

REAL ESTATE COMMISSION

PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF REGULATORY AGENCIES

STATE OF HAWAII

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

PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT

on
KONA MAKANI KAI
Alii Drive
Kailua-Kona, Hawaii

REGISTRATION NO. 1476

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: January 12, 1982

Expires: February 13, 1983

SPECIAL ATTENTION

A comprehensive reading of this report is urged in order that the 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 DECEMBER 23, 1981, AND INFORMATION FILED AS OF JANUARY 7, 1982. DEVELOPER IN NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL AND SUBMITTING INFORMATION ON THE PROJECT, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY ACT, CHAPTER 514A, HAWAII REVISED STATUTES AS AMENDED.

1. KONA MAKANI KAI is a proposed fee simple condominium project consisting of 78 apartments in three buildings with heights of three stories, a mezzanine and a parking level, five (5) additional onsite parking stalls and recreational areas including a tennis court and swimming pool.

2. The Developer has submitted to the Commission for examination all documents necessary for the issuance of this Preliminary Public Report.
3. No advertising or promotional matter has been submitted pursuant to Chapter 514A of the Hawaii Revised Statutes, as amended, and the rules and regulations promulgated by the Commission.
4. The basic documents (Declaration of Horizontal Property Regime, Bylaws of Association of Apartment Owners and a copy of the proposed Condominium Map) have not been recorded as of this date in the office of the recording officer.
5. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514A of the Hawaii Revised Statutes, as amended, the Horizontal Property Act and the Condominium Rules and Regulations which relate to Horizontal Property Regimes.
6. This Preliminary Public Report automatically expires thirteen (13) months after the date of issuance, January 12, 1982 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.
7. This Preliminary Public Report is made a part of the registration on the "KONA MAKANI KAI" condominium project. The Developer is responsible for placing a true copy of this Preliminary Public Report (yellow paper stock) and Disclosure Abstract in the hands of all purchasers and prospective purchasers and for securing a signed copy of the Receipt for Horizontal Property Regime Preliminary Public Report from such persons.

NAME OF PROJECT: KONA MAKANI KAI.

LOCATION: The land submitted to the Regime is located in Kailua-Kona, Island and County of Hawaii, State of Hawaii and has an area of approximately 2.69 acres.

TAX KEY: Third Division, 7-6-14:2 and 3; 7-7-04:22, 23, 27 and 47.

ZONING: RM-1.5 Multiple Family Residential District under the Ordinances of the County of Hawaii.

DEVELOPER: THE HOLUALOA BAY PARTNERS, a Hawaii registered limited partnership, the general partners of which are: BA&M Corporation, Kendall H. Lutes Company, Ltd. and Joanda, Inc., all Hawaii corporations. The address of the limited partnership is 970 North Kalaheo Avenue, C100, Kailua, Hawaii 96734, telephone (808) 254-1505.

ATTORNEY FOR DEVELOPER: Carlsmith, Carlsmith, Wichman and Case, 190 South King Street, Honolulu, Hawaii 96813 (Attention: Raymond S. Iwamoto), telephone (808) 523-2500.

DESCRIPTION: The proposed Declaration of Horizontal Property Regime reflects that the land will be improved according to the Developer's plans and intention to sell, with the construction of three buildings with heights of three stories plus parking level in each building containing a total of seventy-eight (78) residential apartments plus roadways and recreational areas (including a tennis court, swimming pool and jacuzzi). The specimen Sales Contract states that the Developer intends to sell the apartments therein to third persons, and to grant to each purchaser of a condominium unit an apartment deed of such condominium unit and an undivided interest in the land and other common elements of the Project, in fee simple.

