

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
KONA ISLE
North Kona, Hawaii

REGISTRATION NO. 379

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: May 21, 1971
Expires: June 21, 1972

SPECIAL ATTENTION

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

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION FILED APRIL 16, 1971, AND INFORMATION SUBSEQUENTLY FILED AS LATE AS MAY 14, 1971. THE DEVELOPER, IN NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF CHAPTER 514, HAWAII REVISED STATUTES.

1. Kona Isle is a leasehold condominium project consisting of five (5) buildings, four (4) consisting of 3 stories and one (1) having 2 stories, having a total of seventy-nine (79) apartment units and one (1) manager's apartment. Eighty (80) parking stalls are available.
2. The Developer of the project has filed all documents and materials being necessary by the Commission for the registration of this proposed condominium project and the issuance of this Preliminary Public Report.
3. The Developer has arranged for insurance by the Federal Housing Administration pursuant to Section 234 of Title II of the National Housing Act, as amended, of individual mortgages by qualified purchasers of apartments in the project. As a condition of its providing such

insurance, the Federal Housing Administration requires that the Association of Apartment Owners enter into with that agency and record a Regulatory Agreement whereby the Association may be regulated and restricted by that agency. The Regulatory Agreement is proposed to be executed and recorded with the Declaration. Purchasers of units in the project should, therefore, familiarize themselves with the provisions of the Regulatory Agreement.

4. The basic documents (Declaration of Horizontal Property Regime, Regulatory Agreement with the Federal Housing Administration, By-Laws of the Association of Apartment Owners, and a copy of the approved Floor Plans) have not been filed in the office of the recording officer.
5. No advertising or promotional matter has been filed pursuant to the rules and regulations promulgated by the Commission.
6. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of the Horizontal Property Act, Chapter 514 of the Hawaii Revised Statutes and the Condominium Rules and Regulations which relate to Horizontal Property Regimes.
7. This Preliminary Public Report automatically expires thirteen (13) months after the date of issuance, May 21, 1971, unless a Supplementary Public Report issues or the Commission, upon review of the registration, issues an order extending the period of this report.

NAME OF PROJECT: KONA ISLE

LOCATION: The site, containing approximately 2.7253 acres is located on Alii Drive, North Kona, Island, County and State of Hawaii.

TAX MAP KEY: Third Division, 7-5-20: 11, 18

ZONING: R.M. 15 - "multiple family residential district."

DEVELOPER: KONA ISLE, a joint venture comprised of: Carlson-Morrison, Incorporated, a Washington corporation, authorized to do business in Hawaii, with its principal office in Hawaii at 466 Portlock Road, Honolulu, Hawaii, and Realty Incentive & Development Equity, a Hawaii limited partnership, whose post office address is P. O. Box 8400, Honolulu, Hawaii.

ATTORNEYS REPRESENTING DEVELOPER: Henshaw, Conroy & Hamilton (Attention: Dwight M. Rush and Ken Harimoto) 1410 First Hawaiian Bank Building, Honolulu, Hawaii 96813, Phone: 521-2611.

DESCRIPTION: The proposed Declaration of Horizontal Property Regime and plans submitted by the Developer indicate a leasehold condominium project consisting of four 3-story buildings and one 2-story building, constructed principally of wood. Each building contains the following number of floors and apartments: Building a, 2 floors with 7 apartments; Building b, 3 floors with 24 apartments; Building c, 3 floors with 24 apartments; Building d, 3 floors with 12 apartments; and Building e, 3 floors with 12 apartments. There will be seventy-nine (79) apartments designated in the spaces within the perimeter walls, floors and ceilings of each of the 79 apartment units of the project, which spaces together with appurtenant lanais, are referred to herein as "apartments," and are designated on said plans and described as follows: (1) Apartments a-1 to a-3, inclusive, are located on the first floor of Building a, and apartments a-21 to a-24, inclusive, are located on the second floor of Building a; Apartments b-1 to b-8, inclusive, are located on the first floor of Building b; apartments b-21 to b-28, inclusive, are located on the second floor of Building b; and apartments b-31 to b-38, inclusive, are located on the third floor of Building b; Apartments c-1 to c-8, inclusive, are located on the first floor of Building c; apartments c-21 to c-28, inclusive, are located on the second floor of Building c; and apartments c-31 to c-38, inclusive, are located on the third floor of Building c; Apartments d-1 to d-4, inclusive, are located on the first floor of

