

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer STEPHEN J. CONNELLA
Address P.O. Box 846, Kilauea, Hawaii 96754

Project Name(*): NAMAHANA FARM
Address: 4574 Kalamania Road, Kilauea, Hawaii 96754

Registration No. 3725 Effective date: August 26, 1997
(partial conversion) Expiration date: September 26, 1998

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)
 - FINAL:** The developer has legally created a condominium and has filed complete information with the Commission.
(white)
 - 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:

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*****
*                                     *
*                   SPECIAL ATTENTION *
*                                     *
*   This is a CONDOMINIUM PROJECT, not a subdivision, *
*   The land area beneath and immediately appurtenant *
*   to each unit is designated a LIMITED COMMON *
*   ELEMENT and is not a legally subdivided lot. The *
*   dotted lines on the Condominium Map bounding the *
*   designated number of square feet in each limited *
*   common element land area are for illustrative *
*   purposes only and should not be construed to be *
*   the property lines of legally subdivided lots. *
*                                     *
*   This public report does not constitute approval of *
*   the Project by the Real Estate Commission, or any *
*   other government agency, nor does it ensure that *
*   all applicable County codes, ordinances, and sub- *
*   division requirements have necessarily been *
*   complied with. *
*                                     *
*   THE PROSPECTIVE PURCHASER IS CAUTIONED TO CARE- *
*   FULLY 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: Stephen J. Connella Phone: (808) 828-1120
Name (Business)
P. O. Box 846
Business Address
Kilauea, HI 96754

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

Not applicable.

Real Estate Broker: James B. Edmonds, dba Phone: (808) 828-1111
Emerald Isle Properties & Mgmt. (Business)
Name
P. O. Box 712
Business Address
Kilauea, HI 96754

Escrow: Security Title Corporation Phone: (808) 245-6975
Name (Business)
4370 Kukui Grove St., #203
Business Address
Lihue, HI 96766

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

Business Address

Condominium Managing Agent: Self-managed by the Assn. of Apartment Owners of Phone: (808) 828-1120
Name Namahana Farm (Business)
P. O. Box 846
Business Address
Kilauea, HI 96754

Attorney for Developer: Nancy J. Budd Phone: (808) 245-5343
Name (Business)
4374 Kukui Grove St, Ste 103
Business Address
Lihue, HI 96766

**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. 95-020019
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]: Amendment and Complete Restatement of Declaration of Condominium Property Regime dated November 19, 1996, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 96-168365.

- 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. 2188
 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. 95-020020
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>100%</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 may repeal or modify House Rules prior to issuance of an effective date for the Final Public Report by the REAL ESTATE COMMISSION.

Developer may amend Declaration prior to Association being formed.

[] 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: 4574 Kalamania Road Tax Map Key (TMK): 5-2-19-06 (4)
Kilauea, Hawaii 96754

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

Land Area: 4.0 [] square feet [X] acre(s) Zoning: Aq/Aq

Fee Owner: Stephen J. & Marlana Connella
 Name
P.O. Box 846
 Address
Kilauea, Hawaii 96754

Lessor: Delphia R. Connella
 Name
280 Cliff Avenue
 Address
Pismo Beach, CA 93449

Theodore Scott &
 Ann Simpson
 575 Quail Avenue
 Boulder, CO. 83004

C. Buildings and Other Improvements:

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

2. Number of Buildings: 4 Floors Per Building 4

Exhibit A contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other _____

4. Uses Permitted by Zoning:

	No. of Apts.	Use Permitted By Zoning		No. of Apts.	Use Permitted 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

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: No pigs, dobermans, or pitbulls. Reasonable number of household pets. See House Rules, section 8 and ByLaws V(3)(k).

Number of Occupants: _____

Other: Use and occupancy restrictions contained in Bylaws V(3). Landscaping in swale area must conform with standards set by §§8 & 9.

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)*	Net Other Area (sf)	(Identify)
A	1	3/2	1756	344	Lanai
B	1	2/1	800	32	Lanai
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 2

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

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

Boundaries of Each Apartment: The boundary of each apartment is the exterior finished surfaces of the apartment's perimeter walls, roofs, foundations, windows and frames, doors, beams and posts.

