case of Planned Unit Development, questions #16 to #19 apply to common areas only.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(16) Are any improvements located in a designated Flood Hazard Zone that require insurance?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(17) Is this Project covered by Flood Insurance?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(18) Is this Project located in a tsunami inundation area?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(19) Has there been any substantial damage to this Project due to earthquake, fire, floods, winds, landslides, tsunami, or violence activity within the last five years?

**Number of Question answered "YES" and Explain:**

16-17) See Federal Flood zone map.

**C. FINANCIAL**

What does the Apartment maintenance fee include?

- Air Conditioning
- Cable TV Signal
- Electricity
- Gas

\_\_\_\_\_  
 BUYER'S INITIALS & DATE

**PROJECT INFORMATION FORM**  
**Condominium, Co-op, PUD, and other Homeowner Organizations**  
**Hawaii Association of Realtors® Standard Form**  
**(To be used in conjunction with RR109 Seller's Real Property Disclosure Statement)**  
**Revised 12/10 (N/C) For Release 5/13**

- Hot Water
- Lease Rent
- Parking
- Real Property Tax
- Recreation/Community Association Dues
- Sewer
- Water
- Loan(s):  
See #3 explanation.

Other: \_\_\_\_\_

Other: \_\_\_\_\_

Are there any other fees billed to the owners by the Association? Please describe (type and amount) no

How frequently is a financial statement prepared? (Yes = Monthly; No = Quarterly) Y

Specify: (Cash = Yes; Accrual = No) N

**\*\*If answer is "yes", using the SAME number below, describe in the space provided.\*\***

- | <b>Yes</b>                          | <b>No</b>                           | <b>NTMK (Not To My Knowledge)</b> |  |
|-------------------------------------|-------------------------------------|-----------------------------------|--|
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>          | (20) Has the Association or Corporation Board of Directors approved a maintenance fee increase, special assessment, or loan? |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>          | (21) Are any special assessments or loans in effect at this time?  |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>          | (22) Are any assessments required to be paid in full at the time of conveyance of ownership?                                 |

**Number of Question answered "YES" and Explain:**

21) Loans for the leases owned by the AOAO.

\_\_\_\_\_  
BUYER'S INITIALS & DATE

**PROJECT INFORMATION FORM**  
**Condominium, Co-op, PUD, and other Homeowner Organizations**  
**Hawaii Association of Realtors® Standard Form**  
**(To be used in conjunction with RR109 Seller's Real Property Disclosure Statement)**  
**Revised 12/10 (N/C) For Release 5/13**

**D. PROJECT CONDITION**

**\*\*If answer is "yes", using the SAME number below, describe in the space provided.\*\***

Are there any major repairs required or planned within the next 12 months with respect to the following common elements/common areas of the Project? (N/A = NTMK)

Yes	No	NTMK	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(23) Air Conditioning System
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(24) Barbecue Facilities
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(25) Drainage
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(26) Driveways/Parking Areas
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(27) Electrical Systems
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(28) Elevators
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(29) Exterior Walls
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(30) Foundations
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(31) Lanai Decks/Railings
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(32) Paint
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(33) Plumbing
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(34) Pool Deck/Railings
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(35) Rec./Fitness Room Equipment
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(36) Roofing
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(37) Sauna
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(38) Security Systems
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(39) Sewage Treatment Plant
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(40) Slab(s)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(41) Spas
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(42) Sprinkler System
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(43) Swimming Pool
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(44) Tennis Court
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(45) Trash Chutes
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(46) Walkways
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(47) Wall(s)/Fences (including sea walls)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	(48) Water Features

\_\_\_\_\_  
 BUYER'S INITIALS & DATE

**PROJECT INFORMATION FORM**  
**Condominium, Co-op, PUD, and other Homeowner Organizations**  
**Hawaii Association of Realtors® Standard Form**  
**(To be used in conjunction with RR109 Seller's Real Property Disclosure Statement)**  
**Revised 12/10 (N/C) For Release 5/13**

(49) Other:

(50) Are lanai enclosures presently permitted by the Association or Corporation Board of Directors?

(51) Do you know, within the past year, of the presence of live infestation, wood boring insects/termites in the common elements/common areas of the Project?

(52) Do you know, within the past year, of leaks and/or water damage in the common elements/common areas of the Project?

(53) Are you aware, within the past year, of any structural problems in the common elements/common areas caused by water, settling, sliding, subsidence, filled land, etc.?

**Number of Question answered "YES" and Explain:**

27,31,34,37,49) Are all projects that are underway and part of the master renovation project. Please contact the AOA on site office for details 927-6421.

50) Partial Lanai enclosures are allowed after design committee approval.

52) There have been periodic water leaks that originate from the residential rooms.

\_\_\_\_\_  
BUYER'S INITIALS & DATE

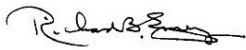


**PROJECT INFORMATION FORM**  
**Condominium, Co-op, PUD, and other Homeowner Organizations**  
**Hawaii Association of Realtors® Standard Form**  
**(To be used in conjunction with RR109 Seller's Real Property Disclosure Statement)**  
**Revised 12/10 (N/C) For Release 5/13**

**E. DISCLAIMER**

While not guaranteed, the information contained in this Project Information Form is based on information reasonably available to the Managing Agent at the time this form was completed. It has been provided by the Managing Agent at Owner/Seller's request and is believed to be current and correct to the best of the Managing Agent's knowledge at the time this form was completed. All persons relying upon the information contained herein are advised that the information provided cannot be considered a substitute for a careful inspection of Property and Project's governing documents, meeting minutes, financial documents and other documentation; and that they should refer to qualified experts in the various professional fields, including but not limited to attorneys, accountants, architects, engineers, contractors and other appropriate professionals for detailed evaluation of areas where additional clarification or information is desired. The person or entity completing the form is doing so only as an accommodation to the parties and shall not be held liable for any errors or omissions whatsoever. The person or entity completing this form is not required to and has not completed any special investigation, and is only reporting facts already known to that person or entity or readily available. Specifically and without limitation, the person or entity completing the form has not reviewed any records except official records of meetings in the possession of that person or entity and only for the current and prior year. Where the answer to a question is not applicable, unknown or is otherwise unanswerable, it has been marked "NTMK". Where the Managing Agent has marked "NTMK" or "NO" in response to a question concerning property condition, it must be recognized that this does not mean there may not be a defect which an expert could discover or the passage of time would reveal. Likewise, a problem could be more serious than the Managing Agent, the Association, the Corporation or its Board of Directors knows. All such persons having access to this Project Information Form understand and acknowledge that this Project Information Form is not a warranty or guaranty of any kind by the Managing Agent, the Association or its Board of Directors.

**Person completing this form:**



\_\_\_\_\_  
**Signature**

2/28/2014

\_\_\_\_\_  
**Date**

Printed Name of Person Completing Form:	Richard B. Emery
For: Acct Exec's Name	Keith Brunner
Title of Person completing this form:	President/CEO
Company Name shown on the RR105c form:	Hawaii First, Inc.
Address shown on the RR105c form:	Queen's Court, 800 Bethel Street, Suite 501, Honolulu, HI 96813
Phone Number:	808-531-5566
Fax Number:	808-566-9939
E-mail:	_____

**NOTE: THERE IS NO WARRANTY ON PLAIN LANGUAGE. An effort has been made to put this agreement into plain language. But there is no promise that it is in plain language. In legal terms, THERE IS NO WARRANTY, EXPRESSED OR IMPLIED, THAT THIS AGREEMENT COMPLIES WITH CHAPTER 487A OF THE HAWAII REVISED STATUTES, AS AMENDED. This means that the Hawaii Association of REALTORS® is not liable to any Buyer, Seller, or other person who uses this form for any damages or penalty because of any violation of Chapter 487A. People are cautioned to see their own attorneys about Chapter 487A (and other laws that may apply).**

\_\_\_\_\_  
BUYER'S INITIALS & DATE

STATE OF HAWAII  
IN THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
Business Registration Division  
335 Merchant Street  
Mailing Address: P.O. Box 40, Honolulu, Hawaii 96810

In the Matter of the Incorporation )  
 )  
 of )  
 )  
**ASSOCIATION OF APARTMENT OWNERS** )  
**OF ISLAND COLONY** )

FILED 01/24/2006 03:28 PM  
Business Registration Division  
DEPT. OF COMMERCE AND  
CONSUMER AFFAIRS  
State of Hawaii

**ARTICLES OF INCORPORATION**

RICHARD S. EKIMOTO, ESQ.  
EKIMOTO & MORRIS  
1132 Bishop Street, Suite 902  
Honolulu, Hawaii 96813-2830  
(Telephone: 523-0702)

01/25/200620020

IN THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

STATE OF HAWAII

In the Matter of the Incorporation )  
 )  
 of )  
 )  
**ASSOCIATION OF APARTMENT OWNERS** )  
**OF ISLAND COLONY** )

**ARTICLES OF INCORPORATION**

The undersigned, desiring to form a nonprofit corporation under the provisions of Chapter 414D, Hawaii Revised Statutes, hereby execute the following Articles of Incorporation.

**ARTICLE I**

**Corporate Name and Seal**

The name of the Corporation shall be **ASSOCIATION OF APARTMENT OWNERS OF ISLAND COLONY**. The Corporation shall have no seal.

**ARTICLE II**

**Principal Office, Registered Agent & Registered Office**

The mailing and street address of the initial Principal Office of the Corporation will be 445 Seaside Avenue, Honolulu, Hawaii 96815. The Registered Agent is Ms. Fern Waniya. The street address of the initial Registered Office is 445 Seaside Avenue, Honolulu, Hawaii 96815.

**ARTICLE III**

**Period of Duration**

The duration of the Corporation shall be perpetual.

01/25/200620020

## ARTICLE IV

### Corporate Purposes

The specific purpose for which the Corporation is organized is for the administration, fiscal management and operation of the Island Colony condominium project and the maintenance, repair and replacement of, and the making of any additions and improvements to, the common elements thereof in accordance with Chapter 514A, Hawaii Revised Statutes (the "Condominium Property Act" or the "Act"), the Declaration of Horizontal Property Regime of Island Colony dated November 28, 1978 was filed in the Office of the Assistant Registrar of the Land Court, State of Hawaii as Document No. 912095 and also recorded in the Bureau of Conveyances, State of Hawaii, in Liber 13332, Page 585, the By-Laws of the Corporation (the "By-Laws"), as each of the same have been and may hereafter be amended and restated from time to time, and for no other purpose.

## ARTICLE V

### Corporate Powers

Section 5.1 **Powers.** Subject to and to the extent not inconsistent with the Act, the Declaration, and the By-Laws, the Corporation shall have all powers to effect any or all of the purposes for which the Corporation is organized or which may hereafter be provided for by law, and those which may be implied therefrom including, but not limited to, the powers set forth in §§414D-52 & 53, Hawaii Revised Statutes, as the same may be amended from time to time.

Section 5.2 **Scope.** The foregoing powers shall be liberally construed and shall not be deemed to exclude by inference any powers which the Corporation is or may become empowered to exercise, whether expressly or impliedly through the reasonable construction of any applicable laws now or hereafter in effect.

## ARTICLE VI

### Members

The Corporation is nonprofit in nature and shall not authorize or issue any shares of stock. Each person who is an apartment owner of the Island Colony condominium project shall be a member of the Corporation. As used herein, the term "apartment owner" shall have the same meaning as that term is defined in the Act, the Declaration, and the By-Laws, as each of the same have been and may hereafter be amended and restated from time to time. No dividends shall be paid and no part of the income or profit of the Corporation shall be distributed to its members, directors, or officers except as permitted by law for services actually rendered to the Corporation, and except

upon liquidation of its property in case of corporate dissolution in connection with the removal of the Island Colony condominium project from the provisions of the Act as provided therein.

**ARTICLE VII**

**Incorporators**

The names and addresses of the incorporators are:

<u>NAME</u>	<u>RESIDENCE</u>
H. James Stahl	The Stahl Group, Inc. Mezzanine Level 445 Seaside Avenue Honolulu, Hawaii 96815
Bill Maxwell	445 Seaside Avenue MB#102 Honolulu, Hawaii 96815
Clifford Lyons	445 Seaside Avenue MB#310 Honolulu, Hawaii 96815
Randi Thomas	445 Seaside Avenue MB#540 Honolulu, Hawaii 96815
Bill Macijuk	44 Rundlemere Bay Calgary, Alberta, CANADA T1Y 3K3

**ARTICLE VIII**

**Board of Directors**

Section 8.1 **Initial Directors**. The initial directors of the Corporation shall be those individuals serving as directors of the Association of Apartment Owners of Island Colony, an unincorporated condominium association pursuant to the Act, immediately prior to the filing of these Articles of Incorporation.

Section 8.2 **Authority**. All the powers and authority of the corporation shall be vested in and may be exercised by the Board of Directors, except as otherwise provided by the Act, these Articles of Incorporation or the By-Laws.

Section 8.3 **Powers**. The Board of Directors shall have the powers established therefor by the Non-profit Corporation Act, the Act, the Declaration and the By-Laws.

## ARTICLE IX

### **By-Laws**

When adopted by the Board of Directors, the initial By-Laws of the Association of Apartment Owners of Island Colony attached as an Exhibit to the Declaration, as the same have been amended and restated from time to time, shall be the existing By-Laws of the Corporation. The By-Laws may be amended only as provided in the Act, the Declaration and the By-Laws, as amended.

## ARTICLE X

### **Subordination**

These Articles shall in all respects be subordinate to and controlled by the Act and the Declaration. In the event of any conflict between the Act and Chapter 414D, Hawaii Revised Statutes, the Act shall be conclusively deemed to control except as to corporate matters.

## ARTICLE XI

### **Dissolution**

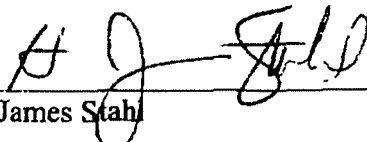
**Effect of Dissolution**. In the event of the dissolution of the Corporation for any reason whatsoever, including without limitation dissolution pursuant to §414D-248, Hawaii Revised Statutes, the members of the Corporation shall, without any other action, immediately be deemed and construed to constitute an unincorporated condominium association organized and existing pursuant to the Act. The By-Laws of the Corporation shall, upon such dissolution, become the by-laws of said association. Those persons who are serving as directors and officers of the Corporation at the time of any such dissolution shall, upon such dissolution, become directors and officers of such unincorporated association and shall continue to serve as such until their successors are duly elected in accordance with the By-Laws. Immediately upon any such dissolution, the last directors of the Corporation, acting as trustees for the creditors and members of the Corporation and/or the court-appointed trustee, if any, shall promptly wind up and settle the affairs of the Corporation as provided by law and shall cause the assets and liabilities of the Corporation to be transferred to and

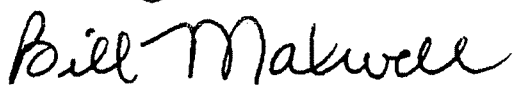
assumed by said unincorporated association and shall have the power to do all acts and things necessary, appropriate, or convenient therefor.

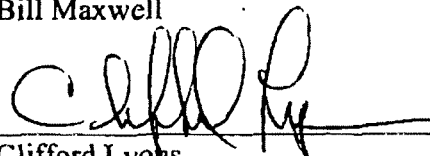
IN WITNESS WHEREOF, the undersigned certify that we have read the above statements and that the same are true and correct to the best of our knowledge and belief.

JAN 23 2006

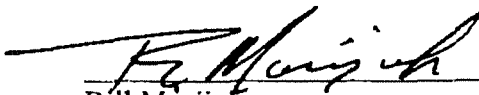
DATED: Honolulu, Hawaii, \_\_\_\_\_.

  
\_\_\_\_\_  
H. James Stahl

  
\_\_\_\_\_  
Bill Maxwell

  
\_\_\_\_\_  
Clifford Lyons

  
\_\_\_\_\_  
Randi Thomas

  
\_\_\_\_\_  
Bill Macijuk

G:\CLIENT\NSLANDCO.LNY\DOC\Articles of Incorporation wpd

\_\_\_\_\_  
In the Matter of the Incorporation of Association of Apartment Owners of Island Colony.

OFFICE OF THE  
ASSISTANT REGISTRAR, LAND COURT  
STATE OF HAWAII  
(Bureau of Conveyances)

The original of this document was  
recorded as follows:

DOCUMENT NO. \_\_\_\_\_

DATE APR 25 1996 TIME 2:00

THE ORIGINAL OF THE DOCUMENT  
RECORDED AS FOLLOWS:  
STATE OF HAWAII

BUREAU OF CONVEYANCES

APR 25 1996 3:00  
RECORDING NO. 96-051033

LAND COURT SYSTEM

REGULAR SYSTEM

Return by: Mail [ ] Pickup [XXX] To:

RICHARD S. EKIMOTO, ESQ.  
1000 Bishop Street, Suite 702  
Honolulu, HI 96813  
Telephone: (808) 523-0702  
kat:restated.by1

(DO NOT WRITE IN THIS SPACE)

**RESTATED BYLAWS OF THE ASSOCIATION OF APARTMENT OWNERS  
OF ISLAND COLONY**

WHEREAS, HASEKO HAWAII, INC. (the "Developer"), is the owner in fee of the land (the "Land") described in the Declaration of Horizontal Property Regime dated November 28, 1978 and recorded December 8, 1978 in the Bureau of Conveyances of the State of Hawaii in Liber 13332, at Page 585 and in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 912095, as amended (the "Declaration"), and noted on Transfer Certificate of Title No. 236,721, to which these Bylaws of the Association of Apartment Owners of Island Colony (the "Bylaws") were annexed; and

WHEREAS, the Developer submitted the Land and the building constructed thereon to a horizontal property regime by filing and recording the Declaration and adopting the Bylaws, all as provided for by the Horizontal Property Act, Chapter 514A, Hawaii Revised Statutes (now known as the Condominium Property Act), as amended (the "Act")<sup>1</sup>;

WHEREAS, the Developer thereby declared that all of the property described therein is held and shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied and improved subject to the following Bylaws, all of which are declared to be in furtherance of the plan set forth in the Declaration and are established for the purpose of enhancing and perfecting the value, desirability, and attractiveness of such property. The Bylaws shall constitute covenants running with the land and apartments established thereon and shall be binding upon all parties having or acquiring any right, title or interest therein.



The Developer, acting as the initial Association of Apartment Owners of the property, thereby approved and adopted these Bylaws pursuant to the Act;

WHEREAS, Hawaii Revised Statutes §514A-82.2, empowers boards of directors of condominium associations to restate their by-laws to set forth amendments thereto, and to conform the provisions thereof to the provisions of the Act and any other statute, ordinance, rule or regulation enacted by any governmental authority, by a resolution adopted by such boards; and

WHEREAS, at a duly held meeting the Board of Directors of the Association of Apartment Owners of Island Colony ("the Board of Directors") resolved to restate the Bylaws pursuant to Hawaii Revised Statutes §514A-82.2, in the manner set forth herein;

NOW, THEREFORE, the Bylaws are hereby restated to read as follows:

## ARTICLE I

### INTRODUCTORY PROVISIONS

SECTION 1. Definitions. The terms used in these Bylaws shall have the meanings given to them in the Act, except as expressly provided otherwise. The term "common elements" means those elements designated in the Declaration as common elements and limited common elements. The term "Property" shall include the Land, the building and all other improvements thereon (including the Apartments and the common elements) and all easements, rights and appurtenances belonging thereto, and all other property affixed thereto and intended for use in connection therewith. The term "Rules and Regulations" refers to the Rules and Regulations for the conduct of occupants of the building adopted by the Board of Directors as hereinafter provided. "Owner" means any person, including the Developer, owning severally or as a co-tenant an Apartment and the common interest appertaining thereto. The "Apartment Owner" under any Condominium Conveyance Document from the Developer shall be deemed to be an Owner during the period of his ownership. The terms "Apartment Owners", "Association of Owners", "Association" and similar terms mean and refer to (except where such meaning would be clearly repugnant to the context) the Association of Apartment Owners of Island Colony. The terms "Board" and "Board of Directors" mean and refer to the Board of Directors of the Association of Apartment Owners of Island Colony. "Project" means the property comprising the Island Colony condominium project. The terms "mortgagee of an Apartment", "Apartment mortgagee" and similar terms mean and refer to the mortgagees of the fee title or any recorded leasehold interest in an Apartment, including without limitation, the leasehold estate and interest created under any Condominium Conveyance Document from the Developer. "Residential Apartments" and "Commercial Apartments" shall have the meanings set forth in paragraph 3 of the Declaration. "Partnership", "Hotel Operator" and "Hotel Management Contract" shall have the meanings set forth in paragraph 10 of the Declaration.

SECTION 2. Conflicts. These Bylaws are set forth to comply with the requirements of the Act. In case any of these Bylaws conflict with the Act or the Declaration, the provisions of the Act or the Declaration, as the case may be, shall control.

SECTION 3. Application. All present and future owners, mortgagees, tenants and occupants of Apartments and their guests and employees, and any other persons who may use the Property in any manner are subject to these Bylaws, the Declaration and the Rules and Regulations. The acceptance of a Condominium Conveyance Document, assignment of lease, conveyance or similar instrument or the entry into a lease or the act of occupancy of an Apartment shall constitute an agreement that these Bylaws, the Rules and Regulations, and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified, and will be complied with.

## ARTICLE II

### ASSOCIATION OF OWNERS

SECTION 1. Annual Meetings. The Developer or the Managing Agent shall call the first annual meeting of the Apartment Owners, within one hundred eighty (180) days after recordation of the first apartment conveyance; provided that prior to such first annual meeting forty percent (40%) or more of the Project has been sold and recorded. If within one (1) year after recordation of the first apartment conveyance forty percent (40%) of the Project has not been sold and recorded, then the first annual meeting shall be held as soon as practicable thereafter upon the call of at least ten percent (10%) of the Owners. The term "sold and recorded" shall mean and refer to the sale of Apartments in the Project, and the recordation and filing of Condominium Conveyance Documents transferring interests in an Apartment from the Developer to the Owner. At such meeting the Apartment Owners shall elect a Board of Directors. Thereafter, the annual meetings of the Apartment Owners shall be held on the first Monday of March of each succeeding year or at such other time as the Board of Directors may designate. At such meetings the Board of Directors shall be elected by ballot of the Apartment Owners in accordance with the requirements of Section 6 of Article III of these Bylaws. The Apartment Owners may transact such other business at such meetings as may properly come before them.<sup>2</sup>

SECTION 2. Place of Meetings. Meetings of the Apartment Owners shall be held at the address of the Project, or elsewhere within the State of Hawaii as determined by the Board of Directors.

SECTION 3. Special Meetings. Special meetings of the Apartment Owners may be held at any time upon the call of the President or any three (3) Directors or upon the written request of not less than forty percent (40%) of the Owners.

SECTION 4. Notice of Meetings and Other Notices. Written notice of all meetings, annual or special, stating the place, day and hour of the meeting and whether it

is annual or special and stating the items on the agenda for such meeting and containing a standard proxy form authorized by the Association, if any, and any other notices permitted or required to be delivered by these Bylaws shall be given by mailing such notice, postage prepaid, at least fourteen (14) days before the date assigned for the meeting to the Owners at their addresses at the Property or at the addresses given to the Board for the purpose of service of such notices. Upon written request for notices delivered to the Board, the holder of any duly recorded mortgage from an Owner may obtain a copy of any and all notices permitted or required to be given to the Owner whose interest is subject to such mortgage. Upon notice being given in accordance with the provisions hereof, the failure of any Owner to receive actual notice of any meeting shall not in any way invalidate the meeting or proceedings thereat. Each Owner shall keep the Board informed of any changes in address.

SECTION 5. Adjournment of Meetings. Any meeting of the Association may be adjourned from time to time not less than forty-eight (48) hours from the time the original meeting was called as may be determined by majority vote of the Owners present, whether or not a quorum is present, without notice other than the announcement at such meeting. 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 6. Voting. The total vote to which each Apartment is entitled shall be the vote assigned to such Apartment pursuant to the Declaration. Votes may be cast in person or by proxy by the respective Apartment Owners. A personal representative, guardian or trustee may vote in person or by proxy at any meeting of the Association the vote for any Apartment owned or controlled by him in such capacity, provided that he shall first present evidence satisfactory to the Secretary that he 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 cotenant shall be entitled to only a share of such vote in proportion to his share of ownership in such Apartment. The purchaser of an Apartment pursuant to an Agreement of Sale recorded in the Bureau of Conveyances of the State of Hawaii and filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii shall have all the rights of an Owner, including the right to vote, except as to those matters retained by the Seller under the Agreement of Sale pursuant to Section 514A-83 of Hawaii Revised Statutes, as amended ("HRS").

SECTION 7. Proxies and Pledges.

(a) The authority given by any Apartment Owner to another person to represent him at meetings of the Association shall be in writing, signed by such Owner and filed with the Secretary, or the Managing Agent, 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:

- (i) the name of the Association;

- (ii) the date of the meeting;
  - (iii) the printed name and signature of the person or persons giving the proxy;
  - (iv) the Apartment or Apartments for which the proxy is given;
  - (v) the printed name of the person or entity to whom the proxy is given;
- and
- (vi) the date that the proxy is given.<sup>3</sup>

(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; provided that no proxy shall be irrevocable unless coupled with a financial interest in the unit.<sup>4</sup>

(c) 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. Any one of two or more persons owning any Apartment may give or revoke a proxy for the entire vote of such Apartment or if so specified in the proxy, for a share of such vote in proportion to the share of ownership of the person or persons giving such proxy. Any proxy given by a cotenant or cotenants for only a share of an Apartment's vote in proportion to the share of ownership of such cotenant or cotenants shall be revocable only by such cotenant or cotenants. Any proxy given by a cotenant or cotenants for only a share of an Apartment's vote may be exercised to cast the entire vote for such Apartment in the absence of protest by another cotenant or the holder of a proxy from another cotenant, and, in case of such protest, each cotenant or holder of a proxy from a cotenant, as the case may be, shall be entitled to only a share of such Apartment's vote in proportion to the respective shares of ownership in such Apartment.

(d) All official proxy forms authorized by the Board for use at any annual meeting or its adjournments shall contain a box wherein the Owner may indicate that the Owner wishes to obtain a copy of the annual audit report as required by Article IV, Section 10 of these Bylaws.<sup>5</sup>

(e) All proxy forms, at a minimum, shall contain boxes wherein the Owner may indicate that the Owner wishes the proxy:

- (1) To be given for quorum purposes only;

- (2) To be given to a specific individual whose name is printed by the Owner next to this box;
- (3) To be given to the Board of Directors as a whole and that the vote be made on the basis of the preference of a majority of the Board; or
- (4) To be given to those Directors present at the meeting and the vote to be share with each board member receiving an equal percentage.

A proxy form which does not have a box marked shall be considered a proxy for quorum purposes only.<sup>6</sup>

(f) No officer of the Board shall use Association funds to solicit proxies; provided that this shall not prevent an officer from exercising his right as an Apartment Owner under the following provisions of this section:

(i) No resident manager or Managing Agent employed by the Association shall solicit, for use by such manager or Managing Agent, any proxies from any Apartment Owner, nor shall any resident manager or Managing Agent employed by the Association cast any proxy vote at any Association meeting except for the purpose of establishing a quorum. No Board member who uses Association funds to solicit proxies shall cast any such proxy votes for the election or re-election of Board members at any Association meeting unless the proxy specifically authorizes the Board member to vote for the election or re-election of Board members and the Board first posts notice of its intent to solicit proxies in prominent locations within the Project at least thirty days prior to its solicitation of proxies; provided that if the Board receives within seven (7) days of the posted notice a request by any Apartment Owner for use of Association funds to solicit proxies accompanied by a statement, the Board shall either:

(A) Mail to all Apartment Owners a proxy containing the names of all Apartment Owners who have requested the use of Association funds for soliciting proxies accompanied by their statements; or

(B) Mail to all Apartment Owners a proxy form containing no names, but accompanied by a list of names of all Apartment Owners who have requested the use of Association funds for soliciting proxies and their statements.

(ii) The statement shall not exceed one hundred words, indicating the Apartment Owner's qualifications to serve on the Board and reasons for wanting to receive proxies.<sup>7</sup>

(g) Nothing in Section 7(a), (d), (e), and (f) 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.<sup>8</sup>

SECTION 8. Order of Business. The order of business at all meetings of the Apartment Owners shall be generally as follows:

- (a) Roll call;
- (b) Statement of Secretary attesting that proper notice of meeting was given;
- (c) Reading and approval of minutes of preceding meeting;<sup>9</sup>
- (d) Reports of officers;
- (e) Report of Board of Directors;
- (f) Reports of committees;
- (g) Election of members of the Board of Directors (when so required);
- (h) Unfinished business; and
- (i) New business.

All meetings of the Association shall be conducted in accordance with Roberts Rules of Order, unless some other generally accepted rules for the conduct of meetings are adopted by a majority vote of the Owners.

SECTION 9. Cumulative Voting. Election of Directors shall be by cumulative voting, and each Owner may cast for any one or more nominees to the Board of Directors a vote equivalent to the vote which such Owner is entitled to multiplied by the number of Directors to be elected. Each Owner shall be entitled to cumulate his vote and give all thereof to one nominee or to distribute his vote in such manner as he shall determine among any or all of the nominees; and the nominees receiving the highest number of votes on the foregoing basis, up to the total number of Directors to be elected, shall be deemed elected.

SECTION 10. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners having at least fifty percent (50%) of the total authorized votes of all Apartment Owners shall constitute a quorum at all meetings of the Apartment Owners.

SECTION 11. Majority Vote. The vote of a majority of Apartment Owners at a meeting at which a quorum shall be present shall be binding upon all Apartment

Owners for all purposes unless the Declaration or these Bylaws or Hawaii law requires a higher percentage.

SECTION 12. Majority of Apartment Owners. As used in these Bylaws, the term "majority of Apartment Owners" shall mean those Apartment Owners having more than fifty percent (50%) of the authorized votes present at any meeting of the Apartment Owners; and any specified percentage of the Owners means Owners having the specified percentage of the total votes in the Association.

SECTION 13. List of Members. The resident manager, if any, or Managing Agent, as referred to in Section 5<sup>10</sup> of Article III hereof, or Board of Directors shall keep an accurate and current list of members of the Association and their current addresses and the names and addresses of the vendees under agreements of sale, if any, covering any Apartment. The list shall be maintained at a place designated by the Board of Directors and a copy shall be available, at cost, to any member of the Association as provided in the Declaration or these Bylaws or rules and regulations or, in any case, to any member who furnishes to the resident manager or Managing Agent or Board of Directors 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 for any other purpose. The Board of Directors shall not adopt any rule prohibiting the solicitation of proxies or distribution of materials relating to Association matters on the common elements by an Apartment Owner; provided that the Board of Directors may adopt rules regulating reasonable time, place, and manner of such solicitations or distributions, or both. The Board of Directors may prohibit commercial solicitation.<sup>11</sup> In connection therewith each Owner shall promptly cause to be duly recorded or filed of record the Condominium Conveyance Document or other conveyance to him of such Apartment and shall file a copy of such document with the Board of Directors through the Managing Agent.

SECTION 14. Minutes of Meetings. The minutes of all meetings of the Apartment Owners and the Board of Directors shall be available for examination by Owners and their Mortgagees at convenient hours at a place designated by the Board of Directors within seven (7) calendar days after approval and unapproved final drafts of the minutes of a meeting shall be available within sixty (60) days after the meeting; provided that the minutes of any executive session may be withheld if their publication would defeat the lawful purpose of the executive session.<sup>12</sup>

The minutes of meetings of the Association of Apartment Owners shall be approved at the next succeeding meeting.<sup>13</sup>

## ARTICLE III

### BOARD OF DIRECTORS

SECTION 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. The Board of Directors shall be composed of five (5) persons, all of whom shall be Owners, co-owners, vendees under an agreement of sale, or an officer of any corporate Owner of an 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. No resident manager of the Project shall serve on the Board of Directors.

SECTION 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all acts and things except such as by law, the Declaration or these Bylaws may not be delegated to the Board of Directors by the Apartment Owners. Each Director shall owe the Association a fiduciary duty in the performance of such Director's responsibilities.<sup>14</sup> Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

- (a) Operation, care, upkeep and maintenance of the common elements;
- (b) Preparation and adoption of an annual operating budget and distribution to the Owners;<sup>15</sup>
- (c) Levy and collection of monthly and special assessments of the common expenses and other charges payable by the Apartment Owners;
- (d) Employment and dismissal of the personnel necessary for the maintenance, operation, repair and replacement of the common elements;
- (e) Adoption and amendment of the Rules and Regulations covering the details of the operation and use of the Property;
- (f) Opening bank accounts on behalf of the Association of Apartment Owners and designating the signatories required therefor;
- (g) Obtaining insurance for the Property, including the Apartments, pursuant to the provisions of Article VII hereof;
- (h) Making additions and improvements to or alterations of the Property and repairs to and restoration of the Property in accordance with the other provisions of these Bylaws after damage or destruction by fire or other casualty or as a result of condemnation or eminent domain proceedings;



(i) Procuring legal and accounting services necessary or proper for the operation of the Project or the interpretation, enforcement or implementation of these Bylaws and any other material documents affecting the Project;

(j) Purchasing any other materials, supplies, furniture, labor and services, making repairs and structural alterations, and payment of all insurance premiums, taxes and assessments and other common expenses which the Board is required to secure, make or pay pursuant to these Bylaws or by law or which in its opinion shall be necessary or proper for the operation of the building or the enforcement of these Bylaws, 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 Owners of particular Apartments, the cost thereof shall be specially assessed to the Owners of such Apartments;

(k) Payment of any amount necessary to discharge any lien or encumbrance levied against the entire Property or any part thereof which may in the opinion of the Board constitute a lien against the Property or against the common elements or 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 the costs incurred by the Board by reason of such lien;

(l) Maintenance and repair of any Apartment if such maintenance or repair is necessary, in the discretion of the Board, to protect the common elements and limited common elements or any other portion of the buildings and 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 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;

(m) Purchasing or leasing or otherwise acquiring in the name of the Board of Directors or its nominee, corporate or otherwise, on behalf of all Apartment Owners, any apartments;

(n) Purchasing Apartments at foreclosure or other judicial sales in the name of the Board of Directors or its nominee, corporate or otherwise, on behalf of all Apartment Owners;

(o) Collecting and disbursing to the Developer as fee owner of the land the rent payable by each Owner pursuant to each Condominium Conveyance Document. This provision is mandatory and may not be amended without the written consent of the Developer;

(p) Notification in writing of all institutional holders of first mortgages on Apartments in the Project, as shown in the Association's record of ownership or of which the Secretary of the Association has been given written notice, of any loss to, or taking of, the common elements of the Project if such loss or taking exceeds Ten Thousand Dollars (\$10,000.00); and

(q) Notification in writing to the institutional holder of the first mortgage on any Apartment in the Project, as shown in the Association's record of ownership or of which the Secretary of the Association has been given written notice, of any loss to such Apartment which exceeds One Thousand Dollars (\$1,000.00).

**SECTION 3. Budgets and Reserves.** (a) The Board of Directors shall prepare and adopt an annual operating budget and distribute it to the Owners. At a minimum, the budget shall include the following:

- (i) The estimated revenues and operating expenses of the Association;
- (ii) Information as to whether the budget has been prepared on a cash or accrual basis;
- (iii) The total replacement reserves of the Association as of the date of the budget;
- (iv) The estimated replacement reserves the Association will require to maintain the Property based on a reserve study performed by the Association;
- (v) A general explanation of how the estimated replacement reserves are computed; and
- (vi) The amount the Association must collect for the fiscal year to fund the estimated replacement reserves.

(b) The Association shall assess the Owners to fund the estimated replacement reserves. For each fiscal year the Association shall collect a minimum of fifty percent (50%) of the full amount required to fund the estimated replacement reserves for that fiscal year except as otherwise provided by rules adopted by the Hawaii Real Estate Commission.

(c) The estimated replacement reserves shall be computed by a formula which is based on the estimated life and the estimated capital expenditure or major maintenance required for each part of the Property. The estimated replacement reserves shall include:

(i) Adjustments for revenues which will be received and expenditures which will be made before the beginning of the fiscal year to which the budget relates; and

(ii) Separate, designated reserves for each part of the Property for which capital expenditures or major maintenance will exceed Ten Thousand and No/100 Dollars (\$10,000.00). Parts of the Property for which capital expenditures or major maintenance will not exceed Ten Thousand and No/100 Dollars (\$10,000.00) may be aggregated in a single designated reserve.

(d) The Board may not exceed its total adopted annual operating budget by more than twenty percent (20%) during the fiscal year to which the budget relates, except in emergency situations. Prior to the imposition or collection of an assessment under this paragraph, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Owners with the notice of assessment.

(e) As used herein:

"Capital expenditure" means an expense that results from the purchase or replacement of an asset whose life is greater than one (1) year, or the addition of an asset that extends the life of an existing asset for a period greater than one (1) year.

"Emergency situation" means extraordinary expenses:

(i) Required by an order of a court;

(ii) Necessary to repair or maintain any part of the Property for which the Association is responsible where a threat to personal safety on the Property is discovered;

(iii) Necessary to repair any part of the Property for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the annual operating budget; or

(iv) Necessary to respond to any legal or administrative proceeding brought against the Association that could not have been reasonably foreseen by the Board in preparing and distributing the annual operating budget; or

(v) Necessary for the Association to obtain adequate insurance for the property which the Association must insure.

"Major maintenance" means an expenditure for maintenance or repair that will result in extending the life of an asset for a period greater than one (1) year.

"Replacement reserves" means funds for the upkeep, repair or replacement of those parts of the Property, including, but not limited to roofs, walls, decks, paving and equipment, that the Association is obligated to maintain.<sup>16</sup>

SECTION 4. Documents to be Given to Directors. The Association at its own expense shall provide all Board members with a current copy of the Declaration, these Bylaws and the house rules and, annually, a copy of the Act, with amendments.<sup>17</sup>

SECTION 5. Employment of Managing Agent. Except as herein otherwise provided with respect to the initial Managing Agent, the Board of Directors shall at all times employ a responsible Managing Agent to manage and control the Property, subject at all times to direction by the Board, with such administrative functions and powers as shall be delegated by the Board. The compensation of the Managing Agent shall be specified by the Board. The Hotel Operator shall serve as the initial Managing Agent for the term of the Hotel Management Contract.

The Managing Agent shall have such powers and duties as may be necessary or proper in connection with (a) supervision of the immediate management and operation of the Project, (b) maintenance, repair, replacement and restoration of the common elements and any additions or alteration thereto, (c) the purchase, maintenance and replacement of any equipment, (d) provision for service of all utilities to the building and the various Apartments, (e) employment, supervision and dismissal of such personnel as it deems necessary for the maintenance and operation of the Project, (f) conclusion of contracts with others for the furnishing of such services as it deems proper for the Project, (g) preparation of a proposed budget and schedule of assessments, (h) collection of all assessments and payment of all bills, (i) purchase of such insurance as is contemplated by these Bylaws, (j) custody and control of all funds, (k) maintenance of books and records on a cash basis and (l) preparation of financial reports.

The Board of Directors may in its discretion limit any of the powers herein granted to the Managing Agent or grant additional powers to the Managing Agent.

Upon written request of any Apartment Owner, the Managing Agent shall deliver a written statement of the status of the account of such Apartment Owner.

SECTION 6. Election and Term of Office. Election of Directors shall be by cumulative voting at each annual meeting of the Apartment Owners and any special meeting called for that purpose. At the first annual meeting of the Apartment Owners, the term of office of three members of the Board of Directors shall be fixed at two (2) years and the term of office of two members of the Board of Directors shall be fixed at one (1) year. After the expiration of the term of office of each of the initial members, each successor

member of the Board of Directors shall be elected to serve for a term of two (2) years. Each member of the Board of Directors shall continue to exercise the powers and duties of the office until his successor shall have been elected by the Apartment Owners.

SECTION 7. Removal of Directors. At any regular or special meeting of Apartment Owners, any one or more of the members of the Board of Directors may be removed with or without cause by a majority of the Apartment Owners and a successor shall<sup>18</sup> then or thereafter be elected for the remainder of the term to fill the vacancy thus created; provided that an individual Director shall not be removed (unless the entire Board is removed) if Owners having sufficient votes to elect one Director by cumulative voting present at such meeting shall vote against his removal. Any member of the Board of Directors whose removal is proposed by the Apartment Owners shall be given an opportunity to be heard at the meeting. If such removal and replacement is to occur at a special Association meeting, the call for such meeting shall be by the President or by a petition to the Secretary or Managing Agent signed by not less than twenty-five percent (25%) of the Apartment Owners as shown in the Association's record of ownership; and provided further that if the Secretary or Managing Agent shall fail to send out the notices for the special meeting within fourteen (14) days of receipt of the petition, then the petitioners shall have the authority to set the time, date and place for the special meeting and to send out the notices for the special meeting in accordance with the requirements of the Bylaws. Except as otherwise provided herein, such meeting for the removal and replacement from Office of Directors shall be scheduled, noticed and conducted in accordance with these Bylaws.<sup>19</sup> In addition, if any Director shall fail to attend four (4) consecutive regular meetings of the Board for any reason, the Board by a vote of a majority of the other members may remove him and select a replacement to serve his unexpired term.

SECTION 8. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a member thereof by a vote of the Apartment Owners, shall be filled by a vote of a majority of the remaining members at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy, even though the members present at such meeting may constitute less than a quorum, and each person so elected shall be a member of the Board of Directors for the remainder of the term of the member whose vacancy he fills and until a successor shall be elected at the next annual meeting of the Apartment Owners.

SECTION 9. Annual Meetings. The first meeting of the Board of Directors following the annual meeting of the Apartment Owners shall be held at the place of and immediately following each annual meeting of the Association, and no notice shall be necessary to the newly elected members of the Board of Directors in order legally to constitute such meeting, provided a majority of the whole Board of Directors shall be present thereat. At such meeting the Board shall elect the officers of the Association for the ensuing year. Notice of the annual Board of Directors meeting shall be given in a reasonable manner at least fourteen days, if practicable, prior to such meeting and may be included with any notice of the annual meeting of the Association.

reasonable manner at least fourteen days, if practicable, prior to such meeting and may be included with any notice of the annual meeting of the Association.

SECTION 10. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each member of the Board of Directors in writing at least three (3) business days prior to the day named for such meeting.

SECTION 11. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days' written notice to each member of the Board of Directors, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice by the written request of at least three (3) members of the Board of Directors.

SECTION 12. Executive Session. The Board, with the approval of a majority of a quorum of its members, may adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters or litigation in which the Association is or may become involved. The nature of any and all business to be considered in executive session shall first be announced in open session.<sup>20</sup>

SECTION 13. Attendance of Meetings by Members. All meetings of the Board, other than executive sessions, shall be open to all members of the Association, and Association members who are not on the Board may participate in any deliberation or discussion, other than executive sessions, unless a majority of a quorum of the Board votes otherwise.<sup>21</sup>

SECTION 14. Posting of Notice. Whenever practicable, notice of all Board meetings shall be posted by the resident manager or a member of the Board in prominent locations within the Project seventy-two (72) hours prior to the meeting or simultaneously with notice to the Board of Directors.<sup>22</sup>

SECTION 15. Minutes of Meetings. The minutes of meetings of the Board of Directors and Association of Apartment Owners shall include the recorded vote of each Board member on all motions except motions voted on in executive session.<sup>23</sup>

SECTION 16. Waiver of Notice. Any member of the Board of Directors may at any time waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the timely receipt of such notice. Attendance by a member of the Board of Directors at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the members of the Board of Directors

are present at any meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

SECTION 17. Rules of Order. All meetings of the Board of Directors shall be conducted in accordance with Roberts Rules of Order or other accepted rules for the conduct of meetings adopted by the Association.

SECTION 18. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the members thereof shall constitute a quorum for the transaction of business; and the votes of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

SECTION 19. Compensation. (a) No member of the Board of Directors shall receive any compensation from the Association for acting as such, but may be reimbursed for actual expenses incurred in the course of acting as such Director provided that, Directors shall not expend Association funds for their travel, Directors' fees or per diem unless the Owners are informed and a majority approves of the expenses.<sup>24</sup>

(b) Directors may expend Association funds, which shall not be deemed to be compensation to the Directors, to educate and train themselves in subject areas directly related to their duties and responsibilities as Directors; provided that the approved annual operation budget include these expenses as separate line items. These expenses may include registration fees, books, videos, tapes, other educational materials, and economy travel expenses. Except for economy travel expenses within the State, all other travel expenses incurred shall be subject to subsection (a) of this Section.<sup>25</sup>

SECTION 20. Conflict of Interest. A member of the Board of Directors shall not vote or cast proxy at any meeting of the Board of Directors on any issue in which he has a conflict of interest. A Director who has a conflict of interest on any issue before the Board shall disclose the nature of the conflict of interest prior to a vote on that issue at the Board meeting and the minutes of the meeting shall record the fact that a disclosure was made.<sup>26</sup>

SECTION 21. Indemnification. The Association shall indemnify every director and officer and his personal representatives against all expenses reasonably incurred by or imposed on him in connection with any action, suit or proceedings to which he may be made a party by reason of being or having been a director or officer of the Association, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for negligence or misconduct; and in the absence of such final adjudication, indemnification shall be provided only in connection with such matters as to which the

Association is advised by its legal counsel that the person to be indemnified committed no such breach of duty. The foregoing right of indemnification shall not be exclusive of any other rights to which such person may be entitled.

SECTION 22. Fidelity Bonds. The Board of Directors shall require that all directors, officers, employees and agents of the Association handling or responsible for funds belonging to or administered by the Association furnish adequate fidelity bonds in favor of the Association. The premiums on such bonds shall be paid by the Association. Such bonds shall in no event be in an amount less than one and one-half times the Association's estimated annual operating expenses and reserves and every such bond shall:

(a) Provide that the bond(s) may not be cancelled or substantially modified (including cancellation for nonpayment 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; and

(b) Contain a waiver of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

#### ARTICLE IV

#### OFFICERS

SECTION 1. Designation. The principal officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgment may be necessary. All officers shall be members of the Board of Directors.

SECTION 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board of Directors.

SECTION 3. Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

SECTION 4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Apartment Owners and the Board of Directors. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the laws of the State of Hawaii, including, but not limited to, the power to appoint committees from among the Apartment



Owners from time to time as he may in his discretion decide to be appropriate to assist in the conduct of the affairs of the Association.

SECTION 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act temporarily in the place of the President. The Vice President shall also perform such other duties as shall be imposed upon him by the Board of Directors or by the President.

SECTION 6. Secretary. The Secretary shall keep the minutes of all meetings of the Apartment Owners and the Board of Directors; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary of a corporation organized under the laws of the State of Hawaii. The duties of the Secretary may be delegated to the Managing Agent.

SECTION 7. 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. He shall be responsible for the deposit of all moneys and other valuable effects of the Association in such depositories as may be designated by the Board of Directors; and he shall, in general, perform all the duties incident to the office of Treasurer of a corporation organized under the laws of the State of Hawaii. The duties of the Treasurer may be delegated to the Managing Agent.

SECTION 8. Agreements, Contracts, Deeds, Checks and Other Instruments. All agreements, contracts, deeds, leases, checks and other instruments of the Association, including any amendments to the Bylaws as hereafter provided, shall be executed by any two of the President, Vice President, Secretary or Treasurer, or by such other person or persons (including the Managing Agent) as may be designated by the Board of Directors.

SECTION 9. Compensation of Officers. No officer shall receive any compensation from the Association for acting as such, but may be reimbursed for actual expenses incurred in the course of acting as such officer provided that, Directors shall not expend Association funds for their travel, Directors' fees or per diem unless the Owners are informed and a majority approves of the expenses.<sup>27</sup>

SECTION 10. Auditor. (a) The Association shall appoint annually a public accountant or accounting firm as auditor, who shall not be an officer of the Association nor own any interest in any apartment, to audit the books and financial records of the Association as required by law or directed additionally by the Board of Directors. The Association shall also require no less than one annual unannounced verification of the Association's cash balance by a public accountant.<sup>28</sup> The members of the Association may by majority vote at any annual meeting require that the yearly audit be conducted by a

certified public accountant or a firm of certified public accountants. Any institutional holder of a first mortgage on an apartment may request, and the Association shall provide it with, a copy of any annual audited financial statement within ninety (90) days following the end of any fiscal year of the Association.

(b) The Board of Directors shall make available a copy of the annual audit to each Apartment Owner at least thirty (30) days prior to the annual meeting which follows the end of the fiscal year. The Board shall provide upon all official proxy forms a box wherein the Owner may indicate that the Owner wishes to obtain a copy of the annual audit report. The Board shall not be required to submit a copy of the annual audit report to the Owner if the proxy form is not marked. If the annual audit has not been completed by that date, the Board shall make available:

(i) An unaudited year end financial statement for the fiscal year to each Apartment Owner at least thirty (30) days prior to the annual meeting; and

(ii) The annual audit to all Owners at the annual meeting or as soon as the audit is completed, whichever occurs later.

If the Association's fiscal year ends less than two (2) months prior to the convening of the annual meeting, the year to date unaudited financial statement may cover the period from the beginning of the Association's fiscal year to the end of the month preceding the date on which notice of the annual meeting is mailed.<sup>29</sup>

## ARTICLE V

### MAINTENANCE AND ALTERATION OF PREMISES

SECTION 1. Maintenance and Repair of Apartments. Each Owner of an Apartment shall, at the Owner's expense, keep the Apartment and all fixtures and equipment therein in good order, condition and repair and do such repainting and redecorating as may be necessary to maintain the good appearance and condition of his Apartment. Each Owner shall be responsible for the maintenance, repair and replacement of any plumbing fixtures, water heater, heating or cooling equipment, lighting fixtures, refrigerator, garbage disposal, range and similar equipment installed in his Apartment and not part of the common elements.

SECTION 2. Maintenance and Repair of Common Elements. All maintenance, repairs 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 of Directors and be charged to all the Owners as a common expense; provided, that (1) the costs of maintenance, repairs and replacements necessitated by the negligence, misuse or neglect of an identified Apartment Owner shall be charged to such Apartment Owner as a special assessment constituting a lien on such Owner's Apartment in accordance with Section 4 of

Article VI hereof and (2) all costs of maintenance, repair, replacement, additions and improvements to any limited common elements shall be charged to the Owner of the Apartment to which such limited common elements are appurtenant as a special assessment constituting a lien on such Owner's Apartment in accordance with Section 4 of Article VI hereof.

SECTION 3. Alteration of the Project. (a) Additions, alterations, repairs or improvements to the common or limited common elements of the Project may be made only by or at the direction of the Board of Directors, except as provided for in the Declaration. No owner of a Residential Apartment may, except with the written permission of the Board of Directors, make any alteration, addition, repair or improvement to any of the common elements including, without limitation, common or limited common elements within, encompassing or adjacent to his Apartment, except that such approval shall not be required for additions, alterations, repairs or improvements required by law.

(b) Whenever in the judgment of the Board of Directors the common or limited common elements shall require additions, alterations, repairs or improvements with a total cost of less than Ten Thousand Dollars (\$10,000.00), the Board of Directors may proceed with such additions, alterations, repairs or improvements and shall assess the cost thereof as a common expense. Any additions, alterations, repairs or improvements costing in excess of Ten Thousand Dollars (\$10,000.00) may be made by the Board of Directors only after obtaining approval by a majority of the Owners.

SECTION 4. Alterations over \$50,000. Neither any Apartment Owner nor the Association will make or suffer any additions, alterations, repairs or improvements of the Project, change the grading or drainage of the Project, where the same involves an expenditure in excess of \$50,000 in any one instance, except in accordance with complete plans and specifications and detailed plot plans therefor first approved (as to the attractiveness of the exterior design and structural integrity) in writing by Developer. The Association will deposit with Developer, before commencing construction of any improvements or before remodeling, repairing, or altering the Project, where the same involves an expenditure in excess of more than Fifty Thousand Dollars (\$50,000.00), a bond or certificate thereof naming Developer as obligee, in a penal sum not less than one-half (1/2) of the cost of such construction, remodeling, repairing, or altering and in form and with surety satisfactory to Developer, securing the completion of such construction, remodeling, repairing, or altering free and clear of all mechanics' and materialmen's liens.

SECTION 5. Alterations and Additions to Apartments. No Owner shall do any work which could jeopardize the soundness or safety of the Property, 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 (75%) percent of the Owners, together with the consent of all Owners whose units or limited common elements appurtenant thereto are directly affected, being first obtained; provided that nonmaterial structural additions to the common elements,

including, without limitation, the installation of solar energy devices or additions to or alterations of a unit made within such unit or within a limited common element appurtenant to and for the exclusive use of the Apartment shall require approval only by the Board and such percentage, number or group of Owners as may be required by the Declaration or these Bylaws. "Nonmaterial structural additions to the common elements" as used herein, shall mean a structural addition to the common elements which does not jeopardize the soundness or safety of the Property, reduce the value thereof, impair any easement or hereditament, detract from the appearance of the Project, interfere with or deprive any nonconsenting Owner of the use or enjoyment of any part of the Property, or directly affect any nonconsenting Owner. For purposes of this section, "solar energy device" means any new identifiable facility, equipment, apparatus or the like which makes use of solar energy for heating, cooling or reducing the use of other types of energy dependent upon fossil fuel for its generation; provided that if the equipment sold cannot be used as a solar device without its incorporation with other equipment, it must be installed in place and ready to be made operational in order to qualify as a "solar energy device".<sup>30</sup>

**SECTION 6. Exemptions For Handicapped Persons.** Notwithstanding anything to the contrary contained in the Declaration, these Bylaws or the House Rules, and subject to reasonable administrative requirements as set forth in the House Rules, handicapped residents shall: (1) be permitted to make reasonable modifications to their Apartments and/or the common elements at their expense (including without limitation the cost of obtaining any bonds required by the Declaration or these Bylaws), if such modifications are necessary to enable them to use and enjoy their Apartments and/or the common elements, as the case may be; and (2) be allowed reasonable exemptions from the Declaration, these Bylaws and the House Rules, when necessary to enable them to use and enjoy their Apartments and/or the common elements.<sup>31</sup>

## ARTICLE VI

### COMMON EXPENSES, APARTMENT EXPENSES, TAXES AND ACCOUNTING

**SECTION 1. Common Expenses.** (a) **Expenses Included.** Accounting for common expenses shall commence with respect to each Apartment as of the date of issuance by the appropriate County authority of a Certificate of Occupancy comprehending the Apartment. Common expenses shall be assessed and paid as provided in subsection (b) below and shall include all charges for taxes (except real property taxes and other such taxes which are or may hereafter be assessed separately on each Apartment and the common interest in the common elements appertaining thereto or the personal property or any other interest of the Owner), assessments, insurance (including fire and other casualty and liability insurance), costs of repair, reinstatement, rebuilding and replacement of the premises, costs of yard, janitorial and other similar services, wages, accounting and legal fees, management fees and other necessary expenses of upkeep, maintenance, management and operation actually incurred on or for the common elements, excluding limited common elements. The cost of all utility services (including water, electricity and gas, garbage disposal and any other

similar services for both Residential and Commercial Apartments) shall be a common expense for collection purposes, but shall be allocated as set forth in Section 1(d)<sup>32</sup> below. The cost of insurance premiums shall be a common expense, but shall be allocated as set forth in Section 8 of Article VII. The common expenses may also include such amounts as the Board of Directors may deem proper to make up any deficit in the common expense assessments for any prior year and a reserve fund for the operation and maintenance of the Property, including, without limitation, anticipated needs for working capital of the Project, and for replacements, repairs and contingencies.

(b) Method of Determining and Paying Assessments. The Owner of each Apartment shall be liable for and pay a share of the common expenses in the proportion to his interest in the common elements, provided, herein, that special provisions have been made for utility expense and insurance premium allocation as set forth in Section 1(d)<sup>33</sup> of this Article VI and Section 8 of Article VII, respectively, and as contemplated by Section 514A-15.5, H.R.S. Assessments of common expenses shall be payable in monthly installments on the first day of each month, commencing with respect to each Apartment on the first day of the first month following issuance of a Certificate of Occupancy by the appropriate County agency comprehending such Apartment. The Developer shall fix the rate of the monthly installments of common expenses until such rate shall be redetermined by the Board of Directors. The Board of Directors shall annually determine the rate of common expense assessments and shall send written notice to each Apartment Owner of the amount of the monthly installments applicable to such Owner's Apartment not less than thirty (30) days in advance of the beginning of such annual assessment period. The Board of Directors may from time to time during any year increase the assessment rate or impose a special assessment to make up any existing deficiency whenever for any reason the rate then in effect shall prove inadequate, provided that the Board of Directors shall send to all Apartment Owners written notice of any such increase or special assessment not less than thirty (30) days before the effective date of such increase or assessment. Any portion of an Owner's assessments used or to be used by the Association for capital improvements or any other capital expenditure shall not be treated as income to the Association but shall be treated as a capital contribution by the Owners to the Association and shall be credited by the Association upon its books as paid-in-surplus. Payments of common expenses shall be made to the Board as agent of the Owners of the Apartments, and the Board shall transmit such payments on behalf of each such Owner to the third person entitled to such payments from each Owner.<sup>34</sup>

(c) Association of Apartment Owners Fund; Handling and Disbursement. All funds collected by the Association or by the Managing Agent shall be:

(i) Deposited in a financial institution located in the state whose deposits are insured by an agency of the United States government;

(ii) Held by a corporation authorized to do business under Article 8 of Chapter 412; or

(iii) Invested in the obligations of the United States government.<sup>35</sup>

(d) Apportionment of utility expenses. The cost of utility services to any Commercial Apartment which is separately metered or check metered shall be payable by the Owner of such Commercial Apartment. For certain utilities, the Residential Apartments will have a single set of separate meters or check meters serving all 740 Residential Apartments. The Owners of the Residential Apartments shall share in the costs of any such utility services based upon the ratio of their respective interests in the common elements of the Project to the total common interests for all of the Residential Apartments in the Project. The apportionment of all remaining utility expenses for the Project shall be determined by the Board as follows: Upon completion of construction of the Project as evidenced by a certificate of substantial completion issued by the Architect of the Project, and thereafter from time to time during each calendar year, at least once in each calendar year, the Board shall estimate for the following twelve-month period the consumption and cost of water, electricity, gas, fuel, oil, sewage, drainage, and other utilities not separately metered or check metered and to be furnished (1) to each Commercial Apartment and its appurtenant limited common elements, (2) the Residential Apartments, and (3) the common elements. Based upon these consumption and cost estimates for each utility service, the Board shall determine for each user category percentages of anticipated use for each utility service. These percentages of anticipated use shall be adjusted from time to time in light of operating experience and shall be used by the Board to fairly and equitably allocate on a monthly basis expenses among (1) each Commercial Apartment and its appurtenant limited common elements, (2) the Residential Apartments, and (3) the common elements. In making consumption and cost estimates, the Board may seek advice from engineers, accountants or such other experts as it deems appropriate. The Board shall also have the right (as a common expense) to install additional check meters or separate meters to gauge utility use. If the Owners of more than fifty percent (50%) of the common interests appurtenant to the Residential Apartments or the Owners of more than fifty percent (50%) of the common interests appurtenant to the Commercial Apartments object in writing to any percentage of anticipated use determination made by the Board, the matter shall be submitted to an independent certified public accountant selected by the Board for review and final determination, which shall be final and binding on all of the Owners, and, if no objection is made within four (4) months after any percentage of anticipated use is established by the Board, the Board's percentage of anticipated use shall be final and binding. If an objection is filed by any Owner or group of Owners, all Owners shall continue to pay expenses according to the allocations determined by the Board until such time as any adjustment may be made by the certified public accountant, after which adjustment the payment of the expenses will be made to take into account the certified public accountant's determination.

**SECTION 2. Payment as Agent.** The Board will pay or cause to be paid, on behalf of the Owners, all common expenses. Each Owner, as principal, shall be liable for and pay his share, determined as provided in the Declaration, of all common expenses; and the Board shall be responsible, as agent for each Owner, only to transmit the payments

made by the Owner to third persons to whom such payments must be made by the Owner. The Board collecting the common expenses shall not be liable for payment of such common expenses as principal but only as the agent of all Owners to transmit said payments to third persons to whom such payments must be made by the Owners.

**SECTION 3. 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. Each Owner shall be obligated to pay to the Board his proportionate share of any assessment by the Board for any portion of taxes or assessments, if any, assessed against the entire premises or any part of the common elements as a whole and not separately, such payment to be made as directed by the Board. If, in the opinion of the Board, any taxes or assessments may be a lien on the entire premises or any part of the common elements, the Board may pay such taxes or assessments as part of the common expenses. Such assessments by the Board shall be secured by the lien created by Section 4 of this Article VI.

**SECTION 4. Default in Payment of Assessments.**

(a) No Owner shall withhold any assessment claimed by the Association. An Owner who disputes the amount of an assessment may request a written statement clearly indicating:

(i) The amount of common expenses included in the assessment, including the due date of each amount claimed;

(ii) The amount of any penalty, late fee, lien filing fee and any other charge included in the assessment;

(iii) The amount of attorneys' fees and costs, if any, included in the assessment;

(iv) That under Hawaii law, an Owner has no right to withhold assessments for any reason;

(v) That an Owner has a right to demand mediation or arbitration to resolve disputes about the amount or validity of the Association's assessment, provided the Owner immediately pays the assessment in full and keeps assessments current; and

(vi) That payment in full of the assessment does not prevent the Owner from contesting the assessment or receiving a refund of amounts not owed.

(b) An Owner who pays the full amount claimed by the Association may file in small claims court or require the Association to mediate to resolve any disputes concerning the amount or validity of the Association's claim. If an Owner and the Association are unable to resolve the dispute through mediation, either party may file for arbitration under part VII of the Act; provided that an Owner may only file for arbitration if all amounts claimed by the Association are paid in full on or before the date of filing. If the Owner fails to keep all Association assessments current during the arbitration, the Association may ask the arbitrator to temporarily suspend the arbitration proceedings. If the Owner pays all Association assessments within thirty days of the date of suspension, the Owner may ask the arbitrator to recommence the arbitration proceedings. If the Owner fails to pay all Association assessments by the end of the thirty day period, the Association may ask the arbitrator to dismiss the arbitration proceedings. The Owner shall be entitled to a refund of any amounts paid to the Association which are not owed.<sup>36</sup>

(c) Each monthly 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 ten (10) days after the due date thereof 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 of Directors may have, the Board of Directors may enforce each such obligation as follows:

(i) By suit or suits to enforce such assessment obligations. Each such action must be authorized by a majority of the Board at a regular or special meeting thereof, 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 thereof, acting in the name of the Board, to execute and deliver to the judgment debtor an appropriate satisfaction thereof;

(ii) At any time within ninety (90) days 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 to 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 Bylaws and the 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 enforcement, 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 and shall be dated as of the date of the execution by such attorney or the last such Board member to execute such claim of lien. Upon recordation of a duly executed original or copy of such claim of lien with the Bureau of Conveyances of the State of Hawaii and filing in the Office of the Assistant Registrar of the Land Court, the Board shall have all remedies provided in Section 514A-90, HRS. 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; and

(iii) For the purposes of this Section 4, a certificate executed and acknowledged or made under penalty of perjury by any two members of the Board shall be conclusive upon the Board and the Owners in favor of any and all persons who rely thereon in good faith as to the matters therein contained, and any Owner shall be entitled to such a certificate setting forth the amount of any due and unpaid assessments with respect to his 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 not to exceed Ten Dollars (\$10.00). If any claim of liens 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 a reasonable fee, not to exceed Ten Dollars (\$10.00), 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 in the Bureau of Conveyances and that the lien is fully satisfied, released and discharged.<sup>37</sup>

**SECTION 5. Waiver.** The failure of the Board to insist in any one or more instances upon a strict performance of or compliance with any of the covenants of the Owner hereunder or to exercise any right or option herein contained or to serve any notice or to institute any action or summary proceeding shall not be construed as a waiver or a relinquishment for the future, of such covenant, option or right, but such covenant, option or right shall continue and remain in full force and effect. The receipt by the Board of any sum paid by the Owner hereunder, with or without knowledge by the Board of the breach of any covenant hereof, shall not be deemed a waiver of such breach; and no waiver, express or implied, by the Board of any provision hereof shall 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 of Directors.

