

SECOND SUPPLEMENTARY
CONDOMINIUM PUBLIC REPORT

Prepared &
Issued by:

Developer: HANNON BROTHERS, LTD.
Address: P.O. Box 477, Hanalei, Kauai, Hawaii 96714
Project Name MAKAI CLUB COTTAGES AT PRINCEVILLE[†]
Address: Lei O Papa Road, Princeville, Kauai, Hawaii

Registration No. 1829

Effective Date: November 14, 1995
Expiration Date: December 14, 1996

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency had judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

- PRELIMINARY:
(yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.
- FINAL:
(white) The developer has legally created a condominium and has filed complete information with the Commission.
 No Prior reports have been issued.
 This report supersedes all prior public reports.
 This report must be read together with
- SECOND
SUPPLEMENTARY:
(pink) This report updates information contained in the:
 Preliminary Public Report dated: _____
 Final Public Report dated: March 6, 1987
 Supplementary Public Report dated: January 9, 1991
And Supersedes all prior public reports
 Must be read together with the Supplementary Public Report dated _____
 This report reactivates the Supplementary Public Report which expired on February 9, 1992

* Exactly as named in the Declaration

[†] Registration limited to apartment numbers 601 through 605, 607 through 610, 701, 702, 810, 901 through 910 only.

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

- Required and attached to this report Not Required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

- No prior reports have been issued by the developer.
- Changes made are as follows:

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General Information On Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study of the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of the development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: HANNON BROTHERS, LTD. Phone: (808) 826-8888
P.O. Box 477
Hanalei, Kauai, Hawaii 96714

Names of officers or general partners of developers who are corporations or partnership:

Michael J. Hannon, President & Treasurer; Theodore B. Hannon, Vice-President & Secretary; and Bruce Hannon, Vice-President and Assistant Secretary

Real Estate
Broker: HANNON REALTY, LTD. Phone: (808) 826-8888
5-5080A Kuhio Highway
Hanalei, Kauai, Hawaii 96714

Escrow: HAWAII ESCROW & TITLE, INC. Phone: (808) 532-2977
700 Bishop Street, Suite 1020
Honolulu, Hawaii 96813

General
Contractor: Not applicable

Condominium
Managing
Agent: MAKAI MANAGEMENT, LTD.† Phone: (808) 826-8888
4180 Lei O Papa Road
Princeville, Kauai, Hawaii

Attorney for
Developer: Michiro Iwanaga Phone: (808) 523-9833
737 Bishop Street, Suite 3100
Honolulu, Hawaii 96813

† Formerly known as Princeville Management Corporation

**II. CREATION OF THE CONDOMINIUM;
CONDOMINIUM DOCUMENTS**

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- A. **Declaration of Condominium Property Regime** contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

Proposed

Recorded - Bureau of Conveyances: Document No. _____
Book 20323 Page 574

Filed - Land Court: Document No. _____

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]:

Amendment to the Declaration of Horizontal Property Regime dated August 7, 1985, recorded in Book 18843, Page 536.

- B. **Condominium Map (File Plan)** shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

Proposed

Recorded - Bureau of Conveyances Condo Map No. 1046

Filed - Land Court Condo Map No. _____

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

- C. **Bylaws of the Association of Apartment Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

Proposed

Recorded - Bureau of Conveyances Document No. _____
Book 20323 Page 598

Filed - Land Court: Document No. _____

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]:

D. **House Rules.** The Board of Directors may adopt House Rules to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the developer.

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. **Apartment Owners:** Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	75%
Bylaws	65%	65%
House Rules	----	By Board of Directors

* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. **Developer:**

No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.

Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws of House Rules.

