

REAL ESTATE COMMISSION

PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF REGULATORY AGENCIES

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

FINAL HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT

on
UNIT I, KE·AU·HOU KONA SURF & RACQUET CLUB
Keauhou Kona, Hawaii

REGISTRATION NO. 749

IMPORTANT — Read This Report Before Buying

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

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

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

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

Issued: July 8, 1976
Expires: August 8, 1977

SPECIAL ATTENTION

A comprehensive reading of the report is urged in order that 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:

THE REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED JANUARY 31, 1975, AND INFORMATION SUBSEQUENTLY FILED AS OF JUNE 23, 1976. THE DEVELOPER, IN NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY REGIMES LAW, CHAPTER 514, HAWAII REVISED STATUTES, AS AMENDED.

Since the issuance of the Commission's Preliminary Public Report of February 11, 1975, the Developer reports that changes have been made in the plan or setup as presented in the January 31, 1975 notice of intention to sell. The Developer has filed with the Commission amended documents covering UNIT I, KE·AU·HOU KONA SURF & RACQUET CLUB. The Developer had originally proposed to develop a condominium project consisting of 199 units, and now proposes

to develop said project in four increments as provided in the Declaration of Horizontal Property Regime for UNIT I, KE•AU•HOU KONA SURF & RACQUET CLUB. Because of the changes in the original documents, this Final Public Report amends and supersedes the Preliminary Public Report of February 11, 1975.

1. UNIT I, KE•AU•HOU KONA SURF & RACQUET CLUB is a proposed leasehold condominium project consisting of twelve (12) residential buildings and one (1) "Community Center", and containing fifty (50) apartments. Eighty-three (83) parking spaces are available as shown on the plans for said project. Each apartment unit shall have at least one (1) parking space appurtenant to it.
2. The Developer of the project has submitted to the Commission for examination all documents and exhibits deemed necessary for the issuance of this Final Public Report.
3. The basic documents (Declaration of Horizontal Property Regime, with By-Laws of Association of Apartment Owners attached, and a copy of the approved floor plans) have been recorded in the office of the recording officer.

The Declaration and By-Laws dated May 21, 1976 have been recorded in the Bureau of Conveyances of Hawaii in Liber 11480 at Page 1.

The Bureau of Conveyances has assigned Condominium Map No. 463 to the project.

4. Advertising and promotional matter have been submitted pursuant to the rules and regulations promulgated by the Commission.
5. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514, Hawaii Revised Statutes, and the Condominium Rules and Regulations which relates to Horizontal Property Regime.
6. This Final Public Report is made a part of the registration on UNIT I, KE•AU•HOU KONA SURF & RACQUET CLUB condominium project. The Developer has the responsibility of placing a true copy of the Final Public Report (white paper stock) in the hands of all purchasers and prospective purchasers and for securing a signed copy of the receipt for Horizontal Property Regime Public Report from each prospective purchaser.
7. The Final Public Report automatically expires thirteen (13) months from the date of issuance, July 8, 1976, unless a supplementary report is published or the Commission, upon review of the registration, issues an order extending the effective period of this report.

NAME OF PROJECT: UNIT I, KE•AU•HOU KONA SURF & RACQUET CLUB

LOCATION: The project is located on land at Keauhou Kona, Hawaii, and contains 5.418 acres or thereabouts. The description of the land and the reserved easements, rights, powers and privileges are more fully set forth in the Declaration.