**SECTION 6. Collection from Tenant.** If the Owner at any time rents or leases his Apartment and defaults for a period of thirty (30) days or more in the payment of the Owner's share of the common expenses, the Board may, so long as such default continues, demand and receive from any renter or lessee (hereinafter in this paragraph 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 interest and costs of enforcement if any; and 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 acknowledgment of surrender of any rights or duties hereunder. If the Board makes any such demand upon the lessee, 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; provided, that 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 7. Books of Account; Audit.** The Board, on behalf of all Owners, will maintain or cause to be maintained books of account of the common expenses in accordance with recognized accounting practices and will have such books of account available for inspection by any Owner or his authorized representative at reasonable business hours at the address of the Project or elsewhere in the State as determined by the Board of Directors. Within thirty (30) days after the end of each fiscal year of the Association, the Board will render or cause to be rendered to each Owner a statement (determined on a cash basis) of all receipts and disbursements during the preceding year. Any Owner may, at his expense, cause an audit or inspection to be made of the books and records of the Association.

The Board shall make available a copy of the annual audit to each Apartment Owner at least thirty (30) days prior to the annual meeting which follows the end of the fiscal year. The Board shall provide upon all official proxy forms a box wherein the Owner may indicate that the Owner wishes to obtain a copy of the annual audit report. The Board shall not be required to submit a copy of the annual audit report to the Owner if the proxy form is not marked. If the annual audit has not been completed by that date, the Board shall make available:

(a) An unaudited year-end financial statement for the fiscal year to each Apartment Owner at least thirty (30) days prior to the annual meeting; and

(b) The annual audit to all Owners at the annual meeting, or as soon as the audit is completed, whichever occurs later.

If the Association's fiscal year ends less than two (2) months prior to the convening of the annual meeting, the year-to-date unaudited financial statement may cover the period from the beginning of the Association's fiscal year to the end of the month preceding the date on which notice of the annual meeting is mailed.<sup>38</sup>

## ARTICLE VII

### INSURANCE AND RESTORATION

**SECTION 1. Fire and Extended Coverage Insurance.** The Board shall procure and at all times maintain from a company or companies qualified to do business in Hawaii having a financial rating by Best's Insurance Reports of Class VI or better (and, if necessary to procure the required coverage, from other companies) a policy or policies (hereinafter in this Section 1 called the "Policy") of fire insurance, with 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 Project is located in an identified flood hazard area as designated by the Department of Housing and Urban Development), for an amount as nearly as practicable 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, in accordance with the as-built condominium plans and specifications, 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 thereby, 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 of Apartment Owners. The Policy:

(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 or 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 may not be cancelled or substantially modified by the insurer except by giving to the Board and the Owner and any mortgagee of each Apartment who shall have requested such notice from the insurer thirty (30) days' written notice of such cancellation;

(d) Shall contain a provision waiving any right of the insurer to repair, rebuild or replace if a decision is made pursuant to Section 5 of this Article VII not to repair, reinstate, rebuild or restore the damage or destruction;

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

(f) Shall contain a standard mortgage clause which:

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

(ii) 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;

(iii) Shall waive (A) any provision invalidating such mortgage 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 lessee 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;<sup>39</sup>

(iv) Shall provide that, without affecting the protection afforded to the mortgagee by such mortgage clause, any proceeds payable under such clause, if in excess of Ten Thousand Dollars (\$10,000.00), shall be payable to a corporate trustee selected by the Board who 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

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

(g) Shall provide for payment of the proceeds to the Insurance Trustee if the total proceeds payable on account of any one casualty exceed Ten Thousand Dollars (\$10,000.00); and

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

**SECTION 2. Comprehensive Liability Insurance.** The Board shall procure and maintain from a company or companies qualified to do business in Hawaii (and, if necessary to procure the required coverage, from other companies) a policy or policies (hereinafter in this Section 2 called the "Policy") of public liability insurance to insure the Board, the Developer, each Apartment Owner, and the Managing Agent and other employees of the Association of Apartment Owners 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 \$100,000 for damage to property, not less than \$300,000 for injury to one person and not less than \$1,000,000 for personal injury and property damage arising out of a single occurrence. The Policy:

(a) Shall, if obtainable, not relieve the insurer from liability because of loss occurring while the hazard is increased in the building, whether or not within the control or knowledge of 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 Owner or tenant of any Apartment;

(b) Shall provide that the Policy may not be cancelled by the insurer except by giving to the Board and to the Owner of each Apartment and any mortgagee who shall have requested such notice of the insurer in writing thirty (30) days' written notice of such cancellation;

(c) Shall contain a waiver by the insurer of any right of subrogation to any right of the Board, the Developer or the Owners against any of them or any other persons under them; and

(d) Shall contain a "severability of interest" endorsement, precluding the insurer from denying the claim of an apartment owner because of negligent acts of the Association or other Owners.

**SECTION 3. Insurance Against Damage to Exterior Glass and Additional Risks.** The Board may procure insurance against damage to exterior glass and such additional risks as the Board may deem advisable for the protection of the Apartment Owners of a character normally carried with respect to properties of comparable character and use.

**SECTION 4. Miscellaneous Insurance Provisions.** The Board shall review at appropriate intervals in time the adequacy of its insurance program. At the request of any mortgagee of any Apartment, the Board shall furnish to such mortgagee a copy of the Policy described in Section 1 of this Article and of any other policy to which a mortgagee endorsement shall have been attached. Copies of every policy of insurance procured by the Board shall be available for inspection by an Apartment Owner (or purchaser holding a contract to purchase an interest in an Apartment) at the office of the Managing Agent. Any coverage procured by the Board shall be without prejudice to the right of the Owners of Apartments to insure such Apartments and the contents thereof for their own benefit at their own expense.

**SECTION 5. Damage and Destruction.** 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 from the maintenance fund. If the maintenance fund is insufficient for this purpose, the Board shall levy a special assessment on all the Owners of Apartments in the proportions prescribed pursuant to the Declaration for the allocation of common expenses.

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 the Declaration and this Section 5 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 for the disbursement of insurance proceeds.

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 Section 5. If the insurance proceeds are insufficient to pay all the costs of repairing and rebuilding all damaged Apartments as well as the common elements, the Board is expressly authorized to pay such costs in excess of the insurance proceeds from the maintenance fund, and if the maintenance fund is insufficient for this purpose, the Board shall levy a special assessment on the Owners of Apartments in the proportions prescribed pursuant to the Declaration for the allocation of common expenses. The special assessment shall be secured by the lien created under Section 4 of Article VI hereof.

If a decision is made in accordance with the Declaration, this section and the 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 building that is to be reconstructed in accordance with this section. If a decision is made to eliminate an Apartment, the common interests and other rights of the remaining Apartment Owners in the Project shall be adjusted by amendment of the Declaration pursuant to Section 514A-13(b), HRS, and Section 16 of the Declaration; provided, that the common interest of any Owner shall not be altered without his consent. The owner of any eliminated Apartment shall be discharged from all obligations to the Project after proper amendment of the Declaration. Alternatively, if the Declaration is not amended so as to discharge the Owners of eliminated Apartments of all obligations to the Project 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, HRS, convey his interest to the Board of Directors on behalf of all other Apartment Owners and thereby be discharged of all obligations to the Project. The Owner of any eliminated Apartment may, in addition to his 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 to 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 law or regulation 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 Apartment Owner or lessee. To the extent that any loss, damage or destruction to the property of any Apartment Owner or lessee is covered by insurance procured by such Owner or lessee, such Owner or



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

SECTION 6. Disposition of Buildings. If the common elements of the Project suffer substantial damage within the meaning of Section 514A-21(a)(2), HRS, and if Apartment Owners holding seventy-five percent (75%) or more of the common interests of the Project shall agree in writing that the Project need not be rebuilt, any insurance proceeds shall be used to remove any remaining improvements on the land included in the Project, and the balance of such insurance proceeds, if any, shall be allocated among the Apartment Owners and their mortgagees, in accordance with the interest in the common elements appurtenant to each Apartment.

SECTION 7. Notice of Right to Vote Against Rebuilding. Within ten (10) days after the occurrence of any damage or destruction with respect to which some or all of the Apartment Owners will have the right, pursuant to Section 13<sup>40</sup> of the Declaration, to vote against any proposed rebuilding or restoration, the Board of Directors shall send notice to all such Owners so entitled to vote. 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, and any other information deemed relevant by the Board of Directors.

SECTION 8. Apportionment of Insurance Premiums. The Owners of the Commercial Apartments shall bear all premiums on the fire and extended coverage policy (the "Fire Policy") required under Section 1 of this Article VII fairly allocable to that portion of the Fire Policy which pertains to insuring those common elements, limited common elements, exterior and interior walls, floors, ceilings and exterior glass (if covered by the Fire Policy) primarily designed or intended for, exclusively reserved to, or included within the Commercial Apartments. The Owners of Residential Apartments shall bear all premiums on the Fire Policy fairly allocable to that portion of the Fire Policy which pertains to insuring those common elements, limited common elements, exterior and interior walls, floors, ceilings and exterior glass (if covered by the Fire Policy) primarily designed or intended for, exclusively reserved to, or included within the Residential Apartments. To the extent that the premiums on the Fire Policy shall be greater or less by reason of the application of a special rate instead of the rate which would be applicable to an otherwise similar project without the Commercial Apartments, such difference shall be borne by or credited to the owners of apartments responsible for such difference. The remainder of all premiums on the policy shall be borne by all apartment owners in proportion to their respective common interests. The Board of Directors shall be responsible for the allocation of the insurance premiums among the five Commercial Apartments and the Residential Apartments on an equitable basis after consultation with the insurance carrier or other person qualified by education and experience to render advice on such matters. The premiums for the liability

insurance required under Section 2 of this Article VII shall be equitably allocated by the Board of Directors upon advice of the insurer among the Owners of the Commercial Apartments and the Residential Apartments according to the risks insured against and the benefits derived by the Owners or the respective classes of Owners. The Board shall assess such Owners their portion of such premiums in the same manner as provided in Section 1 of Article VI relating to the apportionment of utility expenses. In the event that the Board and one or more of the Owners of the Commercial Apartments are unable to reach agreement on material matters involving such insurance, such Owners may at their option either obtain separate liability insurance covering the condition of the common elements or limited common elements intended for use by or appurtenant to their respective Commercial Apartments or activities thereon, subject to the terms of this paragraph, and such coverage shall not be included in the insurance contracts obtained by the Board relating to the common elements or limited common elements intended for the use of or appurtenant to the Residential Apartments. Notwithstanding the foregoing, with respect to any insurance required under this Article VII, if the Owners of more than fifty percent (50%) of the common interests appurtenant to the Commercial or Residential Apartments object in writing to the premium allocation made by the Board of Directors, the matter shall be submitted to an independent insurance broker or agent selected by the Board of Directors for determination, which shall be final and binding on all of the Owners; and, if no objection is made within four (4) months after any allocation made by the Board of Directors, the Board of Directors' allocation shall be final and binding. If an objection is filed by any Owner or group of Owners, all Owners shall continue to pay expenses according to the allocations determined by the Board of Directors until such time as any adjustment may be made by the independent insurance broker or agent; after which adjustment the payment of the expenses will be made to take into account the insurance broker's or agent's determination.

## ARTICLE VIII

### MORTGAGES

SECTION 1. Notice of Unpaid Common Expenses. The Board of Directors, whenever so requested in writing by a purchaser or mortgagee of an interest in an Apartment, shall promptly report any then unpaid assessments for common expenses due from the Owner of the Apartment involved.

SECTION 2. Notice of Default. When giving notice to an Apartment Owner of a default in paying common expenses or other default, the Board of Directors, shall send a copy of such notice to each holder of a mortgage covering such Apartment or interest therein whose name and address has theretofore been furnished to the Board of Directors.

SECTION 3. Examination of Books. Each mortgagee of an Apartment shall be permitted to examine the books of account 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 4. Mortgage Protection. Notwithstanding all other provisions hereof:

(a) All sums assessed by the Association but unpaid for the share of the common expenses chargeable to any Apartment constitute a lien on the Apartment prior to all other liens, except liens for taxes and assessments lawfully imposed by governmental authority against the Apartment, and all sums unpaid on any mortgage of record which was recorded prior to the recordation of a notice of lien by the Association, and costs and expenses including attorneys' fees provided in such mortgages, provided that after the foreclosure of such mortgage there shall be a lien upon the interests of the purchaser at such foreclosure sale to secure all assessments, whether regular or special, assessed hereunder to such Apartment if falling due after the date of such foreclosure sale, which lien shall have the same effect and be enforced in the same manner as provided in Section 4 of Article VI hereof.<sup>41</sup>

(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 apartments and not to the Project as a whole.

(c) The Declaration and Bylaws shall not give an apartment owner or any other party 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, common elements or both.<sup>42</sup>

SECTION 5. Notice to Board of Directors. An Owner who mortgages his interest in an Apartment shall notify the Board of Directors of the name and address of his mortgagee and within ten (10) days after the execution of the same shall file a conformed copy of the note and mortgage with the Board of Directors. The Board of Directors shall maintain such information in a book entitled "Mortgages of Apartments".

## ARTICLE IX

### CONDEMNATION

In the event of a taking in condemnation or by eminent domain of part or all of the Project, the proceeds of any award of compensation 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).

Proceeds payable to the Condemnation Trustee under this Article IX do not include any compensation of damages for or on account of the Land. Such compensation or damages or both for or on account of the Land are payable to and the sole property of the Developer as fee owner of the Land in accordance with the terms of each Condominium Conveyance Document.<sup>43</sup>

In the event all or any of the Apartments are taken and there is no final judicial determination of the amount of condemnation proceeds allocable to each Apartment so taken, the amount of the condemnation proceeds allocable to each Apartment (including the Apartment's appurtenant interest in the common elements and any limited common elements) shall be determined by a real estate appraiser ("Appraiser") who shall be a member of the American Institute of Real Estate Appraisers, or any successor organization and who shall have acted on behalf of the Apartment Owners in the condemnation proceedings; or, if no such Appraiser shall have acted on behalf of the Apartment Owners or if more than one Appraiser shall have acted on behalf of the Apartment Owners, then an Appraiser with such qualifications shall be selected by the Board of Directors to determine the amount of condemnation proceeds allocable to each Apartment, subject to the right of the affected Apartment Owners, by majority vote within fifteen (15) days after all such affected Apartment Owners receive notice of the appointment of such Appraiser and their right to vote thereon, to require that the Appraiser consist of a panel of three (3) appraisers, in which event the Board of Directors shall select three (3) qualified appraisers to act as Appraiser, and the decision of any two (2) of them shall be the decision of the Appraiser.

If the entire Project is taken, the Condemnation Trustee shall pay to each Apartment Owner and mortgagee, as their interests may appear, the portion of the condemnation proceeds determined by the Appraiser to be allocable to the Owner's Apartment.

In the event of a partial taking of the Project 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 of Directors, then such apartment shall be removed from the Project 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 the debris removal.

In the event of any partial taking of the Project, 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 mortgagee of record of each Apartment in the Project remaining after such taking. Such work shall be undertaken, and disbursements therefor shall be made, in the manner prescribed in Section 5(b) of Article VII 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 costs from the maintenance fund; and, if the maintenance fund is insufficient for this purpose, the Board shall levy a special assessment on the Owners of the remaining Apartments in the proportions prescribed for their sharing of common expenses. Such special assessment shall be secured by the lien created under Section 4 of Article VI hereof.

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 Apartment Owners in accordance with their interest in the common elements prior to the condemnation.

## ARTICLE X

### GENERAL PROVISIONS

**SECTION 1. Rules and Regulations.** The Developer shall initially establish and the Board may thereafter establish and amend such Rules and Regulations as the Developer or the Board, as the case may be, may deem necessary for the operation and use of the common elements and limited common elements, including, without limitation, such aspects of the operation and use of the Apartments as may affect the operation and use of the common elements and limited common elements. The Rules and Regulations may govern Residential Apartment Owners only or provide differing rules for the Commercial Apartments, subject to the requirements of paragraph 16 of the Declaration. The Owner's rights under this instrument shall in all respects be subject to the Rules and Regulations, which shall be deemed to be a part hereof; and each Owner shall abide by all such Rules and Regulations, as the same may from time to time be amended and shall see that the same are faithfully observed by the invitees, guests, employees, and tenants of the Owner; and the Rules and Regulations shall uniformly apply to and be binding upon all occupants of the Residential Apartments.

**SECTION 2. Abatement and Enjoinment of Violations by Apartment Owners.** The violation of any of the Rules and Regulations, the breach of any of these Bylaws or the breach of any provision of the Declaration shall give the Board of Directors the rights in addition to any other rights set forth in these Bylaws:

(a) To enter the Apartment during reasonable hours in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Apartment Owner, any structure, thing or condition that may exist therein in

violation of the Rules and Regulations, these Bylaws or the Declaration; and the Board of Directors shall not thereby be guilty of any trespass; or

(b) To enjoin, abate or remedy by appropriate legal proceedings, the continuance of any such breach, and all costs thereof, including attorneys' fees, shall be paid by the defaulting Apartment Owner on demand.

**SECTION 3. Expenses of Enforcement.** Every Owner shall pay to the Association promptly on demand:

(a) 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 Declaration, Bylaws, House Rules and the Act; or

(iv) The rules and regulations of the real estate commission; against an owner, occupant, tenant, employee of an owner or any other person who may in any manner use the Property 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.<sup>44</sup>

(b) All sums assessed by the Association of Apartment Owners but unpaid for the share of the common expenses chargeable to any Apartment constitute a lien on the Apartment prior to all other liens, except (1) liens for taxes and assessments lawfully imposed by governmental authority against the Apartment, and (2) all sums unpaid on mortgages of record prior to the recordation of notice of a lien by the Association of Apartment Owners and costs and expenses including attorneys' fees provided in such mortgages. The lien of the Association of Apartment Owners may be foreclosed by action by the Manager or Board of Directors, acting on behalf of the Apartment Owners, in like manner as a mortgage of real property. In any such foreclosure the Apartment Owner shall be required to pay a reasonable rental for the Apartment, if so provided in these Bylaws, and the plaintiff in the foreclosure shall be entitled to the appointment of a receiver to collect the same. The Manager or Board of Directors, acting on behalf of the Apartment Owners, may, unless prohibited by the Declaration, bid on the Apartment at foreclosure sale, and acquire and hold, lease, mortgage and convey the same. Action to recover a money

judgment for unpaid common expenses shall be maintainable without foreclosing or waiving the lien securing the same.<sup>45</sup>

(c) If any claim by an Owner is substantiated in any action against the Association, any of its officers or directors or its Board of Directors to enforce any provision of the Declaration, Bylaws, House Rules or the Act, 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:

(i) The Owner first shall have demanded and allowed reasonable time for the Board of Directors to pursue such enforcement; or

(ii) The Owner demonstrates to the satisfaction of the court that a demand for enforcement made to the Board of Directors would have been fruitless.

If any claim by an Owner is not substantiated in any court action against the Association, any of its officers or Directors or the Board of Directors to enforce any provision of the Declaration, Bylaws, House Rules or the Act, then all reasonable and necessary expenses, costs and attorneys' fees incurred by the Association shall be awarded to the Association, unless the action was filed in small claims court or prior to filing the action in a higher court the Owner has first submitted the claim to mediation, or to arbitration under Part VII of the Act, and made a good faith effort to resolve the dispute under any of those procedures.<sup>46</sup>

SECTION 4. Right of Access. The Apartment Owners shall have the irrevocable right, to be exercised by the Board, the Managing Agent and any other person authorized by the Board of Directors or the Managing Agent to have access to each Apartment from time to time during reasonable hours as may be necessary for the operation of the Property or for making emergency repairs therein necessary to prevent damage to the common elements or to another Apartment or Apartments or for the purposes of making inspections or correcting any condition existing in an 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 an Apartment or elsewhere in the building, provided that requests for entry shall be made in advance and any such entry shall be at a time reasonably convenient to the Owner. In case of an emergency, such right of entry shall be granted and effective immediately, whether the Owner is present at the time or not.<sup>47</sup>

SECTION 5. Owners May Incorporate. All of the rights, powers, obligations and duties of the Owners imposed hereunder may be exercised and enforced by a nonprofit membership corporation formed by the Owners under the laws of the State of Hawaii for the purposes herein set forth. Such corporation shall be formed upon the written approval of seventy-five percent (75%) in interest of the voting Owners. The formation of such corporation shall in no way alter the terms, covenants and conditions set forth herein, and

the Articles and Bylaws of such corporation shall be subordinated hereto and controlled hereby. Any action taken by such corporation in violation of any or all of the terms, covenants or conditions contained herein shall be void and of no effect.

SECTION 6. Notices. All notices to the Association shall be mailed or delivered to the Board of Directors, in care of the Managing Agent, or, if there is no Managing Agent, to the office of the Board of Directors or to such other address as the Board of Directors may hereafter designate by notice in writing to all Owners and all mortgagees of Apartments. All notices to any Owner shall be mailed or delivered to the building or to such other address designated by him in writing given to the Board of Directors. Any notices to mortgagees of Apartments shall be sent by mail to their respective addresses, as designated by them in writing given to the Board of Directors. If delivery is made by mail, it shall be deemed to have been delivered 24 hours after a copy of it has been deposited in the United States mail, postage prepaid, addressed to the person to whom the notice is to be given at the address given by such person to the Board of Directors for the purpose of service of such notice or to the apartment which such person owns if no address has been given to the Board of Directors. Such address may be changed from time to time by notice in writing to the Board of Directors. Upon written request for notice delivered to the Board of Directors, the holder of any duly recorded mortgage against any apartment may promptly obtain a copy of any and all notices permitted or required herein to be made to the owner or owners whose apartment unit is subject to said mortgage or deed of trust. Said request for notice need not be renewed and shall entitle the holder of such mortgage requesting such notice to receive all notices sent to the owner or owners whose apartment is subject to said mortgage from and after the date of said request until said request is withdrawn or the mortgage is discharged of record. If notice is given pursuant to the provisions of this section, the failure of any apartment owner to receive actual notice of the meeting shall in no way invalidate the meeting or any proceedings thereat. All notices shall be deemed to have been given when mailed, except notices of change of address, which shall be deemed to have been given when received.

SECTION 7. Captions. The captions herein are inserted only as a matter of convenience and for reference and shall in no way define, limit or prescribe the scope of these Bylaws or the intent of any provision hereof.

SECTION 8. Gender. The use of any gender in these Bylaws shall be deemed to include either or both of the other genders and the use of the singular shall be deemed to include the plural whenever the context requires.

SECTION 9. Waiver. No restriction, condition, obligation or provision in these Bylaws shall be deemed abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

SECTION 10. Interpretation. The provisions of these Bylaws shall be liberally construed to effectuate the purpose of creating a uniform hotel condominium complex



whereby the Owners of Apartments shall carry out and pay for the operation and maintenance of the Project as a mutually beneficial and efficient establishment.

SECTION 11. Amendment. Except as otherwise provided herein, the provisions of these Bylaws, other than this section, may be amended pursuant to Section 514A-82(b)(2), HRS, by the vote or written consent of Apartment Owners owning at least sixty-five percent (65%) of the common interest in the common elements, and evidenced by an instrument in writing, signed and acknowledged by any two officers of the Association of Apartment Owners, which amendment shall be effective upon recordation in the Bureau of Conveyances of the State of Hawaii and filing in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.

Any proposed bylaws with the rationale for the proposal may be submitted by the Board of Directors or by a volunteer Apartment Owners' committee. If submitted by that committee, it shall be accompanied by a petition signed by not less than twenty-five percent (25%) of the Apartment Owners as shown in the Association's record of ownership. The proposed bylaws, rationale and ballots for voting on any proposed bylaw shall be mailed by the Board of Directors to the Apartment Owners at the expense of the Association for vote or written consent without change within thirty days of the receipt of the petition by the Board of Directors. The vote or written consent required to adopt the proposed bylaw shall be not less than sixty-five percent (65%) of all Apartment Owners; provided that the vote or written consent must be obtained within one hundred twenty (120) days after mailing. In the event that the bylaw is duly adopted, then the Board of Directors shall cause the bylaw amendment to be recorded in the Bureau of Conveyances or filed in the Land Court, as the case may be. The volunteer Apartment Owners' committee shall be precluded from submitting a petition for a proposed bylaw which is substantially similar to that which has been previously mailed to the Apartment Owners within one year after the original petition was submitted to the Board; provided, however, that this paragraph shall not preclude any Apartment Owner or voluntary Apartment Owners' committee from proposing any bylaw amendment at any annual Association meeting.<sup>48</sup>

SECTION 12. Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision shall not affect the validity or enforceability of any other provision hereof.

SECTION 13. Exemptions for Handicapped Persons. Notwithstanding anything to the contrary contained in the Declaration, these Bylaws or the Rules and Regulations, and subject to reasonable administrative requirements as set forth in the Rules and Regulations, handicapped residents shall: (1) be permitted to make reasonable modifications to their Apartments and/or the common elements at their expense (including without limitation the cost of obtaining any bonds required by the Declaration or these Bylaws), if such modifications are necessary to enable them to use and enjoy their Apartments and/or the common elements, as the case may be; and (2) be allowed reasonable exemptions from the

Declaration, these Bylaws and the Rules and Regulations, when necessary to enable them to use and enjoy their Apartments and/or the common elements.<sup>49</sup>

IN WITNESS WHEREOF, the undersigned have executed this instrument this 29th day of March, 1996.

ASSOCIATION OF APARTMENT OWNERS  
OF ISLAND COLONY

By: H. J. Stahl  
H. J. STAHL  
Type Name  
Its: PRESIDENT

By: G. Sharman  
G. Sharman  
Type Name  
Its: Secretary

STATE OF Hawaii )  
COUNTY OF Honolulu ) : SS.

On this 29<sup>th</sup> day of March, 1996, before me appeared H. J. Stahl to me personally known, who being by me duly sworn, did say that he is the President of the Board of Directors of the ASSOCIATION OF APARTMENT OWNERS OF ISLAND COLONY; that the foregoing instrument was signed on behalf of said Association by authority of its Board of Directors, and acknowledged that he executed the same as the free act and deed of said Association. Said Association has no seal.

M. J. Muelhood  
Notary Public, State of Hawaii

My Commission Expires: 11/31/99

STATE OF HAWAII )  
CITY & COUNTY OF HONOLULU ) : SS.

On this 17th day of April, 1996, before me appeared G. Sharman to me personally known, who being by me duly sworn, did say that she is the Secretary of the Board of Directors of the ASSOCIATION OF APARTMENT OWNERS OF ISLAND COLONY; that the foregoing instrument was signed on behalf of said Association by authority of its Board of Directors, and acknowledged that she executed the same as the free act and deed of said Association. Said Association has no seal.

Shirley K. ...  
Notary Public, State of Hawaii

My Commission Expires: 8/26/96

## ENDNOTES

The following endnotes correspond to provisions in the Bylaws which have been restated to conform to Hawaii Revised Statutes Chapter 514A, and the Federal Fair Housing Act (42 U.S.C. §§3601 *et seq.*), and to integrate all amendments made to the Bylaws. These Restated Bylaws correctly set forth without change the corresponding provisions of the original Bylaws, as amended, and supersede the original Bylaws and all prior amendments thereto. This Restatement was made solely for purposes of information and convenience. In the event of a conflict, the Restated Bylaws shall be subordinate to the cited statute.

1. To conform to HRS §514A-1.
2. To conform to the redesignation of Section 4 to Section 6 of Article III.
3. To conform to HRS §514A-83.2(a).
4. To conform to HRS §514A-83.2(b).
5. To conform to HRS §514A-96(b).
6. To conform to HRS §514A-83.2(c).
7. To conform to HRS §514A-83.2(d).
8. To conform to HRS §514A-83.2.
9. To conform to HRS §514A-83.4.
10. To conform to the redesignation of Section 3 to Section 5 of Article III.
11. To conform to HRS §514A-83.3.
12. To conform to HRS §514A-83.4(c).
13. To conform to HRS §514A-83.4(b).
14. To conform to HRS §514A-82.4.
15. To conform to HRS §514A-83.6(a).
16. To conform to HRS §514A-83.6.
17. To conform to HRS §514A-82(b)(11).
18. To confirm to HRS §514A-82(b)(1).
19. To conform to HRS §514A-82(b)(1).

20. To conform to HRS §514A-83.1(b).
21. To conform to HRS §514A-83.1(a).
22. To conform to HRS §514A-82(b)(9).
23. To conform to HRS §514A-83.4(a).
24. To conform to HRS §514A-82(b)(10).
25. To conform to HRS §514A-82(b)(12).
26. To conform to HRS §514A-82(b)(5).
27. To conform to HRS §514A-82(b)(10).
28. To conform to HRS §514A-96(a).
29. To conform to HRS §514A-96(b).
30. To conform to HRS §514A-89.
31. To conform to the Federal Fair Housing Act, as amended (42 U.S.C. Sections 3601 et seq.).
32. To conform to the redesignation of Section 1(c) to Section 1(d) of Article VI.
33. To conform to the redesignation of Section 1(c) to Section 1(d).
34. To conform to HRS §514A-92.2.
35. To conform to HRS §514A-97(c).
36. To conform to HRS §514A-90(c).
37. Changes in paragraph designations made solely to comply with format of original Bylaws.
38. To conform to HRS §514A-96.
39. To correct a typographical error.
40. To correct a typographical error in the original Bylaws.
41. To conform to HRS §514A-90(a).
42. To conform to HRS §514A-82(b)(2).

43. To integrate the First Amendment to the Declaration recorded in the Bureau of Conveyances of the State of Hawaii on November 26, 1979 in Liber 14221, at Page 632, and in the Office of the Assistant Registrar of the Land Court as Document No. 979903.
44. To conform to HRS §514A-94(a).
45. To conform to HRS §514A-90(a).
46. To conform to HRS §514A-94(b).
47. To conform to HRS §514A-82(b)(6).
48. To conform to HRS §514A-82(b)(2).
49. To conform to the Federal Fair Housing Act, as amended (42 U.S.C. Sections 3601 et seq.).

OFFICE OF THE  
ASSISTANT REGISTRAR, LAND COURT  
STATE OF HAWAII  
(Bureau of Conveyances)

The original of this document was  
recorded as follows:

DOCUMENT NO. 2304255

DATE APR 25 1996 TIME 3:00

THE ORIGINAL OF THE DOCUMENT  
RECORDED AS FOLLOWS  
STATE OF HAWAII

BUREAU OF CONVEYANCES

APR 25 1996

3:00

DOCUMENT NO.

96-057032

LAND COURT SYSTEM

REGULAR SYSTEM

Return by: Mail [ ] Pickup [XXX] To:

RICHARD S. EKIMOTO, ESQ.  
1000 Bishop Street, Suite 702  
Honolulu, HI 96813  
Telephone: (808) 523-0702  
cky:k&t:restated.doc

**ISLAND COLONY**  
**RESTATED DECLARATION OF CONDOMINIUM PROPERTY REGIME<sup>1</sup>**

WHEREAS, HASEKO HAWAII, INC., a Hawaii corporation, formerly known as Hawaii Takenaka International, Ltd., (the "Developer"), whose principal place of business and post office address is Suite 1814, 745 Fort Street, Honolulu, Hawaii, 96813, is the owner in fee simple of the land described in Exhibit "A" attached hereto and made a part hereof (the "Property"); and

WHEREAS, the Developer has developed the Property as a condominium project (the "Project") as more specifically described herein in accordance with plans incorporated herein by reference, filed in the Bureau of Conveyances of the State of Hawaii as Condominium File Plan No. 583 and filed in the Office of the Assistant Registrar of the Land Court as Condominium Map No. 350 (the Condominium File Plan and the Condominium Map being hereinafter collectively called the "Condominium Map").

WHEREAS, the Developer, by that Declaration of Horizontal Property Regime dated November 28, 1978 and recorded December 8, 1978 in the Bureau of Conveyances of the State of Hawaii in Liber 13332, at Page 585 and in the Office of the Assistant Registrar of the Land Court as Document No. 912095, as amended, and noted on

Transfer Certificate of Title No. 236,721, thereby submitted said Property to a Horizontal Property Regime as established by Chapter 514A, Hawaii Revised Statutes (now known as the Condominium Property Act), as amended (the "Act"), and in furtherance thereof made the following declarations as to divisions, limitations, restrictions, covenants and conditions, and thereby declared that the Property is held and shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, and improved subject to the declaration, restrictions and conditions set forth herein and in the Bylaws (the "Bylaws") of the Association of Apartment Owners (the "Association"), attached thereto and thereby made a part thereof<sup>2</sup>, as the same may from time to time be amended, which declarations, restrictions and conditions shall constitute covenants running with the land, and shall be binding on and inure to the benefit of the Developer, all apartment owners and their respective heirs, successors, personal representatives and assigns, and all subsequent owners and lessees of all or any part of the Project and their respective heirs, successors, assigns and personal representatives;

WHEREAS, by that certain instrument recorded November 26, 1979 in the Bureau of Conveyances of the State of Hawaii in Liber 14221 at Page 632, and in the Office of the Assistant Registrar of the Land Court as Document No. 979903, the Developer amended the Declaration in part by incorporating therein a Verified Statement of Registered Architect certifying that the final plans of the Project heretofore recorded as said Condominium File Plan No. 583 and Condominium Map No. 350 accurately depict the layout, location, apartment numbers and dimensions of the apartments as built;<sup>3</sup>

WHEREAS, Hawaii Revised Statutes §514A-82.2, empowers the boards of directors of condominium associations to restate their declarations to include therein any amendments thereto, and to conform to the provisions of Hawaii Revised Statutes, Chapter 514A, and any other statute, ordinance, rule, or regulation enacted by any governmental authority, by a resolution adopted by their boards of directors; and

WHEREAS, at a duly held meeting, the Board of Directors of the Association of Apartment Owners of Island Colony (the "Board of Directors") resolved to restate the Declaration of Condominium Property Regime of the Association (the "Declaration") pursuant to Hawaii Revised Statutes §514A-82.2, in the manner set forth herein;



NOW, THEREFORE, the Declaration is hereby restated to read as follows:

1. Name. The Horizontal Property Regime established hereby shall be known as the ISLAND COLONY.

2. Land Description. The land submitted to the Horizontal Property Regime is described in Exhibit "A".

3. Description of the Project. The Project consists of a forty-three (43) story building consisting of a lobby with adjacent commercial apartments and certain limited common elements, three floors of parking, a recreation and sun deck and thirty-seven floors, each containing twenty residential apartments. The Project is divided into 740 residential apartments (the "Residential Apartments") and 5 commercial apartments (the "Commercial Apartments"), including a parking apartment containing approximately 291 parking stalls (regular, compact and tandem), all as more fully described in Exhibit "B" attached hereto and made a part hereof and as shown on the Condominium Map; provided, however, should the descriptions and divisions set forth in this Declaration conflict with the depictions and divisions shown on the Condominium Map, the Condominium Map shall control; and provided, further, that the Condominium Map is intended to show only the layout, location, apartment numbers and dimensions of the apartments and elevations and is not intended and shall not be deemed to contain or make any other representation or warranty.

4. Limits of Apartments. Each apartment's dimensions shall include all the walls and partitions which are not load bearing within its perimeter walls, the interior halves of the perimeter party walls measured from the centerlines of such walls to the interior of each apartment, non-party perimeter walls measured from the unfinished exteriors of such walls, all doors, windows and perimeter glass, the inner decorated or finished surfaces of all walls, floors and ceilings. Notwithstanding the foregoing, the respective apartments shall not be deemed to include the floors and ceilings surrounding each apartment, loadbearing and exterior walls or any pipes, wires, conduits or other utility lines running through such apartment which are utilized for or serve more than one apartment, the same being deemed common elements as hereinafter provided. Each Residential Apartment shall include its adjacent lanai. The dimensions of those Commercial Apartments without perimeter walls

are shown on and defined by the Condominium Map. Notwithstanding the foregoing, apartment owners may not remove, alter or otherwise modify the perimeter walls (excluding the inner decorated or finished surfaces of such walls), except as permitted in Paragraph 11(e)(1)<sup>4</sup> of this Declaration.

5. Common Elements. The common elements will include the limited common elements described below, and all other portions of the Project, other than the apartments, including, specifically, but not limited to, the common elements mentioned in the Act which are actually constructed on the land, and all other portions of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use, and which are not included as part of an apartment, including but not limited to those common elements described in Exhibit "B" attached hereto and made a part hereof.

Each apartment in the Project has immediate access to an adjacent corridor which is a common element.<sup>5</sup>

6. Limited Common Elements. Certain designated parts of the common elements are reserved for the exclusive use of certain apartments as described in Exhibit "B" attached hereto and made a part hereof.

7. Percentage of Undivided Common Interest. The undivided percentage common interest in the common elements appurtenant to each apartment is described in Exhibit "C" attached hereto and made a part hereof, and each apartment shall have such percentage in all common profits and expenses of the Project, except as otherwise expressly provided herein and in said Exhibit "C" with respect to any limited common element, and for all other purposes including voting.

8. Easements. In addition to the easements designated in paragraph 6 as limited common elements, the apartments and common elements shall also have and be subject to the following easements:

a. 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 (except limited

common elements) for use according to their respective purposes; and in all other apartments and limited common elements for support;

b. If any part of the common elements now or hereafter encroaches upon any apartment or limited common element, or if any apartment now or hereafter encroaches upon any other apartment or upon any portion of the common elements, or limited common elements, a valid easement for such encroachment and the maintenance thereof, so long as it continues, shall exist. If the Project shall be partially or totally destroyed and then rebuilt, minor encroachments of any parts of the common elements or limited common elements due to construction, shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist;

c. The Association shall have the irrevocable right, to be exercised by its Board of Directors or the Managing Agent, to have access to each apartment from time to time during reasonable hours as may be necessary for the operation of the Project, for purposes of cleaning the windows of the Projects painting the Project and other maintenance and repair, or for making emergency repairs therein necessary to prevent damage to the common elements or to another apartment or apartments;<sup>6</sup>

d. 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 and other common elements located in any of the other apartments or limited common elements and serving such owner's apartment. Each apartment and its appurtenant limited common elements shall be subject to an easement for access to any common elements located in such apartment or its appurtenant limited common elements in favor of the owners of all other apartments served by such common elements.

e. Each apartment owner shall have an access easement across the parking apartment on the third, fourth and fifth floors to the fire exits to be used only during emergencies.

f. The owner and employees and agents of the owner or lessee of Commercial Apartment 4 shall have a non-exclusive easement for pedestrian access along

the Diamond Head side of Commercial Apartment 1 to the service elevator which is adjacent to Commercial Apartment 1.

9. Alteration and Transfer of Interests. The undivided interest in the common elements and the limited common elements and other easements appurtenant to each apartment shall have a permanent character, and shall not be altered without the consent of all of the apartment owners affected, expressed in an amendment to this Declaration duly recorded, and shall not be separated from the apartment to which they appertain, and shall be deemed to be conveyed, leased or encumbered with such apartment even though such interest or easements are not expressly mentioned or described in the conveyance or other instrument. The common elements shall remain undivided, and no right shall exist to partition or divide any portion thereof except as provided in the Act and as otherwise expressly provided herein.

10. Hotel Operation and Delegations to Partnership. The Project has been developed by the Developer as a condominium hotel with the intention that the maximum number of Residential Apartments be owned by persons joining and becoming limited partners in the Island Colony Partners, a Hawaii limited partnership, or any successor thereto (the "Partnership"). A Hotel Management Contract (the "Hotel Management Contract") has been executed between the Partnership and the Hotel Corporation of the Pacific, Inc. (the "Hotel Operator") to provide for the operation of Commercial Apartment 1 (and its limited common elements) and those Residential Apartments owned by limited partners in the Partnership as a commercial hotel operation. The Developer contemplates that a significant number of the Residential Apartments will be used in the hotel operation. The Hotel Operator shall also serve as managing agent for the Project. The common elements of the Project shall be subject at all times to use by the Hotel Operator and the hotel operation, including all customary hotel activities such as maid, bellman, laundry, linen and room service, the daily arrival, registration, accommodation and departure of hotel guests at all hours and all activities incidental<sup>7</sup> thereto. Notwithstanding anything herein to the contrary, for so long as any Residential Apartment is used in the hotel operation contemplated in this paragraph, the Partnership shall assume all duties and obligations of

the owner imposed by Article V, Section 1 of the Bylaws regarding the maintenance of the Residential Apartments other than the obligation to pay the cost of such maintenance. No use restriction or other provision in this Declaration or the Bylaws shall be interpreted to restrict the reasonable use of the Project by the Hotel Operator and the Partnership for hotel purposes.

11. Purposes and Uses. The Project and each of the apartments are intended for and shall be restricted to the following purposes and uses:

a. Each Residential Apartment shall at all times be used as permanent or temporary residence and for any other purpose permitted by all applicable laws and this Declaration; provided, however, that any Residential Apartment which is not committed to the hotel operation described in Paragraph 10 and not used by the Hotel Operator shall not be rented for a period of less than thirty (30) days. All such minimum rentals shall be evidenced by a written lease, a copy of which shall be filed with the Hotel Operator. The intent of this restriction is to assure that the Project and the Partnership shall enjoy the economies of scale and orderliness arising from use of a single hotel operation administered by the Partnership. Any lease or rental agreement of an apartment shall provide that it shall be subject in all respects to the provisions of the Declaration, the Bylaws and the House Rules for the Project, and that any failure of the lessee or renter to comply with the terms of these documents shall be a default under the lease or rental agreement.

b. Commercial Apartment 5 (the parking apartment) shall at all times be used to park motor vehicles and for any other purpose permitted by the applicable zoning laws, and the owner of the parking apartment shall have the right to establish a system of control by gate, guard, parking cards, stickers, validations, rules and regulations, or otherwise for vehicular access to, from and through the parking apartment, to redesignate, eliminate or create parking stalls, and to charge such rates for the parking of vehicles as the owner of the parking apartment shall determine in its sole discretion.

c. The Commercial Apartments and the limited common elements respectively appurtenant thereto may be used for any purpose which may from time to time be permitted by law. Without limiting the generality of the foregoing, the owners of the

Commercial<sup>8</sup> Apartments may alter the layout of the spaces within the Commercial Apartments and may add additional commercial operations by further partitioning the Commercial Apartments or otherwise so long as such changes to the interior of the Commercial Apartments do not affect the structural integrity of the Project.

d. No owner will suffer anything to be done or kept in an apartment or elsewhere which would jeopardize the soundness of the Project, or which will interfere or unreasonably disturb the rights of other apartment owners, or which will obstruct the limited common elements, or which will increase the rate of fire insurance on the Project or the contents thereof, or which will reduce the value of the Project; provided, however, that the owners of the Commercial Apartments to which limited common elements are appurtenant may alter the floor plans of the limited common elements and may utilize the limited common elements for business purposes so long as such uses do not unreasonably interfere with the access of the owners of the Residential Apartments to their respective apartments.

e. No apartment owner will, without the prior written consent of the Board of Directors, make any structural alterations within an apartment or any common element or limited common element or make any alterations in or additions to the exterior of the Project (including awnings, jalousies, screens or air conditioners). The Board of Directors shall not unreasonably withhold or delay its consent, and shall have the obligation to answer any written request by an apartment owner for its consent to any structural alterations of his apartment within thirty days after its receipt of such request describing the proposed alteration in reasonable detail, and the Board's failure to do so shall constitute its consent to the proposed alteration. Notwithstanding the foregoing, without any such consent:

(1) The owner of any two or more apartments separated by a party wall may alter or remove all or portions of the intervening wall if the structural integrity and soundness of the Project is not thereby affected and if the finish of the wall then remaining is restored to a condition substantially compatible to that of the wall prior to such alteration. Prior to the termination of the common ownership of such adjacent apartments, if the intervening wall shall have been altered or removed pursuant to the foregoing provisions, the

owner of such apartments shall be obligated to restore such intervening wall to substantially the condition in which the wall existed prior to such alteration or removal;

(2) The Owner of any Commercial Apartment may from time to time install, maintain and rearrange partitions and other improvements within his apartment and the commercial elements as appropriate for their commercial utilization so long as the structural integrity or soundness of the Project is not impaired.

f. The owner of any Residential Apartment will not, without the prior written consent of either the Board of Directors or the managing agent, display any sign or place any other thing in or upon any doors, windows, walls or other portions of the apartment or the common elements so as to be visible from the exterior; provided, however, that this restriction shall not apply to signs displayed by (i) the Developer for sales purposes prior to the completion of sales of all Residential Apartments in the Project, or (ii) to the Hotel Operator in connection with the reasonable hotel use of the Residential Apartments and common elements as part of the hotel operation. The owner of any Commercial Apartment and the Hotel Operator may, without prior consent of the Board of Directors or the managing agent, so display any sign on the exterior of any Commercial Apartment or limited common element appurtenant thereto.

g. The interior decoration of the common elements is designed to facilitate a hotel operation and shall not be modified or altered without the consent of the Partnership.

h. No owner shall do any work which could jeopardize the soundness or safety of the Property, 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, together with the consent of all owners whose units or limited common elements appurtenant thereto are directly affected, being first obtained; provided that nonmaterial structural additions to the common elements, including, without limitation, the installation of solar energy devices or additions to or alterations of a unit made within such unit or within a limited common element appurtenant to and for the exclusive use of the apartment shall require approval

only by the Board of Directors and such percentage, number or group of owners as may be required by this Declaration or the Bylaws. "Nonmaterial structural additions to the common elements", as used herein, shall mean a structural addition to the common elements which does not jeopardize the soundness or safety of the Property, reduce the value thereof, impair any easement or hereditament, detract from the appearance of the Project, interfere with or deprive any nonconsenting owner of the use or enjoyment of any part of property, or directly affect any nonconsenting owner. For purposes of this section, "solar energy device" means any new identifiable facility, equipment, apparatus or the like which makes use of solar energy for heating, cooling or reducing the use of other types of energy dependent upon fossil fuel for its generation; provided that, if the equipment sold cannot be used as a solar device without its incorporation with other equipment, it must be installed in place and ready to be made operational in order to qualify as a "solar energy device".<sup>9</sup>

12. Service of Process. Developer at its place of business at Suite 1814, 745 Fort Street, Honolulu, Hawaii, is hereby designated as the agent to receive service of process until such time as the Board of Directors and officers of the Association are elected, at which time and thereafter process may be served upon any officer of the Association.

13. Percentage of Votes Required for Rebuilding. In the event of damage or destruction of all or any part of the Project, and where an election is otherwise permissible under the other provisions of this Declaration and Bylaws, the Project shall be rebuilt, repaired or restored unless the owners of at least 75% of the interest in the common elements vote not to rebuild, repair or restore. There shall be an affirmative obligation to rebuild in the absence of such a vote not to rebuild. Notice of any event authorizing a vote under this section shall be given pursuant to Section 7 of Article VII of the Bylaws.<sup>10</sup>

14. Administration of Project. The administration of the Project shall be governed by this Declaration, the Bylaws,<sup>11</sup> and the Condominium Conveyance Document conveying to each owner his interest in his apartment. Each apartment owner shall comply strictly with the Declaration, Bylaws and Condominium Conveyance Document. Apartment owners acting for any purpose in connection with the common elements for the government, operation or administration of the Project and in accordance with the Declaration and with



said Bylaws, shall be deemed to be acting as the Association, and specifically but without limitation the Association shall:

a. Make, build, maintain and repair all fences, sewers, drains, roads, curbs and sidewalks 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 in a strictly clean, orderly and sanitary condition, and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority for the time being applicable to the common elements or the use thereof;

c. Well and substantially repair, maintain, amend, and keep all common elements with all necessary reparations and amendments whatsoever in good order and condition except as otherwise provided herein;

d. Before commencing or permitting construction of any improvement in the Project in excess of Fifty Thousand Dollars (\$50,000), obtain and deposit with the Developer a performance bond in a penal sum equal to one-half the cost of such construction and in form with surety satisfactory to the Developer, securing the completion of such construction in accordance with the contract for the same, free and clear of all mechanics' and materialmen's liens;

e. Not at any time make or suffer any strip or waste or unlawful or improper or offensive use of the common elements.

f. Not change the configuration of the entrances, lobby, elevator lobby or ground floor restrooms without the prior written consent of the owner of Commercial Apartment 1.

15. 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.

16. Amendment. The Declaration may be amended by the vote or written consent of the apartment owners by at least seventy-five percent (75%) of the interest in the common elements<sup>12</sup>, evidenced by an instrument in writing, signed and acknowledged by any two (2) officers of the Association,<sup>13</sup> which amendment shall be effective upon the later of filing in the Office of the Assistant Registrar of the Land Court and recording in the Bureau of Conveyances of the State of Hawaii. No<sup>14</sup> regulations or rules whatsoever shall materially limit or affect the right or interest of (a) the owners of the Commercial Apartments without first securing the affirmative vote of owners of not less than seventy-five percent (75%) of the interest in the common elements appurtenant to Commercial Apartment 1, (b) the owners of the Residential Apartments without first securing the affirmative vote of the owners of not less than seventy-five percent (75%) of the interest in the common elements appurtenant to the Residential Apartments or (c) the Partnership or Commercial Apartment 1 without first securing the written approval of the general partner of the Partnership; provided, further, however, that at any time prior to the first recording of a conveyance of an apartment and its appurtenances to a party not a signatory hereto, the Developer may amend this Declaration (including all exhibits) and the Bylaws in any manner, without the consent of any apartment purchaser. Notwithstanding the lease, sale or conveyance of any of the apartments, the Developer may amend this Declaration (and when applicable, the Condominium Map) to file the "as-built" verified statement required by Section 514A-12 of the Act (1) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans thereto filed fully and accurately depict layout, location, apartment numbers, and the dimensions of the apartments as-built, or (2) so long as the plans filed therewith involve only minor changes to the layout, location, or dimensions of the apartments as-built or any change in any apartment number. In case of a modification or amendment to the Bylaws, this Declaration shall be amended to set forth such modification or amendment pursuant to such percentage vote as required by the Bylaws which rendered the modification or amendment thereof effective.

17. Exemptions For Handicapped Persons. Notwithstanding anything to the contrary contained in this Declaration, the Bylaws, or the House Rules, and subject to reasonable administrative requirements as set forth in the House Rules, handicapped residents shall: (1) be permitted to make reasonable modifications to their apartments and/or the common elements, at their expense (including without limitation the cost of obtaining any bonds required by this Declaration or the Bylaws), if such modifications are necessary to enable them to use and enjoy their apartments and/or the common elements, as the case may be; and (2) be allowed reasonable exemptions from this Declaration, the Bylaws, and the House Rules, when necessary to enable them to use and enjoy their apartments and/or the common elements.<sup>15</sup>

IN WITNESS WHEREOF, the undersigned have executed this instrument this 29th day of March, 1996.

ASSOCIATION OF APARTMENT OWNERS  
OF ISLAND COLONY

By: H. J. Stahl  
H. J. STAHL  
Type Name  
Its: PRESIDENT

By: G. Sharman  
G. Sharman  
Type Name  
Its: Secretary

STATE OF Hawaii )  
 ) : SS.  
COUNTY OF Honolulu )

On this 29<sup>th</sup> day of March, 1996, before me appeared H. J. Stahl to me personally known, who being by me duly sworn, did say that he is the President of the Board of Directors of the ASSOCIATION OF APARTMENT OWNERS OF ISLAND COLONY; that the foregoing instrument was signed on behalf of said Association by authority of its Board of Directors, and acknowledged that he executed the same as the free act and deed of said Association. Said Association has no seal.

M. J. [Signature]  
Notary Public, State of Hawaii

My Commission Expires: 11/01/99

STATE OF HAWAII )  
 ) : SS.  
CITY & COUNTY OF HONOLULU )

On this 17th day of April, 1996, before me appeared G. Sharman to me personally known, who being by me duly sworn, did say that she is the Secretary of the Board of Directors of the ASSOCIATION OF APARTMENT OWNERS OF ISLAND COLONY; that the foregoing instrument was signed on behalf of said Association by authority of its Board of Directors, and acknowledged that she executed the same as the free act and deed of said Association. Said Association has no seal.

[Signature]  
Notary Public, State of Hawaii

My Commission Expires: 8/26/96

FIRST:-

ALL of that certain parcel of land situate at Waikiki, Honolulu, City and County of Honolulu, State of Hawaii, described as follows:

LOT 3-A-5, area 3,381.0 square feet, as shown on Map 4, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 634 of Guardian Trust Company, Limited;

TOGETHER WITH a perpetual right of way for any and all purposes to be used and exercised in common with others legally entitled thereto and as an appurtenance to said Lot 3-A-5, over, across, along, upon and under Lot 3-A-4-A, area 3,325.0 square feet, as shown on Map 6 of said Land Court Application No. 634;

TOGETHER ALSO WITH the perpetual right or easement to install and maintain public utilities of all kinds, to be used and enjoyed in common with others legally entitled thereto and as an appurtenance to said Lot 3-A-5, over, across, upon, along and under Lot 3-A-4-D, area 226.0 square feet, and Lot 3-A-3-B, area 627.0 square feet, as shown on Map 6, and Lot 3-A-2, area 686.0 square feet, as shown on Map 4 of said Land Court Application No. 634.

Being the premises described in Transfer Certificate of Title No. 165,912 issued to Takenaka Construction (Hawaii) Ltd. (now known as Haseko Hawaii, Inc.)

SECOND:-

ALL of that certain parcel of land (being portions of R. P. 4493, L. C. Aw. 104 F. L., Ap. 4 to M. Kekuanaoa and L. P. Grant 7847 to Trustees of B. P. Bishop Estate), being LOT A, the same being all of Parcels 1, 2, 3, 8 and 9, being also all of Lot A-1, situate at Waikiki, Honolulu, City and County of Honolulu, State of Hawaii, and more particularly described as follows:

Beginning at the west corner of this piece of land, on the north corner of Lot 108-A of Land Court Application 551 and on the southeasterly side of Seaside Avenue, the coordinates of said point of beginning referred to Government Survey Triangulation Station "PUNCEBOWL" being 11,344.58 feet South and 7,812.47 feet East, thence running by azimuths measured clockwise from True South:

1. 222° 45' 216.32 feet along the southeasterly side of Seaside Avenue;

Thence along the southeasterly side of Seaside Avenue on a curve to the right with a radius of 20.00 feet, the azimuth and distance of the chord being:

2. 267° 45' 28.28 feet;

3. 312° 45' 142.00 feet along the southwesterly side of Ala Wai Boulevard;

- |    |          |        |   |
|----|----------|--------|---|
| 4. | 42° 45'  | 100.00 | feet along Parcel 4, along the remainders of L. P. Grant 7847 to Trustees of B. P. Bishop Estate and R. P. 4493, L. C. Aw. 104 F. L., Ap. 4 to M. Kekuanaoa;  |
| 5. | 312° 45' | 98.08  | feet along Parcels 4 and 5, along the remainder of R. P. 4493, L. C. Aw. 104 F. L., Ap. 4 to M. Kekuanaoa;  |
| 6. | 42° 45'  | 88.75  | feet along the northwesterly side of Nohonani Street;   |
| 7. | 114° 04' | 55.73  | feet along Lot 3-A-5 of Land Court Application 634;   |
| 8. | 124° 35' | 209.33 | feet along Lot 108-A of Land Court Application 551 to the point of beginning and containing an area of 46,442 square feet, as per survey of James Y. Hamasaki, Registered Professional Land Surveyor, Certificate No. 3683, dated May 18, 1978. |

BEING the same land and premises conveyed to Takenaka Construction (Hawaii) Ltd. (now known as Haseko Hawaii, Inc.) by Deed dated May 2, 1974, recorded in the Bureau of Conveyances at Honolulu in Book 9874, Page 363, and by Deed dated December 14, 1973, recorded in said Bureau in Book 9646, Page 497.

SUBJECT, HOWEVER, to EASEMENT A (10 feet wide) for utility purposes, being a portion of Lot A, being also a portion of R. P. 4493, L. C. Aw. 104 F. L., Ap. 4 to M. Kekuanaoa, situate at Waikiki, Honolulu, City and County of Honolulu, State of Hawaii, being more particularly described as follows:

Beginning at the southeast corner of this piece of land, being also the Southeast corner of Lot A and on the northwesterly side of Nohonani Street, the coordinates of said point of beginning referred to Government Survey Triangulation Station "PUNCEBOWL" being 11,421.02 feet South and 8,095.98 feet East, thence running by azimuths measured clockwise from True South:

- |    |          |       |   |
|----|----------|-------|---|
| 1. | 42° 45'  | 10.00 | feet along the northwesterly side of Nohonani Street;   |
| 2. | 132° 45' | 98.08 | feet along the remainder of Lot A, along the remainder of R. P. 4493, L. C. Aw. 104 F. L., Ap. 4 to M. Kekuanaoa; |
| 3. | 222° 45' | 10.00 | feet along the remainder of Lot A, along the remainder of R. P. 4493, L. C. Aw. 104 F. L., Ap. 4 to M. Kekuanaoa; |

4. 312° 45'

98.08 feet along Parcels 4 and 5, along the remainder of R. P. 4493, L. C. Aw. 104 F. L., Ap. 4 to M. Kekuanaoa to the point of beginning and containing an area of 981 square feet, as per survey of James Y. Hamasaki, Registered Professional Land Surveyor, Certificate No. 3683, dated May 18, 1978.

SUBJECT, ALSO, to the reservation in favor of the State of Hawaii of all mineral and metallic mines.

SUBJECT, FURTHER, to the covenants and agreements contained in that certain instrument dated September 15, 1976, recorded in the Bureau of Conveyances at Honolulu in Book 11682, Page 302.

## Description of the Project

A. Physical Description. The Project consists of a single forty-three story building of concrete, reinforced steel, glass and allied building materials and is without basement. The Project contains 745 apartments, consisting of five Commercial Apartments and 740 Residential Apartments. The Commercial Apartments are located on the first through the sixth floors of the Project. The residential Apartments are located on the upper thirty-seven floors of the Project, beginning with the seventh floor.

B. Commercial Apartments. The five Commercial Apartments are each of a different floor plan and model type and are described as follows:

1. Commercial Apartment 1. This apartment is on the first floor and consists of approximately 2009 square feet. The apartment consists of a hotel front desk, offices, and employees' restrooms. Commercial Apartment 1 at all times shall include a clerk's desk or counter with 24-hour clerk service and facilities for registration and keeping of records relating to hotel guests. The apartment is located in the Northern or Mauka-Ewa corner of the Project.

2. Commercial Apartment 2. This apartment is on the first floor and consists of approximately 7,112 square feet. It is intended to serve as a kitchen and restaurant or other commercial facility. The apartment is located near the center of the Project.

3. Commercial Apartment 3. This apartment is on the first floor and consists of approximately 4,685 square feet. It is intended to serve as a commercial retail facility, mini-mart, gift shop, delicatessen or other commercial facility. The apartment is located in the Diamond Head corner of the Project adjacent to Commercial Apartment 2.

4. Commercial Apartment 4. This apartment is on the sixth floor and consists of approximately 8,604 square feet. This apartment is located in the approximate center of the sixth floor. It is intended for use as a cocktail bar and coffee shop or other commercial facility or facilities.

5. Commercial Apartment 5. This apartment is on the third, fourth and fifth floors of the Project and consists of approximately 93,227 square feet. The apartment contains approximately 291 parking stalls (regular, tandem or compact) and includes a ramp area on the second floor of the Project as shown on the Condominium Map.

The foregoing descriptions of the intended uses for the Commercial Apartments should not be deemed to limit use of the apartments. They may be used for any use permitted by law.

C. Residential Apartments. All 740 Residential Apartments are located on the seventh through the forty-fourth



floors of the Project. There is no floor numbered thirteen (13) in the Project. Each of these thirty-seven floors has an identical floor plan with twenty Residential Apartments, each of a different model type. The model types are numbered 01 through 21; there is no model type thirteen (13). The last two digits of each apartment number indicates the apartment's model type. As an example, apartments 4101 and 901 are both model type 01 apartments. Of the twenty model types, there are three categories of apartments. These are one-bedroom apartments, of which there are 148 apartments (four per floor), studio apartments of which there are 222 apartments (six per floor), and lodging apartments of which there are 370 units (ten per floor). Model types 01, 02, 20 and 21 are one-bedroom apartments. Model types 06, 07, 10, 11, 14, and 17 are studio apartments. Model types 03, 04, 05, 08, 09, 12, 15, 16, 18, and 19, are lodging apartments.

Each one-bedroom apartment consists of a bathroom, bedroom and lanai, and contains a living/dining room with kitchen facilities. Each one-bedroom apartment will be furnished with a disposal, unit air-conditioner, refrigerator, range and carpeting. Each studio apartment consists of a living/dining room with kitchen facilities, bathroom and lanai. Each studio apartment will be furnished with a disposal, unit air-conditioner, refrigerator, built-in cook top and carpeting. Each lodging apartment consists of a living/dining room with limited kitchen facilities, bathroom and lanai. Each lodging apartment will be furnished with a disposal, unit air-conditioner, refrigerator, and carpeting. Lodging apartments differ from studio apartments in that the lodging apartments are not furnished with the cooking facilities (a two-burner cook top) with which the studio apartments are furnished.

The Residential Apartment locations may be determined by reference to the apartment numbers. The first two digits for each four digit apartment number designates the floor upon which the apartment is located. For each Residential Apartment with a three-digit number, the first digit indicates the floor on which the apartment is located. As an example, Residential Apartment 701 is located on the seventh floor and Residential Apartment 1501 is located on the fifteenth floor. Odd numbered apartments begin with model type 01, which is at the Diamond Head-Mauka Corner of the Project, and progress along the Diamond Head side of the Project to model type 21, which is located in the Diamond Head-Makai corner of the Project. Model type 02 is located in the Mauka-Ewa corner of the Project, and the even-numbered model types proceed by even numbers to model type 20, which is located in the MaKai-Ewa corner of the Project. As an example, Residential Apartment 2105 would be a lodging apartment located on the 21st floor of the Project on the Diamond Head side near the Mauka corner.

