

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer Allan S. Rietow and Catherine R. Rietow
Address P.O. Box 79, Kilauea, Hawaii 96754

Project Name(*): Pu'uhonua Condominium
Address: Kilauea, Kauai, Hawaii

Registration No. 3483
(Conversion)

Effective date: February 23, 1996
Expiration date: March 23, 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: The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.
(yellow)

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

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

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

(*) Exactly as named in the Declaration

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report 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. It does not involve the sale of individual subdivided lots. 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.

1. 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 been complied with.

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

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE 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: Allan S. Rietow &
Catherine R. Rietow Phone: (808) 828-1100
Name (Business)
P.O. Box 79
Business Address
Kilauea, Hawaii 96754

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

Real Estate
Broker: Emerald Isle Properties Phone: (808) 828-1111
Name (Business)
P.O. Box 712
Business Address
Kilauea, Hawaii 96754

Escrow: Security Title Corporation Phone: (808) 245-6975
Name (Business)
4370 Kukui Street, Suite 203
Business Address
Lihue, Hawaii 96766

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

Condominium
Managing
Agent: None (self-managed by the Phone: _____
Name (Business)
Association of Apartment Owners)
Business Address

Attorney for
Developer: Galen C.K. Leong Phone: (808) 539-0400
Name (Business)
P.O. Box 131
Business Address
Honolulu, Hawaii 96810

**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. 95-082319
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. 2253
 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. 95082320
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>100%</u>
Bylaws	65%	<u>65%</u>
House Rules	—	<u>N/A</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:

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: Kilauea, Kauai, Hawaii Tax Map Key: (4) 5-1-05:35
(TMK)

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

Land Area: 10.121 [] square feet [X] acre(s) Zoning: Ag — 7.5 acres
Open — 2.621 acres

Fee Owner : Allan S. Rietow & Catherine R. Rietow
 Name
P. O. Box 79
 Address
Kilauea, Hawaii 96754

xSublessor: N/A
 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: 5 Floors Per Building One
 Exhibit A contains further explanations.

3. Principal Construction Material:

- Concrete Hollow Tile Wood
 Other _____

4. Permitted Uses by Zoning:

	<u>No. of Use Permitted</u>				<u>No. of Use Determined</u>		
	<u>Apts. By Zoning</u>				<u>Apts. By Zoning</u>		
<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>1</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 checked="" type="checkbox"/> Other: <u>Shadehouse</u>	<u>3</u>	<input checked="" 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: _____
- Other: _____
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: -0- Stairways: -0- Trash Chutes: -0-

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Patio (sf)	Shade Houses (sf)
<u> 1 </u>	<u> 1 </u>	<u> 2/2½ </u>	<u> 2,200 </u>	<u> 1,300 </u>	
<u> 2, 3, 4 </u>	<u> 3 </u>	<u> 0/0 </u>	<u> 0 </u>		<u> 48 </u>
_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	

Total Apartments: 4

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

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

Boundaries of Each Apartment:

The respective apartments shall not be deemed to include any pipes, wires, conduits or other utility or service lines running through one apartment which are utilized for or serve more than one apartment, the same being deemed common elements. Each apartment shall be deemed to include the entire building in which the apartment is located and all fixtures and appliances installed in such apartment for its exclusive use.

Permitted Alterations to Apartments:

See Exhibit B.

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

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

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

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

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

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

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

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

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

described in Exhibit A .

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit A

as follows:

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

described in Exhibit A

as follows:

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

Exhibit C describes the encumbrances against the title contained in the title report dated Jan. 24, 1996 and issued by First American Title Insurance Company.

Blanket Liens:

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

[x] There are no blanket liens affecting title to the individual apartments.

[] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage	Buyer's deposit will be refunded.

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:

Apartments 2, 3 and 4 (the shade houses) were constructed in 1993.
Apartment 1 was constructed in 1989.

H. Project Phases:

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

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

IV. CONDOMINIUM MANAGEMENT

A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliate is the initial condominium managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial condominium managing agent for this project, named on page five (5) of this report, is:

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

B. **Estimate of Initial Maintenance Fees:**

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit D 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
- Sewer
- Electricity
- Television Cable
- Gas
- Other _____
- Water

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 E contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated June 6, 1995
Exhibit F contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime.
 - C) Bylaws of the Association of Apartment Owners.
 - D) House Rules. (None)
 - E) Condominium Map.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107, are available at the Cashiers 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 3483 filed with the Real Estate Commission on Jan. 17, 1996.

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C. Additional Information Not Covered Above

NONE.