TAX KEY: 7-8-13:3, 5, 9 and 10, Third Division

ZONING: RM-3

DEVELOPER: The Notice of Intention reveals the Developer to be KONA FIVE, a registered Hawaii joint venture, 1149 Bethel Street, Room 217, Honolulu, Hawaii, Tel. No. 531-2188. The members of the joint venture are:

MEC Hawaii Corp.
190 South King Street
Suite 946
Honolulu, Hawaii
Tel. No. 531-5016

International Management Corp.
1149 Bethel Street
Room 217
Honolulu, Hawaii
Tel. No. 531-2188

Park Investment, Inc.
190 South King Street
Suite 2085
Honolulu, Hawaii
Tel. No. 531-1676

Pacific Holiday, Inc.
1150 South King Street
Honolulu, Hawaii
Tel. No. 536-2744

Lehua Investment Corp.
1149 Bethel Street
Room 215
Honolulu, Hawaii
Tel. No. 531-2188

ATTORNEY REPRESENTING DEVELOPER: Okumura Takushi Funaki & Wee (Alfred M. K. Wong), Alexander Young Building, Suite 500, 1015 Bishop Street, Honolulu, Hawaii 96813, Tel. No. 536-1791.

DESCRIPTION OF PROJECT: The Declaration states that thirteen (13) buildings are to be constructed on said land, as shown on said Condominium Map and being designated thereon by the numbers B-1 through B-10, B-46, B-47 and the "Community Center", which will be wooden frame two-story structures, except Buildings B-3, B-7 and the Community Center, which are single-story buildings, on concrete slabs with exterior sidings and shake and gravel roofs, and will contain fifty (50) apartments. The apartments are more particularly described as follows:

(a) There are hereby established fifty (50) freehold estates in the spaces within the perimeter walls, floors and ceilings of the 50 apartments in said buildings. The 50 apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or of the interior load-bearing walls, the floors and perimeter ceilings surrounding each apartment, or any pipes, wires, ducts, conduits, or other utility or service lines running through such apartments which are utilized for or serve more than one apartment, all of which are common elements as provided in Paragraph 5 of the Declaration. Each apartment shall be deemed to include the walls and partitions which are not load-bearing and which are within its perimeter walls; doors and door frames; windows and window frames; the inner decorated or finished surfaces of walls, floors and ceilings, adjoining and connected thereto; and all fixtures originally installed therein. Notwithstanding the designation of the limits of the apartments, the square footage of each respective apartment as enumerated above is measured from the exterior face of exterior walls and the center line of party walls, and no reduction is made to account for interior loadbearing walls, ducts, vent shafts and the like, located within the perimeter walls.

(b) All apartments will be numbered and located as shown on said Condominium Map.

(c) Each of the 50 apartments will have immediate access to a walkway on the grounds of the Project.

(d) Each of the 50 apartments will be one of five (5) types, designated Models 10, 20, 30, 30R and 40, as enumerated in Exhibit "A" attached hereto and incorporated herein by reference.

(e) The number of rooms, approximate area and total number of each model in the project are enumerated in Exhibit "B" attached hereto and incorporated herein by reference.

COMMON ELEMENTS: The Declaration states that the owners of apartments will have an undivided interest in the common elements, including specifically but not limited to:

(a) Said land in fee simple.

(b) All foundations, columns, girders, beams, supports, main walls, roofs, entrances and exits of said buildings.

(c) All driveways, parking spaces, yards, gardens, and recreational facilities, including the recreational center, swimming pool, and three tennis courts.

(d) All ducts, sewer lines, electrical equipment, pipes, wiring and other central and appurtenant transmission facilities, installations which serve more than one apartment for services such as power, light, water, gas, refuse, telephone, radio and television signal distribution.

(e) All tanks, pumps, motors, fans, compressors, ducts, and, in general, all apparatus and installations existing for common use.

(f) The two (2) Heiaus, designated as Heiau Paniau and Heiau Kehau.

(g) Any and all other apparatus and installations of common use and all other parts of the project necessary or convenient to its existence, maintenance or safety, and normally in common use.

LIMITED COMMON ELEMENTS: Certain parts of the common elements, herein called and designated "limited common elements", are hereby set aside and 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. The limited common elements so set aside and reserved are as follows:

(a) One (1) or more automobile parking space shall be assigned to each of the apartments upon the original conveyance thereof and shall be appurtenant to and for the exclusive use of such apartment. Each apartment shall always have at least one parking space appurtenant to it but otherwise any automobile parking space easement may be transferred from apartment to apartment in the project. Parking spaces G-214 through G-216, 501 and 576 are compact stalls.

