REAL ESTATE COMMISSION
STATE OF HAWAII

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
PROFESSIONAL & VOCATIONAL LICENSING DIVISION
1010 Richards Street
P. O. Box 3469
Honolulu, Hawaii 96801

CONDOMINIUM PUBLIC REPORT

on

MAUNA LOA VILLAGE PHASE 2

Keauhou, Kona, Hawaii

Registration No. 1896

Issued: June 9, 1988
Expires: July 9, 1989

Report Purpose:

This report is based on information and documents submitted by the developer to the Real Estate Commission as of April 11, 19 88 **and is issued by the Commission for informational purposes only. It represents neither approval nor disapproval of the project. Buyers are encouraged to read this report carefully.**

Type of Report:

X **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 when complete information is filed.

____ **FINAL:** (white) — The developer has legally created a condominium and has filed complete information with the Commission.
[ ] Supersedes all prior public reports
[ ] Must be read together with _____

____ **SUPPLEMENTARY:** (pink) — Updates information contained in the
[ ] Prelim. Public Report dated _____
[ ] Final Public Report dated _____
[ ] Supp. Public Report dated _____

And [ ] Supersedes all prior public reports
[ ] Must be read together with _____
[ ] This report reactivates the _____ public report(s) which expired on _____

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[ ] Required [X] Not Required -- disclosures covered in this report.

FORM: RECO-30 286/986-350W, 150Y, 50P

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.

There were no prior public reports issued on this project.

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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 Hawaii's "Horizontal Property Act" (Chapter 514A, Hawaii Revised Statutes) must be followed.

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 they 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 the 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.

Some condominium projects are leasehold. This means that the land or the land, 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 owner/tenant) 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. The 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.

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 a vote of the owners. Some of these actions may significantly impact the quality of life for all 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 development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is vitally important to all apartment owners that the transition from developer to owner control be accomplished in an orderly manner and in a spirit of cooperation.

SUMMARY OF THE CONDOMINIUM PROJECT

(cite to appropriate pages in text of report)

Interest to be Conveyed to Buyer:

Leasehold interest in the apartment and an undivided percentage interest in the common elements of the project.

Type of Project:

1. [X] New Building(s) [ ] Conversion
   [ ] Both New Building(s) and Conversion
2. [X] Residential [ ] Commercial
   [ ] Mixed Residential and Commercial
   [ ] Other _____
3. [ ] High Rise (5 stories or more) [X] Low Rise
4. [ ] Single or [X] Multiple Buildings
5. Apartment Description (See Exhibit "J")

Apt. Type	Qty	BR/Bath	Net Living Area*	Lanai/Patio

Total Apartments: 67

*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.

6. Parking:

	Number of Stalls
Assigned Stalls (Individual Units)	67
Guest Stalls	
Unassigned Stalls	16
Extra Stalls Available for Purchase	
Other: _____	
Total Parking Stalls	83

7. Recreational amenities:

Three (3) swimming pools and related facilities.

I. PEOPLE CONNECTED WITH THE PROJECT

Developer: HOLUA SEVEN, a Hawaii limited partnership Phone: (808) 329-4833
Name (Business)
75-5722 Kuakini Highway
Business Address
Kailua-Kona, Hawaii 96740

Names of officers or general partners of developers who are corporations or partnerships:
MAUNA LOA VILLAGE CORPORATION (General Partner)
HARRISON G. FAGG (President)
DARLENE B. FAGG (Secretary)

Real Estate Sales Agent: MAUNA LOA VILLAGE REALTY CORP. (Dan Cromwell) Phone: (808) 329-4833
Name (Business)
P.O. Box 1690
Business Address
Kailua-Kona, Hawaii 96745

Escrow: TITLE GUARANTY ESCROW SERVICES, INC. Phone: (808) 521-0211
Name (Business)
235 Queen Street, First Floor
Business Address
Honolulu, Hawaii 96813

Managing Agent: (to be selected) Phone:
Name (Business)
Business Address

Attorney for Developer: CASE & LYNCH (Robert F. Schneider/Scott D. Radovich)
Name
Suite 2500 & 2600, Mauka Tower, 737 Bishop Street
Business Address
Honolulu, Hawaii 96813

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 Horizontal Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners.

A. Declaration of Horizontal 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:

[X] Proposed
[ ] Recorded – Bureau of Conveyances – Book _____ Page _____
[ ] Filed – Land Court – Document Number _____

Amendment date(s) and recording/filing information:

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:

[X] Proposed
[ ] Recorded – Bureau of Conveyance Condo Map No. _____
[ ] Filed – Land Court Condo Map No. _____

Amendment date(s) 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 way in which meetings will be conducted, and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

[X] Proposed
[ ] Recorded – Bureau of Conveyances – Book _____ Page _____
[ ] Filed – Land Court – Document Number _____

Amendment date(s) 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 individual apartments. House rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais, keeping of pets, and occupancy limits. 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:
[X] 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 apartment owners who must vote for or give written consent to changes:

	Minimum Set by Law	This Condominium
Declaration (and Condo Map)	75%	75%
Bylaws	65%	65%
House Rules	–	See Article 12, Sec. 1, Bylaws

The percentages for individual condominium projects may be more than the minimum set by law.