Permitted Alterations to Apartments: Construction, restoration or replacement of individual apartments may be undertaken by the Declarant for apartments that it owns or any apartment owner without approval of the association or other apartment owners except that no apartment owner may alter its unit unless otherwise allowed by law.

7. Parking Stalls:

Total Parking Stalls: 4

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	<u>2</u>	<u>2</u>	_____	_____	_____	_____	<u>4</u>
Guest Unassigned	_____	_____	_____	_____	_____	_____	_____
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____	_____	_____	_____
Total Covered & Open:	<u>4</u>		<u>0</u>		<u>0</u>		<u>4</u>

Each apartment will have the exclusive use of at least 2 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

- Commercial parking garage permitted in condominium project.
- Exhibit _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

- There are no recreational or common facilities.
- Swimming pool Storage Area Recreation Area
- Laundry Area Tennis Court Trash Chute/Enclosure(s)
- Other: _____

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

- There are no violations. Violations will not be cured.
- Violations and cost to cure are listed below: Violations will be cured by _____
(Date)

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

Unit "A" is a one-story, three-bedroom, two-bath farm dwelling with garage. The total living area, including dwelling, garage, porch, lanai, and deck, is approximately 2,580 sf. It is 8 years old. Per developer's statement based upon report by Ron Agor, Architect, as of March 12, 1997, the unit is in good condition for its stated age. The estimated useful life of the dwelling is 50 years from its date of construction.

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 B .

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit C.

as follows:

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

described in Exhibit _____.

as follows:

Unit "A" 50% Common Interest

Unit "B" 50% 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 D describes the encumbrances against the title contained in the title report dated January 27,
and issued by First American Title Insurance Company 1997, updated to March
14, 1997

Blanket Liens:

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

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage in favor of Guild Mortgage Company	In the event of default or foreclosure on the mortgage, Buyer's interest may be terminated and the Buyer may be entitled to refund of deposit, less escrow cancellation fee.

F. Construction Warranties:

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

1. Building and Other Improvements: None. The developer is not providing any warranties, express or implied.

2. Appliances: None. The developer is not providing any warranties, express or implied.

G. Status of Construction and Date of Completion or Estimated Date of Completion:

Unit "A" was constructed in 1989.

Unit "B" was constructed in 1996.

H. Project Phases:

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

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

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

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

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

- C. **Utility Charges for Apartments:**

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

- None Electricity (_____ Common Elements only _____ Common Elements & Apartments)
 Gas (_____ Common Elements only _____ Common Elements & Apartments)
 Water Sewer Television Cable
 Other _____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

[] Notice to Owner Occupants

[X] Specimen Sales Contract
Exhibit F contains a summary of the pertinent provisions of the sales contract.

[X] Escrow Agreement dated March 13, 1995
Exhibit G 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 issued an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended.
- D) House Rules, if any.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other _____

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

This Public Report is a part of Registration No. 3725 filed with the Real Estate Commission on April 9, 1997.

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

YELLOW paper stock WHITE paper stock PINK paper stock

C. Additional Information Not Covered Above

1. **Not a Subdivision.** This is a condominium project which should not be confused with a subdivision. A purchaser of an apartment unit will be conveyed as an apartment unit together with an "undivided" percentage interest in the common elements of the project. The entire parcel of land upon which the project is situated is designated as a common element.

2. **Permitted Uses.** This condominium project is subject to certain rules (Building and House Rules of Namahana Farm Condominium) which limit or prohibit certain activities on the property, including the keeping of certain animals, building restrictions and other things. Except as specifically limited by the Declaration of Condominium Property Regime, the Bylaws and the Building and House Rules, all uses permitted in an agricultural zone are permitted. These uses include growing crops, residence, diversified agriculture, orchards and nurseries. Dwellings on the property shall only be occupied in connection with a farm where agricultural activity provides income to the family occupying the dwelling. The property is subject to a Farm Dwelling Agreement recorded in the Bureau of Conveyances, State of Hawaii in Liber 20784 at Page 760, and a Farm Dwelling Agreement recorded in the Bureau of Conveyances, State of Hawaii, as Document No. 96-149222.