(b) All other common elements of the project which are rationally related to less than all of said apartments shall be limited to the use of such apartments.

INTEREST TO BE CONVEYED TO PURCHASER: Each of the fifty (50) apartments in Unit I shall have appurtenant thereto an undivided percentage interest in all the common elements of the project as shown below, such interest being defined and referred to as the "common interest" and the same proportionate share in all common profits and expenses of the project and for all other purposes, including voting.

| | |
|---|---------|
| One Bedroom Apartments (Models 10, 10R, 20 and 20R) | 1.367% |
| Two Bedroom Apartments (Models 30 and 30R) | 2.062% |
| Two Bedroom Apartments- Ocean Front (Models 30 Ocean and 30R Ocean) | 2.123% |
| Three Bedroom Apartments (Models 40 and 40R) | 2.4945% |

Upon merger of additional increments, the common interest for each apartment shall change in accordance with paragraph 18 of the Declaration.

PURPOSES AND RESTRICTIONS: The purposes for which said buildings and other improvements and each of the apartments are intended and shall be restricted as to use are as follows:

(a) The common interest and easements appurtenant to each apartment shall have a permanent character, shall not be altered without the consent of all owners of apartments affected thereby and Lessor as expressed in an amendment to the Declaration duly recorded, except as provided in paragraph 8 of said Declaration, shall not be separated from such apartment and shall be deemed to be conveyed or encumbered with such apartment even though not expressly mentioned or described in the conveyance or other instrument; excepting, however, the exclusive easements for the use of parking stalls. As long as at all times (or, in the case of an exchange of parking stalls between apartments, immediately subsequent to such an exchange) there shall be at least one (1) parking stall appurtenant to each apartment, any such exclusive easement for the use of a parking stall may be conveyed to another apartment owner by a written instrument expressly identifying the apartment to which the parking stall is appurtenant as well as the apartment to which the parking stall will become appurtenant, which written instrument shall be denominated as an amendment of the Declaration and of the leases of each apartment affected. Such amendment need only be executed by lessees directly affected and Lessor. The Lessor's joinder in such amendment will be necessary, but such joinder will not unreasonably be withheld, although a reasonable service charge may be made therefor. To the extent that the joinder of apartment owners in addition to those directly affected may be required in order to validate the amendment of declaration for the limited purpose of transferring such easements, such joinder shall be accomplished by power of attorney from each of the owners not affected to the affected owners, the acceptance of ownership of an apartment subject to the Declaration being a grant of such power and the grant, being coupled with an interest, being irrevocable. The transfer, amendment of declaration and amendment of leases shall be effective upon recording of the same in the Bureau of Conveyances of the State of Hawaii. A copy of said conveyance and amendment of declaration and lease shall be given to both the Lessor and the Association by the affected owners within fifteen (15) days of the filing thereof.

(b) The common elements shall remain undivided, and no right shall exist to partition or divide any part thereof except as provided by said Horizontal Property Act.

(c) The apartments shall be occupied and used only for residential purposes and no apartment shall be used as a tenement or rooming house or for or in connection with the carrying on of any business, trade or profession whatsoever. The foregoing notwithstanding, the Owners of the respective apartments shall have the absolute right to lease such apartments for residential or resort rental purposes on a daily or longer term subject to all provisions of this Declaration.

(d) Administration of the project shall be vested in its Association of Apartment Owners, herein called the "Association", consisting of all apartment owners of the project in accordance with the By-Laws of the Association. The owner of each apartment upon acquiring title thereto automatically shall become a member of the Association and shall remain a member thereof until such time as his ownership of such apartment ceases for any reason, at which time his membership in the Association automatically shall cease; provided, however, that if and to the extent a lease of any apartment filed with the Board of Directors of the Association so provides, the lessee of such apartment shall be deemed to be the owner thereof.