2. Developer: The developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws, or House Rules:

During the sales period, the Developer has reserved the right to make any changes to the project documents and the Project as may be required by law, any title insurance company, any institutional lender, or any governmental agency, and, prior to the conveyance or transfer of the first apartment, for any reason and in any manner as the Developer deems necessary, provided that no such change shall substantially impair the prospective use and enjoyment of the apartment, substantially alter or reduce the usable space within the apartment, render unfavorable the Buyer's mortgage loan commitment, increase the Buyer's share of common expenses, or reduce the obligations of the Developer for common expenses on unsold apartments

The Developer has also reserved the right to effect the merger of additional condominium projects with this Project. In the Developer's sole discretion, any such merger shall be for administrative purposes only or for both administrative purposes and purposes of allocating ownership of common element areas in the projects to be merged among all of the apartment owners of the merged project. In the event of merger for purposes of allocating ownership interests, each apartment owner's common interest appurtenant to his apartment will be calculated and may be reduced to reflect that proportion which his apartment's floor area bears to the total floor area for the entire merged project. The Developer has the right to execute and record amendments to the Declaration and other documents to effect such a merger, in **

The Condominium Statute (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

**accordance with the terms and provisions of the Declaration of Merger of Condominium Phases a copy of which is on file with the Real Estate Commission, together with a schedule of percentage interest of each apartment in the event of merger and the schedule of anticipated common area expenses resulting from the mergers.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

[ ] Fee Simple: Individual apartments and the underlying land will be in fee simple.

[X] Leasehold or Subleasehold: Individual apartments and the underlying land will be leasehold.

The leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit _____ contains further explanations.

Lease Term Expires: 55-year lease term from date of first lease, all apartment leases to end on the same date.

Rent Renegotiation Date(s): First 30 years have fixed rental amounts; thereafter rent to be renegotiated for each of the next two successive 10-year periods and the final 5-year period.

Lease Rent Payable: [ ] Monthly [ ] Quarterly
[X] Semi-Annually [ ] Annually

Exhibit A contains a schedule of the lease rent for each apartment per
[X] Month [ ] Year.

[ ] Individual Apartments in Fee Simple, Underlying Land in Leasehold or Subleasehold:

The leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners -- tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations.

Lease Term Expires: _____

Rent Renegotiation Date(s): _____

Lease Rent Payable: [ ] Monthly [ ] Quarterly
[ ] Semi-Annually [ ] Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per
[ ] Month [ ] Year.

[X] Other:

NOTE: UPON EXPIRATION OF THE LEASE TERM, ALL IMPROVEMENTS ON THE PREMISES REVERT TO THE LANDOWNER.

For Subleaseholds:

[ ] Buyer's sublease may be cancelled if the master lease between the sublessor and fee owner is
[ ] Cancelled [ ] Foreclosed.

[ ] As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is cancelled or foreclosed.

B. **Underlying Land:**

Address: Alii Drive
Keauhou-Kona, Hawaii

Tax Map Key: (3) 7-8-10:69 (por.) (TMK)

[ ] Address [X] TMK is expected to change because underlying land is in process of being subdivided from a larger parcel of land.

Land Area: 5.143 [ ] square feet [X] acre(s)

Zoning: RM-2

Fee Owner: KAMEHAMEHA INVESTMENT CORPORATION
name
567 South King Street, Suite 617
address
Honolulu, Hawaii 96813

Sublessor: N/A
name

address

C. **Buildings and Other Improvements:**

1. [X] New Building(s) [ ] Conversion of Existing Building(s)
   [ ] Both New Building(s) and Conversion

2. Buildings: 10 Floors Per Building: 2

   [X] Exhibit B contains further explanations.

3. Principal Construction Material:

   [X] Concrete [ ] Hollow Tile [X] Wood

   [X] Other Masonry, plaster, steel, glass and related materials

4. Permitted Uses:

	No. of Apts.		No. of Apts.
[ ] Commercial		[ ] Industrial	
[X] Residential	67	[ ] Agricultural	
[ ] Timeshare/Hotel		[ ] Recreational	
[ ] Other:			

5. Special Use Restrictions:

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

[X] Pets: Only small dogs, cats, fish and small birds permitted without prior written consent of Board.

[ ] Number of Occupants: _____

[X] Other: No water beds permitted.