3. **Disclosure Regarding Agreements of Record.** The following may be material facts which may limit or affect activities on the property. Copies of these documents are available for review at the Real Estate Commission:

- a. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in DECLARATION OF RESTRICTIVE COVENANTS dated January 12, 1981, recorded in the Bureau of Conveyances, State of Hawaii, in Liber 15293 at Page 698. Requires no obstruction within the natural watercourse traversing the property and indemnification of County of Kauai for flooding or erosion caused by waterflow through the watercourse; requires that activities be only for uses permissible in agricultural district.
- b. Irrigation Easement "B" as shown on Tax Map.
- c. Right of Entry dated May 14, 1981, recorded in Liber 15681 at Page 246 by and between WILLIAM D. KIRSTINE, husband of Joan M. Kirstine, ROBERT P. MACMILLAN, husband of Ruby Jean MacMillan, and DAVID H. COOPER, husband of Barbara Jean Cooper, "Grantors", and CITIZENS UTILITIES COMPANY, a Delaware corporation, and GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED "Grantees".
- d. Agreement to Incorporate Agricultural Restrictions into Instruments of Conveyance, dated January 12, 1981, by and between WILLIAM D. KIRSTINE, husband of Joan M. Kirstine, ROBERT P. MACMILLAN, husband of Ruby Jean MacMillan, and DAVID H. COOPER, husband of Barbara Jean Cooper, "Subdividers", and the County of Kauai Planning Commission, "Commission", recorded in Book 15293 at Page 713. Requires incorporation of agricultural use restrictions and conditions into any deed or other instrument of conveyance, including requirement that uses be limited to those permissible in "A" agricultural district and that dwelling on the lot be a farm dwelling.
- e. Farm Dwelling Agreements, dated May 27, 1987 and October 14, 1996, respectively. Requires dwellings constructed on parcel to be "farm dwellings", occupied by a family who derives

income from the agricultural activity on the parcel; allows the County of Kauai Planning Department to inspect the property for compliance; and sets forth penalties for failure to abide by the agricultural use restrictions.

- f. Grant of Easement "E-2" in favor of CITIZENS UTILITIES COMPANY, a Delaware corporation, and GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED, a Hawaii corporation, dated June 13, 1989 and recorded in Book 23600 at Page 311 for utility purposes.
- g. Waiver and Release Agreements dated July 26, 1993 and August 18, 1993, respectively, made by and between STEPHEN J. CONNELLA and the BUILDING DIVISION OF THE DEPARTMENT OF PUBLIC WORKS, COUNTY OF KAUAI, recorded in the Bureau of Conveyances, State of Hawaii as Document Nos. 93-128263 and 93-137900, respectively.
- h. Grant of Easement "E1" in favor of CITIZENS UTILITIES COMPANY, a Delaware corporation dated August 15, 1996 and recorded as Document No. 96-136998.

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.

Stephen J. Connella and Marlana Connella
Delphia R. Connella, and Theodore Scott Simpson
~~and Ann Simpson~~

Printed Name of Developer

By: Stephen J. Connella 8-22-97
Duly Authorized Signatory Date

Stephen J. Connella, Attorney-in-Fact
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Kauai
Planning Department, County of Kauai

EXHIBIT "A"

Number of Buildings

Unit A consists of a detached farm dwelling more particularly described on page 12 of the Condominium Public Report. The limited common element of Unit A includes two other buildings:

1. A barn having a net area of 887 square feet; and
2. A guesthouse having a net area of 440 square feet, with an entrance deck of 18 square feet, and an open deck of 96 square feet.

Unit B consists of a detached farm dwelling with living room, dining room, kitchen, two bedrooms, and one bathroom, having a net living area of 800 square feet with a porch of 32 square feet.

EXHIBIT "B"

Common Elements of Project

The common elements of the project to which each of the apartments have immediate access include:

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

EXHIBIT "C"

Limited Common Elements of the Project

The limited common elements of the project which are appurtenant to the respective apartments are as follows:

- (a) The land area designated as Limited Common Element for Unit A, which surrounds and is under Unit A, including the cesspool thereon, is the limited common element of Unit A. The land area is approximately 2.017 acres.
- (b) The land area designated as Limited Common Element for Unit B, which surrounds and is under Unit B, and additionally the access easements across Unit A, is the limited common element of Unit B. The land area is approximately 1.083 acres.