MERGER OF ADDITIONAL INCREMENTS: The Declaration provides that Unit I may be merged with up to three (3) additional increments as set forth in Paragraph 18 of said Declaration, which provides as follows:

(a) Any provision of the Declaration to the contrary notwithstanding, the Lessor and Developer shall have the right at their option to amend the project, by way of merger, as hereinafter provided, at any time up to, but not later than January 1, 1982, by the construction and addition to the Project of up to one hundred fifty (150) additional apartments, together with such supporting and servicing common elements which the Lessor and Developer determine in their discretion are beneficial to the project, on up to an additional approximate 10,367 acres of adjoining land; such additions may be added in three increments as follows:

(1) Increment II. Approximately fifty-one (51) apartments on approximately 3.533 acres of land described in said Declaration.

(2) Increment III. Approximately forty-seven (47) apartments, on approximately 3.320 acres of land described in said Declaration.

(3) Increment IV. Approximately fifty-one (51) apartments and the Heiau known as the Inikiwai Fisherman's Heiau as a common element on approximately 3.514 acres of land described in said Declaration.

(b) The project described herein is the first increment of a proposed four (4) increment project as described in this paragraph 18, which may be developed in two or more increments, all at the option of the Lessor and Developer. The purpose of the merger provisions of this paragraph 18 is to provide for a merger of all increments just as if the increments involved had been developed as one single project. A merger may occur with respect to the second increment or any subsequent increments, or any one of them, at the same or different times and merger with respect to one of said increments shall not affect the right of the Lessor and Developer to merge another increment or increments at a later date subject to all of the provisions of this Declaration.

(c) Merger shall take effect with respect to a particular additional increment upon the happening of all of the following conditions with respect thereto:

(1) Recordation in the Bureau of Conveyances of the State of Hawaii by the Lessor and Developer of a Declaration of Horizontal Property Regime and By-Laws covering the additional increment in a form substantially identical hereto (except for the descriptions of apartments and the common elements and the percentage of common interest therein) and a Condominium File Plan depicting the plot and floor plans of the additional increment, both complying with the requirements of Chapter 514, Hawaii Revised Statutes, as amended; and

(2) Recordation in the Bureau of Conveyances of the State of Hawaii by the Lessor and Developer of a "Certificate of Merger", which certificate shall contain:

(i) A certification by a Hawaii registered architect or professional engineer depicting fully the layout, location, apartment numbers and dimensions of the apartments as built;

(ii) A certification by Developer that the increment has been substantially completed, that a notice of completion has been filed and that the period for filing of mechanics' and materialmen's liens has expired;

(iii) The common interest of each apartment of the project after completion of the subject merger; and

(iv) A revised plot plan showing the location of the buildings of the project after completion of the subject merger.

(d) The percentage of common interest of each apartment upon merger with an additional increment shall be calculated by dividing such apartment's floor area by the floor area of all apartments in the project after merger; provided, however, that for the purpose of computing the percentage of common interest, the floor area for each apartment fronting the ocean shall be the actual floor area plus 3% of such floor area, and the floor area for each Model 40 and 40R apartment shall be the actual floor area minus the quotient of the total floor area added to all apartments fronting the ocean divided by the total number of Model 40 and 40R apartments. The "floor area" of an apartment includes the total square feet of the apartment and its lanai, if any. The Developer and Lessor may add or subtract up to .0009% to one apartment owned by Developer, at their discretion, for the sole purpose of ensuring that the total common interest for all apartments equal 100%.

(e) From and after the date of the recordation of the said Certificate of Merger with respect to a particular additional increment, the following consequences shall ensue:

(1) Use of Common Elements. The apartments in each of the merged increments shall have the right to use the common elements in each increment to the same extent and subject to the same limitations as are imposed upon an apartment in each increment just as though the merged increments had been developed as one increment.

