



**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

KA'EO KAI PHASE III
3970 Wylie Road
Princeville, Kauai, Hawaii 96722

Registration No. 1955

Issued: November 10, 1988
Expires: December 10, 1989

Report Purpose:

This report is based on information and documents submitted by the developer to the Real Estate Commission as of November 2, 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:

- PRELIMINARY:** 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.
(yellow)
- FINAL:** The developer has legally created a condominium and has filed complete information with the Commission.
(white)
[] Supersedes all prior public reports
[] Must be read together with _____
- SUPPLEMENTARY:** Updates information contained in the
(pink)
[] 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.

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 reports issued on this project.

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*****
*
*                               SPECIAL ATTENTION:
*
*   The Developer has disclosed the following:
*
*   1) This project is part of a phased-incremental development
*      in which the Developer has reserved the right to add or
*      construct additional buildings/apartments. The Developer
*      has also reserved the right to remove or remove portions
*      of the land area that is not utilized for a building in
*      the Project. Refer to details contained in Exhibit B.
*
*   2) This Project permits commercial, timesharing/resort use.
*      Refer to Page 5, No. 2 and Page 10, No. 4 of this public
*      report.
*
*   3) A prospective purchaser should be aware that his
*      maintenance fees could increase in the event the
*      additional buildings are not developed within the
*      10-year period reserved to the Developer. Your attention
*      is directed to Page 18 for further information on this
*      matter.
*
*   The prospective purchaser is cautioned to carefully review
*   the documents for further information with regard to the
*   foregoing.
*
*****
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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.

I. PEOPLE CONNECTED WITH THE PROJECT

Developer:

Ka'Eo Kai Phase III Development
Name
10106 Angelo View Drive
Business Address
Beverly Hills, California 90210

Phone: (213) 271-2863
(Business)

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

David E. Walters, General Partner

Real Estate
Sales Agent:

Princeville and Hanalei Interval Ownership, Inc.
Name
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

Phone: (808) 826-6549
(Business)

Escrow:

Hawaii Escrow & Title, Inc.
Name
850 Richards Street, Fourth Floor
Business Address
Honolulu, Hawaii 96813

Phone: (808) 521-2977
(Business)

Managing
Agent:

Owner's Management Corporation*
Name
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

Phone: (808) 826-6549
(Business)

Attorney for
Developer:

Michael H. Sakai
Name
810 Richards Street, Suite 602
Business Address
Honolulu, Hawaii 96813

*Owner's Management Corporation is not a licensed condominium managing agent (CMA) and does not have the required bond as specified under Chapter 514A, Hawaii Revised Statutes. They will not be able to operate as a CMA until they are properly licensed and registered with the Real Estate Commission.

**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:

Proposed
 Recorded – Bureau of Conveyances – Book 21994 Page 507
 Filed – Land Court – Document Number _____

Amendment date(s) and recording/filing information:

First Amendment dated June 20, 1988 recorded in Book 22058, Page 120.

Proposed Second Amendment to Declaration.

- 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 Conveyance Condo Map No. 1128
 Filed – Land Court Condo Map No. _____

Amendment date(s) and recording/filing information:

Amended by the First Amendment to Declaration referred to above.

- 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:

Proposed
 Recorded – Bureau of Conveyances – Book 21994 Page 534
 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:

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:

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

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:

The Developer has retained certain rights in order to allow it to construct additional buildings and apartments in this Project. This means that additional buildings and apartments may be built in the future. The Developer has also retained the right to subdivide that portion of the land area that has not been utilized for a building site and remove it from the Project. In no event shall an existing structure or apartment ever be physically affected.

Your attention is directed to Exhibit "B" which contains further information and details on the rights and obligations of the Developer.

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.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- Fee Simple: Individual apartments and the underlying land will be in fee simple.
- 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: _____
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.

- 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.

- Other:

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: 3970 Wylie Road Tax Map Key: 5-4-005-006 (Fourth)
Princeville, Kauai, Hawaii 96722 (TMK)

Address TMK is expected to change because _____

Land Area: ±4.50 square feet acre(s) Zoning: R-10

Fee Owner: Ka'Eo Kai Phase III Development
name
10106 Angelo View Drive
address
Beverly Hills, California 90210

Sublessor: _____
name

address

C. Buildings and Other Improvements:

1. New Building(s) Conversion of Existing Building(s)
 Both New Building(s) and Conversion
2. Buildings: 2 Floors Per Building: 2 for Clubhouse/Apartment 43B
3 for sixplex building
 Exhibit A contains further explanations.

