

REAL ESTATE COMMISSION
 STATE OF HAWAII
 DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
 PROFESSIONAL AND VOCATIONAL LICENSING DIVISION
 P. O. Box 3469
 Honolulu, Hawaii 96801

CONDOMINIUM PUBLIC REPORT

"LOT 10 OF HUALALAI FARMS, UNIT I"
 75-5491-C/D Mamalahoa Highway
 Holualoa, Hawaii 96725

Registration No. 2608 (Conversion)

Issued: APR 30 1992
 Expires: MAY 30 1993

Report Purpose:

This report is based on information and documents submitted by the developer to the Real Estate Commission as of April 8, 1992, 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)
- No prior reports have been issued
 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 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.

[X] No prior reports have been issued by the Commission.

[] Changes made are as follows:

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*
*           SPECIAL ATTENTION
*
*
* This is a CONDOMINIUM PROJECT, not a subdivision. The land
* area beneath and immediately appurtenant to each unit is
* designated a LIMITED COMMON ELEMENT and does not represent
* a legally subdivided lot. The dotted lines in the
* Condominium Map bounding the designated number of square
* feet in each limited common element land area are for
* illustration purposes only and should not be construed to
* be formal subdivision lines.
*
* No warranties are given to the purchaser as to the
* construction, materials or workmanship of the units. The
* units are being sold in "as is" condition.
*
* This public report does not constitute approval of the
* Project by the Real Estate Commission, nor does it ensure
* that all applicable County codes, ordinances and
* subdivision requirements have necessarily been complied
* with.
*
* THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW
* THE CONDOMINIUM DOCUMENTS FOR FURTHER INFORMATION WITH
* REGARDS TO THE FOREGOING.
*
*****

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ALSO: The purchaser of Unit 2 should be aware that the 20% common interest assigned to Unit 2 is not only for purposes of allocating common expenses but for voting. This is a material consideration in a two-unit project where the other apartment has an 80% common interest.

FURTHER: A letter from the Planning Department of the Hawaii County dated April 3, 1992 was received by the Commission offering the following comments: (1) the land areas referred to in Exhibit D herein should be omitted, and (2) the metes and bounds descriptions and dotted lines on the Condominium Map denoting limited common elements appurtenant to each unit should be deleted as they give the appearance of subdivided lots.

TABLE OF CONTENTS

	page
Report Purpose	1
Type of Report	1
Summary of Changes from Earlier Public Reports	2
Table of Contents	3
General Information on Condominiums	4
Summary of the Condominium Project	5
I. PEOPLE CONNECTED WITH THE PROJECT	6
Developer	Managing Agent
Real Estate Sales Agent	Attorney for Developer
Escrow Company	
II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS	
A. Declaration	7
B. Condominium Map (File Plan)	7
C. Bylaws	7
D. House Rules	8
E. Changes to Condominium Documents	8
III. THE CONDOMINIUM PROJECT	
A. Interest to be Conveyed to Buyer	9
B. Underlying Land	10
C. Buildings and Other Improvements	10
D. Common Elements, Limited Common Elements, Common Interest	14
E. Encumbrances Against Title	15
F. Management of the Common Elements	15
G. Maintenance Fees	16
H. Utility Charges	16
I. Construction Warranties	16
J. Status of Construction	17
K. Project Phases	17
L. Sales Documents Filed with the Real Estate Commission	17
IV. ADDITIONAL INFORMATION NOT COVERED ABOVE	18
Buyer's Right to Cancel Sales Contract	19
Signature of Real Estate Commission Chairman	20
EXHIBIT A: DESCRIPTION OF BUILDINGS	
EXHIBIT B: PERMITTED ALTERATIONS TO UNITS	
EXHIBIT C: COMMON ELEMENTS	
EXHIBIT D: LIMITED COMMON ELEMENTS	
EXHIBIT E: COMMON INTERESTS FOR EACH UNIT	
EXHIBIT F: ENCUMBRANCES AGAINST TITLE	
EXHIBIT G: MAINTENANCE FEES	
EXHIBIT H: SUMMARY OF SALES CONTRACT	
EXHIBIT I: SUMMARY OF ESCROW AGREEMENT	
EXHIBIT J:	

GENERAL INFORMATION ON CONDOMINIUMS

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of Hawaii's "Condominium Property Act" (Chapter 514A, Hawaii Revised Statutes) must be followed.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment 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.

