

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

PONO KAI
Kuhio Highway
Kapaa, Kauai County
State of Hawaii

REGISTRATION NO. 987

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 16, 1978

Expires: June 16, 1979

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 buyer or prospective buyer is particularly directed to the following:

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED APRIL 5, 1978, AND INFORMATION SUBSEQUENTLY FILED AS OF MAY 11, 1978. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY ACT, CHAPTER 514A, HAWAII REVISED STATUTES.

1. Pono Kai is a proposed leasehold condominium project which, according to the Developer's plans, will contain: 217 residential apartment units located in nine low-rise buildings; a project office; a manager's residence; and a variety of recreational facilities, including a recreational building, swimming pool, jacuzzi, two tennis courts, a volleyball court, putting green, horseshoe pit, croquet lawn, and two shuffleboards; and three hundred and twenty-three parking stalls. In addition to the improvements shown on the project plans, the Developer has stated that a men's and a

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women's sauna bath will be provided in the recreational building and that at least four permanently affixed gas barbeque grills will be provided near the pool area and/or the beach. The Developer has reserved the right to further develop the Project by adding commercial apartments.

2. The Developer of the Project has submitted to the Commission for examination all documents deemed necessary for the registration of this condominium project and the issuance of this Preliminary Public Report.
3. The Developer has submitted to the Commission for examination a proposed Declaration of Horizontal Property Regime, proposed By-Laws of the Association of Owners and preliminary floor plans.
4. No advertising or promotional matter has been submitted pursuant to the rules and regulations promulgated by the Commission.
5. The buyer or prospective buyer is advised to acquaint himself with the provisions of Chapter 514A, Hawaii Revised Statutes, and the Condominium Rules and Regulations which relate to Horizontal Property Regimes.
6. This Preliminary Public Report is made a part of the registration on PONO KAI condominium project. The Developer shall be responsible for placing this Preliminary Public Report (yellow paper stock) in the hands of all purchasers and prospective purchasers and for securing a signed copy of the receipt for this Public Report from each purchaser and prospective purchaser.
7. This Preliminary Public Report automatically expires thirteen (13) months after the date of issuance, May 16, 1978, unless a Final or a Supplementary Public Report issues or the Commission upon review of the registration issues an order extending the effective period of this report.

NAME OF PROJECT: PONO KAI.

LOCATION: The land to be submitted to the Regime and on which the Project will be situated is located in Kapaa, approximately 11 miles from Lihue on the Island of Kauai. The Developer advises that the land is presently divided into two lots, containing an area of approximately 12.049 acres, but that these two lots will be consolidated and then resubdivided into two new lots: Lot A-1 containing approximately 12.02 acres and Lot A-2 containing approximately 1,023 square feet. The land to be made subject to the Regime will be Lot A-1. Lot A-2, which is a 10-foot wide lot at the southeast corner of the Project, is to be conveyed to the State of Hawaii for public access to the beach. The consolidation and resubdivision has been tentatively approved by the County of Kauai, and will be accomplished before the Developer makes its request for a Final Public Report.

TAX MAP KEY: Fourth Division, 4-5-07-02 and 4-5-08-02.

ZONING: RR-20.

DEVELOPER: Keokiaka Corporation, a Hawaii corporation, whose mailing address is 6th Floor, 828 Fort Street, Honolulu, Hawaii 96813. Telephone 524-7905. The officers of the corporation are: George Campos, President; John Bluett, Vice President and Secretary; and Jack Gordon, Treasurer.

ATTORNEY REPRESENTING DEVELOPER: Law Offices of Robert E. Warner, Suite 1612, 1164 Bishop Street, Honolulu, Hawaii 96813. Telephone 524-8855.

DESCRIPTION: The proposed Declaration provides that the land submitted to the Regime will be improved, according to the Developer's plans and intention to sell, by constructing thereon two hundred and seventeen (217) residential apartments. The Developer has also reserved the right to add commercial apartments to the Project and to subdivide further the property to accomplish such development.