NOTE: Land areas herein described are not legally subdivided lots.

EXHIBIT "D "

ENCUMBRANCES AGAINST TITLE

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. Irrigation Easement "B" (20 feet wide), as shown on the Tax Map.
3. A 100 year flood building setback, as shown on Map attached to:

RIGHT-OF-ENTRY

Dated : May 14, 1981
Book : 15681
Page : 246

4. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions as contained in:

DECLARATION OF RESTRICTIVE COVENANTS

Dated : January 12, 1981
Book : 15293
Page : 698
to which reference is hereby made

5. The terms and provisions of that certain Agreement to Incorporate Agricultural Restrictions into Instruments of Conveyance dated January 12, 1981, made by and between William D. Kirstine, Robert P. MacMillan, and David H. Cooper, "Subdividers ", and the County of Kauai Planning Commission, "Commission ", recorded in the Bureau of Conveyances of the State of Hawaii in Book 15293 Page 713, to which reference is hereby made.

6. **GRANT**

In Favor Of: Citizens Utilities Company, a Delaware corporation, duly authorized to do business in the State of Hawaii, and Hawaiian Telephone Company, a Hawaii corporation, now known as GTE Hawaiian Telephone Company
Incorporated

Dated: May 14, 1981
Book: 15681
Page: 246
Purpose: Easement for utility purposes

7. The terms and provisions of that certain Farm Dwelling Agreement dated May 27, 1987, made by and between Bill Yeron and Michele Yeron, "Applicants ", and the County of Kauai Planning Department, "Department ", recorded in the Bureau of Conveyances of the State of Hawaii in Book 20784 Page 760, to which reference is hereby made.

8. **GRANT**

In Favor Of: Citizens Utilities Company, a Delaware corporation, and GTE Hawaiian Telephone Company Incorporated, a Hawaii corporation

Dated: June 13, 1989

Book: 23600

Page: 311

Purpose: Easement "E-2", containing an area of 163 square feet, for utility purposes

9. **MORTGAGE**

Mortgagor: Delphia R. Connella, widow

Mortgagee: Guild Mortgage Company, a California corporation

Dated: March 31, 1993

Recorded: April 6, 1993

Doc. No. 93-054228

To Secure: \$180,000.00

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

10. The terms and provisions of that certain Waiver and Release dated July 26, 1993, made by and between Stephen J. Connella, and the Building Division of the Department of Public Works of the County of Kauai, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 93-128263, to which reference is hereby made.

11. The terms and provisions of that certain Waiver and Release dated August 18, 1993, made by and between Stephen J. Connella, and the Building Division of the Department of Public Works of the County of Kauai, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 93-137900, to which reference is hereby made.

12. The covenants, agreements, obligations, conditions, easements and other provisions as contained in the following:

DECLARATION OF CONDOMINIUM PROPERTY REGIME OF "NAMAHANA FARM"

Dated: October 14, 1994

Doc. No. 95-020019

Condominium Map No. 2188, to which reference is hereby made.

Note: The individual Apartments as set forth in the foregoing Declaration are listed in Exhibit "B" hereof.

The foregoing Declaration was amended and complete Restatement of Declaration of Condominium Regime by the following:

<u>Dated</u>	<u>Document No.</u>
May 4, 1995	96-168365

13. **BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS OF "NAMAHANA FARM"**

Dated: October 14, 1994
Doc. No. 95-020020

14. **GRANT OF EASEMENT**

In Favor Of: Citizens Utilities Company, a Delaware corporation
Dated: August 15, 1996
Doc. No. 96-136998
Re: Designation of Utility Easement "E1"

15. The terms and provisions of that certain Farm Dwelling Agreement dated October 14, 1996, made by and between Delphia R. Connella, a widow; Theodore S. Simpson and Ann Simpson, husband and wife; and Stephen J. Connella and Marlena Connella, husband and wife, "Applicant(s)" and the County of Kauai Planning Department, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 96-149222, to which reference is hereby made.