1. Description of the Buildings.

(a) General Description. The Project shall consist of three apartment buildings, a manager's office and various open space and recreational facilities and areas which are designated and described as common elements, including a swimming pool, pool pavilion, shower, jacuzzi, a tennis court, tennis pavilion and outdoor barbecue areas. Building A is located at the north-west corner of the property extending north to south parallel with Alii Drive (Kailua Town is to the north; Keauhou to the south) and contains eighteen (18) apartments (twelve one bedroom, one bathroom apartments; and six two story, two bedroom, two bathroom apartments). Building B is located at the rear center of the property extending approximately north to south parallel with Alii Drive and contains forty-two (42) apartments (twenty-eight one bedroom, one bathroom apartments; and fourteen two story, two bedroom, two bathroom apartments). Building C is located at the southwest corner of the property extending north to south parallel with Alii Drive and contains eighteen (18) apartments (twelve one bedroom, one bathroom apartments; and six two story, two bedroom, two bathroom apartments). In addition to the written description of the Project in the proposed Declaration, the Project will also be depicted on the Condominium Map which will be recorded in the Bureau of Conveyances.

(b) Access. Each apartment has access to driveways, walkways and parking level via stairwells. Each stairwell provides access to six (6) apartments (two apartments on each of the three floors above the parking level).

(c) Number of Apartments. There will be seventy-eight (78) condominium units, eighteen (18) in two buildings and forty-two (42) in the third building. Each condominium unit constitutes an "apartment", as defined and used in Chapter 514A of the Hawaii Revised Statutes, and constitutes a separate estate. There will be fifty-two (52) one bedroom, one bathroom apartments, and twenty-six (26) two bedroom, two bathroom apartments.

(d) Construction Materials. The apartment buildings shall be constructed principally of reinforced concrete, glass and allied building materials.

(e) Parking. The Project shall have a total of one hundred six (106) parking stalls of which twenty-three (23) shall be in the parking level of Building A, fifty-five (55) shall be in the parking level of Building B, twenty-three (23) shall be in the parking level of Building C and five (5) will be onsite parking stalls adjacent to the Manager's Office. Twenty of the stalls are for compact cars. Each apartment shall have an assigned and numbered parking stall as shown on the schedule attached hereto as Exhibit A. All other parking stalls not so numbered shall be for the use of apartment owners, tenants, visitors and guests.

2. Description of Apartments.

(a) Numerical Designation and Location of Apartments. There will be a total of six (6) types of apartments. Each apartment within each of the foregoing types is substantially the same as all others within its type, except that the floor plans may be mirror images of other floor plans. The Declaration describes twelve apartment types (with the "R" designating a mirror image): Type A, AR, B, BR, C, CR, D, DR, E, ER, F and FR.

The approximate apartment areas (determined from the interior surface of the apartment perimeter walls) by model and number are as follows:

<u>Type</u>	<u>Apt. No.</u>	<u>Unit Type BR/ Bath</u>	<u>Area in Square Feet</u>			<u>No. of Units</u>
			<u>Living</u>	<u>Lanai</u>	<u>Total</u>	
<u>Building A</u>						
A	A1-1, A2-1	1/1	860	245	1,105	2
AR	A1-6, A2-6	1/1	860	245	1,105	2
B	A1-3, A1-5, A2-3, A2-5	1/1	784	202	986	4
BR	A1-2, A1-4, A2-2, A2-4	1/1	784	202	986	4
C	A3-1	2/2	1,257	515	1,772	1
CR	A3-6	2/2	1,257	515	1,772	1
D	A3-3, A3-5	2/2	1,190	160	1,350	2
DR	A3-2, A3-4	2/2	1,190	160	1,350	<u>2</u>
TOTAL Building A						<u>18</u>
<u>Building B</u>						
A	B1-1, B2-1	1/1	860	245	1,105	2
AR	B1-14, B2-14	1/1	860	245	1,105	2