EXHIBIT A

A. DESCRIPTION OF THE BUILDINGS

The Project will consist of four separate buildings, with no basements. The buildings are constructed principally of wood or metal.

The apartments are numbered 1, 2, 3 and 4 and are located in the position shown on the Condominium Map.

Apartment No. 1 consists of a residential dwelling, with an attached garage. The dwelling consists of ten rooms (a living/dining room, a kitchen, two bedrooms, a bathroom, a study, a lavatory, a walk-in closet, the master bathroom, a laundryroom) and a lanai, with an attached two-vehicle garage and a storage room. The residential dwelling contains an approximate net living floor area of 2,200 square feet, together with a lanai of approximately 1,300 square feet. The floor area of the garage is 1,000 square feet. There is no basement.

Apartment Nos. 2, 3 and 4 are shade houses. Each contains a net floor area of 48 square feet.

B. COMMON ELEMENTS

The following portions of the Project are designated as the "common elements", including specifically but not limited to:

1. The land described in the Declaration in fee simple; and
2. All pipes, wires, conduits or other utility or service lines running through one apartment which are utilized for or serve both apartments or house site and any other appurtenant installations for common services;
3. All driveways and easements necessary or designed for common use.

C. LIMITED COMMON ELEMENTS

Certain parts of the common elements, designated as the "limited common elements", are designated and set aside for the use of certain apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements as follows:

(a) The land over which each apartment is constructed and the areas surrounding each apartment as shown on the Condominium Map are hereby designated as limited common elements appurtenant to and for the exclusive use of such apartment. The owner of such apartment shall be responsible for the maintenance of such limited common element areas. The areas appurtenant to each apartment are as follows:

- (1) Limited common element for Apartment 1: 6.960 acres.
- (2) Limited common element for Apartment 2: 1.016 acres.
- (3) Limited common element for Apartment 3: 1.000 acre.
- (4) Limited common element for Apartment 4: 1.000 acre.

(b) Apartments 2, 3 and 4 shall have the nonexclusive right to use the roadway shown on the Condominium Map for access and utility purposes. The owners of said Apartments 2, 3 and 4 shall share equally in all expenses arising out of said roadway.

D. COMMON INTEREST

Each apartment shall have appurtenant thereto an undivided interest in all common elements of the Project, called the "common interest", and the same proportionate share in the common profits and expenses of the Project and for all other purposes, including voting, as follows:

- Apartment No 1: Seventy percent (70%)
- Apartment No 2: Ten percent (10%)
- Apartment No 3: Ten percent (10%)
- Apartment No 4: Ten percent (10%)

EXHIBIT B

ALTERATIONS AND ADDITIONS TO APARTMENTS

Paragraph Q of the Declaration provides as follows:

"Alterations and Additions to Apartments. Each apartment owner shall have the right, upon obtaining the prior written consent of the holders of all mortgages affecting such apartment owner's apartment, to improve, renovate, remodel, make additions to, enlarge, remove, replace or restore the apartment or portions thereof (herein collectively called the "changes"), subject to the following conditions:

(a) All plans for any such changes shall be prepared by a licensed architect or professional engineer registered to do business in the State of Hawaii and such plans shall conform with all applicable ordinances, rules, regulations and building codes.

(b) No change to an apartment shall be made outside of the land area appurtenant to the apartment; no change will affect any common element or limited common element other than limited common elements appurtenant to such apartment, unless the apartment owner first obtains the written consent of any other affected apartment owner; and no change to an apartment will be made if the effect of such change would be to exceed the apartment's proportionate share of the allowable floor area or lot area coverage for the land, as defined by the zoning ordinance in effect when the change is to be made. The proportionate share of allowable floor area or lot area coverage for each apartment shall be the same as the apartment's proportionate share of the land area of the project.

(c) All such changes shall be at the expense of the apartment owner making the change and shall be expeditiously made and in a manner that will not unreasonably interfere with the other apartment owners' use of their apartment.

(d) During the entire course of construction, the apartment owner making such change will cause to be maintained at such apartment owner's expense builder's all-risk insurance in an amount not less than 100% of the estimated cost of construction. The Association and any apartment mortgagee who so requires shall be named as additional insureds and, upon the request of the Association, evidence of such insurance shall be deposited with the Association.

(e) Prior to commencement of the construction of a change, and as a condition thereto, the apartment owner making such change shall give reasonable assurance to the Association of the apartment owner's financial ability to complete and to pay for the change.

