

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer ROBERT E. KEOWN and GLORIA KEOWN
Address P. O. Box 905, Koloa, Kauai, Hawaii 96756

Project Name(*): KEKAHA BEACH COTTAGES
Address: 4521-A and 4521-B Pueo Road, Kekaha, Kauai, Hawaii 96752

Registration No. 3420 (CONVERSION) Effective date: November 9, 1995 Expiration date: December 9, 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.

Required and attached to this report
As Exhibit E

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.

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 is not 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 illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

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

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT 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 E. KEOWN
GLORIA KEOWN Phone: (808) 7427561
Name (Business)
P. O. BOX 905
Business Address
Koloa, Kauai, Hawaii 96756

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

Real Estate Broker: BOB KEOWN, INC.
dba MAKAI PROPERTIES Phone: (808) 7427561
Name (Business)
2-2488A Kaunaulii Highway
Business Address
Kalaheo, Hi 96756

Escrow: First American Title Co. of Phone: (808) 2458877
Name Hawaii, Inc. (Business)
923 Nuuanu Avenue
Business Address
Honolulu, Hawaii 96813

General Contractor: N/A Phone: _____
Name (Business)

Business Address

Condominium Managing Agent: Self managed by Association of
Apartment Owners Phone: _____
Name (Business)

Business Address

Attorney for Developer: Hiroshi Sakai, Attorney at
Law, A Law Corporation Phone: (808) 5314171
Name (Business)
201 Merchant St., Suite 902
Business Address
Honolulu, Hawaii 96813

**II. CREATION OF THE CONDOMINIUM;
CONDOMINIUM DOCUMENTS**

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. 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. 95-116628
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. 2271
 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. 95-116629
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	—	<u>Majority vote of Board</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 owner 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: 4521-A and 4521-B Pueo Road, Tax Map Key: (4) 1-3-04: 86
Kekaha, Kauai, Hawaii 96752 (TMK)

Address TMK is expected to change because _____

Land Area: 16,770 square feet acre(s) Zoning: Residential

Robert E. Keown
 Fee Owner : Gloria Keown
 Name
P. O. Box 905
 Address
Koloa, Kauai, 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

Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other _____

4. Permitted Uses by Zoning:

	No. of <u>Apts.</u>	Use Permitted <u>By Zoning</u>		No. of <u>Apts.</u>	Use Determined <u>By Zoning</u>
<input checked="" type="checkbox"/> Residential	<u>2</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Ohana	___	<input 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 type="checkbox"/> Agricultural	___	<input 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:

- [] Pets: _____
- [] Number of Occupants: _____
- [x] Other: See Building and House Rules
- [] 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>A</u>	<u>1</u>	<u>2BR/2BA</u>	<u>1,000 s.f.</u>	<u>-0-</u>
<u>B</u>	<u>1</u>	<u>2BR/2BA</u>	<u>1,000 s.f.</u>	<u>-0-</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 2

*Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

Each apartment shall include its entire structures and the limited common element land area for its respective site. The boundary of each apartment is the exterior finished surfaces of the apartment's perimeter walls, roofs, foundations, floor, doors and structural walls.

Permitted Alterations to Apartments:

See Exhibit "H"

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

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

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

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

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

1. Common Elements: Common Elements are those parts of the condominium project 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 apartment 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 apartment.

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:

<u>Apartment</u>	<u>Common Interest</u>
A	50%
B	50%

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 9/15/95 and issued by First American Title Company 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.

- [] There are no blanket liens affecting title to the individual apartments.
- [x] 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>
Mortgage dated November 24, 1993 in favor of First Hawaiian Bank, to secure the sum of \$875,000.00 recorded as Document No. 93-197195	Buyer's interest may be terminated and Buyer may be entitled to a refund of deposit, less escrow cancellation fee.

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:

Both apartments were completed in 1938.

H. Project Phases:

The developer has 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 Exhibit "E" - Disclosure Statement

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

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

[X] Escrow Agreement dated 6/30/95

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

[x] Other See Building and House Rules

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 Kekaha Cottages Subdivision dated March 29, 1995 recorded as Document No. 95-070266

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. 3420 filed with the Real Estate Commission on 9/28/95.

