

REAL ESTATE COMMISSION

PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS

STATE OF HAWAII

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

PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT

on
CENTRAL KONA SHOPPING CENTER II
Halekii Street
Kealakekua, Hawaii

Registration No. 1686

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 26, 1985
Expires: September 26, 1986

SPECIAL ATTENTION

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

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED JUNE 12, 1985, AND INFORMATION SUBSEQUENTLY FILED AS OF AUGUST 14, 1985. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF HIS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY ACT SET FORTH IN CHAPTER 514A HAWAII REVISED STATUTES, AS AMENDED.

1. CENTRAL KONA SHOPPING CENTER II is a proposed Fee Simple mixed use condominium project consisting of nine (9) commercial units and one (1) residential unit contained in two (2) buildings, each being two (2) stories and designated as Buildings A and B. Building A contains four (4) apartments on the ground level and two (2) apartments on the second floor and Building B has three (3) apartments on the ground level and one (1) on the second floor. There will be forty-two (42) parking

stalls, sixteen (16) of which are for compact cars. All stalls are uncovered except for stall nos. 22 and 23.

2. The Developer of the project has submitted to the Commission for examination all documents deemed necessary for the registration of the condominium project and the issuance of this Preliminary Public Report.

3. The basic documents (Declaration of Horizontal Property Regime, the By-Laws of the Association of Apartment Owners and a copy of the Condominium Map) have not been executed or filed in the Bureau of Conveyances of the State of Hawaii or with the Office of the Assistant Registrar of the Land Court.

4. Advertising and promotional materials have not yet been submitted to the Commission pursuant to its rules and regulations.

5. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, and the Rules and Regulations of the Hawaii Real Estate Commission which relate to Horizontal Property Regimes.

6. This Preliminary Public Report is made a part of the registration of CENTRAL KONA SHOPPING CENTER II. The Developer has the responsibility of placing a true copy of this Preliminary Public Report (yellow paper stock) and attached Disclosure Abstract in the hands of all purchasers and prospective purchasers and securing a signed copy of a receipt therefor.

7. This Preliminary Public Report automatically expires thirteen (13) months after the date of issuance, August 26, 1985, unless a Final or a Supplementary Public Report issues, or the Commission, upon review of registration, issues an order extending the effective date of this report.

NAME OF PROJECT: CENTRAL KONA SHOPPING CENTER II

LOCATION: The project is located on Halekii Street in Kealakekua, South Kona, Island, County and State of Hawaii, and will consist of a parcel of land containing approximately 29,678 square feet of land.

TAX MAP KEY: (3) 8-1-3:62, 63

ZONING: CV 7.5 (Commercial Village)

DEVELOPER: LUDVIK LIMBERG and CHRISTA LIMBERG, whose principal place of business and post office address is Post Office Box 1130, Kealakekua, Hawaii 96750, telephone: (808) 322-6622.

ATTORNEY REPRESENTING DEVELOPER: GALLUP & VAN PERNIS, Attorneys at Law, a law corporation, Post Office Box 1837, Kailua-Kona, Hawaii 96745-1837 (Attention: Wallace H. Gallup, Jr.) Telephone: (808) 329-3551.

DESCRIPTION OF PROJECT: The Project is to be constructed in one phase consisting of ten (10) apartments contained in two (2) buildings, each being two (2) stores and designated as Buildings A and B. Building A has a partial basement. Building B does not have a basement. Building A contains four (4) apartments on the ground level and two (2) apartments on the second floor and

Building B has three (3) apartments on the ground level and one (1) on the second floor, all as more fully described in Exhibit "A" attached hereto and made a part hereof and as shown on the Condominium Map. The buildings will be principally of wood frame construction with redwood and glass exterior, lightweight concrete over hot mop roofs with a copper mansard and concrete slab foundations or partially post and pier foundations depending on grade, as shown more fully on the Condominium Map.

Apartments

(a) Each apartment is designated as a separate freehold estate.

(b) The number of each apartment, apartment type, percentage of common interest appurtenant to each apartment and a description of each type of apartment is set forth in Exhibit "A" attached hereto and made a part hereof.

(c) Each apartment has immediate access to the common elements at ground level and the street by corridors, walkways and stairways adjacent to each apartment.