The two hundred and seventeen (217) residential apartments are located in nine (9) low-rise residential apartment buildings, identified by the letters "A" through "J" (excluding the letter "I"). Each building varies from two to three stories in height. There are no basements. Buildings A, B, C, D, E and F each contain twenty-five (25) residential apartments; Buildings G and H each contain twenty-three (23) residential apartments, and Building J contains twenty-one (21) residential apartments. Each residential building has two stairways and one elevator for access to the second and third floors. A laundry room is located on the ground floor of each residential building, and a storage room is located on each floor of each residential building.

Recreational amenities in the Project, as shown on the proposed Condominium Map, include a swimming pool, jacuzzi, two tennis courts, a volleyball court, putting green, horseshoe pit, croquet lawn, two shuffleboards, and a separate free-standing recreational building, one-story in height. In addition, the Developer has stated that one men's and one women's sauna bath will be located in the recreational building, and that at least four permanently affixed gas barbeque grills will be located near the pool area and/or near the beach. Other free-standing buildings include an office building and a manager's residence, also one-story in height. The recreational amenities, the recreational building, the office building and the manager's residence are common elements limited in their use to the residential apartments.

All buildings are constructed principally of reinforced concrete, steel, glass, aluminum, wood, stucco, and allied building materials.

There are additional facilities for maintenance purposes such as a sewage treatment plant with its associated equipment and electrical and mechanical facilities.

Residential parking will be at unassigned stalls located near the residential buildings. There are a total of three hundred

and twenty-three (323) open parking stalls, including two hundred and fifty-seven (257) full size parking stalls and sixty-six (66) compact parking stalls. (Note: Upon the development of commercial apartments, however, as many as twenty-nine (29) parking stalls may be assigned to the commercial apartments for their exclusive use.)

The two hundred and seventeen (217) residential apartments are divided into two basic types: Type A, all having two bedrooms, and Type B, all having one bedroom. There are one hundred and thirty-five (135) one-bedroom apartments and eighty-two (82) two-bedroom apartments. The basic types of apartments are further subdivided as follows:

(a) Type A-1, containing two bedrooms, two bathrooms, a kitchen, a dining room, a living room, a lanai, two hallways and an entryway. Each Type A-1 contains a gross floor area of approximately 1,302 square feet, including a lanai of approximately 108 square feet. The net floor area, including lanai, is approximately 1,256 square feet.

(b) Type A-2, containing two bedrooms, two bathrooms, a kitchen, a living-dining room, a lanai, one hallway and an entryway. Each Type A-2 contains a gross floor area of approximately 1,191 square feet, including a lanai of approximately 96 square feet. The net floor area, including lanai, is approximately 1,146 square feet.

(c) Type A-3, containing two bedrooms, two bathrooms, a kitchen, a living-dining room, a lanai and one hallway. Each Type A-3 contains a gross floor area of approximately 1,179 square feet, including a lanai of approximately 96 square feet. The net floor area, including lanai, is approximately 1,132 square feet.

(d) Type A-4, containing two bedrooms, two bathrooms, a kitchen, a living-dining room, a lanai and one hallway and a loft. Each Type A-4 contains a gross floor area of approximately 1,471 square feet, including a lanai of approximately 96 square feet. Type A-4 is the same as Type A-3, except that Type A-4 apartments also have a loft containing a gross floor area of approximately 292 square feet. The net floor area, including lanai and loft, is approximately 1,403 square feet.

(e) Type B-1, containing one bedroom, one bathroom, a kitchen, a living-dining room, a lanai and one hallway. Each Type B-1 contains a gross floor area of approximately 775 square feet, including a lanai of approximately 96 square feet. The net floor area, including lanai, is approximately 740 square feet.

(f) Type B-2, containing one bedroom, one bathroom, a kitchen, a living-dining room, a lanai, one hallway and a loft. Type B-2 contains a gross floor area of approximately 1,067 square feet, including a lanai of approximately 96 square feet. Type B-2 is the same as Type B-1, except that Type B-2

apartments also have a loft containing a gross floor area of approximately 292 square feet. The net floor area, including lanai and loft, is approximately 1,011 square feet.