<u>Type</u>	<u>Apt. No.</u>	<u>Unit Type BR/ Bath</u>	<u>Area in Square Feet</u>			<u>No. of Units</u>
			<u>Living</u>	<u>Lanai</u>	<u>Total</u>	
B	B1-3, B1-7, B1-9, B1-13, B2-3, B2-7, B2-9, B2-13	1/1	784	202	986	8
BR	B1-2, B1-6, B1-8, B1-12, B2-2, B2-6, B2-8, B2-12	1/1	784	202	986	8
C	B3-1	2/2	1,257	515	1,772	1
CR	B3-14	2/2	1,257	515	1,772	1
D	B3-3, B3-7, B3-9, B3-13	2/2	1,190	160	1,350	4
DR	B3-2, B3-6, B3-8, B3-12	2/2	1,190	160	1,350	4
E	B1-5, B1-11, B2-5, B2-11	1/1	940	218	1,158	4
ER	B1-4, B1-10, B2-4, B2-10	1/1	940	218	1,158	4
F	B3-5, B3-11	2/2	1,309	160	1,469	2
FR	B3-4, B3-10	2/2	1,309	160	1,469	<u>2</u>
TOTAL Building B						<u>42</u>
<u>Building C</u>						
A	C1-1, C2-1	1/1	860	245	1,105	2
AR	C1-6, C2-6	1/1	860	245	1,105	2
B	C1-3, C1-5, C2-3, C2-5	1/1	784	202	986	4
BR	C1-2, C1-4, C2-2, C2-4	1/1	784	202	986	4
C	C3-1	2/2	1,257	515	1,772	1
CR	C3-6	2/2	1,257	515	1,772	1
D	C3-3, C3-5	2/2	1,190	160	1,350	2
DR	C3-2, C3-4	2/2	1,190	160	1,350	<u>2</u>
TOTAL Buildings A, B and C						<u>78</u>

NOTE: IN ACCORDANCE WITH HAWAII PRACTICE, THE APPROXIMATE TOTAL FLOOR AREA AND LIVING AREA OF EACH APARTMENT AS SET

FORTH ABOVE INCLUDES ALL OF THE WALLS AND PARTITIONS, VENTS, SHAFTS, DUCTS AND THE LIKE WITHIN ITS PERIMETER WALLS, AND THE ENTIRETY OF ITS PERIMETER NONPARTY WALLS, WHETHER LOAD-BEARING OR NON-LOAD BEARING. IN ADDITION, THE TOTAL FLOOR AREAS ABOVE INCLUDE LANAIS AS SHOWN ABOVE. BECAUSE OF THIS METHOD OF MEASUREMENT CERTAIN AREAS INCLUDED IN THE AREA SQUARE FOOTAGES MAY BE COMMON ELEMENT AREAS.

The location of each apartment in the Project may be determined by reference to its apartment number. Each apartment has a one letter and two- or three-digit designation. The letter and first digit are separated from the following digit(s) by a hyphen, e.g., A2-6 or B3-14. The letter designates in which building (either Building A, Building B or Building C) the apartment is located. The first digit accompanying the letter indicates the floor level on which the apartment is located. The last digit(s) indicate(s) at which end of the building the apartment is located. Each of the buildings shall be positioned in an approximately north south direction. Those apartments in Buildings A and C having numbers of which the last digit is 1, 2, or 3, shall be located at the northern end of the building. All other apartments in Buildings A and C shall be located at the southern end of the building. Those apartments in Building B having numbers of which the last digit is 1 through 7 shall be located at the northern end of the building. All other apartments in that building shall be located at the southern end of the building.

(b) Delineation and Types of Apartments. The respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter (including party) walls or interior load-bearing walls, the floors and ceilings surrounding each apartment or any pipes, shafts, wires, conduits, or other utility or service lines which are utilized for or serve more than one apartment, the same being deemed common elements. Each apartment shall include any adjacent lanai to which such apartment has direct, exclusive access, all the walls and partitions which are not load-bearing within its perimeter walls, all pipes, shafts, ducts, pumps, conduit, wires and other utility or service lines in or running through such apartment which are utilized for and serve only that apartment, the inner decorated or finished surfaces of all walls, floors (including lanai floors) and ceilings, any doors, windows or panels along the perimeters and the fixtures originally installed therein, including air conditioning, range with self-cleaning oven, rangehood, microwave oven, refrigerator, dishwasher, disposal, washer, dryer, carpets, and drapes.

The apartments designed as Types A, AR, B, BR, C, CR, D, DR, E, ER, F and FR are described as follows:

(1) Type A and Type AR Apartments. These apartments consist of one bedroom, one bathroom, two lanais, living/dining area and kitchen. These apartments are located on the ends of each building on the first and second floors above the parking level. Type AR apartments are a mirror image of Type A apartments. There are six Type A apartments

and six Type AR apartments (i.e., two in each building), each having a living area of 860 square feet and 245 square feet of lanais.

