

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer ROBERT D. MIKKELSEN RICHARD A. SHAW JOAN E. SHAW
Address P. O. Box 1374 P. O. Box 905
Koloa, Hawaii 96756 Koloa, Hawaii 96756
Project Name(*): KALAWAI HILLSIDE CONDOMINIUM
Address: Kalaheo Homesteads, Kalaheo, Kauai, Hawaii

Registration No. 3031 Effective date: January 31, 1994
Expiration date: February 28, 1995

Preparation of this Report:

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

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

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

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

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

Type of Report:

PRELIMINARY: The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed. (yellow)

X FINAL: The developer has legally created a condominium and has filed complete information with the Commission. (white)
[X] No prior reports have been issued.
[] This report supersedes all prior public reports.
[] This report must be read together with

SUPPLEMENTARY: This report updates information contained in the: (pink)
[] Preliminary Public Report dated:
[] Final Public Report dated:
[] Supplementary Public Report dated:

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

(*) Exactly as named in the Declaration

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[] Required and attached to this report [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.

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

[] Changes made are as follows:

* * * * *

* **SPECIAL NOTICE:** *

* *

* THERE ARE COUNTY RESTRICTIONS ON THE NUMBER OF *
 * RESIDENTIAL DWELLING UNITS, OR OTHER STRUCTURES, WHICH *
 * MAY BE BUILT UPON THE PROPERTY. THEREFORE, UNLESS THE *
 * PURCHASER IS PURCHASING AN EXISTING RESIDENTIAL *
 * DWELLING, THERE IS NO ASSURANCE THAT THE PURCHASER WILL *
 * BE ABLE TO BUILD A RESIDENTIAL DWELLING UNIT ON THE *
 * PROPERTY. THERE IS ALSO NO ASSURANCE THAT THE PURCHASER *
 * WILL BE ABLE TO CONVERT AN EXISTING NON-RESIDENTIAL *
 * STRUCTURE TO A RESIDENTIAL USE. THE PURCHASER SHOULD *
 * CONSULT WITH THE APPROPRIATE COUNTY AGENCIES TO *
 * DETERMINE WHETHER THE PURCHASER MAY BUILD A RESIDENTIAL *
 * DWELLING UNIT, OR ANY OTHER TYPE OF STRUCTURE, UPON THE *
 * PROPERTY. *
 * *

* 1. THERE ARE PRESENTLY NO RESIDENTIAL STRUCTURES ON *
 * THE PROPERTY. THE ONLY BUILDINGS ON THE PROPERTY *
 * ARE TWO (2) STORAGE SHEDS, EACH OF WHICH IS *
 * DEFINED AS AN APARTMENT UNDER THE CONDOMINIUM *
 * PROPERTY ACT. *
 * *

* 2. This Public Report does not constitute an approval *
 * of the project nor that all County Codes, *
 * Ordinances and subdivision requirements have been *
 * complied with. *
 * *

* 3. This project does not involve the sale of *
 * individual subdivided lots. The dotted lines on *
 * the Condominium Map are for illustration purposes *
 * only. *
 * *

* 4. Facilities and improvements normally associated *
 * with County approved subdivision, such as fire *
 * protection devices, County street lighting, *
 * electricity, upgraded water facilities, improved *
 * *

* access for owner and emergency traffic, drainage *
* facilities, etc., may not necessarily be provided *
* for, and services such as County street maintenance *
* and trash collection will not be available for *
* interior roads and driveways. *
* *
* 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 the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer:	Robert D. Mikkelsen	Richard A. Shaw	Mikkelsen
		Joan E. Shaw	Phone: <u>332-9794</u>
			(Business)
	P. O. Box <u>1374</u>	P. O. Box <u>905</u>	
	<u>Business Address</u>		Shaw
	Koloa, Hawaii <u>96756</u>	Koloa, Hawaii <u>96756</u>	Phone: <u>742-7561</u>

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

Real Estate Broker:	None at present - See p. 20	Phone: _____
	<u>Name</u>	(Business)
	<u>Business Address</u>	