See Exhibit E

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

B. Underlying Land:

Address: Lei O Papa Road
Princeville, Kauai, Hawaii

Tax Map Key: (4) 5-4-6-9
(TMK)

Address TMK is expected to change because _____

Land Area: 3.557

square feet

acre(s)

Zoning: R-15

Fee Owner: HANNON BROTHERS, LTD., a Hawaii Corporation
 Name
P. O. BOX 477
 Address
HANALEI, KAUAI, HAWAII 96714

Sublessor: _____
 Name

 Address

C. Building and Other Improvements:

1. New Building(s) Conversion of Existing Building(s) Both New Buildings and Conversion

2. Number of Buildings: 17 Floors Per Building single story

Exhibit _____ contains further explanations

3. **Principal Construction Material:**

Concrete Hollow Tile Wood

Other _____

4. **Permitted Uses by Zoning:**

	No of Use Permitted					No. of Use Determined	
	<u>Apts.</u>	<u>By Zoning</u>				<u>Apts.</u>	<u>By Zoning</u>
<input checked="" type="checkbox"/> Residential	<u>17</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input checked="" type="checkbox"/> Timeshare	<u>17</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Other <u>*</u>	_____	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?

Yes No

* Developer reserves the right to conduct extensive sales activities on the Project and have other special rights. See Exhibit E.

5. **Special Use Restrictions:**

The Declaration and Bylaws may contain restrictions on the use and occupancy of the apartments. Restrictions for this condominium project include but are not limited to:

Pets: No pets are allowed

Number of Occupants: _____

Other: See Condominium Declaration and By-Laws, e.g. Article V of the By-Laws. "Also see Exhibit G"

There are no special use restrictions.

6. **Interior** (fill in appropriate numbers):

Elevators: None Stairways: None Trash Chutes: None

SEE EXHIBIT A

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 17

***Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.**

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment: Each apartment is a separate free standing building and includes all of the improvements that are part of each such building, including without limitation all foundations, supports, floors, roofs, chimneys, porches, lanais, decks and all other exteriors and interiors, including all exterior and interior walls, steps, doors and windows.

Permitted Alterations to Apartments: See Exhibit G.

7. **Parking Stalls:**

Total Parking Stalls: 33

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	
Assigned (for each unit)	_____	_____	_____	_____	_____	_____	_____
Guest	_____	_____	_____	_____	_____	_____	_____
Unassigned	_____	<u>33</u>	_____	_____	_____	_____	_____
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other:	_____	_____	_____	_____	_____	_____	_____
Total Covered & Open	<u>33</u>	_____	_____	_____	_____	_____	_____

Each apartment will have the exclusive use of at least N/A parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

- Commercial parking garage permitted in condominium project.
- Exhibit ___ contains additional information on parking stalls for this condominium project.

8. **Recreational and Other Common Facilities:**

There are no recreational or common facilities.

Swimming pool Storage Area Recreation Area

Laundry Area Tennis Court Trash Chute

Other: _____

9. **Compliance With Building Code and Municipal Regulations; Cost to Cure Violations**

There are no violations.

Violations will not be cured.

Violations and costs to cure are listed below.

Violations will be cured by _____

10. **Conditions and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations**

(For conversions of residential apartments in existence for at least five years):

The Architect has certified that structural components and mechanical and electrical installations should be satisfactory.

11. Conformance to Present Zoning Code

- a. No variances to zoning code have been granted.
 Variance(s) to zoning code was/were granted as follows:

b. **Conforming/Non-Conforming Uses, Structures, Lot**

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	_____x_____	_____	_____
Structures	_____x_____	_____	_____
Lot	_____x_____	_____	_____

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest:

- 1. **Common Elements:** Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

described in Exhibit B.

as follows:

2. **Limited Common Elements:** Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

There are no limited common elements in this project.

The limited common elements and the apartments which use them, as described in the Declaration, are:

described in Exhibit _____.

as follows:

3. **Common Interest:** Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interest for the apartments in this project, as described in the Declaration, are:

described in Exhibit _____.

as follows: Each apartment will have that undivided one-seventeenth interest, which is subject to change as stated in Exhibit E.

E. **Encumbrances Against Title:** An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit C describes the encumbrances against the title contained in the title report dated August 21, 1995 and issued by Hawaii Escrow & Title, Inc.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[] There are no blanket liens affecting title to the individual apartments.

