CONDOMINIUM PUBLIC REPORT

Prepared &
Issued by: Developer DAVID REES PALMER and JOAN LINDSAY PALMER
Address 250 Valley Club Circle -- Little Rock, Arkansas 72212

Project Name(*): LOKELANI SUBDIVISION, PARCEL 27
Address: Kahua and Waika, North Kohala, Hawaii

Registration No. 3301

Effective date: July 26, 1995
Expiration date: August 26, 1996

Preparation of this Report:

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

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency 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:** (yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.

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

___ **SUPPLEMENTARY:** (pink) This report updates information contained in the:
- [ ] 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:

[x] Required and attached to this report as Exhibit "G" [ ] 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 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 on 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.

This Public Report does not constitute an approval of the Project by the Real Estate Commission or any other government agency, nor does it ensure that all County codes, ordinances and subdivision have necessarily been complied with.

1. There are County restrictions on the number of residential dwelling units, or other structures, which may be built on the property. Therefore, unless the Purchaser is buying 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, on the property.

   Units 1 and 2 are both greenhouses, which may be defined as "apartment units" under the condominium property act.

2. Facilities and improvements normally associated with County-approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owners and emergency traffic, drainage facilities, etc., may not be provided, and services such as County street maintenance and trash collection may not be available for interior roads and driveways.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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Exhibit A: Individual Unit Descriptions
Exhibit B: Common Elements; Common Interest
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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:

DAVID REES PALMER
JOAN LINDSAY PALMER
Name

Phone: (501) 376-6251
(Business)

250 Valley Club Circle
Business Address
Little Rock, Arkansas 72212

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

Real Estate Broker:

WEST ISLE PROPERTIES, LTD.
Name

Phone: (808) 885-3600
(Business)

P.O. Box 2746
Business Address
Kamuela, Hawaii 96743

Escrow:

FIRST HAWAII TITLE CORPORATION
Name

Phone: (808) 885-4822
(Business)

P.O. Box 1180
Business Address
Kamuela, Hawaii 96740

General Contractor:

Owner-builder
Name

Phone:
(Business)

Business Address

Condominium Managing Agent:

Project is to be self-managed by the Association of Condominium Owners
Name

Phone:
(Business)

Business Address

Attorney for Developer:

ROGER V. MEEKER
Name

Phone: (808) 885-9696
(Business)

P.O. Box 596
Business Address
Kamuela, Hawaii 96743

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._____ Book_____ Page _____
[x] Filed - Land Court: Document No. 2218648

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. _____
[x] Filed - Land Court Condo Map No. 1071

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

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

The Bylaws for this condominium are:

[ ] Proposed
[ ] Recorded - Bureau of Conveyances: Document No._____ Book_____ Page _____
[x] Filed - Land Court: Document No. 2218649

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 [x] 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:

	Minimum Set by Law	This Condominium
Declaration (and Condo Map)	75%*	75%
Bylaws	65%	65%
House Rules	---	n/a

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

2. Developer:

[x] 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:

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

[x] 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 38-H, Kahua 1st, Kahua and Waika North Kohala, Hawaii

Tax Map Key: (3) 5-9-07: 27 (TMK)

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

Land Area: 4.638 [ ] square feet [ ] acre(s) Zoning: A-3a

Fee Owner : DAVID REES PALMER and JOAN LINDSAY PALMER
Name
250 Valley Club Circle
Address
Little Rock, Arkansas 72212

Sublessor: _____
Name
_____
Address
_____

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 2 Floors Per Building 1

[x] Exhibit A contains further explanations.

3. Principal Construction Material:

[ ] Concrete [ ] Hollow Tile [x] Wood

[ ] Other _____

4. Permitted Uses by Zoning:

	No. of Apts.	Use Permitted By Zoning			No. of Apts.	Use Determined By Zoning
[x] Residential	____	[x] Yes	[ ] No	[x] Ohana	____	[x] Yes [ ] No
[ ] Commercial	____	[ ] Yes	[ ] No	[ ] Industrial	____	[ ] Yes [ ] No
[ ] Mix Res/Comm	____	[ ] Yes	[ ] No	[x] Agricultural	2	[x] Yes [ ] No
[ ] Hotel	____	[ ] Yes	[ ] No	[ ] Recreational	____	[ ] Yes [ ] No
[ ] Timeshare	____	[ ] Yes	[ ] No	[ ] Other: _____	____	[ ] Yes [ ] No

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

[x] Pets: Household pets and other animals as permitted by applicable zoning ordinances.