The perimeter of each of the residential apartments into which the Project is so divided shall be established by the center line of all perimeter walls which are also party walls (whether or not load-bearing); the exterior face of the perimeter walls which are not party walls (whether or not load-bearing); the exterior face of any glass windows, doors, panels or railings along the perimeter; and the inner decorated or finished surfaces of the perimeter floors and ceilings. The gross floor area of each apartment is calculated based on the perimeter, as thus established.

Each apartment will include a range and oven, dishwasher, disposal, refrigerator, draperies and carpeting, except in bathroom and kitchen which will have vinyl floors. Each of the apartments shall also include all walls, partitions, floors, ceilings and other improvements within said perimeter; any adjacent lanai shown on the proposed Condominium Map; all built-in appliances and fixtures and all furnishings and appliances described above; and all air space encompassed within said perimeter; excluding therefrom, however, all elements herein established as common elements; and provided, further, however, that each wall or part of a wall within and along said perimeter, whether load-bearing or non-load-bearing, is not so included, but is a common element (except for the inner decorated surface of any perimeter wall, which is included).

Apartments on the first level have direct access to the grounds. Access to the apartments on the second and third levels are via one elevator and two stairways and the open corridor on that floor.

All residential apartments are identified by a letter followed by a three-digit number. The letter identifies the building in which the apartment is located, the first digit indicates the floor on which the apartment is located and the last two digits indicate that apartment's relative location on a given floor, as follows: Looking at the building from the side on which the two stairways, elevator and open corridors are located, the apartments in that building are numbered in ascending order from right to left, the lowest numbered apartment on each floor being located furthest to the right. For an example, Apartment A-101 is located in Building "A", it is on the first floor of Building "A" and looking at the building from the side on which the two stairways, elevator and open corridors are located, it is the first apartment on the right.

ALTERATION OF PROJECT TO ADD COMMERCIAL APARTMENTS: The proposed Declaration provides that the Developer may at any time or times up to January 1, 1990, develop and add commercial apartments to the Project without requiring the consent of any person. Any necessary amendments to the Declaration, the Condominium Map and any instrument of conveyance of any other

apartment in the Project may also be made by the Developer without the joinder of any other apartment owner. In addition, the specimen Sales Contract and specimen Condominium Conveyance Document constitute the Developer the attorney-in-fact for the other apartment owners to make any amendments and obligate the other apartment owners to perform certain acts in furtherance of any such development of commercial apartments. The foregoing grant of authority to the Developer is irrevocable until January 1, 1990. The purchaser or prospective purchaser is advised to acquaint himself with these provisions of the Declaration, specimen Sales Contract and Condominium Conveyance Document.

COMMON ELEMENTS: The proposed Declaration reflects that the common elements will include:

- (a) the land in fee simple;
- (b) all foundations, floor slabs, columns, girders, beams, supports, load-bearing walls, main walls, interior walls separating adjacent apartments in the same building, halls, roofs of the building, stairs, stairways, fire escapes and entrances and exists of the apartment buildings, elevators, and other apparatus, equipment and installations appurtenant to the buildings;
- (c) all yards, grounds, landscaping, the pond and adjacent area immediately south of the tennis courts, pathways, sidewalks, driveways, roads and parking spaces;
- (d) central and appurtenant installations for services and utilities such as power, light, gas, hot and cold water, heating, refrigeration, air conditioning, incinerators, refuse collection, sewage and sewage treatment, and like services and utilities including, without limitation, all such central and appurtenant installations which run through an apartment but which are utilized by or serve more than one apartment;
- (e) all other portions of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use, but not included as a part of any apartment pursuant to the Declaration, as the same may lawfully be amended from time to time, including, without limitation, any amendment to establish any additional commercial apartment pursuant to Paragraph 13 of the Declaration; and
- (f) all of the limited common elements described below under the heading "Limited Common Elements".

