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

REGISTRATION NO. 1020

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 : August 8, 1978
Expires: September 8, 1979

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 and prospective purchaser is particularly directed to the following:

THE REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED JULY 20, 1978, AND INFORMATION SUBSEQUENTLY FILED AS OF August 4, 1978. THE DEVELOPER, IN NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY ACT, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

1. KE·AU·HOU KONA SURF & RACQUET CLUB, UNIT III, is a proposed leasehold condominium project consisting of nine (9) residential buildings and containing one hundred seventeen (117) apartments. One Hundred Sixty Four (164) 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 Preliminary 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 not yet been recorded in the office of the recording officer.

4. Advertising and promotional matter required to be filed pursuant to the rules and regulations promulgated by the Commission will be submitted prior to public dissemination.

5. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514A, Hawaii Revised Statutes, and the Condominium Rules and Regulations which relates to Horizontal Property Regime.

6. This Preliminary Public Report is made a part of the registration on KE·AU·HOU KONA SURF & RACQUET CLUB, UNIT III condominium project. The Developer has the responsibility of placing a true copy of the 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 Horizontal Property Regime Public Report from each prospective purchaser.

7. This Preliminary Public Report automatically expires thirteen (13) months from the date of issuance, August 8, 1978 unless a final or 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: KE·AU·HOU KONA SURF & RACQUET CLUB, UNIT III

LOCATION: The project is located on land at Keauhou, Kona, Hawaii, and contains 8.094 acres or thereabouts. The description of the land and the reserved easements, rights, power and privileges are more fully set forth in the Declaration.

The land included in the project consists of three separate parcels of land presently known as Unit II-B, Unit III and Unit IV of the subdivision known as Keauhou Kona Surf & Racquet Club. It had previously been the intention of the original developer of the property, KONA FIVE, that there would be an Increment III (comprising said Unit III) and Increment IV (comprising said Unit IV) of the Keauhou Kona Surf & Racquet Club project. The project was subsequently amended to divide Increment II into two parts, Unit II-A and Unit II-B. The present plan is to develop as Keauhou Kona Surf & Racquet Club, Unit III, all of the property originally intended for Increments III and IV and a portion of the property originally in Increment II. There will not be any further

incremental development of the property.

TAX KEY: 7-8-13:10, 44 and 45, Third Division

ZONING: RM-3

DEVELOPER: The Notice of Intention reveals the Developer to be KAINALU DEVELOPMENT, a registered Hawaii partnership, having its principal place of business at Kailua-Kona, Hawaii, and its post office address at P. O. Box 1926, Kailua-Kona, Hawaii (Phone: 329-1667). The members of the joint venture are Donald E. Kraemer and Christine F. Kraemer, P. O. Box 1926, Kailua-Kona, Hawaii, and WLT Development Co., a Washington corporation, 110 N. Atwater Street, Monmouth, Oregon.

ATTORNEY REPRESENTING DEVELOPER: Ashford & Wriston (Galen C. K. Leong), 235 Queen Street, Honolulu, Hawaii 96813 (Phone: 524-4787).

DESCRIPTION OF PROJECT: The proposed Declaration states that nine (9) three-story buildings are to be constructed which are being designated by the numbers 1 through 9. The buildings will be wooden frame structures on concrete slabs with exterior sidings and wood shake roofs, and will contain one hundred seventeen (117) apartments. The apartments are more particularly described as follows:

(a) There are hereby established one hundred seventeen (117) freehold estates in the spaces within the perimeter walls, floors and ceilings of the 117 apartments in said buildings. The 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 load-bearing walls, ducts, vent shafts and the like, located within the perimeter walls.

(b) All apartments will be numbered and located as shown on the Condominium Map. Each apartment number consists of four numbers (e.g. Apartment No. 3-303). From left to right, the first number indicates

the building in which the apartment is located. The second number indicates the floor on which the apartment is located. The last two numbers indicate the relative position of the apartment in its building as shown on the Condominium Map.

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

(d) Each of the apartments will be one of two types, designated as Unit A or Unit B.

(i) A Unit A apartment consists of 6 rooms (a living/dining room, 2 bedrooms, 2 bathrooms and a kitchen) with an approximate floor area of 1,188 square feet and a lanai with an approximate floor area of 324 square feet, for a total floor area of 1,512 square feet.

(ii) A Unit B apartment consits of 6 rooms (a living/dining room, 2 bedrooms, 2 bathrooms and a kitchen) with an approximate floor area of 1,170 square feet and a lanai with an approximate floor area of 245 square feet, for a total floor area of 1,415 square feet.

COMMON ELEMENTS: One freehold estate is hereby designated in all of the remaining portions and appurtenances of the project, herein called 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.