[ ] Number of Occupants: _____

[ ] Other: _____

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: Ø Stairways: Ø Trash Chutes: Ø

Apt. Type	Quantity	BR/Bath	Net ~~XXXX~~ Area (sf)*	Lanai/Patio (sf)
Unit 1	1	greenhouse	48	0
Unit 2	1	greenhouse	48	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.

Boundaries of Each Apartment: See Exhibit "A" attached hereto.

Permitted Alterations to Apartments: As noted in Section XVI of the Declaration, individual unit owners may, at their sole discretion and at their own expense, remodel, expand or otherwise alter their unit, provided said alterations are done in complete accordance with all applicable ordinances, codes, rules, regulations and other requirements in force at the time of said construction. All alterations shall be completed expeditiously and in the manner set forth in said Section XVI.

7. Parking Stalls:

Total Parking Stalls: 0

	Regular		Compact		Tandem		
	covered	open	covered	open	covered	open	TOTAL
Assigned (for each unit)							
Guest							
Unassigned							
Extra for Purchase							
Other:	Units 1 and 2 have ample space for parking within their limited common element land area.						
Total Covered & Open							

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

[ ] Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

[x] There are no recreational or common facilities.

[ ] Swimming pool [ ] Storage Area [ ] Recreation Area

[ ] Laundry Area [ ] Tennis Court [ ] Trash Chute

[ ] Other:_____

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

[x] There are no violations. [ ] Violations will not be cured.

[ ] Violations and cost to cure are listed below. [ ] Violations will be cured by_____

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations (For conversions of residential apartments in existence for at least five years):

NOT APPLICABLE

11. Conformance to Present Zoning Code

a. [x] No variances to zoning code have been granted.

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

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

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

	Conforming	Non-Conforming	Illegal
Uses	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:

[x] described in Exhibit B.

[ ] as follows:

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

[ ] There are no limited common elements in this project.

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

[x] described in Exhibit C.

[ ] as follows:

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

[x] described in Exhibit B.

[ ] as follows:

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 F describes the encumbrances against the title contained in the title report dated February 17, 1995 and issued by First Hawaii Title Corporation.

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.

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

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 construction of Units 1 and 2 was completed in January, 1995.

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
[x] self-managed by the Association of Apartment Owners
[ ] the Developer or the Developer's affiliate.
[ ] 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 _____ 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 [x] 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

[x] Specimen Sales Contract / Hawaii Association of Realtors' form of Deposit Receipt, Offer & Acceptance (DROA) contract will be used at time of sale.
Exhibit D contains a summary of the pertinent provisions of the sales contract.

[x] Escrow Agreement dated November 1, 1994
Exhibit E 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. NONE
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_____

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. 3301 filed with the Real Estate Commission on March 14, 1995.

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C. **Additional Information Not Covered Above**

Residential Dwellings within State Land Use Agricultural District

Purchasers should be aware that the State Land Use Commission issued a Declaratory Ruling in December, 1994, regarding the construction of residential dwellings on properties located within the State Land Use Agricultural District. In response to said ruling, the Hawaii County Planning Department is requiring applicants for building permits on such lands to acknowledge receipt of a "Farm Dwelling Notice". This Farm Dwelling Notice reads as follows:

FARM DWELLING NOTICE

To: Applicants for Building Permits on Land in State Land Use Agricultural District.

This is to inform you that Chapter 205, Hawaii Revised Statutes, does not authorize residential dwellings as a permissible use in an agricultural use district, unless the dwelling is related to an agricultural activity or is a "farm dwelling".

Farm Dwelling is defined in Chapter 205-4.5(a)(4) as "a single family dwelling located on and used in connection with a farm, including clusters of single-family farm dwellings permitted within agricultural parks developed by the State, or where agricultural activity provides income to the family occupying the dwelling."

Penalty for violation of Section 205-4.5, Hawaii Revised Statutes, is a fine of not more than $5,000. If any person who is cited for a violation of the law fails to remove the violation within six months of such citation and the violation continues, such person is subject to a citation for a new and separate violation. There shall be a fine of not more than $5,000 for any additional violation.

I acknowledge that I have read the above and have been given a copy

_____

Signature of Applicant

_____

Signature of Witness

Mailboxes

Mailboxes have not been provided for the units, as there is no mail delivery to this area. People in this area customarily maintain a post office box at the local post office.

PAGE 20a:

Owner-Built Structures or Improvements

Units 1 and 2 are utility sheds, and were constructed by the Developer.