(d) The respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls, the floors and ceilings surrounding each apartment or any pipes, wires, conduits or other utility or service lines running through such apartment which are utilized for or serve more than one apartment, the same being deemed common elements as herein-after provided. Each apartment shall be deemed to include all the walls and partitions which are not load-bearing within its perimeter walls, the inner decorated or finished surfaces of all walls, floors and ceilings, any doors, windows or panels along the perimeter and all fixtures originally installed therein.

(e) The approximate square foot floor area of each type of apartment as set forth in Exhibit "A" attached hereto is measured from the interior surfaces of the perimeter walls, doors, glass windows or panels with no reduction having been made for interior walls and partitions and the like within the perimeters of the apartment.

COMMON ELEMENTS. One freehold estate is designated in all of the remaining portions and appurtenances of the Project, hereinafter called the "common elements", and including specifically, but not limited to:

(a) Said land in fee simple;

(b) The foundations, columns, girders, beams, supports, main walls, roofs, halls, corridors, lobbies, stairs, stairways, fire escapes, and entrances and exits of the building or buildings;

(c) The basements, flat roofs, yards, landscaping, recreational facilities, refuse facilities, utility and service rooms, parking areas, and storage areas;

(d) All ducts, sewer lines, electrical equipment, pipes, wiring and other central and appurtenant transmission facilities and installations on, over, under and/or across the land which serve the common elements or more than one apartment for services such as power, light, gas, water, refuse, telephone, television and radio signal distribution, if any;

(e) All roads, driveways, walkways, and parking areas;

(f) 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; and

(g) All other things constructed or placed on the land and which are defined as common elements in the Act, unless herein expressly defined otherwise.

LIMITED COMMON ELEMENTS Certain parts of the common elements, herein called and designated the "limited common elements" are hereby set aside and reserved for the exclusive use of certain apartments, which apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements. The common elements so set aside and reserved are as follows:

(a) Apartments A-6 and B-4 shall have appurtenant thereto the area designated as "Patio Area" which is adjacent to each apartment, respectively, as shown on Condominium Map.

(b) Apartment A-6 shall have appurtenant thereto the covered parking and storage area situate in the basement of Building A as shown on the Condominium Map. This limited common element shall be transferable in whole or in part to another apartment or apartments so long as the owner of Apartment A-6 continues to have appurtenant to it the minimum number of parking stalls required by law or ordinance.

(c) Each apartment shall have appurtenant thereto the restroom area immediately adjoining the apartment to be used in common with the other adjoining apartment or apartments.

(d) Each apartment shall for occupancy permit purposes have appurtenant thereto the number of parking stalls designated in Exhibit "A" attached hereto as being appurtenant to each apartment.

COMMON INTEREST. Each apartment shall have appurtenant thereto an undivided percentage interest in the common elements of the Project, herein called the "common interest", as set forth for each apartment in Exhibit "A" attached hereto and the same proportionate share in all common profits and expenses of the Project, and for all other purposes, including voting.

EASEMENTS. In addition to any easements of record and to the exclusive easements established in the limited common elements, the apartments and common elements shall also have and be subject to the following easements:

1. Each apartment shall have appurtenant thereto non-exclusive easements in the common elements designed for such purposes for ingress to, egress from, utility services for and support, maintenance and repair of such apartment; in the other common elements for use according to their respective purposes, subject always to the exclusive use of the limited common elements as provided in the Declaration.

2. If any part of the common elements now or hereafter encroaches upon any apartment or limited common element, or if any apartment or limited common element encroaches on the common elements, a valid easement for such encroachment and the maintenance thereof, so long as it continues, shall and does exist. In

the event any building of the Project shall be partially or totally destroyed and then rebuilt, or in the event of any shifting, settlement or movement of any portion of the Project, minor encroachments by any parts of the apartments, common elements or limited common elements due to construction, shifting, settlement or movement shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist.

3. The Association of Apartment Owners shall have the right, to be exercised by its Board of Directors or the Managing Agent, to enter each apartment and the limited common elements from time to time during reasonable hours as may be necessary for the operation of the Project or for making emergency repairs therein necessary to prevent damage to any apartments or common elements or for the installation repair or replacement of any common elements.