(2) Board of Directors. The Board of the project immediately prior to the merger of a particular additional increment shall govern the merged project after completion of the merger; at a special meeting called for the purpose after the merger, the apartment owners may remove the said existing Board and elect a Board to govern the merged project until the next annual meeting. Procedures for calling and holding such meetings shall be those as set forth in the By-Laws.

(3) Interpretation. For purposes hereof, each of the merged increments shall be treated as part of a single project developed as a whole from the beginning, and there shall be only one Association of Apartment Owners and one Board, and the Declaration of Horizontal Property Regime and By-Laws applicable to each merged increment shall be construed as one document applicable to the entire project constituting the merged increments except to the extent expressly otherwise provided for therein. It is the purpose hereof to provide that from and after the date of each merger all of the property so merged shall be treated as though it had been developed, divided into apartments, held, occupied and used by the owners thereof as a single undivided project.

(f) Such additional apartments and common elements of each additional increment shall be located on said additional land, or part thereof, of their respective increment as determined by the Lessor and Developer in their discretion, with reference, however, to the advice of a registered architect or professional engineer. The Developer and Lessor shall for all purposes be deemed the "apartment owner" as to such additional apartments.

(g) In connection with, and only to the extent necessary for the creation of such additional apartments and common elements, as aforesaid, the Lessor and Developer shall have the right up to January 1, 1982 or upon merger of all four increments, whichever shall first occur, to remove, amend or add common elements; to remove, amend or add parking spaces; to enter upon the project premises with employees, agents and contractors for all purposes reasonably necessary for or useful to constructing and completing said additional apartments and common elements according to plans and specifications or amended plans and specifications approved by the

officer of the County of Hawaii having jurisdiction over the issuance of building permits; to connect the said additional apartments and common elements to utilities of the project, to file amendments to the Declaration for purposes of certifying condominium file plans filed as reflecting the improvements shown therein to be "as built"; to sell or designate lessees of the said additional apartments. Such rights shall include the following:

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

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

(3) The right to enter the Community Center swimming pool, tennis courts and other common areas of the project for the purpose of showing prospective purchasers of apartments in the project or in undeveloped increments the facilities of the project;

(4) The right to place signs upon the project and on undeveloped increments in conjunction with sales of apartments;

(5) The right of the Developer to use any apartment owned or rented by Developer for sales or display purposes until all apartments in all increments are sold.

(h) In the event of each merger as aforesaid, each owner of a then added apartment shall be required to advance to the Association, as constituted after merger, upon filing of the respective Certificate of Merger, an amount equal to the average existing apartment's share of funds on deposit immediately prior to such merger with the Association hereby created for operation of the merged project, including the Maintenance Reserve Fund, but excluding funds which will be expended during the next 30 days.

(i) The Lessor and Developer shall have the right to execute, acknowledge and deliver any and all instrument necessary or appropriate for the purpose of carrying out the provisions and exercising the rights, powers and privileges granted by this paragraph 18, all as the true and lawful attorney-in-fact of the respective owners from time to time of the partments of the project as herein originally constituted or as merged as aforesaid.

(j) No apartment owner in the project shall enter into or offer to enter into any arrangement with any other apartment owner in the project whereby any rental pool of apartments or any other sharing of rental income of apartments is established. This restriction shall terminate on the earlier of:

(1) January 1, 1982, or

(2) The date on which all apartments in all increments have been developed and sold by Developer. Developer may at any time waive this restriction by written notice to all apartment owners in the project.

(k) After completion of the merger of the prior increment or increments with the additional increment as provided in this paragraph 18, Lessor and Developer shall have the irrevocable right to amend the Declaration for each increment in its entirety so that there shall be one amended Declaration for all increments for the sole purpose of showing the merged project with a consolidated description of the land, buildings, apartments, common elements, limited common elements and common interests, without otherwise changing the form or content of such Declarations and By-Laws, and the apartment owners hereby give Lessor and Developer their irrevocable power of attorney coupled with an interest to amend the Declaration for this purpose. Upon the filing of such amended Declaration in said Bureau of Conveyances, the Developer shall provide a copy of such amended Declaration to the Managing Agent for the project and each apartment owner at his or her last-known address by certified mail. If more than one person owns an apartment, mailing of the amended Declaration to one of the owners shall be sufficient. After the last increment is merged in the project, the amended Declaration shall omit this paragraph 18.