Section 444-2(4), Hawaii Revised Statutes ("HRS"), provides that a contractor's license pursuant to Chapter 444, HRS, shall not be required of the following:

> *"Any project or operation for which the aggregate contract price for labor, materials, taxes, and all other items is equal to or less than $1,000. This exemption shall not apply in any case wherein a building permit is required regardless of the aggregate contract price, nor where the undertaking is only a part of a larger or major project or operation, whether undertaken by the same or a different contractor or in which a division of the project or operation is made in contracts of amounts equal to or less than $1,000 for the purpose of evading this chapter or otherwise."*

The Developer is claiming an exemption pursuant to the foregoing section 444-2(4), HRS.

Driveway Easement

There are no common elements in the Project that require regular maintenance, repair and improvement. Unit 2, however, does have an easement over a portion of Unit 1's limited common element land for purposes of driveway access and utilities access. Under Section VI(c) of the Declaration, both unit owners share the costs of any driveway uses of said easement area. Any costs incurred in connection with the utility uses of this easement area are borne by the unit so served.

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.

DAVID REES PALMER and JOAN LINDSAY PALMER
Name of Developer

By: _____ 11-29-94
Duly Authorized Signatory Date

DAVID REES PALMER
print name & title of person signing above

Distribution:

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

INDIVIDUAL UNIT DESCRIPTIONS

The Declaration of Condominium Property Regime and plans submitted by the Developer indicate that LOKELANI SUBDIVISION, PARCEL 27 is a fee simple condominium conversion project consisting of a total of two condominium units, each unit comprised of a separate structure or structures. The units are described as follows:

(a) "Unit 1" consists of the following: (1) a separate wood-frame greenhouse structure of approximately 48 square feet; and (2) any and all other future improvements which may be constructed on the land area appurtenant to said unit by the owner thereof. Specifically, in addition to said shed structure, the owner thereof is permitted, if allowed by law, to build one dwelling on the limited common element land area appurtenant to said unit, provided that said dwelling complies with the provisions of this Declaration and all applicable buildings codes and zoning ordinances. The right to secure the building permit for and construct said dwelling vests solely with the owner of said unit, and the costs and expenses of any such future construction shall be borne solely by the owner of said unit.

(b) "Unit 2" consists of the following: (1) a separate wood-frame greenhouse structure of approximately 48 square feet; and (2) any and all other future improvements which may be constructed on the land area appurtenant to said unit by the owner thereof. Specifically, in addition to said shed structure, the owner thereof is permitted, if allowed by law, to build one dwelling on the limited common element land area appurtenant to said unit, provided that said dwelling complies with the provisions of this Declaration and all applicable buildings codes and zoning ordinances. The right to secure the building permit for and construct said dwelling vests solely with the owner of said unit, and the costs and expenses of any such future construction shall be borne solely by the owner of said unit.

COMMON ELEMENTS

One freehold estate is designated of all the remaining portions of the Project, herein referred to as "common elements", including specifically, but not limited to:

(a) The land in fee simple;

(b) All ducts, electrical equipment, wiring and other central and appurtenant installations for common services, if any, including power, light, water, gas, sewage, irrigation, telephone and television cable;

(c) Any and all other elements and facilities rationally in common use or necessary to the existence, upkeep and safety of the Project.

The common elements shall remain undivided, and no right shall exist to partition or divide any part thereof, except as provided in the Condominium Property Act. Any such partition or division shall be subject to the prior consent thereto by the holder(s) of all mortgage(s) of any condominium unit(s) which are filed of record.

COMMON INTEREST

Each unit and its owner(s) shall have appurtenant thereto an undivided one-half (1/2) fractional interest (50.0 percentage interest) in the common elements of the Project, for all purposes including voting, said interest being referred to as the "common interest".

LIMITED COMMON ELEMENTS

Certain parts of the common elements, herein referred to as the "limited common elements", are designated and set aside for the exclusive use of one or more apartments, and such apartment(s) shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside and reserved are as follows:

(a) That certain land area upon and around which "Unit 1" is located, shown and designated on the Condominium Map and being approximately 2.637 acres in area, is deemed a limited common element appurtenant to and for the exclusive use of "Unit 1".

(b) That certain land area upon and around which "Unit 2" is located, shown and designated on the Condominium Map and being approximately 2.001 acres in area, is deemed a limited common element appurtenant to and for the exclusive use of "Unit 2".