(2) Type B and Type BR Apartments. These apartments consist of one bedroom, one bathroom, two lanais, living/dining area, and kitchen. These apartments are located in the interior of each building on the first and second floors above the parking level. Type BR apartments are a mirror image of Type B apartments. There are sixteen Type B apartments and sixteen Type BR apartments (four of each in Building A and C, and 8 of each in Building B), each having a living area of 784 square feet and 202 square feet of lanais.

(3) Type C and Type CR Apartments. These apartments consist of two bedrooms, two bathrooms, two lanais, living/dining area and kitchen. These apartments are two-story connected by interior stairs with the master bedroom, bathroom and dressing/vanity areas on the upper level. These apartments are located on the ends of each building on the third floor above the parking level. Type CR apartments are a mirror image of Type C apartments. There are three Type C apartments and three Type CR apartments (i.e., one of each in each building) each having a living area of 1,257 square feet and 515 square feet of lanais.

(4) Type D and Type DR Apartments. These apartments consist of two bedrooms, two bathrooms, two lanais, living/dining area and kitchen. The apartments are two-story connected by interior stairs with the master bedroom, bathroom and dressing/vanity areas on the upper level. These apartments are located at the interiors of each building on the third floor above the parking level. Type DR apartments are a mirror image of Type D apartments. There are eight Type D apartments and eight Type DR apartments (i.e., two of each in Buildings A and C and four of each in Building B) each having a living area of 1,190 square feet and 160 square feet of lanais.

(5) Type E and Type ER Apartments. These apartments consist of one bedroom, one bathroom, two lanais, living/dining area and kitchen. The apartments are located at the interior junction points of Building B on the first and second floors above the parking level. Type ER apartments are a mirror image of Type E apartments. There are four Type E apartments and four Type ER apartments each having a living area of 940 square feet and 218 square feet of lanais.

(6) Type F and Type FR Apartments. These apartments consist of two bedrooms, two bathrooms, lanai, living/dining area and kitchen. These apartments are two story connected by interior stairs with master bedroom, bathroom and dressing area on the upper level. These apartments are located at the interior junction points of Building B on the third floor above the parking level. Type FR apartments are a mirror image of Type F apartments. There

are two Type F apartments and two Type FR apartments each having a living area of 1,309 square feet and 160 square feet of lanai.

COMMON ELEMENTS: The proposed Declaration of Horizontal Property Regime reflects that the common elements shall include the common elements described above in paragraph 2(b) under the topical heading "DESCRIPTION", and all other portions of the Project other than the apartments, including specifically, but not limited to:

(a) The Land in fee simple.

(b) All unfinished, undecorated portions of all perimeter (including party) and load-bearing walls, all structural components, foundations, floor slabs, columns, girders, beams, supports, roofs, halls, corridors, exterior stairs, stairways, entrances of apartment buildings, exits, and walkways of the apartment buildings.

(c) The easements described in Exhibit A attached hereto.

(d) All internal roads, parking areas, driveways and walkways which are rationally of common use by owners of more than one apartment and five (5) parking stalls located on-site and not in the parking level of the buidings.

(e) All ducts, electrical equipment, gas tanks, pipes, wiring and other central and appurtenant transmission facilities over, under and across the Project which serve more than one apartment for services such as power, light, water, gas, sewer, telephone and radio and television signal distribution.

(f) Twenty-eight (28) guest parking stalls as shown on the proposed Condominium Map, without numerical designations, available for use by all apartment owners, their tenants and guests.

(g) All yards, grounds, landscaping, planters, fences, refuse facilities, swimming pool, pool pavilion, shower, jacuzzi, tennis court, tennis pavilion, and the other open areas, recreational facilities and amenities and the private sewage treatment plant.

(h) The Manager's Office.

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

LIMITED COMMON ELEMENTS: The parking stalls that are designated or set aside for the exclusive use of certain apartments as limited common elements are shown on an Exhibit D attached to the proposed Declaration and on Exhibit A attached hereto.