The square footage for each Residential Apartment has been determined in accordance with the definition in paragraph 4 of the Declaration of the limits of each apartment. Square footages for each Residential Apartment are as follows:

RESIDENTIAL APARTMENTS

RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
701, 801, 901, 1001, 1101, 1201, 1401, 1501, 1601, 1701, 1801, 1901, 2001, 2101, 2201, 2301, 2401, 2501, 2601, 2701, 2801, 2901, 3001, 3101, 3201, 3301, 3401, 3501, 3601, 3701, 3801, 3901, 4001, 4101, 4201, 4301, 4401	01	563	669
702, 802, 902, 1002, 1102, 1202, 1402, 1502, 1602, 1702, 1802, 1902, 2002, 2102, 2202, 2302, 2402, 2502, 2602, 2702, 2802, 2902, 3002, 3102, 3202, 3302, 3402, 3502, 3602, 3702, 3802, 3902, 4002, 4102, 4202, 4302, 4402	02	563	669
703, 803, 903, 1003, 1103, 1203, 1403, 1503, 1603, 1703, 1803, 1903, 2003, 2103, 2203, 2303, 2403, 2503, 2603, 2703, 2803, 2903, 3003, 3103, 3203, 3303, 3403, 3503, 3603, 3703, 3803, 3903, 4003, 4103, 4203, 4303, 4403	03	280	396
704, 804, 904, 1004, 1104, 1204, 1404, 1504, 1604, 1704, 1804, 1904, 2004, 2104, 2204, 2304, 2404, 2504, 2604, 2704, 2804, 2904, 3004, 3104, 3204, 3304, 3404, 3504, 3604, 3704, 3804, 3904, 4004, 4104, 4204, 4304, 4404	04	292	396
705, 805, 905, 1005, 1105, 1205, 1405, 1505, 1605, 1705, 1805, 1905,	05	302	418

EXHIBIT "B"

RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
2005, 2105, 2205, 2305, 2405, 2505, 2605, 2705, 2805, 2905, 3005, 3105, 3205, 3305, 3405, 3505, 3605, 3705, 3805, 3905, 4005, 4105, 4205, 4305, 4405			
706, 806, 906, 1006, 1106, 1206, 1406, 1506, 1606, 1706, 1806, 1906, 2006, 2106, 2206, 2306, 2406, 2506, 2606, 2706, 2806, 2906, 3006, 3106, 3206, 3306, 3406, 3506, 3606, 3706, 3806, 3906, 4006, 4106, 4206, 4306, 4406	06	309	413
707, 807, 907, 1007, 1107, 1207, 1407, 1507, 1607, 1707, 1807, 1907, 2007, 2107, 2207, 2307, 2407, 2507, 2607, 2707, 2807, 2907, 3007, 3107, 3207, 3307, 3407, 3507, 3607, 3707, 3807, 3907, 4007, 4107, 4207, 4307, 4407	07	308	424
708, 808, 908, 1008, 1108, 1208, 1408, 1508, 1608, 1708, 1808, 1908, 2008, 2108, 2208, 2308, 2408, 2508, 2608, 2708, 2808, 2908, 3008, 3108, 3208, 3308, 3408, 3508, 3608, 3708, 3808, 3908, 4008, 4108, 4208, 4308, 4408	08	316	420
709, 809, 909, 1009, 1109, 1209, 1409, 1509, 1609, 1709, 1809, 1909, 2009, 2109, 2209, 2309, 2409, 2509, 2609, 2709, 2809, 2909, 3009, 3109, 3209, 3309, 3409, 3509, 3609, 3709, 3809, 3909,	09	308	424

EXHIBIT "B"

RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
4009, 4109, 4209, 4309, 4409			
710, 810, 910, 1010, 1110, 1210, 1410, 1510, 1610, 1710, 1810, 1910, 2010, 2110, 2210, 2310, 2410, 2510, 2610, 2710, 2810, 2910, 3010, 3110, 3210, 3310, 3410, 3510, 3610, 3710, 3810, 3910, 4010, 4110, 4210, 4310, 4410	10	316	420
711, 811, 911, 1011, 1111, 1211, 1411, 1511, 1611, 1711, 1811, 1911, 2011, 2111, 2211, 2311, 2411, 2511, 2611, 2711, 2811, 2911, 3011, 3111, 3211, 3311, 3411, 3511, 3611, 3711, 3811, 3911, 4011, 4111, 4211, 4311, 4411	11	308	424
712, 812, 912, 1012, 1112, 1212, 1412, 1512, 1612, 1712, 1812, 1912, 2012, 2112, 2212, 2312, 2412, 2512, 2612, 2712, 2812, 2912, 3012, 3112, 3212, 3312, 3412, 3512, 3612, 3712, 3812, 3912, 4012, 4112, 4212, 4312, 4412	12	316	420
714, 814, 914, 1014, 1114, 1214, 1414, 1514, 1614, 1714, 1814, 1914, 2014, 2114, 2214, 2314, 2414, 2514, 2614, 2714, 2814, 2914, 3014, 3114, 3214, 3314, 3414, 3514, 3614, 3714, 3814, 3914, 4014, 4114, 4214, 4314, 4414	14	316	420
715, 815, 915, 1015, 1115, 1215, 1415, 1515,	15	308	424

EXHIBIT "B"

RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
1615, 1715, 1815, 1915, 2015, 2115, 2215, 2315, 2415, 2515, 2615, 2715, 2815, 2915, 3015, 3115, 3215, 3315, 3415, 3515, 3615, 3715, 3815, 3915, 4015, 4115, 4215, 4315, 4415			
716, 816, 916, 1016, 1116, 1216, 1416, 1516, 1616, 1716, 1816, 1916, 2016, 2116, 2216, 2316, 2416, 2516, 2616, 2716, 2816, 2916, 3016, 3116, 3216, 3316, 3416, 3516, 3616, 3716, 3816, 3916, 4016, 4116, 4216, 4316, 4416	16	315	419
717, 817, 917, 1017, 1117, 1217, 1417, 1517, 1617, 1717, 1817, 1917, 2017, 2117, 2217, 2317, 2417, 2517, 2617, 2717, 2817, 2917, 3017, 3117, 3217, 3317, 3417, 3517, 3617, 3717, 3817, 3917, 4017, 4117, 4217, 4317, 4417	17	305	421
718, 818, 918, 1018, 1118, 1218, 1418, 1518, 1618, 1718, 1818, 1918, 2018, 2118, 2218, 2318, 2418, 2518, 2618, 2718, 2818, 2918, 3018, 3118, 3218, 3318, 3418, 3518, 3618, 3718, 3818, 3918, 4018, 4118, 4218, 4318, 4418	18	313	417
719, 819, 919, 1019, 1119, 1219, 1419, 1519, 1619, 1719, 1819, 1919, 2019, 2119, 2219, 2319, 2419, 2519, 2619, 2719, 2819, 2919, 3019, 3119,	19	297	413

EXHIBIT "B"

RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
3219, 3319, 3419, 3519, 3619, 3719, 3819, 3919, 4019, 4119, 4219, 4319, 4419			
720, 820, 920, 1020, 1120, 1220, 1420, 1520, 1620, 1720, 1820, 1920, 2020, 2120, 2220, 2320, 2420, 2520, 2620, 2720, 2820, 2920, 3020, 3120, 3220, 3320, 3420, 3520, 3620, 3720, 3820, 3920, 4020, 4120, 4220, 4320, 4420	20	570	676
721, 821, 921, 1021, 1121, 1221, 1421, 1521, 1621, 1721, 1821, 1921, 2021, 2121, 2221, 2321, 2421, 2521, 2621, 2721, 2821, 2921, 3021, 3121, 3221, 3321, 3421, 3521, 3621, 3721, 3821, 3921, 4021, 4121, 4221, 4321, 4421	21	570	676

D. Common Elements. In addition to those common elements specified in paragraph 5 of the Declaration, the common elements include: (i) the loading and receiving areas, planters and landscaped areas, lobby, porte cochere, men's and women's rooms, foyer, elevators, elevator machinery, associated electric panels, pump rooms, and machine rooms on the first floor; (ii) the mechanical equipment room and emergency room on the second floor; (iii) the deck area on the sixth floor, including the sauna facilities, men's and women's rooms, swimming pool; (iv) the trash chute on floors one through forty-three of the Project; and (v) the equipment loft on the roof of the Project for the elevator machinery.

E. Limited Common Elements. The following parts of the common elements, herein called "limited common elements", and specifically shown on the Condominium Map, are hereby set aside and reserved for the exclusive use of one or more apartments, and such apartments shall have appurtenant there-to exclusive easements for the use of such limited common elements:

1. Commercial Apartment 1. The limited common elements appurtenant to Commercial Apartment 1 shall include: a landscaped or parking area in the Diamond Head-Makai corner of the first floor of the Project and delineated on the Condominium Map; the office, balcony, administration, telephone equipment and storage rooms located on the second floor of the Project; certain space on the Mauka end of the fifth floor of the Project delineated on the Condominium Map, (which may be used for maintenance and storage, laundry facilities, employee housekeeping and maintenance offices, employee dining room or any other commercial purpose; certain space in the Mauka end of the sixth floor of the Project (which may be used for group meetings or any other commercial purpose) and delineated on the Condominium Map; for the seventh through forty-fourth floors of the Project, each maid's and storage room; and the roof deck of the Project, except for those areas consisting of the elevators and fire exits. Notwithstanding the designation of the telephone equipment room on the second floor as limited common element to Commercial Apartment 1, the Owner of Commercial Apartment 1 shall not obstruct or take any act to impair telephone service to the Residential Apartments whether or not such Apartments are owned by limited partners in the Partnership.

2. Commercial Apartment 2. The single limited common element appurtenant to Commercial Apartment 2 is a large exhaust vent or smoke tower which extends from the second through the sixth floors and is delineated on the Condominium Map.

3. Residential Apartments. There are no limited common elements appurtenant to the Residential Apartments.

COMMON INTERESTS

The undivided interest in the common elements appurtenant to each apartment is set forth below. Common interests have been roughly based on approximate apartment square footages, with the exceptions of Commercial Apartments 1 and 5. Commercial Apartment 1's common interest has been computed based on its approximate floor area together with twenty percent (20%) of the area of the limited common elements appurtenant to it. The common interest for Commercial Apartment 5, the parking apartment, because of its limited use, has been based on its appraised value in relation to the appraised value of the Residential Apartments. The following common interests shall be valid and effective whether or not the Developer's calculations of such interests are accurate or mathematically correct.

<u>Apartment Type</u>	<u>Percentage of Common Interest</u>		<u>Number of Apartments</u>		<u>Percentage Total</u>
Commercial Apartment 1	1.995	x	1	=	1.995
Commercial Apartment 2	1.869	x	1	=	1.869
Commercial Apartment 3	1.231	x	1	=	1.231
Commercial Apartment 4	2.260	x	1	=	2.260
Commercial Apartment 5	1.625	x	1	=	1.625
<b>TOTAL</b>					<u>8.980</u>
Residential Apartment/ Lodging (Residential Apartments 703 to 4403, 704 to 4404, 705 to 4405, 708 to 4408, 709 to 4409, 712 to 4412, 715 to 4415, 716 to 4416, 718 to 4418, 719 to 4419)	.109	x	370	=	40.330
Residential Apartments/ Studio (Residential Apartments 706 to 4406, 707 to 4407, 710 to 4410, 711 to 4411, 714 to 4414, 717 to 4417)	.111	x	222	=	24.642
Residential Apartments/ One Bedroom (Residential Apartments 701 to 4401, 702 to 4402, 720 to 4420, 721 to 4421)	.176	x	148	=	<u>26.048</u>
<b>TOTAL</b>					91.020
					<u>100.000%</u>

EXHIBIT "C"



## ENDNOTES

The following Endnotes correspond to provisions in the Declaration as restated to conform to Hawaii Revised Statutes ("HRS") Chapter 514A, to the Federal Fair Housing Act (42 U.S.C. Sections 3601 et seq.) and to integrate all amendments made to the Declaration. This Restatement was made solely for purposes of information and convenience. The Restated Declaration correctly sets forth without change the corresponding provisions of the original Declaration, as amended, and supersedes the original Declaration and all prior amendments thereto. In the event of a conflict, the Restated Declaration shall be subordinate to the cited statute.

1. To conform to HRS §514A-20.
2. The provision that the Bylaws are attached to the Declaration as Exhibit "D" is deleted as it is restated and recorded separately from the Declaration. See HRS §514-81.
3. To integrate the First Amendment to the Declaration recorded with the Bureau of Conveyances of the State of Hawaii on November 26, 1979 in Liber 14221, at Page 632, and in the Office of the Assistant Registrar of the Land Court as Document No. 979903.
4. The original Declaration referred to Paragraph 10(e)(1). There is no Paragraph 10(e)(1), so the paragraph reference has been corrected by this Restatement.
5. To integrate the First Amendment to the Declaration recorded as aforesaid.
6. To conform to HRS §514A-82(b)(6).
7. To correct typographical error.
8. To correct typographical error.
9. To conform to HRS §514A-89.
10. The provision that the Bylaws are attached to the Declaration as Exhibit "D" is deleted as aforesaid.
11. The provision that the Bylaws are attached to the Declaration as Exhibit "D" is deleted as aforesaid.
12. To conform to HRS §514A-11(11).
13. To correct typographical error.
14. To conform to HRS §514A-11(11) and §514A-82(b)(2).
15. To conform to the Federal Fair Housing Act, as amended (42 U.S.C. Sections 3601 et seq.).

**OFFICE OF THE  
ASSISTANT REGISTRAR, LAND COURT  
STATE OF HAWAII  
(Bureau of Conveyances)**

The original of this document was recorded as follows:

DOCUMENT NO. \_\_\_\_\_

DATE \_\_\_\_\_

Doc 3507534  
CTN AS LISTED HEREIN  
NOV 01, 2006 01:00 PM

THE ORIGINAL OF THE DOCUMENT  
RECORDED AS FOLLOWS:  
STATE OF HAWAII

BUREAU OF CONVEYANCES

Doc 2006-200083  
NOV 01, 2006 01:00 PM

LAND COURT SYSTEM

REGULAR SYSTEM

Return by: Mail [ ] Pickup [ ] To:

RICHARD S. EKIMOTO, ESQ.  
1132 Bishop Street, Suite 902  
Honolulu, HI 96813  
Telephone: (808) 523-0702

G:\CLIENT\Island Colony\DOC\Amendment to decl and bylaws.wpd

This document contains 10 pages

**AMENDMENT TO THE RESTATED DECLARATION OF CONDOMINIUM  
PROPERTY REGIME AND TO THE RESTATED BY-LAWS OF THE  
ASSOCIATION OF APARTMENT OWNERS OF ISLAND COLONY**

**WHEREAS**, the Declaration of Horizontal Property Regime dated November 28, 1978, was filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii (hereinafter called "Land Court") as Document No. 912095 and recorded in the Bureau of Conveyances of the State of Hawaii ("hereinafter called the "Bureau") in Liber 13332, Page 585, and as shown on the Condominium Map No. 350, as amended, filed in Land Court, and Condominium Map No. 583, as amended, filed in the Bureau; and

**WHEREAS**, the By-Laws of the Association of Apartment Owners of Island Colony were attached as an Exhibit to said Declaration; and

**WHEREAS**, said Declaration was restated by instrument dated March 29, 1996, recorded in Land Court as Document No. 2304255 and in the Bureau as Document No. 96-057032 (collectively the "Declaration"), and duly noted on Transfer Certificate of Titles listed on Exhibit "A"; and

**WHEREAS**, said By-Laws were restated by instrument dated March 29, 1996, recorded in Land Court as Document No. 2304256 and in the Bureau as Document No. 96-057033 (collectively the "By-Laws"); and

**WHEREAS**, Hawaii Revised Statutes § 514B-32(11) provides that the declaration of condominium associations may be amended by the affirmative vote or written consent of the unit owners of at least 67% of the common interest; and

**WHEREAS**, unit owners of more than 67% of the common interest approved the amendments to the Declaration as hereinafter set forth at a meeting of the Association held on September 20, 2006; and

**WHEREAS**, Hawaii Revised Statutes §514B-108(e) provides that the By-Laws may be amended by the vote or written consent of at least 67% of all unit owners; and

**WHEREAS**, more than 67% of the unit owners approved the amendment of the By-Laws as hereinafter set forth at a meeting of the Association held on September 20, 2006;

**NOW, THEREFORE**, the Declaration and By-Laws, as they may have been amended and/or restated, are hereby amended as follows:

**AMENDMENT NO. 1:**

The Declaration is hereby amended to add a new Paragraph 19 to read as follows:

19. **Governing Law.** Notwithstanding anything herein or in the By-Laws to the contrary:
  1. This Project shall be governed by the provisions of Hawaii Revised Statutes Chapter 514B, as amended to the fullest extent permitted by law;
  2. Amendments to the Declaration, By-Laws and Condominium Map (including but not limited to amendments for the alteration of the Project) shall require approval of 67% of the owners;
  3. Any Deed, Declaration, By-Law, or Condominium Map shall be liberally construed to facilitate the operation of the condominium property regime;
  4. Punitive damages may not be awarded except as provided in Hawaii Revised Statutes Section 514B-10; and
  5. Leases or uses of the common elements shall be governed by Hawaii Revised Statutes Section 514B-38.

**AMENDMENT NO. 2a:**

The Declaration is hereby amended by deleting subparagraph d of Paragraph 14 in its entirety. The remaining subparagraphs are hereby relettered to maintain alphabetical order.

**AMENDMENT NO. 2b:**

Article III, Section 2(o) of the By-Laws is hereby amended to read as follows:

(o) Collecting and disbursing to the Association as fee owner of the land the rent payable by each Owner pursuant to each Condominium Conveyance Document.

AMENDMENT NO. 2c:

Article V, Section 4 of the By-Laws is hereby deleted in its entirety, and the remaining sections of Article V are renumbered to maintain numerical order.

AMENDMENT NO. 2d:

Article VII, Section 2 of the By-Laws is hereby amended in its first paragraph and subparagraph (c) to read, in pertinent parts, as follows:

**SECTION 2. Comprehensive Liability Insurance.** The Board shall procure and maintain from a company or companies qualified to do business in Hawaii (and, if necessary to procure the required coverage, from other companies) a policy or policies (hereinafter in this Section 2 called the "Policy") of public liability insurance to insure the Board, each Apartment Owner, and the Managing Agent and other employees of the Association of Apartment Owners 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 \$100,000 for damage to property, not less than \$300,000 for injury to one person and not less than \$1,000,000 for personal injury and property damage arising out of a single occurrence. The Policy:

\* \* \*

(c) Shall contain a waiver by the insurer of any right of subrogation to any right of the Board or the Owners against any of them or any other persons under them; and

\* \* \*

AMENDMENT NO. 2e:

Article IX of the By-Laws is hereby amended by deleting therefrom the second paragraph in its entirety. The deleted provision read as follows:

Proceeds payable to the Condemnation Trustee under this Article IX do not include any compensation of damages for or on account of the Land. Such compensation or damages or both for or on account of the Land are payable to and the sole property of the Developer as fee owner of the Land in accordance with the terms of each Condominium Conveyance Document.

AMENDMENT NO. 3:

Article X, Section 1 of the By-Laws is hereby amended by the addition thereto, after the existing paragraph, of a new subsection (a) to read as follows:

(a) Pets. No pets or animals whatsoever shall be allowed or kept in the units or any part of the project; provided, however, that the Board of Directors may as a reasonable accommodation allow a handicapped person to keep a trained guide dog, signal dog or service animal. If a permitted guide dog, signal dog or service animal causes a nuisance or unreasonable disturbance to any other occupant of the project,

it shall be promptly and permanently removed from the project upon notice given by the Board of Directors or Managing Agent; provided however, that any such notice shall provide that before such animal must be removed, its owner shall have a reasonable time to acquire a replacement specially trained animal unless the Board of Directors determines that such animal poses an imminent serious threat of physical harm to other occupants of the project. The Board of Directors may from time to time promulgate such rules and regulations regarding the continued keeping of trained animals as the circumstances may then require or the Board of Directors may deem advisable.

Notwithstanding any provision in this subsection, any vicious animals shall be immediately removed from the project upon notice given by the Board of Directors or Managing Agent to protect persons or property.

**AMENDMENT NO. 4:**

Article VI, Section 1 of the By-Laws is hereby amended to add a new subsection (e) to read as follows:

(e) Special Expenses Benefitting Less than All the Apartments. Notwithstanding anything herein or in the Declaration to the contrary, if only one apartment or group of apartments solely benefits from an expense incurred by the Association as determined by the Board of Directors, the owner or owners of the apartment(s) that solely benefits shall be responsible for and charged with the expenses, as authorized by Hawaii Revised Statutes Section 514B-41(a).

**AMENDMENT NO. 5:**

Article V, Section 3 of the By-Laws is hereby amended by deleting subparagraph (b) in its entirety.

**AMENDMENT NO. 6:**

Article V, Section 1 of the By-Laws is hereby amended to read as follows:

**SECTION 1. Maintenance and Repair of Apartments.** Each Owner of an Apartment shall, at the Owner's expense, keep the Apartment and all fixtures and equipment therein in good order, condition and repair and do such repainting and redecorating as may be necessary to maintain the good appearance and condition of his Apartment. Each Owner shall be responsible for the maintenance, repair and replacement of any plumbing fixtures, water heater, heating or cooling equipment, lighting fixtures, refrigerator, garbage disposal, range and similar equipment installed in his Apartment and not part of the common elements. Maintenance and repair of apartments shall include, but not be limited to, the routine sealing of the floor of the lanai appurtenant to the apartment, which shall be done at such regular intervals as may be determined by the Board unless the Board in its sole discretion decides to undertake the sealing as a common expense.

**IN ALL OTHER RESPECTS**, the Declaration and the By-Laws, as they may have been amended and/or restated, are hereby ratified and confirmed and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**AND**, the undersigned officers of the Association hereby certify that the foregoing amendments were adopted by the vote of more than 67% of the owners at a duly noticed meeting of the Association held on September 20, 2006.

29 **IN WITNESS WHEREOF**, the undersigned have executed these presents as of the day of September, 2006.

ASSOCIATION OF APARTMENT OWNERS OF  
ISLAND COLONY, a Hawaii nonprofit corporation

By: H. J. Stahl  
H. JAMES STAHL  
Type Name  
Its: PRESIDENT

By: Randi Thomas  
RANDI THOMAS  
Type Name  
Its: VICE PRESIDENT / SECRETARY

STATE OF HAWAII )

: SS.

CITY & COUNTY OF HONOLULU )

On this 29 day of September, 2006, before me appeared H. JAMES STAHL, to me personally known, who being by me duly sworn, did say that he or she is the President of the Board of Directors of the Association of Apartment Owners of Island Colony, a Hawaii nonprofit corporation; that the foregoing instrument was signed on behalf of said Association by authority of its Board of Directors; and acknowledged that he or she executed the same as the free act and deed of said Association. Said Association has no seal.

  
MARGO CORLISS

Type/Print Name  
Notary Public, State of Hawaii  
My Commission Expires: 03/20/2009

STATE OF HAWAII )

: SS.

CITY & COUNTY OF HONOLULU )

On this 29 day of September, 2006, before me appeared Randi Thomas, to me personally known, who being by me duly sworn, did say that he or she is the VP & Secretary of the Board of Directors of the Association of Apartment Owners of Island Colony, a Hawaii nonprofit corporation; that the foregoing instrument was signed on behalf of said Association by authority of its Board of Directors; and acknowledged that he or she executed the same as the free act and deed of said Association. Said Association has no seal.

  
MARGO CORLISS

Type/Print Name  
Notary Public, State of Hawaii  
My Commission Expires: 03/20/2009

LS  
  
  
  
  
  
  
  
  
  
LS

## EXHIBIT A

### List of Transfer Certificate of Title

<u>Apt.</u>	<u>TCT</u>	<u>Apt.</u>	<u>TCT</u>	<u>Apt.</u>	<u>TCT</u>
701	815217	920	817396	1412	812818
702	815218	921	813631	1414	816008
703	815222	1001	813461	1415	821053
704	815223	1002	813005	1416	812581
705	815224	1003	816870	1417	815226
706	815421	1004	823432	1420	816521
707	815422	1007	810901	1421	809128
708	815423	1008	815879	1501	815057
709	815424	1009	813996	1502	810218
710	815425	1010	814260	1504	816061
711	815426	1011	809555	1505	813632
712	815427	1014	814261	1506	820025
714	815647	1016	815225	1507	818046
715	815648	1017	809975	1508	817397
716	815649	1019	810902	1509	816522
717	815650	1101	808950	1510	816351
718	815651	1102	807795	1511	811511
719	815652	1103	820306	1512	807793
720	816059	1104	812188	1514	809827
721	815653	1108	824740	1515	816062
801	813119	1109	804825	1516	824848
802	807662	1111	805509	1517	807933
803	817694	1115	804892	1519	809977
805	822831	1118	816096	1520	824975
806	822222	1119	815929	1521	812382
808	811926	1120	817285	1602	819837
809	822832	1121	824976	1603	821054
810	807190	1202	825009	1604	809130
811	816369	1204	812575	1605	821055
812	822224	1205	816387	1606	817286
814	806269	1206	814469	1607	804891
815	811510	1207	810083	1608	807796
818	822833	1208	810983	1611	806727
819	822834	1209	811210	1614	810903
903	823593	1211	809976	1615	804893
904	811620	1214	804327	1617	807748
905	823594	1217	808939	1618	822886
907	804894	1220	811493	1703	809372
908	809129	1221	822223	1704	812101
912	823867	1401	814262	1705	814116
915	814717	1403	814471	1708	820657
916	815238	1405	808938	1709	807181
917	813629	1406	813832	1710	806726
918	823431	1408	806847	1711	805354
919	813630	1409	814473	1714	807527



## EXHIBIT A

### List of Transfer Certificate of Title

<u>Apt.</u>	<u>TCT</u>	<u>Apt.</u>	<u>TCT</u>	<u>Apt.</u>	<u>TCT</u>
1715	821859	2106	809127	2416	807529
1716	805350	2107	808649	2417	817579
1717	811512	2108	811673	2418	822573
1718	807674	2110	816072	2419	817399
1719	810547	2115	810840	2420	810989
1720	804695	2116	817696	2421	821644
1802	816063	2117	816692	2502	819937
1803	810986	2118	814117	2503	810987
1806	818218	2120	822665	2505	814477
1807	820659	2121	810354	2507	816389
1808	809978	2201	822666	2508	821645
1809	820419	2204	815850	2509	811074
1812	816780	2205	819619	2510	822503
1814	821861	2206	811656	2512	812187
1815	814523	2208	808143	2515	814263
1817	809979	2209	810988	2516	813163
1819	813008	2212	810355	2518	809377
1820	811513	2214	815032	2520	808226
1901	804660	2216	825636	2521	808227
1903	814476	2218	815236	2601	816099
1904	810548	2219	808142	2602	812583
1905	818045	2220	824620	2603	819424
1906	809366	2221	813162	2604	811514
1907	806846	2301	820889	2607	805347
1908	812184	2302	810557	2609	812587
1910	810353	2304	804661	2610	816097
1914	809457	2305	810904	2612	807675
1915	816523	2306	806271	2614	814719
1917	821862	2307	811676	2616	811515
1919	812576	2308	804662	2618	816871
1920	812186	2309	815880	2620	816930
1921	813616	2311	811929	2621	809560
2001	824729	2312	822572	2701	819835
2003	819935	2316	815237	2702	810356
2004	814718	2317	807556	2703	811516
2005	811678	2319	821471	2704	810357
2006	804314	2320	812578	2706	810358
2007	812190	2401	817398	2709	822978
2008	809154	2403	814118	2710	819617
2011	818217	2404	809531	2711	824030
2014	809980	2405	811666	2718	821860
2017	820307	2406	816066	2719	810211
2019	806845	2412	810982	2720	807676
2021	807528	2414	812819	2721	811667
2102	807666	2415	808902	2801	823592

## EXHIBIT A

### List of Transfer Certificate of Title

<u>Apt.</u>	<u>TCT</u>	<u>Apt.</u>	<u>TCT</u>	<u>Apt.</u>	<u>TCT</u>
2803	814264	3108	811213	3421	821470
2804	819269	3112	810905	3501	810359
2805	816098	3114	821648	3503	810984
2806	813120	3115	807665	3504	819423
2807	811679	3117	806451	3505	816977
2810	811489	3118	806452	3507	816693
2811	806685	3119	813122	3509	811219
2814	822574	3121	815851	3511	816352
2815	807180	3201	810906	3512	810907
2817	810555	3204	811025	3514	809828
2818	816872	3209	805508	3516	807525
2819	816554	3210	813634	3517	820828
2901	821469	3212	806453	3518	811221
2902	811271	3215	822225	3519	807794
2903	819620	3216	813123	3520	808603
2904	822806	3218	811216	3601	813003
2905	820580	3220	810212	3602	810206
2906	813633	3221	816982	3603	808050
2909	812579	3301	821827	3604	821152
2911	812580	3302	813124	3605	817695
2912	813836	3304	811309	3606	809135
2914	811211	3305	816527	3607	804781
2917	804307	3307	811517	3608	809981
2919	804818	3308	813125	3611	822807
2921	813840	3310	810639	3612	810360
3001	821646	3311	811218	3614	824029
3002	814720	3312	816528	3615	816694
3003	812577	3314	811024	3616	809133
3005	815428	3315	807193	3617	816695
3007	815429	3316	804779	3620	816068
3008	807183	3319	811682	3621	804770
3009	815860	3320	804698	3701	809982
3011	813462	3321	809383	3702	819727
3012	809131	3403	806375	3703	810908
3015	810556	3404	805179	3704	814266
3017	815858	3405	810213	3706	812584
3018	811931	3409	814265	3707	815853
3020	810549	3410	820658	3708	805510
3021	815646	3411	806725	3709	818047
3101	807365	3412	804780	3712	817805
3102	811681	3414	805250	3714	810985
3103	816524	3415	813126	3715	807889
3104	807191	3416	809134	3716	820829
3105	813121	3418	806724	3717	812383
3106	811933	3419	811930	3718	813635

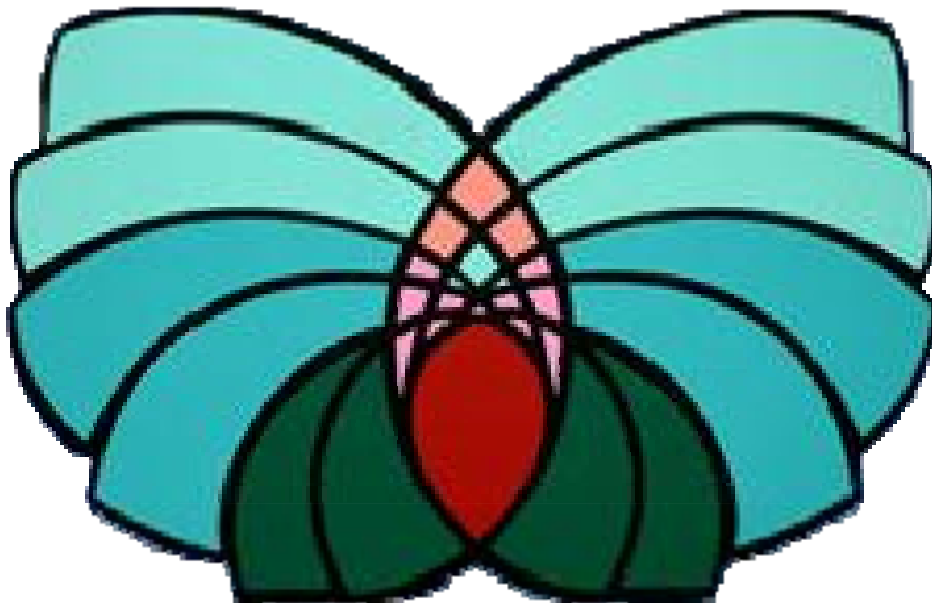
## EXHIBIT A

### List of Transfer Certificate of Title

<u>Apt.</u>	<u>TCT</u>	<u>Apt.</u>	<u>TCT</u>	<u>Apt.</u>	<u>TCT</u>
3719	815854	4020	816750	4401	819268
3721	816525	4021	807555	4402	809387
3801	821468	4101	819425	4404	809833
3803	807679	4104	804696	4405	809536
3804	805511	4105	809832	4406	816526
3806	807672	4106	812189	4409	807184
3808	815227	4107	818101	4410	810909
3809	818002	4110	805175	4411	809834
3812	825002	4111	809628	4416	810217
3814	809983	4114	811668	4418	816696
3817	810220	4115	810361	4419	808605
3818	809132	4116	807664	4420	816778
3819	808051	4117	815856	4421	806543
3820	807659	4118	812585		
3821	812485	4119	805274		
3901	820309	4120	813463		
3902	822504	4121	807932		
3903	807530	4201	813006		
3904	814286	4203	815654		
3906	809830	4205	814524		
3907	809831	4207	808229		
3908	814119	4208	815857		
3909	804697	4210	804694		
3910	816771	4211	804658		
3911	813637	4212	813464		
3914	805178	4214	823595		
3915	809984	4215	804666		
3917	809985	4216	805513		
3918	805177	4217	810215		
3919	810214	4218	811496		
3920	810550	4220	816385		
3921	812817	4221	823596		
4002	813636	4302	810216		
4003	818044	4303	819552		
4004	809532	4304	811932		
4005	816069	4305	821647		
4007	809460	4307	809534		
4009	820628	4308	808093		
4010	808228	4311	816370		
4012	806960	4312	816751		
4014	805512	4316	807526		
4015	804664	4317	821826		
4016	810552	4318	809535		
4017	816353	4319	811272		
4018	806723	4321	815655		

# **RULES AND REGULATIONS (HOUSE RULES)**

**Security Desk 922-2447  
Security Cell 927-5043**



**ISLAND COLONY**

January 27, 2011

*445 Seaside Avenue, Mezzanine Honolulu, HI 96815  
Ph: 808-922-2442 Fax: 808-922-2445*

## TABLE OF CONTENTS

The Purpose of Rules and Regulations.....	1
Occupancy.....	2
Temporary Occupancy.....	2
Common Areas, Entrances, and Lanais.....	4
Swimming Pool.....	8
Parking Areas.....	9
Noise.....	10
House Rules Violation Fines.....	12
Building Modification.....	13
Maintenance.....	13
General Provisions.....	14
Enforcement.....	15
Certificate of Adoption.....	15

## THE PURPOSE OF RULES AND REGULATIONS

The purpose of these Rules and Regulations is to promote the harmonious occupancy of the condominium apartments and to protect all occupants and also to protect the reputation and desirability hereof by providing maximum enjoyment of the premises. These Rules and Regulations may be amended by the Board of Directors, as provided in the By-Laws. Any suggested changes should be delivered in writing to the Manager for transmission to the Board.

The full authority and responsibility of enforcing said Rules may be delegated to the Manager by the Board of Directors of the Association of Apartment Owners. All occupants, tenants and their guests shall be bound by these House Rules and by standards of conduct whether covered by these House Rules or not; provided however, neither the Board nor the Managing Agent shall be responsible for any noncompliance or violation of said Rules by the occupants, tenants or their guest.

## OCCUPANCY

1. An apartment Owner shall be responsible for the conduct of any guests to or occupants of his apartment ensuring that their behavior is neither offensive to any occupant of the building nor damaging to any portion of the common elements. Play is permitted on the recreation floor but not in corridors, stairways or the parking lot.
2. No pets of any kind, no livestock, poultry, birds, dogs, cats, rabbits or other animals whatsoever shall be allowed or kept in any part of the project.
3. Every apartment Owner and occupant shall at all times keep the 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 for the time being applicable to the use of the project.

4. For sanitary purposes all box springs, mattresses, sleeping futons, pillows, and similar items must be enclosed in plastic when removing from unit. The Association Office can provide bags large enough to accommodate these items.

## **TEMPORARY OCCUPANCY**

1. The By-laws prohibit apartments not participating in the hotel rental pool from renting their apartments for less than 30 days.
2. Owners shall be responsible for designating a local representative to represent their interests, particularly with respect to rental, if their residence is outside the island of Oahu or if they will be absent from the apartment for more than 30 days. Such Owners shall file their address, telephone number and that of their representative's with the Manager.
3. Subject to the terms of the condominium conveyance document and the By-laws of the Association, an apartment Owner, or his designated representative, may lease or rent his apartment or make it available for the use of friends or the public, but the person or persons leasing, renting or living in the apartment shall abide by all Rules and Regulations applicable for Owners, and the Owner or designated representative as applicable shall assume the responsibility of the occupants' conduct.
4. Registration:
  - a. All residents, tenants and guests are required to register with the Association using the registration cards available at the AOA Manager's Office.
  - b. Every Owner is responsible for having an accurate, current, fully completed registration card on file with the AOA office for each and every one of his/her condominiums at all times.
  - c. Guests are non-paying persons staying in a condominium unit for more than 2 days in anyone month period.
5. An apartment Owner or representative as applicable, shall be responsible for the conduct of his lessee(s), renter(s), or guest(s), and shall, upon the request of the Board of Directors or Managing Agent, immediately abate and remove, at his expense, any structure, thing or condition that may exist with regard to the occupancy of his apartment by his lessee(s), renter(s), or guest(s) contrary to the provisions hereof. If the apartment Owner or representative is unable to control the conduct of the lessee(s), renter(s), or guest(s), he/she shall immediately remove such lessee(s), renter(s), or guest(s) from the premises, without compensation from the AOA for rentals or any other damage resulting therefrom.
6. The absentee Owner, at his expense, should have an agent, friend or maid conduct periodic inspections of his closed apartment, assuming responsibility for the contents

thereof.

## COMMON AREAS, ENTRANCES AND LANAIS

1. The sidewalks, passages, lobbies, pool deck, stairways and corridors must not be obstructed or used for any purposes other than ingress and egress. Playing and loitering, in these areas, are strictly prohibited.
2. Skates, roller blades, skateboards, bicycles, mopeds, jump ropes and similar items may not be used in the common areas.
3. No shoes, go-aheads, laundry, dry cleaning, or other items shall be allowed to remain in view at the front entrance of each unit.
4. Only appropriate furniture and small plants shall be placed on lanais. With the Board of Directors approval, only one storage locker in a neutral color no larger than twenty four (24) cubic feet may be stored in the inside far corner of the lanai. Any items deemed unsightly by the Board of Directors or the Manager shall be removed upon the request of the Manager. Lanais are otherwise not to be used for the purpose of storage of articles of any kind.
5. Textile items including but not limited to towels, bathing apparel, clothing, brooms, mops, cartons, and other objects shall not be placed on lanais or in passages or windows so as to be in view from outside the building or from any other apartment.
6. All plants shall be placed in containers so as to prevent the dripping of water or soil onto other apartments or common elements. Care should be taken in scrubbing lanais so as to prevent water from running down the exterior of the building.
7. Nothing shall be released or thrown from the lanais, windows or entrance balconies. Feeding of birds is prohibited.
8. To abate unnecessary odors, all garbage deposited in the trash containers on the Lobby Level must be wrapped and sealed in a manner that ensures the contents will not fall out and scatter loosely inside the container.
9. Trash Chute.
  - a. The Trash Chute may be used only during the hours of 7:00 a.m. to 10:00 p.m.
  - b. All trash thrown down the chute must be sealed or tied in disposable plastic bags with a capacity of no larger than 10 gallons.
  - c. Heavy, large, bulky, sharp or flammable items, construction materials, furniture and appliances are prohibited in the Trash Chute. For example, glass of any kind, gypsum board, construction materials, pizza boxes, small furniture, cardboard

- boxes, floor tiles, lamps, carpet padding, lumber, garbage disposals, inflammable items, microwaves, toasters, TV's, VCRs, all kitchen appliances and rice cookers are prohibited in the Trash Chute.
- d. Bulky or Large Items (A/C's-Refrigerators-Cabinets-TV's-etc.) must be taken to Nohonani Street for pick-up every Saturday before 6:00 a.m.
  - e. All large boxes are to be flattened and taken to the trash bins on the Lobby Level outside of the Security Office using the service elevator (to use service elevator please contact security at 922-2445 or 927-4053) and should not be put down the chute. There is a bin designated for cardboard recycling.
  - f. All newspapers are to be rolled and tied before depositing them in the chute.
  - g. Recyclable glass, aluminum and plastic items must be taken to the recycle bins located on the:
    - 6th Floor
    - P-5 Level
    - Lobby Level outside of the Security Office in the loading dock
  - h. Trash is not permitted to be left in the hallways.
10. No fires or bar-b-ques will be permitted on any apartment lanais or anywhere else on the property
  11. The throwing of firecrackers from lanais and the explosion of any fireworks anywhere on the building grounds or within the building is expressly prohibited.
  12. No rugs or other objects shall be dusted or shaken from the lanais or windows of the project. No cleaning by beating or sweeping shall be done in any hallway or exterior part of the project.
  13. Nothing shall be allowed, done or kept in any apartment or common element of the project which would overload or impair the floors, electrical system, walls or roofs thereof (specifically waterbeds) or cause any increase in the ordinary insurance rates or the cancellation or invalidation or any insurance thereon maintained by or for the Association.
  14. Water shall not be left running for an unreasonable length of time.
  15. Damages to common elements shall be surveyed by the Manager and the costs of repair or replacement may be assessed by the Board of Directors against the persons responsible.
  16. Each Owner of a residential apartment shall be responsible for the care and maintenance of all lanais, which are included in his apartment. Such Owner may not, however, paint or otherwise decorate the walls and ceiling of the lanais without the prior approval of the



Board of Directors.

It is intended that the exterior of the building shall present a uniform appearance and, to affect that end, the Board of Directors may require the painting of the walls and ceilings of each lanai and regulate the type and color to be used. The Board is authorized to contract for the painting of all of the walls and ceilings of the lanais and to make payment thereof out of the maintenance fund.

17. Owners must obtain approval from the Board of Directors before installation of floor coverings and any modifications to the lanais. Requests should be submitted in writing to the Renovation Committee along with the construction design and specifications. If approval by the Board is granted, it is with the understanding that the Owner is responsible for the cost of installation. In addition, the Owner is responsible for the cost for the removal of the floor covering so that the Association may have access to the common elements for the operation of the Project. Failure of any Owner to seek the Board's approval for the installation of floor covering shall not exempt the Owner of his or her assigns from this Rule.
  - a. As of January 1, 2010 carpet is no longer being approved for installation.
  - b. Effective January 1, 2012 carpet will no longer be allowed on lanais. ALL carpet must be removed and the lanai floor properly sealed at the Owners expense.
  - c. If there are any problems with lanais, carpet will need to be removed IMMEDIATELY and lanai must be sealed.
  - d. Under the Condominium Property Act, the Owner is responsible for the expense of removing the tile if the Association determines it needs access to the concrete slab for the operation of the Project.
18. Smoking is prohibited in the Common Elements of the property.
19. The consumption of alcoholic beverages in any of the common areas of the property is prohibited.
20. In order to protect the common elements and other apartments, the Association conducts regular pest treatment of the building including the units. Owners must permit access for pest treatment. Anyone who fails to provide access such that pest spraying is skipped for two consecutive treatments may be subject to a fine of \$100.00. If assessed the fine shall be in addition to the cost of a separate visit for treatment by the pest treatment company.
21. Bicycles and Surfboards are not allowed in guest elevators. The service elevator MUST be used if bicycles or surfboards are being taken to the floors. To have the service elevator brought up to the floors please contact Security at 922-2447 or 927-4053. There will be a \$50.00 fine for anyone found using the guest elevators. Bicycle racks are provided in the bus lane free of charge. See Security to register your bicycle and obtain a

permit. Any bicycle that does not have a permit will be removed from the rack. Surfboard lockers are available for a fee. Please see Association Office for a copy of the Agreement and application.

## **SWIMMING POOL**

1. Use of the swimming pool shall be limited to apartment Owners, lessees or renters, members of his/her family and guests. Nonresident guests must be accompanied by the residents of the building at all times.
2. Pool hours are from 7:00 AM to 9:00 PM. There is no lifeguard on duty. Anyone using the pool does so at their own risk. Owners, residents, and tenants are responsible for their guests using the pool.
3. No large mats or floatation devices shall be used in the pool. Water wings and other similar small devices are acceptable.
4. No horseplay or running will be allowed in the pool or surrounding area.
5. Swimmers shall dry themselves completely before leaving the pool deck to return to the building or to ride in the elevators.
6. No person with bandages or open wounds of any type may use the pool.
7. No glass containers, tumblers, drinking glasses, chinaware, or any other such breakable items shall be permitted in the swimming pool or spa area.
8. All swimmers must shower before entering the pool. Any sand must be washed off before entering the pool or pool deck.
9. All persons shall comply with the requests of the Managing Agent and the onsite management staff.
10. No animals are allowed around the sundeck or the pool area. Seeing Eye Dogs and Signal Dogs are exempt from this rule when accompanying a visually or hearing impaired person.
11. Spitting and blowing one's nose in the pool is strictly prohibited.
12. Diapers must be worn with a water-proof cover in the pool, in the spa, and the surrounding area.
13. There will be a limit of two non-occupant guests per apartment. The occupant must accompany and be responsible for the conduct of any guest in the pool area.

## **PARKING AREAS**

The parking garage is a commercial unit and is governed by the commercial operators' rules and regulations. All common area parking, including porte-cochere and bus lane is governed by the Association. The bus lane and loading dock areas are available for a limited two hour time frame. Your vehicle must be registered with Security and a parking pass will be issued and must be displayed on your dashboard. The following is a list of parking violations: 1) any vehicle parked in the bus lane and/or loading dock area with an expired parking pass, and 2) any unattended vehicle in the porte-cochere. Violators of any parking regulations will be subject to having their cars booted and a \$50.00 fine will be imposed. "CASH ONLY" payments can be made to the Association Office Monday through Friday from 8:00 a.m. to 5:00 p.m. After hour violations shall be paid to the Security Officer on duty at the Security Desk. If fine is not paid a tow company will be called.

## **NOISE**

1. Each occupant is to avoid making excessive noise of any type at any time and is to consider the welfare and comfort of other residents at all times.
2. Unit front doors and service doors are to be held (or restrained) so as to avoid slamming due to the wind.
3. No workmen are to be allowed to work in the building before 8:00 a.m. or after 6:00 p.m. or on Sundays and Holidays (except in an emergency).
4. All radios, TVs, stereos, or musical instruments must be played at reduced volume between 10:00 p.m. and 8:00 a.m.
5. It is required that noise due to departing guests, particularly at night, and particularly in the hallways, be kept at a minimum.
6. Excessive noise being made at any time should be reported to Security (922-2447 or 927-4053) who will take appropriate action.

## **HOUSE RULE VIOLATION FINES**

1. The Board of Directors or Managing Agent may impose fines and/or penalties for violations of the House Rules and/or the Project Documents. The person fined or penalized shall be advised of the basis for any fine or penalty at or prior to the time it is imposed.
2. Any fine or penalty shall be in addition to any other right or remedy available to the Association. The imposition of a fine or penalty shall not constitute an election of remedies, and the Association may also exercise additional rights and/or remedies.
3. The citation and fines shall be as follows:
  - a. First Offense: A written citation given and sent to the agent and Owner.

- b. Second Offense: A written citation given and sent to the agent and Owner and a \$50 fine assessed against the Owner requesting immediate payment.
- c. Third Offense: A written citation given and sent to the agent and Owner and a \$100 fine assessed against the Owner requesting immediate payment.
- d. Fourth and Subsequent Offenses: A written citation given and sent to the agent and Owner and fine between \$200 and \$450 assessed against the Owner for each offense and requesting immediate payments.

The issue of the citation for the First Offense activates a 90 day accumulation period for further fines for subsequent violations. Second, third, fourth and subsequent offenses need NOT be for a violation of the same provision before a fine is imposed. For example, if a tenant violates a 'Noise' rule for his first violation, and then violates a 'Smoking in Common Areas' for his second violation, the fine will be imposed on the Owner when the second violation occurs. It is not necessary for a tenant to violate a specific rule such as 'Noise' rule twice, before a \$50 fine is levied. Similarly, a \$ 100 fine will be assessed for a third violation of the House Rules, and a \$200 fine will be assessed for a fourth and subsequent violations of the Project Documents, even if the violations are not the same. The ONLY exception regarding the amount of the initial fine will be the SEVERITY of the violation in regards to property damage *and/or* the endangerment of other Owner's, guests, tenants, or employees.

- 4. Penalties may include the loss of any privilege.
- 5. The reasonable costs and expenses of enforcing the Project Documents, including attorney's fees and costs, shall be charged to the account of the Owner whose unit is involved in the violation of the Project Documents and/or to any other responsible person. Payments for fines received will be applied according to the procedures provided in the Bylaws for collection of delinquent assessments.
- 6. Any person aggrieved by the imposition of any fine may appeal to the Board of Directors, as follows in this section. If the fine is paid, the person fined may exercise such remedies as allowed by law, including those specified in HRS Section 514b 104 (a) (11):
  - a. Right to Appeal a Fine: An Owner shall have the right to appeal any citation specifying a fine to the Board of Directors within fifteen (15) days of the assessment date by doing the following:
    - i. Mailing a letter, constituting a Notice of Appeal, to the Board of Directors in care of the General Manager.
    - ii. The Notice shall be mailed postage prepaid, certified, return receipt requested.
    - iii. The date of mailing as certified by the post office shall constitute the date of appeal.

- iv. The Notice must contain a copy of the applicable citation, a statement of the facts of the violation, including the reasons for appeal, the names and addresses of any witnesses, and copies of any proposed exhibits must also be included.
  - v. The Owner may also attend the next Board meeting at which time, they may present their case to the Board provided notice of appeal is received ten (10) days prior to the meeting.
- b. The written decision will be mailed 30 days from the date of the Board meeting at which the Owner appears or at the next Board meeting following the notice of appeal if the Owner does not appear.
  - c. Unless appealed, a fine must be paid to the Association within thirty (30) days of the citation and assessment of the fine.
  - d. The Board shall provide a written statement of the alleged violations to any Owner or other person against whom such charges are made, and the written statement will include the date and time of the occurrence, the name of the employee issuing the citation, and a brief description of the violation.

## **BUILDING MODIFICATION**

1. No canvas awnings, shades, windbreaks, or canopies of any type shall be installed on lanais or the outside of the building other than the type approved by the Board of Directors.
2. No signs, signals, or lettering of any type shall be inscribed or exposed on any part of the building exterior or in the interior entries without the Board of Director approval.
3. No projections shall extend through any doors or window openings into any entry or beyond any exterior face of the building.
4. No radio or TV antenna shall be erected or maintained outside the physical confines of an apartment.
5. No under-drapes will be permitted which differ in color from the neutral casement draperies.
6. No additions or alterations to the original design of the apartment will be permitted when they are visible from the exterior of the building other than those originally offered by the developer or approved by the Board of Directors.

## **MAINTENANCE**

1. Common Elements. Under the supervision of the Board, the maintenance of common elements is a responsibility of the Manager: defects and deficiencies should be reported

when and as observed.

2. Apartments. Maintenance of individually-owned apartments, including lanais and all windows, doors (including hinges, locksets and door closures, if any) is the responsibility of the respective Owners and/or occupants.
3. Back to Back Plumbing Policy. Any unit with a back to back plumbing problem is to contact the security desk at 922-2447 or 927-4053. Security will notify the AOA maintenance staff of said problem. The AOA maintenance staff will attempt to clear the problem and a \$25.00 fee will be charged to each Owner. If for some reason, the AOA maintenance staff can not clear the lines, YOU must call a plumber and the cost will be borne by the two affected units. If a plumber isn't called to resolve the problem within three hours of being notified by the AOA staff; the AOA will call the plumber and you will be billed accordingly. This is considered an emergency and health and safety issue.
4. If an Owner chooses to participate in the Duplicate Key Program for a particular unit, then:
  - a. The Owner must read the Duplicate Key Program Policy available in the Association Office.
  - b. The Owner must sign the Duplicate Key Program Agreement (Owner).
  - c. All tenants for the unit must sign the Duplicate Key Program Agreement (Tenant).
  - d. This key will be used for emergency purposes only.

## **GENERAL PROVISIONS**

1. Furniture placed in the common areas is for use in those specific areas and must not be removed therefrom.
2. Each apartment Owner shall observe and comply with these House Rules and ensure that his licensees and invitees also observe and comply with these House Rules. Apartment Owners shall be responsible for their guests' observance of all House Rules as set forth herein. In the event expenses are incurred due to a violation of these House Rules by guests or licensees, the Owner shall be responsible for payment of same.
3. No open solicitation or canvassing will be allowed in the building at any time.
4. All Owners will carry a Home Owners Insurance policy as specified by Hawaii Revised Statutes Chapter 514B (copy available at the AOA office).
5. Should any unit get infested with BED BUGS, the Owner of that unit shall ensure that the Bed Bug Policy is fully enforced. It is mandatory that the AOA office be notified immediately.

A COPY OF THE BED BUG POLICY IS AVAILABLE IN THE ASSOCIATION OFFICE. **THERE IS NO CHARGE** TO THE OWNER OR THE RESIDENT FOR THIS SERVICE. IT IS IMPARATIVE THAT YOU REPORT BED BUGS IMMEDIATELY TO PREVENT THE SPREAD OF THESE PESTS.

6. Extensions. The Board of Directors from time to time may post special safety or other rules governing the use of roadways, swimming pool, etc. The Board's posted rules shall be considered extensions of these House Rules.

## **ENFORCEMENT**

THE VIOLATION OF ANY HOUSE RULE ADOPTED BY THE ASSOCIATION OF APARTMENT OWNERS SHALL GIVE THE BOARD OF DIRECTORS OR ITS AGENT THE FOLLOWING RIGHTS IN ADDITION TO ANY OTHER RIGHTS PERMITTED UNDER LAW:

1. Enter the apartment in which or as to which, such violations or breach exists or are believed to exist and to summarily abate and remove, at the expense of the defaulting apartment Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof and the Board of Directors or the Management firm shall not thereby be deemed guilty in any manner of trespass.
2. To enjoin, abate, or remedy by the appropriate legal proceedings either at law or in equity, the continuance of any such breach, and all costs thereof, including attorney's fees and costs, shall be borne by the defaulting apartment Owner.

## **CERTIFICATION OF ADOPTION**

The undersigned hereby adopts the foregoing as the House Rules of the Island Colony this 27<sup>th</sup> day of January, 2011.

**DATED:** Honolulu, Hawaii 96815

**By:** \_\_\_\_\_  
**It's President: Michael Josefowski**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
ASSOCIATION OF APARTMENT OWNERS OF THE ISLAND COLONY  
ADOPTING A SCHEDULE OF FINES FOR VIOLATIONS OF  
THE DECLARATION, BY-LAWS, AND HOUSE RULES**

**WHEREAS**, Hawaii Revised Statutes Section 514B-104(a)(11) gives the Association the power to impose monetary fines upon apartment owners, their tenants, and anyone else using apartments at the project for violations of the Declaration, By-Laws and House Rules of the Association pursuant to a resolution adopted by the Board of Directors; and

**WHEREAS**, the Board of Directors of the Association of Apartment Owners of the Island Colony wishes to adopt a resolution imposing monetary fines pursuant to Hawaii Revised Statutes Section 514B-104(a)(11);

**NOW, THEREFORE, BE IT RESOLVED THAT**, the Board adopts the following rules for fines and appeals for any violation of the Association's Declaration, By-Laws, or House Rules (the "project documents") by apartment owners, their tenants, family members, guests, agents, employees, or anyone else using the project:

**A. FINE SYSTEM**

A written citation will be delivered to both the apartment owner and violator notifying them of the violation. If the Resident Manager, Managing Agent, or Security Staff determines that a violation may warrant a fine, the citation or a subsequent notice shall be issued informing them of the amount of the proposed fine in an amount not to exceed \$450.00 which may be assessed for each violation after an opportunity to be heard as provided below. If the violation is not corrected, at the end of each ten (10) day period, it becomes a new offense and a new fine may be assessed.

**B. LEGAL ACTION**

In addition to fining, the Board may also take legal action to enforce the governing documents, at the owner's expense.

**C. CITATIONS**

Each citation issued shall briefly describe the nature of the violation; date of the violation, apartment number; and name of parties involved, if known.

The original citation shall be delivered to the apartment owner who shall be jointly and severally responsible for payment of any applicable fine along with the violator.



If the owner of the apartment is not an occupant, then a copy of the citation shall also be delivered to the occupant; however, this shall not be deemed a waiver of the owner's responsibility for payment of any applicable fine.

**D. PAYMENT OF FINES AND LIABILITY**

Apartment owners shall be liable for their own fines and for fines assessed against their tenants, guests, family members, agents, employees, contractors, etc. A fine must be paid to the Association within thirty (30) days of the assessment of the fine. A fine shall be deemed a common expense chargeable against the owner's apartment. The Association may file a lien against the owner's apartment for the unpaid fines and may collect the unpaid fines under the procedures provided in the Bylaws for collection of delinquent assessments.

**E. HEARINGS**

1. Hearings may be before the Board of Directors or a Committee of the Board. The President (or the Vice-President if the President is unavailable) is authorized by the Board to appoint two or more Board Members to serve on a Committee to hear any violation or fine.
2. Within thirty (30) days of the date of a citation, an owner, occupant, or other offenders may request a hearing on the violation and the fine by delivering a written notice of appeal to the Board President or Secretary or the Managing Agent.
3. The request for hearing must contain a copy of the citation and a statement of the facts. The Board or Committee may limit the amount of time the owner or violator may have to present information. For that reason, owners and violators are strongly encouraged to also include in their request for hearing: (1) an explanation of the position of the person requesting the hearing; (2) the names and addresses of witnesses; (3) written statements from the witnesses; and (4) copies of proposed exhibits.
4. Upon receipt of a timely request for hearing, the Board or Committee shall inform the owner or violator of the date, time and location of the hearing. The Board or Committee may continue the hearing in its sole discretion. The owner and/or violator may, but is not required to present information in person or in writing.

5. The Board or Committee may reduce, suspend, or cancel any citation or fine after consideration of the appeal. The Board shall deliver a written decision to the person making the appeal within sixty (60) days of the receipt of the notice of appeal.
6. Failure to timely request a hearing shall result in the automatic issuance of the fine in the amount proposed on the citation and shall constitute a waiver of the right to a hearing and a loss of the right to contest the decision of the Board or Committee except as provided in the Condominium Property Act.
7. The pendency of a hearing shall not halt the accrual of any ongoing late fees or prior fines imposed for other offenses, or the obligation of the owner and/or violator to correct the violation.

**F. FURTHER PROCEEDINGS**

If the fine is paid, the unit owner or violator shall have the right to initiate a dispute resolution process as provided by Hawaii Revised Statutes §514B-161 or §514B-162 or by filing a request for an administrative hearing under a pilot program administered by the department of commerce and consumer affairs.

I, Randi Thomas, Secretary of the Board of Directors of the Association of Apartment Owners of the Island Colony, do hereby certify that the foregoing is a true copy of the resolution duly adopted at a meeting of the Board of Directors, duly held on 9-20-06 and duly entered in the book of minutes of the Association, and that this resolution is in full force and effect.

Randi Thomas  
Secretary, ASSOCIATION OF  
APARTMENT OWNERS OF THE ISLAND  
COLONY

**THE ASSOCIATION OF APARTMENT OWNERS OF ISLAND COLONY**  
**RESOLUTION REGARDING HIGH-RISK COMPONENTS**

**WHEREAS:**

Hawaii Revised Statutes ("HRS") §514B-138(a) authorizes the Board, after notice to all unit owners and an opportunity for owner comment, to determine that certain portions of the units, or certain objects or appliances within the units pose a particular risk of damage to other units or the common elements if they are not properly inspected, maintained, repaired, or replaced by owners.

Article III, Section 2 of the Restated Bylaws of the Association of Apartment Owners of Island Colony ("Bylaws") gives the Board broad powers to operate and manage the Island Colony condominium project ("Project") for the benefit of the Association and its members.

**Fire Prevention and Safety**

The United States Fire Administration ("USFA") has stated that electrical fires in U.S. homes claim the lives of 485 Americans each year, injure 2,305 more, and cause \$868 million in property losses. The USFA has also stated that:

- \* Most of these electrical fires are caused by the misuse and poor maintenance of electrical appliances, incorrectly installed wiring, and overloaded circuits and extension cords.
- \* In urban areas, faulty wiring accounts for 33% of residential electrical fires.
- \* Many avoidable electrical fires can be traced to misuse of electric cords, such as overloading circuits, poor maintenance and running the cords under rugs or in high traffic areas.
- \* The home appliances most often involved in electrical fires are electric stoves and ovens, dryers, central heating units, televisions, radios and record players.

The USFA recommends that the following safety precautions be taken:

- \* Routinely check electrical appliances and wiring.
- \* Since frayed wires can cause fires, replace all worn, old or damaged appliance cords immediately.
- \* Wall sockets and extension cords should never be overloaded, and light switches that are hot to the touch and lights that flicker should be immediately shut off and professionally replaced.

In addition, the USFA notes that having a working smoke alarm dramatically increases ones chances of surviving a fire. (Smoke detectors in units at the Project are hooked into the

Project's common element alarm system. The Project also has a fire sprinkler system that must be properly maintained.)

Finally, the Board believes that some residents of the Project have replaced their solid core front doors (with fire-resistant fill) and replaced them with hollow core doors in violation of applicable building code and fire code requirements.

Clearly, faulty electrical wiring, faulty smoke detectors, and/or non-code compliant front doors can lead to the death of residents as well as cause hundreds of thousands of dollars of damage to adjoining units. If electrical wiring, connections, outlets, and related components and fixtures (specifically including, but not limited to, wiring and connections for air conditioning units), as well as smoke detectors and front doors are not properly inspected, maintained, repaired, or replaced by owners, the risk of damage to other units and the common elements is greatly increased.

#### **Water Leak/Water Intrusion Prevention**

Leaking plumbing fixtures (including, but not limited to, fire sprinkler piping and heads, faucets, washing machines, washing machine hoses, water heaters, toilets, and toilet O-rings), pipes, and drains can cause severe water damage to the Project. Leaking exterior windows and sliding doors, as well as improperly sealed bathtubs, sinks, and showers and improperly surfaced lanai floors and ceilings, can also cause severe water intrusion damage to the Project (including, but not limited to, spalling problems), requiring expensive remedial action. (It should also be noted that improperly maintained exterior windows and sliding doors can also create a danger of falling glass.)

Furthermore, any delay in taking action to: (i) eliminate water leaks and water intrusion in units; (ii) water leaks and water intrusion into walls, floors, and ceilings; and/or (iii) repair and replace any damage caused by water leaks, may lead to mold problems and expensive remedial action.