LIMITED COMMON ELEMENTS: The proposed Declaration reflects that the limited common elements, and the apartments to which these limited common elements are appurtenant, are as set forth below under this heading. The Declaration also reflects that certain of the limited common elements, which are appurtenant to all of the residential apartments are designated as "residential elements", and those limited common elements which will be made appurtenant to all of the commercial units upon the future

development of commercial apartments (see the discussion under the heading "Alteration of Project to Add Commercial Apartments") are to be designated as "commercial elements". Each purchaser and prospective purchaser should take careful note of these designations for, as explained below under the heading "Percentage of Undivided Ownership and Common and Residential Expenses", costs and expenses pertaining to residential elements and to commercial elements are to be charged to and borne by each owner of a residential apartment and a commercial apartment, respectively, in the manner set forth under that heading. Costs and expenses pertaining to common elements other than residential elements and commercial elements shall be charged to and borne by each owner in accordance with his percentage of the undivided ownership.

Residential Elements.

1. Buildings "A" through "J" (there is no Building "I"), and the laundry room, storage rooms, elevators, stairways, exterior walkways, sidewalks, corridors, and electrical, mechanical and telephone rooms in each such building and all other improvements, apparatus, equipment and installations thereof, except the residential apartments located therein;
2. The swimming pool, jacuzzi, two tennis courts, volleyball court, putting green, horseshoe pit, croquet lawn, two shuffleboards, barbeque facilities and recreational building (and the two sauna baths therein);
3. The Project Office Building;
4. The Manager's residence;
5. Central and appurtenant installations for services and utilities such as power, light, gas, hot and cold water, heating, refrigeration, air conditioning, incinerators, refuse collection, sewage and sewage treatment, which from time to time are used solely by any of the residential apartments or by any residential elements and which are not also used by any additional commercial apartment that may be developed pursuant to paragraph 13 of the Declaration; provided that the Declarant has reserved the right in said paragraph 13 to utilize such central and appurtenant installations for any additional commercial apartment, and if the same are so utilized, then such central and appurtenant installations shall be a common (and not limited common) element;
6. All parking spaces, except for those parking spaces designated on Sheet 1 of the Condominium Map as may be made commercial elements pursuant to paragraph 13 of the Declaration;
7. All yards, grounds, landscaping, pathways, sidewalks, driveways and roads, except those (i) within the areas delineated on said Sheet 1 as being set aside for the development of additional commercial apartments, pursuant to paragraph 13 of the Declaration, and/or (ii) which provide access to said area or to the parking stalls, designated on said Sheet 1, that may be made commercial elements pursuant to paragraph 13 of the Declaration, and (iii) the pond and adjacent area immediately south of the tennis courts as shown on said Sheet 1.

Commercial Elements. Those common elements, exclusive of the above-listed residential elements (except as otherwise provided), which may be made appurtenant to and for the exclusive use of all the commercial apartments, pursuant to any amendment of the Declaration to add additional commercial apartments shall be commercial elements.

PERCENTAGE OF UNDIVIDED OWNERSHIP AND COMMON AND RESIDENTIAL EXPENSES: The undivided percentage interest in the common elements appurtenant to each apartment both prior to and after the development of additional commercial apartments is as set forth below, and each apartment shall have said percentage in all common profits and expenses of the Project, excluding expenses pertaining to residential and commercial elements and for all of the purposes including voting. The percentage of residential expenses to be charged to and borne by each residential apartment is as set forth under the column "Percentage of Residential Expenses".

	<u>Percentage of Residential Expenses</u>	<u>Percentage of Undivided Interest (Subject to Reduction Upon Development of Commercial Apartments)</u>	<u>Percentage of Undivided Interest Upon Development of Commercial Apartments</u>
1. Each <u>Type A-1</u> Residential Apartment (Total Number of A-1 Apartments: <u>28</u>)	0.6112	0.6112	0.5933
2. Each <u>Type A-2</u> Residential Apartment (Total Number of A-2 Apartments: <u>27</u>)	0.5593	0.5593	0.5428
3. Each <u>Type A-3</u> Residential Apartment (Total Number of A-3 Apartments: <u>18</u>)	0.5536	0.5536	0.5373
4. Each <u>Type A-4</u> Residential Apartment (Total Number of A-4 Apartments: <u>9</u>)	0.6907	0.6907	0.6703
5. Each <u>Type B-1</u> Residential Apartment (Total Number of B-1 Apartments: <u>117</u>)	0.3640	0.3640	0.3531
6. Each <u>Type B-2</u> Residential Apartment (Total Number of B-2 Apartments: <u>18</u>)	0.5009	0.5009	0.4863