[x] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

Type of Lien

**Effect on Buyer's Interest
If Developer Defaults**

Mortgage

Buyer's interest under a Sales Contract is subordinate to the interests of the holder of the Mortgage. Among other things, this means that if the Developer defaults, the holder may take over the property so that the buyer would lose his or her rights and claims to the apartment. If this happens, the buyer would get his or her money back from Escrow. Before the apartment is conveyed to the Buyer, it must be free from the Mortgage.

F. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. **Building and Other Improvements:** The Developer is selling interests in the Condominium "As Is". THE DEVELOPER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO ANY APARTMENT, OR ANY FURNITURE, FURNISHINGS OR APPLIANCES, OR THE CONDOMINIUM, INCLUDING BUT NOT LIMITED TO NO WARRANTIES OR MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, HABITABILITY, OR WORKMANLIKE CONSTRUCTION, OR SUFFICIENCY OF DESIGN, NOR ANY OTHER WARRANTY. ADDITIONALLY, IN NO CIRCUMSTANCES SHALL THE DEVELOPER HAVE ANY LIABILITY FOR INJURY, DEATH, PROPERTY DAMAGE OR ANY OTHER CONSEQUENTIAL DAMAGES WHATSOEVER THAT IN ANY WAY MAY BE CAUSED BY ANY DEFECT IN THE CONDOMINIUM, OR ANY APARTMENT OR FURNITURE, FURNISHINGS OR APPLIANCES.

2. **Appliances:** Same as 1 above.

G. **Status of Construction and Estimated Completion Date:**

Construction was completed approximately in December 1975.

H. **Project Phases:**

The developer has has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right to perform for future development (such as additions, mergers or phasing):

See Exhibit E.

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate Commission include but are not limited to:

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit F contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated August 30, 1995
Exhibit F contains a summary of the pertinent provisions of the escrow agreement.
- Other: Specimen Apartment Deed

B. Buyer's Right to Cancel Sales Contract:

1. Rights Under the Condominium Property Act (Chapter 514A, HRS):

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the developer may be binding on the developer unless the developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report or Supplementary Report to a Final Report: Sales made by the developer are binding if:

- A) The Developer delivers to the buyer a copy of:
 - 1) Either the Final Public Report OR the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission;
 - AND
 - 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
- B) The buyer is given an opportunity to read the report(s); AND
- C) One of the following has occurred:
 - 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

- A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; AND
- B) The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

- A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners.
- D) House Rules.
- E) Condominium Map.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other: Declaration of Covenants, Conditions and Restrictions for Makai Club Cottages Interval Ownership Program, as amended.

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107, are available at the Cashier's Office, Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P. O. Box 541, Honolulu, Hawaii 96809, at a nominal cost.

This Public Report is part of Registration No. 1827 filed with the Real Estate Commission on February 20, 1987.

Reproduction of Report. When reproduced, this report must be on:

- yellow paper stock white paper stock pink paper stock

C. Additional Information Not Covered Above:

Pursuant to §§16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that the Developers, Michael J. Hannon, (RB-10708), Bruce Hannon, (RB-13756), and Theodore B. Hannon, (RS-40698), are current and active Hawaii-licensed real estate brokers and salesperson. Further, that Michael J. Hannon is the principal broker for Hannon Realty, Ltd., the project broker and pursuant to §16-99-11(c), HAR, "(n)o licensee shall advertise 'For Sale by Owner, . . .'"

D. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

HANNON BROTHERS, LTD.

