

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Richard E. King Marcia Lee King Earl Mundell Alice Mundell
Address P. O. Box 700 Hanalei, Hi 96714 P. O. Box 994 Kilauea, Hi 96754
Project Name(*): Lot 8 Waipake Subdivision Unit II
Address: 4401 and 4371A Kapuna Road, Kilauea, Kauai, Hawaii 96754

Registration No. 3468 Effective date: May 13, 1996
Expiration date: June 13, 1997

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 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 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: Richard E. King Earl Mundell
Marcia Lee King Alice Mundell Phone: (808) 8281295
Name (Business)
P. O. Box 700 P. O. Box 994
Business Address
Hanalei, Hi 96714 Kilauea, Hi 96754

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

Real Estate Broker: None selected - See page 20 Phone: _____
Name (Business)
Business Address

Escrow: Title Guaranty Escrow Services, Inc. Phone: (808) 2453381
Name (Business)
4414 Kukui Grove Street, Suite 104
Business Address
Lihue, Kauai, Hawaii 96766

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 Street, 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. 95-154915
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]:

First Amendment to Declaration dated December 22, 1995 recorded as Document No. 95-168769.

- 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. 2318
 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. 95-154916
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: 4401 & 4371A Kapuna Road, Kilauea, Hi Tax Map Key: (4) 5-1-008: 022
96754 (TMK)

Address TMK is expected to change because _____

Land Area: 6,236 square feet acre(s) Zoning: Agricultural

Fee Owner : Richard E. King Earl Mundell
Marcia Lee King Alice Mundell
Name
P. O. Box 700 P. O. Box 994
Address
Hanalei, HI 96714 Kilauea, HI 96754

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: 3 Floors Per Building Unit A-1 - 2 floors
Other units - 1 floor
 Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood
 Other _____

4. Permitted Uses by Zoning:

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

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?
 Yes No

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:

Apartment A - 50% appurtenant common interest

Apartment B - 50% appurtenant common interest

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

Exhibit B describes the encumbrances against the title contained in the title report dated 2/22/96 and issued by Title Guaranty of Hawaii, Incorporated.

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.

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>
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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:

Apartment A

A-1, Notice of Completion - May 12 and 19, 1995

A-2 - Notice of Completion - October 15 and 22, 1995

Apartment B - Notice of Completion - May 15, and 22, 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):

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit C contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated October 12, 1995
Exhibit D contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

C. Additional Information Not Covered Above

Disclosure re: Owner-Builder

Unit A consists of two buildings, A-1 is a two story dwelling unit and A-2 is a garage building. Unit B consists of a single story garage building. The buildings were constructed by the developers as an owner-builder. Pursuant to Section 444-9.3, Hawaii Revised Statutes ("HRS"), an applicant for a building permit may claim an exemption from the contractor's licensing requirements of the section.

One of the available exemptions is Section 444-2(7), HRS, which provides as follows:

"Owners or lessees of property who build or improve residential, farm . . . buildings or structures on property for their own use, or for use by their grandparents, parents, siblings or children and do not offer the structure for sale or lease; . . . In all actions brought under this paragraph, proof of the sale or lease, or the offering for sale or lease, of the structure or improvements of the structure within one year after completion is prima facie evidence that the construction or improvements of the structure was undertaken for the purpose of sale or lease; . . ."

Section 444-9.1, HRS, requires that an applicant for a building permit who claims an exemption under the foregoing section is also required to certify that the building or structure is for the applicant's personal use and not for occupancy by the general public.

Section 444-2(7), HRS provides that, should the developer sell one of the units in less than one year from completion, the sanction would be the loss of the developer's right to claim such an exemption for the construction for a period of thirty-six (36) months thereafter. There is no consequence to the purchaser.

Disclosure re: Selection of Real Estate Broker

This public report shall not bind a purchaser to the sale of any apartment unit until (1) the Developers first submit to the Real Estate Commission a duly executed disclosure abstract identifying the designated sales agent and a duly executed copy of a broker listing agreement with a Hawaii licensed real estate broker, and (2) gives a copy of said disclosure abstract to the purchaser together with a copy of the Public Report.

If the Developers as the owner, will represent themselves, no abstract need be given to the purchaser, as all necessary disclosures are covered in this report.

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

Richard E. King

Name of Developer

By: Richard E. King
Duly Authorized Signatory

10/12/95
Date

Richard E. King, Developer

print name & title of person signing above

Marcia Lee King

Name of Developer

By: Marcia Lee King
Duly Authorized Signatory

10/12/95
Date

Marcia Lee King, Developer

print name & title of person signing above

Distribution:

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

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

Earl Mundell *Earl Mundell*
Name of Developer

By: *Earl Mundell* 10-12-95
Duly Authorized Signatory Date

Earl Mundell, Developer
print name & title of person signing above

Alice Mundell *Alice Mundell*
Name of Developer

By: *Alice Mundell* 10-12-95
Duly Authorized Signatory Date

Alice Mundell, Developer
print name & title of person signing above

Distribution:

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

EXHIBIT "A"

COMMON ELEMENTS

The common elements 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 on 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 Title Guaranty of Hawaii, Inc. reports that title to the land is subject to the following encumbrances:

1. Real Property Taxes have been fully paid up to and including June 30, 1996. For confirmation regarding real property taxes due and owing contact the Office of the County of Kauai Director of Finance.