#### **Infestation Prevention**

In addition, the Vector Control Branch of the State of Hawaii's Department of Health has noted that bed bugs are making a notable resurgence at this time because: (i) a broad spectrum of pesticides that were once used to control the pests are no longer used; and (ii) the increase and speed at which humans can travel assists the spread of these insects. Indeed, the National Pest Management Association ("NPMA") has stated that bed bug infestations nationally have increased 63 percent (63%) in the past four years, and Hawaii hotels have reported several cases of bed bug infestation to the NPMA. Depending on how bad a bed bug infestation is, people can get up to one hundred (100) bites in one night. Bed bugs inhabit more than beds. Since bed bugs are nocturnal, they hide during the day in cracks, crevices, wall cavities, bed frames, under pictures hanging on walls, under dresser drawers, and other places out of the light. Bed bugs are excellent travelers (hitchhiking into units on people's luggage and clothes, and traveling upward from infested units in pipe chases and wall cavities), and if they infest one unit they will quickly infest neighboring units as well.

Any delay in taking action to: (i) repair or replace components listed above (including but not limited to, faulty electrical wiring and related components, smoke detectors, fire sprinklers, front doors, plumbing and related components, bathtubs, sinks, and showers, and lanai floor and ceiling coverings), whether located within the common elements or individual units; or (ii) identify, treat, and control bed bug infestations, may lead to death or injury of residents and damage to the Project (in the case of faulty components listed above), physical discomfort and substantial economic losses (if bed bug infestations become established, particularly if they become established in Hawaii as a whole and affect tourism), and expensive remedial action in all cases.

Section 14.b of the Island Colony Restated Declaration of Condominium Property Regime ("Declaration") states, in pertinent part, that the Association shall "[k]eep all common elements in a strictly clean, orderly and sanitary condition." Furthermore, Article III, Section 2(l) of the Bylaws authorizes the Board to maintain and repair (at the owner's cost and expense) "any Apartment if such maintenance or repair is necessary, in the discretion of the Board, to protect the common elements and limited common elements or any other portion of the buildings" and the apartment owner(s) "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 delivered by the Board to said Owner or Owners."

HRS §514B-137(a) requires each unit owner to afford to the Association and its employees, independent contractors, and agents access – during reasonable hours – through the owner's unit reasonably necessary for the operation of the property.

Furthermore, HRS §514B-137(b) give the Association the irrevocable right, to be exercised by the Board, to have access to each unit at any time as may be necessary for making emergency repairs to prevent damage to the common elements or to another unit or units.

Finally, Section 8.c of the Declaration echoes the provisions of HRS §514B-137 and gives the Association the right to enter an apartment to make repairs necessary to prevent damage to the apartments or any common elements.

**I. RESOLVED:**

Based on the law, the Declaration, and the Bylaws, the BOARD OF DIRECTORS OF THE ASSOCIATION OF APARTMENT OWNERS OF ISLAND COLONY, on behalf of the members of the Association, hereby adopts the following resolutions to designate high-risk components, and establish requirements for care of high-risk components:

A. Designation of high-risk components. The following components are designated high-risk components:

- (1) Electrical wiring, connections, outlets, and related components and fixtures (specifically including, but not limited to, wiring and connections for air conditioning units).

- (2) All smoke detectors in the Project, whether located in common element areas, commercial units, hotel units, or private individually-owned units.
- (3) All fire sprinkler piping and heads in the Project, whether located in common element areas, commercial units, hotel units, or private individually-owned units.
- (4) Non-code compliant front doors, if any.
- (5) All plumbing fixtures (including, but not limited to, faucets, washing machines, washing machine hoses, water heaters, toilets, and toilet O-rings), pipes, and drains, whether located in common element areas, commercial units, hotel units, or private individually-owned units.
- (6) Bathtubs, sinks, and showers.
- (7) Lanai floors and ceilings.
- (8) All exterior windows and sliding doors
- (9) Any unit infested with bed bugs as well as units adjacent to the infested unit (i.e., at a minimum, the three units above the infested unit, the two units on the same floor on either side of the infested unit, and the three units below the infested unit), particularly places in the units that are out of the light such as cracks, crevices, wall cavities, bed frames, under pictures hanging on walls, and under dresser drawers.

B. Inspections. With regard to the above-designated high-risk components, the Board shall require that inspections of all units be conducted regularly. Said inspections shall be conducted no less frequently than once per quarter. In addition, the Association may conduct inspections upon notice to the resident. In the case of bed bug infestations (and any other infestation that may be discovered during inspections of high-risk components, e.g., infestations of cockroaches, ants, or rodents), once an infestation has been identified, inspections may be required as often as recommended by a licensed pest control operator.

C. Repair or replacement; treatment and control. If a faulty high-risk component (as designated above) is identified during an inspection conducted pursuant to this resolution, the high-risk component shall be repaired or replaced as soon as reasonably possible. If the faulty high-risk component is located in a unit, the unit owner shall be responsible for the cost of repairing or replacing the high-risk component. If the faulty high-risk component is located in a common element area, the Association shall be responsible for the cost of repairing or replacing the high-risk component.

If a unit is infested with bed bugs (and/or any other infestation that may be discovered during inspections of high-risk components, e.g., infestations of cockroaches, ants, or rodents), the unit owner shall be responsible for the cost of treating and controlling the infestation. If adjacent units must also be treated for bed bug infestation (and/or any other infestation that may

be discovered during inspections of high-risk components), all such units shall share in the cost of the treatment and control, as reasonably determined by and in the sole discretion of the Board. If common element areas are infested with bed bugs (and/or any other infestation that may be discovered during inspections of high-risk components), the Association shall be responsible for the cost of treating and controlling the infestation. If units adjacent to common element areas must also be treated for bed bug infestation, all such units and the Association shall share in the cost of the treatment and control, as reasonably determined by and in the sole discretion of the Board.

Notwithstanding anything to the contrary stated herein, the Board in its sole discretion may choose to have the cost of repairing or replacing faulty high-risk component(s), or treating and controlling bed bug infestations (and/or any other infestation that may be discovered during inspections of high-risk components), paid for as a common expense.

**II. RESOLVED FURTHER THAT:**

Unless otherwise determined by the Board, in its sole discretion, if the Association undertakes any remedial work in an owner's apartment pursuant to this resolution, the apartment owner shall be responsible for restoring the decorated surface of any wall, floor, or ceiling of the apartment to its original condition. In addition, if the Association must remove any items or covering, including, but not limited to, paneling, mirrors, or tile, from any wall, floor, or ceiling of the apartment to maintain, repair, or replace any smoke detector or to treat and control any bed bug infestation, the apartment owner shall be responsible for restoring or replacing the item or covering.

**III. RESOLVED FURTHER THAT:**

The rights, obligations, powers, and authority that this resolution provides shall become effective as of the date of the Board's adoption of this resolution, and shall remain effective until this resolution is revoked in writing by the Board or changed by an amendment to the Declaration or Bylaws.

**CERTIFICATE**

I hereby certify that the above resolution was adopted pursuant to the law and the DECLARATION and BYLAWS OF THE ASSOCIATION OF APARTMENT OWNERS OF ISLAND COLONY, by the Board of Directors of the Association, at a Board meeting on \_\_\_\_\_, 2006.

DATED: Honolulu, Hawaii, \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_, Secretary

**Island Colony, AOA**  
**Insurance Summary**  
**Date Prepared: December 16, 2013**

**Insurance Associates, Inc.**  
**800 Bethel Street, Suite #200**  
**Honolulu, HI 96813**

**Agent: Sue Savio**  
**Direct Line: 808.526.9271**  
**Direct Fax: 808.792.5371**  
**sue@insuringhawaii.com**

<b>Coverage</b>	<b>Limits</b>	<b>Term</b>	<b>Policy Period</b>	<b>Annual Premium</b>	<b>Insurance Company</b>	<b>Comments</b>
<b>Property</b> Building Replacement Cost Building Ordinance/Increased Cost of Construction Business Personal Property Deductible (all other perils excluding hurricane) Hurricane Deductible (1% of the building value)	\$ 89,074,000 \$ 1,000,000 \$ 535,800 \$ 10,000 \$ 890,740	Annual	11/15/13 – 11/15/14	\$ 62,245	First Insurance Company of Hawaii, Ltd.	
<b>Commercial General Liability</b> General Aggregate Personal & Advertising Injury Each Occurrence Fire Damage (any one fire) Medical Expense (any one person) Hired/Non-Owned Automobile (occurrence)	\$ 2,000,000 \$ 1,000,000 \$ 1,000,000 \$ 100,000 \$ 5,000 \$ 1,000,000	Annual	11/15/13 – 11/15/14	\$ 44,818	Nautilus Insurance Company	
<b>Commercial Automobile Liability</b> Bodily Injury – Each Person Bodily Injury – Each Accident Property Damage – Each Accident	\$ 1,000,000 \$ 1,000,000 \$ 1,000,000	Annual	10/05/13 – 10/05/14	\$ 1,147	First Insurance Company of Hawaii, Ltd.	
<b>Commercial Umbrella</b> Each Occurrence Liability Aggregate Limit Retained Limit	\$ 25,000,000 \$ 25,000,000 \$ 0	Annual	11/15/13 – 11/15/14	\$ 20,160	Fireman's Fund Insurance Company	Provides coverage above the Directors' & Officers' Policy
<b>Equipment Breakdown</b> Covered Amount Deductible	\$ 89,074,000 \$ 10,000	Annual	11/15/13 – 11/15/14	\$ 5,166	First Insurance Company of Hawaii, Ltd.	
<b>Directors' and Officers' Liability</b> Each Loss Policy Period Aggregate Deductible	\$ 2,000,000 \$ 2,000,000 \$ 2,500	Annual	11/15/13 – 11/15/14	\$ 5,361	Continental Casualty Company	Includes coverage for the Management Company
<b>Fidelity Bond</b> Deductible	\$ 550,000 \$ 2,500	Annual	11/15/13 – 11/15/14	\$ 882	Great American Insurance Company	
<b>Flood Insurance</b> Covered Amount – Building Covered Amount -- Contents Deductible	\$ 89,074,000 \$ 100,000 \$ 5,000	Annual	02/01/14 – 02/01/15	\$ 60,114	Selective Insurance Company of America	National Flood Insurance Program
<b>Workers' Compensation and Employers Liability</b>	Statutory	Annual	01/01/14 – 01/01/15	\$ 15,226	DTRIC Insurance Company	

*This summary is a brief outline of your insurance policies and is a matter of information only. It does not amend, extend or alter the coverage's afforded by the companies. You must refer to the provisions found in your policies for the details of your coverage's, terms, conditions and exclusions that apply.*



**Island Colony, AOA**  
**Insurance Summary**  
**Date Prepared: December 16, 2013**

**Insurance Associates, Inc.**  
**800 Bethel Street, Suite #200**  
**Honolulu, HI 96813**

**Agent: Sue Savio**  
**Direct Line: 808.526.9271**  
**Direct Fax: 808.792.5371**  
**sue@insuringhawaii.com**

Coverage	Limits	Term	Policy Period	Annual Premium	Insurance Company	Comments
<b>Property</b> Building Replacement Cost Building Ordinance/Increased Cost of Construction Business Personal Property Deductible (all other perils excluding hurricane) Hurricane Deductible (1% of the building value)	\$ 89,074,000 \$ 1,000,000 \$ 535,800 \$ 10,000 \$ 890,740	Annual	11/15/13 – 11/15/14	\$ 62,245	First Insurance Company of Hawaii, Ltd.	
<b>Commercial General Liability</b> General Aggregate Personal & Advertising Injury Each Occurrence Fire Damage (any one fire) Medical Expense (any one person) Hired/Non-Owned Automobile (occurrence)	\$ 2,000,000 \$ 1,000,000 \$ 1,000,000 \$ 100,000 \$ 5,000 \$ 1,000,000	Annual	11/15/13 – 11/15/14	\$ 44,818	Nautilus Insurance Company	
<b>Commercial Automobile Liability</b> Bodily Injury – Each Person Bodily Injury – Each Accident Property Damage – Each Accident	\$ 1,000,000 \$ 1,000,000 \$ 1,000,000	Annual	10/05/13 – 10/05/14	\$ 1,147	First Insurance Company of Hawaii, Ltd.	
<b>Commercial Umbrella</b> Each Occurrence Liability Aggregate Limit Retained Limit	\$ 25,000,000 \$ 25,000,000 \$ 0	Annual	11/15/13 – 11/15/14	\$ 20,160	Fireman's Fund Insurance Company	Provides coverage above the Directors' & Officers' Policy
<b>Equipment Breakdown</b> Covered Amount Deductible	\$ 89,074,000 \$ 10,000	Annual	11/15/13 – 11/15/14	\$ 5,166	First Insurance Company of Hawaii, Ltd.	
<b>Directors' and Officers' Liability</b> Each Loss Policy Period Aggregate Deductible	\$ 2,000,000 \$ 2,000,000 \$ 2,500	Annual	11/15/13 – 11/15/14	\$ 5,361	Continental Casualty Company	Includes coverage for the Management Company
<b>Fidelity Bond</b> Deductible	\$ 550,000 \$ 2,500	Annual	11/15/13 – 11/15/14	\$ 882	Great American Insurance Company	
<b>Flood Insurance</b> Covered Amount – Building Covered Amount -- Contents Deductible	\$ 89,074,000 \$ 100,000 \$ 5,000	Annual	02/01/14 – 02/01/15	\$ 60,114	Selective Insurance Company of America	National Flood Insurance Program
<b>Workers' Compensation and Employers Liability</b>	Statutory	Annual	01/01/14 – 01/01/15	\$ 15,226	DTRIC Insurance Company	

*This summary is a brief outline of your insurance policies and is a matter of information only. It does not amend, extend or alter the coverage's afforded by the companies. You must refer to the provisions found in your policies for the details of your coverage's, terms, conditions and exclusions that apply.*

**AOAO ISLAND COLONY  
2012 ANNUAL MEETING MINUTES  
6<sup>th</sup> Floor Conference Room  
On-site  
445 Seaside Ave.  
Honolulu, HI  
Thursday, March 22, 2012  
6:00 p.m.**

**I. CALL TO ORDER**

President Michael Josefowski called the meeting to order at 6:30 p.m. with 52.91% of the Ownership represented at the Meeting in person or by proxy. The final percentage present was 55.789%. Keith Brunner was recording secretary for the meeting.

**II. PROOF OF NOTICE OF MEETING**

Pursuant to the By-Laws of the Association of Apartment Owners of Island Colony, notice was sent to all Owners of record on February 17, 2012.

**III. APPOINTMENT OF CHAIR PRO TEM**

Steve Glanstein was appointed Chair pro tem by unanimous consent.

**IV. APPROVAL OF MINUTES**

The Minutes of the Association's 2011 Annual Meeting of March 31, 2011 and 2011 Continuation Annual Meeting May 26, 2011 were approved by the membership present as distributed.

**V. REPORT OF OFFICERS**

**A. President's Report**

President Michael Josefowski gave a verbal report.

**B. Auditor's Report**

The Annual Audit for the fiscal year ending December 31, 2010 is not available. It will be provided as soon as it is available.

**C. Managing Director's Report (during recess)**

The Managing Director gave a Power Point presentation explaining many of the projects and improvements made to the building and operations during 2011. As part of the report, survey results on the installation of heat pumps for pool heating were released: For, 6.525%; Oppose, 34.0356.

**VI. APPOINTMENT OF TELLERS**

Paul Oleniacz and Theresa Pidutti were appointed tellers for any counted vote.

**VII. NOMINATIONS AND ELECTION OF DIRECTORS**

Nominations and elections were conducted. The results are:

Tom Dougherty	38.906%	2-year term
Michael Josefowski	49.609%	2-year term
Peter Stewart	38.313%	2-year term

**VIII. NEW BUSINESS**

**A. Tax (Rollover) Resolution:** The following resolution was adopted by unanimous consent:

“Resolved by the owners of the Association, That the amount by which each member's assessment in 2012 exceeds the total payments of the Association for maintenance, repairs and other expenses and capital expenditures of the Association as the board of directors has appropriately paid or determined payable, shall be applied to regular member assessments in the year 2013.”

**B. RATIFICATION OF THE BOARD'S SELECTION OF AUDITOR:**

The Board's selection of George Lam to audit the 2011 financials was approved by the Owners.

**IX. ADJOURNMENT**

The meeting adjourned at 7:14 p.m.

By:

---

William Tanaka, Jr., Secretary

Hawaii First, Inc., Agent for  
AOAO Island Colony  
Keith Brunner,  
Community Association Manager

**Island Colony Regular Session Board Minutes**

**APPROVED**

**July 25, 2013**

**MINUTES**

**REGULAR MEETING of the BOARD OF DIRECTORS of AOA ISLAND COLONY**

- DATE:** Thursday July 25, 2013
- PLACE:** Island Colony, 6<sup>th</sup> Floor Meeting Room, Honolulu, Hawaii
- PRESENT:** President Michael Josefowski, Secretary William Tanaka, Jr. and Treasurer Larry Lyons, the other Board members Director Tom Dougherty and V.P. Peter Stewart were present by speaker phone.
- ABSENT:** NA
- BY INVITATION:** Managing Director - Chris Berner  
Assistant Manager – NA  
Security Supervisor – NA  
Hawaii First, Inc. – Keith Brunner, Community Association Manager
- OWNERS/GUESTS:** Joan Lyons #3516, Ping and Edward Lee #1708, Moon Park #2715, Norman Rothstein #1408, Netty Hax #4021, Sarah McClendon #2006, Peter Yee #820, Phillip and Paulette Thomas #3619, Oliver Ben Sadoun #1020, Carolyn Endo #4106, William Bradshaw #2710, George Schreiber #815, Steve Stelle #3402.
- CALL TO ORDER:** Noting the presence of a quorum, President Josefowski called the meeting to order at 5:31 p.m.
- BOARD MINUTES:** A *motion* was made Sec. Tanaka to approve the Minutes of the June 27, 2013 Board meeting. The motion was seconded by Trs. Lyons and *approved unanimously*.
- TREASURER'S REPORT:** Trs. Lyons gave a verbal report and *motioned* to accept the May 2013 Financial statement. The motion was seconded by Sec. Tanaka and *approved unanimously*.
- COMMITTEE REPORTS:**
- Maintenance & Standards, Building & Grounds & Renovation Committee**
- Managing Director - Chris Berner gave a verbal status report covering the various projects underway at Island Colony. Minutes from the Renovation Committee Meetings on July 16, 2013 were supplied in the Board package, tab #4.
- Security Committee**
- Managing Director - Chris Berner gave a verbal status report and noted that ALL guards are licensed as required by the new State law.
- OLD BUSINESS:**  
(Board Package tab #6)
- Lobby Renovations/Gates/Railings – further work on hold pending ADA compliance decisions
  - Electrical Panels & Sub-meters for each unit – all panels installed, Breaker certification and trouble shooting ongoing
  - Building Restoration, Phase II – Spa is still shedding tiles and to be taken out of service for testing. Final payment to contractor being withheld; Repair work underway. Trellises awaiting a special structural inspection.

- Internet & Cable - Internet installation underway and complete from floors down to 26<sup>th</sup> floor
- Common hallway – 20<sup>th</sup> floor completed.
- Website – A basic website has been set up for the posting of updates
- Elevator upgrades – December 31, 2012 deadline has been given to Otis to address the outstanding service issues
- One Bedroom Windows – Special Assessment delayed; project expected to continue due to safety concerns. Special Board meeting scheduled for August 12, 2013 to hear owner comments. Building Department approved permit picked up.
- Parking Garage Deck Maintenance – on going.
- Insurance Policy Enforcement – On site office contacting owners for proof of insurance
- Pest Control Enforcement – Ongoing
- CCTV Cameras for 7<sup>th</sup> thru 44<sup>th</sup> floors – Office set up completed. Camera installation will begin shortly and cable being installed.
- Fire Panel Monitoring Service – Waiting for new telephone line hook up.
- Laundry Room – Determine if laundry contract should be converted to in-house
- Bus Lane Access Arm – due to a new State law making it illegal to boot unauthorized vehicles on the property suggestion for controlling access and issuance of parking passes was discussed.
- Commercial Unit Purchasing Committee – Tom Dougherty and Peter Stewart volunteered to join the previously appointed committee. Michael Josefowski will serve as Chair

## **NEW BUSINESS:**

### **Recording of Meetings**

Sec. Tanaka *motioned* to get a legal opinion on the pros and cons of recording Board meetings. The motion was seconded by V.P. Stewart and *approved* unanimously.

Dir. Dougherty *motioned* that contingent on receiving favorable legal opinion; the Board should begin recording Board meetings. V.P. Stewart seconded the motion. It was *approved* with a split decision with Dir. Dougherty, V.P. Stewart and Pres. Josefowski voting in favor; Sec. Tanaka voting against and Trs. Lyons abstaining due to insufficient information.

### **Towing Policy**

Due to the new State law prohibiting the use of boots on illegally parked vehicles Sec. Tanaka motioned to implement the follow policy enforcement policy and to contract with Waikiki Towing for their service. The motion was seconded by Trs. Lyons and approved unanimously.

1. One warning to be given.
2. Two hours after the warning if the vehicle has not left the property; the vehicle will be towed.
3. Vehicles blocking any driveway will be towed immediately.

### **Renovation Requests Previously Reviewed by the Renovation Committee: 4401; Mezzanine Office, Island Colony Partners; Relocation of the Commercial**

Dir Dougherty motioned to approve ALL the listed Renovation Requests as recommended by the Renovation Committee. The motion was seconded by Trs. Lyons and approved unanimously.

**Laundry; 3018; 3408**

**ANNOUNCEMENTS:**

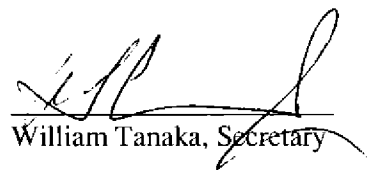
Pres. Josefowski announced that the next Board Meeting will be on August 12, 2013; at **5:30 p.m.**, in the 6<sup>th</sup> floor Meeting Room.

**ADJOURNED:**

There being no further business to discuss and hearing no objections, the meeting adjourned at 6:22 p.m.

**OWNERS FORUM:**

NA.



William Tanaka, Secretary

Submitted by:

Hawaii First, Inc.  
Managing Agent for AOA Island Colony

MINUTES

REGULAR MEETING of the BOARD OF DIRECTORS of AOA ISLAND COLONY

- DATE:** Monday August 12, 2013
- PLACE:** Island Colony, 6<sup>th</sup> Floor Meeting Room, Honolulu, Hawaii
- PRESENT:** President Michael Josefowski, Secretary William Tanaka, Jr. and Treasurer Larry Lyons with Board members Director Tom Dougherty and V.P. Peter Stewart were present by speaker phone.
- ABSENT:** NA
- BY INVITATION:** Managing Director - Chris Berner  
Assistant Manager – NA  
Security Supervisor – NA  
Hawaii First, Inc. – Keith Brunner, Community Association Manager
- OWNERS/GUESTS:** 3402, Steve Stelle; 1020, Olivier Ben Sadoun; 2511, Marcus Landsberg; 1102, Shoko Lenoir; 1111, Jiro Mizukami; 3516, Joan Lyons; 3301, Kunio Honda; 3820, Kumika Wanami; 701-721 Zuzana Macias & Tamae Erdrar; 3521, Sam Nocera.
- CALL TO ORDER:** Noting the presence of a quorum, President Josefowski called the meeting to order at 5:34 p.m.
- BOARD MINUTES:** A *motion* was made Trs. Lyons to approve the Minutes of the July 25, 2013 Board meeting. The motion was seconded by Sec. Tanaka and *approved unanimously*.
- TREASURER'S REPORT:** Trs. Lyons gave a verbal report and *motioned* to accept the June 2013 Financial statement. The motion was seconded by Sec. Tanaka and *approved unanimously*.
- COMMITTEE REPORTS:**  
**Maintenance & Standards,  
Building & Grounds  
& Renovation Committee**
- Managing Director - Chris Berner gave a verbal status report covering the various projects underway at Island Colony. Minutes from the Renovation Committee Meetings on August 6, 2013 were supplied in the Board package, tab #4.
- Security Committee**
- Managing Director - Chris Berner gave a verbal status report.
- OLD BUSINESS:**  
(Board Package tab #6)
- Lobby Renovations/Gates/Railings – further work on hold pending ADA compliance decisions
  - Electrical Panels & Sub-meters for each unit – contractor is connecting gauges between floors.
  - Building Restoration, Phase II – Spa is still shedding tiles and to be taken out of service for testing. Final payment to contractor being withheld; Repair work underway. Trellises awaiting a special structural inspection.
  - Internet & Cable - Internet installation underway with about 200 remaining
  - Common hallway – 20<sup>th</sup> floor completed. No update.
  - Website – A basic website has been set up for the posting of updates

- Elevator upgrades – December 31, 2012 deadline has been given to Otis to address the outstanding service issues
- One Bedroom Windows – Special Assessment delayed; project expected to continue due to safety concerns. Special Board meeting scheduled for August 12, 2013 to hear owner comments. Building Department approved permit picked up.
- Parking Garage Deck Maintenance – on going.
- Insurance Policy Enforcement – On site office contacting owners for proof of insurance
- Pest Control Enforcement – Ongoing
- CCTV Cameras for 7<sup>th</sup> thru 44<sup>th</sup> floors – Office set up completed. Camera installation will begin shortly and cable being installed.
- Fire Panel Monitoring Service – Waiting for new telephone line hook up.
- Laundry Room – Determine if laundry contract should be converted to in-house
- Bus Lane Access Arm – due to a new State law making it illegal to boot unauthorized vehicles on the property suggestion for controlling access and issuance of parking passes was discussed.
- Commercial Unit Purchasing Committee – Tom Dougherty and Peter Stewart volunteered to join the previously appointed committee. Michael Josefowski will serve as Chair

**NEW BUSINESS:**

**Recording of Meetings**

Dir. Dougherty *motioned* to audio record Board Meetings and Special Meetings for recording purposes only. That all recordings be retained for 10 years and then destroyed following approval of the Board. That video recording of Board Meetings is prohibited and that 3<sup>rd</sup> party recording (including by Board Members) is also prohibited. The motion was seconded by Dir. Kyons and *approved* unanimously.

**Entry Gate to Bus Lane and Guest parking**

Deferred.

**Renovation Requests Previously Reviewed by the Renovation Committee: 3403; 3408; 2120; 1119**

Sec. Tanaka *motioned* to approve ALL the listed Renovation Requests as recommended by the Renovation Committee. The motion was seconded by Trs. Lyons and approved unanimously.

**ANNOUNCEMENTS:**

Pres. Josefowski announced that the next Board Meeting will be on September 26, 2013; at **5:30 p.m.**, in the 6<sup>th</sup> floor Meeting Room.

**ADJOURNED:**

There being no further business to discuss and hearing no objections, the meeting adjourned at 5:55 p.m.

**OWNERS FORUM:**

NA.



William Tanaka, Secretary

Submitted by:



Hawaii First, Inc. Managing  
Agent for AOA Island Colony

MINUTES

REGULAR MEETING of the BOARD OF DIRECTORS of AOA ISLAND COLONY

**DATE:** Thursday, October 15, 2013

**PLACE:** Island Colony, 6<sup>th</sup> Floor Meeting Room, Honolulu, Hawaii

**PRESENT:** President Michael Josefowski and Secretary William Tanaka, Jr. were present in person; Vice President Peter Stewart, Treasurer Larry Lyons and Director Tom Dougherty were present by speaker phone.

**ABSENT:** None.

**BY INVITATION:** Managing Director - Chris Berner  
Hawaii First, Inc. – Keith Brunner, Community Association Manager

**OWNERS/GUESTS:** 3521, Sam Nocera; 4106, Carolyn Endo; 2709, Carl Lower; 2715, Moon Park; 3402, Steve Stelle; 4309, Buzz & Carolyn Lenahan; 1002, Oliver Ben Sadoun; 2418, Fanya Broitman; 3802, Yasuyuki and Kyoko Matsumoto;

**CALL TO ORDER:** Noting the presence of a quorum, President Josefowski called the meeting to order at 5:35 p.m.

**BOARD MINUTES:** September 27, 2013 Regular Board of Directors' Meeting Minutes – Sec. Tanaka *moved* and Dir. Dougherty seconded the motion to approve the September 27, 2013 Regular Board of Directors' meeting minutes as written. Motion carried with unanimous *approval*.

**TREASURER'S REPORT:** Treasurer Lyons gave a verbal report; Tres. Lyons *moved* and Sec. Tanaka seconded the motion to accept the August 2013 financial statement subject to audit. Motion carried with unanimous *approval*.

**COMMITTEE REPORTS:**  
**Maintenance & Standards,  
Building & Grounds  
& Renovation Committee**  
Managing Director - Chris Berner gave a verbal status report covering the various projects underway at Island Colony. Minutes from the Renovation Committee Meetings on October 8, 2013 were supplied in the Board package, tab #4.

**Security Committee**  
Managing Director - Chris Berner gave a verbal status report covering Security operations during September 2013. (Board package, tab #5)

**OLD BUSINESS:**  
(Board Package tab #6)

- Lobby Renovations – On hold due to ADA legal action.
- Electrical Panels & Sub-meters for each unit – final cable pulls being completed.
- Internet & Cable Contract - Internet installation underway – contact units that previously refused access.
- Building Restoration, Phase II – Still waiting for DPP to send out inspector for structural issues
- Common Hallway Renovations – 18<sup>th</sup>, 15<sup>th</sup> and 10<sup>th</sup> floors being worked on.

- Creation of Website/Project Updates to Website – No update at this time
- Standards Committee – Ongoing.
- One Bedroom Window Project – Contractor’s attorney reviewing contract.
- Parking Garage Deck Maintenance – on going.
- Insurance Policy Enforcement – On site office contacting owners for proof of insurance
- Pest Control Follow-up – Ongoing
- CCTV Camera Project – Ongoing
- Commercial Unit Purchasing Committee – No update.
- Laundry Room Issues – Looking for a local vendor.
- Lanai Carpet Removal– A notice of inspection will be mailed with the monthly statements.

**NEW BUSINESS:**

**A. 2014 Budget Approval**

Deferred.

**Renovation Requests Previously Reviewed by the Renovation Committee: 4321; 2506; 3108; 905; 819; 1105; 909; 3303; 1005**

Secretary Tanaka moved and Director Stewart seconded the *motion* to approve all listed renovation requests as recommended by the Renovation Committee. Motion *approved* with unanimous consent.

**ANNOUNCEMENTS:**

Pres. Josefowski announced that the next Board Meeting will be on December 12, 2013; at **5:30 p.m.**, in the 6<sup>th</sup> floor Meeting Room.

**ADJOURNED:**

There being no further business to discuss and hearing no objections, the meeting adjourned at 6:19 p.m.

**OWNERS FORUM:**

Owners asked about Association matters after the Board meeting has ended.



William Tanaka, Secretary

Submitted by:

Hawaii First, Inc. Managing  
Agent for AOA Island Colony

# **Island Colony Newsletter March 2013 (Revised)**

---

## **Message from the Board President**

**By Michael Josefowski**

I would like to start with saying thank you for all of the overwhelming support that so many of you have shown for the efforts of this Board of Directors. Over the past several years, your Board of Directors has worked diligently to maintain and improve your investment in the Island Colony.

With the leadership of our Treasurer, Larry Lyons, I am pleased to announce that even in these tough economic times, there has been no maintenance fee increase over the past three years. Our Board has successfully done this while actually increasing the level of service and amenities available at the Island Colony.

Our next Annual Meeting is scheduled for March 21<sup>st</sup>, 2013. I urge each of you to be proactive in deciding the future of Island Colony. There are several issues that were mailed with your proxy that need to be voted on. If you do not plan to return your proxy or if you are planning to assign it "for quorum purposes only" please reconsider and return your proxy with a Board Members name assigned so that the Board can conduct needed business.

Mahalo.

## **Lease Rent Renegotiation and Fee Purchase Financing**

**By: Christopher Berner**

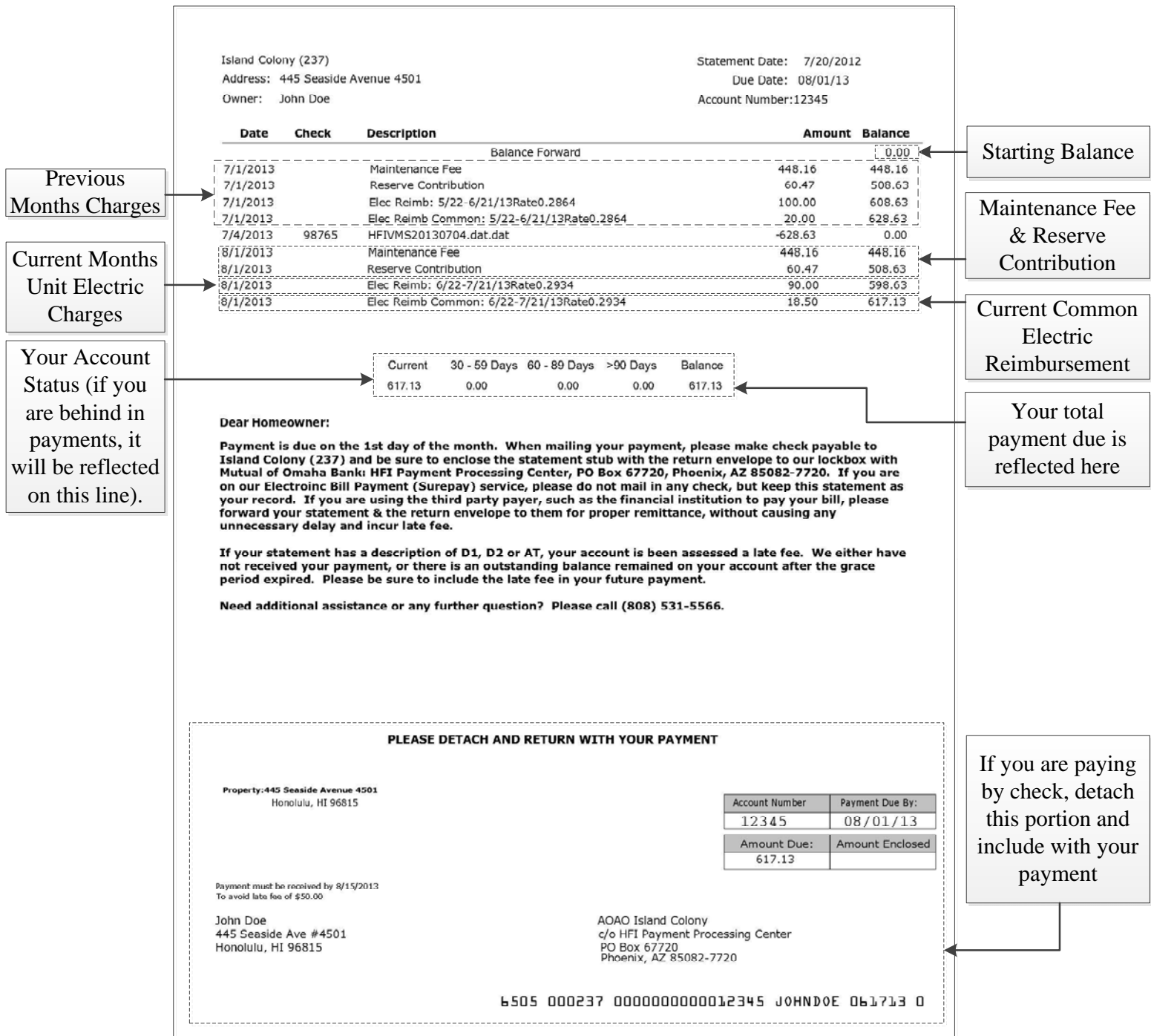
Lease renegotiation is scheduled to start around April of 2014 in order to be completed by January of 2015. What does this mean to you? If you have already purchased your fee simple interest in your unit, it will not concern you at all; but, if you have not purchased the fee simple interest in your unit as of March 2014, there will be a special assessment to all lease hold unit Owners around April of 2014. This special assessment will be to cover the costs of hiring the Attorneys needed to renegotiate the lease rent. This special assessment is nonrefundable; even if you purchase the fee simple interest in your unit after April of 2014.

The Board of Directors routinely meets with representatives of local banks to discuss the availability of financing for mortgages at the Island Colony. For the past several years, the Board has been asking local banks to consider financing for Owners to finance the purchase of the fee. I am pleased to announce that Bank of Hawaii has come out with a program tailored for the Island Colony. This program allows for refinancing your mortgage to a lower interest rate, and rolling the fee purchase in with the refinance. For more information and to see if you qualify for this program, please contact Bank of Hawaii Senior Loan Officer Corey Shimabuku (808-694-7458 or 808-271-3134) or Mortgage Loan Specialist Michael Mango (808-694-8533 or 808-347-5668). There will most likely be a limited number of units that Bank of Hawaii will accept, so if you are interested, please contact them as soon as possible.

For information on purchasing the Fee Simple interest in your unit, please contact Mr. Michael Pang of Monarch Properties at 735-0000

# Monthly Statements

You may have noticed that you are receiving monthly statements rather than twelve months of coupons. This was done in anticipation of the individual unit electric sub-metering that will be going into effect later this year. It is currently estimated that all sub-meters will be installed and functioning by the month of May. There will be two months of courtesy bills to allow Owners to make any adjustments to help reduce your unit's power consumption. We anticipate that the live billing will start in the month of July; exact dates will be communicated in mailers included in your billing statement as the time draws near. When the sub-metering goes live, there will be some changes to the format of your billing statement. If you are currently on Surepay, your maintenance fee, reserve contribution, and monthly electric reimbursement will automatically be taken out of the account that you have previously specified. If you use a bill pay service through your bank; you will have to get a copy of your monthly statement to your bill pay service. The diagram below explains the changes. The numbers are only samples, and do not reflect any unit Owner's actual statement.



## New Cable and Internet Contract

With the Oceanic Cable bulk contract set to automatically renew with a large increase in costs on January 1<sup>st</sup>, 2013, and the fact that there are several companies in Hawaii offering bulk cable deals, the Board canceled the current bulk rate contract and went out to bid for cable service. Part of the bidding process required each bidder to offer an option for internet access in bulk.

After the long process of site surveys, meetings with bidders, and negotiating, the Board is pleased to announce that a new contract for bulk cable has been signed with Oceanic Cable. This package upgrades the building to digital cable; takes us from 75 cable channels to 175 cable channels (including 9 channels of Showtime Premium Movie channels), includes free installation and cable box, and includes 24 months of free DVR service. Internet service will be included, but not through Oceanic Cable. The company HDT will be providing both wired and secured WiFi 24mbps/3mbps internet service to every unit at the Island Colony, and to the pool deck, recreation deck, and lobby areas. This entire service upgrade, including the internet, was accomplished with a *reduction* in contract monthly costs, as well as reducing the Association office operating costs (telephone service and internet service for the Association office was required to be provided at no cost).

To schedule your cable box installation, please contact Oceanic Cable at 643-2100. Either the Owner or the Tenant will have to sign for the cable box.

Internet installation notices will be posted throughout the property and slid under the doors for each unit. It is anticipated that installation for internet will start around March 18<sup>th</sup>, 2013.

## Trellis Project

The long awaited replacement trellises are finally in full swing production. The first sets of trellises are being installed on the pool deck and are scheduled to be completed by the first week of April. The second set of trellises will go on the recreation deck, and are scheduled to be completed by the first week of May.

These steel and fiberglass trellises replace the old, deteriorated wood trellises that were required to be demolished when the pool deck and recreation deck were resurfaced. These new structures provide shade for those who need it, and help to reduce the volume of wind that blows across our pool and recreation deck.



**Pool deck trellis in production**

## **One Bedroom Windows**

In April of 2012, after several incidents in which one bedroom living room windows came close to falling off the building, the Board of Directors classified these windows as high risk items. The overwhelming majority of these windows have deteriorated to the point that they pose a hazard. The Island Colony governing documents clearly state that the windows are the responsibility of each individual Owner to maintain and replace, but due to these hazards, and to reduce the Association's liability, these windows will be required to be replaced. Initial bids for the windows came in at around \$15,000 per window; after negotiating, the final costs per window will be \$4,916.16. This dollar amount is all inclusive of permit fees, material and installation costs, architect fees, and all other fees.

In the February 2013 regular Board Meeting, the Board approved a special assessment to all one bedroom unit Owners starting May 1<sup>st</sup>, 2013. The \$4,916.16 will be broken out into 12 monthly payments of \$409.68. Notices will be going out to all one bedroom unit Owners regarding this. **PLEASE NOTE THAT THIS ASSESSMENT IS FOR ONE BEDROOM UNIT OWNERS ONLY.** Because these windows are part of each of the one bedroom units, the Board cannot use common funds to pay for the replacement windows; it must be done as a special assessment to only the one bedroom unit Owners.

A schedule of window installations will be sent out to unit Owners when available. The first windows to be installed are estimated to be around the end of May or the beginning of June. **THIS IS SUBJECT TO CHANGE BASED ON THE PRODUCTION AND SHIPPING OF THE MATERIALS REQUIRED.**

The replacement windows will meet all current building codes, including laminated safety glass,

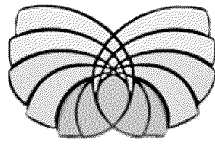
## **Sub-metering and Electrical Panel Replacement Project**

The sub-metering and electrical panel replacement project is roughly 50% completed. We anticipate that the project will be complete, and sub-metering in affect by July of 2013. Notices will be sent out 60 days in advance notifying Owners of the live date of sub-metering. Please refer to the article with the sample statement to see how electrical charges will be billed on your statement.

These panel upgrades address safety issues with the Federal Pacific circuit breakers originally installed in the Island Colony. In the process of installing the panels, there have been several dangerous wiring situations that were addressed before they became a problem.

For more information regarding the dangers of Federal Pacific circuit breakers, please go to the link below:

<http://www.nbcbayarea.com/Federal-Pacific-Circuit-Breakers-Investigation-Finds-Decades-of-Danger-171406921.html>



---

**AOAO Island Colony  
MINI-NEWSLETTER**

**ISLAND COLONY ELECTRICAL SUB-METERING PROJECT**

The electrical sub-metering project is running behind schedule. We had anticipated having the project completed by July 1<sup>st</sup>, 2013; it is unlikely that it will be done by that time. We currently have approximately 70% of the project completed. A follow up letter will be sent notifying all Owners when the project is completed, along with a revised budget.

One of the largest obstacles holding this project up is gaining access to each unit. The sub-metering system must be certified, which requires the electrician to enter each unit and verify every circuit in the unit. For units that are participating in the duplicate key program, access is generally not a problem. We provide 48 hours' notice prior to entering the unit, and the electrician is escorted by an AOA employee while he conducts his verification. In some instances, the resident in the unit is refusing to allow access for the electrician. It will be helpful if all Owners' inform their tenant's and/or property managers that they should allow access in order to complete this project. We cannot start individual sub-metering until the entire project is completed and certified.

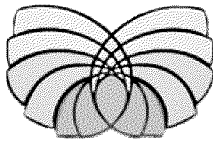
For units that are not participating in the duplicate key program, we must work with the resident in order to gain access. We have some instances in which our requests are going unanswered. In these cases, 48 hours' notice will be given stating that if no one is present, a lock smith will be hired to open the unit to allow the electricians to complete their work. The costs of gaining access through this method will be billed back to the unit Owner.

Once completed, the maintenance fee line item on your monthly statement will be reduced, as the electricity consumption will no longer be factored into the maintenance fee. The Board of Directors urges you to be proactive and take steps now to reduce your electrical consumption. Any actions you take now will help reduce your monthly electrical reimbursement. LED lighting has become very cost effective to install; while the initial cost is much more than a traditional light bulb, the energy savings over time justifies the additional cost of the LED bulb. If you have been considering upgrading your appliances, please look for "energy star" rated products; especially for refrigerators and air conditioners. Energy star rated appliances can save you a substantial amount of money in electricity consumption during its useful life.

**REPORTING OCCUPANCY TO THE STATE TAX OFFICE**

There is currently legislation in the works that will require all condominium associations to report all units that are conducting short term rentals to the state tax department; or face thousands of dollars of fines for the failure to do so. At this point, there is no clear indication as to how this will be implemented by the State of Hawaii, but the Board felt it would be prudent to notify all Owners of this so that any adjustments can be made if needed. Eventually, a method of reporting occupancy will be established by the state, and the Association will be required to report any unit that it is aware of conducting short term rentals to the state tax collector. The state tax department would most likely use





---

## AOAO Island Colony

this information to ensure **that transient accommodation's tax** is being paid on units that are subject to it.

The transient accommodations tax is a tax imposed on certain rental activity in the State of Hawaii. Like the general excise tax, it is a tax levied on gross income. However, the TAT is imposed only on gross rental income derived from the renting of transient accommodations in Hawaii.

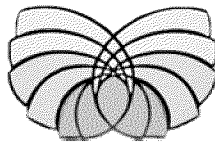
A transient accommodation is a hotel room or suite, apartment, **condominium**, house, beach house, or similar living accommodation which is rented for less than **180-consecutive** days by and regularly furnished to a transient (a person who has a permanent home elsewhere). **PLEASE TAKE NOTE OF THIS; THERE IS A COMMON MISCONCEPTION THAT SHORT TERM RENTALS MEANS LESS THAN 30 DAYS; THE STATE DEFINES SHORT TERM RENTALS AS BEING LESS THAN 180 DAYS.**

You should consult your tax professional and your property manager to ensure that you are paying the appropriate taxes. Additional information on the transient accommodations tax is contained in a brochure entitled, "An Introduction to the Transient Accommodations Tax." Information about both the general excise tax, as it applies to rental activity and the transient accommodations tax also may be found in a brochure entitled, "Information on the Rental of Residential Real Property." Both of these brochures are located at: <http://www.hawaii.gov/icsd/tax/tax.html>. The application and instructions are located at: <http://www.hawaii.gov/icsd/tax/taxforms.html>.

It is not clear if the information collected by the state would be used by the City and County of Honolulu for the enforcement of **property taxes**. Regardless, the Board wanted to pass along this information; units that are in an organized hotel pool may be subject to the Hotel & Resort property tax rate. Alternately, if your unit had at one time been in the hotel pool (or you purchased the unit from an owner in the hotel pool), and you are now using the unit for long term rental; or you do not rent the unit at all, you should check to make sure that you are paying residential property taxes. You should consult your tax professional or the Honolulu Real Property Assessment Division at 808-768-7960 to inquire if your unit is paying the appropriate taxes. The Honolulu Real Property Assessment Division can assist you in filing the appropriate paperwork if needed.

**2012 Residential Property Tax = \$3.50 per \$1,000 of tax assessed value**

**2012 Hotel & Resort Property Tax = \$12.40 per \$1,000 of tax assessed value**



---

## AOAO Island Colony MINI-NEWSLETTER

### Who is the Association and Who is the Partnership????

By Christopher D. Berner, Managing Director, AOA Island Colony

One of the most misunderstood issues at the Island Colony that I am frequently questioned about has to do with the relationship between the Condominium Association, the Island Colony Partners, and the hotel management company at the Island Colony (currently Aqua Hotels and Resorts).

The Association of Apartment Owners of Island Colony is a non-profit organization that consists of every Owner in the building. The Association is managed by an elected five member Board of Directors. One of the responsibilities of the Board of Directors is the overall management of the common elements. Some of the common elements are:

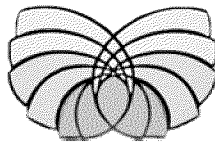
1. the loading and receiving areas, planters and landscaped areas, lobby, porte cochere, men's and women's rooms, foyer, elevators, and the mechanical room and its contents on the first floor; the mechanical equipment room and emergency room on the second floor;
2. the deck area on the sixth floor, including the sauna facilities, men's and women's rooms, swimming pool;
3. the trash chute on floors one through forty-three of the Project; and
4. the equipment loft on the roof of the Project for the elevator machinery.

The Association is in no way affiliated with the Island Colony Partners or Aqua Hotels and Resorts. The Association contracts a licensed professional certified managing agent to handle all fiscal responsibilities of the Association; currently, Hawaii First, Inc. is the certified managing agent. The Association hires its own employees to handle the day to day operations for the physical management of the common elements of the building. The Association employees are not used by the hotel operation or the Island Colony Partners in any way.

The Island Colony Partners is a for profit business that oversees the Hotel Operation in the building. Each individual Owner of the 740 residential units can decide whether they want to participate in the Island Colony Partners. Currently, there are about 113 units participating in the Island Colony Partners. The remaining units are either not renting their units (Owner occupied), manage the rental of their unit themselves (only legal for Owners who live on Oahu) or have hired their own property manager to handle the rental of their units. The Island Colony Partners owns commercial unit 1 and its limited common elements. The Island Colony Partners has contracted a professional hotel management company, currently Aqua Hotels and Resorts, to handle the day to day operations for the hotel operation.

### REPORTING OCCUPANCY TO THE STATE TAX OFFICE

Last month, a min-newsletter was sent out with this topic; unfortunately, the second page did not print properly due to a printer malfunction at Hawaii First, Inc. that was not caught. Hawaii First, Inc. has agreed to pay for the reprinting and mailing of this mini-newsletter to ensure that all Owners receive this important information. **PLEASE NOTE THAT THIS IS**



---

## AOAO Island Colony

**FOR INFORMATIONAL PURPOSES ONLY; AT THIS TIME, THE STATE HAS NO PLAN AS TO HOW TO COLLECT THIS INFORMATION FROM ASSOCIATIONS.**

There is currently legislation in the works that will require all condominium associations to report all units that are conducting short term rentals to the state tax department; or face a hundred thousand dollar fine for the failure to do so. At this point, there is no clear indication as to how this will be implemented by the State of Hawaii, but the Board felt it would be prudent to notify all Owners of this so that any adjustments can be made if needed. Eventually, a method of reporting occupancy will be established by the state, and the Association will be required to report any unit that it is aware of conducting short term rentals to the state tax collector. The state tax department would most likely use this information to ensure **that transient accommodation's tax** is being paid on units that are subject to it.

The transient accommodations tax is a tax imposed on certain rental activity in the State of Hawaii. Like the general excise tax, it is a tax levied on gross income. However, the TAT is imposed only on gross rental income derived from the renting of transient accommodations in Hawaii.

A transient accommodation is a hotel room or suite, apartment, **condominium**, house, beach house, or similar living accommodation which is rented for less than **180-consecutive** days by and regularly furnished to a transient (a person who has a permanent home elsewhere). **PLEASE TAKE NOTE OF THIS; THERE IS A COMMON MISCONCEPTION THAT SHORT TERM RENTALS MEANS LESS THAN 30 DAYS; THE STATE DEFINES SHORT TERM RENTALS AS BEING LESS THAN 180 DAYS.**

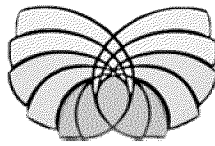
You should consult your tax professional and your property manager to ensure that you are paying the appropriate taxes. Additional information on the transient accommodations tax is contained in a brochure entitled, "An Introduction to the Transient Accommodations Tax." Information about both the general excise tax, as it applies to rental activity and the transient accommodations tax also may be found in a brochure entitled, "Information on the Rental of Residential Real Property." Both of these brochures are located at: <http://www.hawaii.gov/icsd/tax/tax.html>. The application and instructions are located at: <http://www.hawaii.gov/icsd/tax/taxforms.html>.

It is not clear if the information collected by the state would be used by the City and County of Honolulu for the enforcement of **property taxes**. Regardless, the Board Treasurer wanted to pass along this information; units that are in an organized hotel pool may be subject to the Hotel & Resort property tax rate. Alternately, if your unit had at one time been in the hotel pool (or you purchased the unit from an owner in the hotel pool), and you are now using the unit for long term rental; or you do not rent the unit at all, you should check to make sure that you are paying residential property taxes. You should consult your tax professional or the Honolulu Real Property Assessment Division at 808-768-7960 to inquire if your unit is paying the appropriate taxes. The Honolulu Real Property Assessment Division can assist you in filing the appropriate paperwork if needed.

**2012 Residential Property Tax = \$3.50 per \$1,000 of tax assessed value**

**2012 Hotel & Resort Property Tax = \$12.40 per \$1,000 of tax assessed value**

**THE ASSOCIATION WILL BE SENDING UPDATES TO ALL OWNERS ONCE THE STATE HAS SENT INFORMATION TO US. PLEASE NOTE THAT OUR PROPERTY MANAGEMENT COMPANY IS IN THE PROCESS OF CONTESTING THIS LEGISLATION, AS IT FEELS IT IS NOT THE ASSOCIATION'S RESPONSIBILITY TO BE DOING THE STATE'S JOB.**



---

AOAO Island Colony

## **LANAI INSPECTION**

It had come to the Board of Directors attention that there are still units with carpets installed on the lanais. All carpets were to have been removed, at the Owner's expense, by January 1, 2012. This requirement has been in the Island Colony House Rules since May, 2009, page 6, under item 17:

- a. As of January 1, 2010 carpet is no longer being approved for installation.**
- b. Effective January 1, 2012 carpet will no longer be allowed on lanais. ALL carpet must be removed and the lanai floor properly sealed at the Owners expense.**
- c. If there are any problems with lanais, carpet will need to be removed IMMEDIATELY and lanai must be sealed.**

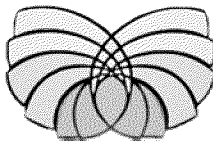
Current House Rules simply state **"No carpet is allowed on the lanais."**

This notice is the last warning that will be issued. The Board will be having an inspection of the lanais conducted from outside the building during the first week of December. Any units with carpets remaining on the lanai will be issued a House Rules Violation. A fine of \$50 will be issued along with the House Rules Violation. The fines will increase, in line with the fining policy on page six of the House Rules, until the carpet is removed, and the lanai properly sealed.

The purpose of mandating the removal of the carpet on lanais is to help prevent concrete spalling. If you have any questions, please contact the Christopher Berner at [cberner@islandcolony.org](mailto:cberner@islandcolony.org).

## **2014 BUDGET**

The Board approved the 2014 budget on October 21<sup>st</sup>, 2013. The budget will be mailed to you by Hawaii First by the end of the month. Please note that each unit will be billed back for their electricity consumption on a monthly basis through your monthly statement. A sample of how the statement will appear is on the back of this notice.



## AOAO Island Colony

Island Colony (237)  
Address: 445 Seaside Avenue 4501  
Owner: John Doe

Statement Date: 7/20/2012  
Due Date: 08/01/13  
Account Number: 12345

Date	Check	Description	Amount	Balance
		Balance Forward		0.00
7/1/2013		Maintenance Fee	448.16	448.16
7/1/2013		Reserve Contribution	60.47	508.63
7/1/2013		Elec Reimb: 5/22-6/21/13Rate0.2864	100.00	608.63
7/1/2013		Elec Reimb Common: 5/22-6/21/13Rate0.2864	20.00	628.63
7/4/2013	98765	HFI\MS20130704.dat.dat	-628.63	0.00
8/1/2013		Maintenance Fee	448.16	448.16
8/1/2013		Reserve Contribution	60.47	508.63
8/1/2013		Elec Reimb: 6/22-7/21/13Rate0.2934	90.00	598.63
8/1/2013		Elec Reimb Common: 6/22-7/21/13Rate0.2934	18.50	617.13

Current	30 - 59 Days	60 - 89 Days	>90 Days	Balance
617.13	0.00	0.00	0.00	617.13

**Dear Homeowner:**

Payment is due on the 1st day of the month. When mailing your payment, please make check payable to Island Colony (237) and be sure to enclose the statement stub with the return envelope to our lockbox with Mutual of Omaha Bank: HFI Payment Processing Center, PO Box 67720, Phoenix, AZ 85082-7720. If you are on our Electronic Bill Payment (Surepay) service, please do not mail in any check, but keep this statement as your record. If you are using the third party payer, such as the financial institution to pay your bill, please forward your statement & the return envelope to them for proper remittance, without causing any unnecessary delay and incur late fee.

If your statement has a description of D1, D2 or AT, your account is been assessed a late fee. We either have not received your payment, or there is an outstanding balance remained on your account after the grace period expired. Please be sure to include the late fee in your future payment.

Need additional assistance or any further question? Please call (808) 531-5566.

**PLEASE DETACH AND RETURN WITH YOUR PAYMENT**

Property: 445 Seaside Avenue 4501  
Honolulu, HI 96815

Payment must be received by 8/15/2013  
So avoid late fee of \$30.00

John Doe  
445 Seaside Ave #4501  
Honolulu, HI 96815

Account Number	Payment Due By
12345	08/01/13
Amount Due:	Amount Enclosed
617.13	

AOAO Island Colony  
c/o HFI Payment Processing Center  
PO Box 67720  
Phoenix, AZ 85082-7720

6505 000237 0000000000012345 JOHNDOE 061713 0

Previous Months Charges

Current Months Unit Electric Charges

Your Account Status (if you are behind in payments, it will be reflected on this line).

Starting Balance

Maintenance Fee & Reserve Contribution

Current Common Electric Reimbursement

Your total payment due is reflected here

If you are paying by check, detach this portion and include with your payment

Please note that there is both unit electricity reimbursement and common element electricity reimbursement. The common element electricity reimbursement is the electrical costs to run things like the heat pumps, elevators, and hallway lights. These costs will be divided up among all Owners based on each unit's percentage of common interest. The statement above does not reflect any specific unit's maintenance fee, and is used as an example only.

**REAL ESTATE COMMISSION**

PROFESSIONAL & VOCATIONAL LICENSING DIVISION  
DEPARTMENT OF REGULATORY AGENCIES

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

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

on  
ISLAND COLONY  
Seaside Ave. and Ala Wai Blvd.  
Honolulu, Hawaii

REGISTRATION NO. 1037

**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: October 17, 1978  
Expires: November 16, 1979

**SPECIAL ATTENTION**

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

**Attention:** Residential Apartments in the Island Colony are being sold as securities because of a hotel rental operation in which apartment owners may participate. All prospective purchasers, whether or not they intend to participate in the hotel operation, are advised to carefully review the Preliminary Prospectus which describes the voluntary hotel operation and other important aspects of the Island Colony.

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE  
REQUIRED NOTICE OF INTENTION SUBMITTED SEPTEMBER 20,  
1978, AND INFORMATION FILED AS OF OCTOBER 13,  
1978. DEVELOPER IN NOTIFYING THE COMMISSION OF ITS

INTENTION TO SELL AND SUBMITTING INFORMATION ON THE PROJECT, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY ACT, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

1. The ISLAND COLONY is a proposed leasehold condominium hotel project consisting of 740 Residential Apartments, 5 Commercial Apartments, including a parking apartment, all located in a 43-story building. (The 5 commercial apartments are being retained by the developer and are not currently being offered for sale.)
2. The Developer of the Project has submitted to the Commission for its examination all documents deemed necessary for the registration of the condominium project and the issuance of this Preliminary Public Report.
3. The Developer reports that the Declaration of Horizontal Property Regime, the Bylaws of the Association of Apartment Owners and the Condominium Map will be recorded in the Bureau of Conveyances of the State of Hawaii and filed in the Office of the Assistant Registrar of the Land Court immediately prior to the application for a Final Public Report.
4. No advertising or promotional materials have been submitted to the Commission pursuant to its rules and regulations.
5. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, and the Rules and Regulations of the Hawaii Real Estate Commission which relate to Horizontal Property Regimes.
6. This Preliminary Public Report expires thirteen (13) months after issuance, November 16, 1979, unless a Final or Supplementary Public Report issues, or the Commission, upon review of the registration, issues an order extending the effective date of this report.
7. This Preliminary Public Report is part of the registration of the ISLAND COLONY. The Developer has the responsibility of placing a true copy of this Preliminary Public Report (yellow paper stock) in the hands of all purchasers and securing a signed copy of the receipt for the Preliminary Public Report from each purchaser.

NAME OF PROJECT: ISLAND COLONY

LOCATION: The Project is located in Waikiki, Honolulu, Hawaii

at the Ewa corner of Ala Wai Boulevard and Seaside Avenue and has a land area of approximately 49,823 square feet.

TAX KEY: 2-6-21-26.

ZONING: The property was zoned H-2 at the time the building permit was issued for the Project. Purchasers should be aware that this zoning classification imposes, among other things, a requirement of 24-hour front desk service and facilities for the registration and keeping of records relating to hotel guests and security for the Project. The property is now zoned "Apartment Precinct" within the Waikiki Special Design District.

DEVELOPER: HASEKO HAWAII, INC., a Hawaii corporation, Suite 1814, Hawaii Building, 745 Fort Street, Honolulu, Hawaii.

The following are officers of the corporation:

Seiji Kurasawa, President

Osamu Kaneko, Senior Vice President

Junro Ikegaki, Vice President

Soichiro Kawase, Vice President

Takehiko Yamamura, Secretary

Makoto Sakaguchi, Asst. Secretary-Treasurer

ATTORNEYS REPRESENTING DEVELOPER: Cades Schutte Fleming & Wright (Attention: Douglas E. Prior, Michael P. Porter or Mark A. Hazlett), Suite 1200, 1000 Bishop Street, P. O. Box 939, Honolulu, Hawaii 96808, telephone (808) 521-9200.

DESCRIPTION OF PROJECT:

Description and Division of Project

The Project contains a single building of 43 stories consisting of an entrance lobby, five commercial apartments, three floors of parking (contained in one apartment), 37 floors of residential apartments and a recreation and sun deck with a swimming pool. Each apartment in the Project has access to common elements which give access to the street, either directly or via an elevator. The Project is constructed of reinforced concrete, steel, glass, aluminum and allied building materials. The apartments are specifically described in Exhibit "A".

LIMITS OF APARTMENTS:

The respective apartments shall not be deemed to include the undecorated or unfinished floors and ceilings surrounding each apartment, or any pipes, wires, conduits, or other utility lines running through such apartment which are



utilized by or serve more than one apartment, the same being deemed common elements as hereinafter described. Each apartment shall include all walls and partitions which are not loadbearing within its perimeter walls, the inner, decorated, or finished surfaces of all walls, floors and ceilings, any built-in fixtures, the interior halves of all perimeter party walls measured from the centerlines of such walls to the interior of each apartment, and the non-party perimeter walls measured from the unfinished exteriors of such walls to the interior of each apartment. Each residential apartment shall also include the entire floor or pad area of its adjacent lanai. Alterations to the perimeter walls are restricted in the Declaration.

COMMON ELEMENTS:

The common elements will include the limited common elements described below, all other portions of the Project, other than the apartments, including, specifically, but not limited to, the common elements mentioned in the Horizontal Property Act which are actually constructed on the land, and all other portions of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use, and which are not included as part of an apartment. In addition to the foregoing, the common elements include: (i) the loading and receiving areas, planters and landscaped areas, lobby, porte cochere, men's and women's rooms, foyer, elevators, elevator machinery, associated electric panels, pump rooms, and machine rooms on the first floor; (ii) the mechanical equipment and emergency room on the second floor; (iii) the deck area on the sixth floor, including the sauna facilities, men's and women's rooms, swimming pool; (iv) the trash chute on floors one through forty-three of the Project; and (v) the equipment loft on the roof of the Project for the elevator machinery.