(f) The owner of the changed apartment shall have the right to utilize, relocate and realign existing and/or to develop additional central and appurtenant installations for services to the apartment affected by such change for electricity, sewer and other utilities and services and, when applicable, to add, delete, relocate, realign, designate and grant easements and rights-of-way over, under and on the common elements as necessary or desirable in connection therewith; provided that the same shall not cause any interruption in the service of such utilities to any other part of the Project.

(g) Promptly upon completion of any changes permitted under this Paragraph Q, the owner of the changed apartment, at such owner's sole cost and expense and without the consent or joinder of any other person except the holders of all mortgages affecting the apartment, shall duly record an amendment to the Declaration reflecting the changes to such apartment, together with a complete set of the floor plans of the Project as so altered, certified as built by a registered architect or professional engineer."

EXHIBIT C

ENCUMBRANCES AGAINST TITLE

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. Agreement dated March 16, 1977, made by and between The State of Hawaii and C. Brewer and Company, Limited, a Hawaii corporation, recorded in the Bureau of Conveyances of the State of Hawaii in Book 12110, at Page 330.
3. A 100-foot building setback line from centerline of waterway, as shown on File Plan No. 1646.
4. Easement 2, for irrigation purposes, as shown on File Plan No. 1646.
5. Easement 9, for waterline purposes, as shown on File Plan No. 1646.
6. Agreement dated June 30, 1980, made by and between Hawaiiiana Investment Co., Inc., a Hawaii corporation, and the County of Kauai Planning Department, recorded in said Bureau of Conveyances in Book 15060, at Page 397.
7. DECLARATION PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR KILAUEA FARMS dated February 23, 1981, recorded in said Bureau of Conveyances in Book 15368, at Page 13, as amended by instrument dated July 3, 1989, recorded as Document No. 90-064533.

NOTICE OF RELEASE OF RIGHTS OF DECLARANT UNDER DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR KILAUEA FARMS dated April 26, 1988, recorded in said Bureau of Conveyances in Book 21865, at Page 763.

8. Exceptions and reservations in favor of Hawaiiiana Investment Co., Inc., now known as C. Brewer Properties, Inc., its successors and assigns, as contained in DEED dated March 23, 1981, recorded in said Bureau of Conveyances in Book 15434, at Page 757.
9. GRANT in favor of Hawaiiiana Investment Co., Inc., a Hawaii corporation, dated February 29, 1994, recorded in said Bureau of Conveyances in Book 17700, at Page 757, re easement for water storage purposes within, over, under, across and through Easement 2-B (for water tank).

10. GRANT in favor of Hawaiiiana Investment Co., Inc., a Hawaii corporation, dated February 29, 1984, recorded in said Bureau of Conveyances in Book 17700, at Page 766, re easement for water pipeline(s) purposes within, over, under, across and through Easement 2-A.
11. Farm Dwelling Agreement dated July 7, 1987, made by and between Allan S. Rietow and Catherine Richards Rietow, "Applicants", and the County of Kauai Planning Department, "Department", recorded in said Bureau of Conveyances in Book 20955, at Page 631.
12. Elevation Agreement dated December 7, 1992, made by and between Allan S. Rietow, and the Department of Water, County of Kauai, recorded in said Bureau of Conveyances as Document No. 93-010120.
13. Waiver and Release made by Allan Rietow dated December 7, 1992, recorded in said Bureau of Conveyances as Document No. 93-010121, re no County-supplied water or water services at the subject property.
14. For real property tax information, reference is made to the Kauai 1994-1995 Tax Roll.
15. Declaration of Condominium Property Regime of "Pu'uhonua Condominium" dated June 9, 1995, recorded in said Bureau of Conveyances as Document No. 95-082319.

Condominium Map No. 2253, to which reference is hereby made.
16. Bylaws of the Association of Apartment Owners of "Pu'uhonua Condominium" dated June 9, 1995, recorded in said Bureau of Conveyances as Document No. 95-082320.
17. Mortgage made by and between Allan S. Rietow and Catherine R. Rietow, husband and wife, as Tenants by the Entirety "Mortgagor", and Northern Pacific Funding Group, Inc., a California corporation, "Mortgagee", dated June 20, 1995, recorded in said Bureau of Conveyances as Document No. 95-089362, to secure \$350,000 and any additional advances and other amounts secured thereby, all according to the terms of that certain promissory note of said mortgagor(s) therein referred to.
18. Corporation Assignment of Mortgage made by and between Northern Pacific Funding Group, Inc., a California corporation, "Assignor", and Southern Pacific Thrift and Loan Association, a California corporation, "Assignee", dated June 28, 1995, recorded in said Bureau of Conveyances as Document No. 95-089363.