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.

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

Interest to be Conveyed to Buyer:

- Fee simple interest in an apartment and an undivided feehold interest in the common elements.
- Leasehold interest in an apartment and an undivided leasehold interest in the common elements.
- Fee simple interest in an apartment and an undivided leasehold interest in the common elements.

Types of Project:

- 1. New Building(s) Conversion
 Both New Building(s) and Conversion
- 2. Residential Commercial Ohana
 Mixed Residential and Commercial Agricultural
 Other _____
- 3. High Rise (5 stories or more) Low Rise
- 4. Single or Multiple Buildings
- 5. Apartment Description

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
1	1	3/3	2,364	1,232
2	1	3/2	1,200	0

Total Apartments: 2

**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:

	<u>Number of Stalls</u>
Assigned Stalls (Individual Units) (Two per unit)	<u> 4 </u>
Guest Stalls	<u> </u>
Unassigned Stalls	<u> </u>
Extra Stalls Available for Purchase	<u> </u>
Other: _____	<u> </u>
Total Parking Stalls	<u> 4 </u>

7. Recreational amenities:

None

II. PEOPLE CONNECTED WITH THE PROJECT

Developer: WILLIAM HENRY GONZALEZ
PENNY JEAN GONZALEZ Phone: (808) 324-1792
Name (Business)
P.O. BOX 4772
Business Address
KAILUA-KONA, HAWAII 96740

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

N/A

Real Estate Broker: GERRY KOTT & ASSOCIATES Phone: 329-2991
Name (Business)
75-240 NANI KAILUA DRIVE, SUITE #9
Business Address
KAILUA-KONA, HAWAII 96745

Escrow: LONG & MELONE ESCROW, LTD. Phone: 329-9357
Name (Business)
75-5565 LUHIA STREET, SUITE C1
Business Address
KAILUA-KONA, HAWAII 96740

General Contractor: _____ Phone: _____
Name (Business)

Business Address

Condominium Managing Agent: SELF-MANAGED BY ASSOCIATION OF UNIT OWNERS Phone: _____
Name (Business)

Business Address

Attorney for Developer: CASE & LYNCH (SCOTT D. RADOVICH) Phone: (808) 547-5400
Name (Business)
737 BISHOP STREET, 26TH FLOOR
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 Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners.

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

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances - Document No. 92-040308
Book _____ Page _____
 Filed - Land Court - Document No. _____

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:

Proposed
 Recorded - Bureau of Conveyance Condo Map No. 1626
 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:

Proposed
 Recorded - Bureau of Conveyances - Document No. 92-040309
Book _____ Page _____
 Filed - Land Court - Document No. _____

Amendment date(s) and recording/filing information:

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.

- 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 common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%	100% (<u>except with respect to permitted alterations to units - see paragraph K of the Declaration</u>)
Bylaws	65%	<u>100%</u>
House Rules	---	<u>N/A</u>

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

2. **Developer:**

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

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

Any time prior to the first recording in the Bureau of Conveyances of a conveyance or transfer (other than for security) of a unit and its appurtenances to a party not a signatory to the Declaration, the Developer may amend the Declaration, the Bylaws and/or the Condominium Map in any manner without approval or consent of any unit purchaser.