NOTE: The land area appurtenant to each unit does not represent a legally subdivided lot.

SUMMARY OF PERTINENT PROVISIONS OF THE SALES CONTRACT

The Developer plans to use the Hawaii Association of Realtors' standard form of Deposit, Receipt, Offer and Acceptance (DROA) as the intended sales contract for the Project.

The sales contract contains the purchase price, description and location of the condominium unit and other terms and conditions under which a Buyer will agree to buy a condominium unit in the Project. Among other things, the sales contract (DROA):

1. Provides a section for financing to be completed and agreed to by the parties which will set forth how Buyer will pay the purchase price.

2. Identifies the escrow agent and states that Buyer's deposit will be held in escrow until the sales contract is closed or cancelled.

3. Requires that Buyer must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

4. Provides the following remedies, in the event of default under the sales contract by Buyer:

   a. Seller may bring an action against Buyer for breach of contract;
   b. Seller may retain Buyer's initial deposit;
   c. Buyer shall be responsible for expenses incurred.

   Provides the following remedies, in the event of default under the sales contract by Seller:

   a. Buyer may bring an action against Seller for breach of contract;
   b. Buyer may bring an action compelling Seller to perform under contract;
   c. Seller shall be responsible for expenses incurred.

   Any awards to the prevailing party in any action are subordinate to escrow's expenses.

5. Allocation of payment of closing costs.

The sales contract contains various other provisions which Buyer should become acquainted with.

Upon examination, the Developer represents that the proposed Sales Contract (DROA) is found to be in compliance with Chapter 514A, Hawaii Revised Statutes, as amended. It is encumbent upon the purchaser and prospective purchaser that he reads the Sales Contract (DROA) with care.

SUMMARY OF ESCROW ARRANGEMENTS

An Escrow Agreement dated November 1, 1994, has been submitted by the Developer, identifying First Hawaii Title Corporation as Escrow for the Project. The Escrow Agreement establishes how proceeds from the sale of condominium units and all sums received from any source are placed in escrow, as well as the methods of disbursement of said funds.

The Escrow Agreement provides that a Purchaser shall be entitled to a refund of his funds, and Escrow shall pay said funds to Purchaser, without interest and less cancellation fee and costs, if Purchaser shall in writing request refund of his funds and (1) Escrow receives a written request from Developer to return to Purchaser the funds of such Purchaser; or (2) Developer notifies Escrow of Developer's intent to cancel or rescind the sales contract; or (3) Purchaser has exercised his right to cancel or rescind the sales contract pursuant to Section 514A-62 or 514A-63 of the Hawaii Revised Statutes; or (4) meets one of the conditions provided for in Section VI(e) of the Escrow Agreement. Except for a cancellation under Section VI(e) of the Escrow Agreement, Escrow will be entitled to deduct a cancellation fee from Purchaser's funds. Said cancellation fee shall be in the minimum of $25.00, but in no event shall exceed the agreed-upon escrow fee provided for in said Escrow Agreement, the exact amount to be commensurate with the amount of work completed at the time of cancellation.

The Escrow Agreement also provides that a Purchaser shall be entitled to a refund of his funds (less fees as provided therein), if any one of the following events shall have occured: (1) no sales contract is offered to a Purchaser who was placed on the Developer's reservation list of owner-occupant applicants; or (2) the Purchaser has been unable to obtain adequate financing, or a commitment for adequate financing, for his unit within thirty (30) days following the end of the ten (10) calender-day period during which the Developer is limited to selling to owner-occupants; or (3) the Purchaser desires to cancel the contract on account of hardship circumstances such as those set forth in Section 514A-104(1), Hawaii Revised Statutes; or (4) the Purchaser indicates an intent not to become an owner-occupant of such unit.

Finally, the Escrow Agreement provides that in the event that Purchaser defaults under the terms of the sales contract, all proceeds collected from Purchaser may be treated as liquidated damages and retained by Developer.

Upon examination, the Developer represents that the Escrow Agreement is found to be in compliance with Chapter 514A, Hawaii Revised Statutes, as amended. It is encumbant upon the purchaser and prospective purchaser that he reads with care the Escrow Agreement.

Exhibit "E"

ENCUMBRANCES AGAINST TITLE

An encumbrance is a claim against or a liability on the property. The following list describes the encumbrances against the title contained in the status title report dated February 17, 1995, issued by First Hawaii Title Corporation.:

1. Tax Map Key: (3) 5-9-07: 27, County of Hawaii. Area assessed: 4.638 acres. For real property taxes as may be due and owing, reference is made to the Director of Finance, County of Hawaii.