3. Principal Construction Material:

- Concrete Hollow Tile Wood
 Other glass and other allied building materials.

4. Permitted Uses:

	<u>No. of Apts.</u>		<u>No. of Apts.</u>
<input checked="" type="checkbox"/> Commercial	<u>1</u>	<input type="checkbox"/> Industrial	_____
<input type="checkbox"/> Residential	_____	<input type="checkbox"/> Agricultural	_____
<input checked="" type="checkbox"/> Timeshare/Hotel	<u>6</u>	<input type="checkbox"/> Recreational	_____
<input type="checkbox"/> 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:

- Pets:** None without the prior approval of the Board of Directors.
- Number of Occupants:** _____
- Other:** _____
- There are no special use restrictions.**

6. Interior (fill in appropriate numbers):

Total Apartments 7

Elevators _____ Stairways 1 for the sixplex structure Trash Chutes - 0 -

<u>Apt. Type</u>	<u>Qty</u>	<u>BR/Bath</u>	<u>Net Living Area*</u>	<u>Lanai/Patio</u>
<u>43B</u>	<u>1</u>	<u>---</u>	<u>3370</u>	<u>_____</u>
<u>2 Bedroom</u>	<u>6</u>	<u>2/2</u>	<u>2120</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

*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:

The apartments shall not be deemed to include the undecorated or unfinished surfaces of perimeter walls, ceilings or floors, or interior load bearing walls.

Permitted Alterations to Apartments:

None.

7. Parking Stalls:

(For further details on parking your attention is directed to Exhibit C)
 Total Parking Stalls: 74

	<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 individual units)	<u>2</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>2</u>
Guest Unassigned	<u>36</u>	<u>36</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>72</u>
Extra Available for Purchase	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other:	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Covered & Open	<u>74</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Each apartment will have the exclusive use of at least - 0 - 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 C 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
- Recreation Area
- Tennis Court
- Other: _____
- Storage Area
- Laundry Area
- Trash Chute

*The Developer has reserved the right to construct a swimming pool, tennis court, gazebo and to create ponds and landscape the unimproved portions of the Project.

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

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

10. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

Variance(s) to zoning code was/were granted as follows:

Use Permit U-87-29 to allow management and sales offices in the Clubhouse and Management Office Building.

Use Permit U-88-21 to allow building height to exceed 25 feet.

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	<u> X </u>	<u> </u>	<u> </u>
Structures	<u> X </u>	<u> </u>	<u> </u>
Lot	<u> X </u>	<u> </u>	<u> </u>

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.

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

described in Exhibit E

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 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.

Exhibit F 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 G describes the encumbrances against the title contained in the title report dated February 12, 1988.

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

Mortgage Lien

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

An apartment cannot be conveyed unless the mortgage lien is released and the apartment can be conveyed free and clear of such lien.

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.

[X] the Developer or the Developer's affiliate*.

[] other _____

*Owner's Management Corporation is not a licensed condominium managing agent (CMA) and does not have the required bond as specified under Chapter 514A, Hawaii Revised Statutes. They will not be able to operate as a CMA until they are properly licensed and registered with the Real Estate Commission.

IV. ADDITIONAL INFORMATION NOT COVERED ABOVE

COMMON EXPENSES: Paragraph 11.0 of the Declaration provides that the Developer (or its first mortgagee) shall be responsible for certain cost in the event that the Project is not completed and the Developer or its first mortgagee exercises its right to remove or subdivide that portion of the land that is not developed.

POWER OF ATTORNEY: Each purchaser of an apartment by virtue of the project instruments, sales contract, and apartment deed specifically grants a power of attorney to the Developer and/or its first mortgagee to construct and develop the Project in phases and in order to exercise any of the Developer's and/or first mortgagee's right to withdraw, remove and subdivide the undeveloped land from the Project.

APARTMENT 43B: Apartment 43B has been conveyed to Owner's Management Corporation who is related to the General Partner of the Developer. Owner's Management Corporation (OMC) is also the managing agent for this Project. OMC has obtained a construction loan for the construction of the Clubhouse and Management Office Building. It will remain responsible for all cost associated with the construction and future maintenance of this building until the entire Project is completed or the Developer exercises its right to withdraw or remove the undeveloped land, whichever occurs first. When the Project is completed, the limited common elements for Apartment 43B shall automatically become "common elements" of the Project and shall be available for use to all owners in the project. The cost of maintaining the common element portions of this building shall also be common expenses of the entire Project.