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

Pursuant to Secs. 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that the Developer, Robert E. Keown, (RB-12281), is a current and active Hawaii-licensed broker. Further that Robert E. Keown is the principal broker for Bob Keown, Ltd., dba Makai Properties, (RB 12282), project broker and pursuant to Sec. 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 E. KEOWN

Name of Developer

By: *Robert E. Keown*
Duly Authorized Signatory

8/28/95
Date

ROBERT E. KEOWN, DEVELOPER

print name & title of person signing above

GLORIA KEOWN

Name of Developer

By: *Gloria Keown*
Duly Authorized Signatory

8-28-95
Date

GLORIA KEOWN, DEVELOPER

print name & title of person signing above

Distribution:

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

EXHIBIT "A"

Common Elements

The common elements of the Project which the apartments have immediate 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 when and only those items are or shared installations.
- 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 of First American Title Company of Hawaii, Inc. reports that title to the land is subject to the following encumbrances.

1. Real property taxes for the fiscal year 1995-1996 are a lien. To have a confirmation with respect to taxes contact the Director of Finance, County of Kauai.

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

2. The terms and provisions, including the failure to comply with any covenants, conditions and reservations as contained in Deed dated December 21, 1982, recorded in the Bureau of Conveyances, State of Hawaii in Book 16762, page 1, to which reference is hereby made.

3. Restrictions, covenants and conditions as contained in Land Patent Grant No. 10,041, to which reference is hereby made, but deleting any covenant, condition or restriction, indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin to the extent such covenants, conditions or restrictions violate 47 USC 3604(C).

4. Exceptions, reservations, covenants, conditions and restrictions as contained in that certain Warranty Deed dated December 21, 1982, effective December 1, 1982, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 16762 Page 1, to which reference is hereby made, but deleting any covenant, conditions or restrictions indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).

5. The terms and conditions contained in that certain Limited Warranty Deed dated November 18, 1993 and recorded in said Bureau as Document No. 93-197194 to which reference is hereby made, but deleting any covenant, conditions or restrictions indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).

6. Real Property Mortgage and Financing Statement dated November 24, 1993 in favor of First Hawaiian Bank, a Hawaii corporation recorded as Document No. 93-197195 to secure the sum of \$875,900.00 and any other amounts and/or obligations secured thereby besides other land.

7. Financing Statement in favor of First Hawaiian Bank

recorded on November 30, 1993 as Document No. 93-197196 covering personal property on the land besides other land.

8. Future road widening reserve, 3 ft. wide, along Pueo Road, as per survey of Ronald J. Wagner, Registered Professional Land Surveyor, Certificate No. 5074, dated December 9, 1994. There shall be no new structures permitted within the reserve; new structures shall be set back from the reserve.

9. Declaration of Restrictive Covenants for Kekaha Beach Cottages Subdivision dated May 29, 1995, recorded in said Bureau as Document No. 95-070266 to which reference is hereby made, but deleting any covenant, conditions or restrictions indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).

10. Terms, conditions and reservations as contained in that certain Kekaha Cottages Subdivision Warranty Deed dated May 22, 1995 and recorded in said Bureau as Document No. 95-070685.

11. Restrictions, covenants and conditions as contained in that certain unrecorded Property Purchase Agreement dated June 28, 1993, made by and between Amfac Property Development Corp., as "Seller", and Robert Keown, as "Purchaser" as disclosed by that certain Kekaha Cottages Subdivision Warranty Deed dated May 22, 1995 and recorded in said Bureau as Document No. 95-070685 to which reference is hereby made, but deleting any covenant, conditions or restrictions indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).

Purchaser, for itself, any person or entity claiming by or through it and their respective successors and assigns, acknowledges that the Property is located near or adjacent to properties (the "Agricultural Properties") which are or may be used for various agricultural and related purposes. As such, the Property may periodically be affected by noise, dust, smoke, soot, ash, odor or other adverse conditions of any kind created by or resulting from such agricultural and related activities. Purchaser, for itself, any person or entity claiming by or through it and their respective successors and assigns, further acknowledges and agrees that neither Seller, Amfac-Related Entities, the owners of the Agricultural Properties, nor any of their respective successors in title or assigns shall be held liable for any nuisance, personal injury, illness or other loss, damage or claim which is caused by or related to the presence and operation of the Agricultural Properties adjacent to or near the Property.

12. Easement AU-1 for roadway, pedestrian and utility purposes, as described in the Condominium Map and Exhibit "C" of the Deed dated May 22, 1995 filed as Document No. 95-070685 in said Bureau, in favor of Lot 5, 7, 8 and 9, Kekaha Cottages Subdivision.

13. Any failure to comply with the terms and provisions of any and all recorded and/or unrecorded leases and/or subleases and encumbrances appurtenant thereto affecting the fee title to the land under search.