By 
THEODORE B. HANNON
Vice President
Duly authorized signatory

Dated: _____

"Developer"

Distribution:

Department of Finance, County of Kauai
Planning Department, County of Kauai
Federal Housing Administration

EXHIBIT A

APARTMENT DESCRIPTION

The Condominium contain seventeen (17) two (2) bedroom, two (2) bath apartment units, each of which is a separate free standing wood framed building, without basement. The apartments are numbered: 202, 203 and 204; 301, 302, 303, 304 and 305; 401, 402, 403 and 404; and 501, 502, 503, 504 and 505; and are located on the site as indicated on the Condominium Map. Each building is built principally of wood and allied building materials. There are 33 uncovered parking stalls. Parking stalls will be unassigned.

Each of the apartments contains a living room with fireplace, a kitchen, a dining room, two bedrooms each with an adjoining dressing room and bathroom, and entry and entry porch or porches. Most units also have a deck or two decks in addition to the entry porch. The exact configuration, floor plan, and number and location of the porches or porches and deck or decks for each unit is as shown on the Condominium Map. Each apartment has direct access to the grounds.

Each apartment includes: carpeting, except in the kitchen and bathrooms which are vinyl, drapes, refrigerator, range with hood and oven, garbage disposal, dishwasher, hot water heater, washer and dryer.

The net living area of each apartment, computed in accordance with Rule 15-107-6 of the Rules Relating to Horizontal Property Regimes promulgated by the Real Estate Commission, plus the area of the deck or decks (excluding the entry porch or porches) are as follows:

<u>Apt. No.</u>	<u>Net Living Area</u>	<u>Deck or Decks and Their Areas</u>
202	1479	(1) 197
203	1540	(1) 136
204	1479	(1) 77
301	1471	(1) 315
302	1479	(1) 96
303	1471	(1) NONE
304	1479	(2) 246
305	1471	(1) 303
401	1540	(2) 200
402	1442	(1) 67
403	1540	(2) 268
404	1471	(1) 303
501	1480	(1) 92
502	1480	(1) 152
503	1471	(1) 303
504	1523	(1) 143
505	1442	(1) 312

END OF EXHIBIT A

EXHIBIT B

COMMON ELEMENTS

The common elements will include all portions of the land and improvements, other than the apartments, and specifically include:

1. The Land in fee simple.
2. All yards, grounds, landscaping, roadways and parking areas.
3. All installations for power, light, water, sewer, gas and telephone, and other utilities *actually installed* (including all pipes, plumbing, wires, conduits or other utility or service lines) which are utilized by or serve more than one apartment, including those which run through any apartment.

END OF EXHIBIT B

EXHIBIT C

ENCUMBRANCES AGAINST TITLE (MAKAI CLUB COTTAGES)

1. Title to all minerals and metallic mines reserved to the State of Hawaii.
2. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions set forth in the Declaration, dated March 1, 1971, recorded in the Bureau of Conveyances of the State of Hawaii in Book 7444, Page 93, as amended.
3. Existing Easement "D-1" (10 feet wide) for surface drainage purposes, as shown on survey map prepared by Wesley M. Thomas, Surveyor, dated May 23, 1980 (Revised).
4. Easement "E-2" (10 feet wide) for electrical purposes, as shown on survey map prepared by Wesley M. Thomas, Surveyor, dated May 23, 1980 (Revised).
5. Access Easement "R-1" (18 feet wide, area 7,062 square feet), as shown on the Tax Maps.
6. Easement "S-1" (area 1,509 square feet) for sewer line purposes, as shown on survey map prepared by Wesley M. Thomas, Surveyor, dated May 23, 1980 (Revised).
7. Easement "W-2" (area 248 square feet) for water line purposes, as shown on survey map prepared by Wesley M. Thomas, Surveyor, dated May 23, 1980 (Revised).
8. Easement "P-1" (area 2,054 square feet) for parking purposes, as shown on survey map prepared by Wesley M. Thomas, Surveyor, dated May 23, 1980 (Revised).
9. An easement affecting a portion of said land and for the purposes stated herein, and incidental purposes, in favor of Princeville at Hanalei Community Association, a non-profit corporation, dated November 12, 1987, recorded in Book 21516, Page 321.
10. Matters as shown on Condominium File Plan No. 1046, filed in said Bureau of Conveyances.
11. Covenants, conditions, restrictions, reservations, agreements, obligations, provisions and easements as set forth in the Declaration of Horizontal Property Regime, dated January 20, 1987, recorded in Book 20323, Page 574.
12. By-Laws of the Association of Apartment Owners of the Makai Club Cottages at Princeville, dated January 20, 1987, recorded in Book 20323, Page 598.
13. Declaration of Covenants, Conditions and Restrictions for the Makai Club Cottages Interval Ownership Program, dated January 27, 1987, recorded in Book 20341, Page 704, as amended.
14. Right of Entry by Makai Management, Ltd., as the duly authorized agent for the Makai Club Cottages Interval Owner's and Condominium Owner's Association, to Citizens Utilities Company, a Delaware corporation, dated July 6, 1993, recorded as Document No. 93-170441.