4. Permitted Uses by Zoning:

	<u>No. of Apts.</u>	<u>Use Determined By Zoning</u>		<u>No. of Apts.</u>	<u>Use Determined By Zoning</u>
<input type="checkbox"/> Commercial	_____	_____	<input type="checkbox"/> Industrial	_____	_____
<input checked="" type="checkbox"/> Residential	<u>2</u>	<u>Yes</u>	<input type="checkbox"/> Agricultural	_____	_____
<input type="checkbox"/> Timeshare/Hotel	_____	_____	<input type="checkbox"/> Recreational	_____	_____
<input type="checkbox"/> Other: _____				_____	_____

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

Yes No

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: _____
- Number of Occupants: _____
- There are special use restrictions contained in the project documents.
- Other: (See paragraph G of the Declaration).
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators 0 Stairways 1 ^{(In Unit 1} _{only)} Trash Chutes 0

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
<u>1</u>	<u>1</u>	<u>3/3</u>	<u>2,364</u>	<u>1,232</u>
<u>2</u>	<u>1</u>	<u>3/2</u>	<u>1,200</u>	<u>0</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 2

**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.

9. Present Condition of Improvements

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

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

NO REPRESENTATIONS OR WARRANTIES OF ANY KIND ARE MADE AS TO THE EXPECTED USEFUL LIFE OF THE STRUCTURAL COMPONENTS AND MECHANICAL AND ELECTRICAL INSTALLATIONS MATERIAL TO THE USE AND ENJOYMENT OF THE CONDOMINIUM UNITS.

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

The project is a conversion of fully constructed and existing buildings to condominium status. The buildings are in compliance with all ordinances, codes, rules, regulations or other requirements in force at the time of their construction. No variance has been granted from any ordinance, code, rule, regulation or other requirement in force at the time of their construction or from any other ordinance, code, rule, regulation or other requirement. The developer has indicated the second unit was built under the "ohana" ordinance.

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:

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

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

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

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

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

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

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

1. Common Elements: Common Elements are those parts of the condominium project intended to be used by all apartment owners. They are owned jointly by all apartment owners.

Exhibit "C" describes the common elements.

As follows:

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

There are no limited common elements in this project.

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

described in Exhibit "D"

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 "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 title report dated January 16, 1992 and 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.

- 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.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest if Developer Defaults</u>
1. Mortgage in favor of Aloha Airlines Federal Credit Union	Buyer may lose interest, but will be entitled to a refund of deposit.
2. Mortgage in favor of First Hawaiian Bank	

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.
- self-managed by the Association of Apartment Owners.
- other _____

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:

Not applicable

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:

NONE

2. Appliances:

Any manufacturer's warranties currently in effect.

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

The project is a conversion of existing buildings. Unit 1 was completed on approximately February 1, 1988; Unit 2 was completed on approximately June 1, 1990.

K. **Project Phases:**

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

Summary of Developer's Present Plans for Future Development:

Notwithstanding the "Unit I" in the name of this condominium project, the Developer does not contemplate any subsequent apartment units will be built in Lot 10.

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

Specimen Sales Contract

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

Escrow Agreement dated March 16, 1992

Exhibit "I" contains a summary of the pertinent provisions of the escrow contract.

Other Specimen Deed

IV. ADDITIONAL INFORMATION NOT COVERED ABOVE

1. "Lot 10 of Hualalai Farms, Unit I" is a condominium project, not a subdivision. The private "yard" areas appurtenant to Unit 1 and Unit 2 of the project are not subdivided lots, and prospective purchasers should be aware that by purchasing a unit in the project, they are not purchasing a subdivided lot. The establishment of a condominium property regime does not necessarily mean that all County requirements pertaining to the subdivision of land have been met. Therefore, such facilities that are normally associated with County approved subdivisions, such as fire protection devices, street name and signage, street lighting, electricity, upgraded water facilities, improved access for owner and emergency traffic, drainage facilities, County street maintenance and trash collection for interior road/driveways, etc. may not necessarily be provided.
2. Water Meter. The Hualalai Farms Community Association has allotted one water meter to the project. Section 6.9 of the Bylaws provides as follows:

A private water meter will be installed by the Declarant to measure water usage by Unit 2. The owner of Unit 1 will be periodically billed by the Hualalai Farms Community Association (or, if applicable, the County of Hawaii) for total water usage by both Units 1 and 2 for the billing period. The owner of Unit 1 will, within five (5) days of receipt of each bill from the Hualalai Farms Community Association (or, if applicable, the County of Hawaii), deliver a copy of the bill to the owner of Unit 2. The private water meter will then be read jointly by the owners of Units 1 and 2, or their authorized representatives, to determine the actual allocation of water usage between Units 1 and 2 for the billing period reflected in each bill from the Hualalai Farms Community Association (or, if applicable, the County of Hawaii). The rate per gallon charged by the Hualalai Farms Community Association (or, if applicable, the County of Hawaii) for such billing period shall be applied to the water usage so allocated to Unit 2, together with one-half of any charges other than water usage reflected on each bill, to determine the amount of each bill to be allocated to Unit 2. The owner of Unit 2 shall then pay to the owner of Unit 1 the amount of each bill so allocated to Unit 2. Such payment shall be made by check delivered to the owner of Unit 1 at the address of Unit 1, or such other place as the owner of Unit 1 shall direct in writing, no later than five (5) days prior to the due date of each bill from the Hualalai Farms Community Association (or, if applicable, the County of Hawaii). Failure by the owner of Unit 2 to pay its allocated share of each bill from the Hualalai Farms Community Association (or, if applicable, the County of Hawaii) in accordance with this agreement shall be treated as a default in payment of assessments pursuant to Section 6.4 of these Bylaws, and subject to the remedies provided herein.

The private water meter shall be a common element of the project, with maintenance, repair and replacement expenses relating thereto being a common expense of the project. The proper working order and calibration of such private water meter shall be subject to professional review and inspection at the reasonable request of the owner of Unit 2.

Buyer's Right to Cancel Sales Contract:

A. Rights Under the Condominium Statute:

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

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

Final Report, 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 Condominium 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 Covenants, Conditions and Restrictions dated June 12, 1990

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

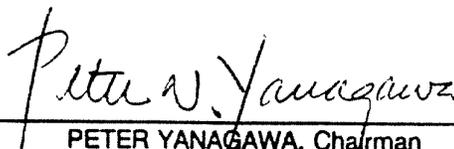
Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Law (Chapter 514A, HRS, and Hawaii Administrative Rules, Chapter 16-107) are available at the Department of Commerce and Consumer Affairs, 1010 Richards Street, P. O. Box 541, Honolulu, HI 96809.

This Public Report is a part of Registration No. 2608 filed with the Real Estate Commission on March 19, 1992.

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.



PETER YANAGAWA, 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

EXHIBIT "A"

DESCRIPTION OF BUILDINGS

DESCRIPTION OF BUILDINGS:

The project consists of two detached single family residential buildings and appurtenant improvements as shown on the Condominium Map. Each building contains one single family residential apartment ("unit"), together with either a carport or a garage, and no basement, and is constructed principally of wood, masonry, concrete flooring, plaster, glass and related building materials.

DESCRIPTION OF UNITS:

Unit 1, located as shown on the Condominium Map, has two stories or levels, and contains two bedrooms, two bathrooms, a living room, a dining room, a kitchen, a lanai and other improvements on the upper level, and one bedroom, one bathroom, a living room, a storage area, a two-car garage, and other improvements on the lower level, as shown on the Condominium Map. Unit 1 has a net living floor area of approximately 2,364 square feet, and a lanai floor area of approximately 1,232 square feet.

Unit 2, located as shown on the Condominium Map, has one story or level, and contains three bedrooms, two bathrooms, a living room, a dining room, a kitchen, a laundry room, a carport and other improvements as shown on the Condominium Map. Unit 2 has a net living floor area of approximately 1,200 square feet.

The approximate net floor areas of each unit as set forth above is measured from the interior surface of the unit perimeter walls and includes all of the walls and partitions within its perimeter walls.

NOTE: THE FLOOR AREAS SHOWN ARE APPROXIMATE ONLY. THE DECLARANT MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER AS TO THE FLOOR AREA OF ANY PARTICULAR UNIT.