Escrow:	Title Guaranty Escrow Services, Inc.	Phone: <u>245-3381</u>
	<u>Name</u>	(Business)
	<u>Business Address</u> 4414 Kukui Grove St., Suite 104 Lihue, Hawaii 96766	

General Contractor:	Owner/Builder	Phone: _____
	<u>Name</u>	(Business)
	<u>Business Address</u>	

Condominium Managing Agent:	Self management by Association of Apartment Owners	Phone: _____
	<u>Name</u>	(Business)
	<u>Business Address</u>	

Attorney for Developer:	Hiroshi Sakai, Attorney at Law, A Law Corporation	Phone: <u>531-4171</u>
	<u>Name</u>	(Business)
	<u>Business Address</u> 201 Merchant Street, Suite 902 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. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

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

The Declaration for this condominium is:

- Proposed
 Recorded - Bureau of Conveyances: Document No. 93-201082
Book _____ Page _____
 Filed - Land Court: Document No. _____

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

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

The Condominium Map for this condominium project is:

- Proposed
 Recorded - Bureau of Conveyances Condo Map No. 1963
 Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

- Proposed
 Recorded - Bureau of Conveyances: Document No. 93-201083
Book _____ Page _____
 Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

E. Changes to Condominium Documents

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

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

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

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

2. Developer:

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

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

Developer has reserved the right under Paragraph 15.0 of the Declaration to alter the units in the Project which it owns without the approval of the Association or the other apartment owners and to amend the Condominium Map to note changes resulting from the exercise of the Developer's reserved rights under Paragraph 15.0. Developer has also reserved the right under Paragraph 16.0 to record any "as built" statements as required by law.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- Leasehold or Subleasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/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 regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

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

For Subleaseholds:

- Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:
 Canceled 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 canceled or foreclosed.

- Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Subleasehold:

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 at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

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:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: Lot 15-E, Kalaheo Homesteads, Kalaheo, Tax Map Key: (4) 2-4-005-199
Kauai, Hawaii (TMK)

[] Address [] TMK is expected to change because _____

Land Area: 1.137 [] square feet [X] acre(s) Zoning: Agriculture

~~Lessee~~
(Fee Owner):

Robert D. Mikkelsen

Richard A. Shaw

Joan E. Shaw

Name

P. O. Box 1374

P. O. Box 905

Address

Koloa, Hawaii 96756

Koloa, Hawaii 96756

Sublessor:

Name

Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 2 Floors Per Building 1 Floor

Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other _____

4. Permitted Uses by Zoning:

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

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

Yes No

5. Special Use Restrictions:

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

- There will be no pets without prior written approval by
- [] Pets: the Board of Directors
- [] Number of Occupants: See Building and House Rules (Exhibit F) and Declaration of Covenants dated May 6, 1992 (Exhibit G)
- [X] Other:
- [] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 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>N/A</u>	<u>16</u>	<u>N/A</u>
<u>2</u>	<u>1</u>	<u>N/A</u>	<u>16</u>	<u>N/A</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>

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.

Boundaries of Each Apartment:

The exterior surfaces of the structures and the description of the limited common element for each of the units as set forth in the Condominium Map.

Permitted Alterations to Apartments:

Either apartment owner can increase the total square footage of his structure, add additional structures, alter the location of his structure and/or subdivide in accordance with the building code, zoning and subdivision ordinances.

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

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

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

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

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

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

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

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

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

described in Exhibit A .

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit _____.

as follows:

The land area of each dwelling, consisting of the land beneath it as shown and delineated on the Condominium Map, is a limited common element for the use of the owner of each respective unit.

Unit 1 - 0.416 acres

Unit 2 - 0.503 acres

NOTE: These are not legally subdivided lots under the Kauai County Ordinances. Until a change permitting subdivision of the lot is enacted the apartment owner cannot subdivide as referred to under Permitted Alterations to Apartments on page 11 of this Report.

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

described in Exhibit _____.

as follows:

Unit 1 - 50% appurtenant common interest

Unit 2 - 50% appurtenant common interest

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

Exhibit B describes the encumbrances against the title contained in the title report dated January 3, 1994 and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

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

[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. The buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
---------------------	---

F. Construction Warranties:

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

1. **Building and Other Improvements:** None

2. **Appliances:** None

G. Status of Construction and Estimated Completion Date:

The sheds were completed on October 8, 1993.