LIMITED COMMON ELEMENTS:

Certain designated parts of the common elements are reserved for the exclusive use of certain apartments and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements as follows:

1. Commercial Apartment 1. The limited common elements appurtenant to Commercial Apartment 1 shall include: a landscaped or parking area in the Diamond Head-Makai corner of the first floor of the Project and delineated on the Condominium Map; the office, balcony, administration, telephone equipment and storage rooms located on the second floor of the Project; certain space on the Mauka end of the fifth floor of the Project delineated on the Condominium Map, (which may be used for maintenance and storage, laundry facilities, employee housekeeping and maintenance offices, employee dining room or any other commercial purpose; certain space in the Mauka end of the sixth floor of the Project (which may be used for group meetings or any other commercial purpose) and delineated on the Condominium Map; for the seventh through forty-

third floors of the Project, each maid's and storage room; the sixth through the forty-fourth floors; and the roof deck of the Project, except for those areas consisting of the elevators and fire exits. Notwithstanding the designation of the telephone equipment room on the second floor as limited common element to Commercial Apartment 1, the Owner of Commercial Apartment 1 shall not obstruct or take any act to impair telephone service to the Residential Apartments whether or not such Apartments are owned by limited partners in the Partnership.

2. Commercial Apartment 2. The single limited common element appurtenant to Commercial Apartment 2 is a large exhaust vent or smoke tower which extends from the second through the sixth floors and is delineated on the Condominium Map.

3. Residential Apartments. There are no limited common elements appurtenant to the Residential Apartments.

PERCENTAGE OF UNDIVIDED OWNERSHIP TO BE CONVEYED:

The undivided percentage common interest in the common elements appurtenant to each apartment is as set forth in Exhibit "B" attached hereto. Each apartment shall have such percentage in all common profits and expenses of the project and for all other purposes including voting.

PURPOSE OF BUILDING AND RESTRICTIONS AS TO USE:

The Project has been developed by the Developer as a condominium hotel with the intention that the maximum number of Residential Apartments be owned by persons joining and becoming limited partners in Island Colony Partners, a Hawaii limited partnership or any successor thereto (the "Partnership"). A Hotel Management Contract has been executed between the Partnership and the Hotel Corporation of the Pacific, Inc. (the "Hotel Operator") to provide for the operation of Commercial Apartment 1 and those Residential Apartments committed to the Partnership in a commercial hotel operation. The Hotel Operator shall also serve as managing agent for the Project for a term through January 1, 2000, unless earlier terminated. The common elements of the Project shall be subject at all times to use by the Hotel Operator and the hotel operation, including all customary hotel services such as maid, bellman, laundry, linen and room services, the daily arrival, registration, accommodation, and departure of hotel guests at all hours and all other activities incidental thereto.

Each Residential Apartment shall at all times be used as a permanent or temporary residence and for any other purpose permitted by all applicable laws, provided, however, that only Residential Apartments participating in the Partnership's hotel operation may be rented for less than a thirty (30) day term. The commercial apartments and the commercial elements appurtenant thereto may be used for any purpose which may from time to time be permitted by law. Without limiting the generality

of the foregoing, the owners of the commercial apartments may alter the layout of the spaces within the commercial apartments and may add additional commercial operations by further partitioning the commercial apartments so long as such changes to the interior of the commercial apartments do not upset the structural integrity of the Project. The parking apartment shall at all times be used to park motor vehicles and for any other purpose permitted by the applicable zoning laws. The owner of the parking apartment shall have the right to establish a system of control by gate, guard, parking cards, stickers, validation, rules and regulations, or otherwise for the vehicular access to and from the parking apartment, to redesignate, eliminate or create parking stalls, and to charge such rates for the parking of vehicles as the owner of the parking apartment shall determine in its sole discretion.

The owner of any two or more apartments separated by a wall may alter or remove all or portions of the intervening wall, if the structural integrity and soundness of the Project is not thereby affected and if the finish of the wall then remaining is restored to a condition substantially compatible to that of the wall prior to such alteration. Upon the termination of the common ownership of such adjacent apartments, if the intervening wall shall have been altered or removed pursuant to the foregoing provisions, the owner of such apartments shall be obligated to restore such intervening wall to substantially the condition in which the wall existed prior to such alteration or removal.

The owner of any Commercial Apartment may from time to time install, maintain and rearrange partitions and other improvements within his apartment and the commercial elements as appropriate for their commercial utilization so long as the structural integrity or soundness of the Project is not impaired.

OWNERSHIP OF TITLE:

A Preliminary Title Report dated October 10, 1978, issued by Title Guaranty of Hawaii, Inc. states that fee simple title to the land is held by the Developer.

ENCUMBRANCES:

The Preliminary Title Report states that the title to the property is subject to the following encumbrances:

1. Second installment of real property taxes for fiscal year July 1, 1978 through June 30, 1979.
2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Grant of easements in favor of the City and County of Honolulu, dated August 3, 1925, recorded in Liber 785, Page 462, of the Bureau of Conveyances of the State of Hawaii, as amended by instrument dated August 23, 1941, recorded in

Liber 1666, Page 290.

4. Grant in favor of Hawaiian Electric Company, Inc., dated March 6, 1959, recorded in Liber 3582, Page 152, granting a five-foot wide utility easement.

5. Grant in favor of Hawaiian Telephone Company, Inc., and Hawaiian Telephone Company, dated May 18, 1945, recorded in Liber 1894, Page 248, granting a ten-foot wide easement for utility purposes.

6. Covenants and agreements contained in instrument dated September 15, 1976, recorded in Liber 11682, Page 302.

PURCHASE MONEY HANDLING:

A copy of a specimen Sales Contract and Subscription Agreement (the "Sales Contract") and an executed Escrow Agreement have been submitted as part of the registration. The Escrow Agreement, dated September 15, 1978, identifies Title Guaranty Escrow Services, Inc. as the "Escrowee." Upon examination, the specimen Sales Contract and the executed Escrow Agreement are found to be in compliance with Chapter 514A, Hawaii Revised Statutes, and particularly with Section 514A-39, 63, 64 through 66. A prospective purchaser should carefully examine the form of Sales Contract and the Escrow Agreement to determine the time for and the amount of the installment payments on the purchase price and his obligations to pay the closing costs. It is incumbent upon the purchaser to read and understand the Escrow Agreement before signing the Sales Contract since the Escrow Agreement prescribes the procedure for receiving and disbursing the purchaser's down payments. The Sales Contract provides for subordination of a purchaser's interest thereunder to any interim or construction loan.

MANAGEMENT AND OPERATION:

Article III, Section 3, of the Bylaws states that the Board of Directors shall at all times employ a responsible managing agent to manage and control the Project, subject at all times to direction by the Board of Directors. The Hotel Operator shall serve as initial managing agent for a term coextensive with the Hotel Management Contract (through January 1, 2000) unless earlier terminated.

STATUS OF PROJECT:

Construction of the Project commenced March 7, 1978 and the Developer currently estimates that it will be completed in late September or October, 1979.

-----  
The purchaser and prospective purchasers should be cognizant of

the fact that this Public Report represents information disclosed by the Developer in the required Notice of Intention submitted September 20, 1978 and information subsequently filed as of October 13, 1978.

This PRELIMINARY HORIZONTAL PROPERTY REGIME (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1037 filed with the Commission on September 20, 1978.

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

*Ah Kau Young*  
AH KAU YOUNG, Chairman  
Real Estate Commission  
State of Hawaii

Distribution:

Department of Taxation  
Bureau of Conveyances  
Department of Land Utilization, City and  
County of Honolulu  
Escrow Agent  
Federal Housing Administration

Registration No. 1037

October 17, 1978

## Description of the Project

A. Physical Description. The Project consists of a single forty-three story building of concrete, reinforced steel, glass and allied building materials and is without basement. The Project contains 745 apartments, consisting of five Commercial Apartments and 740 Residential Apartments. The Commercial Apartments are located on the first through the sixth floors of the Project. The residential Apartments are located on the upper thirty-seven floors of the Project, beginning with the seventh floor.

B. Commercial Apartments. The five Commercial Apartments are each of a different floor plan and model type and are described as follows:

1. Commercial Apartment 1. This apartment is on the first floor and consists of approximately 2009 square feet. The apartment consists of a hotel front desk, offices, and employees' restrooms. Commercial Apartment 1 at all times shall include a clerk's desk or counter with 24-hour clerk service and facilities for registration and keeping of records relating to hotel guests. The apartment is located in the Northern or Mauka-Ewa corner of the Project.

2. Commercial Apartment 2. This apartment is on the first floor and consists of approximately 7,112 square feet. It is intended to serve as a kitchen and restaurant or other commercial facility. The apartment is located near the center of the Project.

3. Commercial Apartment 3. This apartment is on the first floor and consists of approximately 4,685 square feet. It is intended to serve as a commercial retail facility, mini-mart, gift shop, delicatessen or other commercial facility. The apartment is located in the Diamond Head corner of the Project adjacent to Commercial Apartment 2.

4. Commercial Apartment 4. This apartment is on the sixth floor and consists of approximately 8,604 square feet. This apartment is located in the approximate center of the sixth floor. It is intended for use as a cocktail bar and coffee shop or other commercial facility or facilities.

5. Commercial Apartment 5. This apartment is on the third, fourth and fifth floors of the Project and consists of approximately 93,227 square feet. The apartment contains approximately 291 parking stalls (regular, tandem or compact) and includes a ramp area on the second floor of the Project as shown on the Condominium Map.

The foregoing descriptions of the intended uses for the Commercial Apartments should not be deemed to limit use of the apartments. They may be any use permitted by law.

C. Residential Apartments. All 740 Residential Apartments are located on the seventh through the forty-fourth

EXHIBIT "A"

Page 1 of 7

floors of the Project. There is no floor numbered thirteen (13) in the Project. Each of these thirty-seven floors has an identical floor plan with twenty Residential Apartments, each of a different model type. The model types are numbered 01 through 21; there is no model type thirteen (13). The last two digits of each apartment number indicates the apartment's model type. As an example, apartments 4101 and 901 are both model type 01 apartments. Of the twenty model types, there are three categories of apartments. These are one-bedroom apartments, of which there are 148 apartments (four per floor), studio apartments of which there are 222 apartments (six per floor), and lodging apartments of which there are 370 units (ten per floor). Model types 01, 02, 20 and 21 are one-bedroom apartments. Model types 06, 07, 10, 11, 14, and 17 are studio apartments. Model types 03, 04, 05, 08, 09, 12, 15, 16, 18, and 19, are lodging apartments.

Each one-bedroom apartment consists of a bathroom, bedroom and lanai, and contains a living/dining room with kitchen facilities. Each one-bedroom apartment will be furnished with a disposal, unit air-conditioner, refrigerator, range and carpeting. Each studio apartment consists of a living/dining room with kitchen facilities, bathroom and lanai. Each studio apartment will be furnished with a disposal, unit air-conditioner, refrigerator, built-in cook top and carpeting. Each lodging apartment consists of a living/dining room with limited kitchen facilities, bathroom and lanai. Each lodging apartment will be furnished with a disposal, unit air-conditioner, refrigerator, and carpeting. Lodging apartments differ from studio apartments in that the lodging apartments are not furnished with the cooking facilities (a two-burner cook top) with which the studio apartments are furnished.

The Residential Apartment locations may be determined by reference to the apartment numbers. The first two digits for each four digit apartment number designates the floor upon which the apartment is located. For each Residential Apartment with a three-digit number, the first digit indicates the floor on which the apartment is located. As an example, Residential Apartment 701 is located on the seventh floor and Residential Apartment 1501 is located on the fifteenth floor. Odd numbered apartments begin with model type 01, which is at the Diamond Head-Mauka. Corner of the Project, and progress along the Diamond Head side of the Project to model type 21, which is located in the Diamond Head-Makai corner of the Project. Model type 02 is located in the Mauka-Ewa corner of the Project, and the even-numbered model types proceed by even numbers to model type 20, which is located in the Makai-Ewa corner of the Project. As an example, Residential Apartment 2105 would be a lodging apartment located on the 21st floor of the Project on the Diamond Head side near the Mauka corner.

The square footage for each Residential Apartment has been determined in accordance with the definition in paragraph 4 of the Declaration of the limits of each apartment. Square footages for each Residential Apartment are as follows:

EXHIBIT "A"

RESIDENTIAL APARTMENTS

RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
701, 801, 901, 1001, 1101, 1201, 1401, 1501, 1601, 1701, 1801, 1901, 2001, 2101, 2201, 2301, 2401, 2501, 2601, 2701, 2801, 2901, 3001, 3101, 3201, 3301, 3401, 3501, 3601, 3701, 3801, 3901, 4001, 4101, 4201, 4301, 4401	01	563	669
702, 802, 902, 1002, 1102, 1202, 1402, 1502, 1602, 1702, 1802, 1902, 2002, 2102, 2202, 2302, 2402, 2502, 2602, 2702, 2802, 2902, 3002, 3102, 3202, 3302, 3402, 3502, 3602, 3702, 3802, 3902, 4002, 4102, 4202, 4302, 4402	02	563	669
703, 803, 903, 1003, 1103, 1203, 1403, 1503, 1603, 1703, 1803, 1903, 2003, 2103, 2203, 2303, 2403, 2503, 2603, 2703, 2803, 2903, 3003, 3103, 3203, 3303, 3403, 3503, 3603, 3703, 3803, 3903, 4003, 4103, 4203, 4303, 4403	03	280	396
704, 804, 904, 1004, 1104, 1204, 1404, 1504, 1604, 1704, 1804, 1904, 2004, 2104, 2204, 2304, 2404, 2504, 2604, 2704, 2804, 2904, 3004, 3104, 3204, 3304, 3404, 3504, 3604, 3704, 3804, 3904, 4004, 4104, 4204, 4304, 4404	04	292	396
705, 805, 905, 1005, 1105, 1205, 1405, 1505, 1605, 1705, 1805, 1905,	05	302	418

EXHIBIT "A"



RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
2005, 2105, 2205, 2305, 2405, 2505, 2605, 2705, 2805, 2905, 3005, 3105, 3205, 3305, 3405, 3505, 3605, 3705, 3805, 3905, 4005, 4105, 4205, 4305, 4405	06	309	413
706, 806, 906, 1006, 1106, 1206, 1406, 1506, 1606, 1706, 1806, 1906, 2006, 2106, 2206, 2306, 2406, 2506, 2606, 2706, 2806, 2906, 3006, 3106, 3206, 3306, 3406, 3506, 3606, 3706, 3806, 3906, 4006, 4106, 4206, 4306, 4406	07	308	424
707, 807, 907, 1007, 1107, 1207, 1407, 1507, 1607, 1707, 1807, 1907, 2007, 2107, 2207, 2307, 2407, 2507, 2607, 2707, 2807, 2907, 3007, 3107, 3207, 3307, 3407, 3507, 3607, 3707, 3807, 3907, 4007, 4107, 4207, 4307, 4407	08	316	420
708, 808, 908, 1008, 1108, 1208, 1408, 1508, 1608, 1708, 1808, 1908, 2008, 2108, 2208, 2308, 2408, 2508, 2608, 2708, 2808, 2908, 3008, 3108, 3208, 3308, 3408, 3508, 3608, 3708, 3808, 3908, 4008, 4108, 4208, 4308, 4408	09	308	424
709, 809, 909, 1009, 1109, 1209, 1409, 1509, 1609, 1709, 1809, 1909, 2009, 2109, 2209, 2309, 2409, 2509, 2609, 2709, 2809, 2909, 3009, 3109, 3209, 3309, 3409, 3509, 3609, 3709, 3809, 3909,			

EXHIBIT "A"

RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
4009, 4109, 4209, 4309, 4409			
710, 810, 910, 1010, 1110, 1210, 1410, 1510, 1610, 1710, 1810, 1910, 2010, 2110, 2210, 2310, 2410, 2510, 2610, 2710, 2810, 2910, 3010, 3110, 3210, 3310, 3410, 3510, 3610, 3710, 3810, 3910, 4010, 4110, 4210, 4310, 4410	10	316	420
711, 811, 911, 1011, 1111, 1211, 1411, 1511, 1611, 1711, 1811, 1911, 2011, 2111, 2211, 2311, 2411, 2511, 2611, 2711, 2811, 2911, 3011, 3111, 3211, 3311, 3411, 3511, 3611, 3711, 3811, 3911, 4011, 4111, 4211, 4311, 4411	11	308	424
712, 812, 912, 1012, 1112, 1212, 1412, 1512, 1612, 1712, 1812, 1912, 2012, 2112, 2212, 2312, 2412, 2512, 2612, 2712, 2812, 2912, 3012, 3112, 3212, 3312, 3412, 3512, 3612, 3712, 3812, 3912, 4012, 4112, 4212, 4312, 4412	12	316	420
714, 814, 914, 1014, 1114, 1214, 1414, 1514, 1614, 1714, 1814, 1914, 2014, 2114, 2214, 2314, 2414, 2514, 2614, 2714, 2814, 2914, 3014, 3114, 3214, 3314, 3414, 3514, 3614, 3714, 3814, 3914, 4014, 4114, 4214, 4314, 4414	14	316	420
715, 815, 915, 1015, 1115, 1215, 1415, 1515,	15	308	424

EXHIBIT "A"

RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
1615, 1715, 1815, 1915, 2015, 2115, 2215, 2315, 2415, 2515, 2615, 2715, 2815, 2915, 3015, 3115, 3215, 3315, 3415, 3515, 3615, 3715, 3815, 3915, 4015, 4115, 4215, 4315, 4415			
716, 816, 916, 1016, 1116, 1216, 1416, 1516, 1616, 1716, 1816, 1916, 2016, 2116, 2216, 2316, 2416, 2516, 2616, 2716, 2816, 2916, 3016, 3116, 3216, 3316, 3416, 3516, 3616, 3716, 3816, 3916, 4016, 4116, 4216, 4316, 4416	16	315	419
717, 817, 917, 1017, 1117, 1217, 1417, 1517, 1617, 1717, 1817, 1917, 2017, 2117, 2217, 2317, 2417, 2517, 2617, 2717, 2817, 2917, 3017, 3117, 3217, 3317, 3417, 3517, 3617, 3717, 3817, 3917, 4017, 4117, 4217, 4317, 4417	17	305	421
718, 818, 918, 1018, 1118, 1218, 1418, 1518, 1618, 1718, 1818, 1918, 2018, 2118, 2218, 2318, 2418, 2518, 2618, 2718, 2818, 2918, 3018, 3118, 3218, 3318, 3418, 3518, 3618, 3718, 3818, 3918, 4018, 4118, 4218, 4318, 4418	18	313	417
719, 819, 919, 1019, 1119, 1219, 1419, 1519, 1619, 1719, 1819, 1919, 2019, 2119, 2219, 2319, 2419, 2519, 2619, 2719, 2819, 2919, 3019, 3119,	19	297	413

EXHIBIT "A"

RESIDENTIAL APARTMENT NUMBERS (no 13th floor)	MODEL TYPE	APPROXIMATE FLOOR AREA W/O LANAI	APPROXIMATE TOTAL FLOOR AREA (floor area w/lanai)
3219, 3319, 3419, 3519, 3619, 3719, 3819, 3919, 4019, 4119, 4219, 4319, 4419			
720, 820, 920, 1020, 1120, 1220, 1420, 1520 1620, 1720, 1820, 1920, 2020, 2120, 2220, 2320, 2420, 2520, 2620, 2720, 2820, 2920, 3020, 3120, 3220, 3320, 3420, 3520, 3620, 3720, 3820, 3920, 4020, 4120, 4220, 4320, 4420	20	570	676
721, 821, 921, 1021, 1121, 1221, 1421, 1521, 1621, 1721, 1821, 1921, 2021, 2121, 2221, 2321, 2421, 2521, 2621, 2721, 2821, 2921, 3021, 3121, 3221, 3321, 3421, 3521, 3621, 3721, 3821, 3921, 4021, 4121, 4221, 4321, 4421	21	570	676

EXHIBIT "A"

COMMON INTERESTS

The undivided interest in the common elements appurtenant to each apartment is set forth below. Common interests have been roughly based on approximate apartment square footages, with the exceptions of Commercial Apartments 1 and 5. Commercial Apartment 1's common interest has been computed based on its approximate floor area together with twenty percent (20%) of the area of the limited common elements appurtenant to it. The common interest for Commercial Apartment 5, the parking apartment, because of its limited use, has been based on its appraised value in relation to the appraised value of the Residential Apartments. The following common interests shall be valid and effective whether or not the Developer's calculations of such interests are accurate or mathematically correct.

<u>Apartment Type</u>	<u>Percentage of Common Interest</u>		<u>Number of Apartments</u>		<u>Percentage Total</u>
Commercial Apartment 1	1.995	x	1	=	1.995
Commercial Apartment 2	1.869	x	1	=	1.869
Commercial Apartment 3	1.231	x	1	=	1.231
Commercial Apartment 4	2.260	x	1	=	2.260
Commercial Apartment 5	1.625	x	1	=	<u>1.625</u>
TOTAL					<u>8.980</u>
Residential Apartment/ Lodging (Residential Apartments 703 to 4403, 704 to 4404, 705 to 4405, 708 to 4408, 709 to 4409, 712 to 4412, 715 to 4415, 716 to 4416, 718 to 4418, 719 to 4419)	.109	x	370	=	40.330
Residential Apartments/ Studio (Residential Apartments 706 to 4406, 707 to 4407, 710 to 4410, 711 to 4411, 714 to 4414, 717 to 4417)	.111	x	222	=	24.642
Residential Apartments/ One Bedroom (Residential Apartments 701 to 4401, 702 to 4402, 720 to 4420, 721 to 4421)	.176	x	148	=	<u>26.048</u>
TOTAL					91.020
					<u>100.000%</u>

EXHIBIT "B"

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

AMENDMENT NO. 1  
to  
FORM S-1

REGISTRATION STATEMENT  
Under  
THE SECURITIES ACT OF 1933

**HASEKO HAWAII, INC.**  
Suite 1814, 745 Fort Street  
Honolulu, Hawaii 96813  
(Address of principal executive offices)

Please address a copy of all communications to:

Michael P. Porter, Esq.  
Cades Schutte Fleming & Wright  
P. O. Box 939  
Honolulu, Hawaii  
96808

CALCULATION OF REGISTRATION FEE

<i>Title of each class of securities being registered</i>	<i>Amount being registered</i>	<i>Proposed maximum offering price per apartment*</i>	<i>Proposed maximum aggregate offering price</i>	<i>Amount of registration fee†</i>
Condominium Apartment Conveyance Documents and Subscriptions for Limited Partnership Interests .....	739	\$46,289	\$34,207,750	\$6,842

\*The proposed maximum offering price per apartment varies. The price shown has been determined by dividing the aggregate offering price by the 739 apartments offered hereby.  
†\$547 paid herewith; \$6,295 paid on September 28, 1978.

This registration statement shall hereafter become effective in accordance with the provisions of Section 8(a) of the Securities Act of 1933.

Prospectus dated December 12, 1978

## ISLAND COLONY

### Resort Condominium Hotel Apartments and Limited Partnership Interests

Haseko Hawaii, Inc. offers for sale 739 leasehold condominium hotel Apartments. There are 740 Apartments, one of which has been sold. The Apartments are being constructed in the Waikiki resort area in Honolulu, Hawaii and should be completed in October 1979. Purchasers should visit the site prior to purchase. Each Purchaser of an Apartment may, if he wishes, acquire an Interest in the limited Partnership, Island Colony Partners, operating the Hotel by contributing the Apartment and \$400 to the Partnership. Apartments will be used in the Island Colony Hotel. While a Purchaser is in the Partnership, he cannot use his Apartment, but he will receive a discount on rooms in the Hotel and he may withdraw his Apartment from the Partnership upon at least 12 months' notice. The Hotel Operator will be Hotel Corporation of the Pacific, Inc. The Hotel Operator, its president or both have agreed to purchase 74 Apartments to be used in the Hotel at a discount of 4.5% from the public offering price (consisting of the 4.5% sales commission). Purchasers do not obtain and Haseko Hawaii will retain title to the land and certain Hotel facilities.

Investment in an Apartment and Partnership Interest involves a degree of risk. (See "Risk Factors," page 4.) There is no present securities public market for Apartments and Interests and one will not develop. Transferability of Apartments and Interests is restricted. (See "Restrictions Upon Transfer Exist," page 4.)

Apartment prices range from \$29,800 to \$72,900 (including \$1,341 to \$3,281, respectively, in sales commissions), depending upon size and location, plus financing, closing and other, prorated costs estimated at 3% to 4% of the price. Purchasers who join the Partnership must buy furniture estimated to cost from \$3,000 to \$4,500 per Apartment. Haseko Hawaii will offer 74 Apartments to its directors and employees and directors and employees of its parent corporations at a discount of 5% (consisting of the 4.5% sales commission and the 0.5% marketing fee)

from the offering price. Most of such persons have indicated an interest in joining the Partnership. Haseko Hawaii will receive \$32,658,050 from this offering, before deducting \$1,187,000 for the 4.5% sales commission and \$821,000 for estimated expenses of registration and sale. The prices of unsold Apartments or furniture may be increased, in which case a sticker will be affixed to this Prospectus to show the new prices. Purchasers may pay different amounts for similar Apartments. Haseko Hawaii may refuse to accept Sales Contracts for Apartments in upper floors until Apartments in lower floors are sold. In the event of over-subscriptions, Haseko Hawaii may use a lottery to determine who may purchase Apartments. Haseko Hawaii expects this offering to continue until all Apartments are sold. No minimum number of Apartments must be sold for sales to be closed. The Purchasers of 200 Apartments must join the Partnership prior to completion of construction for the Partnership to begin Hotel operations. Contributions to the Partnership may be lost by Limited Partners if Hotel operations do not begin. Indications of interest received by S&E Investments show that 91% of Purchasers indicated an interest in joining the Partnership. Purchasers must meet Haseko Hawaii's suitability standards, which are ability to pay cash or to qualify for a mortgage loan.

S&E Investments will receive up to \$1,187,000 in sales commissions. It is solely an agent of Haseko Hawaii, buying no Apartments or Interests, and selling only on a best-efforts, agency basis.

No ruling is being requested from the Internal Revenue Service as to the tax status of the Partnership. There is no assurance that favorable income tax treatment will be accorded Limited Partners. The tax benefits set forth in Table V, page 30, are for a combined United States and Hawaii 50% tax bracket. Persons in higher tax brackets may receive greater benefits from deductions than those in lower tax brackets. See "Income Taxes," page 33.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

S & E INVESTMENTS

Until March 12, 1979 all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Each Purchaser will receive this Prospectus, the Disclosure Abstract and the Public Reports of the State of Hawaii Real Estate Commission. No person has been authorized to give any information or make any representations not contained in this Prospectus, the Disclosure Abstract and the accompanying Public Reports of the State of Hawaii Real Estate Commission, and if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer of an Apartment or Interest in any State or other jurisdiction to any person to whom it is unlawful to make such offer in such State or other jurisdiction.

Included in this Prospectus are summaries of various

documents pertaining to this offering. The summaries do not purport to be a complete description of the matters set forth in the documents. These summaries are qualified in their entirety by reference to the complete document to which they refer. Complete documents will be given to all Purchasers and others who request them. All Purchasers should read the documents before signing a Sales Contract and Subscription Agreement.

Haseko Hawaii has filed with the Securities and Exchange Commission, Washington, D.C. 20549, a registration statement under the Securities Act of 1933, as amended, with respect to the Apartments and Partnership Interests offered hereby. This Prospectus does not contain all of the information set forth in such registration statement and the exhibits thereto, and reference to such registration statement and exhibits is made hereby. Such registration statement is available for inspection at the offices of such Commission and for copying upon payment of prescribed fees.

## TABLE OF CONTENTS

	Page
Prospectus Summary .....	3
Introduction .....	3
Risk Factors .....	4
Estimated Compensation and Fees .....	6
Relationships Among Parties .....	7
Island Colony Condominium .....	8
Map of Waikiki, Site Plan and Floor Plans .....	9
Condominium Concept .....	19
Purchase Arrangements .....	20
Table I: Estimated Cash Required at Closing .....	21
Table II: Estimated Annual Cash Requirements of Ownership .....	22
Financing .....	22
Island Colony Hotel .....	24
Table III: Condominium Monthly Maintenance Fee .....	28
Table IV: Examples of Hotel Operating Results .....	29
Table V: Unit Examples of Ownership Economics .....	30
Hawaii Visitor Industry .....	33
Income Taxes .....	33
Description of Participants .....	38
Use of Proceeds .....	41
Environmental Protection .....	41
Experts .....	41
Sales Literature .....	42
Opinion of Accountants and Balance Sheet of Island Colony Partners .....	43
Opinion of Accountants and Balance Sheet of Haseko Hawaii, Inc. ....	45



## PROSPECTUS SUMMARY

The following is a summary of certain of the information contained in the body of this Prospectus. More detailed information may be found in the remainder of this Prospectus.

Offeror	Haseko Hawaii, Inc. See Page 38.
Island Colony Condominium Location	Leasehold condominium hotel apartments in Waikiki. See Page 6. Ala Wai Boulevard at Seaside Avenue, Waikiki, Honolulu, Hawaii. See Page 6.
Number of Apartments Offered and Completion Date	739 Apartments, for which construction has commenced and is expected to be completed in October 1979. See Page 7.
Initial Prices of Apartments	From \$29,800 for a Lodging Apartment to \$72,900 for a One-Bedroom Apartment. See Page 21.
Cash Required Upon Purchase Payments	Approximately \$7,073 to \$78,716. See Page 21. All payments for Apartments are placed in escrow and returned if Haseko Hawaii fails to close the sale of an Apartment. See Page 20.
Estimated Annual Costs of Ownership	Approximately \$1,483 to \$8,443. See Table II, Page 22.
Island Colony Hotel	Voluntary participation in the Hotel through membership in the Partnership. See Page 24.
Hotel Operator	Hotel Corporation of the Pacific, Inc. See Page 39.
Fees to Participants	See "Compensation and Fees" on Page 6.
Risks	See "Risk Factors" on Page 4.
Income Tax Consequences	See "Income Taxes" on Page 33.

## INTRODUCTION

### Haseko Hawaii

Haseko Hawaii, Inc. ("Haseko Hawaii") is a Hawaii corporation formed in 1973 to engage in real estate development in Hawaii. Its owners and officers are described in "Description of Participants, Haseko Hawaii." The address of Haseko Hawaii is 1814 Hawaii Building, 745 Fort Street, Honolulu, Hawaii 96813 and its telephone number is 808-536-5959.

### Island Colony Condominium

The 740 Apartments are being built in the Waikiki resort area of Honolulu. The site is three blocks from the Waikiki beach. See the map of Waikiki and the Site Plan.

When a Purchaser signs a Sales Contract, he is bound to buy the Apartment and Haseko Hawaii is bound to deliver it except as the Sales Contract permits either to withdraw from the sale.

### Island Colony Partners

The limited partnership was formed to represent Purchasers who choose to have their Apartments used as part of the Hotel instead of using them personally. Each Purchaser may join the Partnership by contributing his Apartment and \$400 to the Partnership. Mr. H. James Stahl is the General Partner of the Partnership.

### Island Colony Hotel

The Hotel will be operated for the Partnership by Hotel Corporation of the Pacific, Inc. pursuant to the Hotel Management Contract. See "Description of Participants, Hotel Corporation of the Pacific, Inc.," page 39.

### Definition of Terms Used in this Prospectus

When used in this Prospectus with an initial capital letter, the words or terms below have the following meanings:

**Apartment:** An apartment in the Condominium, including appurtenant interests in the common elements. There are One-Bedroom, Studio and Lodging Apartments offered by this Prospectus and commercial Apartments (the restaurant, shops and parking facility) to be retained by Haseko Hawaii.

**Association of Apartment Owners:** The organization created by the bylaws of the Condominium and consisting of all Apartment Purchasers. See "The Condominium Concept."

**Closing:** The transaction for each Apartment in which the Purchaser completes all payments, the Condominium Conveyance Document is delivered and the Condominium Conveyance Document and the mortgage securing the Purchaser's financing are recorded.

**Condominium:** The Island Colony Condominium, the horizontal property regime formed under Hawaii law. Apartments in the Condominium are offered by this Prospectus.

**Condominium Conveyance Document:** The instrument conveying an Apartment, an undivided interest in the common elements of the building and a 65-year leasehold interest in the ground upon which the building stands.

**Declaration of Horizontal Property Regime:** The written description of the Condominium recorded with the State of Hawaii. This Declaration and the condominium

map create the Condominium. The bylaws of the Association of Apartment Owners are an exhibit to the Declaration.

**Escrow Agreement:** The agreement between Haseko Hawaii and Title Guaranty Escrow Services, Inc., as escrowee, pursuant to which Purchasers' deposits and other payments are held or disbursed prior to and at the Closing.

**General Partner:** H. James Stahl, the person responsible for managing the Partnership.

**Ground Rent:** The rent paid by each Purchaser for use of the land pursuant to the lease contained in the Condominium Conveyance Document.

**Hotel:** The Island Colony Hotel, consisting of Apartments owned by Limited Partners and the Partnership and managed by the Hotel Operator.

**Hotel Management Contract:** The Hotel Management Contract between the Partnership and the Hotel Operator which sets forth their rights and obligations.

**Hotel Operator:** Hotel Corporation of the Pacific, Inc.

**Interest:** The interest of a Limited Partner in the profits and losses of the Partnership.

**Limited Partner:** A Purchaser while he is a limited partner in the Partnership.

**Monthly Maintenance Fee:** The fee levied by the Association of Apartment Owners to pay for water, sewage,

electricity, grounds keeping, ordinary repairs and maintenance, reserves for major repairs and replacements, insurance and other expenses of the Association of Apartment Owners relating to the common areas. See "Condominium Concept" and "Island Colony Hotel, Financial Matters."

**Partnership:** Island Colony Partners, the Hawaii limited partnership which Purchasers may join as Limited Partners.

**Partnership Agreement:** The Limited Partnership Agreement of Island Colony Partners.

**Purchaser:** A prospective purchaser of an Apartment or the owner of an Apartment, as the context requires.

**Reserve for Furniture and Equipment:** The reserve established by the Partnership for furniture, fixtures and equipment used in the Hotel.

**Sales Contract and Subscription Agreement:** The contract by which the Purchaser buys and Haseko Hawaii sells an Apartment subject to the terms and conditions contained in the contract and the Purchaser initially elects to join or not to join the Partnership.

**Special Assessment:** An assessment by the Association of Apartment Owners to cover an unforeseen expense or a foreseen expense for which the Monthly Maintenance Fee or reserves are inadequate. See "Condominium Concept" and "Island Colony Hotel, Financial Matters."

## RISK FACTORS

The following factors, among others, should be considered carefully by the Purchasers.

**Intense Competition.** The Hotel will be located in Waikiki, the primary tourist destination in Hawaii. There are numerous other hotels which will be in direct competition with the Hotel. At present, there are approximately 25,000 hotel rooms in Waikiki. It is expected that at least 4,100 hotel rooms will be added by the end of 1981, not including rooms in the Hotel. Additionally, numerous other condominium projects are under construction in Waikiki. Many of the apartments in these condominiums will be used for visitor accommodations, but the exact number is unknown. The large increase in the number of available hotel rooms can be expected to result in occupancy levels for the Hotel, especially during the period shortly after opening, that are lower than those of established hotels.

Traditionally, most visitors to Hawaii have spent the majority of their stay in Waikiki. However, major resorts have been developed recently on the Neighbor Islands. These resorts can be expected to supply a larger proportion of visitor accommodations in the future.

**Delay in Completion of Construction.** Completion of construction of the Apartments on schedule may be affected by factors beyond Haseko Hawaii's control, such as strikes and inability to obtain materials. A number of union contracts expire during the period of construction. No prediction can be made with respect to the probability of strikes by construction workers or shipping or other transportation workers or against suppliers. Any delay in

completion of construction would delay opening and occupancy of the Hotel. Construction has commenced and is estimated to be completed in October 1979. The Hotel is now expected to open in November 1979.

**Restrictions Upon Use Exist.** Purchasers who do not join the Partnership may not rent their Apartments for periods of less than one month. The building is designed for use by a single hotel operator. Limited Partners will have no use of the Apartment or Apartments used by the Hotel. Limited Partners may stay at the Island Colony Hotel at a discounted rate. See "Island Colony Hotel."

**Restrictions Upon Transfer Exist.** An Interest may be transferred only with a transfer of an Apartment and only with the consent of the General Partner of the Partnership. Accordingly, if the General Partner were to withhold his consent to a transfer of an Interest, the Limited Partner would not be able to transfer his Apartment without first withdrawing it from the Partnership. Withdrawal requires one year's written notice. However, the General Partner's consent to the transfer of an Interest will not be withheld if the transfer would cause no tax or securities laws problems for the Partnership. A Purchaser who is not a Limited Partner may sell or transfer his Apartment without the consent of the General Partner.

**There Is Uncertainty as to Hotel Income.** The Hotel is the only source of income or profits to the Partnership. Income, if any, from the operations of the Hotel which a Limited Partner may receive is dependent upon factors beyond the control of the General Partner and the Hotel Operator, such as general and local economic conditions,

competition in the area from similar facilities, airline or maritime strikes which restrict the flow of tourists or supplies to Hawaii and the role of Waikiki as a tourist center. No Limited Partner can be assured income from the Hotel or that the Hotel will not incur a loss. The Hotel is currently scheduled to open in November 1979. Because the opening date is uncertain and because the Hotel will not be available for all of 1979 for group tours, it can be expected that operations in any partial year in which the Hotel is opened will result in a loss.

*There Is No Certainty of Income.* The Hotel Operator's fees are one percent to four percent of gross revenues and ten percent of gross operating profit (as each is defined and determined in accordance with the Hotel Management Contract). All expenses and reserves must be satisfied before any Hotel profits are distributed to Limited Partners. See "Island Colony Hotel, Financial Matters."

*Purchasers Have Liability for Condominium Expenses and Tort Claims.* Each Purchaser must be prepared to meet all expenses of Apartment ownership without reliance upon Hotel income to cover any part of such expenses. See Table III, page 28. Purchasers may be personally liable as Apartment owners and as members of the Association of Apartment Owners with respect to tort claims relating to their Apartments and the common areas of the Condominium. However, public liability insurance having a per occurrence and aggregate annual limit of at least ten million dollars will be carried. Haseko Hawaii considers such amount to be adequate to cover tort claims for any foreseeable amounts.

*There Is No Certainty Results Will Be As Set Forth in The Tables in This Prospectus.* Tables IV and V, pages 29, 30, 31 and 32, set forth data showing that an occupancy rate of approximately 77% may be required to meet ownership costs. Such a rate may not be achieved. No assurance can be given that the results set forth in Tables IV and V will be attained. The projected financial goals for the Hotel depend upon attaining certain occupancy rates. These occupancy rates are largely dependent upon many factors beyond the control of the General Partner or the Hotel Operator. Further, even if the assumed occupancy rates are realized, assumed revenues and assumed costs in operating the Hotel may not be achieved.

*Tax Consequences Are Complex and Constantly Changing.* There is a possibility that the Internal Revenue Service may challenge certain tax deductions of a Limited Partner attributable to his Apartment and Interest. There is no assurance that the existing tax treatment of limited partners will not change. In most instances, investment in an Apartment may be suitable only for persons in high tax brackets. Accelerated depreciation of Apartments will not be available to Limited Partners who close their purchase after Hotel operations have begun because they will not be the first users of the Apartments. See "Income Taxes."

*There Are Risks in Real Estate Investments.* Purchase of an Apartment is subject to those risks inherent in real estate investments, including national and local economic conditions, the supply of and demand for similar types of improved real property, zoning changes, natural disas-

ters, and increases in real estate taxes and assessments. There is a possibility of loss as well as gain on resale of an Apartment, and an extended period of ownership may be required to realize gain upon resale. Should a Limited Partner decide to sell his Apartment through a real estate broker outside of Hawaii, such broker may be required to be licensed as a broker-dealer under the federal securities laws (and perhaps the securities laws of various states). Accordingly, the Purchaser may have difficulty in finding a properly licensed broker.

*There Are Conflicts of Interest.* See "Description of Participants, Conflicts of Interest," page 38, for a description of the various relationships of the parties involved in this offering. These relationships may cause numerous conflicts of interest.

*The Building May Not Be Suitable for Residential Use.* The Lodging Apartments are not suitable for residential use because they will have limited food storage and no cooking facilities. Both the Lodging and Studio Apartments have been designed for temporary occupancy and thus do not have the room or storage space associated with normal residential use. Additionally, there are only 291 parking stalls in the building. This number, while adequate for the Hotel, would be insufficient if a substantial number of people lived in the Condominium.

*Restaurant, Shops and Parking Are Not Owned by Purchasers or The Partnership.* Neither the Purchaser nor the Partnership owns any interest in the restaurant, shops and parking areas of the Hotel. It is possible that they could be sold to persons whose actions could be adverse to the interests of the Partnership. See "Island Colony Hotel, Restaurant, Shops and Parking."

*There Have Been Proposals for Hotel Room Taxes.* From time to time various people have proposed that the State of Hawaii or local governments impose a tax on the use or rental of hotel rooms. If such a tax were levied, the cost of visiting Hawaii could be greater, decreasing the number of visitors and Hotel occupancy levels, or room rates might have to be reduced to compensate for the tax.

*Prices for Furniture and Equipment Are Not Set.* No prices for the mandatory furniture packages have been determined. However, Haseko Hawaii represents that if the price of furniture, equipment and accessories exceeds \$5,250 for a One-Bedroom Apartment or \$3,500 for a Studio or Lodging Apartment, Haseko Hawaii will pay the amounts over such prices or permit the Purchaser to cancel the Sales Contract and Subscription Agreement, at Haseko Hawaii's option.

*Approval Not Obtained For Swimming Pool and Restaurant.* The City and County of Honolulu has not yet approved amended building plans which provide for the swimming pool and restaurant.

*The Condominium Lien Applies to Special Assessments.* Special assessments may be levied for major repairs, rebuilding or other large expenses. The Apartments of Purchasers who fail to pay these assessments could be sold to satisfy these liens.

*Contributions to the Partnership May Be Lost.* The cash contributions of Limited Partners to the Partnership could be lost under certain circumstances.

*Difficulty of Allocating Certain Expenses.* Allocations of expenses among or between the Association of Apartment Owners, the Hotel, the Partnership or other purchasers of Apartments may be made in circumstances in which there may not be clear bases for such allocations.

*Possible Effects of Cancellation of Hotel Management Contract.* If the Hotel Operator or the General Partner cancelled the Hotel Management Contract, the General

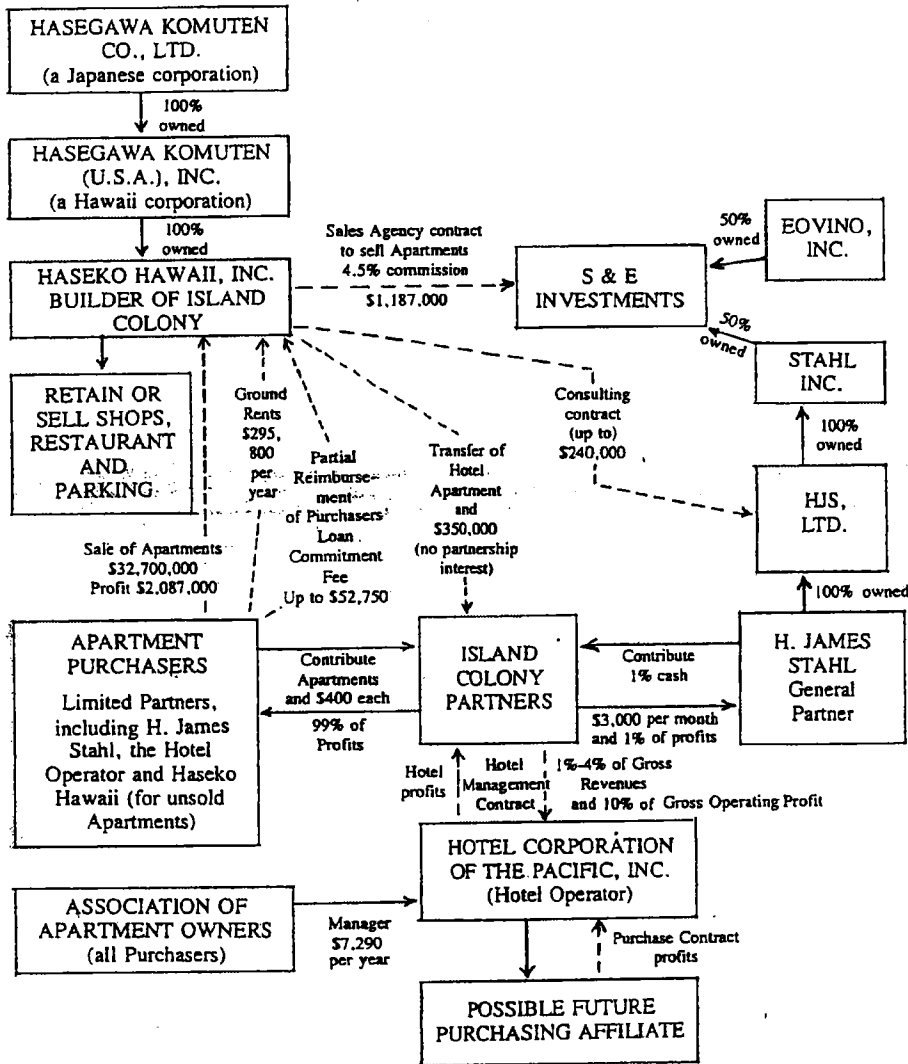
Partner would have to find another Hotel operator. There is no assurance that he could. In the meantime, Limited Partners would receive no income.

*Surrender of Apartment Upon Termination of Ground Lease.* Upon termination of the ground lease in 2044, Purchasers must surrender their Apartments to the land owner.

### ESTIMATED COMPENSATION AND FEES

Entity	Nature of Compensation or Fees	Estimated Amount
Haseko Hawaii, Inc.	Profits from sale of Apartments	Approximately \$2,087,000. See also note (1) to table in "Use of Proceeds."
	As Limited Partner (as owner of unsold Apartments)	None if all Apartments are sold as planned. Otherwise, according to the type of the Apartments, as any Limited Partner.
	As owner of commercial areas of the Hotel	Indeterminate.
	As owner of fee simple interest in the land	\$295,800 per annum for the first 10 years.
H. James Stahl	As reimbursement of ¼% of the 2% Purchasers' loan commitment fee of \$422,000	Up to \$52,750.
	As General Partner of the Partnership	\$3,000 per month plus 1% of Gross Operating Profit of the Partnership.
	As half-owner of S & E Investments	Indeterminate.
	As owner of HJS, Ltd., marketing consultant for Haseko Hawaii	Gross up to \$240,000.
S & E Investments	As a Limited Partner	According to the type of Apartments, as any Limited Partner.
	4.5% sales commissions	Approximately \$1,187,000.
Hotel Corporation of the Pacific, Inc.	As Hotel Operator	1% to 4% of Gross Revenues and 10% of certain Gross Operating Profit.
	12% interest on working capital loan	Up to \$58,500 (\$90 per Apartment used by the Partnership).
	Purchase of supplies from affiliates	Indeterminate.
	As manager of Association of Apartment Owners	\$7,290 per year.

## RELATIONSHIPS AMONG PARTIES



——— Ownership in percentage owned,  
 Arrow points to owned entity  
 - - - - - Contractual or other non-ownership relationship  
 Arrow points to entity receiving funds or property

## ISLAND COLONY CONDOMINIUM

### General Location

The Condominium is located on the island of Oahu, in the Waikiki section of Honolulu. With approximately 600 square miles, Oahu is third in size of the eight main Hawaiian Islands. Of the 900,000 residents of Hawaii, approximately three-fourths live on Oahu, almost one-half of them in Honolulu. The center of Honolulu extends along Oahu's leeward shore for approximately ten miles and reaches from the shore to the Koolau Mountains, an average of about two miles. Waikiki is located along the south-east shore of Honolulu. Waikiki is bounded on the North and West by the Ala Wai Canal, on the East by Kapahulu Avenue and on the South by the Pacific Ocean. The area of Waikiki is approximately 1¼ square miles.

Numerous airlines serve Honolulu International Airport. Service to the United States mainland is provided by Braniff, Continental, Northwest, Pan American, United, and Western air lines. Several airlines provide international service: Air Micronesia, Air New Zealand, China, CP Air, Japan, Korean, Northwest, Pan American, Philippine and Qantas. Air service to the Neighbor Islands is provided by two scheduled jet carriers and numerous air taxi services. Charter service and plane rentals are also available.

On the ground, bus tours, taxi service and rental cars are available from a variety of sources in Waikiki and elsewhere.

Tourist facilities, such as night life, entertainment, a choice of restaurants and shopping facilities, are available in Waikiki and in Honolulu generally.

### The Site

The site of the Condominium is on the makai (seaward) side of Ala Wai Boulevard between Seaside Avenue and Nohonani Street. The site contains approximately 49,823 square feet. The site is on the northern edge of Waikiki, bordering Ala Wai Boulevard and the Ala Wai canal. This location will provide approximately 70% of the Apartments with views of the Pacific Ocean. Approximately 90% of the Apartments will have an excellent view of the Koolau Mountains. The site is centrally located between Ala Moana Boulevard and Kapahulu Avenue and is approximately three blocks away from the beach. Many tourist facilities are within a short distance. See the map of Waikiki.

### Apartments

The Apartments will be in a forty-three story, reinforced concrete building. The 740 Apartments will be located on the floors numbered seven through 44 (there being no floor numbered 13). Each of these thirty-seven floors has an identical floor plan. Each floor contains twenty Apartments of three basic types. The number and type on each floor are: four One-Bedroom Apartments, six Studio Apartments and ten Lodging Apartments. There will be a total of 148 One-Bedroom Apartments, 222 Studio Apartments and 370 Lodging Apartments.

\* Lanai is the Hawaiian word for porch or balcony.

The Hotel lobby and commercial areas will be on the first floor. The second floor will contain Hotel offices. Floors 3, 4 and 5 will be for parking. If an application for a change in the building permit is approved, a swimming pool and a restaurant or snack bar may be on the sixth floor.

Floor plans for each residential story and each type of Apartment are in this Prospectus.

Each One-Bedroom Apartment will contain a living/dining area, kitchen facilities, a bedroom, a bathroom and a lanai\*. Total floor area will range from 563 square feet to 570 square feet. The lanais will have 106 square feet.

Each Studio Apartment will contain a living/sleeping area, limited kitchen facilities, a bathroom and a lanai. Total floor area will range from 305 square feet to 316 square feet. One-half of these Apartments will have a lanai of 104 square feet and the other half will have a lanai of 116 square feet.

Each Lodging Apartment will contain a living/sleeping area, limited kitchen facilities, a bathroom and a lanai. Total floor area will range from 280 square feet to 316 square feet. One-half of these Apartments will have a lanai of 104 square feet and the other half will have a lanai of 116 square feet.

See Table I, page 21, for information about prices of Apartments.

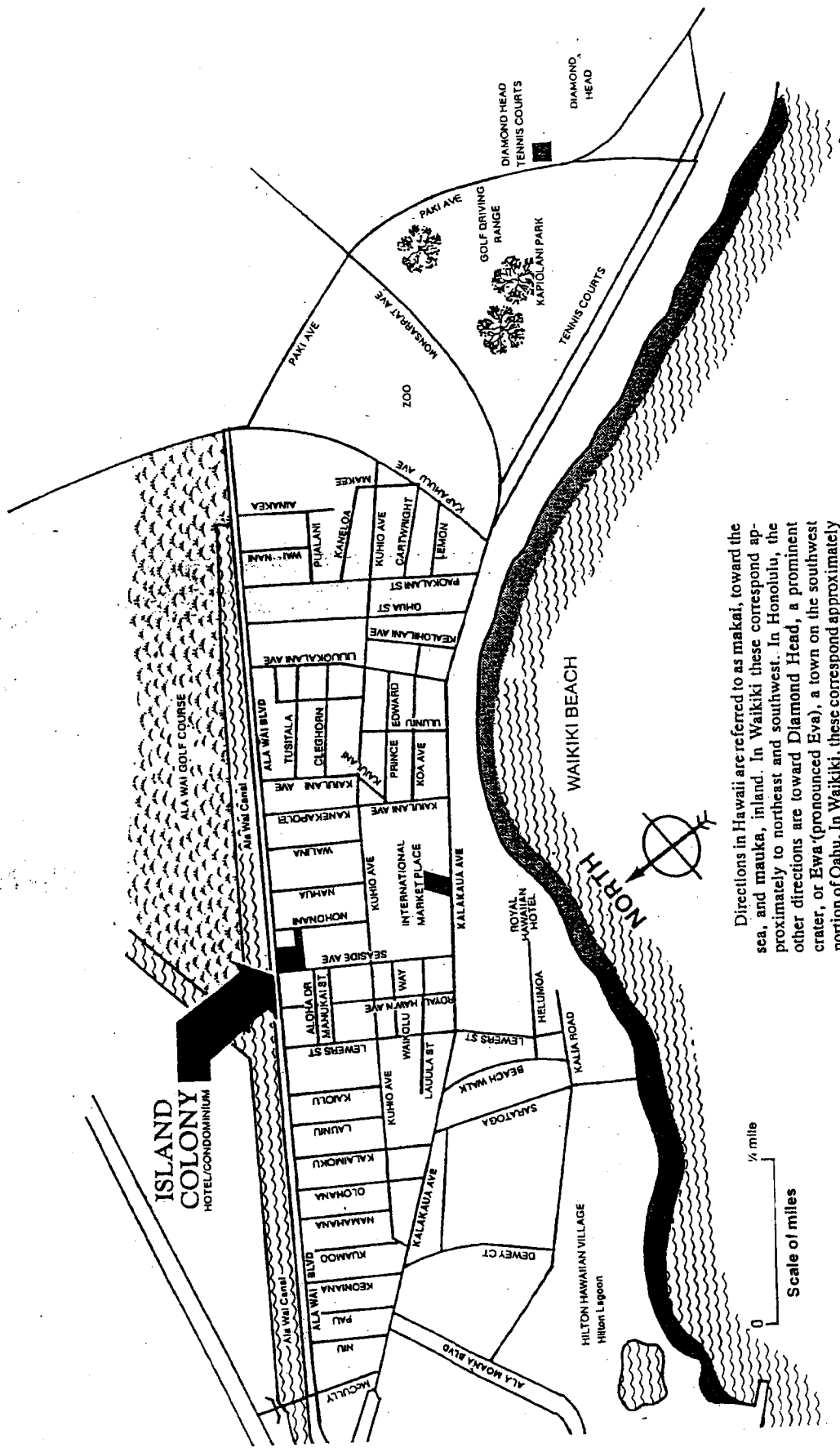
### Furniture and Equipment

The kitchen of each Apartment will be equipped with a refrigerator and a sink. The size of the refrigerator will vary according to Apartment type and location. One-bedroom Apartments will contain an electric range, Studio Apartments will contain a cook-top and Lodging Apartments will have no cooking facilities.

Purchasers who join the Partnership will be required to purchase a standard package of furniture, equipment and accessories chosen by Haseko Hawaii and the Hotel Operator. The supplier, design and price of that package have not been determined. Haseko Hawaii plans for each Apartment to have a bed or sofa-bed, dresser, tables, night stands, interior and lanai chairs, television, carpeting, art work, wall coverings, waste baskets, kitchen equipment (as appropriate), stationery, shower curtain and all other furnishings and implements appropriate for a fully equip hotel room. One-Bedroom Apartments have two beds or sofa beds, dressers, etc. A complete list of furniture, equipment and accessories for each type of Apartment is available upon request. It is not now known whether the standard package of furniture, equipment and accessories will contain a television or whether televisions for the Apartments to be used in the Hotel will be leased by the Partnership or the Hotel Operator. The estimated price of the package is set forth in Table I. Haseko Hawaii will try to obtain financing for the package so that Purchasers will not have to pay cash for these items, but none has been arranged to date.

Purchasers who do not join the Partnership may purchase the standard Hotel package of furniture, equipment and accessories or make any alternative arrangement they

*Text continues on page 18.*

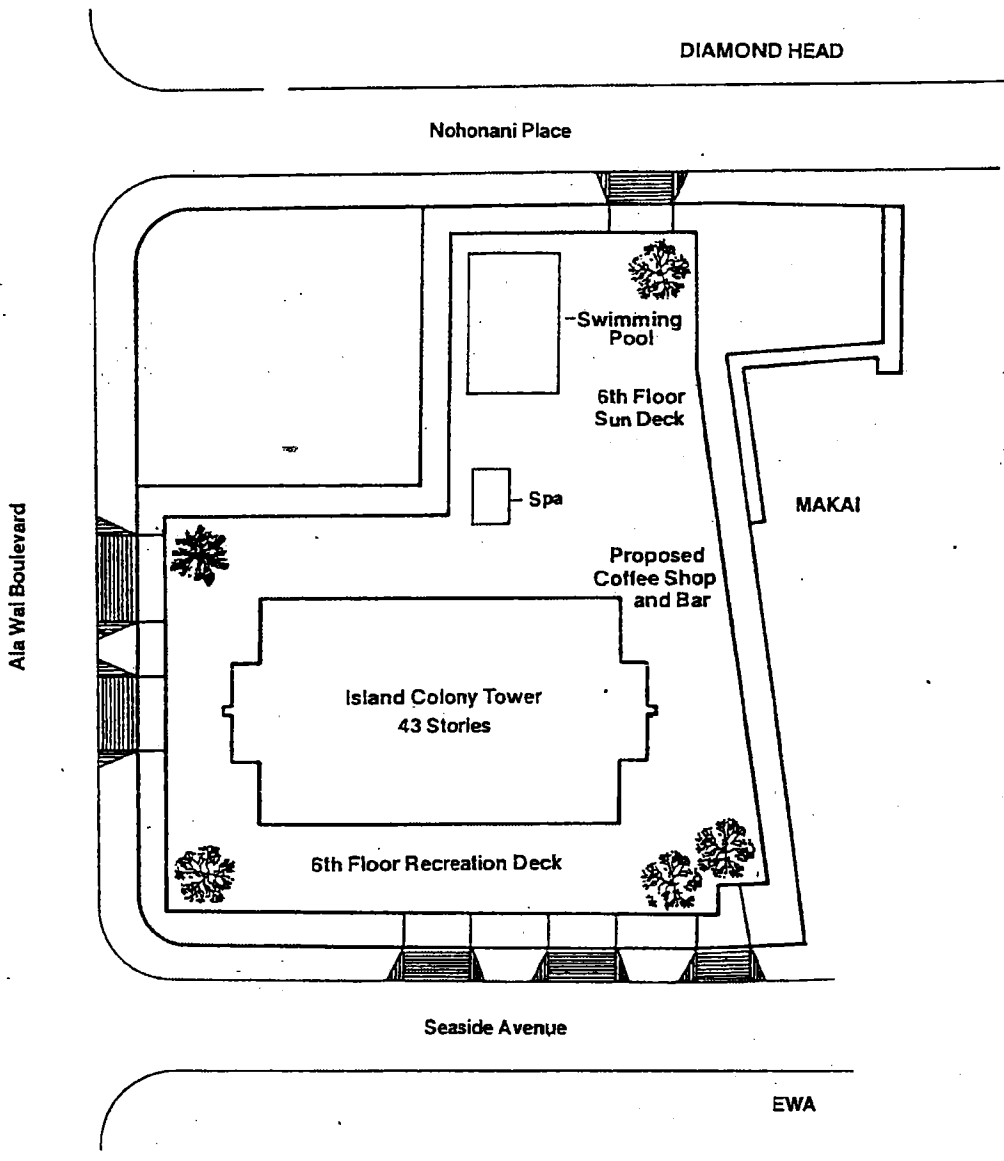


Directions in Hawaii are referred to as makai, toward the sea, and mauka, inland. In Waikiki these correspond approximately to northeast and southwest. In Honolulu, the other directions are toward Diamond Head, a prominent crater, or Ewa (pronounced Ewa), a town on the southwest portion of Oahu. In Waikiki, these correspond approximately to southeast and northwest.