15. Any and all easements encumbering the apartment herein mentioned, and/or the common interest appurtenant thereto, as created by or mentioned in said Declaration, as amended, and/or in said apartment deed, and/or as delineated on said Condominium File Plan.

16. A Mortgage dated February 27, 1990, in favor of Princeville Corporation, a Colorado corporation, recorded as Document No. 90-027989, as amended. (See Exhibit "A-2" for Apartment and Interval Nos. affected.)

17. A Mortgage dated February 27, 1990, in favor of Del-Val Capital Corp., a Delaware corporation, recorded as Document No. 90-027991, as amended. (See Exhibit "A-2A" for Apartment and Interval Nos. affected.)

Said Mortgage was assigned to Textron Financial Corporation, a Delaware corporation, by instrument dated May 29, 1992, recorded as Document No. 92-091818.

18. A Financing Statement in favor of Del-Val Capital Corp., recorded as Document No. 90-027992, as amended. (See Exhibit "A-2A-1" for Apartment and Interval Nos. affected.)

Said Financing Statement was assigned to Textron Financial Corporation, by instrument dated June 9, 1992, recorded as Document No. 92-091821.

19. A Mortgage dated November 1, 1993, in favor of Princeville Corporation, a Colorado corporation, recorded as Document No. 94-125232. (See Exhibit "A-1" for Apartment and Interval Nos. affected.)

20. For real property taxes due and payable, refer to Director of Finance, County of Kauai.

21. Schedule of "Time Interval", recorded as Exhibit "A-1", "A-2", "A-2A" and "A-2A-1" attached.

END OF EXHIBIT C

EXHIBIT "A-1"

<u>APT. NO.</u>	<u>INTERVALS</u>
401	7 & 15
501	19 & 38
503	20

END OF EXHIBIT "A-1"

EXHIBIT "A-2"

<u>APT. NO.</u>	<u>INTERVALS</u>
202	ALL INTERVALS EXCEPT 1, 2, 3,
401	1, 8, 9, 10, 11, 12, 13, 14, 16, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 38, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51 & 52
402	1, 8, 12, 25, 27, 28, 29, 42, 43, 46, 47, 51 & 52
501	1, 4, 20, 23, 31, 32, 41, 42, 43, 44, 47, 48, 51 & 52
503	1, 2, 3, 6, 7, 11, 12, 15, 16, 34, 36, 37, 38, 42, 44, 45, 46, 50 & 51

END OF EXHIBIT "A-2"

EXHIBIT "A-2A"

<u>APT. NO.</u>	<u>INTERVALS</u>
202	ALL INTERVALS EXCEPT 1, 2, 3, 4
401	1, 8, 9, 10, 11, 12, 13, 14, 16, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 38, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51 & 52
402	1, 8, 12, 25, 27, 28, 29, 42, 43, 46, 47, 51 & 52
501	1, 4, 20, 23, 31, 32, 41, 42, 43, 44, 47, 48, 51 & 52
503	1, 2, 3, 6, 7, 11, 12, 15, 16, 34, 36, 37, 38, 42, 44, 45, 46, 50 & 51