14. Condominium Map No. 2271, filed in said Bureau.

15. Restrictions, covenants, agreements, obligations, conditions, easements and other provisions set forth in Declaration of Condominium Property Regime dated June 30, 1995, recorded in said Bureau as Document No. 95-116628 to which reference is hereby made, but deleting any covenant, conditions or restrictions indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).

16. Any invalidity of the Condominium Property Regime described herein by reason of the fact that the Mortgagee of the Mortgage referred to as Item No. 5 shows did not join in or consent to the Condominium Property Regime.

17. Restrictions, covenants, agreements, obligations, conditions and other provisions set forth in By laws of the Association of Apartment Owners of Kekaha Beach Cottages dated June 30, 1995, recorded in said Bureau as Document No. 95-116629.

18. All exclusive and non-exclusive easements mentioned in said Declaration, and/or as shown on Condominium Map No. 2271.

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. An application for a mortgage loan within 10 days after notification by Seller and if approval is not concluded within 30 days after submission of the application then Seller has the option to terminate the contact. 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 Seller unless Buyer arranges with Escrow to establish a separate savings account and to pay \$25.00 to Escrow for the establishment and maintenance of such account, then such interest shall accrue to the benefit of the Buyer.
- (d) That the unit will be subject to various legal documents, including Declaration, By Laws, Final Public Report including Encumbrances and Disclosure Statement attached thereto, Building/House Rules, Escrow agreement, Apartment Deed, Certificate of Architect and Condominium Map and any other documents which the buyer is given a copy of and for which he has received for the same.
- (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 states the following conditions under which a refund will be made to a purchaser. Developer and Purchaser make a written request to Escrow: (a) To return to purchaser the funds; (b) To notify Developer's exercise of any option to rescind the sales contract or (c) That the conditions provided for a refund under Sections 514A-62 or 514A-63 of the Condominium Act have been met.

(d) The Escrow Agreement says what will happen to a purchaser's funds upon a default under the Sales Contract, that is, the Purchaser's funds shall be retained by the Seller as liquidated damages.

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

Note: Section 514A-63, Hawaii Revised Statutes provides for Rescission Rights to a purchaser under a binding contract if there is a material change in the project which directly, substantially and adversely affects the use or value of (1) such purchaser's apartment or appurtenant limited common elements, or (2) those amenities of the project available for such purchaser's use.

EXHIBIT "E"

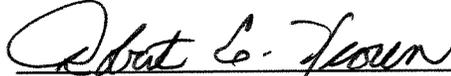
KEKAHA BEACH COTTAGES

REGISTRATION NO. 3420

DISCLOSURE STATEMENT AS OF JUNE 30, 1995

1. Name of Project: KEKAHA BEACH COTTAGES
2. Address: 4521-A and 4521-B Pueo Road, Kekaha, Kauai, Hawaii 96752
3. Name of Developer: Robert E. Keown and Gloria Keown
4. Address: P. O. Box 905, Koloa, Kauai, Hawaii 96756
5. Telephone: (808) 7427561
6. Project Manager or Agent: Robert E. Keown
7. Address: P. O. Box 905, Koloa, Kauai, Hawaii 96756
8. Maintenance Fees: The fees are as set forth in Exhibit "E-1". Each apartment owner to take out his or her own insurance for their respective apartment, their appurtenant limited common element land area, the use of the easements and shall add the Association as an additional assured, if necessary.
9. Commencement of Maintenance Fees: At such time that the first sale of an apartment is made. If not, the Declarant will continue to maintain the premises at his own cost and expenses.
10. Warranties: The Project is a fee simple condominium project and there are no warranties.
11. Project: The Project consists of two (2) condominium apartments. Apartments A and B are free standing detached dwellings. The land area is zoned residential by the County of Kauai and the uses that are permitted under such County of Kauai ordinances will be permitted.

DATED: Koloa, KAUAI, Hawaii, June 30, 1995.



ROBERT E. KEOWN



GLORIA KEOWN

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EXHIBIT "E-1"

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>
Apartment A	\$58.34 x 12 = \$700.08
Apartment B	\$58.34 x 12 = \$700.08
TOTAL	\$116.68 x 12 = \$1400.16

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

Estimate of Maintenance Fee Disbursements:

Monthly x 12 months = Yearly Total

Utilities and Services

Air Conditioning

Electricity

[] common elements only

[] common elements and apartments

Elevator

Gas

Refuse Collection

Telephone

Water and Sewer

\$50 x 12 = \$600.00

Maintenance, Repairs and Supplies

Building

Grounds

Management

Management Fee

Payroll and Payroll Taxes

Office Expenses

Insurance

\$66.68 x 12 = \$800.16

Reserves(*)

Taxes and Government Assessments

Audit Fees

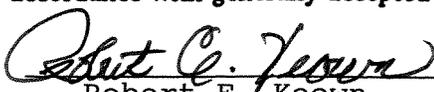
Other

TOTAL

\$116.68 x 12 = \$1400.16

ROBERT E. KEOWN and GLORIA KEOWN

the developer, for the condominium project KEKAHA BEACH COTTAGES, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.