PURPOSE OF BUILDING AND RESTRICTIONS ON USE. The apartments shall be occupied and used for commercial purposes under applicable laws and governmental regulations, except that apartment A-6 shall be used only for single-family residential purposes by the respective owners thereof, their tenants, families, domestic servants and social guests and for no other purpose. The owners of the respective apartments shall have the absolute right to rent or lease the same subject to all provisions of the Declaration, the Bylaws and House Rules for the Project and all laws, ordinances, rules and regulations now or hereafter made by any governmental authority for the time being applicable to the occupancy or use of the apartments.

OWNERSHIP OF TITLE: A Commitment for Title Insurance dated July 8, 1985, issued by First American Title Insurance Company as submitted to the Commission, indicates that the subject property consists of two parcels of land containing 29,678 square feet identified by Tax Map Key (3)8-1-3:62, 63. The subject property is vested in the Developer.

ENCUMBRANCES AGAINST TITLE: Said Commitment for Title Insurance dated July 8, 1985, shows title to the property to be subject to the following encumbrances:

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. The terms and conditions contained in that certain Agreement made by and between Kona Scenic Land, Inc., a Hawaii corporation; Foodland Super Market, Limited, a Hawaii corporation; and the County of Hawaii, a municipal corporation, through its Planning Department, dated September 22, 1981, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 16586 at Page 238.
3. The terms, provisions and rights of that certain unrecorded Reciprocal Easement Agreement made by and between Kona Scenic Land, Inc., a Hawaii corporation; Eaton, Jorg, Lanet & Shrewsbury, a Hawaii general partnership; and Foodland Super Market, Limited, a Hawaii corporation, dated May 5, 1981 as mentioned in Warranty Deed dated December 14, 1984, recorded in said Bureau in Liber 18345 at Page 681.
4. The terms and provisions contained in that certain Agreement made by and between Kona Scenic Land, Inc., a Hawaii corporation, and Foodland Super Market, Limited, a Hawaii

corporation, dated December 7, 1984, recorded in said Bureau in Liber 18345 at Page 702.

5. MORTGAGE
Mortgagor: Christa Limberg, wife of Ludvik Limberg
Mortgagee: Kona Scenic Land, Inc., a Hawaii corporation
Dated: December 18, 1984
Liber: 18345
Page: 688

6. MORTGAGE
Mortgagor: Ludvik Limberg, husband of Christa Limberg
Mortgagee: Kona Scenic Land, Inc., a Hawaii corporation
Dated: December 14, 1984
Liber: 18345
Page: 718

7. Real Property Taxes, due and payable, reference is made to Director of Finance, County of Hawaii.

PURCHASE MONEY HANDLING. A specimen Sales Contract and Deposit Receipt, (hereinafter called the "Sales Contract") and the executed Escrow Agreement have been submitted to the Real Estate Commission as part of the registration. The Escrow Agreement dated June 7, 1985, identified First American Title Company of Hawaii, Inc., as the escrow agent. Upon examination, the specimen Sales Contract and the executed Escrow Agreement are found to be in compliance with Chapter 514A, Hawaii Revised Statutes, as amended, and particularly with section 514A-40, 514-39 and 514-63 and 514A-65. Among other provisions, the Escrow Agreement provides that the Escrow Agent shall refund to purchaser all of purchaser's funds, without interest, less a cancellation fee of \$25.00, plus escrow's out-of-pocket expenses, as provided for in the Sales Contract which in turn provides that the Sales Contract shall be voidable by the Buyer at the Buyer's election and Buyer's funds obtained prior to issuing the Final Public Report shall be refunded as follows:

(1) If such Final Public Report shall not be issued within one (1) year from the date of the issuance of the Preliminary Public Report; provided that if the Final Public Report is issued after the one-year period and a copy of the Final Public Report is delivered to the Buyer either personally or by registered or certified mail with return receipt requested and at that time Buyer is notified in writing of his right of refund and cancellation of obligation and the waiver of such right upon his failure to act within a thirty-day period, the Buyer shall have thirty days from the date of delivery of the Final Public Report to exercise his right of refund and cancellation of obligation, after which period such right shall be deemed waived;

(2) If there is a material change in the project which directly, substantially, and adversely affects the use or value of (1) such Buyer's apartment or appurtenant limited common elements, or (2) those amenities of the project available for such Buyer's use.