	<u>Prior to Development of Commercial Apartments</u>	<u>After Development of Commercial Apartments</u>
Percentage allocated to all Type A-1 Apartments:	0.6112x 28= 17.1136	0.5933x 28=16.6124
Percentage allocated to all Type A-2 Apartments:	0.5593x 27= 15.1011	0.5428x 27=14.6556
Percentage allocated to all Type A-3 Apartments:	0.5536x 18= 9.9648	0.5373x 18= 9.6714
Percentage allocated to all Type A-4 Apartments:	0.6907x 9= 6.2163	0.6703x 9= 6.0327
Percentage allocated to all Type B-1 Apartments:	0.3640x117= 42.5880	0.3531x117=41.3127
Percentage allocated to all Type B-2 Apartments:	0.5009x 18= <u>9.0162</u>	0.4863x 18= <u>8.7534</u>
	100.0000	97.0382
Percentage to be allocated to Commercial Apartments:		2.9618

1. Type A-1 Apartments are numbered:

A-101, A-109, A-201, A-209; B-101, B-109, B-201, B-209;
C-101, C-109, C-201, C-209; D-101, D-109, D-201, D-209;
E-101, E-109, E-201, E-209; F-101, F-109, F-201, F-209;
G-101, G-201; H-101 and H-201.

2. Type A-2 Apartments are numbered:

A-108, A-208, A-308; B-108, B-208, B-308; C-108, C-208,
C-308; D-102, D-202, D-302; E-102, E-202, E-302; F-102,
F-202, F-302; G-108, G-208, G-308; H-102, H-202, H-302;
J-108, J-208 and J-308.

3. Type A-3 Apartments are numbered:

A-107, A-207; B-107, B-207; C-107, C-207; D-103, D-203;
E-103, E-203; F-103, F-203; G-107, G-207; H-103, H-203;
J-107 and J-207.

4. Type A-4 Apartments are numbered:

A-307; B-307; C-307; D-303; E-303; F-303; G-307; H-303
and J-307.

5. Type B-1 Apartments are numbered:

A-102 to A-106 inclusive, A-202 to A-206 inclusive,
A-302, A-305, A-306; D-102 to D-106 inclusive, B-202

to B-206 inclusive, B-302, B-305, B-306; C-102 to C-106 inclusive, C-202 to C-206 inclusive, C-302, C-305, C-306; D-104 to D-108 inclusive, D-204 to D-208 inclusive, D-304, D-305, D-308; E-104 to E-108 inclusive, E-204 to E-208 inclusive, E-304, E-305, E-308; F-104 to F-108 inclusive, F-204 to F-208 inclusive, F-304, F-305, F-308; G-102 to G-106 inclusive, G-202 to G-206 inclusive, G-302, G-305, G-306; H-104 to H-108 inclusive, H-204 to H-208 inclusive, H-304, H-305, H-308; J-101 to J-105 inclusive, J-201 to J-205 inclusive, J-301, J-304 and J-305.

6. Type B-2 Apartments are numbered:

A-303, A-304; B-303, B-304; C-303, C-304; D-306, D-307; E-306, E-307; F-306, F-307; G-303, G-304; H-306, H-307; J-302 and J-303.

The Declaration at paragraph 12(c)(1) provides that certain expenses are to be classified either as common, residential and/or commercial expenses and at paragraph 12(c)(2) provides procedures to facilitate the allocation of other expenses among these three categories of common, residential and commercial expenses. The purchaser and prospective purchaser are urged to acquaint themselves with these provisions. Also, the Declaration provides for a procedure for the allocation of utilities expenses among these three categories of common, residential and commercial expenses in the event that such expenses are not separately metered or charged.

In order to apportion expenses in the Project to those who are benefited thereby, the foregoing methods of apportioning expenses have been devised. In summary, a residential apartment owner will, therefore, pay charges for common expenses, residential expenses and utilities expenses, all as described herein and in the Declaration.