Scale of miles  
0 1/4 mile

**ISLAND COLONY**  
HOTEL/CONDOMINIUM

**PLOT PLAN**



MAUKA

Seaside Avenue

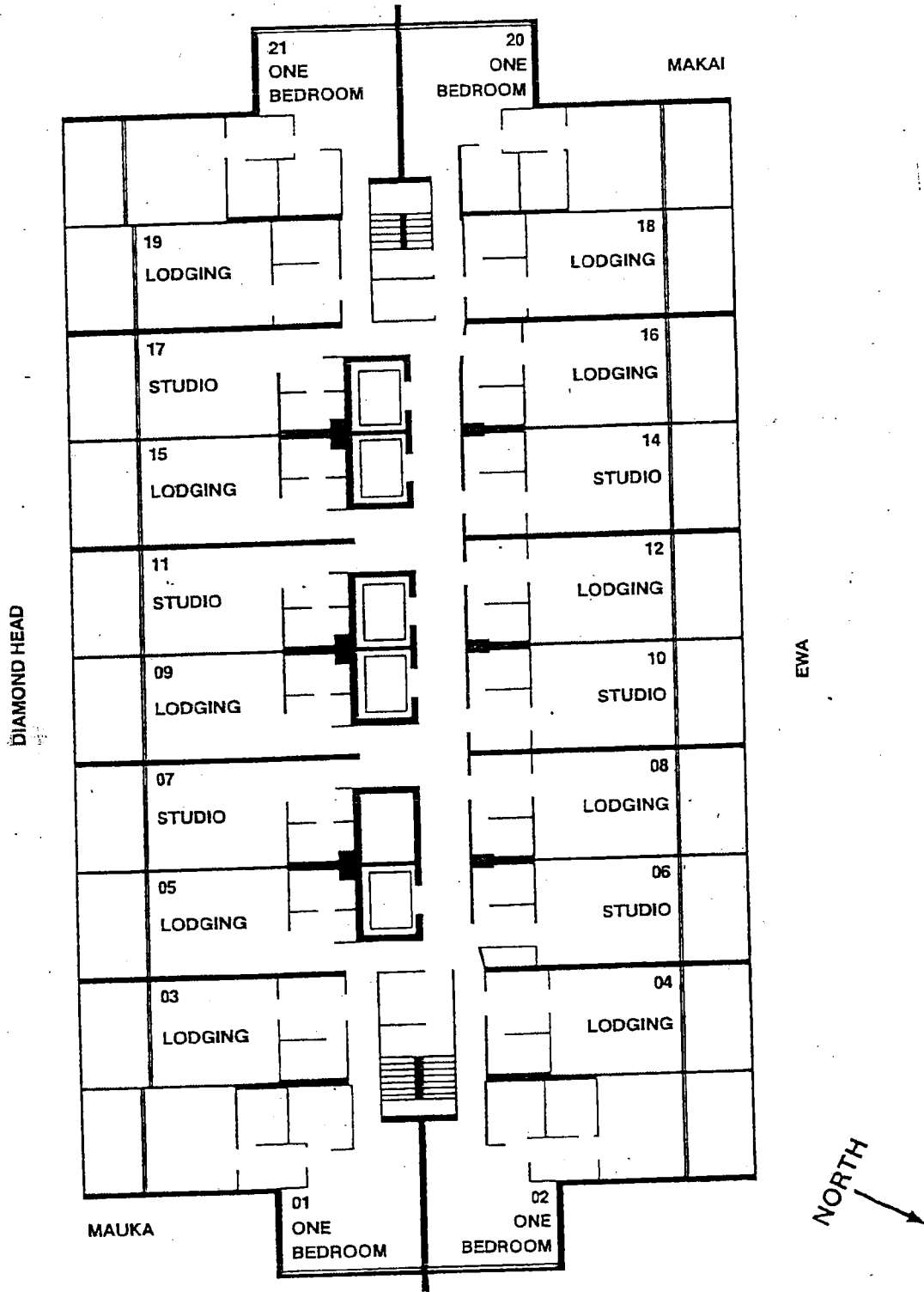
EWA





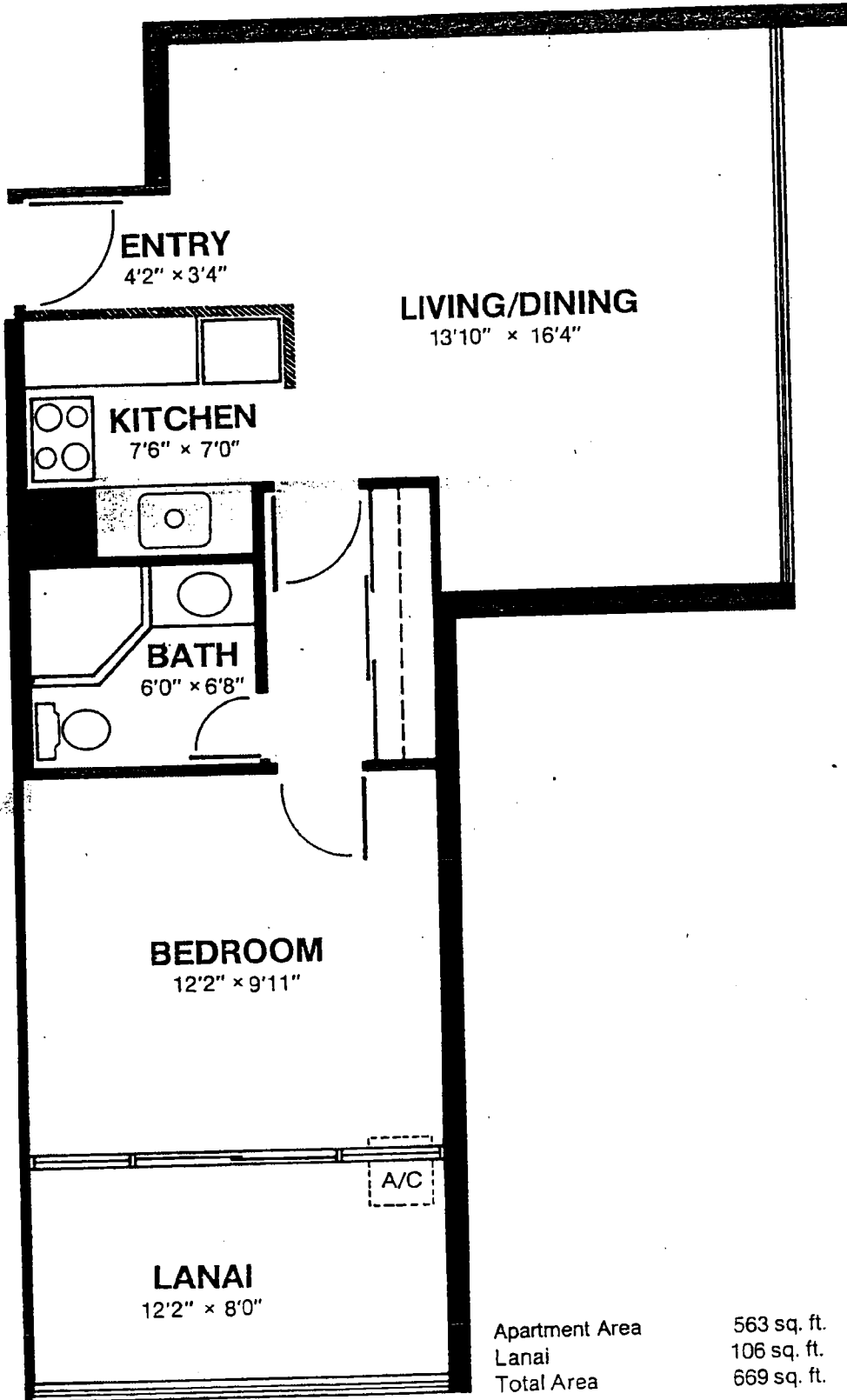
ISLAND COLONY  
HOTEL/CONDOMINIUM

# OVERALL FLOOR PLAN



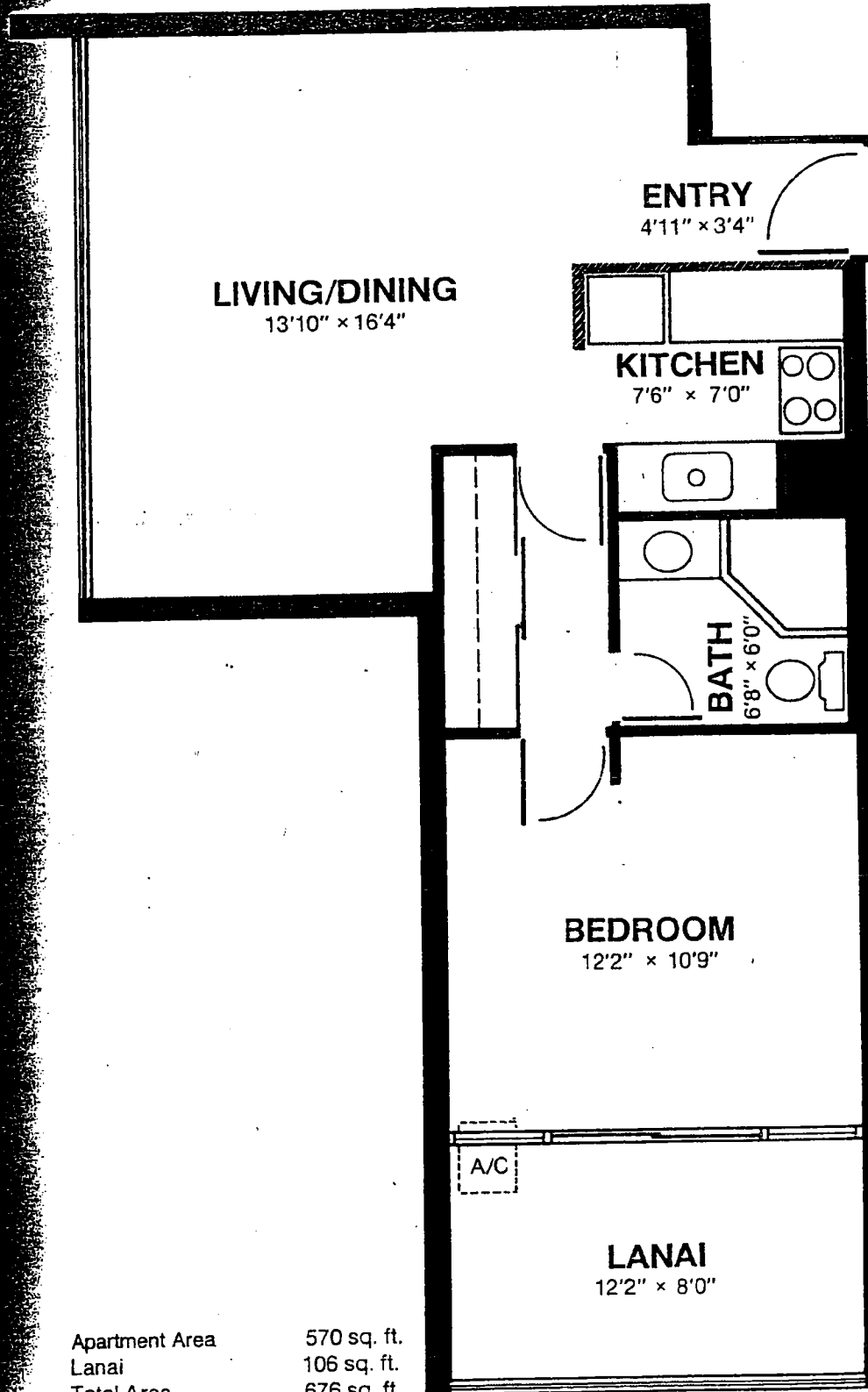
# ONE BEDROOM

## Apartment-01



# ONE BEDROOM

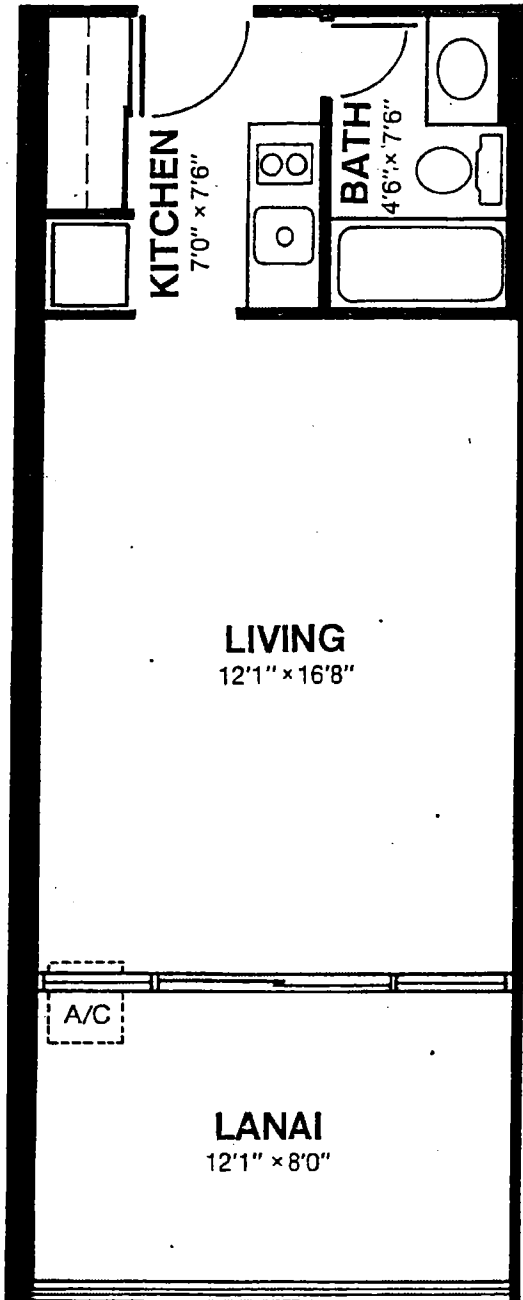
## Apartment-21



Apartment Area	570 sq. ft.
Lanai	106 sq. ft.
Total Area	676 sq. ft.

# STUDIO

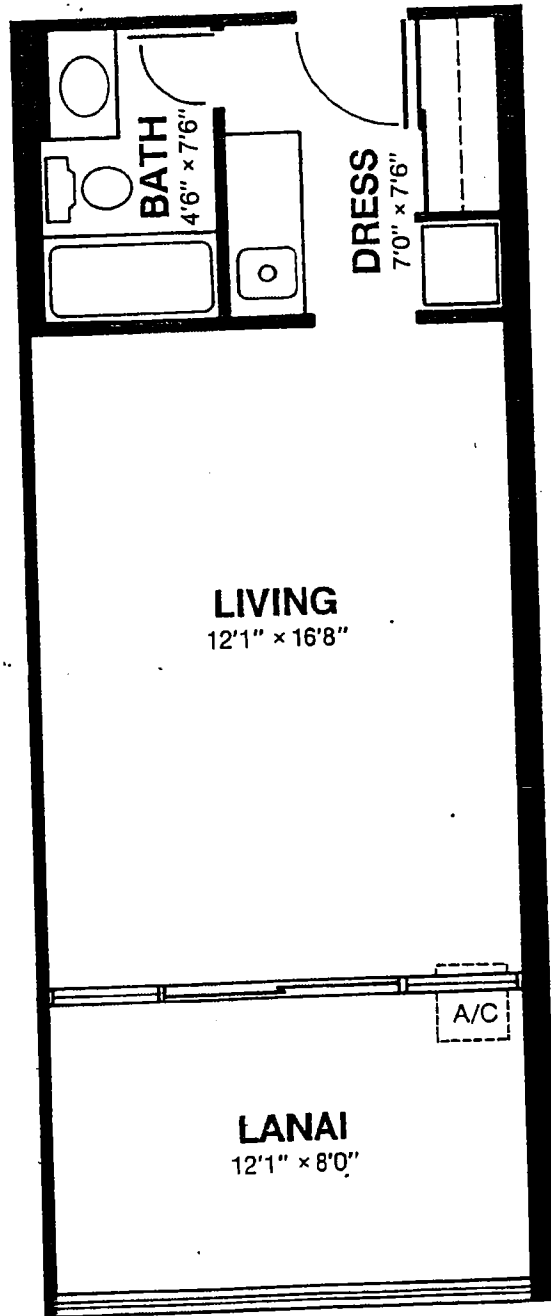
## Apartment-10



Apartment Area	316 sq. ft.
Lanai	104 sq. ft.
Total Area	420 sq. ft.

# LODGING

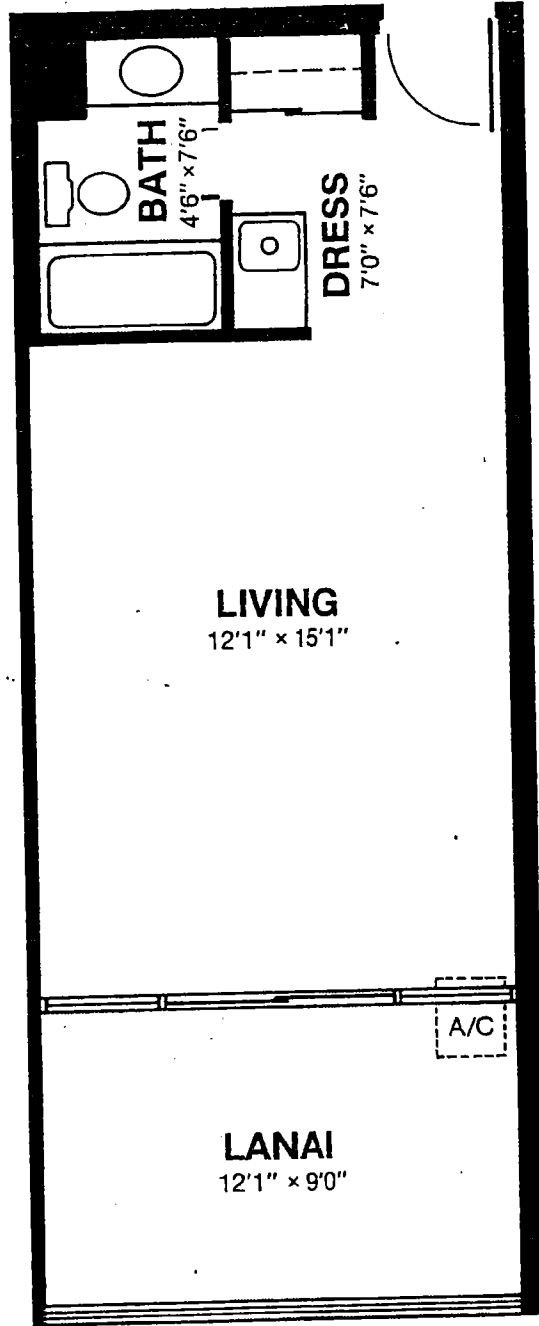
## Apartment-12



Apartment Area	316 sq. ft.
Lanai	104 sq. ft.
Total Area	420 sq. ft.

# LODGING

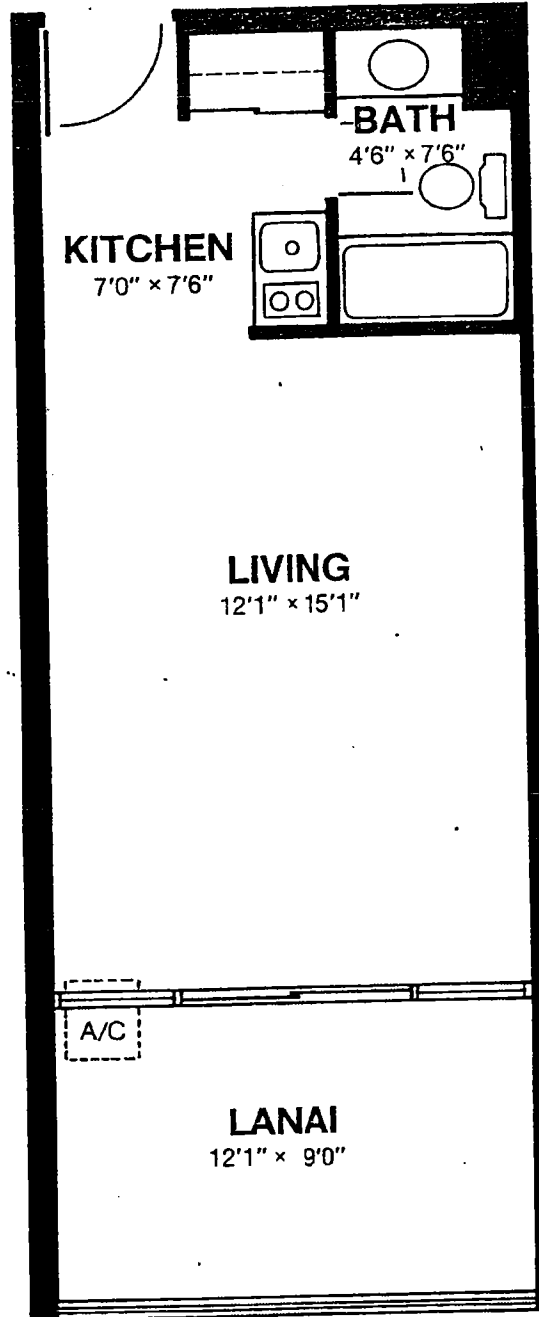
## Apartment-09



Apartment Area	308 sq. ft.
Lanai	116 sq. ft.
Total Area	424 sq. ft.

# STUDIO

## Apartment-11



Apartment Area	308 sq. ft.
Lanai	116 sq. ft.
Total Area	424 sq. ft.

desire. However, Haseko Hawaii estimates that it must order furniture, equipment and accessories for the Hotel on or before May 1, 1979. It may order the standard Hotel package of those items for all Apartments unsold at that date. After that date, all Purchasers will be required to purchase the standard Hotel package whether or not they join the Partnership. Purchasers who do not purchase the standard Hotel package of furniture, equipment and accessories will not be permitted to join the Partnership until their Apartments have been refurbished with items in that package.

The Partnership will replace furniture, equipment and accessories of Apartments in the Hotel through the Reserve for Furniture and Equipment. The replacements will become the property of the Limited Partner when placed in the Apartment. If a Limited Partner withdraws from the Partnership a payment will be made by the Partnership from the Reserve for Furniture and Equipment. See "Island Colony Hotel, Financial Matters."

#### Recreational Facilities

The primary recreational facility of Island Colony will be an outdoor 28-foot by 50-foot swimming pool on the sixth floor. The swimming pool was not included on the original plans. Haseko Hawaii has applied to the City and County of Honolulu for approval of amended plans providing for the pool. While approval has not been obtained, Haseko Hawaii expects no difficulty in obtaining it.

There will also be a whirlpool spa measuring 10 feet by 16 feet and saunas.

The recreational facilities are common areas for which there will be no use charge.

#### Hotel Apartment

Haseko Hawaii will convey the Hotel Apartment to the Partnership. The Hotel Apartment will consist of areas throughout the Hotel. It will include the front desk, Hotel offices, maids' closets, storerooms, linen chute and baggage handling equipment. In addition, the Partnership will receive the open area on the 44th floor of the building.

Haseko Hawaii will also provide up to \$350,000 for use by the Partnership in purchasing telephone equipment, furniture and other equipment necessary for first-class Hotel operations.

#### Restaurant, Shops and Parking

Haseko Hawaii will initially retain ownership of the areas in which a restaurant, shops and parking will be located. Again, the original building plans did not include a restaurant. Haseko Hawaii has applied to the City and County of Honolulu for approval of amended plans providing restaurant space and facilities.

Assuming approval is obtained, the Hotel is now expected to have a restaurant located on the sixth floor near the swimming pool. It is intended to be a buffet coffee shop seating approximately 150 to 200 persons. It may be open from breakfast to late afternoon or evening and offer pool-side service. The restaurant would also provide limited room service. The Hotel Operator may operate the restaurant.

Haseko Hawaii may own shops located on the lobby level if necessary approvals can be obtained. It may also

own the parking areas of the Condominium.

Haseko Hawaii intends eventually to sell the restaurant, shops and parking areas. The Partnership Agreement permits the Partnership to purchase these areas. However, there are no arrangements or understandings that Haseko Hawaii will sell them to the Partnership or that the Partnership will buy them. Nonetheless, Haseko Hawaii has agreed that the consent of the Partnership is a prerequisite to any lease of these areas. The Partnership may not unreasonably withhold such consent if the leases or lessees are consistent with a first-class hotel.

#### Land

Haseko Hawaii retains fee simple title to the land under the Condominium. The land may be sold whenever Haseko Hawaii desires to do so. Such a sale will not affect the 65-year ground leases to Purchasers. Upon expiration of the ground leases the land owner must pay an aggregate of \$50,000 to all owners of Apartments and commercial areas.

The Condominium Conveyance Document conveys to each Purchaser a 65-year lease of an undivided interest, equal to the common interest appurtenant to the Purchaser's Apartment, as a tenant in common with the other lessees, in the land upon which the building stands. The Purchaser's rent for the first 35 years is fixed, although the rent increases in 1989 and 1999. For each of the three remaining ten-year periods, the Purchaser's rent is a proportionate share of the total annual rental value established for the land. The Purchaser, in addition to rent on the land, is required to pay a proportionate share of: all taxes, charges and assessments to which the land may become liable; all general excise taxes and other taxes measured by and payable with respect to payments to or on behalf of the landowner; the cost of making, erecting, maintaining and repairing the improvements required by law; liability insurance insuring the board of directors, employees of the Association of Apartment Owners, the General Partner, the Apartment owners and the landowner against damages incident to their ownership and/or use of the land; and, any amounts necessary to indemnify the landowner against all claims, loss or damage arising out of any accident or nuisance on the land or any failure to maintain the land in a safe condition, including attorney's fees or other costs and expenses in connection with the defense of such a claim.

#### Construction Arrangements

Haseko Hawaii has entered into a construction contract dated March 13, 1978 with Pacific Construction Co., Ltd., Honolulu. Performance and Labor and Material Payment Bonds have been obtained. The construction contract is a modified American Institute of Architects Standard Form of Agreement Between Owner and Contractor. As amended, the construction contract requires Haseko Hawaii to pay costs plus a contractor's fee of \$782,200 to a maximum of \$14,931,990. Costs caused by work-order changes, defects in drawings and for certain items, the cost of which had not been determined when the contract was signed, will be added to the maximum price. The contract provides a bonus for the contractor of \$2,000



for each day of early completion and damages to Haseko Hawaii of \$4,000 for each day of late completion. For purposes of computing bonus or damage payments, construction must be completed by October 2, 1979 or such

later time as may be determined pursuant to the contract. Construction is now expected to be completed on time, but there is no assurance that it will be completed on time.

## THE CONDOMINIUM CONCEPT

### Definition

The word "condominium" describes a form of owning land and improvements by which an owner obtains exclusive ownership of an apartment and ownership in common with the owners of the other apartments of the common elements or areas intended for the use of all owners. The terms "common elements" or "common areas" of the Condominium include the interest in the land, all foundations, floor slabs, most structural portions of the building, elevators, stairs, and mechanical and electrical elements serving more than one apartment. Each apartment owner's undivided ownership interest in the common elements is called a "common interest" and the amount of the common interest determines the manner in which certain expenses are shared and in which voting rights in the Association of Apartment Owners are weighed.

### Creation

The Condominium has been created by recording three documents: the Declaration of Horizontal Property Regime, the Bylaws and the Condominium Map.

The Condominium Map shows the location of the building on the land and the plans for each floor and each type of Apartment. The Declaration of Horizontal Property Regime and the Condominium Map subdivide the building into individual Apartments, each with its fractional undivided common interest in the land and other common areas, thereby permitting separate conveyance of each Apartment. The common interest of each One-Bedroom Apartment is 0.176%, of each Studio Apartment is 0.111% and of each Lodging Apartment is 0.109%.

The Declaration of Horizontal Property Regime describes the Condominium in detail, sets forth the common interest of each Purchaser and contains certain conditions, covenants and restrictions regarding the use of the land and the improvements. The owners of 75% of the common interest in the Condominium may amend the Declaration, except that no amendments may adversely affect the Partnership without its consent, or the owners of residential or commercial apartments without the consent of 75% of the apartments affected.

The Declaration of Horizontal Property Regime is the legal document which creates the Apartments and establishes the common elements. The Declaration describes the land and the 43-story building, and divides the building into 740 residential apartments and five commercial apartments (including a parking apartment containing 291 parking stalls). The Declaration establishes each Apartment's interest in the common elements and appurtenant

voting rights. Each Apartment is granted a non-exclusive easement in the common elements for ingress to, egress from, support, maintenance and repair. Each Apartment and the common elements are granted easements to have and maintain encroachments upon the other Apartments, the common elements and the limited common elements. The Association of Apartment Owners is given the right to enter the Apartments for purposes of maintenance and repair.

The Declaration contemplates the operation of the Hotel and thus the common elements are made subject to use by the Hotel Operator. Rental of Apartments not contributed to the Hotel for periods of less than 30 days is prohibited. In the event rebuilding, repair or restoration becomes necessary, the Declaration provides for such rebuilding, repair or restoration unless owners of at least 75% interest in the common elements vote against such an undertaking.

### Association of Apartment Owners; Board of Directors; Managing Agent

The Bylaws establish the Association of Apartment Owners as an organization of the Apartment owners, define voting rights, provide for a board of directors, officers and a managing agent, set forth their powers and duties, and in general provide for the administration and maintenance of the Condominium. The Bylaws establish and set forth the powers of the board of directors with respect to property maintenance and the Monthly Maintenance Fee and Special Assessments for the common expenses of the Condominium. The Bylaws limit the liability of the board of directors and the managing agent and provide for indemnification of the directors and managing agent against all expenses and liabilities incurred by them in the performance of their duties so long as they act in good faith. The Bylaws contain provisions concerning insurance coverage, including provisions for reconstruction and repairs of damage in the event of any casualty. The Bylaws authorize the establishment of reserves by the board of directors and give it power over the property of the Association of Apartment Owners and the power to propose and enforce rules. The Bylaws may be amended by the owners of 75% of the common interest in the Condominium, except that amendments are restricted in the same manner as amendments to the Declaration of Horizontal Property Regime. The Bylaws provide for the managing agent to maintain, insure and service the Condominium. The managing agent chosen by Haseko Hawaii is the Hotel Operator. The managing agent will have a contract with a term equal to the term of the Hotel Management Contract.

### Condominium Lien

As discussed immediately above, under "Island Colony Hotel, Financial Matters" and in Table III on page 28, a Monthly Maintenance Fee will be levied by the Association of Apartment Owners for maintenance of the common elements of the Condominium. Special Assessments may be levied for major repairs, rebuilding or other large expenses. The Association of Apartment

Owners has the power under Hawaii law to levy these assessments and collect them from Purchasers. The Bylaws reserve a lien upon each Apartment to secure the payment of the Monthly Maintenance Fee and Special Assessments of the Association of Apartment Owners. If a Purchaser fails to pay assessments, this lien may be foreclosed by the Association of Apartment Owners by appropriate legal action.

## PURCHASE ARRANGEMENTS

### Sales Contract and Subscription Agreement

The Sales Contract and Subscription Agreement is the instrument by which a Purchaser becomes bound to purchase an Apartment and elects or declines to join the Partnership by purchasing an Interest. By executing the Sales Contract, a Purchaser approves the form and agrees to become subject to the provisions of the Condominium Conveyance Document, Escrow Agreement, Declaration of Horizontal Property Regime and the Bylaws of the Condominium. By making an affirmative election on the Subscription Agreement, the Purchaser approves the form of and agrees to be bound by the Partnership Agreement and Hotel Management Contract. All of such instruments are summarized in this Prospectus and given to each Purchaser upon request.

The price of each Apartment is fixed in the Sales Contract and Subscription Agreement and may not be changed without the mutual agreement of Haseko Hawaii and the Purchaser. At the time a Purchaser signs a Sales Contract and Subscription Agreement, he is required to make a deposit of \$1,000 for the Unit. He also contributes \$400 to the Partnership if he has elected to join it. The balance of the purchase price of the Apartment is payable in four payments. The first payment, which includes the deposit, will be five percent of the purchase price. It will be due within ten days after the Purchaser has been notified that his credit has been approved. The second payment, of five percent of the price, will be due within 15 days after notification that the building is 50% completed. The third payment, of ten percent of the price, will be due within 15 days after notification that the building is 90% completed. All notifications will be by mail. If the building is more than 50% or 90% completed, or both, when the Sales Contract is signed, the second or third payments, or both, will be due with the first payment. In any event, the remaining 80% of the price is due at the Closing. See "Financing—Purchasers' Financing" for information about arrangements made by Haseko Hawaii to finance the purchase of Apartments.

Deposits and other payments made by Purchasers upon Apartments will be placed in escrow. The cash contribution to the Partnership is made directly to the Partnership. It does not go into escrow. The Escrow Agreement provides that if, for any reason, Haseko Hawaii does not close the purchase, all of the Purchaser's funds in the escrow account will be promptly returned to the Purchaser. If the Purchaser fails to close for reasons

that are not defaults under the Sales Contract, his funds will be returned to him, without interest and with deduction of a \$26 fee of the escrowee. If the sale is closed, the funds in the escrow account are paid to Haseko Hawaii, and the Purchaser pays the \$104 fee of the escrowee.

The Sales Contract and Subscription Agreement also states that if the Purchaser's Apartment is not completed within two years of the date of such contract, the Purchaser may have his money refunded with interest, unless the delay has been due to circumstances beyond the control of Haseko Hawaii.

A Purchaser receives no interest in the restaurant, shops and parking facilities owned by Haseko Hawaii.

The Sales Contract and Subscription Agreement requires Haseko Hawaii, as developer, to execute and deliver the Condominium Conveyance Documents to each Purchaser, transferring to him an interest in the Apartment, the leasehold interest in the land and other common elements of the Condominium.

Haseko Hawaii may offer 74 Apartments at a 5% discount to persons who are its directors or employees or are directors or employees of parent corporations. The 5% discount equals the 4.5% sales commission and the 0.5% marketing fee. If such Apartments are not purchased, they will be offered to the public at the prices in effect from time to time. Haseko Hawaii will give a discount of 4.5% on an additional 74 Apartments to be sold to the Hotel Operator or André S. Tatibouet, its president, or both.

All Apartments are offered subject to availability. Haseko Hawaii reserves the right to change the design and price of each unsold Apartment and to withdraw the offer of any unsold Apartment. Haseko Hawaii may refuse to accept Sales Contracts for Apartments in the second increment (floors 21 through 32) or the third increment (floors 33 through 44) until most Apartments in the first increment (floors seven through 20) have been sold. Apartments in the third increment may not be sold until most of the Apartments in the first and second increments have been sold. In the event of over-subscriptions for any increment or all Apartments, Haseko Hawaii may accept Purchasers in the order in which their indications of interest were received or may use a lottery to determine which subscribers may purchase Apartments.

### Purchasers' Costs

The following table sets forth information about the costs of purchasing Apartments.

TABLE I  
ESTIMATED CASH REQUIRED AT CLOSING (1)

Type of Apartment Range of Prices Number Offered	One-Bedroom \$48,700 - \$72,900 148		Studio \$31,800 - \$49,900 222		Lodging \$29,800 - \$48,900 370	
	\$48,700	\$72,900	\$31,800	\$49,900	\$29,800	\$48,900
Purchase Price (2) .....	\$48,700	\$72,900	\$31,800	\$49,900	\$29,800	\$48,900
Estimated Closing Costs:						
Escrow Fee .....	104	104	104	104	104	104
Notary Fees (\$4. per person) .....	8	8	8	8	8	8
Conveyance Tax .....	24	36	16	25	15	24
Title Insurance .....	75	75	75	75	75	75
Preparation of Documents .....	75	75	75	75	75	75
Recording Fees .....	35	35	35	35	35	35
Costs of Financing:						
Private Mortgage Insurance (3) ...	58	87	38	60	36	59
Loan Fee (4) .....	682	1021	445	699	417	685
Credit Report .....	10	10	10	10	10	10
Appraisal .....	75	75	75	75	75	75
Review .....	10	10	10	10	10	10
Prepayments:						
Ground Rent (2 months) .....	81	81	62	62	60	60
Real Property Tax (5) .....	240	340	155	230	147	226
Association Special Assessment (6) .....	212	212	133	133	131	131
Total Costs to Purchaser .....	\$50,389	\$75,069	\$33,041	\$51,501	\$30,998	\$50,477
Less First Mortgage Loan .....	38,960	58,320	25,440	39,920	23,840	39,120
Cash Required for Purchase .....	\$11,429	\$16,749	\$7,601	\$11,581	\$7,158	\$11,357
Costs of Joining Partnership (Hotel Operation)						
Contribution to Partnership .....	400	400	400	400	400	400
Furniture Package (7) .....	4,500	4,500	3,000	3,000	3,000	3,000
Cash Required for Purchase if Joining Partnership .....	\$16,329	\$21,649	\$11,001	\$14,981	\$10,558	\$14,757

- The information on this table is presented only to provide an estimate of cash requirements. It is not intended to fulfill disclosure requirements of various federal or state laws governing lending or real estate closings. Such information will be provided by lenders or others at the appropriate time. The information is based on the assumption that the Closing will occur during the month of October 1979.
- All information assumes the illustrative prices shown. Prices of Lodging Apartments will be reduced by \$2,000 if the Purchaser also purchases an adjacent Apartment.
- Mortgage insurance is not required for some loans. See "Financing, Purchaser's Financing." The private mortgage insurance premium of the loan is 0.15% of the amount of the loan. The premium for the first year is payable at Closing.
- A loan fee of 1 1/4% of the amount of the loan will be paid into escrow by the Purchasers. One and one-half percent (1 1/2%) will be paid to the Bank, the remainder to Haseko Hawaii as partial reimbursement of the 2% loan commitment fee paid by Haseko Hawaii. See "Financing, Purchaser's Financing."
- The numbers set forth assume the tax rates for the fiscal year ended June 30, 1978 (the 1979 rates not

- having been set), a fair market value for the 49,823 square feet of land of \$4,040,000 and an Apartment land value of \$7,110, \$4,484 and \$4,403 for the One-Bedroom, Studio and Lodging Apartments, respectively. Property taxes levied by the City and County of Honolulu were \$17.30 per \$1,000 of assessed value for land and \$13.84 per \$1,000 of assessed value for buildings. Assessed value, by statute, is 60% of fair market value as determined by the State Tax Assessor. As a requirement of the lender, Purchasers must pay into a reserve account the estimated taxes due at the end of the then current tax period (a maximum of six months). Taxes for the period during which Closing occurs will be prorated.
- The figures set forth are the Monthly Maintenance Fee for two months. See estimate of Condominium maintenance fees set forth in "Island Colony Hotel, Financial Matters." This amount will be collected at Closing to provide working capital to the Association of Apartment Owners.
  - Furniture, equipment and accessories are required to be purchased if the Purchaser joins the Partnership and may be required for purchases after May 1, 1979. Haseko Hawaii is attempting to arrange financing for these items, but none has been arranged to date. The

price of the standard package of furniture, equipment and accessories is now estimated to be \$4,500 for a One-Bedroom Apartment and \$3,000 for a Studio or Lodging Apartment. Haseko Hawaii hereby represents that if the price of furniture, equipment and accessories

exceeds \$5,250 for a One-Bedroom Apartment or \$3,500 for a Studio or Lodging Apartment, Haseko Hawaii will pay the amounts over such prices or permit the Purchaser to cancel the Sales Contract and Subscription Agreement, at Haseko Hawaii's option.

TABLE II  
ESTIMATED ANNUAL CASH REQUIREMENTS OF OWNERSHIP

First Increment			
Type of Apartment	One-Bedroom	Studio	Lodging
Illustrative Price	\$52,700	\$36,800	\$34,800
Real Property Taxes (1) .....	\$ 511	\$ 352	\$ 335
Ground Rent (2) .....	487	374	362
Condominium Monthly Maintenance Fees (3) .....	1,273	800	786
Cash Requirements Before Financing .....	\$ 2,271	\$ 1,526	\$ 1,483
Payments Upon 80% Mortgage (4) .....	\$ 4,723	\$ 3,298	\$ 3,119
Cash Requirements With 80% Financing .....	\$ 6,994	\$ 4,824	\$ 4,602
Second Increment			
Type of Apartment	One-Bedroom	Studio	Lodging
Illustrative Price	\$59,500	\$40,950	\$38,950
Real Property Taxes (1) .....	\$ 568	\$ 387	\$ 369
Ground Rent (2) .....	487	374	362
Condominium Monthly Maintenance Fees (3) .....	1,273	800	786
Cash Requirements Before Financing .....	\$ 2,328	\$ 1,561	\$ 1,517
Payments Upon 80% Mortgage (4) .....	\$ 5,332	\$ 3,670	\$ 3,491
Cash Requirements With 80% Financing .....	\$ 7,660	\$ 5,231	\$ 5,008
Third Increment			
Type of Apartment	One-Bedroom	Studio	Lodging
Illustrative Price	\$67,500	\$45,700	\$44,700
Real Property Taxes (1) .....	\$ 634	\$ 426	\$ 417
Ground Rent (2) .....	487	374	362
Condominium Monthly Maintenance Fees (3) .....	1,273	800	786
Cash Requirements Before Financing .....	\$ 2,394	\$ 1,600	\$ 1,565
Payments Upon 80% Mortgage (4) .....	\$ 6,049	\$ 4,096	\$ 4,006
Cash Requirements With 80% Financing .....	\$ 8,443	\$ 5,696	\$ 5,571

(1) See Note 6 to Table V, page 32.

(2) See Note 4 to Table V, page 32.

(3) Payable only if hotel revenues are not sufficient to pay these costs.

(4) See Note 5 to Table V, page 32.

## FINANCING

### Construction Financing

The total estimated cost of the Hotel, including fixtures and equipment, is estimated to be \$30.6 million. Haseko Hawaii has obtained a construction loan from First Hawaiian Bank (the "Bank") in the amount of \$10.6

million. A loan of \$8.6 million from a Japanese bank to Haseko Hawaii and an advance of \$11.4 million from a parent corporation provide the funds necessary to complete the Hotel. The loan from the Bank bears interest at 1½% per annum over the Bank's prime rate, fluctuating

with the prime rate. The prime rate of the Bank on November 30, 1978 was 11½%. Haseko Hawaii paid a loan fee of 2%, or \$212,000, for the construction loan. The loan is guaranteed by Haseko Hawaii's Japanese parent corporation. The loan is also secured by a first mortgage upon the land and a lien upon all contracts, permits, furniture, equipment, and other items of value related to the Condominium.

Upon completion of Hotel construction, Haseko Hawaii is required to repay the construction loan. Funds for the repayment are scheduled to come from sale of the Apartments. Remaining proceeds will repay the advances to a Japanese bank and parent corporations.

#### Purchasers' Financing

Each Purchaser may pay cash for an Apartment or arrange to finance the purchase in any manner he desires.

Haseko Hawaii has arranged for Purchasers' financing of Apartments by the Bank. The maximum amount which may be lent to the Purchasers by the Bank is \$21,100,000, of which not more than \$15,000,000 will be lent to Limited Partners under either the 30-year or 5-year financing plans discussed below. However, the Bank is not obligated to make a loan to any Purchaser. Each Purchaser must satisfy the lending criteria of the Bank. The Bank has established separate loan criteria with respect to Purchasers not living in their Apartments (for example, Limited Partners) and those who do.

Loans to Limited Partners or other Purchasers not living in their Apartments will be not more than 80% of the lower of purchase price or appraised value, as determined by the Bank's appraisers. Loans in excess of 75% of such amount, except for the five-year loans discussed below, will require the Limited Partner to obtain and pay for private mortgage insurance of ten percent of the initial amount of loan. Limited Partners or other Purchasers not living in their Apartments may elect to pay their loans in 30 years or five years. Loans for 30 years would be paid in full in equal monthly payments of principal and interest. Loans paid in five years will be amortized on a 30-year schedule. A balloon payment of approximately 97.5% of the amount borrowed will be due at the end of five years.

Loans to Purchasers living in their Apartments will be not more than 90% of the lower of purchase price or appraised value. Loans in excess of 80% of such amount will require the Purchaser to obtain and pay for private mortgage insurance on 20% of the initial amount of Loan. Principal and interest of these loans will be paid in equal monthly installments over 30 years.

All loans, except those for five years, will be subject to the standard Federal Home Loan Mortgage Corporation prepayment provisions. A prepayment fee of one-half the interest rate is required for prepayments made by refinancing with another lender during the first three years of the loan. The fee drops to three percent for the next two years. There is no prepayment fee upon sale, payment with the borrower's own funds or a refinancing by the same lender. The Bank intends to sell the loans in the secondary mortgage market. It reserves the right to attach its then current, more restrictive prepayment provisions if a loan is not sold to another institution.

The Bank will permit a Purchaser to obtain secondary financing provided that his equity is not less than ten percent of the lower of purchase price or appraised value.

No loan by the Bank will be more than \$75,000 per Apartment. No Limited Partner or other Purchaser borrowing money from the Bank may buy more than four Apartments in which he does not live without the approval of the Bank. Further, any loan which would cause the Purchaser's indebtedness to the Bank to be in excess of \$100,000 will be subject to further review by the Bank.

All Purchasers taking loans from the Bank must obtain standard title insurance and must insure against all hazards, including floods. Purchasers' estimated shares of closing appraisal and other loan costs are set forth in Table I, page 21.

Purchasers taking loans from the Bank will be required to pay into escrow one and three-fourths percent of the amount borrowed. One and one-half percent will be paid to the Bank as a loan fee and one-fourth of one percent will be paid to Haseko Hawaii in partial reimbursement of its two percent commitment fee. Interest on loans to Purchasers living in their Apartments will be one-half of one percent over the average yield requirement quoted by the Federal Home Loan Mortgage Corporation, on loans it is willing to purchase, approximately 75 days prior to completion of construction of the Condominium. Loans to Limited Partners or other Purchasers not living in their Apartments will be three-fourths of one percent above such rate. Preliminary qualifying procedures and the estimates in this Prospectus are based upon a rate of 10¾% per annum for persons not occupying their Apartments. The interest rates for any loan will be reduced upon payment of one percent of the loan amount for each one-eighth of one percent reduction in the interest rate.

All Purchasers taking loans from the Bank must maintain a reserve account for payment of ground rent and real property taxes. One-twelfth of the annual total of those expenses must be paid each month.

All loans from the Bank must be closed on the earlier of June 30, 1980 or the date 180 days after issuance of a Certificate of Occupancy from the City and County of Honolulu. Applications will be taken until 30 days prior to such date. Purchasers who intend to borrow to purchase Apartments are required by the Sales Contract to qualify within 30 days if they live in Hawaii and 60 days if they live elsewhere.

All Purchasers taking loans from the Bank must complete its standard residential loan application and submit federal tax returns for the past two years, and a verification of employment or a balance sheet when applying for a loan. Prior to final approval, the Bank may require submission of additional, current information. Standard Bank underwriting criteria will be used to evaluate applications. These currently include the requirement that the Purchaser's gross monthly income be four times the total amount of ground rent, taxes, Monthly Maintenance Fees, all monthly payments on obligations extending longer than seven months, and amortization costs for the loan. Income from the Apartments will not be included in a Limited Partner's income for purposes of determining the four-to-one income-to-expense ratio.

Haseko Hawaii paid the Bank a loan fee of two percent of the \$21,100,000 commitment, or \$422,000. Up to \$52,750 of this amount will be reimbursed from the one and three-fourths percent fee paid by Purchasers. Haseko Hawaii also agreed to pay a maximum of \$25,000 of the

Bank's costs of processing Purchaser's loans.

Haseko Hawaii is attempting to arrange financing for the purchase of furniture, equipment and accessories. None has been arranged to date.

## ISLAND COLONY HOTEL

Until a hotel management contract with the Hotel Operator or any successor is terminated, the common areas of the Condominium will be used as part of the Hotel. Purchasers who are not Limited Partners may use their Apartments as they wish, except that no such Purchaser may rent an Apartment for periods of less than one month. The Declaration of Horizontal Property Regime and the Bylaws in their present forms impose no restrictions upon renting an Apartment after termination of hotel activities.

### The Partnership

The Partnership was formed as a limited partnership under Hawaii law on September 13, 1978. Mr. H. James Stahl is the General Partner. The present Limited Partner is an officer of Haseko Hawaii who has agreed to purchase an Apartment.

### Contributions to the Partnership

Each Purchaser may become a Limited Partner in the Partnership by making the affirmative election in the Sales Contract and Subscription Agreement and contributing the Apartment and \$400 in cash to the Partnership for each Apartment in the Hotel owned by him. (Limited Partnership Agreement ["LPA"], § 7.) The contribution is due immediately upon acceptance of the Subscription Agreement by the Partnership. Contributions will be used to finance certain pre-opening Hotel expenses and provide working capital to the Partnership. (See "Use of Proceeds—Partners' Contributions.") The cash contribution to the Partnership could be lost if it were spent for pre-opening expenses and the Hotel did not open. Haseko Hawaii believes that such a possibility is remote.

Purchasers who do not join the Partnership when they execute the Sales Contract and Subscription Agreement will not be able to join the Partnership until one year after the Hotel opens. The General Partner and Hotel Operator may, if they wish, waive this waiting period, but they are not required to do so. All persons joining the Partnership after the Hotel opens will be admitted only as of the first day of a calendar quarter.

Operation of the Hotel requires uniformity of decor for standardization of the rent for each type of Apartment and for ease of maintenance and replacement. Therefore, no Purchaser will be permitted to join or rejoin the Partnership unless the furniture in his Apartment is similar to that in the other Hotel Apartments. The furniture must be in condition satisfactory to the Hotel Operator.

Each Purchaser who joins the Partnership after the Closing will be required to make the usual contribution to the Partnership of the Apartment and \$400 per Apartment

in the Hotel owned by him. He will also be required to pay into the Partnership's Reserve for Furniture and Equipment an amount to be determined by the General Partner at the time. The General Partner shall set such amount by taking into account the following factors, among others: the condition of the Apartment at the time the Purchaser joins (or rejoins) the Partnership; the condition of other Apartments in the Hotel, and the amount of Partnership's Reserve for Furniture and Equipment attributable to Apartments at the time the Purchaser joins (or rejoins).

Each Limited Partner remains obligated to pay all expenses related to the ownership of his Apartment. These include Ground Rent, real estate taxes, mortgage principal and interest and the Condominium's Monthly Maintenance Fee and Special Assessments, including the Special Assessment for a contribution to the capital of the Association of Apartment Owners set forth in Table I. See "Financial Matters," below.

### Limited Partners' Right to Withdraw

The Hotel Management Contract (Article 5) and Partnership Agreement (§ 19) provide that a Limited Partner may withdraw from the Partnership only by selling his Apartment to another person who becomes a Limited Partner or by delivering written notice of withdrawal to the General Partner at least one year prior to the time of withdrawal set forth in such notice. All withdrawals will be as of the end of a calendar quarter. See "Transfer of Interests," below. No owner of an Apartment which has been withdrawn from the Partnership may rejoin the Partnership unless written notice is delivered to the General Partner at least six months prior to the date of rejoining. (LPA, § 7.)

When a Limited Partner withdraws, he will be entitled to the amount in his capital account, the furniture, fixtures and equipment in his Apartment and the amount of the Reserve for Furniture and Fixtures determined by the General Partner to be proper for his Apartment. (LPA, § 19).

### Use of Apartments by Limited Partners

While an Apartment is in the Hotel, a Limited Partner may not use the Apartment. However, the Hotel Operator will grant discounts from published room rates to Limited Partners who are guests in the Hotel. The amount of the discount will vary with the season and other occupancy factors.

### Rights and Duties of Limited Partners

The rights of each Limited Partner are subject to the Hotel Management Contract, the Hawaii Uniform Limited Partnership Act, the Partnership Agreement and the

Sales Contract and Subscription Agreement. Each Purchaser should study these instruments carefully and seek independent advice if he has any doubt as to his rights and obligations. The explanation of these instruments is merely a summary.

Limited Partners have no direct contractual relationship with the Hotel Operator. Limited Partners may take no part in the management of the Partnership business and shall have no right or authority to act for or bind the Partnership. (LPA, § 13.)

Each Limited Partner will receive an unaudited quarterly profit and loss statement, an annual profit and loss statement and balance sheet of the Partnership certified by an independent certified public accountant and (within 90 days after the close of the Partnership's fiscal year) all reports and forms necessary to file federal and Hawaii income tax returns. (LPA, § 21.) The Partnership does not now intend to furnish other reports or statements, except those which may be required by law from time to time.

No Limited Partner will be liable for any loss, debt or obligation of the Partnership beyond the value of his contribution and his share of any undistributed profits. (LPA, § 16.) Each Limited Partner is responsible for costs of ownership of his Apartment as discussed under "Financial Matters," below. (LPA, § 15.)

#### *Partnership Term*

No date has been set for termination of the Partnership. The Partnership continues in existence until any of the following occur: (1) one year has elapsed since the Hotel Management Contract terminated, unless another hotel management agreement became effective in that time, or (2) the withdrawal, bankruptcy, death or insanity of the General Partner. However, if the Partnership is dissolved solely for reason (2), the business will not be liquidated. Instead, a new general partner will be admitted and each Limited Partner will remain a limited partner in the Partnership. (LPA, § 17.)

#### *Rights and Duties of the General Partner*

Subject to the terms of the Hotel Management Contract, the General Partner has all the rights and powers granted to general partners under the Hawaii Uniform Limited Partnership Act. He is responsible for the management of the Partnership. He devotes such of his time to the Partnership business as he in his absolute discretion deems necessary. (LPA, § 10.) The General Partner receives a fee of \$3,000 per month for his services. He also receives one percent of the Gross Operating Profit of the Partnership. (LPA, §§ 10 and 15.) He is reimbursed for all expenses incurred on behalf of the Partnership.

The General Partner is legally liable for all debts and other obligations of the Partnership but all payments by him in excess of Partnership funds shall be treated as loans to the Partnership. However, if the Partnership becomes insolvent so that it cannot repay these loans, the General Partner, rather than the Limited Partners, must absorb this loss. Loans shall bear interest at the rate charged to the General Partner.

#### *Fiduciary Obligations of Partners*

Hawaii law provides that every partner must account

to his partnership for any benefit and hold as trustee for his partnership any profits derived by him without the consent of the other partners from any transaction connected with the formation, conduct, or liquidation of the partnership or from any use by him of the property of the partnership. Certain recent cases decided by federal courts have held that a limited partner has the right to bring an action under common or statutory law of partnership on behalf of a partnership (a partnership derivative action) for recovery by the partnership of any money or other benefits received by the general partner in breach of its fiduciary duty.

#### *Liability and Indemnification of the General Partner*

The Partnership Agreement provides that the General Partner is not liable to the Partnership or to the Limited Partners for any acts done or omitted in good faith, even if done negligently. (LPA, § 10.) Hawaii law provides that the Partnership must indemnify the General Partner for payments made and personal liabilities incurred in conducting Partnership business and preserving its business or property.

#### *Transfer of Interest*

Each Limited Partner will have the right to assign his interest to whomever he wishes. However, the assignee will not acquire all the rights of a substituted Limited Partner unless the General Partner consents to the assignment. Consent will not be withheld unless the transfer would create situations adverse to the Partnership under securities or tax laws.

#### *Liquidation of the Partnership*

Upon dissolution and liquidation of the Partnership business: (1) all debts and liabilities of the Partnership and the expenses of liquidation will be paid; (2) any reserves deemed necessary for contingent liabilities will be established; and (3) all loans or advances made by any of the Partners to the Partnership will be repaid. Any remaining balance will be distributed in the same ratio as profits and losses. If liabilities exceed assets, the General Partner will be obligated to make up the deficiency.

#### *Miscellaneous Provisions*

Each Limited Partner grants a power of attorney to the General Partner to correct defects or deficiencies in the Apartment and to facilitate execution of documents or instruments required to be filed by the Partnership. (LPA, § 23.)

The fiscal year of the Partnership shall be determined by the General Partner. The General Partner has applied to the IRS to have the fiscal year begin on April 1 and end on March 31.

#### *Hotel Management Contract*

The Hotel Management Contract was signed by the Partnership and the Hotel Operator on September 20, 1978. The Hotel Management Contract remains in effect until 7:00 A.M. January 1, 2000 unless earlier cancelled for the reasons discussed below. There are no provisions requiring or preventing extension or renewal of the Hotel Management Contract. Portions of the Hotel Management Contract which are of particular interest to Limited Partners are summarized below.

#### Position of Hotel Operator

Generally, the Hotel Management Contract appoints the Hotel Operator as the agent of the Partnership. The Hotel Operator is responsible for the direction, management and supervision of the Hotel, subject to review of certain matters by the Partnership. (Hotel Management Contract ["HMC"], Art. 1.1.) All Hotel employees are employees of the Partnership, not the Hotel Operator. The Hotel Operator acts as the Partnership's agent. All expenses of the Hotel operation are the Partnership's. (HMC, Art. 2.)

The Hotel Operator must recruit and train the Hotel staff, advertise the Hotel, obtain supplies and do other things necessary to open the Hotel. The Hotel Operator must include the Hotel in its central reservations system.

The Hotel Operator will assist Haseko Hawaii in selecting furniture, equipment and accessories for the Apartments.

Prior to opening the Hotel, the Hotel Operator will lend to the Partnership up to \$400 for each Apartment in the Hotel as working capital for pre-opening expenses. This loan will bear interest on the outstanding balance at 12% per annum. Repayment will begin 15 months after the Hotel opens. Repayments will be the lower of \$50 per month per Apartment or 10% of monthly Gross Operating Profit, but not more than \$200 per Apartment per year. (HMC, Art. 7.1.)

After the Hotel has opened, the Hotel Operator will advance funds to cover Hotel operating losses, as defined in Article 7.2 of the Hotel Management Contract. If the Hotel incurs an operating loss, the Hotel Operator will be able to use the funds in the Reserve for Furniture and Equipment to cover operating expenses other than those covered by Condominium Monthly Maintenance Fees. If the funds in the Reserve for Furniture and Equipment and the Monthly Maintenance Fees are inadequate to fund the cash needs of the Hotel, the Operator must advance sufficient money to meet the cash needs of the Hotel. These advances will bear interest at 12% per annum. The Partnership will repay these advances from the first available cash flow from Hotel Operations. (HMC, Art. 7.2.)

The Hotel Operator may cancel the Hotel Management Contract upon at least 60 days' written notice if there are fewer than 200 Apartments in the Hotel during any month. (HMC, Art. 6.3.)

#### Partnership's Position

The Partnership has the power to approve the Hotel budget. Once a budget has been approved, the Hotel Operator may not exceed it by more than ten percent without the consent of the Partnership. (HMC, Art. 1.3.) The Partnership may cancel the Hotel Operating Contract if Hotel operations result in a gross operating loss for two consecutive months after the Hotel has been open for 15 months or if there are fewer than 200 Apartments in the Hotel during any month. A proposal to cancel the Hotel Operating Contract must be approved by the General Partner and Limited Partners owning a majority of the Apartments in the Hotel. Written notice of cancellation must be given to the Hotel Operator at least 60 days before the date of cancellation. (HMC, Art. 6.2.)

#### Miscellaneous Provisions

Article 6 defines events which give the parties other rights to terminate the Hotel Management Contract. Failure to pay amounts due, bankruptcy and breach of the covenants of the Hotel Management Contract are the most important of these events.

In the event of a dispute between the Partnership and the Hotel Operator, the dispute must be settled by arbitration. (HMC, Art. 13.)

Article 18 provides that the Hotel Management Contract may be amended in writing upon the agreement of the Hotel Operator and the Partnership.

#### Financial Matters

##### Hotel

The Hotel Operator is entitled to a basic fee, a reservations fee and an incentive fee. (HMC, Arts. 8.1, 8.2 and 8.3.) These are based upon Gross Revenues and Gross Operating Profit, as those terms are defined in the Hotel Management Contract. (HMC, Art. 8.5.) Each prospective Limited Partner should read all of Article 8 of the Hotel Management Contract very carefully. Article 8 generally provides that all expenses including reserves are to be met before any money will be transferred to the Partnership by the Hotel Operator. The loss from any fiscal year is not carried forward or backward to any other year so as to affect the fees payable to the Hotel Operator. (HMC, Art. 8.8.)

"Gross Revenue" means, essentially, all revenue received from room charges. It does not include the Hawaii 4% General Excise Tax or any successor or any hotel room tax. (HMC, Art. 8.5.)

"Gross Operating Profit" means Gross Revenue after deduction of all operating expenses plus insurance premiums normally paid from Condominium Monthly Maintenance Fees. The Hotel Operator's fees (except the reservations fee), repayment of the Hotel Operator's advances to the Partnership, real property taxes, ground rents, depreciation on Apartments and amortization of mortgage loans are not counted as expenses in determining the amount of Gross Operating Profit for calculation of the Hotel Operator's fees. (HMC, § 8.5.)

The percentage of Gross Revenues paid to the Hotel Operator as a basic management fee is determined by reference to the amounts of Gross Operating Profit per Apartment in accordance with the following provisions:

Gross Operating Profit Per Annum for Each Apartment in the Hotel		
		Percentage of Gross Revenue Per Annum Paid to the Hotel Operator
370 or More Apartments	Fewer than 370 Apartments	
Below \$3,000	Below \$2,000	None
\$3,000 to \$3,500	\$2,000 to \$2,500	1%
\$3,500 to \$4,000	\$2,500 to \$3,000	2%
\$4,000 and above	\$3,000 and above	3%

The Hotel Operator will be paid a reservations fee of one percent of Gross Revenues per month.



The Hotel Operator's incentive fee will be ten percent of Gross Operating Profit in excess of the amounts set forth below. If there are 370 or more Apartments in the Hotel, Gross Operating Profit must exceed \$4,500 for Studio and Lodging Apartments and \$6,000 for One Bedroom Apartments before any incentive fee is earned. If there are fewer than 370 Apartments in the Hotel, Gross Operating Profit must exceed \$4,050 for Studio and Lodging Apartments and \$5,400 for One Bedroom Apartments before any incentive fee is earned.

A Reserve for Furniture and Fixtures will be established. (HMC, Art. 10.1; LPA, § 8.) Payments into such reserve will be 4.5% of the Gross Revenue. No payments will be made during the first two full fiscal years. The payment to withdrawing Limited Partners from the Reserve for Furniture and Fixtures will be determined by the General Partner. (LPA, § 19. See "Partnership, Limited Partners' Right to Withdraw," above.)

The Hotel Operator must keep books and records in accordance with the Uniform System of Accounts of the American Hotel and Motel Association of the United States and Canada, except where the Hotel Management Contract requires different accounting treatment.

#### Partnership

The details of the formula used to compute each Partner's share of Partnership profit or loss are set forth in Section 14 of the Partnership Agreement and summarized below. Each Limited Partner should carefully analyze that section of the Partnership Agreement and Article 8 of the Hotel Management Contract.

A Purchaser's share of Hotel Gross Operating Profit (or Loss) is determined by deducting from the Gross Revenues of the Hotel the following: all operating costs (such as salaries, supplies, services and fees of the Hotel Operator) and certain nonoperating costs (such as the Reserve for Furniture and Equipment, other reserves and the replenishment of working capital). The resulting amount (the "Cash Distributable to Partnership") is distributed to the Partnership by the Hotel Operator.

From the Cash Distributable to the Partnership, the General Partner pays all other expenses or charges of the Partnership, including necessary reserves. One percent of the resulting Net Profit or Loss of the Hotel is allocated to the General Partner and 99% to the Limited Partners.

The share of each Limited Partner (including Haseko Hawaii as owner of unsold Apartments, if any, and H. James Stahl and the Hotel Operator as the owners of Apartments) of the Net Profit or Loss of the Hotel will be determined by the following formula:

$$\frac{\text{Value of the Limited Partner's Apartment(s)}}{\text{Value of all Apartments}} \times \frac{\text{Net Profit or Loss or Net Cash Flow Allocated to Limited Partners}}{\text{Net Profit or Loss or Net Cash Flow Allocated Limited Partner}} =$$

For the purposes of this formula, Apartment(s) shall be restricted to Apartments in the Hotel. The "value" of each Studio Apartment and each Lodging Apartment shall

be one Interest and the "value" of each One-Bedroom Apartment shall be one and one-third Interests.

The General Partner intends to distribute profits, if any, monthly. Nonetheless, no distribution need be made if the amount available for distribution is less than \$100 per Studio and Lodging Apartment and \$133 per One-Bedroom Apartment. Further, the General Partner may withhold distributions if he believes the funds are needed by the Partnership to maintain working capital.

Each Purchaser is obligated to pay certain costs of ownership of his Apartment, as follows:

- (1) Real property taxes on the Apartment and its interest in the common elements of the Condominium;
- (2) Principal, interest and other payments on any mortgage loan on the Apartment;
- (3) Ground Rent for the Apartment; and
- (4) Condominium Monthly Maintenance Fees. The Monthly Maintenance Fee covers expenses of two types. The first type includes certain expenses of operating the Hotel which are deducted in arriving at Cash Distributable to Partnership. These expenses include fire and liability insurance, minor repairs, maintenance, common area utilities and the like. The second type is not defined in the Hotel Management Contract as Hotel operating expenses. The second type includes payments into reserves for major repairs or renovations of the building, for example, payment for new elevators. The Hotel Operator will pay the second type of condominium maintenance expense on behalf of each Limited Partner and deduct from the distribution (through the Partnership) to each Limited Partner the amount of the second type of expense charged to his Apartment (determined by reference to the Apartment's common interest as defined in "The Condominium Concept, Definition"). These reserves are intended to cover the expenses of foreseeable repairs or renovations. There is no assurance that the reserves will be adequate for such expenses, although the Hotel Operator will make every effort to ensure that they are. Because the reserves are intended to cover foreseeable expenses, they might not cover unforeseen, uninsured damage, the cost of repairs for which would have to be borne by Purchasers through a Special Assessment. (The Sales Contract provides that at the Closing each Purchaser is required to pay a Special Assessment equal to Monthly Maintenance Fees for two months to provide working capital for the Association of Apartment Owners.)