(3) A Buyer's right of rescission under subsection (2) shall be waived upon (1) delivery to such Buyer, either personally or by registered or certified mail, return receipt requested, of a disclosure document which describes the material change and contains a provision for such Buyer's written approval or acceptance of such change, and (2) such Buyer's written

approval or acceptance of the material change, or the lapse of ninety days since such Buyer has accepted the apartment, or the occupancy of the apartment by such Buyer; provided that if such Buyer does not rescind the contract or execute and return the written approval or acceptance of such change as provided in the disclosure document within thirty days from the date of delivery of such disclosure document, such Buyer shall be deemed to have approved and accepted such change; provided further that the deemed approval and acceptance shall be effective only if at the time of delivery of the disclosure document, such Buyer is noticed in writing of the fact that such Buyer will be deemed to have approved and accepted the change upon such Buyer's failure to act within the thirty day period; provided further that if, prior to deliver of such disclosure document, ninety days have lapsed since such Buyer has accepted the apartment, or such Buyer has occupied the apartment, then such Buyer's right of rescission under subsection (2) shall not be waived unless such Buyer shall execute the written approval or acceptance of such change as provided in the disclosure document within thirty days from the date of delivery of such disclosure document or such Buyer is deemed to have approved and accepted such change as set forth above. A copy of the form of disclosure document shall be delivered to the commission prior to delivery to Buyer.

The specimen Sales Contract and Deposit Receipt provides in part to the effect:

(1) That if the Buyers who have agreed to obtain mortgage loans have not secured commitment therefor within forty-five (45) days after application for the same, the Seller may elect to terminate the sales contract upon giving written notice to the Buyer and, upon such termination, all monies paid by the Buyer shall be refunded, without interest, less the cost of any credit report, escrow cancellation fees, if any, and other costs actually incurred by the Seller or lending institution in processing such loan application. In the event, however, that the Seller ascertains that the Buyer has failed to qualify for the mortgage loan due to the failure to use his best efforts to obtain a mortgage loan in good faith or to do or perform all acts necessary to obtain such loan, then such factor shall constitute a default by the Buyer entitling Seller to retain all sums paid as liquidated damages;

(2) That the Buyer who shall not require financing shall within ten (10) days of Buyers execution of the Sales Contract submit to Seller a financial statement certified by Buyer to be true and accurate in form and content sufficient to fully disclose Buyer's financial circumstances as of such date and any other form required by Seller shall have thirty (30) days to terminate the Sales Contract and cause to be refunded to purchaser the amounts already paid without interest, less the cost of any credit report, escrow cancellation fees and other costs actually incurred in reviewing such financial statements;

(3) Seller's mortgage loans (interim, renewals and extensions) used for the construction of the project shall be and remain at all times a superior lien on the project, and Buyer's intentionally waive, relinquish and subordinate the priority or superiority of any lien under the Sales Contract or any prior reservation agreement in favor of such mortgage loan.

(4) Additionally, the Sales Contract provides that Seller makes no warranties, expressed or implied, with respect to the apartments or any common elements or anything installed therein.

Seller shall assign to Buyers any and all warranties given Seller by the general contractor of the project and by any subcontractors or materialmen together with any guarantees against faulty or deficient materials or workmanship. Buyer shall also receive direct benefit of any warranties given by dealers or manufacturer on appliances installed in a apartment or the common elements.

(5) All expenses in connection with the sale are to be paid by Buyer, including, but not limited to, the cost of drafting the Apartment Deed and the cost of the acknowledgments in respect thereof; the State of Hawaii conveyance tax. (Note: In connection with the conveyance tax, the Seller and Buyer do appoint Escrow Agent as their agent for the purpose of filing the affidavit in respect thereto); the escrow fee; the cost of obtaining financing or a financing commitment for any portion of the purchase price and all expenses incident thereto; the expense of credit reports; the drafting of mortgages, etc. (which costs shall be paid directly to Buyer's mortgagee, etc. (which costs shall be paid directly to Buyer's mortgagee and shall in no event be reimbursed by Seller); acknowledgements of the Buyer on all instruments; recording fees; and any costs incurred for title insurance.

(6) Buyer understands and agrees that:

(a) Seller and all entities, persons and agents related to or affiliated with Seller have no program at this time, nor is any program planned or contemplated, to offer a rental service of any kind to the owners of apartments, either individually or in any form of pooling agreement. A buyer who desires to rent his apartment must, therefore, make his own arrangements.