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. 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 as shown on the Exhibit attached hereto. 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.

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 apartments in Unit III 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.

	Unit III	Upon Merger of Unit III With Prior Units
Unit A Apartments (oceanfront)	.8967%	.6406%
Unit B Apartments (oceanfront)	.8391%	.5944%
Unit A Apartments	.8706%	.6218%
Unit B Apartments	.8147%	.5819%
Unit A-Apartment No. 6-301	.8707%	.6218%

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 the 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 Bylaws 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 proposed Declaration provides that the project may be merged with the prior increments as set forth in Paragraph 18 of the Declaration, which provides in part as follows:

(a) The Lessor and Developer shall have the right at their option to amend the project, which is Increment III, by way of merger, at any time up to, but not later than January 1, 1982, by the addition of this project to the previous increments of this project, described as follows:

(1) Increment I. Increment I, known as Unit I, KE·AU·HOU KONA SURF & RACQUET CLUB, contains 50 apartments on approximately 5.136 acres of land, all as further described in Declaration of Horizontal Property Regime dated May 21, 1976, recorded in said Bureau in Liber 11480, at Page 1.

(2) Increment II. Increment II, known as Unit II, KE·AU·HOU KONA SURF & RACQUET CLUB, contains 26 apartments on approximately 2.273 acres of land, all as further described in Declaration of Horizontal Property Regime dated April 7, 1977, recorded in said Bureau in Liber 12214, at Page 398, as amended by instrument dated April 14, 1978, recorded in said Bureau in Liber 12861, at Page 321.

(b) The project described herein is the final increment of the proposed increments of the project. The purpose of the merger provisions of this Paragraph 18 is to provide for a merger of all increments of the project just as if the increments involved had been developed as one single project. A merger may occur with respect to this increment with the first

increment and the second increment, 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 with the other increment at a later date subject to all of the provisions of this Declaration.

(c) Merger shall take effect with respect to this increment with another 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 "Certificate of Merger" which certificate shall contain:

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

(b) A certification by Developer that this 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;

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

(d) 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 another 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 this increment with a previous increment or increments, 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 previous increment or increments immediately prior to the merger of this 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 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 Bylaws.

(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 Bylaws 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. In connection with, and only to the extent necessary for the creation of the apartments and common elements, as aforesaid, the Lessor and Developer shall have the right up to January 1, 1982 or upon merger of all increments of the project, 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 the 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 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"; and to sell or designate lessees of the 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 the apartments;

(2) The right appurtenant to the land within Increment III, in the nature of an easement over and upon the project 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 the apartments;

(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 the facilities of the project;

(4) The right to place signs upon the project 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.

g. 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. Thus, upon merger of this Unit III with Units I and II, each owner of an apartment in Unit III shall deposit to the Association such amount equal to the amount on deposit by each apartment in the merged Units I and II.

h. The Lessor and Developer shall have the right to execute, acknowledge and deliver any and all instruments 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 apartments of the project as herein originally constituted or as merged as aforesaid.

i. 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.

j. After completion of the merger of the increments of the project, 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 Declaration and Bylaws, 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, 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.

k. 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 provision 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 19, 1978, issued by Title Guaranty of Hawaii, Incorporated confirms such ownership.

ENCUMBRANCES AGAINST TITLE: The Preliminary Report dated May 17, 1978 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. Location of the seaward boundary in accordance with the law of the State of Hawaii, and shoreline setback line in accordance with County Regulation and/or Ordinance.

4. As to Unit II-B:

Easements as shown on File Plan 1506:

Easement 20 for public access purposes;
Easement 22 for sanitary sewer purposes;
Easement 24 for roadway and utility purposes;
Easement 25 for utility purposes; and
Easement 26 for waterline purposes.

5. As to Unit III:

Easements as shown on said File Plan 1506:

Easement 21 for public access purposes;
Easement 27 for roadway and utility purposes;
Easement 28 for utility purposes;
Easement 29 for sanitary sewer purposes;
Easement 30 for waterline purposes;
Easement 31 for waterline purposes;
Easement 32 for waterline purposes;
Easement 33 for sanitary sewer purposes;
Easement 34 for sanitary sewer purposes;
Easement 35 for walkway and cartway purposes; and
Easement 44 for waterline purposes.

6. As to Unit IV:

Easements as shown on File Plan No. 1506:

Easement 23 for roadway and utility purposes;
Easement 36 for walkway and cartway purposes;
Easement 37 for roadway and utility purposes;
Easement 38 for waterline purposes;
Easement 39 for waterline purposes;
Easement 42 for sanitary sewer purposes; and
Easement 43 for roadway and utility purposes.

7. The terms, conditions and provisions contained in that certain unrecorded 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.