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Total Apartments 67

Elevators 0 (See Exhibit "J") Stairways yes Trash Chutes 0

Apt. Type	Qty	BR/Bath	Net Living Area*	Lanai/Patio

*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 floor area may have been used.

Boundaries of Each Apartment:

Each apartment includes, but is not limited to, all walls, columns and partitions which are not load-bearing within the apartment's perimeter walls, the inner decorated or finished surfaces of all walls, floors and ceilings, the doors and door frames, lanai railings, windows and window frames along the perimeters, the airspace within the perimeters, the lanai air space, and all fixtures originally installed in the apartment. The apartments shall not include the undecorated or unfinished surfaces of the perimeter party or non-party walls, the interior load-bearing columns, girders, beams and walls, the undecorated or unfinished surfaces of the floors and ceiling surrounding each apartment or any pipes, shafts, wires, conduits or other utility or service lines running through an apartment which are utilized for or serve more than one apartment.

Permitted Alterations to Apartments: Alterations or additions within an apartment, within a limited common element appurtenant to and for the exclusive use of an apartment, or to the exterior of an apartment (including painting, awnings, jalousies and screens), shall require the written consent of the owner's plans by the Board of Directors of the Association of Apartment Owners and the apartment owners directly affected by such alterations or additions, as determined by the Board. Any alteration or addition that is different in any material respect from the Condominium File Plan shall be commenced only pursuant to an amendment of the declaration. Any necessary amendment of the Declaration may be made by such owners and the Board and recorded with plans certified as built by a registered architect or professional engineer.

The owner of two or more apartments separated by a party wall, floor or ceiling may alter or remove the intervening wall if structural integrity and soundness of the project is not adversely affected. At the termination of the common ownership of adjacent apartments, the altered or removed walls shall be restored by the owner to substantially the same condition as existed prior to the alteration or removal.

7. Parking Stalls:

Total Parking Stalls: 83

	Regular		Compact		Tandem		TOTAL
	covered	open	covered	open	covered	open	
Assigned (for individual units)		67					67
Guest							
Unassigned				16			16
Extra Available for Purchase							
Other:							
Total Covered & Open	67		16				

Each apartment will have the exclusive use of at least one (1) 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.

[x] Exhibit C contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

[ ] There are no recreational or common facilities.

[x] Swimming pools (3)

[ ] Recreation Area

[ ] Tennis Court

[ ] Storage Area

[ ] Laundry Area

[ ] Trash Chute

[ ] Other: _____

9. Present Condition of Improvements
(For conversions of residential apartments in existence for five years):

a. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

N/A

b. Compliance with Building Code and Municipal Regulations; Cost to Cure Violations

N/A

10. Conformance to Present Zoning Code

a. [X] 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.

	Conforming	Non-Conforming	Illegal
Uses	_____	_____	_____
Structures	_____	_____	_____
Lot	_____	_____	_____

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 intended to be used by all apartment owners. They are owned jointly by all apartment owners.

   Exhibit D describes the common elements.

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.

   [X] The limited common elements and the apartments which may use them are:

   [ ] described in Exhibit _____

   [X] as follows:

Parking Stalls. Each apartment shall have appurtenant to it the exclusive and irrevocable right to use the parking stall(s) designated in Exhibit "C" attached hereto, located in the parking area as shown on the Condominium File Plan.

The parking area is located on property adjacent to the project, as covered by and described in that certain Tennis Center lease dated August 1, 1983, a short form of which is recorded in Liber 17236, Page 686, as amended, and the common elements of the project shall include the right and an easement to enter upon and use such parking area for the purposes of maintenance, repair and appropriate use of the parking area; provided, however, that the Association shall be assessed an annual fee for rights of ingress, egress and vehicular parking upon the parking area, as set forth in the Tennis Center Lease.

Each apartment shall have appurtenant to it the exclusive and irrevocable right to use at least one parking stall.

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 often used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium. It may also be used for other purposes, including voting on matters requiring action by apartment owners.

   [X] Exhibit E describes the common interests for each apartment.

   [ ] as follows:

E. **Encumbrances Against Title:** An encumbrance is a claim against or a liability on the property.

Exhibit F describes the encumbrances against the title contained in the status report dated October 1, 1987, issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

A blanket lien is a mortgage on a condominium project that secures a construction loan. It 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.

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

[ ] 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. Buyer's interest will be affected only if the developer defaults prior to conveying the apartment to buyer.

Type of Lien	Effect on Buyer's Interest If Developer Defaults

F. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a managing agent to assist the Association in managing the condominium project.

Initial Managing Agent: When the developer or the developer's affiliate is the initial managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial managing agent for this condominium is:

[ ] not affiliated with the Developer.

[ ] the Developer or the Developer's affiliate.

[X] other has not yet been selected.

