

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

HALE PAAKAI I
Alii Drive, North Kona, Hawaii

REGISTRATION NO. 875

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 7, 1976

Expires: November 7, 1977

SPECIAL ATTENTION

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

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED AUGUST 24, 1976, AND ADDITIONAL INFORMATION SUBSEQUENTLY FILED WITH THE COMMISSION AS OF SEPTEMBER 30, 1976. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF CHAPTER 514, HAWAII REVISED STATUTES.

1. HALE PAAKAI I is a proposed fee simple condominium project consisting of a single building with four (4) levels including the ground level which will be the parking level, containing a total of six (6) residential apartments, all in accordance with plans filed with the Real Estate Commission. The project will contain not less than six (6) parking spaces, and each apartment will 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 deemed necessary for the issuance of this Preliminary Public Report.
3. No advertising or promotional matter has been submitted pursuant to the rules and regulations promulgated by the Commission.
4. The basic documents (Declaration of Horizontal Property Regime, By-Laws of Association of Apartment Owners, and a copy of the approval floor plans) have not been recorded in the Office of the Recording Officer.
5. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514 of the Hawaii Revised Statutes and the condominium rules and regulations which relate to horizontal property regimes.
6. This Preliminary Public Report automatically expires thirteen (13) months after date of issuance, October 7, 1976, unless a Final or Supplementary Public Report issues or the Commission, upon review of the registration, issues an order extending the effective period of this Report.

NAME OF PROJECT: HALE PAAKAI I

LOCATION: The land submitted to the Regime (Lot B) is located in Kuhului 1st and Waiaha 2nd, North Kona, Hawaii.

NOTE: Lot B, the parcel of land submitted to the Regime, is under the operation and provisions of Chapter 501 of the Hawaii Revised Statutes, and title to Lot B is registered under said Chapter. Lot B was determined to contain a total area of 13,800 square feet pursuant to Land Court Application 1612, and a Transfer Certificate of Title was issued by the Land Court showing the area of Lot B as 13,800 square feet. The description of Lot B in the Declaration, and in the Apartment Deed, Consent, Special Power of Attorney and Agreement, provides that the area of Lot B is subject to the location of the seaward boundary in accordance with the law of the State of Hawaii. A recent survey of Lot B has been made applying the existing generally accepted

standards for the location of the seaward boundary, and that survey indicates a total area for Lot B of 10,005 square feet more or less, which is 3,795 square feet less than the area indicated on the Transfer Certificate of Title.

TAX MAP KEY: Third Division, 7-5-19-27

ZONING: V-125

DEVELOPER: La'a Kai Corporation, a Hawaii corporation, whose principal place of business is in Kailua-Kona, Hawaii and whose mailing address is P. O. Box 1686, Kailua-Kona, Hawaii, telephone number 329-3521. The officers of the corporation are:

Harry M. Knight	President and Treasurer
Dennis W. Haserot	Vice President and Assistant Secretary
David C. Laxson	Secretary

ATTORNEY REPRESENTING DEVELOPER: CARLSMITH, CARLSMITH, WICHMAN AND CASE, 121 Waiianuenu Avenue, Hilo, Hawaii 96720 (Attention: Michael J. Medeiros), telephone number 935-6644.

DESCRIPTION: The project will consist of a single residential building with four levels (including the ground level which will be the parking level, but no basement) and will contain six (6) apartments. The building will be constructed principally of a concrete floor slab on ground level, reinforced concrete on second level, lightweight concrete with mesh on three-fourth inch plywood diaphragm on floor joists on third and fourth levels and roof; concrete, wood, steel, glass, aluminum, gypsum board and allied building materials.

The respective apartments shall not be deemed to include the walls, interior load-bearing walls, or the interior party walls, the floors and ceiling surrounding each apartment or any pipes, shafts, wires, conduits or other utility or service 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 apartment shall be deemed to include all the walls and partitions within its perimeter walls; all glass windows, doors or panels along the perimeters; the unfinished exterior of all perimeter non-party walls; the interior half of perimeter party walls; the adjacent lanais to the exterior unfinished edge of each lanai; the inner or decorated or finished surfaces of all floors and ceilings; provided, however, that the portion of each perimeter wall and of load-bearing wall included in any apartment shall be a common element (except for the inner decorated surface of such wall within said apartment, which surfaces shall not be a common element).