SECOND AMENDMENT TO DECLARATION: A Second Amendment to the Declaration of Horizontal Property Regime ("Second Amendment") has been prepared by the Developer. The Second Amendment has not been recorded in the Bureau of Conveyances. The Developer will record the Second Amendment when it is ready to obtain a Final Public Report for this Project.

INCREASE IN COMMON EXPENSES: The right of the Developer to develop additional buildings is only effective for 10 years from the recording of the Declaration. In the event the Developer is unable to withdraw the undeveloped Increments or develop future Increments by the end of the 10-year period, each Purchaser will be responsible for his pro-rata share of the cost to maintain and upkeep the undeveloped phases. The additional cost would include but not be limited to insurance, real property taxes, electricity, yard care and landscaping, and water.

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 _____

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. 1955 filed with the Real Estate Commission on July 11, 1988.

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

yellow paper stock white paper stock pink paper stock

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 Kauai
Planning Department, County of Kauai
Federal Housing Administration
Escrow Agent

EXHIBIT "A"

Description Of Apartments And Phasing/Increments

I. DESCRIPTION OF APARTMENTS. There are only two types of apartments in the Project as follows:

A. Two-bedroom Apartment. There are 6 separately designated and described freehold estates. The sixplex structure contains three floors and two apartments on each floor. Each apartment on the third floor consists of 2 bedrooms, 2 bathrooms, a kitchen, dining area with wet bar, living room and two lanais. Each apartment on the second floor consists of 2 bedrooms, 2 bathrooms, a kitchen, dining area with wet bar, living room and two lanais. Each apartment on the first floor contains 2 bedrooms, 2 bathrooms, a kitchen, dining area with wet bar, living room and two lanais. The total net living area of a 2-bedroom apartment is 2,120 square feet including 740 square feet of covered lanai.

B. Apartment 43B. This apartment consists of office spaces on the first and second floors in the Clubhouse and Management Office Building. The area on the first floor is 2,605 square feet and consists of rooms 103, 104, 104A, 109, 110, 111, 112, 113, 114 and 115 and the area on the second floor is 765 square feet and consist of rooms 202, 203 and 204.

II. PROJECT. The Project consists of the following.

A. Increment 1. Clubhouse and Management Office Building. The Clubhouse and Management Office Building is a two-story structure situated on Increment 1 containing one freehold estate. The first floor contains a total of 6,393 square feet. The second floor contains a total of 2,886 square feet.

a. Clubhouse and management office 43A is a limited common element of Apartment 43B and consists of the main lounge, lobby, restrooms, storage areas, and stairways on the first floor of 2,791 square feet and the resident manager's suite on the second floor of 2,004 square feet. The lanai for clubhouse and management office 43A consists of the main lanai on the first floor of 997 square feet and a lanai on the second floor of 117 square feet.

b. Apartment 43B consists of rooms numbered 103, 104, 104A, 109, 110, 111, 112, 113, 114, and 115 on the first floor which consists of 2,605 square feet and rooms numbered 202, 203, and 204 on the second floor which consists of 765 square feet and a two-car garage.

B. Increment 2. There is one building situated on Increment 2 in which there are six (6) apartments, the number and location of which are as set forth in the Condominium Map and described as Building 1 and 2, Apartments 1A and 2A being on the first floor, Apartments 1B and 2B on the second floor, and Apartments 1C and 2C on the third floor. There is also a parking lot situated on Increment 2.

III. RESERVATION TO DEVELOP FUTURE INCREMENTS. The Developer has reserved the right to construct and develop additional buildings and apartments in this Project. The reservation allows the Developer to do the following:

A. Increment 3. To construct one building situated on Increment 3 in which there would be six (6) apartments.

B. Increment 4. To construct one building situated on Increment 4 in which there would be six (6) apartments.

C. Increment 5. To construct one building situated on Increment 5 in which there would be six (6) apartments.

D. Increment 6. To construct one building situated on Increment 6 in which there would be six (6) apartments.

E. Increment 7. To construct one building situated on Increment 7 in which there would be six (6) apartments.

F. Increment 8. To construct one building situated on Increment 8 in which there would be six (6) apartments.

KAEO4
EX A

EXHIBIT "B"

Reservation By Developer To Construct Additional Apartments And To Withdraw Land

I. PHASED DEVELOPMENT. The Developer at its sole option may develop one or more phases of the Project and obtain financing and separately encumber each apartment and the limited common land area for the phase.