H. Project Phases:

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

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

IV. CONDOMINIUM MANAGEMENT

A. 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 condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliate is the initial condominium 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 condominium managing agent for this project, named on page five (5) of this report, is:

- not affiliated with the Developer the Developer or the Developer's affiliate.
- self-managed by the Association of Apartment Owners other _____

B. 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.

Exhibit E contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. 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:

- None Electricity Gas Water
- Sewer Television Cable Other _____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit C contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated September 20, 1993
Exhibit D contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime.
 - C) Bylaws of the Association of Apartment Owners.
 - D) House Rules.
 - E) Condominium Map.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other Declaration of Covenants and Restrictions for the Kalawai Oceanview
Subdivision dated May 6, 1992

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

This Public Report is a part of Registration No. 3031 filed with the Real Estate Commission on January 4, 1994

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

- yellow paper stock white paper stock pink paper stock

C. Additional Information Not Covered Above

Disclosure re: Selection of Real Estate Broker

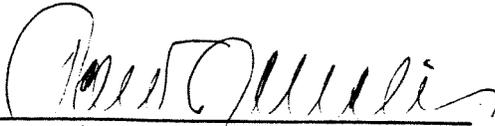
This public report shall not bind a purchaser to the sale of any apartment until the Developer submits to the Real Estate Commission a duly executed disclosure abstract identifying the designated sales agent, a copy of which shall be attached to this public report, and a duly executed copy of a broker listing agreement with a Hawaii licensed real estate broker, as applicable. If the Developer(s) will represent themselves, the disclosure abstract shall so state.

Pursuant to Sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that one of the Developer/Owners, Richard A. Shaw (RB-13451), is a current and active Hawaii-licensed real estate broker. Further, pursuant to Section 16-99-11(c), HAR, "(n)o licensee shall advertise 'For Sale by Owner, . . .'"

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

ROBERT D. MIKKELSEN

Name of Developer

By: 
Duly Authorized Signatory

10 SEPT 95
Date

ROBERT D. MIKKELSEN, OWNER

print name & title of person signing above

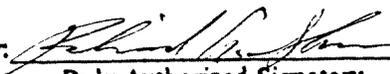
Distribution:

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

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

RICHARD A. SHAW

Name of Developer

By: 
Duly Authorized Signatory

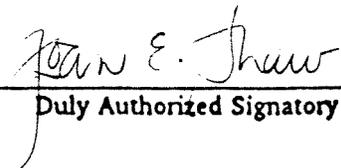
9/10/33
Date

RICHARD A. SHAW, OWNER

print name & title of person signing above

JOAN E. SHAW

Name of Developer

By: 
Duly Authorized Signatory

9-10-43
Date

JOAN E. SHAW, OWNER

print name & title of person signing above

EXHIBIT "A"

Common Elements. The common elements of the project which the apartments have access to include:

- a. The land in fee simple.
- b. The central and appurtenant installations for services such as power, light, gas, telephone, sewer, hot and cold water and like utilities.
- c. All other parts of the Project existing for the common use or necessary to the existence, maintenance and safety of the project.

EXHIBIT "B"

ENCUMBRANCES AGAINST TITLE: The title report dated January 3, 1994 reports that title to the land is subject to the following encumbrances:

1. For information regarding real property taxes due and owing, reference is made to the County of Kauai, Director of Finance. Tax Key: 2-4-005-199 (4) Area Assessed: 1.137 acres.

2. Easement "AU-1" (area 10,451 square feet), as shown on survey map prepared by Cesar C. Portugal, Registered Professional Land Surveyor, dated March 22, 1992, and being more particularly described in Exhibit "B" attached to the Declaration of Condominium Property Regime Kalawai Hillside Condominium.

3. Easement "AU-2" (area 3,000 square feet), as shown on survey map prepared by Cesar C. Portugal, Registered Professional Land Surveyor, dated March 22, 1992, and being more particularly described in Exhibit "C" attached to the Declaration of Condominium Property Regime Kalawai Hillside Condominium.

4. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Deed dated June 29, 1990, recorded as Document No. 90-125709.

5. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Declaration dated May 6, 1992, recorded as Document No. 92-076366.

6. Grant in favor of Citizens Utilities Company and GTE Hawaiian Telephone Company Incorporated dated June 10, 1992, recorded in said Bureau as Document No. 92-113241 granting a perpetual right and easement to build, construct, reconstruct, rebuild, repair, maintain and operate pole and wire lines and/or underground lines, etc., for the transmission and distribution of electricity.

7. Waiver and Release dated June 15, 1993, recorded as Document No. 93-097957.

8. Waiver and Release dated June 16, 1993, recorded as Document No. 93-100434.

9. The terms and provisions, including the failure to comply with any covenants, conditions and reservations contained

in Declaration of Condominium Property Regime of "Kalawai Hillside Condominium" dated September 10, 1993, recorded in said Bureau as Document No. 93-201082, as the same may hereafter be amended in accordance with law or with said Declaration. (Project covered by Condominium Map No. 1963.)

NOTE: Above Declaration of Condominium Property Regime does not include in its property description the non-exclusive easement for vehicular and pedestrian access over Lot 15-F as granted in instrument recorded as Document No. 93-155380.

10. The terms and provisions, including the failure to comply with any covenants, conditions and reservations contained in the By Laws of the Association of Apartment Owners of Kalawai Hillside Condominium dated September 10, 1993, recorded in said Bureau as Document No. 93-201083, as the same may hereafter be amended.

11. Any lien (or claim of lien) for services, labor or material arising from an improvement or work related to the land described in Exhibit "A" attached to the Declaration of Condominium Property Regime dated September 10, 1993 and incorporated herein by reference.

EXHIBIT "C"

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.

(f) If Buyer defaults, Seller shall give written notice to Buyer by certified mail and if such default is not cured within 10 days after receipt of notice, Seller may terminate the Sales Contract and retain the Buyer's deposits as liquidated damages. Seller may in addition pursue any other remedy including specific performance and all costs by reason of such default shall be borne by Buyer.

(g) If Buyer has paid all payments required under the Sales Contract, Buyer shall be entitled to specific performance.

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

EXHIBIT "D"

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) Developer 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.

EXHIBIT "E"

KALAWAI HILLSIDE CONDOMINIUM

REGISTRATION NO. 3031

DISCLOSURE STATEMENT AS OF September 10, 1993

1. Name of Project: KALAWAI HILLSIDE CONDOMINIUM
2. Address: Kalaheo Homesteads, Kalaheo, Kauai, Hawaii
3. Names of Developer: Robert D. Mikkelsen, Richard A. Shaw and Joan E. Shaw
4. Addresses of Developer:

Robert D. Mikkelsen
P. O. Box 1374
Koloa, Hawaii 96756

Richard A. Shaw and Joan E. Shaw
P. O. Box 905
Koloa, Kauai, Hawaii 96756
5. Telephone Numbers: (808) 332-9794 Robert D. Mikkelsen;
(808) 742-7561 or 742-1692 Richard A. Shaw and Joan E. Shaw
6. Project Manager or Agent: Richard A. Shaw
7. Address: P. O. Box 905, Koloa, Kauai, Hawaii 96756
8. Maintenance Fees: The breakdown of the annual maintenance fees and the monthly estimated costs for each apartment, which is hereby certified to be based on generally accepted accounting principles, is more particularly set forth in Exhibit "A" attached hereto and made a part hereof.
9. Commencement of Maintenance Fees: At such time that the Association decides to assess maintenance fees.
10. Warranties: The Project is a fee simple condominium project and there are no warranties.
11. Project: The Project consists of 2 condominium apartments, the land areas of which are to be utilized for agricultural, residential and other uses permitted under the zoning ordinances for the County of Kauai.

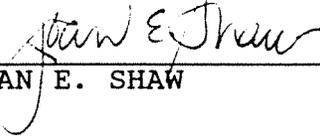
DATED: Koloa, Hawaii, September 10, 1993.