USE: The proposed Declaration states that each apartment shall be used only as a private dwelling by the respective owners thereof, their tenants, families, domestic servants and guests. Each owner shall comply with the terms of the Declaration and By-Laws of the Association of Apartment Owners as well as House Rules.

The proposed House Rules provide, in part: (1) no livestock, poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the Project; and (2) no water beds are permitted.

Any commercial apartments that may be added to the Project (see discussion under heading "Alterations to Project to Add Commercial Apartments") and any limited common elements made appurtenant thereto as "commercial elements", will be used and occupied for any purpose permitted by law.

OWNERSHIP TO TITLE: The Preliminary Title Report dated February 22, 1978, and issued by Hawaii Escrow & Title, Inc., certifies that the fee simple title to the Land is vested in John B. Fernandes, Sr., Kashiko Kuboyama and William E. Fernandes.

The Developer has submitted a copy of an unrecorded Declaration of Trust dated November 29, 1977, which indicates that said fee owners hold title as trustees for J. B. Associates, a joint venture, which has contracted to sell the Property to the Developer. Said contract, as amended, calls for a closing by May 31, 1978, subject to the possibility of an extension of that closing date. However, the estimated date for Developer's acquisition of the Property is stated to be on or before September 30, 1978, and said September 30, 1978, date is only an approximate date given to the best of Developer's present information and belief. The September 30, 1978, acquisition date may vary either by Developer's acquiring the Property prior to said date or by having said date extended. The specimen Sales Contract provides that if the Developer has not acquired the Property by September 30, 1978, or if Developer, at any time during the effective date of this Preliminary Public Report, determines in its sole discretion that it will be unable to acquire the Property and/or to arrange for an extension of the closing date under the Developer's contract to purchase the Property, then or at any time thereafter Developer at its option may cancel the Sales Contract. In such an event, Buyer shall be entitled to a refund of any sums paid by him without interest or deduction.

The Notice of Intent also states that Developer anticipates it will request issuance of a Final Public Report on the Project if and when it acquires the fee simple title. In the event a Final Public Report is not issued within one (1) year from the date of issuance of this Preliminary Public Report, the specimen Sales Contract provides that pursuant to Section 514A-66 of the Hawaii Revised Statutes, Buyer shall be entitled to a refund of all monies (without interest or deduction) paid by him without further obligation on the Buyer's part.

Purchasers and prospective purchasers should take careful note of the foregoing provisions regarding the Developer's acquisition of the Property, for if the Developer is unable to acquire the Property, then the Developer will be unable to develop and construct the Project.

ENCUMBRANCES ON TITLE: Said Preliminary Title Report dated February 22, 1978, reveals the following encumbrances:

1. Title to all mineral and metallic mines reserved to the State of Hawaii.
2. The condition that Parcel Second of the Property shall be used for factory purposes only, as set forth in Deed dated November 8, 1943, recorded November 18, 1943, in the Bureau of Conveyances of the State of Hawaii in Book 1791, Page 205, and also in Deed dated June 24, 1968, recorded July 2, 1968, in said Bureau in Book 6116, Page 1.

(Note: The Notice of Intent states that the Developer has made arrangements with the Department of Land and Natural Resources of the State of Hawaii to amend

that condition so that Parcel Second shall be used for residential purposes only and that the Developer will have said condition changed at the time of its request for the issuance of a Final Public Report on the Project.)

3. Delinquent real property taxes and a state tax lien recorded in said Bureau in Book 12207, Page 520.

(Note: The Notice of Intent also states that the Developer intends to clear the Property of all tax liens and delinquent taxes at the time it acquires title to the Property.)

4. For any taxes that are due and owing and a lien on the land, reference is made to the Office of the Tax Assessor, Fourth Division.

The Developer advises that the Property will be subject to a mortgage or mortgages to finance the acquisition, development and construction of the Project. All such mortgages will be released prior to any transfer of title to a purchaser. The Developer also advises that the Property may be subjected to easements and like encumbrances for utilities and services to the Project, including without limitation, utilities and services for the development of additional commercial apartment(s).