A) POWER OF ATTORNEY - COMPLETION OF PROJECT. There is reserved during the ten year period from the date of the Declaration unto the Developer and the owner of Unit A, B, and C of Building 1/2, an irrevocable power of attorney, coupled with an interest, to act on behalf of unit owners A, B and C of Building 1/2, to sign any joinder or other agreements and amendments and to execute, acknowledge and deliver such further instruments as may from time to time be required under any rights granted to, accruing to, or reserved by the Developer and the owner of Unit A, B and C of Building 1/2, under the Declaration or by the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, including the reallocation of percentage interests and voting rights appurtenant to each of Unit A, B and C of Building 1/2, in the Project and to execute such amendments to the Declaration as may be required from time to time for the purpose of carrying out and exercising its rights under Paragraph 24.0 of the Declaration.

B) DEVELOPER'S EXCEPTIONS, EXCLUSIONS AND RESERVATIONS. During the ten (10) year period from the date of the Declaration it reserves the right to construct and additional condominium units, buildings, drives, lanes, roads and all other improvements on the undeveloped increments and in connection therewith reserves the right to use and excavate the surface and subsurface of the ground for the erection, construction and installation of said improvements and foundations, footings, floorings and basements, easements and rights of way. Developer reserves the right to lease and rent such subsequently constructed condominium units and the right to sell, grant and convey title to purchasers of such subsequently constructed condominium units. Developer also reserves the right to locate, install, maintain, repair all utilities and utility lines and sewers necessary for such construction, reconstruction, maintenance and operation. Developer reserves the right to grant to the County of Kauai easements or rights of way for ingress and egress to permit furnishing of municipal services and the right to convey or relinquish control to proper municipal authorities of all sewer

mains, water mains and pipelines together with suitable easements or rights of way over the common driveway and Building 1/2, for the continued maintenance, repair, replacement and operation thereof and to enter into such agreements, filings or plattings with the County of Kauai in the nature of a planned-unit development project, cluster development, or otherwise as the County may require or amendments or changes therein in connection with the construction of this Condominium Project.

II. OPTIONS TO DELETE UNDEVELOPED LAND. Notwithstanding the conveyance of any apartment or anything to the contrary in the Declaration, the Bylaws, the Condominium Map, any Sales Contract, conveyance document, or any other document or instrument, if the Developer does not construct improvements in increments 3, 4, 5, 6, 7 or 8, then the Developer or the first mortgagee (the "First Mortgagee"), if any, as successor in interest to the Developer of the undeveloped land and any of the common elements were to be located (the "Undeveloped Land") shall have the right, at its option, to delete the Undeveloped Land, remove any common element that was to be situated on or within the Undeveloped Land of the Project by withdrawing therefrom any or all of the Undeveloped Land and any common elements thereon pursuant to Section 514A-11(12) of the Act (the "Withdrawn Land"). This option and right may be exercised at any time during the ten-year period following the date of recordation of the Declaration by the Developer or the First Mortgagee. Purchaser's should review Paragraph 14.0 of the Declaration for further details relating to this "option."

III. POWER OF ATTORNEY - DELETION OF LAND. In furtherance of the rights and powers reserved to the Developer and its successor in interest in the preceding paragraph, each apartment owner and the Association of Apartment Owners hereby designates the Developer and/or its successor in interest as his attorney-in-fact, with power of substitution, to execute any and all applications for subdivision, amendments to the Declaration, the Bylaws, and the Condominium Map, deeds in lieu of foreclosure, easement agreements and any other documents of whatsoever nature necessary or appropriate to effect the withdrawal of any or all of the Undeveloped Land from the Project and any subsequent conveyance or transfer of such Withdrawn Land. The acceptance of ownership of an apartment in the Project shall constitute a grant of such power, and such grant, being coupled with the interest of the Developer and/or its successor in interest as herein reserved, shall be irrevocable so long as the rights reserved to the Developer and/or its successor in interest under the preceding paragraph shall remain unexercised.