19. Notice of Lien in favor of Kilauea Farms Community Association, a Hawaii unincorporated association dated August 15, 1995, in the amount of \$621.88, recorded in said Bureau of Conveyances as Document No. 95-108069.

EXHIBIT "D"

MAINTENANCE FEES

All costs associated with the maintenance of each apartment and its respective limited common elements are the sole responsibility of each apartment owner.

Section 514A-86, Hawaii Revised Statutes, requires that the Association of Apartment Owners purchase and maintain fire insurance to cover the improvements of the project, and that fire insurance premiums shall be a common expense.

The developer anticipates that the Association will elect to require each owner to obtain separate fire and liability insurance for his apartment and name the Association as an additional insured. In such case, insurance premiums will be the individual responsibility of each apartment owner.

There may be allocations for the cost of water which will depend on the usage by each apartment.

EXHIBIT "E"

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:

1. Whether a purchaser will be obtaining a mortgage loan to cover part of the purchase price.
2. That the apartment will be subject to various other legal documents which the purchaser should examine.
3. That certain expenses, such as property taxes and insurance premiums shall be prorated as of the date of closing.
4. That the purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.
5. That the Seller may take any or all of the following actions if Buyer fails to pay the balance of the purchase price or complete the purchase.
 - a. Bring an action for damages for breach of contract.
 - b. Retain the initial deposit and all additional deposits as liquidated damages.
 - c. Hold Buyer responsible for any costs incurred in accordance with the sale contract.
6. The Sales Contract is not assignable without the Developer's consent.

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

EXHIBIT "F"

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:

1. Escrow will let purchasers know when payments are due.
2. Escrow will arrange for purchasers to sign all necessary documents.
3. The Escrow Agreement says under what conditions a refund will be made to the purchaser:
 - a. A purchaser shall be entitled to a return of funds and Escrow shall pay such funds to such purchaser, without interest, if any one of the following has occurred:
 - (i) Developer and the purchaser shall have requested Escrow in writing to return to the purchaser the funds of the purchaser held hereunder by Escrow; or
 - (ii) Developer shall have notified Escrow of Developer's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer; or
 - (iii) With respect to a purchaser whose funds were obtained prior to the issuance of the Final Report, the purchaser has exercised such purchaser's right to cancel the contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or
 - (iv) The purchaser has exercised such purchaser's right to rescind the contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.
4. If a purchaser defaults under a Sales Contract, purchaser's funds will be held by Escrow as the funds of the Developer.

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

EXHIBIT "G"

SUMMARY OF FARM DWELLING AGREEMENT

The Purchaser is advised that the land of the Project is subject to a Farm Dwelling Agreement dated July 7, 1987, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 20955, at Page 631. Under this agreement, each apartment in the Project is subject to the following conditions, restrictions, covenants and requirements:

1. The land in this Project is classified Agriculture by the State Land Use Commission and is zoned Agriculture by the County of Kauai.
2. Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations only permit "farm dwellings" within the State Agriculture Land Use District unless otherwise relieved from the restriction by a special permit obtained pursuant to Chapter 205, Section 6, Hawaii Revised Statutes.
3. A "farm dwelling" is defined by Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations as "a single family dwelling located on and used in connection with a farm where agricultural activity provides income to the family occupying the dwelling".
4. A "family" as used in the definition of a "farm dwelling" is defined by the State Land Use District Regulations as "an individual or two or more persons related by blood, marriage or adoption or a group comprising not more than five persons, not related by blood, marriage or by adoption".
5. A violation of Chapter 205, Hawaii Revised Statutes, and the State Land Use Agriculture District restriction is subject to a citation and fine of not more than \$5,000 pursuant to Chapter 205, Section 13, Hawaii Revised Statutes, as amended.
6. Failure to abide by these requirements may result in the removal of the prohibited structure at the owner's expense.
7. Any dwelling permitted to be constructed in the Project shall be a "farm dwelling".

8. The dwelling shall only be occupied by a "family" who derives income from the agricultural activity on the parcel.
9. The County of Kauai shall have a right of entry upon request to inspect the Project to assure compliance with these provisions.
10. The Farm Dwelling Agreement shall be a covenant running with the land and shall be binding on all present and future owners, lessees and occupants of the Project and their heirs, personal representatives, successors and assigns, as owners or occupants thereof or otherwise.
11. The Farm Dwelling Agreement shall remain in effect so long as the land retains its Agriculture District classification under the State Land Use Commission and the pertinent restrictive provisions of Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations remain in effect.