8. 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.

9. 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 Mortgagee, as amended by instrument dated July 30, 1976, recorded in Liber 11586, at Page 284; and as further amended by instrument dated January 19, 1978, recorded in Liber 12712, at Page 739.

10. 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, as amended by instrument dated January 31, 1978, recorded in Liber 12712, at Page 753.

11. Mortgage dated August 5, 1977 and recorded in Liber 12422, at Page 664, 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, as amended by instrument dated January 19, 1978, recorded in Liber 12712, at Page 746.

PURCHASE MONEY HANDLING: A copy of the specimen Sales Contract and the executed Escrow Agreement dated July 17, 1978, 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 514A, Hawaii Revised Statutes, as amended. It is incumbent upon the purchaser and prospective purchaser that he read 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. The apartment lease will require 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;

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

3. All 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.

4. If Developer fails to complete the purchase of the leasehold interest in the land, then such failure shall automatically cancel and extinguish the Sales Contract, in which event Developer shall refund all sums paid by Buyer, without interest, and Buyer shall have no interests whatsoever in the land and shall have no right to require Seller of the owner of the land or anyone else to construct the Project or the apartment covered by the Sales Contract. Buyer's sole contractual relationship is with Developer and Buyer further acknowledges and agrees that the Sale Contract vests in Buyer rights which are personal in nature and in no way creates any charge, lien or other interest, legal or equitable, against the land, or any improvements or the interest of the fee owner of the land unless and until an apartment lease in favor of the Buyer is duly executed, delivered and recorded in accordance with the provisions of the Sales Contract. Buyer further agrees that all of his rights under the Sales Contract are in all respects junior and subordinate to the rights of the fee owner of the land. The Buyer further agrees to execute any further documents reasonably required by the fee owner for the purpose of further documenting or affirming the subordination herein of Buyer's rights.

MANAGEMENT AND OPERATIONS: The proposed 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. It is anticipated that Aaron M. Chaney, Inc., whose principal place of business and post office address is Suite 400, Davies Pacific Center, 841 Bishop Street, Honolulu, Hawaii, will be 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.

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.

STATUS OF PROJECT: The Developer advises that October, 1978 is the estimated date for commencement of construction and the estimated date of completion of all the units in the project is December, 1979.

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 July 20, 1978 and information subsequently filed as of August 4, 1978.

This PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1020.

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

Edwin H. Kuroma

(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. 1020

August 8, 1978

KEAUHOU KONA SURF & RACQUET CLUB PHASE

PARKING DESIGNATIONS

UNIT #	PARKING SPACE
1-101	76
1-201	77
1-301	78
1-102	79
1-202	80
1-302	81
1-103	75
1-203	74
1-303	73
1-104	82
1-204	83
1-304	84
1-105	85
1-205	86
1-305	87
1-106	88
1-206	89
1-306	90
2-101	102
2-201	103
2-301	104
2-102	105
2-202	109
2-302	110
2-103	111
2-203	112
2-303	113
2-104	114
2-204	115
2-304	116
3-101	121
3-201	122
3-301	123
3-102	124
3-202	137
3-302	138
3-103	139
3-203	140
3-303	117
3-104	118
3-204	119
3-304	120
4-101	141
4-201	142
4-301	143
4-102	144
4-202	145
4-302	146
4-103	164
4-203	163
4-303	162
4-104	161
4-204	160
4-304	159

UNIT #	PARKING SPACE
5-101	147
5-201	148
5-301	149
5-102	150
5-202	151
5-302	158
5-103	152
5-203	157
5-303	156
5-104	153
5-204	154
5-304	155
6-101	125
6-201	126
6-301	127
6-102	136
6-202	135
6-302	134
6-103	128
6-203	129
6-303	130
6-104	131
6-204	132
6-304	133
7-101	54
7-201	55
7-301	56
7-102	64
7-202	65
7-302	66
7-103	58
7-203	59
7-303	60
7-104	61
7-204	62
7-304	63
8-101	46
8-201	45
8-301	44
8-102	43
8-202	42
8-302	41
8-103	35
8-203	36
8-303	37
8-104	38
8-204	39
8-304	40

UNIT #	PARKING SPACE
9-101	34
9-201	33
9-301	32
9-102	31
9-202	30
9-302	29
9-103	28
9-203	27
9-303	26
9-104	25
9-204	24
9-304	23
9-105	47
9-205	48
9-305	49

GUEST PARKING SPACES

1	67
2	68
3	69
4	70
5	71
6	72
7	91
8	92
9	93
10	94
11	95
12	96
13	97
14	98
15	99
16	101
17	106
18	107
19	108
20	100
21	
22	
50	
51	
52	
53	
57	