IV. DEVELOPER'S EXPENSES: The Developer shall be responsible for the expenses relating to the maintenance of the land areas

within the increments that remain undeveloped. The expenses to include gardening and upkeeping of the grounds, water, any electricity associated with the undeveloped increments, the costs of any insurance required to be maintained for the increments, including but not limited to the liability insurance, and real property taxes associated with and allocable to the undeveloped increments. The responsibility of the Developer shall terminate upon the earlier of the development of a particular increment or the exercise of Developer's right to remove and delete the undeveloped land, more particularly described in Paragraph 5.3 of the Second Amendment of the Declaration.

KAEO4
EX B F

EXHIBIT "C"

Parking

The Planning Commission, County of Kauai, State of Hawaii have agreed to allow the Project to have parking that is not contained within the Project. There are 22 open parking stalls in the Project (and 2 covered stalls) and the Project has or will have access to an additional 50 uncovered and unassigned parking stalls. The 50 stall are located on the Ka'Eo Kai Phase II condominium project which is adjacent to this Project. Purchaser's should be aware that the 50 stalls will be shared on a non-exclusive basis with the owners of apartments in Ka'Eo Kai Phase II.

The Developer will obtain an easement for the non-exclusive use of the 50 stalls from the Association of Apartment Owners of Ka'Eo Kai Phase II prior to its application for a Final Public Report from the Real Estate Commission.

EXHIBIT "D"

Common Elements

The common elements include:

- a. The land in fee simple.
- b. The foundations, floor slabs, columns, girders, beams, supports, bearing walls, roofs, entry landings, and stairways in the buildings not within any of the apartments.
- c. The yards, landscaping, trash area, swimming pool including the parking areas including the 72 open parking stalls, all of the landscaped yards and lawns.
- d. The central and appurtenant installations for services use or necessary to the existence, maintenance and safety of the Project.
- e. All licenses, leases, or contractual arrangements that the Association enters into for the purpose of providing parking, recreational amenities, including but not limited to swimming pools, tennis courts, meeting rooms, clubhouses, and management facilities for the use or benefit of the apartment owners, their tenants and/or guest.
- f. Any limited common elements that by the terms hereof shall become common elements.

EXHIBIT "E"

Limited Common Elements

a. Apartment 43B. The land area delineated as Increment 1 on the Condominium Map, the clubhouse and management office designated 43A which is a part of the Clubhouse and Management Office Building, and the parking lot situated on Increment 1 are limited common elements for Apartment 43B and are for the exclusive use of Apartment 43B. Upon the earlier of the exercise of the Developer's right to improve all eight Increments of the Project or the exercise by the Developer or its successor in interest (including any first mortgagee) of its option to delete the Undeveloped Land pursuant to Paragraph 14.0 and 15.0 of the Declaration, the limited common elements for Apartment 43B shall become common elements of the project.

b. Building 1 and 2. The land area delineated as Increment 2 on the Condominium Map and the parking lot situated on Increment 2 are limited common elements for the Apartments contained in Building 1 and 2 and are for the exclusive use of the Apartments contained in Building 1 and 2.

EXHIBIT "F"

Common Interest

The common interest for each apartment is dependent upon the total number of apartments constructed. Upon construction of each building in each of the respective Phases, each apartment shall have appurtenant thereto the following undivided interest in all the common elements of the Project for determination of the common profits, expenses, voting and for all other purposes:

<u>Phase Completed</u>	<u>Apartment Type</u>	<u>No.</u>	<u>%</u>	<u>Total</u>
1	2 Bedroom	0	-	-
	Apt. 43B	1	100%	<u>100%</u> 100%
2	2 Bedroom	6	13.1759	79.0553%
	43B	1	20.9447	<u>20.9447%</u> 100%

FUTURE DEVELOPMENT. In the event Developer exercises its right to construct additional buildings and apartments, the following would be the percentage interest of an apartment after the completion of such additional apartments:

3	2 Bedroom	12	7.3586	88.3027%
	43B	1	11.6973	<u>11.6973%</u> 100%
4	2 Bedroom	18	5.1047	91.8854%
	43B	1	8.1146	<u>8.1146%</u> 100%
5	2 Bedroom	24	3.9078	93.7880%
	43B	1	6.2120	<u>6.2120%</u> 100%
6	2 Bedroom	30	3.1656	94.9680%
	43B	1	5.0320	<u>5.0320%</u> 100%
7	2 Bedroom	36	2.6603	95.7711%
	43B	1	4.2289	<u>4.2289%</u> 100%

8	2 Bedroom	42	2.2941	96.3532%
	43B	1	3.6468	<u>3.6468%</u>
				100%

The percentage undivided interest is calculated by dividing an apartment's net living area by the sum of all the net living areas of all the apartments that have been constructed with minor adjustments to bring the total percentage to 100%. A Phase shall be completed and an apartment shall be considered constructed upon the recording of an Amendment to the Declaration which incorporates an "As Built" architect's or engineer's certificate as to the building and apartment(s) in each respective Phase.