G. Estimate of Initial Maintenance Fees:

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided to each apartment.

Exhibit G contains a schedule of maintenance fees and maintenance fee disbursements.

H. Utility Charges for Apartments:

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

[ ] Electricity [ ] Television Cable

[ ] Gas [ ] Water & Sewer

[ ] Other _____

I. 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 shall require from the general contractor for the project a written warranty with respect to any defects in each apartment and the common elements due to faulty materials and/or workmanship which are discovered and reported within one (1) year from the "Date of Substantial Completion" as defined in the construction contract. The Developer makes no warranties itself; however, the Developer will assign to each apartment owner any and all warranties given the Developer by the general contractor for the project and by any subcontractors or materialmen, and the Developer will cooperate with each apartment owner during the effective period of any such warranties in asserting any claims based on such warranties.

2. Appliances: Each apartment owner shall have the direct benefit of any manufacturer's or dealer's warranties covering the appliances in his or her apartment. These warranties will expire at different times, depending on the date of installation of the appliances. The Developer does not adopt the manufacturer's or dealer's warranties, if any, but will assign and pass on to each apartment owner the benefit of such warranties.

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

The project has not yet commenced construction and the Developer has no set commencement date for construction nor a set completion date.

K. **Project Phases:**

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

Summary of Developer's Present Plans for Future Development:

The Developer has plans to develop an adjoining 30 acres of land with an additional 376 apartment units contained in 56 "clusters", in one or more additional phases and has reserved the right to merge such development(s) with this Project for purposes of administration and use, and possibly for ownership purposes. However, the Developer does not represent that any such development(s) will be built or that, if built, such development(s) will be merged with this Project.

See the Declaration of Merger of Condominium Phases on file with the Real Estate Commission for details of this phasing. Note also sections E.8 and E.9 of the Declaration of Horizontal Property Regime for easements reserved to the Developer with respect to the construction, maintenance and operation of subsequent phases.

At time of issuance of the Final Public Report on Mauna Loa Village Phase 2, Developer shall furnish a development plan of the entire phases of the project. The plan shall include the approximate number of units, its location, the design and quality of improvements, and the timetable for its completion.

L. **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

[X] Specimen Sales Contract

Exhibit H contains a summary of the pertinent provisions of the sales contract.

[X] Escrow Agreement dated October 22, 1987 with Title Guaranty Escrow Services, Inc.

Exhibit I contains a summary of the pertinent provisions of the escrow agreement.

[X] Other Specimen apartment lease

IV. ADDITIONAL INFORMATION NOT COVERED ABOVE

1. The proposed Declaration of Horizontal Property Regime states that the Developer may develop a tennis center located on property adjacent to and south of the project, which tennis center may be owned and operated for profit by the Developer. If such a tennis center is developed, the Association has the right and power, as set forth in the Declaration of Horizontal Property Regime and Bylaws, to enter into a membership agreement, appurtenant to and for the benefit of each apartment in the Project, with the tennis center. Each apartment owner shall be liable for and pay a portion of the costs of such tennis center membership, which costs will be payable by each apartment owner as a portion of the maintenance fee. The Developer reserves the right, until an election of directors is held at the first annual meeting of the Association, to negotiate and enter into such a membership agreement on behalf of and at the expense of the Association upon such terms as the Developer deems to be in the best interest of the Project and the Association. While the Developer can make no assurances at this time regarding the tennis center membership or the costs, if any, of such membership to individual apartment owners, it is estimated that such costs would average approximately $30.00 per month for each apartment. See Exhibit "K" for further details.

See Section L. of the Declaration of Horizontal Property Regime, Article 5, Section 3 of the Bylaws, and Article IV, Section C.4. of the specimen Deposit Receipt and Sales Contract for additional information concerning the tennis center and the effect of the Association's anticipated membership in such tennis center.

2. The project site is adjacent to an existing golf course, and by virtue of such location may be subject to errant golf shots.

3. The developer is presently negotiating with the fee owner/lessor for an amendment of the Master Lease to permit conversion of the project to fee simple. In the event such negotiations are successful, the land subject to this Horizontal Property Regime will be purchased from the fee owner and the individual apartment purchasers will receive fee simple title to the apartments and common elements, including land. In such event, a Supplementary Public Report will be prepared to reflect the change of the project from leasehold to fee simple.

Buyer's Right to Cancel Sales Contract:

A. Rights Under the Condominium Statute:

Preliminary Report: Sales made by the Developer 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, Supplementary Report to a Final Report: Sales made by the Developer are binding if:

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

1. There is a material change in the condominium which directly, substantially, and adversely affects (a) the use or value of the buyer's apartment or its limited common elements; or (b) the amenities available for buyer's use; and
2. 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.