Tax Key: 5-1-006-022 (4) Area Assessed: 6.236 acres

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

3. Building setback line and drainageway, as shown on survey map prepared by Dennis M. Esaki, Registered Professional Surveyor, dated December 6, 1990.

4. Agreement dated March 16, 1977, recorded in Liber 12110 at Page 330, entered into by and between State of Hawaii and C. Brewer and Company, Limited; re: use of the land described in Exhibit "A" of the Declaration of Condominium Property Regime for agriculture purposes.

5. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following but omitting any covenant or restriction based on race, color, religion, sex, handicap, familial status or national origin, unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 1607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons: DEED dated April 26, 1989, recorded in Liber 23119 at Page 472.

The foregoing includes, but is not limited to, matters relating to agricultural activities, including sugar cane burning, on nearby lands and water reservation.

6. Right-of-Entry Agreement in favor of the County of Kauai, by and through the Board of Water Supply, County of Kauai, dated June 28, 1990, recorded as Document No. 90-192765; granting a right-of-entry over and across the land described herein for the purposes of conducting all necessary inspections for an don behalf of the Board, and, if appropriate, for constructing, maintaining, conducting water meter readings on, and repairing any and all facilities and improvements for the conveyance of potable water.

7. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following but omitting any covenant or restriction based

on race, color, religion, sex, handicap, familial status or national origin, unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 1607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons: Deed dated May 17, 1991 recorded as Document No. 91-091333.

8. Certification of Professional Surveyor dated February 12, 1991, recorded as Document No. 91-011852, by Dennis M. Esaki, Registered Professional Land Surveyor, of Esaki Surveying & Mapping, Inc.

9. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following: Agreement to Release Rights to Three-Phase Power Installation dated December 13, 1990, recorded as Document No. 91-022853, made by and between Loka Partners, an Ohio general partnership, and Citizens Utilities Company, a Delaware corporation.

10. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following but omitting any covenant or restriction based on race, color, religion, sex, handicap, familial status or national origin, unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 1607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons: Declaration of Covenants, Conditions and Restrictions for the Waipake Subdivision Unit II dated February 20, 1991, recorded as Document No. 91-024030. Said Declaration was amended by instrument dated March 8, 1991, recorded as Document No. 91-038792.

11. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following: Farm Dwelling Agreement dated November 14, 1991 recorded as Document No. 92-005596 between Earl C. Mundell and Alice E. Mundell, and Richard E. King and Marcia L. King, and the County of Kauai Planning Department.

12. Right-of-Entry in favor of Citizens Utilities Company dated May 13, 1991, recorded in said Bureau as Document No. 92-035473 granting the right-of-entry and easement for the purpose of building, constructing, repairing, maintaining and operating pole and wire lines, and/or underground lines, etc., for the transmission and distribution of electricity.

13. Waiver of Construction Drawings dated March 4, 1992, recorded as Document No. 92-045800, by Richard E. King and Earl C. Mundell.

14. Grant in favor of Citizens Utilities Company and GTE

Hawaiian Telephone Company Incorporated dated April 24, 1982, recorded as Document No. 92-098843, granting a perpetual right and easement to build, construct, reconstruct, rebuild, repair, maintain and operate pole and wire lines, and/or underground lines, etc., for the transmission and distribution of electricity, over and across Easement "E-1" (15 feet wide) and Easement "E-2" (10 feet wide).

15. Notice of Dedication to Agriculture dated ----- (acknowledged January 8, 1983 and January 13, 1983), recorded as Document No. 93-009205; re: dedication of the land described in the Declaration of Condominium Property Regime for a term of 10 years effective January 1, 1993.

16. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Declaration of Condominium Property Regime for the "LOT 8, WAIPAKE SUBDIVISION UNIT II" Condominium Project dated October 12, 1995, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 95-154915, as the same may hereafter be amended in accordance with law or with said Declaration. (Project covered by Condominium Map No. 2318 and any amendments thereto). First Amendment to Declaration of Condominium Property Regime of "LOT 8, WAIPAKE SUBDIVISION UNIT II" dated December 22, 1995 recorded in said Bureau as Document No. 95-168769.

17. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the By Laws of the Association of Apartment Owners of said Condominium Project dated October 12, 1995, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 95-154916, as the same may hereafter be amended.

18. Any lien for claim of lien for services, labor or material arising from an improvement or work related to the land described in Exhibit "A" of the Declaration.