KAE04
EX F

EXHIBIT "G"

Encumbrances

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 said Bureau in Liber 7444, Page 93, as amended.

Declaration of Annexation dated June 8, 1979, recorded June 13, 1979 in said Bureau in Liber 13764, Page 712.

3. An easement affecting a portion of said land and for the purposes stated herein, and incidental purposes, in favor of Kauai County Public Improvement Corporation dated October 29, 1975, recorded in said Bureau in Liber 11034, Page 88.

4. An easement affecting a portion of said land and for the purposes stated herein, and incidental purposes, in favor of Consolidated Oil & Gas, Inc. dated June 13, 1979, recorded June 13, 1979, in said Bureau in Liber 13764, Page 747.

Roadway Easement 2, 24 feet in width.

5. Reservation in favor of Consolidated Oil & Gas, Inc., its successors and assigns, of the right to grant roadway easement over and across the roadway lots shown on File Plan 1179 and Road A and 60 feet roadway as contained in Deed dated June 13, 1979, recorded June 13, 1979, in said Bureau in Liber 13764, Page 747.

6. A Mortgage by and between Ka'Eo Kai Phase III Development, a California corporation, as Mortgagor, and Hanalei Finance Partnership Phase III, a California partnership, as Mortgagee, dated June 14, 1979, recorded July 24, 1979, in said Bureau in Liber 13868, Page 770.

7. A Mortgage to secure an indebtedness of the amount stated herein and any other amounts payable under the terms thereof dated September 16, 1982, by and between Ka'Eo Kai Phase II Development, a California limited partnership, as Mortgagor, and American Savings and Loan Association, a Utah corporation, as Mortgagee, recorded September 17, 1982, in said Bureau in Liber 16577, Page 763.

An Additional Charge Mortgage, to secure an indebtedness of the amount stated herein and any other amounts payable under the

terms thereof dated July 12, 1984, by and between Ka'EO Kai Phase II Development, a California limited partnership, as Mortgagor, and American Savings and Loan Association, a Utah corporation, as Mortgagee, recorded July 18, 1984, in said Bureau in Liber 18021, Page 103.

An Additional Charge Mortgage, to secure an indebtedness of the amount stated herein and any other amounts payable under the terms thereof, dated March 18, 1985, by and between Ka'EO Kai Phase III Development, a California limited partnership, as Mortgagor, and American Savings and Loan Association, a Utah corporation, as Mortgagee, recorded March 19, 1985, in said Bureau in Liber 18511, Page 266.

8. Declaration of Horizontal Property Regime dated May 20, 1988, recorded June 2, 1988 in said Bureau in Book 21994, Page 507, and First Amendment to Declaration of Horizontal Property Regime Ka'EO Kai Phase III dated June 20, 1988 in said Bureau in Book 22058, Page 120.

9. Condominium Map No. 1128.

10. By-Laws of the Association of Apartment (Unit) Owners of Ka'EO Kai Phase III dated May 20, 1988, recorded June 2, 1988 in said Bureau in Book 21994, Page 534.

11. For real property taxes due and owing, reference is hereby made to the Director of Finance, County of Kauai, State of Hawaii.

KAEO4
EX G

EXHIBIT H
 ESTIMATE OF INITIAL MAINTENANCE FEES
 ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee</u>	X 12 Months	= <u>Yearly Total</u>
1	387	X 12	\$ 4,644
2	387	X 12	4,644
3	387	X 12	4,644
4	387	X 12	4,644
5	387	X 12	4,644
6	387	X 12	4,644
43B	<u>387</u>	X 12	<u>4,644</u>
TOTAL			<u>\$2,709</u>
			<u>\$32,508</u>

* * * * *

Estimate of Fees to be paid by Developer for the Undeveloped Increments:

Real Property Taxes	\$4,030
Princeville Association Dues	3,532
Landscape Maintenance	840
Insurance	<u>152</u>
TOTAL ANNUAL EXPENSES TO BE PAID BY DEVELOPER	<u>\$8,554</u>

(X) Prepared on November 1, 1988

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

Estimate of Maintenance Fee Disbursements:

		Monthly	X 12 Months =	<u>Yearly Total</u>
Electricity				
Common elements only	65.12	X	12	\$ 781.44
Refuse Collection	21.16	X	12	253.95
Telephone	8.14	X	12	97.67
Water & Sewer	175.00	X	12	2,100.00
T.V. Cable	252.49	X	12	3,026.68
Maintenance, Repairs and Supplies				
Building	366.31	X	12	4,396.46
Grounds	439.53	X	12	5,274.42
Management				
Management Fee	130.23	X	12	1,562.79
Payroll and Payroll Taxes	651.16	X	12	7,814.92
Office Expenses	40.88	X	12	488.59
Insurance	235.23	X	12	2,822.99
Reserves	81.40	X	12	976.80
Taxes and Government Assessments	8.14	X	12	97.67
Audit Fees	32.56	X	12	390.80
Other				
Princeville Association Dues	47.91	X	12	574.92
Legal	8.14	X	12	97.67
Rent (Res. Mgr./Office)	<u>154.65</u>	X	12	<u>1,856.81</u>
TOTAL	<u>\$2,708.91</u>	X	12	<u>\$32,506.92</u>

We, OWNER'S MANAGEMENT CORPORATION, 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.


 DAVID E. WALTERS, PRESIDENT
 Date: November 1, 1988



Ka'Eo Kai Phase III
HOMEOWNERS ASSOCIATION

BUDGET 1989

<u>DESCRIPTION</u>	<u>BUDGET PER MONTH</u>	<u>BUDGET PER YEAR</u>
Deposit to Cash Reserves	\$ 81.40	\$ 976.80
Payroll (Maintenance)	488.37	5,861.44
Payroll (Manager)	162.79	1,953.48
Contract Labor	48.83	586.15
Insurance (Group Health)	39.88	478.80
Insurance (Property)	195.35	2,344.19
Management Fees (OMC)	130.23	1,562.79
Rent (Res. Mgr.)	97.67	1,173.09
Rent (Office)	56.98	683.72
Utilities (water)	175.00	2,100.00
Utilities (electric)	65.12	781.44
Landscape Maintenance	439.53	5,274.42
Appliance Maintenance	39.10	468.84
Equipment Rental	16.28	195.35
Accounting Fees	32.56	390.80
Pest Control	65.12	781.40
Princeville Assoc. Dues	47.91	574.92
Postage	4.88	58.60
Vehicle Expense	16.28	195.35
Trash Removal	21.16	253.95
Office Expense	8.14	97.67
T.V. Cable Service	252.49	3,026.68
Telephone	8.14	97.67



<u>DESCRIPTION</u>	<u>BUDGET PER MONTH</u>	<u>BUDGET PER YEAR</u>
Legal	\$ 8.14	\$ 97.67
Pool & Pond Supplies	26.05	312.56
Building Supplies	170.93	2,052.16
Bank Charges	2.44	29.30
Misc. Expense	<u>8.14</u>	<u>97.67</u>
TOTAL	<u>\$ 2,708.91</u>	<u>\$32,506.92</u>

Monthly Budget Divided by 7 Units - \$386.99 Per Unit Per Month

EXHIBIT "I"

Summary of Sales Contract

The 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 Sales Contract says:

(a) A buyer must obtain his own financing. Buyer acknowledges that this Sales Contract is contingent on any financing after the issuance of the final public report.

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

(c) That interest on deposits shall belong to the buyer so long as said funds are held in escrow.

(d) That the unit will be subject to various other legal documents which the buyer certifies that he has examined.

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

The Sales Contract contains various other provisions with which the purchaser should become acquainted.

EXHIBIT "J"

Summary of Escrow Agreement

The Escrow Agreement sets up an arrangement under which the deposits which a purchaser makes under 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 purchasers know when payments are due.
- (b) Escrow will arrange for purchasers to sign all necessary documents.
- (c) The Escrow Agreement says under what conditions a refund will be made to a purchaser.
- (d) The Escrow Agreement says what will happen to a purchaser's funds upon a default under the Sales Contract.

The Escrow Agreement contains various other provisions and establishes certain charges with which the purchaser should become acquainted.