B. Rights Under the Sales Contract:

Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the condominium. These include but are not limited to the:

1. Condominium Public Reports issued by the Hawaii Real Estate Commission.
2. Declaration of Horizontal Property Regime and Condominium Map.
3. Bylaws of the Association of Apartment Owners.
4. House Rules.
5. Escrow Agreement.
6. Hawaii's Condominium Law (Chapter 514A, HRS, as amended; Hawaii Administrative Rules, Chapter 16-107, adopted by the Real Estate Commission).
7. Other Declaration of Merger of Condominium Phases

If these documents are not in final form, the buyer should ask to see the most recent draft.

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 Law (Chapter 514A, HRS and Hawaii Administrative Rules Chapter 16-107) are available at the Department of Commerce and Consumer Affairs.

This Public Report is a part of Registration No. 1896 filed with the Real Estate Commission on November 12, 1987.

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

Supplementary Public Reports expire on the expiration date given on the front of the report.

GLORIA DAMRON, Chairman
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:

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

EXHIBIT "A"

SCHEDULE OF LEASE RENTS
(per apartment per month)

Apt. Type	Apt. No.	First Ten (10) Year Period	Second Ten (10) Year Period	Third Ten (10) Year Period
A	(83-A, 98-A, 103-A, 130-A, 135-A)	$ 90.26	$135.39	$203.09
B	(84-B, 85-B, 86-B, 99-B, 100-B, 101-B, 104-B, 105-B, 106-B, 126-B, 127-B, 128-B, 131-B, 132-B, 133-B, 136-B, 137-B, 138-B)	90.26	135.39	203.09
C	(87-C, 102-C, 107-C, 129-C, 134-C, 139-C)	100.63	150.95	226.42
D	(73-D, 81-D, 88-D, 96-D, 108-D, 113-D, 115-D, 123-D)	53.57	80.36	120.53
E	(74-E, 82-E, 89-E, 97-E, 109-E, 114-E, 116-E, 124-E)	57.95	86.93	130.39
F	(110-F, 112-F)	128.85	193.28	289.91
G	(111-G)	154.82	231.56	347.33
H	(75-H, 79-H, 90-H, 94-H, 117-H, 121-H)	61.98	92.97	139.46
I	(78-I, 93-I, 120-I)	87.67	131.51	197.26
J	(76-J, 80-J, 92-J, 95-J, 118-J, 122-J)	57.31	85.97	128.95
K	(77-K, 92-K, 119-K)	82.08	123.12	184.68

Rent reserved under each apartment lease shall be redetermined for the ten (10) year period commencing at the end of the fixed rental period, the next ten (10) year period, and the final five (5) year period of the term of such apartment lease by mutual agreement of the Lessor and all apartment owners (acting by and through the Association) or, upon a failure to agree, by appraisal as provided in the apartment leases.

SDR 102087 05910

EXHIBIT "B"

DESCRIPTION OF BUILDINGS

The project shall contain ten (10) two-story residential apartment buildings. Six (6) residential apartment buildings each contain five (5) residential apartments ("Paradise Complex"; Building Nos. 13, 15, 16, 18, 19 and 37). Three (3) residential apartment buildings each contain ten (10) residential apartments ("Plumeria Complex"; Building Nos. 12, 14 and 17). One (1) residential apartment building contains seven (7) residential apartments ("Polynesian Complex"; Building No. 22). All buildings will be constructed principally of concrete, masonry, plaster, steel, wood, glass and related materials. Each residential apartment building shall have a central courtyard through which access to each residential apartment in the building is provided.

EXHIBIT "C"

PARKING STALLS

Each apartment shall have appurtenant to it the exclusive right to use the parking stall(s) designated below, located in the parking lot as shown on the Condominium File Plan. The parking area is located on property adjacent to the project, as covered by and described in that certain Tennis Center Lease dated August 1, 1983, a short form of which is recorded in Liber 17136, Page 686, as amended, and the common elements of the project shall include the irrevocable right and an easement to enter upon and use parking area for the purpose of maintenance, repair and appropriate use of the parking area, provided, however, that the Association shall be assessed an annual fee for rights of ingress, egress and vehicular parking upon the parking area, as set forth in the Tennis Center Lease. The Developer hereby reserves the right for itself, its successors and assigns, by way of an amendment to this declaration, to convey or otherwise designate any parking stall not specifically designated herein to be appurtenant to and for the exclusive use of any other apartment in the project or in a subsequent phase or increment to the project, provided that such phase or increment shall be merged with the project in the manner set forth in the Declaration of Merger.