(l) If any one or more of the provisions of this paragraph 18 shall be declared to be contrary to law, then such provision or provisions shall be null and void and shall be deemed separable from the remaining provisions of this paragraph 18 and shall in no way affect the enforceability of any other provisions hereof.

OWNERSHIP OF TITLE: The Developer reports that title to the land is vested in Kamehameha Development Corporation, a Hawaii corporation. The Preliminary Report dated May 21, 1976, issued by Title Guaranty of Hawaii, Incorporated confirms such ownership.

ENCUMBRANCES AGAINST TITLE: The Preliminary Report dated May 21, 1976, issued by Title Guaranty of Hawaii, Incorporated, reports that title to the land is subject to the following:

1. For real property taxes that may be due and owing, reference is hereby made to the Office of the Tax Assessor, Third Division.

2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

3. As to Unit IA:

(a) Location of the seaward boundary in accordance with the law of the State of Hawaii.

(b) Easements as shown on map prepared by Masao Kawahara, Registered Professional Surveyor, dated January 19, 1976, designated as follows:

Easement 1 for utility purposes.
Easement 2 for sanitary sewer purposes.
Easement 3 for roadway and utility purposes.
Easement 4 for utility purposes.
Easement 5 for waterline purposes.
Easement 6 for sanitary sewer purposes.
Easement 7 for walkway and cartway purposes.

4. As to Unit I-B:

Easements as shown on said map prepared by Masao Kawahara, designated as follows:

Easement 9 for public and access purposes.
Easement 18 for roadway and utility purposes.
Easement 19 for waterline purposes.

5. The terms, conditions and provisions contained in that certain Joint Venture Agreement dated June 20, 1974, by MEC Hawaii Corporation, International Management Corporation, Park Investment, Inc., Pacific Holiday, Inc. and Lehua Investment Corporation, all Hawaii corporations, of which a short form is dated August 21, 1975 and recorded in Liber 10864 at Page 233.

6. "Excepting and reserving to Lessor out of this demise an easement for pedestrian and vehicular (bicycles, golf carts, pedicabs, tractor trains and other small service vehicles) passage for access between the demised premises and the golf course, hotels, shopping areas and other points of interest in the Keauhou Resort project, including the right to enter said premises and to construct, amend and repair such pathway-cartway, in, over and across a strip of land of varying widths of seven to eleven feet, generally along the alignment shown on the sketch attached hereto.", as excepted and reserved in Lease dated July 8, 1975 and recorded in Liber 10895 at Page 513.

7. Terms, agreements, reservations, covenants, conditions and provisions contained in Lease dated July 8, 1975, recorded in Liber 10895 at Page 513, made by and between Kamehameha Development Corporation, a Hawaii corporation, as Lessor, and MEC Hawaii Corporation, International Management Corporation, Park Investment, Inc., Pacific Holiday, Inc. and Lehua Investment Corporation, all Hawaii corporations, the General Partners of Kona Five, a Hawaii general

partnership, as Lessee, for a term of 58 years commencing on July 1, 1973.

8. Mortgage and Security Agreement dated September 29, 1975 and recorded in Liber 10936 at Page 315, made by and between said MEC Hawaii Corporation, et al., the General Partners of Kona Five, as Mortgagor, and City Bank, a Hawaii corporation, as Mortgagee.

9. Second Mortgage and Security Agreement dated March 30, 1976 and recorded in Liber 11322 at Page 327, made by and between said MEC Hawaii Corporation, et al., the General Partners of Kona Five, as Mortgagor, and Servco Financial Corp., a Hawaii corporation, as Mortgagee.