EXHIBIT "B"

ALTERATION OF PROJECT

Paragraph K of the declaration provides, in part, as follows:

1. Each unit owner shall have the right at his sole option at any time and from time to time, as hereinafter set forth, without the consent and/or approval of the owner of the other unit or any other persons or entity, to improve, renovate, remodel, make additions to, enlarge, remove, replace, alter or restore the improvements to or in his unit or portions thereof or upon the yard appurtenant to his unit (collectively, the foregoing are referred to as "alterations"). Each unit owner shall have the right without the consent or joinder of any other person to amend this declaration and the Condominium Map to accomplish any such alterations. If required by the Act, promptly upon completion of such alterations the owner of the altered unit shall duly record such amendment to this declaration in the Bureau of Conveyances, together with a complete set of the floor plans of such unit as so altered, certified by a registered architect or professional engineer to fully and accurately depict the altered portions of the property as built. If required by the Act, the Board shall be deemed to approve of all such alterations. All existing unit owners and all future unit owners and their mortgagees, by accepting an interest in a unit, consent to all such alterations and agree to give and shall be deemed to have given the owner of the altered unit a power of attorney to execute an amendment to the declaration solely for the purpose of describing the alterations to such unit in the declaration so that the owner of the altered unit shall hereafter have a power of attorney from all the other unit owners to execute such amendment to the declaration. This power of attorney shall be deemed coupled with each owner's interest in his unit (including his common interest) and shall be irrevocable.

2. Any alterations to a unit pursuant to this paragraph K shall be subject to the following conditions:

(a) All building plans for any such alterations shall conform with State and County land use, building and zoning laws and other applicable County ordinances and regulations.

(b) Such alterations may decrease or increase the size of the affected unit, provided that no alteration shall extend or place the unit outside of the limits of the yard appurtenant to such unit.

(c) All such alterations shall be at the sole expense of the unit owner making the change and shall be made within one (1) year of the commencement thereof and in a manner that will not unreasonably interfere with the other unit owner's use of his unit or yard.

(d) The owner of the altered unit shall have the right to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for services to the unit affected by such alteration for electricity, sewer and other utilities and services and when applicable, to add, delete, relocate, realign, designate and grant easement and rights-of-way over, under and on the common elements as necessary or desirable in connection therewith; provided that the same shall not cause any interruption in the service of such utilities to any other part of the project, nor shall it unreasonably interfere with the other unit owner's use or enjoyment of his unit or yard.

(e) Each and every conveyance, lease and mortgage or other lien made or created on any unit and all common interests and other appurtenances thereto shall be subject to the provisions of this paragraph and any lease of a unit shall reserve to all unit owners the rights set forth in this paragraph.

EXHIBIT "C"

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", in fee simple.
2. All sewer lines, drainage facilities, electrical equipment, wiring, pipes and other central and appurtenant facilities and installations over, under and across the project which serve more than one unit for services such as power, light, water, gas, telephone, sewer and radio and television signal distribution, if any.
3. 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 "F"