ROBERT D. MIKKELSEN



RICHARD A. SHAW



JOAN E. SHAW

EXHIBIT A

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>		<u>Monthly Fee x 12 months = Yearly Total</u>			
A	50%	\$75	X	12	= \$ 900.00
B	50%	\$75	X	12	= 900.00
		TOTAL		\$150 X 12	= \$1,800.00

Estimate of Maintenance Fee Disbursements:

Insurance:

Liability and Fire	\$100	X	12	= \$1,200.00
Road Maintenance (Reserve)	\$50	X	12	= 600.00
	TOTAL		\$150 X 12	= \$1,800.00

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

EXHIBIT "F"

**BUILDING AND HOUSE RULES
KALAWAI HILLSIDE CONDOMINIUM**

The purpose of these Building and House Rules ("Rules") is to protect all owners and occupants from annoyance and nuisance caused by improper conduct and improper use of the condominium, hereinafter referred to as "Project", and to provide for the maximum enjoyment of the premises. All owners and occupants, their agents, employees and invitees shall be bound by the Rules and standards of reasonable conduct whether covered by these Rules or not.

1. Definitions. As used herein:

a. The "Area" refers to the land set aside for the use of each owner as a limited common element.

b. The "Apartment" refers to the existing building built on the land designated as the limited common element for the owner and any subsequent improvements built within the Area.

c. The "lot" used in the Declaration of Covenants for the Kalaheo Homesteads, First Series, dated May 6, 1992, recorded as Document No. 92-076366 in the Bureau of Conveyances, State of Hawaii ("CC&R") shall also refer to an "apartment" or "unit" in the Project.

d. The "lot owner" or "unit owner" used in the CC&R shall also refer to an "apartment owner" or "unit owner" in the Project.

2. Private Building Approvals. Any owner desiring to construct or install any building or improvements in a Unit is required to submit the plans and specifications to the Design Review Committee for approval of such plans and specifications to be in conformance with the CC&R.

3. Building Permit. Any owner desiring to construct a single family dwelling in a Unit will have to comply with the building and zoning ordinances as the same may be changed from time to time. The requirements of the Comprehensive Zoning Ordinance, Kauai County Code 1987 and in particular the requirements of Article 1, Section 8-1.5 Definitions, Subparagraph (10) as to Applicant and Subparagraph (99) as to Owner having a controlling interest of 75% or more of the equitable and legal title of the lot have to be observed in order

to obtain a building permit. The present requirement of the County of Kauai is that each owner must sign an affidavit that he can obtain income or sustenance from farming on the Unit.

4. Use Restrictions. The agricultural restrictions for the use of the Unit for agricultural purposes from May 6, 1992 until the first day of January, 2010.

5. Water and Utilities. The water, electricity and telephone will be drawn from Lae Road to each Unit's boundary abutting said street at each Unit Owner's cost and expense to the dwelling and/or building.

6. Cesspools/Septic Tanks. There are no sewer lines and a sanitary sewer system. Each Unit Owner will have his own cesspool or septic tank located within his own area no closer than 5 feet to any area boundary and in compliance with the State of Hawaii Department of Health laws, rules and regulations.

7. Completion. After completion of the dwelling and/or improvements, the owner shall proceed to do the following:

a. Publish a Notice of Completion in the Garden Isle or newspaper of general circulation in the State of Hawaii for two (2) consecutive weeks at least seven (7) days apart and have it filed with the Clerk of the Fifth Circuit Court.

b. The plans and drawings should meet the requirements of a Condominium Map. The plan should show a site plan indicating where the dwelling and improvements will be located in the unit's limited common element land area. There should be a floor plan indicating the living/dining room, bedrooms, kitchen, bathrooms, lanai, etc. and the total net living area. The plan should show the elevations of the dwelling or improvement. The project's name, Tax Map Key, and the architect's or engineer's stamp should be stamped on the plans.

c. The architect or engineer's certificate should be executed reflecting the obtaining of a building permit from the County of Kauai and reflecting the "as built" condition of the dwelling.

d. The owner should have prepared at his own cost an amendment to the Declaration reflecting the change in description of the apartment and an amendment to the Condominium Map.