END OF EXHIBIT "A-2A"

EXHIBIT "A-2A-1"

<u>APT. NO.</u>	<u>INTERVALS</u>
202	ALL INTERVALS
401	1, 8, 9, 10, 11, 12, 13, 14, 16, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 38, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51 & 52
402	1, 8, 12, 25, 27, 28, 29, 42, 43, 46, 47, 51 & 52
501	1, 4, 20, 23, 31, 32, 41, 42, 43, 44, 47, 48, 51 & 52
503	1, 2, 3, 6, 7, 11, 12, 15, 16, 34, 36, 37, 38, 42, 44, 45, 46, 50, 51 & 52

END OF EXHIBIT "A-2A-1"

EXHIBIT D

**THE COTTAGE INTERVAL OWNERS ASSOCIATION
ESTIMATED OPERATING BUDGET FOR 1995**

A. Operating Costs	Project - 1994	Project - 1995	Unit	Interval	Int/month
1. Condominium Owners Assn Expenses					
a. Property Taxes	20,574.00	17,271.00	1,015.94	19.92	1.66
b. Association Dues	4,600.00	5,835.00	343.24	6.73	0.56
2. Grounds/Pool Maintenance	12,000.00	6,500.00	382.35	7.50	0.62
3. Office Rent	14,400.00	14,400.00	847.06	16.61	1.38
4. Supplies	10,950.00	9,615.00	565.59	11.09	0.92
5. Repairs/Maintenance	20,879.00	6,000.00	352.94	6.92	0.58
6. Electricity	23,305.00	30,612.00	1,800.71	35.31	2.94
7. Telephone	5,000.00	6,397.00	376.29	7.38	0.61
8. Utilities (refuse, water/sewer, cable)	9,820.00	13,344.00	784.94	15.39	1.28
9. Laundry	6,000.00	1,900.00	111.76	2.19	0.18
10. Pest Control	450.00	1,968.00	115.76	2.27	0.19
11. Wages/Benefits	198,283.00	204,232.00	12,013.65	235.56	19.63
12. Equipment/Vehicle	3,000.00	3,000.00	176.47	3.46	0.29
13. Amenities	0.00	7,654.00	450.24	8.83	0.74
Sub total	329,261.00	328,728.00	19,336.94	372.43	31.04
B. Plan Management Cost					
1. Plan Manager	42,142.00	43,771.00	2,574.76	50.49	4.21
2. Postage/printing	2,000.00	2,144.00	126.12	2.47	0.21
3. Office Expense	2,700.00	5,500.00	323.53	6.34	0.53
4. Legal Audit	3,000.00	1,709.00	100.53	1.97	0.16
5. Insurance	50,000.00	96,027.00	5,648.65	110.76	9.23
Sub total	99,842.00	149,151.00	8,773.59	172.03	14.34
C. Capital Reserves					
1. Building Improvement	29,070.00	33,100.00	1,947.06	38.18	3.18
2. Furniture & Fixtures	27,681.00	27,681.00	1,628.29	31.93	2.66
3. Bad Debt Reserve	4,732.00	4,732.00	278.35	10.61	0.88
4. Linen Reserve	525.00	5,000.00	294.12	5.77	0.48
Sub total	62,008.00	70,513.00	4,147.82	86.48	7.21
D. Other					
1. Architect/Construction Mgr Fee	15,182.50	0.00	0.00	0.00	0.00
Sub total	15,182.50	0.00	0.00	0.00	0.00
TOTAL OPERATING BUDGET	506,293.50	548,392.00	32,258.35	630.94	52.58
			1993	581.29	
			1994	606.88	
			increase	24.06	3.96%

This budget assumes that the Bad Debt Reserves are in direct proportion to and funded by 446 non-developer intervals.