Apartment No.	Parking Stall No(s).	Apartment No.	Parking Stall No(s).
73-D	73	107-C	107
74-E	74	108-D	108
75-H	75	109-E	109
76-J	76	110-F	110
77-K	77	111-G	111
78-I	78	112-F	112
79-H	79	113-D	113
80-J	80	114-E	114
81-D	81	115-D	115
82-E	82	116-E	116
83-A	83	117-H	117
84-B	84	118-J	118
85-B	85	119-K	119
86-B	86	120-F	120
87-C	87	121-H	121
88-D	88	122-J	122
89-E	89	123-D	123
90-H	90	124-E	124
91-J	91	125-A	125
92-K	92	126-B	126
93-I	93	127-B	127
94-H	94	128-B	128
95-J	95	129-C	129
96-D	96	130-A	130
97-E	97	131-B	131
98-A	98	132-B	132
99-B	99	133-B	133

Apartment No.	Parking Stall No(s).	Apartment No.	Parking Stall No(s).
100-B	100	134-C	134
101-B	101	135-A	135
102-C	102	136-B	136
103-A	103	137-B	137
104-B	104	138-B	138
105-B	105	139-C	139
106-B	106		

EXHIBIT "D"

COMMON ELEMENTS

The common elements of the project shall specifically include, but are not limited to, the following:

1. The land described in Exhibit "A" attached to the Declaration of Horizontal Property Regime.

2. All structural components, such as foundations, girders, columns, beams, floor slabs, supports, perimeter walls, load-bearing walls, floors, ceilings (except the inner or decorated surfaces of the perimeter walls, load-bearing walls, floors and ceilings), roofs, stairs and stairways, sidewalks and curbs.

3. All yards, grounds, gardens, planters, plants, landscaping, waterfalls, fountains, courtyard areas, refuse facilities, roads, driveways, walkways and parking areas, including golf cart parking stalls as shown on the Condominium File Plan.

4. The right and an easement to enter upon and use the property adjacent to the project, as covered by and described in that certain Tennis Center Lease dated August 1, 1983, a short form of which is recorded at the Bureau of Conveyances in Liber 17236, Page 686, as amended, for the purposes of maintenance, repair and appropriate use of the parking area or facility to be constructed thereon by the Developer; provided, however, that the Association shall be assessed an annual fee for rights of ingress, egress, and vehicular parking upon the parking area or facility, as set forth in the Tennis Center Lease.

5. All recreational and related facilities, including three (3) swimming pools and adjacent dressing facilities.

6. All ducts, electrical equipment, wiring, pipes and other central and appurtenant transmission facilities and installations 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, if any.

7. Any and all apparatus and installations of common use and all other parts of the project necessary or convenient to its existence, maintenance and safety, or normally in common use.

EXHIBIT "E"

COMMON INTERESTS

Apartment Type	Apartment No.	Undivided Common Interest of Each Apartment
Unit "A"	83-A, 98-A, 103-A, 125-A, 130-A, 135-A	1.70299
Unit"B"	84-B, 85-B, 86-B, 99-B, 100-B, 101-B, 104-B, 105-B, 106-B, 126-B, 127-B, 128-B, 131-B, 132-B, 133-B, 136-B, 137-B, 138-B	1.70299
Unit "C"	87-C, 102-C, 107-C, 129-C, 134-C, 139-C	1.89932
Unit "D"	73-D, 81-D, 88-D, 96-D, 108-D, 113-D, 115-D, 123-D	1.01143
Unit "E"	74-E, 82-E, 89-E, 97-E, 109-E, 114-E, 116-E, 124-E	1.09305
Unit "F"	110-F, 112-F	2.43206
Unit "G"	111-G	2.91295
Unit "H"	75-H, 79-H, 90-H, 94-H, 117-H, 121-H	1.16915
Unit "I"	78-I, 93-I, 120-I	1.65446
Unit "J"	76-J, 80-J, 91-J, 95-J, 118-J, 122-J	1.08202
Unit "K"	77-K, 92-K, 119-K	1.54968

EXHIBIT "F"

ENCUMBRANCES AGAINST TITLE

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

2. Grant dated December 5, 1984, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 18611, Page 537, granting to Hawaiian Electric Light Company, Inc., and the Hawaiian Telephone Company a perpetual right and easement to build, construct, reconstruct, rebuild, repair, maintain and operate underground lines and transformer vaults, etc., over, upon, across, through and under said parcel.