Robert E. Keown

(*) Mandatory reserves in effect January 1, 1993

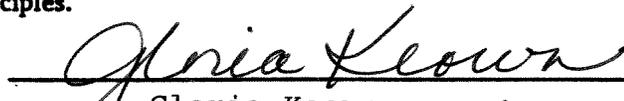

Gloria Keown
Date: 8/18/95

EXHIBIT "F"
BUILDING AND HOUSE RULES
KEKAHA BEACH COTTAGES

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.

2. Building Permit. Any owner desiring to make an addition to the existing buildings and/or construct any new building will have to comply with the building and zoning ordinances as the same may be changed from time to time. The requirements of the Declaration of Covenants and Restrictions for Kekaha Cottages Subdivision dated March 29, 1995, recorded in the Bureau of conveyances, State of Hawaii as Document No. 95-070266, Declaration of Condominium Property Regime, By Laws and these House Rules have to be observed in the addition or construction of any improvements.

3. General Appearance.

a. Signs. Signs, signals and lettering may be inscribed or exposed on any part of a building or in the limited common elements of the project that meets the requirements of the ordinances of the County of Kauai and approved as to standards set by the Board of Directors of the Association from time to time.

b. Storage. No open storage of furniture, fixtures, appliances and other goods not in use will be permitted if not screened from the street and the other apartment.

4. Water and Utilities. The water, electricity and telephone lines are presently existing in the Project. If any water, electricity and telephone lines are located within an apartment's limited common element land area and services the other apartment, the other apartment shall have a permanent easement in favor of the other apartment provided however that the maintenance of such lines will be the responsibility of the

apartment for whose benefit such lines exist.

5. Setbacks. Any dwelling and/or structure placed in an Area by an owner will observe the perimeter setback boundaries of the Lot constituting the Project in accordance with the Building Code. No new construction will be placed on the common boundary line.

6. Upkeep of Area. Each owner will be responsible for the landscaping and upkeep of its own Area and shall not permit its Area to be overgrown with weeds and/or place used vehicles and/or storage of materials to make the Area become unsightly like a junkyard.

7. Completion. After completion of any improvements, the owner shall proceed to do the following:

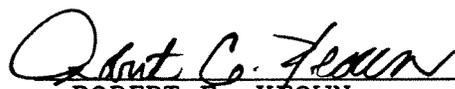
a. Publish a Notice of Completion in a newspaper of general circulation in the State of Hawaii for two (2) consecutive weeks at least seven (7) days apart and have it filed with the Clerk of the Fifth Circuit Court.

b. The plans and drawings should meet the requirements of a Condominium Map.

c. 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.

d. The amendment to the Declaration should then be filed for record in the Office of the Registrar of Conveyances, State of Hawaii.

Executed at Koloa, Hawaii, this 30 day of JUNE, 1995.


ROBERT E. KEOWN


GLORIA KEOWN

EXHIBIT "G"

SUMMARY OF DECLARATION OF RESTRICTIVE COVENANTS FOR KEKAHA COTTAGES SUBDIVISION

The Summary of Declaration of Restrictive Covenants for the KEKAHA COTTAGES Subdivision dated March 29, 1995, filed in the Bureau of Conveyances, State of Hawaii, as Document No. 95-070266 are applicable to the Project. The reading of the Declaration is important and various requirements have to be met before any construction and development of any improvements can be undertaken.

1. There are Lots 1 through 10 inclusive and Lots 1 through 9 inclusive are house lots, in the Kekaha Cottages Subdivision of which Lot 6 is the Project and therefore affected by this Declaration.

2. The purpose of these covenants is to protect owners from poor quality surroundings, assured of pleasant, sanitary and safe sites to erect and maintain their houses and to preserve the aesthetic quality of the area.

3. Land Use and Zoning.

a. All lots shall be used for residential purposes only unless otherwise allowed by the County of Kauai.

b. A maximum of two dwellings is allowed per lot and a maximum of five bedrooms between the two dwellings on each lot.

c. There are road widening reserve of 2 foot wide along Nene Road and 3 foot wide along Pueo Road.

d. No direct vehicular access onto Kaumualii Highway from Lots 1, 4, 5 and 9.

e. There is a height limited of 2 stories and 30 feet.

f. All future structures and repairs, renovations, alterations and additions to existing structures shall be designed and constructed in a manner compatible with the existing buildings located on the lots at the time these covenants are established.