INTEREST TO BE CONVEYED TO PURCHASER: The undivided percentage ownership in the common elements (the "Common Interest") appertaining to each apartment and its owner for all purposes including voting shall be as follows:

<u>Apartment Type</u>	<u>Percentage of Common Interest</u>	<u>Number of Apartments</u>	<u>Percentage Total</u>
A, AR	1.20	12	14.40
B, BR	1.07	32	34.24
C, CR	1.92	6	11.52
D, DR	1.46	16	23.36
E, ER	1.26	8	10.08
F, FR	1.60	4	6.40
		78	<u>100.000%</u>

The above percentages are based on the ratio of the approximate square footages of apartment areas (including lanais) between the one- and two-bedroom apartments.

USE: The proposed Declaration provides that the residential apartments shall be occupied and used only as private dwellings, but may be leased from time to time to transients. The owners of apartments have the right to lease or rent their apartments to third parties, subject to all of the provisions of the Declaration and Bylaws which should be reviewed by the Purchaser. The Manager's Office and non-apartment buildings and any storage facilities may be used as determined by the Board of Directors. Also, purchasers or prospective purchasers are advised to read with care the House Rules for the Project which among other things provide that occupants of any apartment containing a pet are required to register their pet with the managing agent. The Board may require permanent removal of any pet if such pet is determined by the Board to be a major nuisance to the Project.

OWNERSHIP TO TITLE: The Preliminary Report issued November 26, 1981 and prepared by Title Guaranty of Hawaii, Inc., states that title to the land is vested in Clayton D. and Juanita B. Palmer.

ENCUMBRANCES AGAINST TITLE: The Preliminary Report dated November 26, 1981, prepared by Title Guaranty of Hawaii, Inc., describes the following encumbrances:

1. For any taxes that may be due and owing, reference is made to the Office of the Tax Assessor for the district in which the property is situated.
2. Title to all mineral and metallic mines reserved to the State of Hawaii.
3. Easement "1" (30-ft. wide) for access and utility purposes over and across Lot 1-A-1 in favor of Lot 1-A-2.
4. Mortgage in favor of Hjalmar N. and Anona V. Nelson dated January 11, 1978, recorded in said Bureau in Liber 12667, at Page 151.

5. Mortgage in favor of Trustees for L. S. Dillingham, et al., and C. W. Carlsmith, et al., dated September 6, 1977, recorded in said Bureau in Liber 12444, at Page 626.

6. Mortgage in favor of B. A. & M. Corporation dated August 1, 1980, recorded in said Bureau in Liber 14988, at Page 550.

7. Covenants and conditions of an unrecorded Exchange Agreement dated August 1, 1980, made by and between Clayton D. and Juanita B. Palmer, and Professional Realty Company, of which a Memorandum is dated August 1, 1980 and recorded in Liber 14988 at Page 559.

The Developer has informed the Commission that it will place a construction mortgage on its fee simple interest. The respective liens of this mortgage and the mortgages described in items 4, 5, and 6 and item 7 above will be released and discharged of record as to each condominium apartment prior to its being transferred to a purchaser.

PURCHASE MONEY HANDLING: A copy of the executed Escrow Agreement dated November 18, 1981, between Title Guaranty Escrow Services, Inc. (the "Escrow"), as Escrow Agent, and Developer, has been filed with the Commission. On examination, the specimen Sales Contract and the executed Escrow Agreement are found to be in compliance with Chapter 514A, Hawaii Revised Statutes, as amended.

The executed Escrow Agreement provides in part that if at any time (a) Escrow receives written notice from Developer to return to a purchaser under a Sales Contract the funds of such purchaser then held by Escrow under the Escrow Agreement, or (b) with respect to a purchaser whose funds were obtained prior to the issuance of the Final Report, there shall be any substantive change in the building plans of a type which gives purchaser a right to cancel his Sales Contract pursuant to Chapter 514A of the Hawaii Revised Statutes, as amended (unless purchaser's written approval or acceptance of the specific change is obtained, or ninety (90) days have elapsed since the purchaser has accepted in writing the apartment or he has first occupied the apartment) or (c) the Final Report differs in a material respect from the Preliminary Report, and the purchaser's written approval of such change has not been obtained and the purchaser shall request the refund, or (d) the Final Report is not issued within one (1) year from the date of issuance of the Preliminary Report unless upon its issuance the purchaser receipts for the same and the Sales Contract is nevertheless affirmed by the purchaser, then in any such event Escrow shall return such funds to the purchaser, without interest earned unless otherwise instructed by Developer and furthermore unless Developer shall otherwise instruct Escrow, less: (1) Escrow's cancellation fee at a minimum of \$25.00 per apartment, as set forth in Paragraph 13 of the Escrow Agreement, (2) any mortgagee's cancellation fee, and (3) all other costs, if any, which have been incurred in connection with the Escrow mortgage processing,