PURCHASE MONEY HANDLING: A copy of the specimen Sales Contract and the newly executed Escrow Agreement dated May 25, 1976, have been submitted as part of the registration. The Escrow Agreement identifies Title Guaranty Escrow Services, Inc. as the Escrow. Upon examination, the Sales Contract and the executed Escrow Agreement are found to be in compliance with Chapter 514-35 through 514-40, Hawaii Revised Statutes. It is incumbent upon the purchaser and prospective purchaser that he reads with care the specimen Sales Contract and the executed Escrow Agreement. The latter agreement establishes how the proceeds from the sale of apartments and all sums received from any source are placed in escrow, as well as the methods of disbursement of said funds.

The specimen Sales Contract also provides in part:

1. If the project is not completed and ready for occupancy two (2) years from the date of the Sales Contract, said contract shall terminate and all payments made by Buyer under said contract shall be refunded without deduction or interest. Upon tender of such refund to Buyer, Seller and Buyer shall be released from all obligations to each other under the Sales Contract;

2. That the apartment lease requires that Buyer join the Keauhou-Kona Resort Association at a fee of \$1.50 per month and that this Association is separate from the Association of Apartment Owners;

3. That Buyer, through the Association of Apartment Owners, will maintain and repair the archaeological features and the two Heiaus located in the project and one Heiau located in Unit IV as provided in the Declaration in a manner which will preserve the historical significance of the archaeological features and the three Heiaus;

4. That the land on which the project is located is subject to Ordinance No. 595 of the County of Hawaii, State of Hawaii, which requires, among other things, that development occur in four increments of 50 apartments each. Zoning for subsequent increments shall become effective only after substantial development has occurred in the previous increment. In the event that the County of

Hawaii refuses further zoning at any time prior to the completion of all 199 apartments, the Seller reserves the right to amend all condominium documents to reconstitute the condominium project over the number of apartments permitted to be built and completed. The land covered by the project shall be subdivided and the undeveloped lands shall be removed from the Horizontal Property Regime, provided, however, that the Seller shall have the right to reserve easements for road, drainage, sewer and utility purposes over the common elements of the project in favor of the remaining parcel or parcels excluded from the Horizontal Property Regime.

5. That all the rights of the Buyers are and shall be subject and subordinate to the liens of any mortgage(s), advances or sums heretofore or hereafter made to finance the construction and other costs of the Project.

MANAGEMENT AND OPERATIONS: The Declaration discloses that the administration of the project shall be vested in the Association of Apartment Owners. Operation of the project shall be conducted for the Association by a responsible corporate Managing Agent who shall be appointed by the Association in accordance with the By-Laws except that the initial Managing Agent shall be appointed by the Developer. International Management Corporation, whose principal place of business and post office address is 1149 Bethel Street, Room 217, Honolulu, Hawaii, has been named as the initial Managing Agent. The Management Agreement shall be for a term of one (1) year from the date of execution and may be terminated by the Board of Directors on behalf of the Association upon thirty (30) days written notice and by the Managing Agent upon ninety (90) days written notice.

MANAGER'S UNIT: There will be no manager's unit as part of the common elements, but Developer will make available to the Association of Apartment Owners an apartment on a rental basis for use by the Managing Agent for a period of two years at fair rental value. The Association may purchase such apartment from Developer at fair market value within said two-year period.

HOUSE RULES: The proposed House Rules provides in part that the occupancy of any apartment shall be limited to: 1-bedroom unit, 4 persons; 2-bedroom unit, 6 persons; 3-bedroom unit, 8 persons.

FINANCING OF PROJECT: Construction of the project is being financed by City Bank. The Developer has also obtained a commitment from First Federal Savings and Loan Association of Hawaii for permanent financing for the project.

STATUS OF PROJECT: As of May 10, 1976 nine of the thirteen buildings were completed or over 95% completed. The Developer intends to file notices of completion for each completed building and obtain the required certificate of occupancy for each completed building in order to close the sales of completed units. The estimated date of completion of all the units in the project is December 31, 1976.

