

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by:

Developer Wally Walenty Sadowski
Address 1688-B Kaumana Drive, Hilo, Hawaii 96720

Project Name(*): KAUMANA HEIGHTS
Address: 1688-A Kaumana Drive, Hilo, Hawaii 96720

Registration No. 4160 Effective date: August 4, 1999
(Conversion) Expiration date: September 4, 2000

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. [] No prior reports have been issued. [] This report supersedes all prior public reports. [] This report must be read together with (white)

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

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

The Developer has disclosed the following:

- (a) This is a **CONDOMINIUM PROJECT**, not a subdivision. The land area beneath and immediately appurtenant to each unit is designated a **LIMITED COMMON ELEMENT** and does not represent a legally subdivided lot. The dotted lines on the *Condominium Map* bounding the designated number of square feet in each limited common element land area are for illustration purposes only and should not be construed to be formal subdivision lines.
- (b) No warranties are given to the purchaser as to the construction, materials or workmanship of Units A and B. Units A and B are being sold in an "as is" condition.
- (c) The Sales Contract provides that the purchaser will not have the right to sue the declarant for damages and defects of the Project.

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

THE PROSPECTIVE PURCHASERS ARE CAUTIONED TO CAREFULLY REVIEW ALL DOCUMENTS REGARDING THIS CONDOMINIUM PROJECT 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 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, hall, 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: Wally Walenty Sadowski
Name
1688-B Kaumana Drive
Business Address
Hilo, HI 96720

Phone: (808) 935-1502
(Business)

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

N/A

Real Estate Broker: Clark Realty Corp.
Name
99 Aupuni Street, Suite 188
Business Address
Hilo, HI 96720

Phone: (808) 961-6015
(Business)

Escrow: Old Republic Escrow Corp.
Name
75-166 Kalani Street, Suite 203
Business Address
Kailua-Kona, HI 96740

Phone: (808) 334-1777
(Business)

General Contractor: N/A
Name

Business Address

Phone: _____
(Business)

Condominium Managing Agent: Project will be self-managed
Name
by the Association
Business Address

Phone: _____
(Business)

Attorney for Developer: James C. Clay
Name
75-5870 Waiua Road, Suite 201
Business Address
Kailua-Kona, HI 96740

Phone: (808) 329-0563
(Business)

**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. 99-053256
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. 2875
 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. 99-053257
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 operations 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 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>Board of Directors</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:

See attached Exhibit "A"

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 Sub-leasehold: 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 Sub-leaseholds:

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 Sub-leasehold:

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.

A. Underlying Land:

Address: 1688 Kaumana Drive Tax Map Key (TMK): (3) 2-5-40-21
Hilo, Hawaii 96720

Address TMK is expected to change because _____

Land Area: 2.80 square feet acre(s) Zoning: A-3a

Fee Owner: Wally Walenty Sadowski
 Name
1688-B Kaumana Drive
 Address
Hilo, HI 96720

Lessor: N/A
 Name

 Address

B. Buildings and Other Improvements:

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

2. Number of Buildings: five Floors Per Building one

Exhibit _____ 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	<u>1</u>	<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 type="checkbox"/> Other: _____	___	<input type="checkbox"/> Yes <input type="checkbox"/> No

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

Yes No

5. Special Use Restrictions:

The Declaration and Bylaws may contain restrictions on the use and occupancy of the apartments. Restrictions for this condominium project include but are not limited to:

Pets: _____

Number of Occupants: _____

Other: See page 20 and Exhibit "J"

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
<u>A-1</u>	<u>1</u>	<u>3/ 1 ½</u>	<u>1410</u>	<u>400</u>	<u>Carport</u>
<u>A-2</u>				<u>336</u>	<u>Storage</u>
<u>B-1</u>	<u>1</u>	<u>1/1</u>	<u>730</u>	<u>2372</u>	<u>Storage</u>
<u>B-2</u>		<u>2/3</u>	<u>3225</u>	<u>2280</u>	<u>Storage</u>
<u>B-3</u>				<u>1800</u>	<u>Aviary</u>