Building d; apartments d-21 to d-24, inclusive, are located on the second floor of Building d; and apartments d-31 to d-34, inclusive, are located on the third floor of Building d; Apartments e-1 to e-4, inclusive, are located on the first floor of Building e; apartments e-21 to e-24, inclusive, are located on the second floor of Building e; and apartments e-31 to e-34, inclusive, are located on the third floor of Building e; (2) The apartments are all constructed on the same floor plan. Each apartment consists of four (4) rooms, including 1 bedroom, a combined living room-dining room, 1 bathroom, a kitchen and a lanai, and contains approximately 622 square feet of floor area, including a lanai of approximately 56 square feet; (3) Each apartment has immediate access to the grounds of the project, or walkways across the face of the buildings, connecting to stairways which connect to the grounds and driveways of the project; and (4) The respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls, the floors and ceilings surrounding each apartment or any pipes, wires, conduits or other utility or service lines running through such apartment which are utilized for or serve any other apartment, the same being deemed common elements as herein-after provided. Each apartment shall be deemed to include all the walls and partitions which are not load-bearing within its perimeter walls, the inner decorated or finished surfaces of all walls, floors and ceilings, and all fixtures originally installed therein.

COMMON ELEMENTS: The proposed Declaration reflects that all remaining portions of the project shall comprise an estate, being described and referred to herein as the "common elements," which estate shall include the building, land on which it is located and all elements mentioned in the Horizontal Property Act which are actually constructed in the project, and specifically includes but is not limited to: (1) Said land in fee simple; (2) All foundations, columns, beams, supports, load-bearing walls, roofs, chases, entry halls, stairs, walkways, entrances and exits of said buildings; (3) All yards, grounds, landscaping and refuse areas; (4) The recreation room in Building a; (5) All parking areas; (6) All pipes, cables, conduits, ducts, electrical equipment, wiring and other central and appurtenant transmission facilities and installations over, under and across the project which serve more than one apartment for services such as power, light, gas, water, sewer, telephone and television signal distribution, if any; (7) Swimming pool and adjacent areas; (8) Buildings labeled "Shop" and "Gazebo Structure" on said map; and (9) Any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance and safety, or normally in common use.

LIMITED COMMON ELEMENTS: Certain parts of the common elements, herein called the "limited common elements," are hereby designated and set aside for the exclusive use of certain apartments, and such apartments shall have appurtenant thereto easements for the use of such limited common elements as follows:

1. The entries, stairways, hallways and walkways in any residential building of the project shall be appurtenant to and for the exclusive use of the apartments of such building; and
2. The hallways and walkways on any floor of any residential building of the project shall be appurtenant to and for the exclusive use of the apartments on such floor.

INTEREST TO BE CONVEYED TO PURCHASERS: The proposed Declaration states that each apartment shall have appurtenant thereto an undivided 1/79 fractional interest (1.2650% percentage interest) in the common elements of the project. Such interest is hereby defined and referred to herein as the "common interest." The proportionate shares of the profits and common expenses of the project and the proportionate representation for voting purposes in the Association of Apartment Owners of the project, shall be in said percentage for each apartment.

PURPOSE OF BUILDING AND RESTRICTIONS AS TO USE: The Declaration provides that the apartments shall be occupied and used only as private dwellings by the respective owners thereof, their tenants, families, domestic servants and personal guests. The apartments shall not be rented for transient or hotel purposes which are defined as (1) rental for any period less than 30 days, or

(2) any rental in which the occupants of the apartment are provided customary hotel services such as room service for food and beverage, maid service, laundry and linen or bellboy service. Except for such transient or hotel purposes the owners of the respective apartments shall have the absolute right to lease such apartments subject to all provisions of the Declaration.

OWNERSHIP OF TITLE: The Developer, in its Notice of Intention, represents that the owner of the fee title to the property committed to the project is Kalamakumu, Inc., a Hawaii corporation. A Certificate of Title issued by Title Guaranty of Hawaii, Incorporated, dated May 29, 1970, and updated to April 16, 1971, copies of which have been filed with the Commission, certifies that such representation is correct. Said property was leased by the predecessor in title of said owner to the Developer's predecessor in title by Indenture of Lease dated April 30, 1970, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 7159, page 339.