(b) Neither Seller nor its agents make any representations regarding either economic benefits to be derived from rentals or tax treatment of any Buyer or of a apartment. The tax treatment and economic benefits may vary with individual circumstances, and Seller and its agents recommend that Buyer consult his own attorney, accountant or other tax counsel for advice regarding tax treatment.

IT IS INCUMBENT UPON THE PURCHASER AND PROSPECTIVE PURCHASER THAT THEY READ WITH CARE THE SPECIMEN SALES CONTRACT AND DEPOSIT RECEIPT AND THE EXECUTED ESCROW AGREEMENT. THE ESCROW AGREEMENT ESTABLISHES HOW THE PROCEEDS FROM THE SALES OF THE CONDOMINIUM UNITS ARE PLACED IN TRUST AS WELL AS THE RETENTION AND DISBURSEMENT.

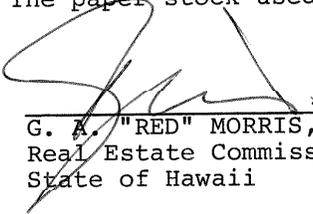
MANAGEMENT AND OPERATION. The proposed Bylaws provide that operation of the Project may be conducted for the Association by a responsible managing agent who shall be appointed by the Association in accordance with the Bylaws. The Developer or either of them is authorized in the Declaration to receive service of legal process in all cases provided in the Act until such time as the Board of Directors of the Association is elected, at which time and thereafter such process may be served upon any member of the Board. The Developer has not named an initial managing agent.

STATUS OF THE PROJECT: The Developer has advised the Commission that construction of the project commenced on February 15, 1985, and will be completed shortly.

Purchaser or prospective purchaser should be cognizant of the fact that this Public Report represents information disclosed by the Developer in the required Notice of Intention submitted June 12, 1985, and information subsequently filed as of August 14, 1985.

THIS PRELIMINARY PROPERTY REGIME (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1686 filed with the Commission on June 12, 1985.

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



G. A. "RED" MORRIS, Chairman
Real Estate Commission,
State of Hawaii

Distribution:

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

Registration No. 1686

Dated: August 26, 1985

The number of each apartment, apartment type, percentage of common interest appurtenant to each apartment and the description of each type of apartment in the Project is as follows:

BUILDING A

Apartment Number	Approximate Floor Area		Apartment Type	Parking Stalls	Common Interest
	Gross	Net			
A-1	787.5	703	A	3.9375	.0916
A-2	787.5	725	A	3.9375	.0945
A-3	765.0	706	A	3.8250	.0920
A-4	810.0	726	A	4.0500	.0946
A-5	728.0	600	B	2.4267	.0782
A-6	832.0	794	C	2.0000	.1035

BUILDING B

Apartment Number	Approximate Floor Area		Apartment Type	Parking Stalls	Common Interest
	Gross	Net			
B-1	900.0	824	A	4.5000	.1074
B-2	900.0	824	A	4.5000	.1074
B-3	900.0	863	A	4.5000	.1125
B-4	1040.0	908	B	3.4667	.1183
				<u>37.1434</u>	<u>1.0000</u>

The percentages of common interest have been based upon the ratio that each apartment's approximate square footage bears to the total approximate square footage of all of the apartments.

The number of parking stalls allocated to each apartment for occupancy permit purposes was based upon one (1) stall or fraction thereof per 200 square feet of approximate gross floor for each apartment except Apartment A-5 and B-4 which were based upon one (1) stall or fraction thereof per 300 square feet of approximate gross floor area and except for Apartment A-6 which was simply allocated two (2) parking stalls.

The types of apartments within the Project are as follows:

Type A Apartments are commercial use apartments containing one room of varying dimensions and areas which may be partitioned into multiple rooms by the apartment owner. Type A apartments share a restroom area as a limited common element with one or two other apartments as shown on the Condominium Map.

Type B Apartments are commercial use apartments containing two rooms of varying dimensions and areas one of which may be partitioned into multiple rooms by the apartment owner with the other room being a bathroom with water closet and sink.

The one Type C Apartment is for single-family residential use and contains a living/dining room, a kitchen, two bedrooms and a bathroom.

EXHIBIT "A"