END OF EXHIBIT D

EXHIBIT E

DEVELOPER'S RESERVED RIGHTS

In addition to the rights that the Developer has reserved to conduct extensive sales activities on the Condominium, the Developer has reserved these rights:

1. The Developer has the right to add lands and apartments to the Condominium as follows: On each of 3 parcels adjoining the land upon which the Condominium is located, there is one separate cottage built about the same time as the Apartments in the Condominium which is substantially identical to the Apartments. At any one or more times prior to December 31, 1996, the Developer has the right to expand the Condominium to include one or more or all of these adjoining lands and the cottages thereon, and to amend the Condominium Declaration and Condominium Map accordingly, as well as each and every prior instrument of conveyance of each and every apartment in the Condominium to conform the same to the Condominium Declaration as so amended, including without limitation to state the reduced common interest appurtenant to each and every such apartment. The common interest for each apartment would change so that it is the percentage that equals the fraction whose numerator is 1 and whose denominator is equal to the number of apartments then in the Condominium. Thus, by way of illustration, if one apartment were added, the common interest for each apartment would be that percentage which equals one eighteenth (1/18th).

2. The Developer has the right to consolidate and resubdivide as follows: Some of the apartments now in the Condominium may encroach upon, or violate setback requirements by being too close to, the boundary of adjoining land. The Developer reserves the right until December 31, 1996 to consolidate the land with the adjoining land and to resubdivide both properties in such a manner so that any such encroachment or setback violation shall be cured. To effect such consolidation and resubdivision, the Developer shall also have the rights to make such filings with the County of Kauai and the Bureau of Conveyances as may be necessary or appropriate, to amend the Condominium Declaration and the Condominium Map to state the revised description of land upon such consolidation and resubdivision, and to do all such other acts and things as may be necessary or appropriate.

Each and every Owner and every other person or entity acquiring any interest in the Condominium or any apartments therein, by such acquisition consents to the reserved rights of the Developer; and further consents to each such expansion, to such consolidation and resubdivision, and to each such amendment or amendments of the Condominium Declaration and Condominium Map and prior instruments of conveyancing; and agrees to execute such documents and to do such other things as may be necessary or convenient to effect the same and appoints the Developer, with right of substitution, as his or her attorney in fact to execute such documents and do such things on his or her behalf, which grant of such power being coupled with an interest, is irrevocable until December 31, 1996 and as such shall not be affected by disability or death of any such party.

END OF EXHIBIT E

EXHIBIT F

SUMMARY OF SALES CONTRACT AND ESCROW AGREEMENT

A. Sales Contract

The Deposit Receipt & Sales Contract for the Makai Club at Princeville (the "Sales Contract") provides for the sale of fee simple interest in the apartments of the project. The Contract calls for three payments: (1) Payment A as the initial downpayment upon execution of the contract; (2) Payment B upon loan approval or within 45 calendar days after acceptance of the Agreement by Seller; and (3) the balance of the purchase price. Under the Contract, the Purchaser undertakes an obligation to pursue mortgage financing.

Payments A, B, and C will not be disbursed by the escrow agent until the time of closing. In other words, the Buyer's downpayment will not be used to finance construction of the project.

The risk of Loss of the apartment and other improvements shall be borne by the Seller until the date of closing.

SELLER MAKES NO WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THE APARTMENT, COMMON ELEMENTS, APPLIANCES, FURNISHINGS OR OTHER PRODUCTS, OR ANYTHING INSTALLED IN OR UPON THE PREMISES OR USED IN CONNECTION WITH THE PROJECT IN ANY MANNER, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS FOR A PARTICULAR PURPOSE OF USE.

The Buyer's rights under the Sales Contract are subordinate to the interest of Princeville Corporation, which provided the acquisition financing for the project. In the event of Seller's default under the acquisition loan,

Buyer may lose whatever interest he or she had in the project. In such an event, however, Buyer will receive the return of any payments made into escrow.

The Sales Contract contains a number of other important provisions. As a result, prospective purchasers are directed to the Sales Contract, since this document will dictate the terms of the transaction.