Each apartment has immediate access to an entry on one end of the apartment and a vestibule on the other end. Each entry has access to the parking level and the grounds by means of a stairway and an elevator. Each vestibule has access to the parking level and the grounds by means of a stairway.

DESCRIPTION, AREA AND NUMBERING OF APARTMENTS. The building contains six (6) apartments, consisting of three (3) Unit A apartments and three (3) Unit B apartments. Each apartment will contain seven rooms consisting of a living/dining area, a kitchen, a full bathroom, a three-fourths bathroom, a dressing area, a bedroom, and a study/guest room. Each apartment will also contain a bedroom lanai, a living/dining lanai, a storage closet, an enclosed clothes washer-dryer space and a hall. In addition each Unit A apartment will contain a walk-in wardrobe closet and each Unit B apartment will contain a wardrobe closet.

Each Unit A apartment will contain an area of approximately 1,591.65 square feet including the living/dining lanai (240.13 square feet) and the bedroom lanai (90.85 square feet).

Each Unit B apartment will contain an area of approximately 1,426.58 square feet including the living/ dining lanai (223.70 square feet) and the bedroom lanai (93.75 square feet).

There will be two (2) apartments on each level of the building and each level is given a floor number from one through three in ascending order. The apartment on each level on the Ka'u side of the building will be a Unit A apartment and the apartment on each level on the Kohala side of the building will be a Unit B apartment. Each apartment number has a letter and one digit. The letter corresponds to the type of apartment with the letter "A" applying to Unit A apartments and the letter "B" to Unit B apartments. The numeral corresponds to the level on which the apartment is situated. For example, Apartment A-1 is a Unit A apartment situated on the Ka'u side of the building on the first level and Apartment B-3 is a Unit B apartment situated on the Kohala side of the building on the third level. The apartment type and numbers are listed below:

<u>APARTMENT UNIT TYPE</u>	<u>APARTMENT NUMBERS</u>
A	A-1, A-2, A-3
B	B-1, B-2, B-3

The floor areas were arrived at by taking the measurement to the exterior unfinished surface of all perimeter non-party walls, the interior half of perimeter party walls, and to the exterior unfinished edge of each adjacent lanai, without exclusions for interior walls, ducts, and other interior construction or equipment within such areas.

COMMON ELEMENTS: The common elements will include the limited common elements and all other portions of the project other than the apartments, and all elements mentioned in the Horizontal Property Act which are actually included in the project including specifically but not limited to:

(a) The land in fee simple described in Exhibit A attached to the Declaration;

(b) All foundations, floor slabs, columns, girders, beams, supports, load-bearing walls and perimeter walls (except the inner decorated surface of such wall within each unit, which surfaces shall not be a common element), roofs, stairs, stairways, walkways, hallways, corridors, entrances and exits, entries and vestibules;

(c) All parking areas and driveways;

(d) All yards, planting areas and any common recreational facilities;

(e) All storage rooms, equipment and electrical rooms and trash storage areas;

(f) All central appurtenant installations for common services including power, light, water and telephone, including but not limited to any pipe, shafts, wires, conduits or other utility or service line running through any apartment that are utilized for or serve more than one apartment;

(g) The elevator and all other apparatus and installations existing for common use;

(h) All other parts of the project necessary or convenient to its existence, maintenance, safety or normally in common use.

LIMITED COMMON ELEMENTS: Certain parts of the common element called "Limited Common Elements" are set aside and reserved 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:

(a) Each apartment shall have appurtenant to it the parking stall and storage space bearing the number corresponding to such apartment's number as designated on the condominium map.

(b) On each level, except the parking level, the entry and vestibule shall be appurtenant to and for the exclusive use of the apartments located on such level.

(c) In the event of a merger of the project with certain other property as provided in the Declaration, the elevator located within the building shall be appurtenant to and for the exclusive use of the apartments located within the building. The costs and expenses of every description pertaining to the elevator, including but not limited to the costs of maintenance, repair, replacement and improvement shall be charged in full to the apartment owners of the apartments in the building in proportion to the common interest appurtenant to their respective apartments.

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 social guests, and for no other purpose.

NOTE: The House Rules limits occupancy to not more than two (2) persons per bedroom and/or guests rooms contained in each apartment.