closing or legal documentation. The Escrow Agreement further provides that Escrow shall also return to purchaser his Sales Contract marked "cancelled" and any mortgage documents which may have been executed shall also be marked "cancelled" and returned to the mortgagee, if any, and Developer and the purchaser shall be deemed no longer bound by the terms of the Sales Contract; provided, however, that no refund shall be made to purchaser at purchaser's request until Escrow has received written approval of such refund from Developer.

NOTE: Prospective purchasers should be aware that:

1. The mortgage and other liens which will secure the Developer's first mortgage interim construction loan (renewals and extensions) for the construction of the Project shall be and remain at all times a superior lien on the Project, and purchasers intentionally waive and subordinate their interests under the Sales Contract or any reservation agreement in favor of the priority of all such liens.

2. The prospective purchaser is advised that the Developer is selling the units in the Project pursuant to the Developer's rights under its Assignment of Exchange Agreement with Professional Realty Company and Clayton D. and Juanita B. Palmer and upon the completion of the terms and conditions specified therein. The specimen Sales Contract provides that it is only a reservation agreement until the Purchaser receipts for the Final Report and gives the receipt to the Developer at which time (the "Effective Date of the Sales Contract") the Sales Contract becomes a binding sales contract (subject only to any applicable provisions of the Horizontal Property Act). Until the Effective Date of the Sales Contract, the Sales Contract may be unconditionally cancelled at any time by either the Developer or the purchaser (at which time the purchaser's deposit will be refunded in full). However, it is important for the purchaser to review Section D.33 of the Sales Contract with respect to the provisions pertaining to purchaser's application for financing. Purchaser will be responsible for any mortgagee's processing costs and cancellation fees in the event of a cancellation of the Sales Contract, except only in the specific situation described in Section D.33.

3. The Sales Contract provides that each purchaser who is not in default of the Sales Contract and performs all of his obligations thereunder will be paid interest first at the rate of twelve percent (12%) per annum then, upon issuance of the Final Report, at the rate of the higher of twelve percent (12%) per annum or the Merrill Lynch Pierce Fenner & Smith Ready Asset Trust Account (or its successor) interest rate in effect (fixed) as of the date of issuance of the Final Public Report, on purchaser's deposits made pursuant to the Sales Contract, from the date that such deposits are deposited by Escrow in an interest bearing account as provided in the Escrow Agreement until the Closing Date as defined in the Sales Contract or upon seller's cancellation of the Sales Contract pursuant to those cancellation rights described in Paragraph 2 above under the topical heading "NOTE". Seller will pay such interest to

the purchaser for the period, and upon pertinent conditions, all as specified in the Sales Contract in addition to the refund of purchaser's deposits in full without any deductions.

4. As provided in Section D.25 of the Sales Contract, the purchaser acknowledges that minor construction activity may continue on the site after purchaser has occupied his apartment, which may result in noise, dust or other annoyances. In addition, as further provided in said Section D.25, the Developer's sales activities, including the use of model units and signs for sales displays and related activities, may continue until the last apartment in the Project is sold.

5. The purchaser's attention is directed to Paragraph L of the Declaration and Section D.6 and D.7 of the Sales Contract, all of which reserves to the Developer a right to make certain amendments that may be necessary to comply with the provisions of law, the requirements of certain mortgagees, or to carry out the changes to the Project set forth in said paragraphs.