Haseko Hawaii believes that the Hotel revenues and amounts distributed will generally be sufficient to pay all amounts which would normally be assessed as Condominium Monthly Maintenance Fees to Limited Partners as the owners of their Apartments. If the Limited Partners are assessed a Monthly Maintenance Fee, it would be used solely to pay normal Condominium expenses (such as fire insurance, exterior repairs and maintenance and utility charges), and would not be used to pay expenses related solely to Hotel operations (such as maid service, Apartment maintenance, reservation expenses, and the fees of the Hotel Operator).

Table III sets forth an estimate of the use of the annual Condominium Monthly Maintenance Fee. Because neither the Hotel nor the Condominium has an operating

history, there can be no assurance that this estimate is accurate. In any event, Purchasers should plan on steady

increases in the Monthly Maintenance Fee because of inflation and other increases in cost.

TABLE III  
CONDOMINIUM MAINTENANCE FEE

	Monthly	Annually
<b>A. COMMON AREA EXPENSE BUDGET</b>		
Administration .....	\$ 7,675	\$ 92,100
Fire and Extended Coverage Insurance .....	5,000	60,000
Liability Insurance .....	2,000	24,000
Repairs and Maintenance .....	15,660	187,920
Common Utilities Allocation .....	5,130	61,560
Contingency Allowance .....	3,000	36,000
<b>TOTAL COMMON EXPENSE .....</b>	<u>\$38,465</u>	<u>\$461,580</u>
<b>B. UTILITIES EXPENSE BUDGET*</b>		
Total (Electricity, Gas, Water, Sewer, Telephone, Cable TV) .....	\$25,650	\$307,800
Less 20% Allocation for Common Area Usage ..	(5,130)	(61,560)
<b>TOTAL UTILITY EXPENSE .....</b>	<u>\$20,520</u>	<u>\$246,240</u>

\*These expenses do not apply to the restaurant, shops and parking as their utilities are separately metered.

	Common Interest %	Monthly Common Expense	Apartment Utility Interest %	Monthly Utility Expense	Total Monthly Maintenance	Total Annual Maintenance
LODGING APARTMENT .....	0.109	\$41.93	0.115	\$23.60	\$ 65.53	\$ 786.36
STUDIO APARTMENT .....	0.111	42.70	0.117	24.00	66.70	800.40
ONE-BEDROOM APARTMENT ..	0.176	67.70	0.187	38.37	106.07	1,272.84

The Hotel Management Contract requires the Hotel Operator to distribute monthly all cash which is in excess of that needed for foreseeable Hotel operating expenses and reserves (HMC, Art. 11.3). The General Partner will make monthly distributions if such cash is in excess of \$133 per One-Bedroom Apartment and \$100 per Studio and Lodging Apartments (LPA, § 13).

*Profit Example.* Using the figures contained in the column for a 73% occupancy rate in Table IV, the following is an example of how the cash flow distributable to a Limited Partner is computed:

1. The Hotel Operator will collect the revenues of the Hotel and pay the expenses as shown. Cash Distributable to Partnership is estimated to be \$3,002,564, after deducting the incentive management fee, any amounts necessary to replenish working capital and debt service upon the Hotel Operator's loan to the Partnership.
2. The Partnership shall pay all Partnership expenses, such as the General Partner's fee, Securities and Exchange Commission fees and expenses, and other administrative costs (\$60,000) and charges for necessary reserves, if any. The balance, which for purposes of this example shall be assumed to be \$2,942,564, shall be distributed 1% (\$29,426) to the General Partner and 99% (\$2,913,138) to the Limited Partners.
3. The Limited Partners' share, in the estimated amount of \$2,913,138, shall be distributed among the Limited Partners as set forth in the formula above.
4. Under this example, a Limited Partner owning a Lodging or Studio Apartment would receive \$4,204 and a Limited Partner owning a One-Bedroom Apartment

would receive \$5,605.

*Loss Example.* Assume that the Hotel operation incurred a loss so great that the Hotel Operator did not have the funds to pay all Hotel operating expenses. Because Limited Partners remain liable to pay Monthly Maintenance Fees, each would pay the Monthly Maintenance Fee for his Apartment. In no event would aggregate Monthly Maintenance Fees paid by Limited Partners be greater than the Hotel operating loss. Conversely, if aggregate Monthly Maintenance Fees for Apartments in the Hotel were less than the Hotel operating loss, the Hotel Operator would be able to use the funds in the Reserve for Furniture and Equipment to supply the cash needs of Hotel operation. If the funds in such Reserve were inadequate to fund the cash needs of the Hotel, the Hotel Operator would advance sufficient money to meet such needs. This advance would be treated as a loan to the Partnership. See "Position of Hotel Operator," above.

In addition to the Condominium Monthly Maintenance Fee, each Purchaser must pay the real property taxes, ground rent and mortgage loan amortization costs for his Apartment.

In no event is a Limited Partner liable for losses from Hotel operations beyond his cash contribution to the Partnership and the obligation to pay the Monthly Maintenance Fee for the common elements of the Condominium. The General Partner is liable for expenses in excess of those paid by Purchasers because he is the General Partner of the Partnership. The General Partner is entitled to reimbursement from future profits, if any, for such payments by him.

### Examples of Ownership Economics

The examples of Hotel ownership economics set forth in Tables IV and V have been prepared by Haseko Hawaii, using the most recent assumptions and estimates available to it. Haseko Hawaii believes such assumptions and estimates to be reasonably justified. There can be no assurances, however, that the assumptions and estimates of revenues or costs reflect what may be realized. These examples are not a representation by Haseko Hawaii that any of the amounts set forth will be realized or that Limited Partners will receive any income. These examples must be read with the notes which are an integral part of the examples.

NO ASSURANCE CAN BE GIVEN THAT THE RESULTS SET FORTH IN THESE EXAMPLES WILL BE ATTAINED. THE PROJECTED FINANCIAL GOALS FOR THE OPERATION OF THE HOTEL DEPEND UPON REALIZING THE ASSUMPTIONS ABOUT REVENUES AND COSTS UPON WHICH THESE EXAMPLES ARE BASED. NO REPRESENTATION IS MADE THAT SUCH ASSUMPTIONS WILL BE REALIZED. THESE ASSUMPTIONS ARE IN LARGE MEASURE DEPENDENT UPON MANY FACTORS BEYOND THE CONTROL OF THE HOTEL MANAGER, SUCH AS FLUCTUATIONS IN THE ECONOMY.

TABLE IV  
EXAMPLES OF HOTEL OPERATING RESULTS (1)

Assumed Occupancy Rate (2)	65%	73%	80%
Income			
Room revenues (3)	\$5,605,624	\$6,295,547	\$6,899,230
Telephone	110,256	117,066	128,291
Other income	87,044	91,051	99,783
Gross revenues	\$5,802,924	\$6,503,664	\$7,127,304
Operating Expenses			
Rooms	(1,537,775)	(1,573,887)	(1,660,662)
Telephone	( 145,073)	( 149,584)	( 156,800)
Administrative and general	( 405,795)	( 416,235)	( 441,893)
Advertising and promotion	( 240,636)	( 240,636)	( 240,636)
Utilities	( 208,905)	( 234,132)	( 254,930)
Repairs and maintenance	( 265,132)	( 273,154)	( 292,219)
Fire Insurance	( 19,511)	( 19,511)	( 19,511)
Reservation Fee—1% of Gross Revenues	( 58,029)	( 65,037)	( 71,273)
Gross Operating Profit (Before management and incentive Fees and Reserve for Furniture and Equipment)	2,922,068	3,531,488	3,989,380
Management fees (basic) up to 3% of Gross Revenues	( 174,088)	( 195,110)	( 213,819)
Incentive management fees (4)	- 0 -	( 41,149)	( 86,938)
Reserve for Furniture and Equipment (5)	( 261,132)	( 292,665)	( 320,729)
Cash distributable to Partnership	\$2,486,848	\$3,002,564	\$3,367,894
Partnership expenses (6)	( 60,000)	( 60,000)	( 60,000)
Cash distributable to Partners (7)	\$2,426,848	\$2,942,564	\$3,307,894
General Partner (1%)	\$ 24,268	\$ 29,426	\$ 33,079
Limited Partners (99%)	\$2,402,580	\$2,913,138	\$3,274,815
Cash distributable to Limited Partners (8)			
One-Bedroom Apartments (9)	\$ 4,623	\$ 5,605	\$ 6,301
Studio/Lodging Apartments (9)	\$ 3,467	\$ 4,204	\$ 4,726

### NOTES TO TABLE IV

- The above examples are for a typical full year of Hotel operations and assume that the Purchasers of 650 Apartments (130 One-Bedroom Apartments and 520 Studio or Lodging Apartments) join the Partnership.
- Hotel occupancy rates in the State of Hawaii vary from island to island and from hotel to hotel. The average occupancy rate for the State of Hawaii during 1977 was 76.7%. Average hotel occupancy rates for Waikiki in 1977, as compiled in a study by a firm of independent certified public accountants, were:
 

On beach	83.2%
Off beach with restaurant	80.1%
Off beach without restaurant	78.8%

Occupancy rates for Table IV are stated at three levels to demonstrate the effect of different occupancy rates. Island Colony is expected to be an off beach hotel with restaurant.

- (3) Assumes an average 6% increase in the standard room rate which was approximately \$26.00 on 1977. Extending this to 1981, the average standard room rate becomes approximately \$32.85, and with an average suite rate of \$50.60 for the same year brings the Total Average Room Rate of \$36.35.
- (4) The incentive fee shall be 10% of Gross Operating Profit in excess of \$4,500 for Studio and Lodging Apartments and \$6,000 for One-Bedroom Apartments if there are 370 or more Apartments in the Hotel.
- (5) Reserve to be 4.5% of the Gross Revenue to begin in the third full year of operations.
- (6) General Partner's fee of \$3,000 per month and \$2,000 per month estimated for administrative expenses, annual audit fee, legal fees, and annual filing fees required by the SEC.
- (7) As per Partnership Agreement. See "Island Colony Hotel, Financial Matters, Partnership," page 26.
- (8) The Interest for One-Bedroom Apartments shall be one and one-third Interest and for Studio and Lodging Apartments shall be one Interest. See "Island Colony Hotel, Financial Matters, Partnership," page 26.
- (9) May not be fully distributed if a portion is held as working capital of the Partnership.

TABLE V  
APARTMENT EXAMPLES OF OWNERSHIP ECONOMICS  
(Estimated Cash Flow and Income Tax Analysis) (1)

FIRST INCREMENT

Type of Apartment Purchase Price Occupancy (2)	One-Bedroom \$52,700			Studio \$36,800			Lodging \$34,800		
	65%	73%	80%	65%	73%	80%	65%	73%	80%
<b>Cash Flow Analysis</b>									
Cash distribution from									
Partnership (3) .....	\$4,623	\$5,605	\$6,301	\$3,467	\$4,204	\$4,726	\$3,467	\$4,204	\$4,726
Ground Rent (4) .....	( 487)	( 487)	( 487)	( 374)	( 374)	( 374)	( 362)	( 362)	( 362)
Mortgage Principal & Interest (5) .....	( 4,723)	( 4,723)	( 4,723)	( 3,298)	( 3,298)	( 3,298)	( 3,119)	( 3,119)	( 3,119)
Real Estate Taxes (6) .....	( 511)	( 511)	( 511)	( 352)	( 352)	( 352)	( 335)	( 335)	( 335)
Cash Flow (Deficit) ...	<u>(\$1,098)</u>	<u>(\$ 116)</u>	<u>\$ 580</u>	<u>(\$ 557)</u>	<u>\$ 180</u>	<u>\$ 702</u>	<u>(\$ 349)</u>	<u>\$ 388</u>	<u>\$ 910</u>
<b>Income Tax Analysis</b>									
Cash distribution from									
Partnership (3) .....	\$4,623	\$5,605	\$6,301	\$3,467	\$4,204	\$4,726	\$3,467	\$4,204	\$4,726
Ground Rent (4) .....	( 487)	( 487)	( 487)	( 374)	( 374)	( 374)	( 362)	( 362)	( 362)
Mortgage Interest (7) .....	( 4,491)	( 4,491)	( 4,491)	( 3,136)	( 3,136)	( 3,136)	( 2,966)	( 2,966)	( 2,966)
Real Estate Taxes (6) .....	( 511)	( 511)	( 511)	( 352)	( 352)	( 352)	( 335)	( 335)	( 335)
Depreciation—									
Apartment (8) .....	( 2,045)	( 2,045)	( 2,045)	( 1,428)	( 1,428)	( 1,428)	( 1,350)	( 1,350)	( 1,350)
Furniture (9) .....	( 900)	( 900)	( 900)	( 600)	( 600)	( 600)	( 600)	( 600)	( 600)
Taxable Income (Loss)	<u>(\$3,811)</u>	<u>(\$2,829)</u>	<u>(\$2,133)</u>	<u>(\$2,423)</u>	<u>(\$1,686)</u>	<u>(\$1,164)</u>	<u>(\$2,146)</u>	<u>(\$1,409)</u>	<u>(\$ 887)</u>
Combined Hawaii and Federal Tax Bracket	50%	50%	50%	50%	50%	50%	50%	50%	50%
Estimated Tax Reduction .....	\$1,906	\$1,415	\$1,067	\$1,212	\$ 843	\$ 582	\$1,073	\$ 705	\$ 444
Cash Flow Surplus (Deficit) .....	<u>( 1,098)</u>	<u>( 116)</u>	<u>580</u>	<u>( 557)</u>	<u>180</u>	<u>702</u>	<u>( 349)</u>	<u>388</u>	<u>910</u>
<b>NET CASH FLOW AFTER TAXES .....</b>	<u>\$ 808</u>	<u>\$1,299</u>	<u>\$1,647</u>	<u>\$ 655</u>	<u>\$1,023</u>	<u>\$1,284</u>	<u>\$ 724</u>	<u>\$1,093</u>	<u>\$1,354</u>

See Notes on page 32.

TABLE V  
 APARTMENT EXAMPLES OF OWNERSHIP ECONOMICS  
 (Estimated Cash Flow and Income Tax Analysis) (1)

Type of Apartment Purchase Price Occupancy (2)	One-Bedroom \$59,500			Studio \$40,950			Lodging \$38,950		
	65%	73%	80%	65%	73%	80%	65%	73%	80%
<b>Cash Flow Analysis</b>									
Cash distribution from									
Partnership (3) .....	\$4,623	\$5,605	\$6,301	\$3,467	\$4,204	\$4,726	\$3,467	\$4,204	\$4,726
Ground Rent (4) .....	( 487)	( 487)	( 487)	( 374)	( 374)	( 374)	( 362)	( 362)	( 362)
Mortgage Principal & Interest (5) .....	( 5,332)	( 5,332)	( 5,332)	( 3,670)	( 3,670)	( 3,670)	( 3,491)	( 3,491)	( 3,491)
Real Estate Taxes (6) .....	( 568)	( 568)	( 568)	( 387)	( 387)	( 387)	( 369)	( 369)	( 369)
Income Tax Analysis .....	<u>(\$1,764)</u>	<u>(\$ 782)</u>	<u>(\$ 86)</u>	<u>(\$ 964)</u>	<u>(\$ 227)</u>	<u>(\$ 295)</u>	<u>(\$ 755)</u>	<u>(\$ 18)</u>	<u>\$ 504</u>
<b>Income Tax Analysis</b>									
Cash distribution from									
Partnership (3) .....	\$4,623	\$5,605	\$6,301	\$3,467	\$4,204	\$4,726	\$3,467	\$4,204	\$4,726
Ground Rent (4) .....	( 487)	( 487)	( 487)	( 374)	( 374)	( 374)	( 362)	( 362)	( 362)
Mortgage Interest (7) .....	( 5,070)	( 5,070)	( 5,070)	( 3,490)	( 3,490)	( 3,490)	( 3,320)	( 3,320)	( 3,320)
Real Estate Taxes (6) .....	( 568)	( 568)	( 568)	( 387)	( 387)	( 387)	( 369)	( 369)	( 369)
Depreciation—									
Apartment (8) .....	( 2,309)	( 2,309)	( 2,309)	( 1,589)	( 1,589)	( 1,589)	( 1,512)	( 1,512)	( 1,512)
Furniture (9) .....	( 900)	( 900)	( 900)	( 600)	( 600)	( 600)	( 600)	( 600)	( 600)
Taxable Income (Loss)	<u>(\$4,711)</u>	<u>(\$3,729)</u>	<u>(\$3,033)</u>	<u>(\$2,973)</u>	<u>(\$2,236)</u>	<u>(\$1,714)</u>	<u>(\$2,696)</u>	<u>(\$1,959)</u>	<u>(\$1,437)</u>
Combined Hawaii and Federal Tax Bracket	50%	50%	50%	50%	50%	50%	50%	50%	50%
Estimated Tax Reduction .....	\$2,356	\$1,865	\$1,517	\$1,487	\$1,118	\$ 857	\$1,348	\$ 980	\$ 719
Cash Flow Surplus (Loss) .....	<u>( 1,764)</u>	<u>( 782)</u>	<u>( 86)</u>	<u>( 964)</u>	<u>( 227)</u>	<u>295</u>	<u>( 755)</u>	<u>( 18)</u>	<u>504</u>
<b>NET CASH FLOW AFTER TAXES .....</b>	<u>\$ 592</u>	<u>\$1,083</u>	<u>\$1,431</u>	<u>\$ 523</u>	<u>\$ 891</u>	<u>\$1,152</u>	<u>\$ 593</u>	<u>\$ 962</u>	<u>\$1,223</u>

Notes on page 32.

TABLE V  
 APARTMENT EXAMPLES OF OWNERSHIP ECONOMICS  
 (Estimated Cash Flow and Income Tax Analysis) (1)

Type of Apartment	One-Bedroom			Studio			Lodging		
	\$67,500			\$45,700			\$44,700		
Purchase Price	65%	73%	80%	65%	73%	80%	65%	73%	80%
Occupancy (2)									
<b>Cash Flow Analysis</b>									
Cash distribution from									
Partnership (3) .....	\$4,623	\$5,605	\$6,301	\$3,467	\$4,204	\$4,726	\$3,467	\$4,204	\$4,726
Ground Rent (4) .....	( 487)	( 487)	( 487)	( 374)	( 374)	( 374)	( 362)	( 362)	( 362)
Mortgage Principal & Interest (5) .....	( 6,049)	( 6,049)	( 6,049)	( 4,096)	( 4,096)	( 4,096)	( 4,006)	( 4,006)	( 4,006)
Real Estate Taxes (6) .....	( 634)	( 634)	( 634)	( 426)	( 426)	( 426)	( 417)	( 417)	( 417)
Cash Flow (Deficit) ...	<u>(\$2,547)</u>	<u>(\$1,565)</u>	<u>(\$ 869)</u>	<u>(\$1,429)</u>	<u>(\$ 692)</u>	<u>(\$ 170)</u>	<u>(\$1,318)</u>	<u>(\$ 581)</u>	<u>(\$ 59)</u>
<b>Income Tax Analysis</b>									
Cash distribution from									
Partnership (3) .....	\$4,623	\$5,605	\$6,301	\$3,467	\$4,204	\$4,726	\$3,467	\$4,204	\$4,726
Ground Rent (4) .....	( 487)	( 487)	( 487)	( 374)	( 374)	( 374)	( 362)	( 362)	( 362)
Mortgage Interest (7) .....	( 5,752)	( 5,752)	( 5,752)	( 3,895)	( 3,895)	( 3,895)	( 3,809)	( 3,809)	( 3,809)
Real Estate Taxes (6) .....	( 634)	( 634)	( 634)	( 426)	( 426)	( 426)	( 417)	( 417)	( 417)
Depreciation—									
Apartment (8) .....	( 2,620)	( 2,620)	( 2,620)	( 1,774)	( 1,774)	( 1,774)	( 1,735)	( 1,735)	( 1,735)
Furniture (9) .....	( 900)	( 900)	( 900)	( 600)	( 600)	( 600)	( 600)	( 600)	( 600)
Taxable Income (Loss)	<u>(\$5,770)</u>	<u>(\$4,788)</u>	<u>(\$4,092)</u>	<u>(\$3,602)</u>	<u>(\$2,865)</u>	<u>(\$2,343)</u>	<u>(\$3,456)</u>	<u>(\$2,719)</u>	<u>(\$2,197)</u>
Combined Hawaii and Federal Tax Bracket	50%	50%	50%	50%	50%	50%	50%	50%	50%
Estimated Tax Reduction .....	\$2,885	\$2,394	\$2,046	\$1,801	\$1,433	\$1,172	\$1,728	\$1,360	\$1,099
Cash Flow Surplus (Deficit) .....	( 2,547)	( 1,565)	( 869)	( 1,429)	( 692)	( 170)	( 1,318)	( 581)	( 59)
<b>NET CASH FLOW AFTER TAXES .....</b>	<u>\$ 338</u>	<u>\$ 829</u>	<u>\$1,177</u>	<u>\$ 372</u>	<u>\$ 741</u>	<u>\$1,002</u>	<u>\$ 410</u>	<u>\$ 779</u>	<u>\$1,040</u>

**NOTES TO TABLE V.**  
 (Estimated Cash Flow and Income Tax Analysis)

- (1) The above examples are for a typical full year. See Table IV, page 29. Actual prices of Apartments in Sales Increments 1, 2, and 3 have been selected for these examples.
- (2) See Note 2 to Table IV, page 29, for definition of the occupancy rates.
- (3) See Note 8 to Table IV, page 30.
- (4) Ground Rent includes the State of Hawaii 4% Gross Excise Tax.
- (5) Assumes the loans have an interest rate of 10¼% per annum, including mortgage insurance, and are amortized over 30 years. See "Financing, Purchasers' Financing" for mortgage information and Table I for Apartment prices and amounts assumed to be financed. Note that the interest rate on the loans is not fixed until 75 days before completion and may be higher or lower than 10¼%.
- (6) Real Estate Taxes computed as follows: Land Value × 60% = Assessed Value; taxes on land are computed at \$17.30 per \$1,000. Apartment Purchase Price × 60% = Assessed Value; taxes on buildings are computed at \$13.84 per \$1,000. Real Property taxes on the Apartments are the total of the land and building taxes as computed using the above formulas.
- (7) Interest expense calculated on a full year.

(8) Assumes a 40-year life for the building, the use of 150% declining balance depreciation and an estimated depreciable base computed by the following method:

	One-Bedroom	Studio	Lodging
Illustrative Sales Price .....	\$59,500.	\$40,950	\$38,950
Plus closing costs—Approximately 3¼% of sale price .....	2,083	1,433	1,363
Depreciable Base .....	\$61,583	\$42,383	\$40,313
Estimated Annual Depreciation Expense .....	\$ 2,309	\$ 1,589	\$ 1,512

(9) Assumes a 5-year life for furniture, and the use of straight line depreciation. An investment credit of 10% of 66⅔% of the price may be available in the year of purchase.

## HAWAII VISITOR INDUSTRY

Records of tourists' visits to Hawaii have been kept since 1922 and year-to-year increases in visitor count have occurred in all but four years during that period. The years of decline took place during the early 1930's. According to Hawaii Visitors Bureau figures, 3,433,667 tourists visited Hawaii in 1977, an increase of 6.6% over the number of visitors to Hawaii in 1976. Tourism is sensitive to the general state of the American and Japanese economies, as evidenced by the fact that the recession during 1975 resulted in little more than a 1% increase in tourist growth: There can be no assurances that the tourist industry will grow or will not contract.

Visitor expenditures in Hawaii are the largest source of income to the State. Data published by Bank of Hawaii state that in 1977 visitors spent an amount estimated at \$1.8 billion in Hawaii, a 26% increase over 1976. Part of this increase was due to inflation. The average effective daily room rate for all Hawaii hotels in 1977 was \$34.28, whereas the average effective daily room rate for 1976 was \$29.54. The Hawaii Visitors Bureau reports that hotel occupancy rates in Hawaii vary considerably from island to island. During 1977 the average occupancy rate for all hotels in the Hawaiian Islands was approximately 66%. For hotels on Oahu, the average occupancy rate was

81%.

### Competition

The Hotel will be engaged in vigorous competition for business with other hotels in Waikiki, on Oahu generally, and on the Neighbor Islands. Many of the hotels in Waikiki are operated by large national or international chains whose advertising programs and reservations systems are far greater than those of the Hotel Operator.

Recent increases in development activity in Waikiki have led to legislation which created the Waikiki Special Design District ("WSDD") and reduced the height and density limits of future buildings in Waikiki. However, buildings for which building permits were obtained prior to October 1, 1976 (including the building for the Hotel) need not meet the new design criteria. The result of the WSDD building permit deadline and the requirement that construction under such permits be completed within a certain time after issuance of the permit is that a disproportionate number of hotel rooms will be added to the Waikiki hotel room inventory about the time the Hotel opens. This may adversely affect the results of operations of the Hotel.

## INCOME TAX

The following is a brief summary of some of the federal income tax consequences to Limited Partners and other Purchasers. The summary is based upon the Internal Revenue Code, rules and regulations promulgated thereunder and existing interpretations, any of which could be changed at any time. This is not intended as a complete discussion, and each Limited Partner and other Purchaser should seek advice from his tax counsel to review the provisions pertinent to his situation.

It is the opinion (stated below) of Messrs. Cades Schutte Fleming & Wright, tax counsel for Haseko Hawaii, the Partnership, the General Partner, and other affiliated persons, that the Partnership should be taxed as a partnership. The Partnership will not apply for a ruling from the Internal Revenue Service ("IRS") as to its partnership status. Unlike a tax ruling, an opinion of counsel has no binding effect or official status of any kind.

There can be no assurance, particularly in the area of tax-shelter oriented investments (and the IRS may view this as one), that the conclusion set forth in the opinion would be sustained by a court. Tax shelter investments have come under concerted attack from the IRS. Similarly, legislative or administrative changes or court decisions might be forthcoming which would significantly modify the opinions and statements in this Prospectus.

Based upon the assumptions that (i) the Partnership will be operated according to the Partnership Agreement and the description set forth in this Prospectus and (ii) the General Partner has and will maintain a substantial net worth, it is the opinion of Messrs. Cades Schutte Fleming & Wright that pursuant to Treasury Regulations which they believe are controlling, the Partnership will be treated as a partnership for federal income tax purposes and will not be treated as an association taxable as a

corporation.

Counsel cautions, however, that Revenue Procedure 74-17, 1974-1 Cum. Bull. 438, sets forth certain requirements that must be met in order to obtain an advance ruling from the Internal Revenue Service that a limited partnership will be treated as a partnership for income tax purposes. Included in the IRS procedural guidelines are the requirements that:

- (i) aggregate deductions claimed by partners as distributive shares of partnership losses for the first two years of operations cannot exceed the amount of equity capital invested in the partnership;
- (ii) the General Partner has at least a 1% interest in each item of gain, loss, deduction, income and credit; and
- (iii) creditors making nonrecourse loans to the partnership cannot acquire, as a result of the loan, any direct or indirect interest in the profits, capital or property of the Partnership other than as a secured creditor.

With respect to the Partnership, the General Partner has a 1% interest in all items of profit and loss. Furthermore, no creditors making nonrecourse loans to the Partnership are expected to acquire any interest in the profits, capital or property of the Partnership. However, although not projected, it is possible that deductions may exceed the guideline amounts. In addition, interpretation of the guidelines is a matter within the control of the IRS. Failure to satisfy any of the above requirements precludes obtaining an advance ruling. While the ruling guidelines do not set forth substantive law, and the IRS does not so maintain, counsel further cautions, however, that the IRS may in the future advance the criteria set forth in Revenue Procedure 74-17, as propositions of substantive law, in which case counsel's conclusion that the Partnership should be classified for tax purposes as a partnership and not as an association taxable as a corporation, might be withdrawn.

If at any time in the future, the Partnership is treated for federal income tax purposes as an association taxable as a corporation in any taxable year, the Partnership will be continued, but the General Partner will use his best efforts to secure a change in tax status from corporate to partnership. If the Partnership were taxed as a corporation, losses of the Partnership would be reflected only on the Partnership's tax return rather than being passed through to the Limited Partners. Further, distributions made to Limited Partners which represent income to the Partnership could be construed as taxable dividends. They would not be a deduction in computing the Partnership's tax liability. Investors might be forced to incur substantial legal and accounting costs in resisting a challenge by the IRS to the tax treatment of the Partnership, regardless of the result.

#### Recent Tax Legislation

On November 6, 1978 President Carter signed the Revenue Act of 1978. This Act and the earlier Tax Reform Act of 1976 made numerous changes to the Internal Revenue

Code which may affect a Limited Partner's or other Purchaser's return on his investment. It is presently impossible to predict how various provisions of these Acts will be interpreted and how they will affect the taxation of real estate-related limited partnerships. The Partnership has been structured in an attempt to meet various requirements of these Acts for the allowance of certain deductions; however, no assurance can be given that the Acts will be interpreted so as to allow these deductions. The applicable rules, regulations and interpretations in this area are under continuous review by the IRS. The availability and amount of deductions taken by the Partnership or by an individual Limited Partner or other Purchaser will depend not only upon the general legal principals described below, but also upon various determinations relating to the property. No legal opinion has been expressed about the applications of these general principals to the facts relating to any individual Limited Partner or other Purchase. There is an acute potential for clarifying changes in the tax laws relating to the taxation of real estate, and there is a need for consultation by an investor with his tax advisor as to the current status from time to time of these laws.

#### IRS Program on Tax Shelters

In a number of recent speeches and other communications, policy-making officials of the IRS have described an IRS program to curtail abuses in tax shelter investment programs. Among other matters, the IRS has noted that losses may not be deductible where a transaction was not entered into for purposes of making a profit apart from tax savings, and explained that agents examining a tax shelter on audit will look at the entire enterprise to see whether participants can, absent unexpected problems, reasonably expect to earn a profit appropriate to the degree of risk involved.

#### Partnership and Partner Taxation

The Partnership will file an annual partnership informational income tax return but will not be subject, as an entity, to the payment of federal income tax. On his personal federal income tax return, each Limited Partner (including an assignee of a Limited Partner) will be required to report his share of the Partnership income or loss regardless of whether any distribution is made to him. Thus, each Limited Partner will be taxed on his share of Partnership income even though the amount of cash distributed to him, if any, may be more or less than the resulting tax liability.

Each Partner may deduct on his tax return his share of the Partnership losses, if any, to the extent of his tax basis (as defined below) in his Interests. If a Partner's share of Partnership losses exceeds the basis of his Interests at the end of the tax year in which losses occur, excess losses cannot be utilized in that year by the Partner for any purpose. However, the excess losses would be allowed as a deduction in any subsequent year to the extent of any increase in the basis of the Partner in his Interests in such subsequent year.



### Cash Distributions

Cash distributions from a partnership are not necessarily related to or equal to the amount of partnership income (if any) as determined for income tax purposes or as determined under generally accepted accounting principles. If the cash distributions to a Limited Partner by the Partnership in any year (and his share of any reduction in liabilities) exceed his share of the Partnership's taxable income for that year, the excess will constitute a return of capital for tax purposes. A return of capital is not reportable as taxable income for federal income tax purposes, but it will reduce the tax basis of Interests. If the tax basis of a Limited Partner should be reduced to zero, his share of any cash distributions for any year, or his pro rata share of the reduction (if any) in Partnership liabilities during such year, in excess of his share of Partnership taxable income will be taxable to him as though it were a gain on the sale or exchange of his Interests.

### Tax Basis

For federal income tax purposes, a Limited Partner's basis in the Partnership will be \$400 per Apartment, reduced by the Limited Partner's share of Partnership distributions and losses and increased by his share of Partnership income. A Partner may not deduct losses in excess of his basis.

The basis of each Limited Partner and other Purchaser in an Apartment will be the cost of the Apartment, less any depreciation taken thereon; and plus any capital expenditures made thereto.

### Business Purpose and Personal Use of an Apartment

Section 183 of the Code provides limitations for deductions attributable to "activities not engaged in for profit". The term "activities not engaged in for profit" means any activity other than one that constitutes a trade or business, or one that is engaged in for the production or collection of income, or for the management, conservation, or maintenance of property held for the production of income. The determination of whether an activity is engaged in for profit is based on all the facts and circumstances of a particular case, and no one factor is determinative.

Section 183 creates a presumption that an activity is engaged in for profit if in any two years out of five consecutive taxable years the gross income derived from such activity exceeds the deductions attributable thereto. Thus, if the Partnership fails to produce a profit in at least two of five consecutive years, the presumption provided under Section 183 would not be available and the possibility that the IRS would prevail in disallowing such deductions would be increased.

Accordingly, because the test of whether an activity is deemed to be engaged in for profit is based on the facts and circumstances existing from time to time, no assurance can be given that Section 183 may not be applied in the future to disallow deductions taken by the individual Limited Partners with respect to their interest in the Partnership.

If a Purchaser is found to be holding an Apartment primarily for his personal use or without a profit-making intention, depreciation, repairs, the Monthly Maintenance Fee, insurance, and other operating expenses will not be deductible to the extent they are in excess of the net income, less interest and real property taxes, generated by his Apartment. If a Purchaser is found by the IRS to be holding his Apartment solely for business purposes (such as for use by the Partnership in the Hotel), with the intent to make a profit, the Purchaser may deduct interest on loans to buy or hold the Apartment, real property taxes, all uninsured or unreimbursed casualty losses, the Monthly Maintenance Fee, insurance, other operating expenses and depreciation.

Since a Limited Partner's use of an Apartment is prohibited under the Hotel Management Contract and Limited Partnership Agreement, Haseko Hawaii's special counsel believes that Limited Partners should be able to substantiate to the IRS that they bought and held their Apartments for business purposes and with a profit-making objective, at least during the period they remain Limited Partners. Purchasers renting Apartments but not joining the Partnership (or those withdrawing from the Partnership) may be subject to IRS challenge on this issue where some personal use of an Apartment is involved. Each Purchaser should consult his tax advisor on this point.

Both the method for allocating expenditures between personal and business use and the classification of the holding of property as an "activity not engaged in for profit" are factual matters to be determined ultimately by the courts after consideration of all the facts and circumstances surrounding the ownership and use of the Apartment. Applicable Treasury Regulations list nine relevant factors to be taken into account in determining whether an activity is engaged in for profit. This list, which is not exclusive, includes:

1. The manner in which the taxpayer carries on the activity.
2. The expertise of the taxpayer or his advisors.
3. The time and effort expended by the taxpayer in carrying on the activity.
4. The expectation that assets used in the activity may appreciate in value.
5. The success of the taxpayer in carrying on similar or dissimilar activities.
6. The taxpayer's history of income or losses with respect to the activity.
7. The amount of occasional profits, if any, which are earned.
8. The financial status of the taxpayer.
9. Elements of personal pleasure or recreation.

In addition, the Code provides that irrespective of a taxpayer's motive in acquiring or holding an Apartment, where use by the owner, his family, or those he permits use at less than a fair rental value exceeds the greater of 14 days or ten percent of the total days on which the Apartment is rented at fair value, limitations on deductibility similar to those set forth above will be applied. In any event, adjustment of deductions for all days of personal use is required by the Code.

### Investment Tax Credit

A credit against federal income tax (the "Investment Tax Credit") will be available for a portion of the cost of furniture or other personal property purchased for use in an Apartment, to the extent such Apartment is used for business purposes (see above discussion on "Business Purpose and Personal Use of an Apartment"). The Investment Tax Credit generated by the Partnership will be passed on proportionately to the Partners and be available to them to offset their income taxes. The State of Hawaii has no provision similar to the Investment Tax Credit.

The credit is ten percent of a portion of the cost of the furniture, such portion being based on the useful life of the furniture claimed for depreciation purposes. If the depreciation claimed is seven or more years, the Investment Tax Credit is ten percent of the entire cost of the furniture. If the useful life is five years, but less than seven, the credit is ten percent of two-thirds of the cost of the furniture. And if the useful life is at least three years, the credit is ten percent of one-third of the cost of the furniture. No credit is allowed for property having a useful life of less than three years.

### Depreciation

Each Limited Partner and other Purchasers entitled to depreciate an Apartment should be entitled to make their own computation of depreciation. Under present law, depreciable nonresidential (commercial) real property must be depreciated over its useful life on the straight-line method unless the original use of the property commenced with the taxpayer, in which case it may be depreciated over its useful life on the 150% declining balance method of depreciation. New residential real property may be depreciated on a 200% declining balance method, and used residential property on a 125% declining balance method. The Apartments contributed to the Partnership will be considered as commercial real property. However, Apartments rented outside the Partnership for long-term residential, rather than transient, use may qualify as residential real property. Accelerated methods of depreciation (other than the 125% on used residential real property) are allowed only if an Apartment is originally used by the taxpayer who is claiming the depreciation. Since any unsold Apartments will be first used by Haseko Hawaii in the Hotel, accelerated depreciation (other than the 125% allowed on used residential property) will be available only to those who purchase an Apartment prior to the opening of the Hotel.

Furniture and other personal property used in a rented Apartment, whether purchased and used by the Partnership, Limited Partners or other Purchasers renting their Apartments, may be depreciated on an accelerated or straight-line basis.

The proper useful life (a factor in determining allowable depreciation) for an Apartment must be determined separately for each project, based upon type of construction, use, expected physical deterioration, etc. In the opinion of Haseko Hawaii, an Apartment may reasonably be estimated to have a useful life of 40 years. The IRS guidelines for hotels and apartment buildings (the classifi-

cations that most nearly resemble the Apartments) recommend a useful life of 40 years, although in some cases taxpayers have been able to establish shorter useful lives for particular buildings. Thus, although a Purchaser may conclude that the facts justify a shorter useful life for an Apartment, there can be no assurance that such a shorter useful life would not be increased upon examination of the Limited Partner's return by the IRS.

### Gain or Loss on Sales

A Purchaser disposing of an Apartment will realize: (1) gain if the amount received from the disposition exceeds the adjusted basis of the Apartment; or (2) loss if such adjusted basis exceeds the amount received. Whether such gain or loss will be required or permitted to be recognized, and the nature of its treatment, is dependent upon the purpose for which the Apartment was held, the manner in which depreciation was computed, and the nature of gain or loss realized by the Purchaser on sales of other assets within the taxable year.

With respect to an Apartment held by a Purchaser solely for business purposes, if the Purchaser is not a "dealer" with respect to such Apartment, and if the Apartment is held for more than 12 months, gain or loss realized on the sale (except with respect to gain attributable to depreciation recapture discussed below) will be considered gain or loss from the sale of an asset used in a trade or business and will be taken into account in computation of the Purchaser's net gain or loss for the taxable year. A net gain is treated as a long-term capital gain, while a net loss is treated as a loss upon the sale of an asset that is not a capital asset. To the extent an Apartment is held for personal use, a loss on sale may not be deductible. Gain or loss on the sale of interests held for more than 12 months will ordinarily be long-term capital gain or loss.

Under the Revenue Act of 1978, long-term capital gains of an individual are taxed at ordinary rates with a deduction permitted for 60% of the net long-term capital gains in excess of net short-term capital losses. The 60% deduction applies to sales or exchanges on or after November 1, 1978 and to installment payments received on or after November 1, 1978, no matter when the underlying sale or exchange was made.

The 1978 Act also eliminates the untaxed portion of net long-term capital gains as an item of tax preference subject to the 15% minimum tax commencing January 1, 1979. The untaxed portion of net long-term capital gains after October 31, 1978 will no longer reduce the amount of personal service income eligible for the 50% maximum tax. However, capital gains will be subject to a new alternative minimum tax as described below.

### Depreciation Recapture

When real property that has been depreciated through the use of an accelerated method is disposed of through sale, mortgage foreclosure or otherwise, any gain is subject to tax at ordinary income rates rather than capital gains rates to the extent of the difference between the depreciation actually taken under the accelerated method and that which would have been permitted under the

straight-line method, i.e., to the extent of "excess depreciation." The taxation of excess depreciation as ordinary income is called "recapture." All depreciation (including straight-line) on real property held for 12 months or less is, to the extent of any gain recognized, subject to full recapture as ordinary income. If an apartment is held for more than 12 months, depreciation recapture is limited to the "excess of depreciation." In the case of personal property (such as furniture in an Apartment), all depreciation taken, to the extent of gain realized on its sale, will be recaptured, and taxed at ordinary income rates. Upon the sale of an interest, gain attributable to the excess of value of the Partnership's personal property over its adjusted basis will also be treated as ordinary income, to the extent of the allocable portion of all depreciation claimed thereon by the Partnership.

#### Minimum Tax on Tax Preferences and Maximum Tax

The Internal Revenue Code imposes a 15% tax on certain tax preference items. Tax preference items include, among other items, excess depreciation on real property. To the extent that the aggregate amount of an individual's tax preference items in any tax year exceeds the greater of \$10,000 or one-half of such individual's federal income tax liability for such tax year plus certain tax carryovers, less certain credits, the minimum tax of 15% will be imposed.

The Internal Revenue Code also provides a maximum tax rate of 50% for an individual's personal service taxable income (such as wages and professional fees); however, the amount of personal service taxable income subject to the benefit of the 50% maximum rate is reduced by a taxpayer's tax preference items. All Purchasers should consult their tax advisors with regard to the effect of these considerations on their personal tax situation and as to legislative changes which may affect them.

#### Alternative Minimum Tax

The Revenue Act of 1978 removed the untaxed portion of net long-term capital gains and "excess itemized deductions" from the list of tax preference items subject to the 15% minimum tax which is described in the preceding section. However, these two preference items will now be subject to a new alternative minimum tax which will be payable only if it exceeds the taxpayer's regular liability.

The new alternative minimum tax is applied to taxable income (reduced by trust accumulation distributions), plus capital gains and adjusted itemized deductions preferences, less a \$20,000 exemption. The alternative minimum tax rate is 10% on the first \$40,000, 20% on the next \$40,000 and 25% above \$80,000. Taxpayers will calculate their regular tax liabilities, including any regular minimum tax, reduced by all nonrefundable credits, including the foreign tax credit. Then they must calculate their alternative minimum tax and pay the higher of the two figures. The foreign tax credit will be allowed against the alternative minimum tax, subject to certain special

rules, but a taxpayer paying the alternative tax will not obtain the benefit of any other nonrefundable credits.

The amount of a taxpayer's capital gains preference item is equal to the deducted 60% of net long-term capital gains. However, no amount of gain from the sale of a principal residence will be treated as a preference item for purposes of new alternative minimum tax. The new law redefines the adjusted itemized deduction preference item. Under the new law, itemized deductions subject to the preference tax will not include medical and casualty loss deductions or state and local tax deductions. Remaining itemized deductions are preferences to the extent that they exceed 60% of adjusted gross income less the excluded deductions.

#### Prepaid Interest

Interest payments which are paid in one taxable year but are for the use of money in that year and subsequent years (i.e., are prepaid in the first year), must be capitalized and deducted in the year or years to which all or a portion of such payments are "properly allocable." Points or other prepaid interest charges paid by a Purchaser on the acquisition of his Apartment will be subject to this rule. However, it is not clear how the rule is to be applied in allocating prepaid interest deductions because the proper allocation of methods is left to regulations to be promulgated by the Secretary of the Treasury. Purchasers are advised to consult their own tax advisors for subsequent Treasury Department clarification on this new law.

#### Investment Interest

The Code places substantial restrictions on the deductibility of interest on funds borrowed to acquire or carry "property held for investment." The amount of currently deductible investment interest expense is limited to \$10,000 plus the taxpayer's net investment income. Any disallowed investment interest may be carried over to subsequent years, subject to similar limitations computed for such years. Since the Partnership will be engaged in a trade or business, interest to purchase a Limited Partner's Apartment should not constitute investment interest. However, it is possible that these limitations could affect the deductibility of interest on loans to purchase an Apartment by a Purchaser renting an Apartment outside the Partnership. Each such Purchaser should review the terms of his rentals with his personal tax advisor to determine if these limitations would be applicable.

#### "At Risk" Rules

The Tax Reform Act of 1976 introduced a set of "at risk" rules which are designed to limit an investor's deductions to the amount of his actual investment in a project or activity. The amount of investment includes the amount of cash or property which the investor commits to the activity plus the amount of indebtedness for which he is personally liable.

In general, real estate investments are exempt from the "at risk" rules. In addition, the 1978 Act makes clear that

personal property and services that are supplied as an incident to making real property available as living accommodations will be treated as part of the activity of holding real property and hence not be subject to the "at risk" rules.

#### Hawaii Income Tax

Limited Partners and other Purchasers receiving income from their Apartments must file a State of Hawaii income tax return and pay Hawaii income taxes on their allocable share of the Partnership net income or such other income. Except where otherwise indicated, the above discussion of United States income tax consequences would generally apply to Hawaii income taxes.

In 1977 the Hawaii income tax law was amended by Act 47 of the 1977 Hawaii legislature to conform closely with the Internal Revenue Code. The Hawaii Constitution was amended in 1978 to empower the Hawaii legislature to provide that amendments to the Internal Revenue Code shall become the law of the State automatically upon becoming the law of the United States. The legislature had taken no such action as of the date of this Prospectus.

Payment of Hawaii income tax by a Limited Partner or other Purchaser who is not a resident of Hawaii may permit such tax to be a deduction or credit under the income tax laws of the state of residence of the Limited Partner or other Purchaser.

#### Hawaii Gross Excise Tax

A State of Hawaii gross income or general excise tax, currently at the rate of four percent, will be imposed on gross receipts from Hotel operations. The Hawaii gross

excise tax is an area of law in which transfers and payments between related parties may generate additional taxes. Accordingly, it is possible that the Hawaii state government would attempt to recharacterize the relationships between the Hotel Operator and the Partnership or the Partnership and the Limited Partners and attempt to impose additional taxes under a number of possible theories.

#### Seek Advice

The foregoing is only a summary of certain important tax consequences generally affecting the purchase, holding and sale of an Apartment. It does not take into account other federal, state or local tax laws, nor is it intended to represent a complete catalog of all potentially relevant provisions of the Code, any of which may apply to some taxpayers depending on their individual circumstances.

EACH PROSPECTIVE PURCHASER IS STRONGLY ADVISED TO CONSULT HIS OWN ATTORNEY OR ACCOUNTANT OR OTHERWISE DETERMINE THE TAX ASPECTS OF APARTMENT OWNERSHIP OR RENTAL OR BOTH AS THEY WOULD AFFECT HIM. Aspects of the tax law not discussed above; which may affect an individual because of his circumstances include: the definition of a dealer, whether prepaid interest may be deductible, the definition of investment assets (for which interest on loans may be disallowed as a deduction), the definition of other tax preference items not mentioned above, limitations upon recognizing and claiming capital losses, and the tax effects of the foreclosure of a mortgage or other lien upon the Apartment.

## DESCRIPTION OF PARTICIPANTS

#### Haseko Hawaii

Haseko Hawaii, Inc. is a Hawaii corporation formed on November 27, 1973 as Takenaka Construction (Hawaii), Ltd. Its name was later changed to Hawaii Takenaka International, Ltd. and then to Haseko Hawaii, Inc. which is now wholly-owned by Hasegawa Komuten (USA), Inc. which is a wholly-owned subsidiary of Hasegawa Komuten Co., Ltd. ("Hasegawa Komuten"), a Japanese corporation. Hasegawa Komuten is the largest builder of condominiums in Japan, building approximately 17,000 apartments per year. Its stock is listed on the Tokyo and Osaka Stock Exchanges. Hasegawa Komuten (USA), Inc. is a Hawaii corporation in the land development and construction business.

#### Management Personnel

Management personnel of Haseko Hawaii and their experience and background for the past five or more years are as follows:

Takehiko Hasegawa, Chairman of the Board of Directors	Mr. Hasegawa is the founder and Chairman of the Board of Hase- gawa Komuten and its sub- sidiaries.
---	--

Seiji Kurasawa,  
President and  
Director

Mr. Kurasawa joined Hasegawa Komuten fourteen years ago as an architect. He moved to Hasegawa Komuten (USA) in 1973 and has been responsible for the development of 444 Nahua, a condominium in Waikiki, and two other condominiums now under construction in Waikiki in addition to the Island Colony.

Osamu Kaneko,  
Senior Vice President

Mr. Kaneko is a graduate of Indiana State University, who joined Hasegawa Komuten as a consultant and Assistant to the Chairman in 1976. In 1977 he became a full-time employee of Hasegawa Komuten as a Development Coordinator. Mr. Kaneko is currently the Project Manager for the Island Colony. Prior to joining Hasegawa Komuten, Mr. Kaneko was employed by Hawaii

Times, a Japanese newspaper in Hawaii, from 1973 to 1974, where he performed a variety of business functions. In 1974, he organized and was president of a real estate brokerage company in Hawaii specializing in income property and development. In 1976, he organized and was president of a company providing consulting and ground services to tour companies in Hawaii. Both of these companies were liquidated or sold when Mr. Kaneko joined Hasegawa Komuten in 1976.

Soichiro Kawase,  
Vice President

Mr. Kawase joined Hasegawa Komuten eight years ago. He became an Assistant Project Manager for Condominium Construction prior to coming to Hawaii in 1974 to serve Hasegawa Komuten (USA) as the Assistant Manager for the development of 444 Nahua. Mr. Kawase is currently the Construction Manager for the Island Colony.

Makoto Sakaguchi,  
Treasurer and  
Assistant Secretary

Mr. Sakaguchi joined Hasegawa Komuten in 1970. Promoted to Assistant Manager of Finance of Hasegawa Komuten, he is currently the Manager of Finance for Haseko Hawaii and as such, is responsible for raising equity capital.

Takahiko Yamamura,  
Secretary and  
Director

Mr. Yamamura joined Hasegawa Komuten 16 years ago and is currently a Vice President of Hasegawa Komuten.

Douglas E. Prior  
Director

Mr. Prior is a partner in the Honolulu law firm of Cades Schutte Fleming & Wright. The firm is special counsel to Haseko Hawaii.

#### Sales Agent

S & E Investments is the agent of Haseko Hawaii for the sale of the Apartments. S & E Investments is a joint venture of Stahl, Inc. and Eovino, Inc., and was formed on August 3, 1978. It has approximately 40 licensed persons on its sales staff.

Stahl, Inc. is a Hawaii corporation formed on July 27, 1978 to sell real estate securities and real estate. The sole stockholder of Stahl, Inc. is HJS Ltd. H. James Stahl is the president and sole director of Stahl, Inc.

Eovino, Inc. is a Hawaii corporation formed on August 2, 1978 to sell real estate securities and real estate. The President, sole stockholder and director of Eovino, Inc. is Donald T. Eovino. Mr. Eovino graduated from

Kent State in 1969. He obtained his real estate salesman's license in 1974 and has participated in the sale of several condominium projects in Hawaii.

#### General Partner

Mr. H. James Stahl, the General Partner, graduated from Pomona College in 1963 and received a Master of Business Administration degree from Stanford in 1968. He has been involved in real estate development, marketing and management since 1969. In 1971, as Director of Planning and Performance of Property Research Financial Corporation and as President of Property Research Management Corp. in California, he was responsible for property management and partnership management for 55 partnerships owning property valued in excess of \$300,000,000 including over 3,000 apartments and two mobile home parks. Property Research Management Corp. was the corporate general partner of some of these limited partnerships. Mr. Stahl served as the President and Principal Broker for Stark Realty, Ltd. in Honolulu, for four years. During that period, he participated in the marketing and sales management of the following residential condominiums: Yacht Harbor Towers, Diamond Head Vista and Hale Moani. He also participated in the initial stages of marketing Four-Forty-Four, Canterbury Place and the Royal Iolani, all condominiums in Honolulu. Since November, 1976, Mr. Stahl has headed his own real estate corporation, HJS, Ltd.

#### HJS, Ltd.

The marketing consultant to Haseko Hawaii is HJS, Ltd. ("HJS"), a Hawaii corporation. The President and sole stockholder of HJS, Ltd. is H. James Stahl. Haseko Hawaii will pay HJS a marketing consulting fee of up to \$240,000. HJS was formed on November 5, 1976 to develop and sell real estate, both as a principal and as a broker. Since that time, HJS has participated in investment brokerage, real estate development and marketing consulting. HJS owns all of the stock of Stahl, Inc.

#### Hotel Corporation of the Pacific, Inc.

The Hotel Operator is a closely-held corporation. Its stockholders and key officers have managed hotels since 1948. Growing from a 15-room hotel in Waikiki, it now manages seven hotels in Waikiki: Kuhiolani (100 rooms), Diamond Head Beach (80 rooms), Coral Reef (317 rooms), Waikiki Surfside (80 rooms), Waikiki Gateway (200 rooms), Waikikian (135 rooms) and The Driftwood (72 rooms). The Kuhiolani is a condominium and The Driftwood is owned by a cooperative apartment corporation. The remainder are hotels owned as such.

The Hotel will increase the number of rooms managed by the Hotel Operator from approximately 1,000 to more than 1,700, assuming that approximately 700 Apartments will be in the Hotel. The Hotel Operator may have difficulty in expanding the scope of its operations to such a large degree.

The Hotel Operator maintains a network of marketing and sales staff in the continental United States for both group tours and independent tourists. The Hotel Operator's marketing and sales network is administered by a Vice President of Sales and Marketing from its

Honolulu office. The Hotel Operator's central reservation and WATS line reservation services are in Honolulu. This office is supplemented by four representatives of the Hotel Operator, who are located in Los Angeles, covering the Southern California and Pacific Southwest areas; San Francisco, covering the Bay area and Northern California; Sacramento, covering California's Central Valley; and Seattle, covering the Pacific Northwest and Western Canada. Additionally, the Hotel Operator employs independent hotel reservation firms in certain overseas locations which provide "toll-free" reservations service. One is based in Los Angeles and provides reservations services on the U.S. mainland, others are based in Vancouver, Toronto, and Montreal, servicing Canada, and another is located in Amsterdam, the Netherlands, servicing Western Europe.

The Apartments in the Hotel will be assigned to guests without regard to the identity of the Purchaser of the Apartments. Apartments will be assigned primarily upon the basis of the room rate and the guests' choice of room rates. Within rate categories, Apartments will be assigned with a view toward equalizing wear and tear and equalizing the work loads of maids and other service personnel.

#### Conflicts of Interest:

Haseko Hawaii and its parent corporations are in the business of building condominiums and converting existing buildings into condominiums in Hawaii. Some of these may become hotels in competition with the Hotel.

The General Partner of the Partnership and the Hotel Operator (or persons controlling it) will be Limited Partners. This may cause conflicts of interest in their

management of the Hotel and the Partnership.

The General Partner and the Hotel Operator may compete with the Partnership. The General Partner has no present plans to do so. The Hotel Operator operates eight hotels in Waikiki and may operate others in the future. The Hotel Operator believes that none of the hotels it presently manages competes in the same part of the tourist market in which the Hotel will compete. However, the Hotel Management Contract permits such competition in the future.

The Hotel Operator is the initial managing agent for the Association of Apartment Owners. The Hotel Operator will be required to make allocation of expenses among or between the Association of Apartment Owners, the Hotel, the Partnership or other Purchasers of Apartments. These allocations may be made in circumstances in which there may not be clear bases for such allocations.

The Hotel Management Contract permits the Hotel Operator to purchase goods from affiliated corporations at competitive prices. Competitors of the Hotel Operator would price their goods to include a profit. Therefore, competitive prices would permit the Hotel Operator's affiliate to make profits on the sale of goods to the Hotel. These profits would be in addition to the fees paid to the Hotel Operator.

The law firm of Cades Schutte Fleming & Wright is special counsel to Haseko Hawaii, H. James Stahl, S&E Investments and the Partnership. It is general counsel to First Hawaiian Bank, the construction lender to Haseko Hawaii and proposed mortgage lender to Purchasers. A partner of the firm is a director of Haseko Hawaii.

## USE OF PROCEEDS

### Haseko Hawaii

The following table sets forth the intended use by Haseko Hawaii of its gross proceeds in the amount of \$32,700,000 from the sale of the Apartments. Exact costs cannot be known until construction has been completed and all Apartments sold. Based upon preliminary estimates of costs, however, gross proceeds are expected to be used approximately as follows:

REVENUES: From 740 Residential Apartments .....	\$32,700,000*
COST: Land Acquisition Cost .....	5,865,000
Construction Cost .....	15,046,000
Construction Cost	
Contingency .....	1,243,000
Architectural Fee .....	628,000
Selling Expense .....	580,000
Sales Commission .....	1,187,000
Consulting Fee .....	277,000
Loan Fee .....	695,000
Tax & Insurance .....	263,000
Closing & Conveyance Fee .....	108,000
Legal Fee .....	159,000
Contribution to Partnership for FF&E .....	350,000
Interest (1) .....	3,380,000
Overhead, Administration and General Expense .....	480,000
Indirect Cost Contingency (2) ..	352,000
TOTAL COST .....	<u>(30,613,000)</u>
PROFIT (3) .....	<u>\$ 2,087,000</u>

\*Including a unit purchased by the first Limited Partner at a price of \$41,950.

- (1) Assumes the construction loan will be paid with proceeds from Apartment sales by November 1, 1979.
- (2) Reserve against unexpected increases.
- (3) This amount includes the value of the Hotel Apartment donated by Haseko Hawaii to the Partnership. In addition, Haseko Hawaii retains ownership of the areas described in "Island Colony Condominium; Restaurant, Shops and Parking." Based upon an appraisal by an independent firm of appraisers, Haseko Hawaii believes that these areas have a fair market value of approximately \$1,510,000. Haseko Hawaii also retains ownership of fee simple title to the land under the Condominium. The land was acquired and paid for before Haseko Hawaii was acquired by its present parent corporation. Based upon an appraisal by an independent firm of appraisers, Haseko Hawaii believes that the land, encumbered with 65-year leases, has a fair market value of \$4,040,000. Haseko Hawaii may sell any of this property at any time.

### The Partnership

The contributions of Limited Partners to the Partnership will be used to fund pre-opening expenses in excess of the loan of \$400 per Apartment from the Hotel Operator to the Partnership. The funds may also be used to purchase equipment if the \$350,000 given to the Partnership by Haseko Hawaii is inadequate.

After providing necessary working capital, the Partnership may use funds not needed for those purposes to repay the loan from the Hotel Operator.

### The Condominium

The Monthly Maintenance Fee for two months collected at the Closing will be used for working capital of the Association of Apartment Owners.

## ENVIRONMENTAL PROTECTION

All approvals required by federal, state or city and county agencies enforcing environmental protection laws

have been obtained with respect to the Condominium and the Hotel.

## EXPERTS

The balance sheet of the Partnership has been included herein in reliance upon the report of Touche Ross & Co., independent certified public accountants, and upon the authority of said firm as experts in accounting and auditing.

The balance sheet of Haseko Hawaii has been included herein in reliance upon the report of Coopers & Lybrand, independent certified public accountants, and upon the authority of said firm as experts in accounting and auditing.

Haseko Hawaii has included a description of the opinion of Messrs. Cades Schutte Fleming & Wright under the caption "Income Taxes" in reliance upon the opinion of such firm and upon its authority as an expert in the matter of United States and State of Hawaii income taxation.

Messrs. Cades Schutte Fleming & Wright has delivered an opinion to Haseko Hawaii with respect to the legality of the Apartments and the Interests.

## SALES LITERATURE

Each Purchaser will receive this Prospectus, the Disclosure Abstract and the Public Reports of the State of Hawaii Real Estate Commission. No person has been authorized to give any information or make any representations not contained in this Prospectus, the Disclosure

Abstract and such accompanying Public Reports. If given or made, such information or representations must not be relied upon as having been authorized. Sales personnel may use a brochure and floor plans.



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Partners  
Island Colony Partners  
Honolulu, Hawaii

We have examined the balance sheet of Island Colony Partners (a Hawaii limited partnership) as of September 20, 1978. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the balance sheet referred to above presents fairly the financial position of Island Colony Partners at September 20, 1978, in conformity with generally accepted accounting principles.

Honolulu, Hawaii  
September 20, 1978

TOUCHE ROSS & CO.  
Certified Public Accountants

ISLAND COLONY PARTNERS  
(A Hawaii Limited Partnership)

BALANCE SHEET  
SEPTEMBER 20, 1978

ASSETS

Cash

\$500

PARTNERS' EQUITY

Partners' equity—representing capital contributions for limited and general partners (Note A)

\$500

See notes to balance sheet.

ISLAND COLONY PARTNERS  
NOTES TO BALANCE SHEET

SEPTEMBER 20, 1978

Organization—Island Colony Partners was organized on September 13, 1978, as a Hawaii limited partnership, for the purpose of representing the owners and facilitating the use as a hotel, of certain leasehold condominium apartments in the Island Colony Condominium; see "Island Colony Hotel" elsewhere in this prospectus. Purchasers of the condominium apartments may acquire a limited partnership interest in the Partnership by contributing the use of their apartments to the Partnership as part of the Hotel operation and \$400 cash for each apartment so contributed. An affiliate of the offeror, Haseko Hawaii, Inc., has purchased one limited partnership interest for \$400. The general partner has contributed \$100 as his general partner contribution and will contribute additional cash sufficient to make his contribution equal to 1% of invested capital. The initial contribution of \$500 represents the only cash received through September 20, 1978.

The Partnership agreement provides that the general partner will be paid a monthly fee of \$3,000. It also provides that profits and losses and net cash flow, as defined, be allocated as follows:

- (a) 1% to the general partnership.
- (b) 99% to the limited partners wherein each apartment owner is allocated his proportionate share based upon a value of 1½ for each one bedroom apartment and a value of one for each studio and lodging apartment.

The offeror will convey to the Partnership various areas throughout the condominium (front desk, offices, and storage rooms, among others) as well as up to \$350,000 to purchase telephone, furniture and other equipment necessary for Hotel operations.

Affiliates of the Hotel manager, Hotel Corporation of the Pacific, Inc., have agreed to purchase 74 partnership units.

- (2) Taxes—The balance sheet includes only those assets and liabilities of the partners which relate to the business of Island Colony Partners. No provision will be made for federal and state income taxes since these taxes will be the personal responsibility of the partners.

B. Management Contract:

The Island Colony Hotel will be operated by Hotel Corporation of the Pacific, Inc. (HCP) under the terms of a management contract that extends through 1999. See "Island Colony Hotel—Hotel Management Contract" elsewhere in this prospectus. As compensation for managing the Hotel, HCP receives fixed percentages of revenues and profit, as defined.

The management contract requires HCP to finance up to \$400 per Hotel unit to be used as working capital. This loan will bear interest at 12% per annum and is to be repaid in certain minimum increments, as defined, after the Hotel has been open 15 months. In addition, HCP is required to finance Hotel operating losses which will be repaid from the first available cash flow, plus interest at 12% per annum.

A reserve for replacement of furniture and fixtures will be established after the first two fiscal years of operations to the extent of 4.5% of gross revenues, as defined.

The management contract may be cancelled by HCP or the Partnership upon 60 days' written notice if there are fewer than 200 units in the Hotel during any month.