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:

All exterior surfaces and finishes of footings, floors, foundations, perimeter walls and roofs of each dwelling

Permitted Alterations to Apartments:

See attached 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:

Variance No. 336 was a variance from Sections 13-B-14 and 13-F, Ordinance No. 63 of the Revised Ordinances of the County of Hawaii 1967, as amended, more specifically, to allow the construction of a slaughterhouse with a twenty (2) foot setback in lieu of the required hundred (100) foot setback and of a kalua house with a ten (10) foot side setback in lieu of the required twenty (20) foot setback located in Ponahawai Homestead, South Hilo, Hawaii.

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> </u>	<u> X* </u>	<u> </u>

* The lot is non-conforming in size with respect to the minimum 3 acres required for the zone district. See letter dated May 7, 1999 from the Hawaii County Planning Department.

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 "C" .

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 “D”.

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:

Each unit and its owners(s) shall have appurtenant thereto their proportionate share of interest in the common elements of the Project for all purposes including voting; said interest is referred to as “common interest”. Unit A is thirty-four percent (34%) and Unit B has sixty-six percent (66%).

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 “E” describes the encumbrances against the title contained in the title report dated 4-23-99 and issued by Old Republic Title Corporation of Hawaii, Ltd.

Blanket Liens:

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

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage	Buyer's interest may be canceled in which event Buyer will be entitled to a refund of deposits, less escrow cancellation fees.

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:

There are no warranties; improvements are being sold "AS IS".

2. Appliances:

Buyers shall have the direct benefit of any manufacturer's or dealer's warranties covering the furnishings and appliances of the apartments.

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

Unit A - Ohana dwelling unit, was completed in 1969.

Unit B was completed in 1993.

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, 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 "F" contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

Developer discloses that no reserve study was done in accordance with Section 514A-83.6 HRS and the Replacement Reserve Rules, Subchapter 6, Title 16, Chap. 107, HAR, as amended.

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

Specimen Sales Contract

Exhibit "G" contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated May 10, 1999

Exhibit "H" 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 projects. 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 Agreements, covenants and protective clauses, if any, of Ponahawai Homestead (if applicable), Farm Dwelling Notice

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. 4160 filed with the Real Estate Commission on April 14, 1999.

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

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2644 to submit your request.

1. The Declaration of Condominium Property Regime notes, on page 4, that Unit A is an "Ohana" unit and affected by provisions in Hawaii County's CZO relating to Ohana units. Prospective buyers may wish to look into this matter.
2. The developer advises that the covenants, conditions, restrictions, reservations, agreements, obligations and other provisions to which the property is subject (Item 4, Exhibit "E" of the Declaration) concerns various restrictions. The following paragraphs, among others, may be material to prospective buyers:
 - (8) Partition.
 - (9) Use.

Even though the apartments have already been built, buyers are cautioned to examine Exhibit "J" carefully, as the provisions are still relevant to usage of the property, rebuilding, and other matters.

Residential Dwellings within State Land Use Agricultural District

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

FARM DWELLING NOTICE

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

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

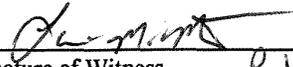
Farm Dwelling is defined in Chapter 205-4.5(a)(4) as "a single family dwelling located on and used in connection with a farm, including clusters of single-family farm dwellings permitted within agricultural parks developed by the State, or where agricultural activity provides income to the family occupying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

Penalty for violation of Section 205.4.5, Hawaii Revised Statutes, is a fine of not more than \$5,000. If any person who is cited for a violation of the law fails to remove the violation within six months of such citation and the violation continues, such person is subject to a citation for a new and separate violation. There shall be a fine of not more than \$5,000 for any additional violation.