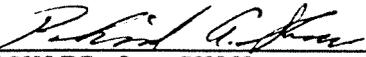
e. The amendment to the Declaration should then be filed for record in the Bureau of Conveyances, State of Hawaii.

4. This document may be executed in counterparts and attached to a single Building and House Rules.

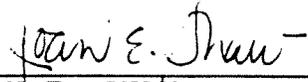
Executed at Koloa, Kauai, Hawaii, this 10th day of
September _____, 1993.



ROBERT D. MIKKELSEN



RICHARD A. SHAW



JOAN E. SHAW

EXHIBIT "G"

SUMMARY OF DECLARATION OF COVENANTS AND RESTRICTIONS

KALAWAI OCEANVIEW SUBDIVISION

A. KALAWAI OCEANVIEW SUBDIVISION

The subdivision of Lot 15 consists of Lots 15-A through 15-E inclusive in the Kalawai Oceanview Subdivision ("Subdivision") prepared by Cesar C. Portugal, Registered Professional Land Surveyor, which was approved by the Planning Commission of the County of Kauai on March 12, 1992 is attached to the Declaration of Covenants and Restrictions dated May 6, 1992, filed in the Bureau of Conveyances, State of Hawaii, as Document No. 92-076366 by Lae Road Partners ("Declaration"). The reading of the Declaration is important since it will be the basis upon which an apartment owner will be able to construct and use his unit in Lot 15-E which is the Project for the Kalawai Hillside condominium.

1. Structures. The building height shall not exceed 30 feet, 1,200 square feet of liveable area, not exceed 2 stories and any basement level will be below existing grade. No quonset or geodesic dome type of building, no use of mirrored glass, reflective sun screen for exterior windows and no rolled or build up composition roof. No mobile home, tent or temporary structure except construction shelter for construction works may be permitted for 1 year for work done on the lot.

2. Construction. No improvement or other work to allow the lot to be changed from its natural state on the date when it was first conveyed. Any bare areas resulting from excavation or fill shall be revegetated immediately to avoid erosion and visual impact. No chain link fence except minimally to confine pets or for security purposes and be screened through plantings. Driveways shall be asphalt or concrete.

3. Use. No noxious, hazardous, or offensive activities are permitted. No garbage or trash except in closed receptacles screened from view of adjoining street and neighboring properties. Typical household pets shall be kept in reasonable numbers and reasonable conditions. Other animals shall be kept in conformance with good animal husbandry including the removal of excessive manure and waste and control of flies and insects and provide adequate fencing for the animals. No open storage of boats, vehicles, furniture, fixtures, appliance and other goods.

4. Vehicles. No vehicle of one ton capacity shall be kept, placed or maintained where such vehicle is visible from adjoining street and neighboring property unless such vehicle is shielded and is necessary and regularly used for agricultural activities. No construction or reconstruction of vehicle that is visible from adjoining street and neighboring property. No open garage shall be used other than for parking vehicles and boats.

5. Signs. Residential signs for a combined face area of three square feet for each dwelling. During construction a job identification sign of up to six square feet is allowed. No more than one "For Sale" or "For Rent" sign.

6. Term of Covenants. The term from May 6, 1992 until January 1, 2010 after which it shall be automatically extended for successive 10-year periods unless 90% of the lot owners of the Subdivision agree to change the covenants in whole or in part.

7. Run with the Land. The covenants shall be included in any transfer document. Any threatened violation or violation is subject to injunctive relief an the covenants run with the land.

B. AGRICULTURAL USE COVENANTS

1. So long as the lot remains in the State Land Use Agricultural District the lot use of the lot shall be primarily for agricultural activities and only for such uses as contained in Section 205-4.5, Hawaii Revised Statutes, and as it may be amended from time to time.

2. No more than two farm dwellings are permitted on any lot. The farm dwelling shall mean a detached dwelling unit for occupancy by a single family. Agricultural activity must be established before any additional dwelling in excess of one per parcel will be permitted by the County of Kauai.

3. The agricultural use covenants as set forth in the Covenants to the Declaration of Condominium Property Regime should be examined before undertaking any activities or uses of the lot or unit.