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 contract. 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 receipted 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"

LOT 8 WAIPAKE SUBDIVISION UNIT II

REGISTRATION NO. 3468

DISCLOSURE STATEMENT AS OF OCTOBER 12, 1995

1. Name of Project: LOT 8 WAIPAKE SUBDIVISION UNIT II
2. Address: 4401 and 4371A Kapuna Road, Kilauea, Kauai, Hawaii
3. Names and addresses of Developer:

Richard E. King and Marcia Lee King
P. O. Box 700, Hanalei, Hawaii 96714

Earl Mundell and Alice Mundell
P. O. Box 994, Kilauea, Hawaii 96754
4. Telephone Numbers: (808) 8281295
(808) 8282130
5. Project Manager or Agent: Richard E. King
6. Address: 4401 or 4371A Kapuna Road, Kilauea, Hawaii 96754
7. Maintenance Fees: None at present since the driveway is a grassed area with no maintenance necessary. In the future as the need and necessity arises the maintenance fees and the monthly estimated costs for each apartment, will be based on generally accepted accounting principles. Each owner to maintain his own insurance for his apartment and its limited common element land area.
8. Commencement of Maintenance Fees: At such time that the Association decides to assess maintenance fees.
9. Warranties: The Project is a fee simple condominium project and there are no warranties.
10. Project: The Project consists of 2 condominium apartments, the land areas of which are to be utilized for agricultural and other uses permitted under the zoning ordinances for the County of Kauai.

DATED: Kilauea, Hawaii, October 12, , 1995.

Richard E King
RICHARD E. KING

Marcia Lee King
MARCIA LEE KING

Earl Mundell
EARL MUNDELL

Alice Mundell
ALICE MUNDELL

EXHIBIT "F"

**BUILDING AND HOUSE RULES
LOT 8 WAIPAKE SUBDIVISION UNIT II**

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 of the Waipake Subdivision Unit II dated February 20, 1991, recorded in the Bureau of conveyances, State of Hawaii as Document No. 91-024030, as amended on March 8, 1991, recorded as Document No. 91-038752, 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 Kilauea, Hawaii, this 12th day of
October, 1995.


RICHARD E. KING


MARCIA LEE KING


EARL MUNDELL


ALICE MUNDELL

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EXHIBIT "G"

SUMMARY OF DECLARATION OF COVENANTS

WAIPAKE SUBDIVISION UNIT II

The Summary of Declaration of Covenants, Conditions and Restrictions for the Waipake Subdivision Unit II dated February 20, 1991, filed in the Bureau of Conveyances, State of Hawaii, as Document No. 91-024030 and as amended on March 8, 1991 as Document No. 91-038792 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 23 inclusive, in Waipake Subdivision Unit II of which Lot 8 is the Project and therefore affected by this Declaration.

2. Before any improvements can be commenced, the plans and specifications have to be reviewed and approved by a Design Review Consultant appointed by the Declarant (Loka Partners II, Subdivider) and thereafter the Homeowners Association for the lots in the Subdivision Unit II of which the project is a part of.

3. The Consultant will conduct a design review in accordance with standards established and in compliance with public regulatory requirements. The standards to include among other things setback, height, roof materials, reflective materials, minimum size of unit, construction schedule and height limitation.

4. There are restrictions as to temporary structures, overhead utility lines, screening of transmission and receiving facilities.

5. There are restrictions on use of property such as noxious or offensive activities, unsightliness, noise, bright exterior lighting, number of animals and aquatic life kept and maintained and governmental health requirements that have to be observed.

6. Prior to the commencement of site improvements grading permits need to be obtained from the County of Kauai and appropriate steps taken to provide lateral support to adjoining lot owners, controlling dust during grading or grubbing and observance of run off and drainage control ordinances.

7. The lots to be maintained and landscaped and the sign requirements as set forth in the Declaration have to be observed.

8. There is a list of prohibited uses and activities which unless 75% of the lot owners of the subdivision and the governmental authority agrees to such use, then such activity is prohibited.

9. There are State Land Use Restrictions for "agricultural activities" and "dwellings" that have to be observed as contained in Section 205-4.5, Hawaii Revised Statutes.

10. There is an agreement with Citizen Utilities Company in which Citizen is released from its refusal or failure to supply three phase electrical power to the subdivision lots.

11. The restrictive covenants to continue to December 31, 2015 with earlier termination dates for governmental and Citizen Utility Company release as to Three-Phase Power Installation.

12. For breach of covenants enforcement can be by injunctive relief or other legal remedies by Declarant, a lot owner in Subdivision Unit II or the County of Kauai and if successful entitled to recover its attorney's fees and cost of enforcement.

13. There are easements, reservations and restrictions set forth for the various Lots 1 through 23 in the Subdivision Unit II of which this Project is Lot 8 and Lot 8 is required to observe such easements, reservations and restrictions as set forth in the Declaration. These relate to flood zone, run off, historical sites, drainage, roadway, pedestrian and vehicular access and utilities.