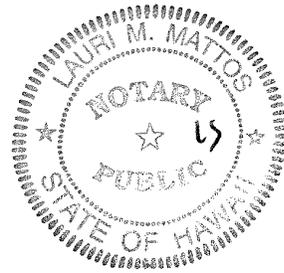
I acknowledge that I have read the above and have been given a copy.



Signature of Applicant



Signature of Witness
LAURI M. MATTOS
My Commission Expires 2/16/2000
Public Notary



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.

Walenty Sadowski
Printed Name of Developer

By: *Walenty Sadowski*
Duly Authorized Signatory

3-15-99
Date

Walenty Sadowski
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Hawaii
Planning Department, County of Hawaii

EXHIBIT "A"

DEVELOPER'S RESERVED RIGHTS

The Developer (Declarant) has reserved the following rights to change the Declaration, Condominium Map, By-Laws or House Rules:

1. Paragraph 20 of the Declaration states:

"20.1 Except as otherwise provided herein, this Declaration may be amended by vote of seventy-five percent (75%) of the Dwelling Owners, effective only upon the recording of an instrument setting forth such amendment and vote duly executed by such Owners or by the proper officers of the Association. In addition, the approval of eligible holders of first mortgages on Units to which are appurtenant at least 51% of the common interest of the project shall be required for any material amendment to the Declaration or any amendment of a provision for the express benefit of holders or insurers of first mortgages on Units. An eligible holder is a holder of a first mortgage on a Unit which has made a written request to the Association that it receive notices of proposed changes to the Declaration. A material amendment to the Declaration is one which establishes, provides for, governs or regulates any of the following: (1) voting; (2) assessments, assessment liens, or subordination of such liens; (3) reserves for maintenance, repair and replacement of the common elements; (4) insurance or fidelity bonds; (5) rights to use of the common elements; (6) responsibility for maintenance and repair of the project; (7) expansion or contraction of the project for the addition, annexation or withdrawal of property to or from the project; (8) boundaries of any Unit; (9) the interest in the common elements; (10) convertibility of Units into common elements or of common elements into Units; (11) leasing of Units; (12) imposition of any right of first refusal or similar restriction on the right of a Dwelling Owner to sell, transfer or otherwise convey his or her interest in the Unit; or (13) establishment of self management by the Association after professional management has previously been required by any of the mortgage holders.

20.2 Notwithstanding the foregoing, however, if (1) at any time prior to the first filing in the Recording Office of a conveyance of a Unit, the Declarant may amend this Declaration (including all exhibits) and the By-Laws in any manner, without the consent of any Unit purchase,; and (2) at any time thereafter, the Declarant may amend this Declaration (and when applicable, the Condominium Map) to file the "As Built" verified statement required by Section 514A-12 of the Act (i) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plan thereto filed fully and accurately depicts layout, location, apartment numbers, and the dimensions of an improvement or change in a Unit as built; or (ii) so long as the plans filed therewith involve only immaterial changes to the layout, location, or dimensions of the apartments as built or any change in any apartment number.

20.3 Notwithstanding the foregoing, the Owner of any Unit shall have the right without the consent or joinder of any other person to amend this Declaration and the Condominium Map to reflect the changes made to a Unit in accordance with Paragraph 19.1 of this Declaration. Promptly upon completion of such changes, the Owner of the changed Unit shall duly record with the Recording Office an amendment to this Declaration and to the Condominium Map, 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. All existing Dwelling Owners and all further Dwelling Owners and their mortgagees, by accepting an interest in a Unit, shall be deemed to have given each Unit Owner a Power of Attorney to execute an amendment to the Declaration solely for the purpose of describing the changes to his respective Unit on the Declaration so that each Dwelling Owner shall hereafter have a Power of Attorney from all the other Dwelling Owners to execute such amendment to the Declaration. This Power of Attorney shall be deemed coupled with each Owner's interest in his Unit (including his common interest) and shall be irrevocable."