NOTE: The Developer has submitted to the Commission for examination a letter agreement, dated February 16, 1971, by and between Kalamakumu, Inc., and Carl A. Carlson and Carl A. Morrison, by the terms of which the above-mentioned Master Lease is to be amended at such time as a binding commitment is issued by the Federal Housing Commissioner to endorse apartment leases for FHA mortgage insurance. The amendment provides that the owner consents to the establishment of the Horizontal Property Regime and agrees to execute all necessary documents in connection therewith. Copies of the letter agreement and form of amendment to lease which shall be executed have been submitted to the Commission for examination.

ENCUMBRANCES AGAINST TITLE: The Certificate of Title and the Continuation of Certificate of Title issued by Title Guaranty of Hawaii, Inc., certifies that title to the land is subject to the following: Reservation in favor of the State of Hawaii of all mineral and metallic mines as reserved in Royal Patent No. 7819; Location of the seaward boundary of the property as affected by the law of the State of Hawaii; Lease dated April 30, 1968, from William P. Hodgins, Lessor, to Carl A. Carlson and Carl A. Morrison, Lessees, recorded in Liber 7159, page 339, for a term of 75 years from April 30, 1970 to and including April 29, 2045; and for any Taxes that may be due and owing and a lien on the land reference is hereby made to the Office of the Tax Assessor of the District in which the land is situated.

PURCHASE MONEY HANDLING: A copy of the executed Escrow Agreement, dated April 16, 1971, between First Hawaiian Bank as "Escrow," and Kona Isle, a joint venture, as "Seller," has been filed with the Commission. On examination, the executed Escrow Agreement, as well as the specimen Subscription and Purchase Agreement, filed with the Commission are found to be in compliance with Chapter 514, Hawaii Revised Statutes, and particularly Sections 514-36 through 514-40, H.R.S. It is incumbent on the purchaser and prospective purchaser to read and understand the Escrow Agreement before signing the Subscription and Purchase Agreement, since the Escrow Agreement prescribes the procedure for receiving and disbursing purchasers' funds. The specimen purchase agreement specifically provides that the purchaser approve said Escrow Agreement and assume the benefits and obligations therein provided.

Among other provisions, the Escrow Agreement states that a purchaser shall be entitled to a refund of his funds without interest and less Escrow's \$15.00 cancellation fee, if purchaser shall in writing request refund of his funds and any one of the following shall have occurred: (a) Escrow receives a written request from Seller to return to purchaser the funds of such purchaser held by Escrow; or (b) If purchaser's funds were obtained prior to the issuance of a Final Public Report and if there is any change in the building plans, subsequent to the execution of purchaser's contract, requiring the approval of a county officer having jurisdiction over the issuance of permits for construction, unless the purchaser has given written approval or acceptance of the change; or (c) If the request is prior to the time the Final Public Report is issued, or if after such time, the final report differs in any material respect from the Preliminary Public Report, unless the purchaser has given written approval or

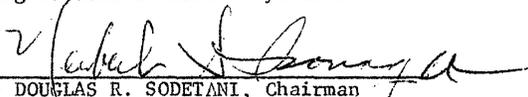
acceptance of the difference; or (d) If the Final Public Report is not issued within one year from the date of issuance of the Preliminary Public Report.

MANAGEMENT OF THE PROJECT: The proposed By-Laws which are incorporated in the proposed Declaration provide that the operation of the project shall be conducted for the Association of Apartment Owners under the direction of the Board of Directors by a responsible corporate managing agent. The proposed Declaration states that the initial managing agent shall be Carlson-Morrison, Inc.

STATUS OF PROJECT: Complete and final plans and specifications are in the process of preparation. The Developer reasonably contemplates signing a contract for construction with Carl A. Carlson and Carl A. Morrison in the near future. No commitment for interim construction financing has as yet been obtained by the Developer.

The purchaser or prospective purchaser should be cognizant of the fact that this published report represents information disclosed by the Developer in the required Notice of Intention submitted April 16, 1971, and information subsequently filed as late as May 14, 1971.

This is a PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT which is made a part of REGISTRATION NO. 379 filed with the Commission April 16, 1971. This report when reproduced shall be a true copy of the Commission's Public Report. The paper stock used in making facsimiles must be yellow.


for DOUGLAS R. SODEVANI, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

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ESCROW AGENT

May 21, 1971
Registration No. 379