3. The reservations and covenant as set forth in Deed dated October 2, 1969, recorded in Liber 6755 at Page 49, to-wit:

> "Reserving to the State of Hawaii, its successors and assigns, the following:
>
> 1. All minerals as hereinafter defined, in, on or under the premises and the right, on its own behalf or through persons authorized by it, to enter, sever, prospect for, mine and remove such minerals by deep mining, strip mining, drilling and any other means whatsoever, and to occupy and use so much of the surface of the ground as may be required therefor. 'Minerals,' as used herein, shall mean any or all oil, gas, coal, phosphate, sodium, sulphur, iron, titanium, gold, silver, bauxite, bauxitic clay, diaspore, boehmite, laterite, gibbsite, alumina, all ores of aluminum and, without limitation thereon, all other mineral substances and ore deposits, whether solid, gaseous or liquid, in, on, or under the premises; provided, that 'minerals' shall not include sand, gravel, rock or other material suitable for use and when used in road construction.
>
> 2. All surface and ground waters appurtenant to said premises and the right on its own behalf or through persons authorized by it, to capture, divert or impound the same and to occupy and use so much of said premises as may be required in the exercise of this reserved right.
>
> Provided, however, that as a condition precedent to the exercise of the rights reserved in paragraphs 1 and 2, just compensation shall be paid to the Grantees for any of Grantees' improvements taken.

The Grantees, for themselves, their successors and assigns, covenant that the use and enjoyment of the land herein conveyed shall not be in support of any policy which discriminates against anyone based upon race, creed, color or national origin.

It is further understood and agreed:

1. That the Grantees shall use or allow said premises to be used, whether in combination, consolidation or otherwise with other lands, only in accordance with the appropriate zoning and subdivision ordinances of the County of Hawaii."

4. Unrecorded Area 16 Apartment Development Lease dated August 1, 1983, by and between Kamehameha Investment Corporation, a Hawaii corporation, as Lessor, and Holua Associates, a joint venture formed under the laws of the State of Hawaii, composed of Tecon-Kona Corporation, a Nevada corporation, and Kona-Post Corporation, a Hawaii corporation, a short form of which lease is recorded in Liber 17236, Page 679, as amended by Amendment of Area 16 Apartment Development Lease dated September 14, 1983, recorded in Liber 17324, Page 368, which lease, by mesne assignments, was assigned to Holua Seven, a Hawaii limited partnership, by instrument dated _____, recorded in Liber _____, Page _____.

EXHIBIT G

ESTIMATE OF INITIAL MAINTENANCE FEES AND ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

Apartment	Monthly Fee	x 12 months =	Yearly Total
A (83-A, 98-A, 103-A, 125-A 130-A, 135-A)	$ 242.68		$ 2,912.16
B (84-B, 85-B, 86-B, 99-B, 100-B, 101-B, 104-B, 105-B, 106-B, 126-B, 127-B, 128-B, 131-B, 132-B, 133-B, 136-B, 137-B, 138-B)	242.68		2,912.16
C (87-C, 102-C, 107-C, 129-C, 134-C, 139-C)	270.66		3,247.92
D (73-D, 81-D, 88-D, 96-D, 108-D, 113-D, 115-D, 123-D)	144.13		1,729.56
E (74-E, 82-E, 89-E, 97-E, 109-E, 114-E, 116-E, 124-E)	155.76		1,869.12
F (110-F, 112-F)	346.57		4,158.84
G (111-G)	415.10		4,981.20
H (75-H, 79-H, 90-H, 94-H, 117-H, 121-H)	166.61		1,999.32
I (78-I, 93-I, 120-I)	235.76		2,829.12
J (76-J, 80-J, 92-J, 95-J, 118-J, 122-J)	154.19		1,850.28
K (77-K, 92-K, 119-K)	220.83		2,649.96

NOTE: The breakdown of the estimated fees for each apartment does not include the apartment owner's obligation for the payment of real property taxes and lease rents, and does not includ the apartment owner's proportionate share of the costs of the Association's anticipated tennis center membership. See page 18 of this Public Report for an estimate of such tennis center membership costs.

[ ] Revised on _____

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

MAUNA LOA VILLAGE PHASE 2

Estimate of Maintenance Fee Disbursements:

	Monthly	x 12 months =	Yearly Total
Utilities and Services			
Air Conditioning			
Electricity			
[X] common elements only	1446		17352
[ ] common elements and apartments			
Gas	48		576
Refuse Collection	193		2316
Telephone	29		348
Water and Sewer	2072		24864
Maintenance, Repairs and Supplies			
Building	337		4044
Grounds	241		2892
Management			
Management Fee	670		8040
Payroll and Payroll Taxes	5384		64608
Office Expenses			
Insurance	1928		23136
Reserves	375		4500
Taxes and Government Assessments	24		288
Audit Fees			
Other	1503		18036
TOTAL	14250		171000

I/We/ HARRISON G. FAGG, Developer, as managing agents for the condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Date:

EXHIBIT "H"

SUMMARY OF DEPOSIT RECEIPT AND SALES CONTRACT

The Deposit Receipt and Sales Contract contains the price and other terms and conditions under which a purchaser will agree to buy an apartment in the Project. Among other things, the Deposit Receipt and Sales Contract states:

(a) The total purchase price, method of payment and additional sums which must be paid in connection with the purchase of an apartment.