END OF EXHIBIT "A"

Page 2 of 2

EXHIBIT "B"

PERMITTED ALTERATIONS TO APARTMENTS

1. Paragraph 19.1 of the Declaration states:

"19.1 Changes to Units. Notwithstanding anything to the contrary contained in this Declaration:

(a) Generally. Individual unit owners may, at their sole discretion, remodel, expand or otherwise alter their units, or construct additional improvements, including structures, on their limited common elements, provided same is permitted by and done in complete accordance with all applicable ordinances, codes, rules, regulations or other requirements in force at the time of said construction. Pursuant hereto, said alterations and improvements shall not require the consent or permission of other unit owners of the Association provided, however, that any newly constructed improvements shall maintain a minimum setback of fifteen (15) feet from all property lines (including all individual limited common element land are perimeter boundaries); and provided further that said newly constructed improvements do not alter the essential nature and character of the Project, and do not unreasonably interfere with any other unit owner's enjoyment of their unit. All alterations and improvements shall be at the expense of the unit owners making said alterations, and shall be expeditiously made and in a manner that will not unreasonably interfere with the other unit owner's use of his limited common elements. Any and all changes shall be subject to the following conditions:

(i) All building plans for any such changes shall be prepared by a licensed architect or professional engineer and shall conform with County building and zoning laws and other applicable County ordinances.

(ii) Any change to a Unit must be made within the limited common element to which the Unit is appurtenant and may not interfere with the other Owner's use or enjoyment of their Unit, the common elements or appurtenant limited common elements;

(iii) No change to a Unit may be made if the effect of such change would be to exceed the Unit's proportionate share of the allowable floor area or Lot area coverage for the Land, as defined by the zoning and building codes applicable to the Land in effect when the change is to be made. The proportionate share for each Dwelling shall be thirty-four percent (34%) for Unit A and sixty-six percent (66%) for Unit B.

(iv) All such changes shall be at the expense of the Dwelling Owner making the change and shall be expeditiously made and in a manner that will not unreasonably interfere with the other Dwelling Owner's use of his limited common element.

(v) During the entire course of such construction, the Dwelling Owner making such change will cause to be maintained at his expense builder's all-risk insurance in an amount not less than the estimated cost of construction. The Association shall be named as an additional insured and, upon the request of the Association, evidence of such insurance shall be deposited with the Association or its Managing Agent, if any;

(vi) The Owner of the changed Unit shall have the right to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for services to the Unit affected by such change for electricity, sewer and other utilities and services and when applicable, to add, delete, relocate, realign, designate and grant easement 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;

(vii) The owner of any changed Unit shall have the right and duty without the consent or joinder of any other person to amend and shall be required to amend this Declaration and the Condominium Map to accomplish any such changes. If required by the Act, then each Owner hereby consents in advance to such change. Promptly upon completion of such changes, the Owner of the changed Unit shall duly record any amendment to this Declaration and Condominium Map with the Recording Office, 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. All existing Unit Owners and all future Unit Owners and their respective mortgagees, by accepting an interest in a Unit, shall be deemed to have given each such other Owner a Power of Attorney to execute an amendment to the Declaration and Condominium Map solely for the purpose of describing the changes to the Unit of such other Owner in the Declaration or Condominium Map so that each Owner shall hereafter have a Power of Attorney from all the other owners to execute such amendment to the Declaration and the Condominium Map. This Power of Attorney shall be deemed coupled with each Owner's interest in his Unit (including his common interest) and shall be irrevocable;

(viii) Each and every conveyance, lease and mortgage or other lien made or created on any Unit and all common interests and other appurtenances thereto shall be subject to the provision of this paragraph and any lease of a Unit Lot shall reserve to all Owners the rights set forth in this paragraph.

(ix) No apartment owner shall do any work which could jeopardize the soundness or safety of the property, reduce the value thereof, or impair any easement or hereditament."