EXHIBIT E

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee</u> x 12 months = <u>Yearly Total</u>
A	\$5.00 x 12 = \$ 60.00
B	\$5.00 x 12 = \$ 60.00
	<hr/>
	\$120.00

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

Estimate of Maintenance Fee Disbursements:

Monthly x 12 months = Yearly Total

Utilities and Services

- Air Conditioning
- Electricity
 - common elements only
 - common elements and apartments
- Elevator
- Gas
 - common elements only
 - common elements and apartments
- Refuse Collection
- Telephone
- Water and Sewer

Maintenance, Repairs and Supplies \$5.00 x 12 = \$ 60.00

- Building
- Grounds

Management

- Management Fee
- Payroll and Payroll Taxes
- Office Expenses

Insurance

Reserves(*)

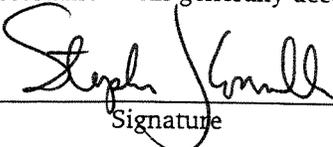
Taxes and Government Assessments \$5.00 x 12 = \$ 60.00

Audit Fees

Other

TOTAL \$120.00

I, Stephen J. Connella, ~~as agent for and/or employed by~~ XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX, the ~~condominium managing agent/~~ condominium manager/ developer for the Namahana Farm condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.


Signature

8-22-97
Date

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.
Pursuant to §514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

Developers disclose that no reserve study was done in accordance with Chapter 514A-83.6, HRS and replacement reserve rules, Subchapter 6, Title 16, Chapter 107 HI Admin. Rules, as amended.

EXHIBIT "F"

Summary of Sales Contract

The Seller intends to use the Hawaii Association of Realtors' form of Deposit, Receipt, Offer and Acceptance ("DROA") as the sales contract for the sale of apartments in the Project. The sales contract contains the purchase price, description and location of the apartment and other terms and conditions under which a Buyer will agree to buy an apartment. Among other things, the sales contract:

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

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

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

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

by Buyer:

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

by Seller:

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

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

5. Allocates payment of closing costs.

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

EXHIBIT "G"

Summary of Escrow Agreement

The escrow agreement sets up an arrangement under which the deposits that a purchaser makes under a sales contract are held by a neutral third party ("escrow"). Escrow is Security Title Corporation, Kauai branch. Under the escrow agreement, these things will or may happen:

- 1) Developer will advise purchasers of payment due dates, and all payments will be made to Escrow;
- 2) Escrow will arrange for purchasers to sign all necessary documents;
- 3) The escrow agreement defines the circumstances under which the purchaser may receive a refund. A purchaser shall be entitled to a refund if:
 - a) Escrow receives a written request from Developer and the purchaser for such refund;
 - b) Developer exercises an option to rescind if the same is available to the Developer and written notification is sent to Escrow; or
 - c) Developer and purchaser notify escrow that certain conditions allowing for a refund according to Hawaii law have been met. These include a prospective purchaser's right to review the final public report.
- 4) The escrow agreement also establishes the procedures for retention and disbursement of a purchaser's funds and says what will happen to the funds upon a default under the Sales Contract. No disbursements shall be made from the Escrow funds, except by way of refunds, unless and until: (a) Escrow receives a copy of a "Receipt for Public Report(s) and Notice of Right to Cancel, in the form specified by Section 514A-62 of the Condominium Act for the Final and any Supplementary Public Reports, executed by the purchaser; (b) Escrow has received a certification from Developer, acceptable to Escrow, stating that the Sales Contract has become effective and requirements of Section 514A-39 and 514A-63 have been met as those quoted phrases are used in Section 514A-65 of the Condominium Act; and (c) until the

purchaser's apartment deed is filed in the Bureau of Conveyances of the State of Hawaii. If a purchaser shall not make any payment required under the Sales Contract or on or before its due date, Escrow shall notify the purchaser and Developer of such fact. Upon written notice from Developer of a purchaser's default, if the default is not cured within any grace period Developer shall advise Escrow. If the Developer then certifies 1) that Developer elects to terminate the Sales Contract or 2) that the purchaser is otherwise in default, then Escrow shall thereafter treat all funds of the purchaser paid under such Sales Contract, or any portion thereof as may be allowed by said Sales Contract, less the cancellation fee and expenses of Escrow, as funds of Developer and not of the purchaser.

5) The escrow agreement contains various other provisions and establishes certain charges with which the purchaser should become acquainted. It is incumbent upon a purchaser to read with care the executed Escrow Agreement on file with the Real Estate Commission.