PURCHASE MONEY HANDLING: Copies of the specimen Sales Contract, specimen Condominium Conveyance Document and executed Escrow Agreement have been submitted as part of the registration. On examination, the specimen Sales Contract and executed Escrow Agreement are found to be in compliance with Chapter 514A, Hawaii Revised Statutes, and specifically, but without limitation, to §514A-40(6) and §§514A-37, 514A-39, 514A-63-66. The Escrow Agreement is dated March 20, 1978, and identifies Hawaii Title & Escrow, Inc., as the Escrow Agent.

It is incumbent upon the purchaser and prospective purchaser that he read with care these documents. The Escrow Agreement establishes how the proceeds from the sale of apartments are placed in trust, as well as the retention and disbursement of said Trust Fund and in particular discloses that down-payment funds may be released from escrow for the payment of certain development costs of the Project in compliance with the above-noted sections of the Hawaii Revised Statutes.

The specimen Sales Contract determines the time for and the amount of installment payments on the purchase price, and the payment of closing costs. The specimen Sales Contract also provides for termination pursuant to the above-noted sections of the Hawaii Revised Statutes; and at the Developer's option, in those circumstances discussed under the headings "Ownership to Title" and "Status of the Project", or if the Developer is prevented by law from proceeding with the construction of the Project, or in the event that the Developer sells less than fifty percent (50%) of the apartments by

September 30, 1978, or if the purchaser should default. Purchasers and prospective purchasers should read said provisions of the specimen Sales Contract with care.

The specimen Sales Contract also provides that it shall operate as a reservation of an apartment in favor of the purchaser, subject to purchaser's continued performance thereunder, but not as a binding obligation to purchase unless and until the purchaser voluntarily receipts for a copy of the Final Public Report on the Project. Further, the specimen Sales Contract provides that if construction has not commenced for any reason by September 30, 1978, then or at any time thereafter until construction does commence, the Developer may terminate a Sales Contract. All interest on payments made pursuant to a Sales Contract belongs to the Developer.

NOTE: Prospective purchasers should be aware that all security interests obtained by the construction lender in connection with such loans as well as any extensions, renewals and modifications thereof shall be and remain at all times a lien or charge on the Project prior to and superior to any and all liens or charges arising from the Sales Contract or any other prior reservation agreement.

MANAGEMENT AND OPERATION: The By-Laws of this Project state that the management and operation of the Project shall be vested in the Board of Directors, that the Board of Directors shall employ, for the Association of Apartment Owners, a management agent to perform such duties as the Board shall authorize, including the collection of all assessments from the owners. The specimen Sales Contract provides that the Developer, acting on behalf of the Association, has the authority to initially appoint a responsible corporate management agent. The management agent shall be designated at the time of the Developer's request for a Final Report.

STATUS OF PROJECT: The Notice of Intention reflects that the financing for the acquisition and construction of the Project has been arranged, but that construction of the Project has not commenced as of the date of this Public Report, nor has the contractor been selected, nor has permanent financing for the Project been arranged. Developer advises that it has set August, 1978, as the estimated date for commencement of construction.

The Developer has the obligation, as set forth in the specimen Sales Contract, to complete the construction of the Project within two years from the date of issuance by the Real Estate Commission of a Final Public Report on the Project, and as stated above under the heading "Purchase Money Handling", a purchaser signing a Sales Contract merely reserves an apartment and is not obligated to purchase unless and until he voluntarily receipts for a copy of the Final Public Report. The Developer's obligation to complete the Project within said two-year period is subject to extensions of time for matters outside of the Developer's control; provided, if such

extensions exceed three (3) months, the Developer may terminate the Sales Contract and if such extensions exceed nine (9) months, then either party may terminate the Sales Contract.

The Buyer or prospective buyer should be cognizant of the fact that this published report represents information disclosed by the Developer in the required Notice of Intention submitted April 5, 1978, and information subsequently filed as of May 11, 1978.

This PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 987 filed with the Commission on April 5, 1978.

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

Ah Kau Young

AH KAU YOUNG, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

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Registration No. 987

May 16, 1978