INTEREST TO BE CONVEYED TO PURCHASER: Subject to any adjustment upon a merger as described in paragraph 15 of the Declaration, each apartment shall have appurtenant thereto an undivided percentage interest in all common elements of the project and the same proportionate share in all common profits and expenses of the project and for all other purposes including voting as set forth below:

<u>Apartment Number</u>	<u>Percentage Interest</u>
A-1, A-2	17.5781%
A-3	17.5783%
B-1, B-2	15.7551%
B-3	15.7553%

OWNERSHIP TO TITLE: The notice of intention reflects that legal title to the land is vested in Eileen Helani Hoapili but is subject to an Agreement of Sale dated December 31, 1973 in favor of Harry Martin Knight. By Assignment of Agreement of Sale dated May 23, 1975, Harry Martin Knight assigned all of his right, title and interest in and to the said Agreement of Sale dated December 31, 1973 and to the real property covered thereby to Developer.

ENCUMBRANCES AGAINST TITLE: The Developer has filed with the Commission a Preliminary Title Report prepared by Title Guaranty of Hawaii, Incorporated dated July 13, 1976. The Report reflects the following:

1. For any taxes that are due and owing, reference is made to the Office of the Tax Assessor, Third Division.
2. Location of the seaward boundary in accordance with the law of the State of Hawaii.

3. Agreement of Sale: Eileen Helani Hoapili to Harry Martin Knight dated December 31, 1973, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document Number 664,553 and noted on Transfer Certificate of Title Number 77,210. The foregoing Agreement of Sale was assigned by Harry Martin Knight to La'a Kai Corporation by Assignment of Agreement of Sale dated May 23, 1975, which Assignment was consented to by Eileen Helani Hoapili by Consent dated May 23, 1975. Both of said Assignment and Consent were filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document Number 772,774 and 772,775 respectively, and noted on Transfer Certificate of Title Number 77,210.

NOTE: By Instrument dated June 21, 1974 and filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document Number 689,586 Eileen Helani Hoapili assigned all of her right, title and interest in and to said Agreement of Sale dated December 31, 1973, to the Bank of Hawaii as collateral security.

4. Notice of Federal Tax Lien dated March 25, 1975 against Harry M. Knight in the amount of \$40,177.54 recorded in the Bureau of Conveyances of the State of Hawaii in Liber 10543 at Page 331.

NOTE: Developer has informed the Real Estate Commission that the tax lien will be removed prior to the conveyance of any apartment.

MERGER OPTION BY DEVELOPER: As provided in the Declaration, the Developer has reserved the right, to be exercised not later than December 31, 1980, to merge certain property (the "Other Property" described in the Declaration) with and into the project. The purchaser or prospective purchaser is referred to paragraph 15 of the Declaration for a complete explanation of the terms and conditions of Developer's reserved option to merge the Other Property with the project.

PURCHASE MONEY HANDLING: A copy of the Escrow Agreement, dated August 10, 1976, between Title Guaranty Escrow Services, Inc., a Hawaii corporation, as "Escrow" and the Developer as "Seller" has been submitted to the Commission as part of the registration. On examination, the Sales Contract, in specimen form, and the executed Escrow Agreement are found to be in compliance with Chapter 514, Hawaii Revised Statutes, and particularly Sections 514-15(6) and 514-36 through 514-40.

The provisions of the Escrow Agreement are to be carefully read and understood as follows:

If, at the time of execution of the Sales Contract, a Final Public Report has not been issued by the Real Estate Commission

of the State of Hawaii with respect to the property, then the following limitations shall apply:

(a) Purchaser's funds obtained prior to the issuance of a Final Public Report shall be refunded promptly on purchaser's request for refund if subsequent to the execution of the Sales Contract there is any change in the condominium building plans which change requires the approval of the County Officer having jurisdiction over the issuance of permits for construction of buildings, unless purchaser's written approval or acceptance of the specific change is obtained.

(b) All rights under the Sales Contract shall not become enforceable against the purchaser until purchaser has had a full opportunity to read the Real Estate Commission's Final Public Report on the Project, and to obtain refund of any moneys paid by the purchaser as well as a release from all obligations under the Sales Contract if the Final Public Report differs in any material respect from the Preliminary Report.

(c) If the Final Public Report is not issued within one (1) year from the date of issuance of the Preliminary Report, the purchaser shall be entitled to refund of all moneys paid by him hereunder without further obligation.