B. Escrow Agreement

The Escrow Agreement is between the developer, Hannon Brothers, Ltd., and Hawaii Escrow & Title, Inc., 700 Bishop Street, Suite 1020, Honolulu, Hawaii 96813. Interest, if any, accruing on the funds on deposit will be governed by the terms of the Sales Contract. All money received by the developer will be placed into escrow for the applicable transaction. No disbursements will be made from Buyer's funds until various conditions precedent are met. Those conditions are set forth in Section 3.02 of the Escrow Agreement.

Purchasers under Sales Contracts will be entitled to a refund by escrow, without interest, if the purchaser makes a written request for the refund and one of a number of events has occurred.

Escrow will not be responsible for the validity or sufficiency of any Sales Contracts or other documents received by it and will be entitled to assume that those documents received by it were signed by the persons whose signatures purport to be on those documents. Escrow may also assume that instructions or written certifications from the developer are true and accurate. If any dispute or difference arises, or if any conflicting demands are made upon escrow, escrow shall not be required to determine the proper solution to the conflict or to take any particular action. Escrow may simply await settlement of the controversy or may bring an action in interpleader for the purpose of having the respective rights of the parties adjudicated. In any interpleader action, escrow may be fully released and discharged from all further obligations.

END EXHIBIT F

EXHIBIT G

CERTAIN USE RESTRICTIONS

The Declaration for the project provide as follows:

9.01 Subject to the rights reserved by the Developer in other parts of the Declaration or in the By-Laws, each of the apartments are intended for and shall be restricted to the following purposes as to uses, which, together with the restrictions stated in the By-Laws and in the Rules and Regulations, are intended and shall be deemed to be cumulative.

(a) The apartments shall be occupied and used only as permanent, temporary or transient residence dwellings, WHICH IS EXPRESSLY DECLARED TO INCLUDE USE FOR TIMESHARING AND TRANSIENT VACATION RENTALS (including any use or rental in which the occupants of the apartments are provided customary hotel services such as room service for food and beverage, maid service, laundry and linen and bellboy service), by the respective owners thereof, their tenants, families; and domestic servants, and for no other purpose. The Developer declares its intent to develop within the Condominium a time share program ("interval ownership program") within the meaning of Chapter 514E, Hawaii Revised Statutes, as amended. As required by Section 514E-29, said program shall gave an association of time share owners (the "interval owners association" or "club") that will be a different organization that the Association of Apartment Owners referred to in this Declaration and in the Condominium By-Laws.

9.02. Subject to the rights reserved by the Developer in other parts of the Declaration or in the By-Laws: Each Apartment Owner may use the common elements in accordance with the purposes for which they were intended without hindering or encroaching upon the lawful rights of the other Apartment Owners, subject to the right of the Board:

(a) Upon the approval of 75% of the Owners, to change the use of the common elements;

(b) On behalf of the Association to lease or otherwise use for the benefit of the Association those common elements which are not actually used by any of the Apartment Owners for the originally intended special purpose, as determined by the Board; provided that unless the approval of 75% of the Owners is obtained, any such lease shall not have a term exceeding 5 years and shall contain a provision that the lease or agreement for use may be terminated by either party thereto on not more than 60 days' written notice; and

(c) To lease or otherwise use for the benefit of the Association those common elements not falling within subparagraph (b) above, upon obtaining: (1) the approval of 75% of the Owners, including all directly affected Owners and all Owners of Apartments to which such common elements are appurtenant in the case of limited common elements, and (2) the approval of all mortgagees of record on apartments with respect to which Owner approval is required by (a) above, if such lease or use would be in derogation of the interest of such mortgagees.

9.03 The Association shall have the right and power to enact, amend and repeal rules and regulations reasonably restricting and regulating the use of the Apartments and the common elements; provided, however, such rules or regulations shall be enacted, amended, or repealed in accordance with, and shall be consistent with the terms of this Condominium Declaration and the By-Laws, and shall not be in derogation of the rights reserved by the Developer in this Declaration or in the By-Laws.

END OF EXHIBIT G