4. Landscaping. The landscaping plan shall follow the approved landscaping plan on file with the County of Kauai Planning Department.

5. Building Materials.

a. No used or second hand material shall be used or incorporated in the construction of any new improvement or placed or maintained upon any lot any buildings which have been moved from another location.

b. No mineral, surface asphalt roll roofing or corrugated metal roofs will be permitted.

c. As to existing dwellings the proposed changes to be reviewed and approved by the Historic Preservation Division of the State of Hawaii Department of Land and Natural Resources.

6. Nuisances. No noxious or offensive activity shall be carried on which may be or become a nuisance or cause unreasonable disturbance or annoyance to other occupants.

7. Pets, Livestock and Poultry. No animals, livestock or poultry of any kind shall be raised, bred or kept on any lot except a reasonable number of household pets. No animals, including household pets, shall be kept, bred or maintained for any commercial purpose.

8. Temporary Structures. No structure of a temporary character shall be used on any lot at any time as a residence either temporarily or permanently.

9. Garbage and Refuse Disposal. No lot shall be used or maintained as a dumping ground for rubbish, trash, garbage or other waste. All equipment for storage or disposal of such materials shall be kept in a clean and sanitary condition. Vehicles in a non-operating condition shall be parked in an enclosed garage or carport.

9. Equipment Storage. Equipment may not be stored or parked except within an enclosed garage or carport.

10. General Provisions. These covenants shall run with the land and effective from the date of final subdivision approval by the County of Kauai Planning Commission. A majority of the owners of the lots may change these covenants at any time by signing an instrument that is recorded with the Bureau of Conveyances except that paragraph on land use and zoning, landscaping and Historic Preservation matters will require the approval of the Kauai County Planning Commission.

11. Enforcement. Any lot owner may enforce these covenants at law or in equity against any person or persons violating or attempting to violate any covenant either to restrain such violations, recover damages or both and include reasonable attorney's fees.

12. Severability. Invalidation of any of these covenants shall not affect any other provisions which shall remain in full force and effect.

THE FOREGOING IS A SUMMARY OF THE DECLARATION OF RESTRICTIVE COVENANTS FOR KEKAHA COTTAGES SUBDIVISION AND IS FOR THE CONVENIENCE OF THE READER AND IF THERE IS ANY QUESTION THE ORIGINAL DOCUMENT SHOULD BE EXAMINED AND SUCH ORIGINAL DOCUMENT CONTROLS OVER THIS SUMMARY.

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EXHIBIT "H"

ALTERATION OF APARTMENTS IN PROJECT.

Construction, restoration, or replacement of individual apartments in the Project may be undertaken by the Declarant for apartments that it owns.

Each owner may alter, remove or rebuild the structures, construct additional structures and/or any other improvements located within such owner's limited common element land area in accordance with the building code and zoning ordinances on the basis of what is permitted in the Declaration, provided that only one of the apartment owners may build an additional bedroom and the right to build shall be determined by establishing a value for such right and the apartment owners shall draw by Lot who will be able to build such additional bedroom. The person not having such right to build shall be paid the value established by the party who has the right to build upon commencement of the building of the bedroom.

Each apartment owner prior to construction or making any physical alterations, must obtain all applicable governmental approvals and permits. Each apartment owner takes on the risk of change in the matter of obtaining applicable governmental approvals and permits for any structure that it desires to construct subsequent to what is provided in this Declaration.

Each owner who makes such an addition shall in each instance publish a notice of completion of any additional structure as provided by law in a newspaper of general circulation and shall file the Notice of Completion with the Clerk of the Fifth Circuit Court, State of Hawaii, or such other office as provided by law.

Each owner who constructs, alters or renovates such owner's apartment shall if required by the Act, file an amendment to this Declaration and the Condominium Map reflecting said alterations and/or renovations which costs shall be borne by said owner.

Notwithstanding any of the foregoing, no apartment owner may construct or alter any physical structure that would prevent or impair the availability or utility service or any type of drainage to an adjoining owner. Each owner will observe all of the requirements as provided in the Declaration of Restrictions and Covenants dated March 29, 1995 for the Kekaha Cottages Subdivision, recorded as Document No. 95-070266 in the Bureau of Conveyances, State of Hawaii, a summary of which is found in Exhibit "F" of this Final Public Report.