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 January 31, 1975.

The FINAL HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is

made a part of REGISTRATION NO. 749.

This report when reproduced shall be a true copy of the Commission's public report. The paper stock used in making facsimiles must be white in color.

for 
AH KAU YOUNG, CHAIRMAN
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:

DEPARTMENT OF TAXATION
BUREAU OF CONVEYANCES
PLANNING COMMISSION, COUNTY OF HAWAII
FEDERAL HOUSING ADMINISTRATION
ESCROW AGENT

Registration No. 749

July 8, 1976

EXHIBIT "A"

| <u>Building No.</u> | <u>Apartment No.</u> | <u>Model</u> | |
|---------------------|----------------------|--------------|-------|
| B-1 | 1 | 30) | Ocean |
| | 2 | 30) | |
| | 3 | 30) | |
| | 4 | 30) | |
| | 5 | 30) | |
| B-2 | 6 | 30R | |
| | 7 | 30R | |
| | 8 | 30R | |
| | 9 | 30R | |
| | 10 | 30R | |
| B-3 | 11 | 20 | |
| | 12 | 10 | |
| | 13 | 10 | |
| | 14 | 10 | |
| | 15 | 10 | |
| B-4 | 16 | 30 | |
| | 17 | 30 | |
| B-5 | 18 | 10 | |
| | 19 | 10 | |
| | 20 | 30 | |
| | 21 | 30 | |
| | 22 | 10 | |
| B-6 | 23 | 20 | |
| | 24 | 40 | |
| | 25 | 40 | |
| | 26 | 40 | |
| | 27 | 40 | |
| B-7 | 28 | 10 | |
| | 29 | 10 | |
| | 30 | 20 | |
| B-8 | 31 | 30R | |
| | 32 | 30R | |
| | 33 | 30R | |
| | 34 | 30R | |
| B-9 | 35 | 40 | |
| | 36 | 40 | |
| B-10 | 37 | 40 | |
| | 38 | 40 | |
| | 39 | 40 | |
| | 40 | 40 | |
| B-46 | 190 | 30) | Ocean |
| | 191 | 30) | |
| | 192 | 30) | |
| | 193 | 30) | |
| | 194 | 30) | |
| B-47 | 195 | 30) | Ocean |
| | 196 | 30R) | |
| | 197 | 30R) | |
| | 198 | 30R) | |
| | 199 | 30R) | |

EXHIBIT "B"

| <u>MODEL</u> | <u>NO. OF ROOMS</u> | <u>APT. AREA</u> | <u>LANAI AREA</u> | <u>TOTAL AREA</u> |
|--------------|---|------------------|-------------------|-------------------|
| 10 10R* | 4, living/dining room, kitchen, one bedroom, one bath | 597.2 sq. ft. | 52.8 sq. ft. | 650 sq. ft. |
| 20 20R* | 4, living/dining room, kitchen, one bedroom, one bath | 597.2 sq. ft. | 52.8 sq. ft. | 650 sq. ft. |
| 30 30R* | 6, living/dining room, kitchen one bath on first floor, and two bedrooms and one bath on second floor | 920.6 sq. ft. | 59.4 sq. ft. | 980 sq. ft. |
| 40 40R* | 7, living/dining room, kitchen, one bedroom, one bath on first floor, and two bedrooms and one bath on second floor | 1,170.6 sq. ft. | 59.4 sq. ft. | 1,230 sq. ft. |

*NOTE: Models 10R, 20R, 30R and 40R are mirror images of Models 10, 20, 30 and 40, respectively.

There are no 10R, 20R and 40R Models in Unit I.

Total number of each Model in the project:

| <u>Model</u> | <u>Total Number</u> |
|------------------|----------------------|
| 10 | 9 Apartments |
| 20 | 3 Apartments |
| 30 and 30R | 13 Apartments |
| 30 and 30R Ocean | 15 Apartments |
| 40 | <u>10 Apartments</u> |
| | 50 Apartments |