(b) That the purchaser acknowledges having received and read a public report (either preliminary or final) for the Project prior to signing the Deposit Receipt and Sales Contract.

(c) That the Developer makes no representations concerning rental of an apartment, income or profit from an apartment, or any other economic benefit to be derived from the purchase of an apartment.

(d) That the Sales Contract may be subordinate to the lien of a construction lender.

(e) That the purchaser's money will be held in escrow, under the terms of the Escrow Agreement.

(f) Requirements relating to the purchaser's financing of the purchase of an apartment.

(g) That the apartment and the Project will be subject to various other legal documents which the purchaser should examine, and that the Developer may change these documents under certain circumstances.

(h) That the Developer makes no warranties regarding the apartment, the Project or anything installed or contained in the apartment or the Project.

(i) That the Project will be subject to ongoing construction and sales activities which may result in certain annoyances to the purchaser.

(j) That the purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

(k) That the Association has the right and power, as set forth in the Declaration of Horizontal Property Regime and the Bylaws, to enter into a membership agreement, appurtenant to and for the benefit of each apartment in the Project, with a tennis center which may be developed on property adjacent to the Project. Each apartment owner shall be liable for and pay a portion of the costs of any such tennis center membership, which costs will be apportioned among all apartment owners as a common expense of the Project, payable by each apartment owner as a portion of the maintenance fee. The

Developer has retained the right to enter into such a membership agreement on behalf of and at the expense of the Association.

(i) That the purchaser will not receive interest on deposits made under the Sales Contract.

The Deposit Receipt and Sales Contract contains various other important provisions relating to the purchase of an apartment in the Project. It is incumbent upon purchasers and prospective purchasers to read with care the specimen Deposit Receipt and Sales Contract on file with the Real Estate Commission.

EXHIBIT "I"

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement sets up an arrangement under which the deposits a purchaser makes pursuant to a Sales Contract will be held by a neutral party ("Escrow"). Under the Escrow Agreement, these things will or may happen:

(a) Escrow will let the purchaser know when payments are due.

(b) Escrow will arrange for the purchaser to sign all necessary documents.

(c) The purchaser will be entitled to a refund of his or her funds only under certain circumstances as set forth in the Sales Contract.

The Escrow Agreement also establishes the procedures for the retention and disbursement of a purchaser's funds and says what will happen to the funds upon a default under the Sales Contract. The Escrow Agreement contains various other important provisions and establishes certain charges with which a purchaser should be familiar. It is incumbent upon purchasers and prospective purchasers to read with care the executed Escrow Agreement on file with the Real Estate Commission.

Exhibit "J"

DESCRIPTION OF APARTMENTS

Apt. Type	Qty.	BR/Bath	Net Living Area*	Lanai/Patio
A	6	2/3	1362	182
B	18	2/3	1362	182
C	6	2/3	1540	182
D	8	1/1	801	116
E	8	1/1	801	190
F	2	2/3	1899	306
G	1	3/4	2093	548
H	6	1/2	866	194
I	3	2/3	1175	325
J	6	1/2	866	115
K	3	2/3	1175	230

Total Apartments: 67

*NOTE: The approximate net living area of each apartment as set forth above is measured from the interior surface of the apartment perimeter walls and includes all of the walls and partitions within its perimeter walls, whether load-bearing or non-load-bearing. THE FLOOR AREAS ARE APPROXIMATE ONLY AND THE DEVELOPER MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER AS TO THE FLOOR AREA OF ANY PARTICULAR APARTMENT.

EXHIBIT "K"

Proposed Tennis Center

The Developer may develop a tennis center to be located on property adjacent to and south of the Project, which will be owned and operated for profit. Such tennis center will be privately owned and operated, separate and distinct from the proposed condominium project. The Developer will initially manage the facility but later will concession it to an outside management company.

To provide initial start-up membership for the tennis center, the Developer will offer to the Association the right and power, as set forth in the Declaration of Horizontal Property Regime and Bylaws, to enter into a membership agreement, appurtenant to and for the benefit of each apartment in the Project, with the tennis center. Until an election of the board of directors for the Association is held at the first annual meeting of the Association, the Developer reserves the right to negotiate and enter into such a membership agreement on behalf of and at the expense of the Association upon such terms as the Developer deems to be in the best interest of the Project and the Association. Such membership agreement will give members of the Association full rights and privileges in the tennis center at a small fee. All members of the Association will be bound by the membership agreement. Though the Developer can make no assurances at this time regarding the tennis center membership or the costs, if any, of such membership to individual apartment owners, it is estimated that such costs would average approximately $30.00 per month for each apartment.

The Developer also intends to solicit membership from the general public. Members of the tennis center who are not members under the Association membership agreement will have full access to the tennis center facilities but will not have access to any of the Project's common elements.