ENCUMBRANCES

1. For any real property taxes that may be due and owing and tax liens that may exist, reference is made to the Director of Finance of the County of Hawaii.
2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Covenants, conditions and restrictions set forth in Declaration dated June 12, 1980, recorded in Liber 14793 at Page 671.
4. Grant of Easement dated June 13, 1980 by and among Floyd Gerald Bloss and Lyla Elaine Bloss, husband and wife, Spalding Realty, Inc. and McMahon Realty, Inc., both Hawaii corporations, as it affects Easement "1" (Section 10), area 0.311 acre, for access and utility purposes, situate along the Southern portion of Lot 10, recorded in said Bureau in Liber 14793, Page 626. (See Exhibit 3).
5. Grant in favor of Hualalai Farms Unit I, dated July 3, 1979, recorded in said Bureau in Liber 14793, Page 795, granting an easement for slope and grading purposes.
6. Grant in favor of Hawaii Electric Light Company, Inc. and Hawaiian Telephone Company, dated March 27, 1980, recorded in Liber 14794, Page 72, granting perpetual rights and easements to construct, reconstruct, repair, maintain and operate pole and wire lines and/or underground lines, etc., over, under, upon, across and through said Easement "1".
7. Assignment of Security Agreement dated June 12, 1980, recorded in said Bureau in Liber 14794, Page 228, McMahon Realty, Inc., a Hawaii corporation, and Spalding Realty, Inc., a Hawaii corporation, assign to American Security Bank, a Hawaii banking corporation, all right, title and interest in and to that certain Easement Agreement dated July 3, 1979, by and between Roy R. Gomes and Marcialee Gomes, as "First Party" and Spalding Realty, Inc., as "Second Party", which easement is recorded in Liber _____, Page _____, as security for the repayment of that certain note dated June 12, 1980, in the amount of \$1,450,000.00
8. Water System, Roadway and Utility Easement Agreement dated June 25, 1980, recorded in said Bureau in Liber 15622, Page 380, made by and among McMahon Realty, Inc. and Spalding Realty, Inc., both Hawaii corporations, and Floyd Gerald Bloss and Lyla Elaine Bloss, or their successor in interest, Hualalai Farms Community Association, a Hawaii non-profit corporation, as "Developer", and Gene George, Inc., a Hawaii corporation, as "Purchaser", which agreement was assigned to Floyd Gerald Bloss and Lyla Elaine Bloss, husband and wife, as Tenants by the Entirety, by instrument dated November 27, 1985, recorded in Liber 22931 at Page 796.

9. Mortgage dated March 2, 1989, in favor of Aloha Airlines Federal Credit Union, recorded in Liber 22909, Page 699.
10. Mortgage (Equity Firstline Agreement) in favor of First Hawaiian Bank, dated September 5, 1991, recorded as Document No. 91-123591, with consent given by Aloha Airlines Federal Credit Union on August 16, 1991, recorded as Document No. 91-144202.
11. Declaration of Condominium Property Regime of "Lot 10 of Hualalai Farms, Unit I" dated February 21, 1992, recorded in said Bureau as Document No. 92-040308.
12. Bylaws of the Association of Apartment Owners of "Lot 10 of Hualalai Farms, Unit I" dated February 21, 1992, recorded in said Bureau as Document No. 92-040309.
13. Condominium Map No. 1626 as filed in said Bureau.

EXHIBIT "G"

ESTIMATED MAINTENANCE FEES

The regular maintenance and repair of each unit and appurtenant limited common elements shall be the sole responsibility of each respective unit owner. Section 514A-86, Hawaii Revised Statutes, requires that the association purchase fire insurance to cover the improvements portion of the project. The Declarant anticipates that the association will elect to require each owner to obtain separate fire insurance and liability policies for his respective unit pursuant to Article 7 of the Bylaws. As such, premiums for such policies will be the individual responsibility of each unit owner.

Assessments, if any, charged to the project by the Hualalai Farms Community Association pursuant to that certain Declaration of Covenants, Conditions and Restrictions dated June 12, 1980, recorded in the Bureau of Conveyances in Liber 14793, Page 671, shall be common expenses to be shared by each unit owner in proportion to the common interest appurtenant to his or her unit as set forth in the declaration. Before entering into a Sales Contract, a prospective purchaser should inquire what the approximate amount of this charge will be.

EXHIBIT "H"

SUMMARY OF
CONDOMINIUM DEPOSIT RECEIPT AND SALES CONTRACT

The Condominium Deposit Receipt and Sales Contract (the "Sales Contract") contain the price and other terms and conditions under which a purchaser will agree to buy a unit in the Project. Among other things, the Sales Contract States:

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

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

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

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

(e) Requirements relating to the purchaser's financing of the purchase of a unit.

(f) That the unit 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.

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

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

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

The Sales Contract contains various other important provisions relating to the purchase of a unit in the Project. It is incumbent upon purchasers and prospective purchasers to read with care the specimen 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.