6. The Sales Contract provides that the sale is a "pre-sale", i.e., a sale of a condominium apartment in a Project to be built and completed and the Purchaser expressly agrees that the description of the property covered by the Sales Contract, as contained in the Sales Contract, Declaration and in the Real Estate Commission's Public Report(s), is intended to be sufficient. The property is being purchased with reliance solely on the description contained in the Declaration and Public Report(s) and on the Condominium Map (without regard to any other plans and specifications of the Project) and that furthermore the Condominium Map is intended to show only the layout, location, apartment numbers and dimensions of the apartments. The Purchaser acknowledges the Developer's rights to make changes in the plans and specifications for the Project, including changes to appliances and/or furnishings, subject only to any right of cancellation and refund as may be provided by Chapter 514A, Hawaii Revised Statutes and as described in Section D.6 of the Sales Contract.

7. Purchaser should also note that the Sales Contract places restrictions on selling or assigning the Sales Contracts.

8. As provided in Section D.18 of the Sales Contract, the execution, delivery and recordation of the Purchaser's apartment deed shall constitute the assignment by Seller to Purchaser of any and all warranties given to Seller by the General Contractor for the Project, and by any subcontractors or any materialmen. Purchaser shall also have the direct benefit of any manufacturer's or dealer's warranties covering the appliances in the apartment. The Purchaser acknowledges that, other than a limited warranty to use best efforts described in Section D.18, Seller has made no warranties, expressed or implied with respect to the property, its quality or grade, or any common element or anything installed therein, its quality or grade, or the

tennis court, pool, sewer treatment plant or other improvements. Purchaser's attention is invited to Section D.18 of the Sales Contract.

9. Purchaser should also note Section D.35 of the Sales Contract which provides that the Sales Contract constitutes the entire agreement between the parties and no fact sheets, informational material, advertising material or other documents which purport to describe the property or the Project in any manner beyond or different from the description set forth in the Declaration, By-Laws and Real Estate Commission's Public Report(s) shall be valid or enforceable against the Seller unless signed by the Seller.

10. Purchasers further are advised that any and all representations, advice, or discussion of rental or other income from the Apartment, or any other economic benefit to be derived therefrom, are not authorized by the Developer and the Developer specifically disclaims such representations, if any. Such representations should, therefore, not be relied upon by prospective purchasers. The Developer has not authorized, and prospective purchasers should not rely on, any representations other than those specifically contained in the Declaration, By-Laws and Sales Contract prepared by the Developer.

11. Purchasers should carefully read Section D.23 of the Sales Contract which sets forth certain rights to cancel the Sales Contract or increase the Purchase Price which the Seller reserves in the event of new laws or other delays to the Project beyond the control of the Seller. If the Developer is prevented from building the Project or is delayed by litigation or new laws or other reasons beyond the Developer's control, the Developer has the right to elect to continue the Sales Contract in force or cancel it. If the Developer decides to cancel, the Purchaser will be entitled to a full refund of all deposits made, without interest. The Purchaser also has a thirty (30) day right to cancel the sales contract if the Seller increases the Purchase Price as described in Section D.23.

It is incumbent upon the prospective purchaser that he read with care the Sales Contract and the executed Escrow Agreement. The latter establishes how the proceeds from the sale of apartments are placed in trust, as well as the retention and disbursement of the proceeds of said trust fund.

MANAGEMENT OF THE PROJECT: The Bylaws vest in the Board of Directors (the "Board") the powers and duties necessary for the administration of the overall affairs of the Project. The Bylaws submitted to the Commission permit the Developer to appoint the initial managing agent for the Project. The Developer has not yet entered into a contract with the initial managing agent.

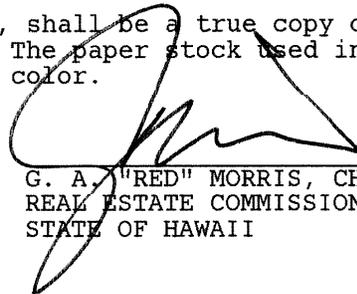
STATUS OF PROJECT: Construction has not yet begun. Assuming presale and financing conditions are met, the Developer

anticipates that work on the project will begin about July, 1982 and be completed in approximately 14 months.

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 December 23, 1981 and information subsequently filed as of January 7, 1982.

This PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1476 filed with the Commission on December 23, 1981.

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.



G. A. "RED" MORRIS, CHAIRMAN
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:
Department of Finance
Bureau of Conveyances
Planning Department
County of Hawaii
Federal Housing Administration
Escrow Agent

Registration No. 1476

Date: January 12, 1982