The Partnership may cancel the management contract if Hotel operations result in a gross operating loss, as defined, for two consecutive months after the Hotel has been open for 15 months. A proposal to cancel the management contract must be approved by the general partner and limited partners owning a majority of the apartments in the Hotel.

C. Dissolution:

The Partnership will be dissolved one year after the expiration of the Hotel management contract, including any extensions thereof or similar agreements entered into.

D. Cost of Offering:

The offeror, Haseko Hawaii, Inc., will be liable for the costs of organizing, tax planning and selling the condominium apartments and related partnership interests.

ACCOUNTANTS' OPINION AND BALANCE SHEET  
HASEKO HAWAII, INC.

To the Stockholder  
Haseko Hawaii, Inc.  
Honolulu, Hawaii

We have examined the balance sheet of Haseko Hawaii, Inc. as of June 30, 1978. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned balance sheet presents fairly the financial position of Haseko Hawaii, Inc. at June 30, 1978, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, in the method of accounting for interest and real property taxes as described in Note 3 to the balance sheet.

*Coopers & Lybrand*  
COOPERS & LYBRAND

Honolulu, Hawaii  
September 15, 1978

HASEKO HAWAII, INC.  
Balance sheet—June 30, 1978

ASSETS

Cash, including savings deposits of \$151,380 .....	\$ 155,700
Cash held in escrow (Note 4) .....	790,591
Real estate held for development—	
Land (Note 2) .....	5,864,574
Project costs (Note 5) .....	1,376,153
	7,240,727
	\$8,187,018

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable .....	\$ 5,750
Payable to general contractor, including retainage of \$103,174 (Note 4) .....	328,710
Due to Hasegawa Komuten (USA), Inc. (Notes 2 and 6) .....	4,904,279
Total liabilities .....	5,238,739
Commitments and contingent liabilities (Note 8)	
Stockholder's equity:	
Capital stock—\$10 par value	
Authorized, issued and outstanding—119,550 shares .....	1,195,500
Capital in excess of par value .....	4,650,000
Accumulated deficit (Note 3) .....	(2,897,221)
	2,948,279
	\$8,187,018

The accompanying notes are an integral part of the balance sheet.

PLEASE NOTE THAT A PURCHASER OF AN APARTMENT OR PARTNERSHIP INTEREST OBTAINS NO INTEREST IN THE CORPORATION WHOSE FINANCIAL STATEMENTS APPEAR ABOVE.

HASEKO HAWAII, INC.  
Notes to the balance sheet

Summary Of Significant Accounting Policies

Real Estate Held For Development—

Real estate held for development is carried at cost which is not in excess of net realizable value.

Interest, real property taxes and other carrying charges and held for development are charged to expense on a current basis (see Note 3). All other project costs relating to the development of the condominium and hotel complex are capitalized.

Income Taxes—

The Company and its parent company plan to file Federal and State income tax returns on a consolidated basis. Income taxes are to be allocated to the Company on a separate return method.

Investment tax credits are recorded on the flow-through method in the year in which the benefit is obtained. Investment tax credits have not been significant.

2. Organization And Description Of Business

Haseko Hawaii, Inc. (formerly known as Hawaii Takenaka International, Ltd.) was incorporated in 1973 under the laws of the State of Hawaii to engage in constructing, investing, developing, holding, renting and selling real estate.

In January 1978, all of the outstanding capital stock of Haseko Hawaii, Inc. was purchased by Hasegawa Komuten (USA), Inc., a Hawaii corporation, wholly-owned by Hasegawa Komuten Co., Ltd., a Japan corporation, for \$1,100,000. In connection with the purchase, Hasegawa Komuten (USA), Inc. loaned Haseko Hawaii, Inc., its newly acquired subsidiary, \$3,000,000 (see Note 6) to repay the remaining unpaid balance of a bank loan.

For purposes of preparing consolidated financial statements, Hasegawa Komuten (USA), Inc. allocated the purchase price of Haseko Hawaii, Inc. to the net assets acquired, primarily land held for development, and in such consolidated financial statements, the cost basis to Hasegawa Komuten (USA), Inc. of the land held for development by Haseko Hawaii, Inc. is \$3,847,000 as compared with Haseko Hawaii, Inc.'s cost basis of \$5,864,574.

The Company is developing a condominium and hotel complex in the Waikiki resort area of Honolulu, Hawaii and will offer to sell 740 leasehold condominium resort hotel-apartments. Purchasers of the condominium apartments may acquire a limited partnership interest in a partnership (Island Colony Partners) by contributing their Apartments and \$400 in cash to the partnership for each apartment to be used in the hotel operation. While a purchaser is a member of the partnership, he will have no use of his apartment but he will receive a discount on rooms in the Hotel and he may withdraw his apartment from the partnership upon more than 12 months' notice.

H. James Stahl will be the general partner of the partnership. The hotel complex will be operated through a hotel management company.

3. Accounting Change

Effective January 1, 1978, the Company changed its method of accounting for carrying charges (interest and real property taxes) on land held for development. The Company adopted the method of expensing carrying charges on a current basis to conform with its parent company's accounting policy. Previously, the Company had capitalized carrying charges and included it as part of land costs.

The change is being treated retroactively and its effect reduced land held for development and increased accumulated deficit by \$2,700,000.

4. General Contractor And Escrow Agreement

In March 1978, the Company and Pacific Construction Co., Ltd. (Pacific), general contractor for the condominium and hotel project, agreed to proceed with construction of the project prior to entering into a signed construction contract in order to obtain the lowest overall cost of construction. An agreement requires the establishment of an escrow account which provides for the Company to make periodic payments into escrow in sufficient amounts to cover Pacific's expected construction billings for the succeeding month.

As of June 30, 1978, the construction contract had not been signed and the escrow account was still in effect. Subsequent to June 30, 1978 the Company and Pacific signed the construction contract.

5. Capitalized Project Costs

As of June 30, 1978, capitalized project costs relating to the development of the condominium and hotel complex comprised of the following:

Construction in progress	\$1,031,737
Consulting services	61,134
Architectural services	58,811
Utilities	48,000
Engineering	36,436
Land improvements	25,378
Demolition	21,876
Legal fees	21,552
Travel, entertainment and promotion	19,877
Marketing	15,459
Appraisals	14,846
Preliminary studies	7,738
Other professional services	5,616
Interior design	3,192
Other	4,501
	<u>\$1,376,153</u>

PLEASE NOTE THAT A PURCHASER OF AN APARTMENT OR PARTNERSHIP INTEREST OBTAINS NO INTEREST IN THE CORPORATION WHOSE FINANCIAL STATEMENTS APPEAR ABOVE.

due to Hasegawa Komuten (USA), Inc.

As of June 30, 1978, amounts due to Hasegawa Komuten (USA), Inc. (parent) comprised of the following:

Unsecured note payable	
without stated maturity date	\$3,000,000
Cash advances	1,747,000
Accrued interest	157,279
	<u>\$4,904,279</u>

The parent charged the Company interest on the unsecured balances of the unsecured note and cash advances at an annual interest rate of 9.575%.

#### Income Taxes

As of June 30, 1978, the Company has tax loss carryforwards of \$905,500 available to offset future taxable income, if any, which expire as follows:

Expiration Date		Amount
Federal	State	
1979	1979	\$770,000
1980	1980	73,300
1983	1981	62,200
		<u>\$905,500</u>

#### 8. Commitments And Contingent Liabilities

Total estimated cost of the condominium and hotel

complex project is approximately \$30,600,000 and the Company plans to obtain \$8,600,000 of construction financing from a Japan bank, \$10,600,000 from a Hawaii bank and the balance of \$11,400,000 from the parent company.

At June 30, 1978, the Company had entered into a contract with an architectural firm whereby services will be performed for the condominium and hotel complex project for a fixed fee of \$500,000.

In July 1978, a \$10,600,000 interim construction loan commitment from a Hawaii bank to finance the construction of the project was accepted by the Company. The agreement provides for interest at a rate of 1½% per annum over the bank's prime rate; a loan fee of 2% of the loan amount; and a maturity date of 18 months from the date of the loan closing. Required monthly payments are interest only on the amounts of principal disbursed with the principal and accrued interest due on the maturity date.

The agreement requires, among other conditions, security consisting of mortgages on the respective project site and proposed improvements being financed, a guaranty by Hasegawa Komuten Co., Ltd., and approval of the Ministry of Finance of Japan, if required.

The Company has also accepted a commitment agreement from the same bank for "take-out" financing in the amount of \$21,100,000. This represents permanent mortgage loan financing for individual purchasers of the condominium apartments.

PLEASE NOTE THAT A PURCHASER OF AN APARTMENT OR PARTNERSHIP INTEREST OBTAINS NO INTEREST IN THE CORPORATION WHOSE FINANCIAL STATEMENTS APPEAR ABOVE.

**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

<b>23—Other Expenses of Issuance and Distribution.</b>	
Securities and Exchange Commission Registration Fee .....	\$ 6,842
NASD Review Fee .....	3,247
Real Estate Registration Fees .....	410
*Printing Costs .....	20,000
*Legal Fees and Expenses .....	75,000
*Accounting Fees and Expenses .....	10,500
*Advertising, Marketing Consulting and Other Sales Expenses .....	680,000
*Miscellaneous .....	25,000
*Total .....	<u>\$ 820,999</u>

\*Estimated

All expenses will be paid by the Registrant.

**Item 24—Relationship with Registrant of Experts Named in Registration Statement.**

Douglas E. Prior, a member of Cades Schutte Fleming & Wright, is a director of the Registrant.

**Item 31—Financial Statements and Exhibits.**

(a) Financial Statements

Balance Sheet of Island Colony Partners as of September 20, 1978.

Balance Sheet of Haseko Hawaii, Inc. as of June 30, 1978.

(b) Exhibits

4.2 Amended and Restated Limited Partnership Agreement of Island Colony Partners.

4.3 Building Loan Agreement, Promissory Note, and Real Property First Mortgage and Financing Statement with First Hawaiian Bank. (To be filed by Amendment.)

6.2 Opinion of Cades Schutte Fleming & Wright relating to certain income tax matters (as revised to reflect the Revenue Act of 1978).

13.2 Form of Sales Contract and Subscription Agreement (as revised).

13.4 Form of Declaration of Horizontal Property Regime with Bylaws as an exhibit thereto (as revised).

15. Apartment price list.

**ADDITIONAL UNDERTAKINGS**

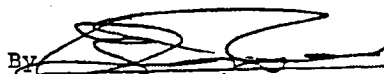
The Registrant undertakes:

1. To deregister by post-effective amendment any unsold interests.
2. To file a sticker post-effective amendment pursuant to Rule 424(c) to disclose in the prospectus that the use of accelerated depreciation will no longer be available to Limited Partners, and appropriately revise the prospectus to reflect such fact.
3. To undertake that every prospectus which purports to meet the requirements of Section 10(a)(3) of the Act, will be filed as part of an amendment to the registration statement and will not be used until such amendment has become effective, and that the effective date of each such amendment shall be deemed the effective date of the registration statement with respect to securities sold pursuant to such prospectus after such amendment has become effective.
4. That the Registrant undertakes to furnish the Division of Corporation Finance with a letter informing said Division when all of the securities registered have been sold.
5. That the Registrant undertakes to file all sales literature with the staff for review as supplemental literature prior to its use.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned thereunto duly authorized, in the City and County of Honolulu, State of Hawaii, on the 30th day of November, 1978.

HASEKO HAWAII, INC.

BY   
Osamu Kaneko  
Senior Vice President

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature

SEIJI KURASAWA* Seiji Kurasawa	Chief Executive Officer of the Registrant and Director	November 30, 1978
MAKOTO SAKAGUCHI* Makoto Sakaguchi	Chief Financial and Accounting Officer of the Registrant	November 30, 1978
TAKEHIKO YAMAMURA* Takehiko Yamamura	Director	November 30, 1978
DOUGLAS E. PRIOR* Douglas E. Prior	Director	November 30, 1978

\*By   
Osamu Kaneko  
Attorney-in-Fact

CONSENT OF COUNSEL

The consent of Messrs. Cades Schutte Fleming & Wright to the filing of their revised opinion as Exhibit 6.2 and to the references to them under the captions "Income Taxes" and "Experts" is contained in such opinion.

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the inclusion of the following report in the registration statement to be used in registering, under the Securities Act of 1933, Condominium Apartment Conveyance Documents and Subscriptions for Limited Partnership Interests of Haseko Hawaii, Inc.: our report dated September 15, 1978 accompanying the balance sheet of Haseko Hawaii, Inc. which is included in the prospectus.

We also consent to the reference to our Firm under the caption "Experts" in the prospectus.

*Coopers & Lybrand*  
COOPERS & LYBRAND

Honolulu, Hawaii  
November 30, 1978





**DOCUMENT RECEIPT**  
**Hawaii Association of REALTORS® Standard Form**  
**Revised 8/13 For Release 11/13**



**COPYRIGHT AND TRADEMARK NOTICE:** This copyrighted Hawaii Association of REALTORS® Standard Form is licensed for use by the entire real estate industry on condition that there shall be no alteration of the printed portions, pagination, or paragraph numbers or breaks. The use of this form is not intended to identify the real estate licensee as a REALTOR®. REALTOR® is a registered collective membership mark which may be used only by real estate licensees who are members of the National Association of REALTORS® and who subscribe to its Code of Ethics.

Purchase Contract Reference Date: February 23, 2014

Property Reference or Address: 2161 Kalia Road, Waikiki Shore 918, Honolulu, HI 96815

Tax Map Key: Div. 1 /Zone 2 /Sec. 6 /Plat 21 /Parcel 26 /CPR 435 (if applicable).

(Blanks are provided for further document identification such as dates, etc.)

Condominium/Cooperative/Subdivision/PUD/Homeowner/Planned Community Association Documents:

- Approved Minutes of the last three (3) Board of Directors Meetings 7/25/2013, 8/12/2013, 10/15/2013
- Articles of Incorporation/Association and Amendments \_\_\_\_\_
- By-Laws and Amendments \_\_\_\_\_
- Copy of any and all pending litigation complaints filed by or against the Owner's Association and/or its directors that are currently unresolved, if any \_\_\_\_\_
- Covenants, Conditions, Restrictions (CC&R's) \_\_\_\_\_
- Current Financial Statement December 31, 2013
- Current and/or Proposed Budget 2014
- Current House Rules \_\_\_\_\_
- Declaration and Amendments \_\_\_\_\_
- Design Standards and/or Guidelines \_\_\_\_\_
- Insurance Summary 12/16/2013
- Lenders Disclosures, if obtainable \_\_\_\_\_
- Minutes of the last Annual Meeting 3/22/2012
- Planned Community Documents \_\_\_\_\_
- Project Information Form 2/28/2014
- Reserve Study or Summary, if obtainable 10/9/2013
- Subdivision and/or title documents \_\_\_\_\_
- Other: Newsletters, Public Report, W-9 Form, 12/31/2012 Year End Financial Statements
- Other: All above located at http://www.hawaiihome.cc/listings/islandColony/2910/condoDocs.pdf

Reports and Other Documents:

- Professional Inspection Report \_\_\_\_\_
- Rental. Check applicable items:  Property Condition Form  Rental Agreement  Rental Management Contract(s)  
 Short Term Vacation Rental Reservation(s)  Other: \_\_\_\_\_
- Inventory of Furniture and Furnishings \_\_\_\_\_
- Preliminary Title Report \_\_\_\_\_
- Residential Leasehold Property Disclosure (if leasehold) \_\_\_\_\_
- Survey Report \_\_\_\_\_
- Termite Inspection Report (TIR) \_\_\_\_\_
- Other: \_\_\_\_\_
- Other: \_\_\_\_\_

*Note: Use HAR Forms: RR107 - Receipt of Seller's Real Property Disclosure Statement; RR108 - Receipt of Project Information Form; if leasehold, RR211 - Receipt for Residential Leasehold Property Disclosure; and RR212 - Action on Residential Leasehold Property Disclosure.*

**RECEIPT:** *The undersigned acknowledges receipt of the check marked items above. Where receipt is required by Section I or M of the Purchase Contract, such receipt shall be retained by Seller for a period of 3 years.*

Buyer/Buyer's Representative's Signature \_\_\_\_\_ Date/Time \_\_\_\_\_ Buyer/Buyer's Representative's Signature \_\_\_\_\_ Date/Time \_\_\_\_\_

Title \_\_\_\_\_ Title \_\_\_\_\_

**NOTE:** THERE IS NO WARRANTY ON PLAIN LANGUAGE. An effort has been made to put this agreement into plain language. But there is no promise that it is in plain language. In legal terms, THERE IS NO WARRANTY, EXPRESSED OR IMPLIED, THAT THIS AGREEMENT COMPLIES WITH CHAPTER 487A OF THE HAWAII REVISED STATUTES, AS AMENDED. This means that the Hawaii Association of REALTORS® is not liable to any Buyer, Seller, or other person who uses this form for any damages or penalty because of any violation of Chapter 487A. People are cautioned to see their own attorneys about Chapter 487A (and other laws that may apply).

©Hawaii Association of REALTORS®  
 Document Receipt  
 RR226 Rev. 8/13



Hawaii Home and Commercial LLC 1019 Waimanu St Honolulu, HI 96814  
 Phone: 808.358.1774 Fax: 866.925.1467 Robin Glass

Waikiki Shore



**RECEIPT OF PROJECT INFORMATION FORM**  
**Hawaii Association of REALTORS® Standard Form**  
**Revised 12/10 (NC) For Release 11/13**



**COPYRIGHT AND TRADEMARK NOTICE:** This copyrighted Hawaii Association of REALTORS® Standard Form is licensed for use by the entire real estate industry on condition that there shall be no alteration of the printed portions, pagination, or paragraph numbers or breaks. The use of this form is not intended to identify the real estate licensee as a REALTOR®. REALTOR® is a registered collective membership mark which may be used only by real estate licensees who are members of the National Association of REALTORS® and who subscribe to its Code of Ethics.

Property Reference or Address: 2161 Kalia Road, Waikiki Shore 918, Honolulu, HI 96815  
 ("Project")

Tax Map Key: Division 1 /Zone 2 /Sec. 6 /Plat 21 /Parcel 26 /CPR 435 (if applicable).

By signing below, I acknowledge and agree that:

1. I received a copy of the Project Information Form RR105c dated February 28, 2014.
2. The information contained in this form is being provided by the Managing Agent at the Seller's request and is based only upon the knowledge and information available to the Managing Agent.
3. The information provided on the form cannot be considered to be a substitute for a careful inspection of the Project and the Project's governing documents, minutes of meetings, financial documents, and the like.
4. I am advised that I should refer to qualified experts in the various fields, including but not limited to attorneys, accountants, engineers and contractors for detailed evaluation of areas where additional information is desired.
5. If the Managing Agent has marked "NTMK" in response to any questions, I recognize that this does not mean there may not be a defect which an expert could discover, or the passage of time would reveal. Likewise, I recognize that a problem may be more serious than the Managing Agent knows.
6. This form is not a warranty of any kind by Seller, the Managing Agent, or any Brokerage Firm and all of its licensees representing Seller or Buyer.

\_\_\_\_\_  
 Buyer Date  
**Todd Turick**

\_\_\_\_\_  
 Buyer Date  
**Renata Turick**

**NOTE:** THERE IS NO WARRANTY ON PLAIN LANGUAGE. An effort has been made to put this agreement into plain language. But there is no promise that it is in plain language. In legal terms, THERE IS NO WARRANTY, EXPRESSED OR IMPLIED, THAT THIS AGREEMENT COMPLIES WITH CHAPTER 487A OF THE HAWAII REVISED STATUTES, AS AMENDED. This means that the Hawaii Association of REALTORS® is not liable to any Buyer or other person who uses this form for any damages or penalty because of any violation of Chapter 487A. People are cautioned to see their own attorneys about Chapter 487A (and other laws that may apply).





**Island Colony 2014  
Honolulu, Hawaii**

October 09, 2013

**Hawaii First, Inc.  
800 Bethel St., Suite 501  
Honolulu, HI 96813  
808-531-5566  
fax 808-566-9939**

*Prepared By*

*Quality Check By*

A handwritten signature in black ink, appearing to read "Janet Beigg", is written over a horizontal line that separates the "Quality Check By" label from the signature area.

**TABLE OF CONTENTS**  
**Island Colony 2014**

Current Assessment Funding Model Summary .....	3
Spread Sheet .....	6
Annual Expenditure Detail .....	10
Detail Report by Category .....	13

**Island Colony 2014**  
Honolulu, Hawaii  
**Current Assessment Funding Model Summary**

Report Date	October 09, 2013
Budget Year Beginning	January 01, 2014
Budget Year Ending	December 31, 2014
Total Units	745
Phase Development	1 of 1

<i>Report Parameters</i>	
Inflation	3.00%
Interest Rate on Reserve Deposit	1.00%
2014 Beginning Balance	\$2,509,667.00

A Level III Reserve Study was prepared using the cash flow method of analysis for AOA Island Colony. This Reserve Study has been prepared for the fiscal year ending December 31, 2014. The Association's financial reports were reviewed and analyzed; the remaining reserve contributions and capital expenditures for fiscal year 2013 were accounted before estimating the fiscal year 2014 reserve fund beginning balance. This study assumes all remaining reserve contributions will be deposited into the Association's reserve accounts and also assumes all capital improvements for fiscal year 2013 will be completed prior to December 31, 2013. Therefore, it is estimated that the reserve fund balance at fiscal year end, December 31, 2013, will be approximately \$ 2,509,667.00.

It is our opinion that the Association's current reserve fund balance and funding plan meets projected future capital expenditures. According to the funding plan the Association will be required to increase the annual reserve fund contributions to \$441,170 in fiscal year 2014. Interest earned on reserve contributions must remain in the reserve accounts to meet future funding requirements. This funding plan provides for fully funded reserve fund balances and complies with HRS 514B-148. The Reserve Study was approved by the association's Board of Directors as part of the fiscal year 2014 Budget.

It is important to recognize that a reserve study is a financial forecast of future funds required to maintain the capital components of the project. Hawaii Law requires directors of the association to use reasonable efforts to project inflation, interest income, component inventory, component life & remaining life, and replacement costs of the project's components for a 20 year period. The reserve study is assembled from information provided by the directors, gathered from on-site visit(s), information provided by vendors and review of building drawings if available. This information is considered reliable. From this information, reserve contributions are calculated to fund the statutory replacement reserves. By its nature, a Reserve Study is an estimate to be used for annual budgeting purposes. The Reserve Study is a

**Island Colony 2014**  
Honolulu, Hawaii  
**Current Assessment Funding Model Summary**

requirement of HRS 514B-148 (and HRS 514A-83.6). The Reserve Study is not an audit or quality inspection of the project.

Based on this Reserve Study, AOA Island Colony has adopted a funding plan based on the cash flow method that provides full funding. The Reserve Study reflects that the Association is fully funded and has complied with the reserve requirements of HRS 514B-148; provided however, the association implements the funding plan and the criteria used reflects the project's actual operating experience during the life of the funding plan. The Reserve Study Specialist has no conflict of interest with the association, its Directors, any employees, and has prepared this report as an independent Reserve Study Professional.

***Current Assessment Funding Model Summary of Calculations***

Required Monthly Contribution	\$36,764.17
<i>\$49.35 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$1,805.99</u>
Total Monthly Allocation to Reserves	\$38,570.15
<i>\$51.77 per unit monthly</i>	

**Island Colony 2014**  
**Current Assessment Funding Model Projection**

Beginning Balance: \$2,509,667

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves
2014	441,170	21,672	591,000	2,381,509
2015	757,970	11,431	1,653,555	1,497,355
2016	757,970	3,367	1,572,104	686,588
2017	757,970	8,260	274,324	1,178,494
2018	757,970	8,768	715,644	1,229,589
2019	757,970	12,891	356,294	1,644,156
2020	757,970	20,635		2,422,761
2021	757,970	28,457		3,209,189
2022	757,970	35,505	84,874	3,917,790
2023	757,970	42,585	88,725	4,629,620
2024	757,970	49,341	128,004	5,308,927
2025	757,970	46,787	1,061,581	5,052,102
2026	757,970	30,034	2,472,395	3,367,711
2027	757,970	33,336	459,299	3,699,719
2028	757,970	32,893	835,423	3,655,159
2029	757,970	35,539	527,438	3,921,230
2030	757,970	31,754	1,170,282	3,540,672
2031	757,970	16,065	2,351,459	1,963,248
2032	757,970	22,815	102,146	2,641,887
2033	757,970	29,089	156,262	3,272,684

**Island Colony 2014  
Spread Sheet**

<b>Description</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
6th Floor Deck Surface										
Boilers 6th Floor										
Boilers Roof Top Gas										
Booster Pump-Fire System										
Booster Pumps-Domestic Water										
Carpet Hallways		271,636								
Circuit Breaker Box Replacement										
Common Hallway Doors		304,880								
Concrete Repairs - Parking Structure										
Concrete Repairs-Tower										
Dry Sauna Refurbishment		33,743								
Electric Sub-meters										
Elevator 7 & 8 Hydraulic Piston Replace			159,135							
Elevator Cab Refurbishment						185,755				
Elevators 1,2,3,4 & 5 Refurbishment										
Elevators 7 & 8 Refurbishment										
Emergency Generator				274,324						
Exhaust Fans 10		64,272								
Fire Alarm System Replacement			1,405,542							
Flooring-Bus Lane		92,700								
Hallway Lighting										
Hallway Moldings										
Heat Pump- Compressors						28,982				
Heat Pump-Evaporators						55,771				
Heat Pump-Spa						6,956				
Heat Pump-Storage Tanks 1st Floor	31,200									
Hot Water Storage Tanks		38,563								
Lobby Flooring										
Lobby Interior	68,000					78,831				
Mailboxes										
Painting-Tower		751,353								
Plumbing Repair Common Areas Contingency	25,000									
Pool & Spa Pump and Fliter System			7,426						8,867	
Pool Furniture									76,006	



**Island Colony 2014  
Spread Sheet**

<b>Description</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Railings-Garage										
Railings-Residential Units					639,109					
Restrooms Ground Floor	20,800									
Restrooms Rec Deck	20,800									
Roof Tile Replacement	395,200									
Security System-Cameras					76,535					88,725
Spa Resurfacing										
Spalling Reserve	30,000									
Swimming Pool Resurface										
Transformer		96,408								
Trash Chute-Relining										
Trellis Replacement										
<b>Year Total:</b>	<b>591,000</b>	<b>1,653,555</b>	<b>1,572,104</b>	<b>274,324</b>	<b>715,644</b>	<b>356,294</b>			<b>84,874</b>	<b>88,725</b>

**Island Colony 2014  
Spread Sheet**

<b>Description</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>
6th Floor Deck Surface							2,213,729			
Boilers 6th Floor										
Boilers Roof Top Gas										
Booster Pump-Fire System										37,023
Booster Pumps-Domestic Water					82,469					
Carpet Hallways										
Circuit Breaker Box Replacement										
Common Hallway Doors										
Concrete Repairs - Parking Structure							884,973			
Concrete Repairs-Tower					639,509					
Dry Sauna Refurbishment				48,109						
Electric Sub-meters				411,189						
Elevator 7 & 8 Hydraulic Piston Replace										
Elevator Cab Refurbishment						249,640				
Elevators 1,2,3,4 & 5 Refurbishment			2,149,863							
Elevators 7 & 8 Refurbishment			322,532							
Emergency Generator										
Exhaust Fans 10										
Fire Alarm System Replacement										
Flooring-Bus Lane										
Hallway Lighting	36,618									
Hallway Moldings										
Heat Pump- Compressors						38,949				
Heat Pump-Evaporators						74,951				
Heat Pump-Spa						9,348				
Heat Pump-Storage Tanks 1st Floor						48,609				
Hot Water Storage Tanks		51,826								
Lobby Flooring							167,000			
Lobby Interior	91,386					105,942				
Mailboxes							118,309			
Painting-Tower		1,009,756								
Plumbing Repair Common Areas Contingency										
Pool & Spa Pump and Fliter System					10,588					
Pool Furniture									102,146	

**Island Colony 2014  
Spread Sheet**

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Description</b>										
Railings-Garage										
Railings-Residential Units										
Restrooms Ground Floor										
Restrooms Rec Deck										
Roof Tile Replacement										
Security System-Cameras					102,856					119,238
Spa Resurfacing								13,752		
Spalling Reserve										
Swimming Pool Resurface								123,979		
Transformer										
Trash Chute-Relining										
Trellis Replacement										
<b>Year Total:</b>	<b>128,004</b>	<b>1,061,581</b>	<b>2,472,395</b>	<b>459,299</b>	<b>835,423</b>	<b>527,438</b>	<b>1,170,282</b>	<b>2,351,459</b>	<b>102,146</b>	<b>156,262</b>

**Island Colony 2014  
Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2014</b>	
Heat Pump-Storage Tanks 1st Floor	31,200
Lobby Interior	68,000
Plumbing Repair Common Areas Contingency	25,000
Restrooms Ground Floor	20,800
Restrooms Rec Deck	20,800
Roof Tile Replacement	395,200
Spalling Reserve	30,000
<b>Total for 2014</b>	<b>\$591,000</b>
<b>Replacement Year 2015</b>	
Carpet Hallways	271,636
Common Hallway Doors	304,880
Dry Sauna Refurbishment	33,743
Exhaust Fans 10	64,272
Flooring-Bus Lane	92,700
Hot Water Storage Tanks	38,563
Painting-Tower	751,353
Transformer	96,408
<b>Total for 2015</b>	<b>\$1,653,555</b>
<b>Replacement Year 2016</b>	
Elevator 7 & 8 Hydraulic Piston Replace	159,135
Fire Alarm System Replacement	1,405,542
Pool & Spa Pump and Fliter System	7,426
<b>Total for 2016</b>	<b>\$1,572,104</b>
<b>Replacement Year 2017</b>	
Emergency Generator	274,324
<b>Total for 2017</b>	<b>\$274,324</b>
<b>Replacement Year 2018</b>	
Railings-Residential Units	639,109
Security System-Cameras	76,535
<b>Total for 2018</b>	<b>\$715,644</b>
<b>Replacement Year 2019</b>	
Elevator Cab Refurbishment	185,755

**Island Colony 2014  
Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2019 continued...</i>	
Heat Pump- Compressors	28,982
Heat Pump-Evaporators	55,771
Heat Pump-Spa	6,956
Lobby Interior	78,831
<b>Total for 2019</b>	<b>\$356,294</b>
 <i>No Replacement in 2020</i>	
<i>No Replacement in 2021</i>	
 <b>Replacement Year 2022</b>	
Pool & Spa Pump and Fliter System	8,867
Pool Furniture	76,006
<b>Total for 2022</b>	<b>\$84,874</b>
 <b>Replacement Year 2023</b>	
Security System-Cameras	88,725
<b>Total for 2023</b>	<b>\$88,725</b>
 <b>Replacement Year 2024</b>	
Hallway Lighting	36,618
Lobby Interior	91,386
<b>Total for 2024</b>	<b>\$128,004</b>
 <b>Replacement Year 2025</b>	
Hot Water Storage Tanks	51,826
Painting-Tower	1,009,756
<b>Total for 2025</b>	<b>\$1,061,581</b>
 <b>Replacement Year 2026</b>	
Elevators 1,2,3,4 & 5 Refurbishment	2,149,863
Elevators 7 & 8 Refurbishment	322,532
<b>Total for 2026</b>	<b>\$2,472,395</b>
 <b>Replacement Year 2027</b>	
Dry Sauna Refurbishment	48,109
Electric Sub-meters	411,189
<b>Total for 2027</b>	<b>\$459,299</b>

**Island Colony 2014  
Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2028</b>	
Booster Pumps-Domestic Water	82,469
Concrete Repairs-Tower	639,509
Pool & Spa Pump and Fliter System	10,588
Security System-Cameras	102,856
<b>Total for 2028</b>	<b>\$835,423</b>
<b>Replacement Year 2029</b>	
Elevator Cab Refurbishment	249,640
Heat Pump- Compressors	38,949
Heat Pump-Evaporators	74,951
Heat Pump-Spa	9,348
Heat Pump-Storage Tanks 1st Floor	48,609
Lobby Interior	105,942
<b>Total for 2029</b>	<b>\$527,438</b>
<b>Replacement Year 2030</b>	
Concrete Repairs - Parking Structure	884,973
Lobby Flooring	167,000
Mailboxes	118,309
<b>Total for 2030</b>	<b>\$1,170,282</b>
<b>Replacement Year 2031</b>	
6th Floor Deck Surface	2,213,729
Spa Resurfacing	13,752
Swimming Pool Resurface	123,979
<b>Total for 2031</b>	<b>\$2,351,459</b>
<b>Replacement Year 2032</b>	
Pool Furniture	102,146
<b>Total for 2032</b>	<b>\$102,146</b>
<b>Replacement Year 2033</b>	
Booster Pump-Fire System	37,023
Security System-Cameras	119,238
<b>Total for 2033</b>	<b>\$156,262</b>

**Island Colony 2014  
Detail Report by Category**

Roof Tile Replacement - 2014

		1 @ \$395,200.00
		Asset Cost \$395,200.00
		Percent Replacement 100%
	Roofing	Future Cost \$395,200.00
Placed in Service	December 1979	Assigned Reserves \$395,200.00
Useful Life	35	
Replacement Year	2014	Monthly Assessment \$532.77
Remaining Life	0	Interest Contribution <u>\$2.89</u>
		Reserve Allocation \$535.67

<b>Roofing - Total Current Cost</b>	<b>\$395,200</b>
<b>Assigned Reserves</b>	<b>\$395,200</b>
<b>Fully Funded Reserves</b>	<b>\$395,200</b>

**Island Colony 2014  
Detail Report by Category**

**Concrete Repairs - Parking Structure - 2030**

		1	@ \$500,000.00
		Asset Cost	\$551,486.18
		Percent Replacement	100%
		Future Cost	\$884,973.42
		Assigned Reserves	<i>none</i>
Placed in Service	Painting September 2010		
Useful Life	20		
Replacement Year	2030	Monthly Assessment	\$1,023.98
Remaining Life	16	Interest Contribution	<u>\$5.56</u>
		Reserve Allocation	\$1,029.54

**Concrete Repairs-Tower - 2028**

		1	@ \$364,000.00
		Asset Cost	\$422,791.06
		Percent Replacement	100%
		Future Cost	\$639,509.41
		Assigned Reserves	<i>none</i>
Placed in Service	Painting December 2008		
Useful Life	20		
Replacement Year	2028	Monthly Assessment	\$854.38
Remaining Life	14	Interest Contribution	<u>\$4.64</u>
		Reserve Allocation	\$859.02

**Painting-Tower - 2015**

		1	@ \$618,800.00
		Asset Cost	\$729,469.03
		Percent Replacement	100%
		Future Cost	\$751,353.10
		Assigned Reserves	\$625,259.17
Placed in Service	Painting June 2008		
Useful Life	10		
Adjustment	-3	Monthly Assessment	\$2,393.33
Replacement Year	2015	Interest Contribution	<u>\$536.45</u>
Remaining Life	1	Reserve Allocation	\$2,929.77

**Spalling Reserve - 2014**

		1 1	@ \$30,000.00
		Asset Cost	\$30,000.00
		Percent Replacement	100%
		Future Cost	\$30,000.00
		Assigned Reserves	\$30,000.00
Placed in Service	Painting January 2014		
Useful Life	1		
Replacement Year	2014	Monthly Assessment	\$617.25
Remaining Life	0	Interest Contribution	<u>\$3.35</u>
		Reserve Allocation	\$620.60



**Island Colony 2014  
Detail Report by Category**

<b>Painting - Total Current Cost</b>	<b>\$1,733,746</b>
<b>Assigned Reserves</b>	<b>\$655,259</b>
<b>Fully Funded Reserves</b>	<b>\$892,394</b>

**Island Colony 2014  
Detail Report by Category**

**6th Floor Deck Surface - 2031**

		1 @ \$1,250,000.00
		Asset Cost \$1,339,342.16
		Percent Replacement 100%
		Future Cost \$2,213,728.51
		Assigned Reserves <i>none</i>
Placed in Service	Recreation/Pool	
Useful Life	September 2011	
Replacement Year	2031	Monthly Assessment \$2,398.42
Remaining Life	17	Interest Contribution <u>\$13.03</u>
		Reserve Allocation \$2,411.45

**Heat Pump-Spa - 2019**

		1 @ \$6,000.00
		Asset Cost \$6,000.00
		Percent Replacement 100%
		Future Cost \$6,955.64
		Assigned Reserves <i>none</i>
Placed in Service	Recreation/Pool	
Useful Life	June 2009	
Replacement Year	2019	Monthly Assessment \$27.24
Remaining Life	5	Interest Contribution <u>\$0.15</u>
		Reserve Allocation \$27.38

**Pool & Spa Pump and Fliter System - 2016**

		1 @ \$7,000.00
		Asset Cost \$7,000.00
		Percent Replacement 100%
		Future Cost \$7,426.30
		Assigned Reserves <i>none</i>
Placed in Service	Recreation/Pool	
Useful Life	June 2010	
Replacement Year	2016	Monthly Assessment \$73.80
Remaining Life	2	Interest Contribution <u>\$0.40</u>
		Reserve Allocation \$74.20

**Pool Furniture - 2022**

		1 @ \$60,000.00
		Asset Cost \$60,000.00
		Percent Replacement 100%
		Future Cost \$76,006.20
		Assigned Reserves <i>none</i>
Placed in Service	Recreation/Pool	
Useful Life	December 2012	
Replacement Year	2022	Monthly Assessment \$183.21
Remaining Life	8	Interest Contribution <u>\$1.00</u>
		Reserve Allocation \$184.21

**Island Colony 2014  
Detail Report by Category**

**Spa Resurfacing - 2031**

		1	@ \$8,320.00
		Asset Cost	\$8,320.00
		Percent Replacement	100%
		Future Cost	\$13,751.69
		Assigned Reserves	<i>none</i>
Placed in Service	Recreation/Pool		
	September 2011		
Useful Life		20	
Replacement Year		2031	
Remaining Life		17	
		Monthly Assessment	\$14.90
		Interest Contribution	<u>\$0.08</u>
		Reserve Allocation	\$14.98

**Swimming Pool Resurface - 2031**

		1	@ \$70,000.00
		Asset Cost	\$75,009.23
		Percent Replacement	100%
		Future Cost	\$123,978.83
		Assigned Reserves	<i>none</i>
Placed in Service	Recreation/Pool		
	August 2011		
Useful Life		20	
Replacement Year		2031	
Remaining Life		17	
		Monthly Assessment	\$134.32
		Interest Contribution	<u>\$0.73</u>
		Reserve Allocation	\$135.05

<b>Recreation/Pool - Total Current Cost</b>	<b>\$1,495,671</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$233,067</b>

**Island Colony 2014  
Detail Report by Category**

Lobby Interior - 2014

		1	@ \$68,000.00
		Asset Cost	\$68,000.00
		Percent Replacement	100%
	Interior Furnishings	Future Cost	\$68,000.00
Placed in Service	June 2009	Assigned Reserves	\$68,000.00
Useful Life	5		
Replacement Year	2014	Monthly Assessment	\$308.67
Remaining Life	0	Interest Contribution	<u>\$1.68</u>
		Reserve Allocation	\$310.35

<b>Interior Furnishings - Total Current Cost</b>	<b>\$68,000</b>
<b>Assigned Reserves</b>	<b>\$68,000</b>
<b>Fully Funded Reserves</b>	<b>\$68,000</b>

**Island Colony 2014  
Detail Report by Category**

<b>Boilers 6th Floor - 2040</b>		2	@ \$25,100.00
		Asset Cost	\$55,814.63
		Percent Replacement	100%
		Future Cost	\$120,369.34
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment June 2010		
Useful Life	30		
Replacement Year	2040	Monthly Assessment	\$81.39
Remaining Life	26	Interest Contribution	<u>\$0.44</u>
		Reserve Allocation	\$81.83

<b>Boilers Roof Top Gas - 2046</b>		2	@ \$25,100.00
		Asset Cost	\$53,363.06
		Percent Replacement	100%
		Future Cost	\$137,414.29
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment December 2011		
Useful Life	35		
Replacement Year	2046	Monthly Assessment	\$73.16
Remaining Life	32	Interest Contribution	<u>\$0.40</u>
		Reserve Allocation	\$73.55

<b>Booster Pump-Fire System - 2033</b>		1	@ \$20,800.00
		Asset Cost	\$21,113.77
		Percent Replacement	100%
		Future Cost	\$37,023.12
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment June 2013		
Useful Life	20		
Replacement Year	2033	Monthly Assessment	\$35.52
Remaining Life	19	Interest Contribution	<u>\$0.19</u>
		Reserve Allocation	\$35.71

<b>Booster Pumps-Domestic Water - 2028</b>		3	@ \$15,600.00
		Asset Cost	\$54,521.87
		Percent Replacement	100%
		Future Cost	\$82,469.22
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment November 2008		
Useful Life	20		
Replacement Year	2028	Monthly Assessment	\$110.18
Remaining Life	14	Interest Contribution	<u>\$0.60</u>
		Reserve Allocation	\$110.78

**Island Colony 2014  
Detail Report by Category**

**Elevator 7 & 8 Hydraulic Piston Replace - 2016**

		2	@ \$75,000.00
		Asset Cost	\$150,000.00
		Percent Replacement	100%
		Future Cost	\$159,135.00
		Assigned Reserves	\$141,891.89
Placed in Service	Equipment		
	December 1979		
Useful Life	35		
Adjustment	2	Monthly Assessment	\$142.89
Replacement Year	2016	Interest Contribution	<u>\$119.56</u>
Remaining Life	2	Reserve Allocation	\$262.45

**Elevator Cab Refurbishment - 2019**

		1	@ \$140,000.00
		Asset Cost	\$160,234.29
		Percent Replacement	100%
		Future Cost	\$185,755.45
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment		
	June 2009		
Useful Life	10	Monthly Assessment	\$727.35
Replacement Year	2019	Interest Contribution	<u>\$3.95</u>
Remaining Life	5	Reserve Allocation	\$731.31

**Elevators 1,2,3,4 & 5 Refurbishment - 2026**

		5	@ \$208,000.00
		Asset Cost	\$1,507,870.95
		Percent Replacement	100%
		Future Cost	\$2,149,863.43
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment		
	June 2001		
Useful Life	25	Monthly Assessment	\$3,385.28
Replacement Year	2026	Interest Contribution	<u>\$18.39</u>
Remaining Life	12	Reserve Allocation	\$3,403.67

**Island Colony 2014  
Detail Report by Category**

Elevators 7 & 8 Refurbishment - 2026		2	@ \$78,000.00
		Asset Cost	\$226,217.26
		Percent Replacement	100%
		Future Cost	\$322,531.72
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment		
Useful Life	June 2001		
Replacement Year	25		
Remaining Life	2026	Monthly Assessment	\$507.87
	12	Interest Contribution	<u>\$2.76</u>
		Reserve Allocation	\$510.63

Emergency Generator - 2017		1	@ \$114,400.00
		Asset Cost	\$251,044.93
		Percent Replacement	100%
		Future Cost	\$274,323.58
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment		
Useful Life	June 1987		
Replacement Year	30		
Remaining Life	2017	Monthly Assessment	\$1,808.36
	3	Interest Contribution	<u>\$9.83</u>
		Reserve Allocation	\$1,818.19

Exhaust Fans 10 - 2015		10	@ \$6,240.00
		Asset Cost	\$62,400.00
		Percent Replacement	100%
		Future Cost	\$64,272.00
		Assigned Reserves	\$60,666.67
Placed in Service	Equipment		
Useful Life	December 1979		
Adjustment	35		
Replacement Year	1	Monthly Assessment	\$59.84
Remaining Life	2015	Interest Contribution	<u>\$51.11</u>
	1	Reserve Allocation	\$110.96

Fire Alarm System Replacement - 2016		1	@ \$800,000.00
		Asset Cost	\$1,324,858.60
		Percent Replacement	100%
		Future Cost	\$1,405,542.49
		Assigned Reserves	\$314,362.12
Placed in Service	Equipment		
Useful Life	December 1996		
Replacement Year	20		
Remaining Life	2016	Monthly Assessment	\$10,780.93
	2	Interest Contribution	<u>\$321.75</u>
		Reserve Allocation	\$11,102.68

**Island Colony 2014  
Detail Report by Category**

**Heat Pump- Compressors - 2019**

		5	@ \$5,000.00
		Asset Cost	\$25,000.00
		Percent Replacement	100%
		Future Cost	\$28,981.85
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment		
	June 2009		
Useful Life		10	
Replacement Year		2019	
Remaining Life		5	
		Monthly Assessment	\$113.48
		Interest Contribution	<u>\$0.62</u>
		Reserve Allocation	\$114.10

**Heat Pump-Evaporators - 2019**

		5	@ \$8,320.00
		Asset Cost	\$48,108.27
		Percent Replacement	100%
		Future Cost	\$55,770.67
		Assigned Reserves	<i>none</i>
Placed in Service	Equipment		
	January 2009		
Useful Life		10	
Replacement Year		2019	
Remaining Life		5	
		Monthly Assessment	\$218.38
		Interest Contribution	<u>\$1.19</u>
		Reserve Allocation	\$219.56

**Heat Pump-Storage Tanks 1st Floor - 2014**

		2	@ \$15,600.00
		Asset Cost	\$31,200.00
		Percent Replacement	100%
		Future Cost	\$31,200.00
		Assigned Reserves	\$31,200.00
Placed in Service	Equipment		
	December 1993		
Useful Life		15	
Adjustment		5	
Replacement Year		2014	
Remaining Life		0	
		Monthly Assessment	\$60.30
		Interest Contribution	<u>\$0.33</u>
		Reserve Allocation	\$60.63

**Hot Water Storage Tanks - 2015**

		1	@ \$37,440.00
		Asset Cost	\$37,440.00
		Percent Replacement	100%
		Future Cost	\$38,563.20
		Assigned Reserves	\$34,036.36
Placed in Service	Equipment		
	June 2004		
Useful Life		10	
Adjustment		1	
Replacement Year		2015	
Remaining Life		1	
		Monthly Assessment	\$83.60
		Interest Contribution	<u>\$28.95</u>
		Reserve Allocation	\$112.54



**Island Colony 2014  
Detail Report by Category**

**Security System-Cameras - 2018**

		1 1	@ \$68,000.00
		Asset Cost	\$68,000.00
		Percent Replacement	100%
	Equipment	Future Cost	\$76,534.60
Placed in Service	September 2013	Assigned Reserves	<i>none</i>
Useful Life	5		
Replacement Year	2018	Monthly Assessment	\$376.49
Remaining Life	4	Interest Contribution	<u>\$2.05</u>
		Reserve Allocation	\$378.54

**Transformer - 2015**

		2	@ \$46,800.00
		Asset Cost	\$93,600.00
		Percent Replacement	100%
	Equipment	Future Cost	\$96,408.00
Placed in Service	December 1979	Assigned Reserves	\$91,000.00
Useful Life	30		
Adjustment	6	Monthly Assessment	\$89.77
Replacement Year	2015	Interest Contribution	<u>\$76.67</u>
Remaining Life	1	Reserve Allocation	\$166.44

<b>Equipment - Total Current Cost</b>	<b>\$4,170,788</b>
<b>Assigned Reserves</b>	<b>\$673,157</b>
<b>Fully Funded Reserves</b>	<b>\$2,838,533</b>

**Island Colony 2014  
Detail Report by Category**

**Carpet Hallways - 2015**

		1	@ \$176,500.00
		Asset Cost	\$263,724.65
		Percent Replacement	100%
		Future Cost	\$271,636.39
		Assigned Reserves	\$246,143.01
	Building Components		
Placed in Service	June 2000		
Useful Life	10		
Adjustment	5	Monthly Assessment	\$459.85
Replacement Year	2015	Interest Contribution	<u>\$208.56</u>
Remaining Life	1	Reserve Allocation	\$668.41

**Circuit Breaker Box Replacement - 2043**

		1	@ \$270,000.00
		Asset Cost	\$272,679.11
		Percent Replacement	100%
		Future Cost	\$642,586.17
		Assigned Reserves	<i>none</i>
	Building Components		
Placed in Service	September 2013	Monthly Assessment	\$383.48
Useful Life	30	Interest Contribution	<u>\$2.08</u>
Replacement Year	2043	Reserve Allocation	\$385.56
Remaining Life	29		

**Common Hallway Doors - 2015**

		1	@ \$296,000.00
		Asset Cost	\$296,000.00
		Percent Replacement	100%
		Future Cost	\$304,880.00
		Assigned Reserves	\$287,777.78
	Building Components		
Placed in Service	December 1979	Monthly Assessment	\$283.88
Useful Life	35	Interest Contribution	<u>\$242.46</u>
Adjustment	1	Reserve Allocation	\$526.34
Replacement Year	2015		
Remaining Life	1		

**Dry Sauna Refurbishment - 2015**

		1	@ \$32,760.00
		Asset Cost	\$32,760.00
		Percent Replacement	100%
		Future Cost	\$33,742.80
		Assigned Reserves	\$30,030.00
	Building Components		
Placed in Service	June 2003	Monthly Assessment	\$68.14
Useful Life	12	Interest Contribution	<u>\$25.51</u>
Replacement Year	2015	Reserve Allocation	\$93.65
Remaining Life	1		

**Island Colony 2014  
Detail Report by Category**

<b>Electric Sub-meters - 2027</b>		1 @ \$280,000.00
		Asset Cost \$280,000.00
		Percent Replacement 100%
		Future Cost \$411,189.44
		Assigned Reserves <i>none</i>
Placed in Service	Building Components June 2012	Assigned Reserves
Useful Life	15	
Replacement Year	2027	Monthly Assessment \$594.63
Remaining Life	13	Interest Contribution <u>\$3.23</u>
		Reserve Allocation \$597.86

<b>Flooring-Bus Lane - 2015</b>		1 @ \$90,000.00
		Asset Cost \$90,000.00
		Percent Replacement 100%
		Future Cost \$92,700.00
		Assigned Reserves \$87,500.00
Placed in Service	Building Components December 1979	Assigned Reserves
Useful Life	35	
Adjustment	1	Monthly Assessment \$86.31
Replacement Year	2015	Interest Contribution <u>\$73.72</u>
Remaining Life	1	Reserve Allocation \$160.03

<b>Hallway Lighting - 2024</b>		1 @ \$26,000.00
		Asset Cost \$27,247.35
		Percent Replacement 100%
		Future Cost \$36,618.16
		Assigned Reserves <i>none</i>
Placed in Service	Building Components June 2012	Assigned Reserves
Useful Life	12	
Replacement Year	2024	Monthly Assessment \$69.90
Remaining Life	10	Interest Contribution <u>\$0.38</u>
		Reserve Allocation \$70.28

<b>Hallway Moldings - 2042</b>		37 @ \$3,800.00
		Asset Cost \$145,897.59
		Percent Replacement 100%
		Future Cost \$333,803.12
		Assigned Reserves <i>none</i>
Placed in Service	Building Components October 2012	Assigned Reserves
Useful Life	30	
Replacement Year	2042	Monthly Assessment \$207.40
Remaining Life	28	Interest Contribution <u>\$1.13</u>
		Reserve Allocation \$208.53

**Island Colony 2014  
Detail Report by Category**

**Lobby Flooring - 2030**

		1	@ \$93,600.00
		Asset Cost	\$104,068.71
		Percent Replacement	100%
		Future Cost	\$166,999.72
		Assigned Reserves	<i>none</i>
Placed in Service	Building Components June 2010		
Useful Life	20		
Replacement Year	2030	Monthly Assessment	\$193.23
Remaining Life	16	Interest Contribution	<u>\$1.05</u>
		Reserve Allocation	\$194.28

**Plumbing Repair Common Areas Contingency - 2014**

		1	@ \$25,000.00
		Asset Cost	\$25,000.00
		Percent Replacement	100%
		Future Cost	\$25,000.00
		Assigned Reserves	\$25,000.00
Placed in Service	Building Components January 2014		
Useful Life	1		
Replacement Year	2014	Monthly Assessment	\$514.37
Remaining Life	0	Interest Contribution	<u>\$2.79</u>
		Reserve Allocation	\$517.17

**Restrooms Ground Floor - 2014**

		1	@ \$20,800.00
		Asset Cost	\$20,800.00
		Percent Replacement	100%
		Future Cost	\$20,800.00
		Assigned Reserves	\$20,800.00
Placed in Service	Building Components December 1979		
Useful Life	20		
Adjustment	15	Monthly Assessment	\$34.07
Replacement Year	2014	Interest Contribution	<u>\$0.18</u>
Remaining Life	0	Reserve Allocation	\$34.25

**Island Colony 2014  
Detail Report by Category**

<b>Restrooms Rec Deck - 2014</b>		1 @ \$20,800.00
		Asset Cost \$20,800.00
		Percent Replacement 100%
		Future Cost \$20,800.00
		Assigned Reserves \$20,800.00
Placed in Service	Building Components December 1979	
Useful Life	20	
Adjustment	15	Monthly Assessment \$34.07
Replacement Year	2014	Interest Contribution <u>\$0.18</u>
Remaining Life	0	Reserve Allocation \$34.25

<b>Trash Chute-Relining - 2034</b>		1 @ \$312,000.00
		Asset Cost \$312,000.00
		Percent Replacement 100%
		Future Cost \$563,506.70
		Assigned Reserves <i>none</i>
Placed in Service	Building Components June 2004	
Useful Life	30	
Replacement Year	2034	Monthly Assessment \$510.98
Remaining Life	20	Interest Contribution <u>\$2.78</u>
		Reserve Allocation \$513.76

<b>Trellis Replacement - 2043</b>		1 @ \$750,000.00
		Asset Cost \$751,458.19
		Percent Replacement 100%
		Future Cost \$1,770,860.45
		Assigned Reserves <i>none</i>
Placed in Service	Building Components December 2013	
Useful Life	30	
Replacement Year	2043	Monthly Assessment \$1,056.80
Remaining Life	29	Interest Contribution <u>\$5.74</u>
		Reserve Allocation \$1,062.54

<b>Building Components - Total Current Cost</b>	<b>\$2,642,436</b>
<b>Assigned Reserves</b>	<b>\$718,051</b>
<b>Fully Funded Reserves</b>	<b>\$928,603</b>

**Island Colony 2014  
Detail Report by Category**

**Railings-Garage - 2040**

		1 @ \$1,100,000.00
		Asset Cost \$1,213,269.59
		Percent Replacement 100%
		Future Cost \$2,616,526.61
		Assigned Reserves <i>none</i>
Placed in Service	Railings September 2010	
Useful Life	30	
Replacement Year	2040	Monthly Assessment \$1,769.16
Remaining Life	26	Interest Contribution <u>\$9.61</u>
		Reserve Allocation \$1,778.77

**Railings-Residential Units - 2018**

		1 @ \$567,840.00
		Asset Cost \$567,840.00
		Percent Replacement 100%
		Future Cost \$639,108.92
		Assigned Reserves <i>none</i>
Placed in Service	Railings December 1979	
Useful Life	35	
Adjustment	4	Monthly Assessment \$3,143.95
Replacement Year	2018	Interest Contribution <u>\$17.08</u>
Remaining Life	4	Reserve Allocation \$3,161.03

<b>Railings - Total Current Cost</b>	<b>\$1,781,110</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$671,369</b>

**Island Colony 2014  
Detail Report by Category**

Mailboxes - 2030

	1		@ \$57,200.00
		Asset Cost	\$73,726.09
		Percent Replacement	100%
		Future Cost	\$118,308.73
		Assigned Reserves	<i>none</i>
Placed in Service	Mailboxes		
Useful Life	June 2005		
	25		
Replacement Year	2030	Monthly Assessment	\$136.89
Remaining Life	16	Interest Contribution	<u>\$0.74</u>
		Reserve Allocation	\$137.64

<b>Mailboxes - Total Current Cost</b>	<b>\$73,726</b>
<b>Assigned Reserves</b>	<b>\$0</b>
<b>Fully Funded Reserves</b>	<b>\$26,541</b>

**Island Colony 2014  
Detail Report by Category**

**Detail Report Summary**

**Grand Total**

Assigned Reserves	\$2,509,667.00
Monthly Contribution	\$36,764.17
Monthly Interest	\$1,805.99
Monthly Allocation	\$38,570.15



## Request for Taxpayer Identification Number and Certification

**Give Form to the  
 requester. Do not  
 send to the IRS.**

Print or type  
 See Specific Instructions on page 2.

Name (as shown on your income tax return) <b>AOAO ISLAND COLONY</b>	
Business name/disregarded entity name, if different from above	
Check appropriate box for federal tax classification (required): <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ <input checked="" type="checkbox"/> Other (see instructions) ▶ <b>HOME OWNERS ASSOCIATION</b> <div style="float: right;"><input type="checkbox"/> Exempt payee</div>	
Address (number, street, and apt. or suite no.) <b>800 BETHEL STREET SUITE 501</b>	Requester's name and address (optional)
City, state, and ZIP code <b>HONOLULU, HI 96813</b>	
List account number(s) here (optional)	

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number								

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Employer identification number								
9	9	-	0	1	9	4	3	1

### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

**Sign Here**

Signature of U.S. person ▶

*[Handwritten Signature]*

Date ▶ 7/5/11

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

#### Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

**Note.** If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,
- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

**Foreign person.** If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

**Nonresident alien who becomes a resident alien.** Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

**Example.** Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

**What is backup withholding?** Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

**Payments you receive will be subject to backup withholding if:**

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

### Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

### Penalties

**Failure to furnish TIN.** If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**Civil penalty for false information with respect to withholding.** If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

**Criminal penalty for falsifying information.** Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**Misuse of TINs.** If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

### Specific Instructions

#### Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

**Sole proprietor.** Enter your individual name as shown on your income tax return on the "Name" line. You may enter your business, trade, or "doing business as (DBA)" name on the "Business name/disregarded entity name" line.

**Partnership, C Corporation, or S Corporation.** Enter the entity's name on the "Name" line and any business, trade, or "doing business as (DBA) name" on the "Business name/disregarded entity name" line.

**Disregarded entity.** Enter the owner's name on the "Name" line. The name of the entity entered on the "Name" line should never be a disregarded entity. The name on the "Name" line must be the name shown on the income tax return on which the income will be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a domestic owner, the domestic owner's name is required to be provided on the "Name" line. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on the "Business name/disregarded entity name" line. If the owner of the disregarded entity is a foreign person, you must complete an appropriate Form W-8.

**Note.** Check the appropriate box for the federal tax classification of the person whose name is entered on the "Name" line (Individual/sole proprietor, Partnership, C Corporation, S Corporation, Trust/estate).

**Limited Liability Company (LLC).** If the person identified on the "Name" line is an LLC, check the "Limited liability company" box only and enter the appropriate code for the tax classification in the space provided. If you are an LLC that is treated as a partnership for federal tax purposes, enter "P" for partnership. If you are an LLC that has filed a Form 8832 or a Form 2553 to be taxed as a corporation, enter "C" for C corporation or "S" for S corporation. If you are an LLC that is disregarded as an entity separate from its owner under Regulation section 301.7701-3 (except for employment and excise tax), do not check the LLC box unless the owner of the LLC (required to be identified on the "Name" line) is another LLC that is not disregarded for federal tax purposes. If the LLC is disregarded as an entity separate from its owner, enter the appropriate tax classification of the owner identified on the "Name" line.

**Other entities.** Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name/disregarded entity name" line.

**Exempt Payee**

If you are exempt from backup withholding, enter your name as described above and check the appropriate box for your status, then check the "Exempt payee" box in the line following the "Business name/disregarded entity name," sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

**Note.** If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following payees are exempt from backup withholding:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),
  2. The United States or any of its agencies or instrumentalities,
  3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,
  4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or
  5. An international organization or any of its agencies or instrumentalities.
- Other payees that may be exempt from backup withholding include:
6. A corporation,
  7. A foreign central bank of issue,
  8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,
  9. A futures commission merchant registered with the Commodity Futures Trading Commission,
  10. A real estate investment trust,
  11. An entity registered at all times during the tax year under the Investment Company Act of 1940,
  12. A common trust fund operated by a bank under section 584(a),
  13. A financial institution,
  14. A middleman known in the investment community as a nominee or custodian, or
  15. A trust exempt from tax under section 664 or described in section 4947.

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 15.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 9
Broker transactions	Exempt payees 1 through 5 and 7 through 13. Also, C corporations.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 5
Payments over \$600 required to be reported and direct sales over \$5,000 <sup>1</sup>	Generally, exempt payees 1 through 7 <sup>2</sup>

<sup>1</sup> See Form 1099-MISC, Miscellaneous Income, and its instructions.

<sup>2</sup> However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney, and payments for services paid by a federal executive agency.

**Part I. Taxpayer Identification Number (TIN)**

**Enter your TIN in the appropriate box.** If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

**Note.** See the chart on page 4 for further clarification of name and TIN combinations.

**How to get a TIN.** If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at [www.ssa.gov](http://www.ssa.gov). You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting [IRS.gov](http://IRS.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

**Note.** Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

**Caution:** A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

**Part II. Certification**

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, below, and items 4 and 5 on page 4 indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on the "Name" line must sign. Exempt payees, see *Exempt Payee* on page 3.

**Signature requirements.** Complete the certification as indicated in items 1 through 3, below, and items 4 and 5 on page 4.

**1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983.** You must give your correct TIN, but you do not have to sign the certification.

**2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983.** You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

**3. Real estate transactions.** You must sign the certification. You may cross out item 2 of the certification.

**4. Other payments.** You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

**5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions.** You must give your correct TIN, but you do not have to sign the certification.

**Note.** If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

**Secure Your Tax Records from Identity Theft**

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

**Protect yourself from suspicious emails or phishing schemes.**

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to [phishing@irs.gov](mailto:phishing@irs.gov). You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: [spam@uce.gov](mailto:spam@uce.gov) or contact them at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft) or 1-877-IDTHEFT (1-877-438-4338).

Visit [IRS.gov](http://IRS.gov) to learn more about identity theft and how to reduce your risk.

**What Name and Number To Give the Requester**

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account <sup>1</sup>
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor <sup>2</sup>
4. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law	The grantor-trustee <sup>1</sup> The actual owner <sup>1</sup>
5. Sole proprietorship or disregarded entity owned by an individual	The owner <sup>3</sup>
6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulation section 1.671-4(b)(2)(i)(A))	The grantor*
For this type of account:	Give name and EIN of:
7. Disregarded entity not owned by an individual	The owner
8. A valid trust, estate, or pension trust	Legal entity <sup>4</sup>
9. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11. Partnership or multi-member LLC	The partnership
12. A broker or registered nominee	The broker or nominee
13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulation section 1.671-4(b)(2)(i)(B))	The trust

<sup>1</sup> List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

<sup>2</sup> Circle the minor's name and furnish the minor's SSN.

<sup>3</sup> You must show your individual name and you may also enter your business or "DBA" name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

<sup>4</sup> List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

\*Note. Grantor also must provide a Form W-9 to trustee of trust.

**Privacy Act Notice**

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.