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

3. Easement "830" for drainage purposes, as shown on Map 76, as set forth by Land Court Order No. 104029, filed September 30, 1991.

4. Easement "76", as shown on Map 7, as set forth by Land Court Order No. 41945, filed May 7, 1975.

5. AS TO EASEMENT "76" ONLY: Reservation as contained in Deed dated July 18, 1977, filed as Land Court Document No. 827436.

6. Declaration of Covenants, Conditions and Restrictions for Lokelani Subdivision dated March 5, 1991, filed as Land Court Document No. 1880707.

7. Declaration of Easements, Indemnification and Maintenance Agreement dated March 5, 1991, filed as Land Court Document No. 1880708.

8. Declaration of Condominium Property Regime dated November 1, 1994, filed as Land Court Document No. 2218648; By-Laws of the Association of Condominium Owners of the "LOKELANI SUBDIVISION, PARCEL 27" Condominium Project, dated November 1, 1994, filed as Land Court Document No. 2218649; Condominium Map No. 1071.

DISCLOSURE ABSTRACT

LOKELANI SUBDIVISION, PARCEL 27
Condominium Project

Pursuant to Section 514A-61, Hawaii Revised Statutes
Condominium Property Act

Developer(s)

David Rees Palmer
Joan Lindsay Palmer
303 West Capitol Avenue
Little Rock, Arkansas 72201-3593
Phone: (501) 227-4861

Project Manager

Project is to be self-managed

Estimated Maintenance Fee Assessments and Disbursements

MAINTENANCE FEES: The regular maintenance and repair of each condominium unit, including all utility charges except for water, is the sole responsibility of each respective unit owner. The only common expense requiring monthly assessments (i.e. maintenance fees) is said water service, as both units are presently served by a common water meter. Developer estimates the costs of these services to be approximately $300.00 per year per unit ($25.00 per month per unit). Said estimates were prepared in accordance with generally accepted accounting principals.

Note: If, in the future, separate water meters are secured for each condominium unit, there will cease to be any common expenses, and therefore, no maintenance fees.

INDIVIDUAL INSURANCE: Section 514A-86, Hawaii Revised Statutes, requires that fire insurance be purchased to cover the improvements portion of the Project. Developer anticipates that the Association will elect to obtain separate policies for each individual condominium unit pursuant to Section XIV(c) of the Declaration. As such, the premiums on said policies will be the individual responsibility of each unit owner rather than common expenses of the Project. Purchasers should be aware that premiums for said fire insurance vary widely depending upon the coverage desired and the insurance company used. Developer's best estimate regarding the cost of said coverage is approximately $500 to $3,000 per year per unit. Said estimates were prepared in accordance with generally accepted accounting principals.

Use of Condominium Units

Both units comprising the Project may be occupied and used for agricultural and/or such other purposes as permitted by applicable zoning ordinances. There is no commercial development in the Project.

Exhibit "G"

Warranties

Purchasers should be aware that both "condominium units" of the Project are comprised of existing utility/agricultural shed structures. NO WARRANTIES FOR FITNESS OF USE OR MERCHANTABILITY OR ANY OTHER KIND ARE MADE AS TO THE INDIVIDUAL CONDOMINIUM UNITS OR THE COMMON ELEMENTS OF THE PROJECT. PURCHASERS ARE ADVISED TO CONDUCT THEIR OWN INSPECTION OF THE UNIT THEY DESIRE TO BUY. THE UNITS ARE SOLD "AS IS".

Structural Components and Mechanical & Electrical Installations

Based on a report prepared by an independent registered architect, it is the Developer's opinion that all structural components and mechanical and electrical installations material to the use and enjoyment of the individual condominium units appear to be sound and in satisfactory working condition. However, NO REPRESENTATIONS OF ANY KIND ARE MADE AS TO THE EXPECTED USEFUL LIFE, IF ANY, OF THE STRUCTURAL COMPONENTS AND MECHANICAL AND ELECTRICAL INSTALLATIONS MATERIAL TO THE USE AND ENJOYMENT OF THE CONDOMINIUM UNIT(S).

Code Violations

To the best of the knowledge, information and belief of the undersigned, there are no outstanding notices of uncured violations of the building code or other municipal regulations of the County of Hawaii.

Dated: November 1, 1994

DAVID REES PALMER

JOAN LINDSAY PALMER

Developer(s)