(d) All moneys paid by the purchaser prior to the issuance of the Final Public Report shall be deposited in trust with Escrow with instructions that no disbursements shall be made from such trust fund on behalf of the Seller until the Sales Contract has become effective, and the requirements of Sections 514-36 through 514-39, Hawaii Revised Statutes, have been met.

The Specimen Sales Contract provides, in part: (1) If by February 15, 1977 less than four (4) apartments in the project have been sold, or (2) if Seller is prevented by law from completing the construction of the project as contemplated, or (3) if by February 15, 1977 Seller is unable to obtain financing reasonably satisfactory to Seller for development of the project, or (4) if construction of the project is delayed for a period of more than 90 consecutive days by war or other national emergency, general strike, industry-wide strike or lockout in the County of Hawaii, island-wide shortage of materials necessary for the project or any other cause beyond the control of Seller, then Seller at its option may cancel the Sales Contract in which event Seller will cause Escrow to refund all sums paid by Purchaser without interest, less cancellation costs (one-half of Escrow's cancellation fee, any mortgagee's cancellation fee, and all other costs which have been incurred in connection with Escrow, mortgage processing, closing or legal documentation), and Seller and Purchaser shall be relieved and released of all further liability under the Sales Contract.

The Specimen Sales Contract further provides that the Purchaser's interest in the Sales Contract shall be subordinate to any construction loan, extensions, renewals and modifications of loans, and the Purchaser intentionally waives, relinquishes and subordinates the priority of lien under the Sales Contract in favor of the construction loan herein described.

It is incumbent upon the purchaser and the prospective purchaser that he reads, with care, the Sales Contract and the executed Escrow Agreement. The Escrow Agreement establishes how the proceeds from the sale of apartments and all sums from any source are placed in trust, as well as the retention, disbursement and refund of said trust funds.

SPECIAL NOTE: The specimen Sales Contract specifically states that Seller has made no reference or representation with respect to the possibility or probability of rental or other income from an apartment, or any other economic benefit to be derived from the rental of an apartment, including, but not limited to, any reference or representation to the effect that the Seller or the Managing Agent of the project will provide, directly or indirectly, any services relating to the rental or sale of an apartment or as to possible advantages from the rental of an apartment under federal or state tax laws. It is understood and agreed that the rental or other disposition of an apartment shall be the sole responsibility of the purchaser, and that purchasers will not enter into or participate in any rental pool for the renting of an apartment and other apartments in the project owned by other individuals until Seller has sold all of the apartments in the project and such sales have been recorded in the Office of the Assistant Registrar of the Land Court of the State of Hawaii or until three (3) years from the date of recordation in the Land Court of the purchaser's Apartment Deed for an apartment, whichever first occurs.

MANAGEMENT OF THE PROJECT: The By-Laws of the Association of Apartment Owners vest in the Board of Directors the powers and duties necessary for the administration of the overall affairs of the project. The said By-Laws specify that the presence at any meeting in person or by proxy of owners having one-half (1/2) of the total authorized votes of all apartment owners shall constitute a quorum and at any meeting in which a quorum is present, action by a majority of the voting power represented at such meeting shall be valid and binding on the Association except as otherwise provided in the Declaration or the By-Laws. Voting shall be on a percentage basis; the percentage of the total vote to which each apartment unit is entitled shall be the same as the percentage of the common interests assigned to such apartment unit in the Declaration; and any percentage of apartment unit owners specified in the By-Laws means the owners of apartment units to which are appurtenant such

percentage of the common interest. The Board of Directors may employ necessary personnel to carry out the management and operation of the project. The By-Laws submitted to the Commission names La'a Kai Realty Corporation, a Hawaii corporation, and a subsidiary of developer, as initial managing agent for a term of one year.

STATEMENT OF FINANCING: The Developer does not yet have interim financing for construction of the project but is presently engaged in negotiations to obtain the same.

STATUS OF PROJECT: Developer has not yet executed a construction contract; however, Developer advises that preliminary construction was begun on January 5, 1976 notwithstanding the non-execution of a construction contract.

DISCLAIMER: Nothing in the Sales Contract, nor any advertising or other documentation in connection with the Project shall be construed as obligating Developer or any other person to develop the Other Property and to merge the same with the project.

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 filed August 24, 1976.

This PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 875 filed with the Commission on August 24, 1976, and additional information subsequently filed with the Commission as of October 4, 1976.

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

AH KAU YOUNG
AH KAU YOUNG, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

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DATE: October 7, 1976
Registration No.: 875