END OF EXHIBIT "B"

Page 2 of 2

EXHIBIT "C"

COMMON ELEMENTS

Paragraph 4 of the Declaration states:

"One freehold estate is hereby also designated in all the remaining portions of the Project, herein called "common elements", including specifically but not limited to:

4.1 The Land in fee simple;

4.2 All ducts, electrical equipment, wiring and other central and appurtenant installations for common services, if any, including power, lights, sewage, irrigation and telephone;

4.3 The driveway as shown on the Condominium Map;

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

The common elements shall remain undivided, and no right shall exist to partition or divide any part thereof, except as provided in the Condominium Property Act.

Any such partition or division shall be subject to the prior consent thereto by the holder(s) of all mortgage(s) of any condominium unit(s) which are filed of record."

END OF EXHIBIT "C"

Page 1 of 1

EXHIBIT "D"

LIMITED COMMON ELEMENTS

Paragraph 5 of the Declaration designates:

"5.1 Certain parts of the common elements, herein called the "Limited Common Elements", are hereby designated and set aside for the exclusive use of each Unit, and each Unit shall have appurtenant thereto exclusive easements for the use of such limited common elements. Unless otherwise specified, all costs

of every kind pertaining to each limited common element, including, but not limited to, costs of landscaping, maintenance, repair, replacement and improvement, shall be borne exclusively by the unit to which it is appurtenant. The limited common elements so set aside and reserved are as follows:

(a) That certain land area upon and around which Unit A is located, shown and designated on the Condominium Map as "Lot A", and being 19,369 square feet in area, is deemed a limited common element appurtenant to and for the exclusive use of Unit A.

(b) That certain land area upon and around which Unit B is located, shown and designated on the Condominium Map as "Lot B", and being 40,360 square feet in area, is deemed a limited common element appurtenant to and for the exclusive use of Unit B.

Please note "Lot A" and "Lot B" are not subdivided lots but rather they are limited common elements of a single lot.

All costs of every kind pertaining to and aforesaid limited common elements, including, but not limited to, costs of landscaping, maintenance, repair, replacement and improvement, shall be borne solely by the owner of the unit to which said limited common elements are appurtenant."

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

END OF EXHIBIT "D"

Page 1 of 1

EXHIBIT "E"
ENCUMBRANCES AGAINST TITLE

1. For real property, taxes due and owing, reference is made to the Director of Finance, County of Hawaii for information.
2. Title to all minerals and metallic mines reserved to the State of Hawaii.
3. Easement (7.5 foot wide) for roadway purposes over, across and through a portion of the land herein described, designated as Parcel 5-A, containing an area of 2,620 square feet, more or less.
4. Reservations, restrictions, covenants and conditions as contained in that certain Deed dated October 1, 1963, recorded in the Bureau of Conveyances of the State of Hawaii in Book 2670, Page 284.
5. Mortgage to secure an indebtedness of the amount stated below and any other amounts payable under the terms thereof:

Amount	:	\$150,000.00
Mortgagor	:	WALLY WALENTY SADOWSKI, single
Mortgagee	:	FIRST NATIONWIDE BANK, A FEDERAL SAVINGS BANK, which is organized and existing under the laws of the United States of America
Dated	:	June 9, 1992
Recorded	:	June 16, 1992 in the Bureau of Conveyances, State of Hawaii, as Document No. 92-094668.

The mortgagee's interest under said mortgage was assigned to FIRST NATIONWIDE MORTGAGE CORPORATION, a Delaware corporation, by instrument,

Dated	:	September 10, 1994
Recorded	:	April 11, 1995 in the Bureau of Conveyances, State of Hawaii, as Document No. 95-048347
6. Mortgage to secure an indebtedness of the amount stated below and any other amounts payable under the terms thereof,

Amount	:	\$25,000.00
Mortgagor	:	WALLY WALENTY SADOWSKI, single
Mortgagee	:	FIRST HAWAIIAN BANK, a Hawaii corporation
Dated	:	March 23, 1994
Recorded	:	March 29, 1994 in the Bureau of Conveyances, State of Hawaii, as Document No. 94-054119

7. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : **DECLARATION OF CONDOMINIUM PROPERTY
REGIME FOR "KAUMANA HEIGHTS"**

DATED : **March 15, 1999**

RECORDED : **April 7, 1999 as Document No. 99-053256**

Condominium Map No. 2875

8. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : **DECLARATION OF BY-LAWS OF THE ASSOCIATION
OF APARTMENT OWNERS OF KAUMANA HEIGHTS**

DATED : **March 15, 1999**

RECORDED : **April 7, 1999 as Document No. 99-053257**

END OF EXHIBIT "E"

**EXHIBIT F
DISCLOSURE ABSTRACT**

- (A) **PROJECT:** **KAUMANA HEIGHTS**
being a portion of Lot 22, Grant 4601 to Mary E. Kaihenui, situate at Ponahawai Homesteads, Ponahawai, South Hilo, Island, County and State of Hawaii, being designated on the tax maps of the Third Taxation Division as TMK (3) 2-5-040:021
- (B) **DEVELOPER:** **WALLY WALENTY SADOWSKI**
1688-B Kaumana Drive
Hilo, Hawaii 96720
Telephone: (808) 935-1502
- (C) **MANAGING AGENT:** Self-managed by Association of Apartment Owners
- (D) **ANNUAL MAINTENANCE:** None
- (E) **FIRE INSURANCE:** In accordance with Section 514A-86, Hawaii Revised Statutes, the Association of Apartment Owners shall purchase fire insurance to cover the improvements of the Project, and said premiums shall be common expenses. Developer anticipates that the Association will elect to permit individual apartment owners to obtain and maintain separate policies of fire insurance and name the Association as an additional insured. In such case, fire insurance premiums will be the responsibility of individual apartment owners and not common expenses. Developer estimates such annual premium expense to be \$ 550 per apartment. This estimate was prepared in accordance with generally accepted accounting principles.
4. **DESCRIPTION OF ALL WARRANTIES COVERING THE UNITS AND COMMON ELEMENTS:** The Developer is not making any warranties relating to the materials and workmanship of either Unit 1 or Unit 2 or the common elements.
5. **USE OF THE UNITS** KAUMANA HEIGHTS Condominium Project consists of two (2) units which shall be used for residential purposes by the respective owners thereof, their tenants, families and domestic servants and social guests, and for no other purpose.



WALLY WALENTY SADOWSKI

EXHIBIT __F__

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

Apartment

Monthly Fee x 12 months = Yearly Total

NONE

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

- Building
- Grounds

Management

- Management Fee
- Payroll and Payroll Taxes
- Office Expenses

Insurance

Reserves(*)

Taxes and Government Assessments

Audit Fees

Other

TOTAL

I, WALLY WALENTY SADOWSKI, as developer for the **KAUMANA HEIGHTS** 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.

Wally Walenty Sadowski
Signature

7-27-99
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.

EXHIBIT "G"

SUMMARY OF DEPOSIT RECEIPT, OFFER AND ACCEPTANCE CONTRACT

The Deposit Receipt, Offer and Acceptance Contract (the "DROA") contains the price and other terms and conditions under which a purchaser will agree to buy a unit in the Project. Among other things, the DROA states:

- (a) The total purchase price, method of payment and additional sums which must be paid in connection with the purchase of a unit.
- (b) That the purchaser acknowledges having received and read a public report (either preliminary or final) for the Project prior to signing the DROA.
- (c) That the Developer makes no representations concerning rental of a unit, income or profit from a unit, or any other economic benefit to be derived from the purchase of a unit.
- (d) That the purchaser's money will be held in escrow.
- (e) Requirements relating to the purchaser's financing of the purchase of a unit.
- (f) That the Developer makes no warranties regarding the unit, the Project or anything installed or contained in the unit or the Project.
- (g) That the purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.
- (h) Whether the purchaser will receive interest on deposits made under the DROA.
- (i) In the event of a default by the purchaser under the DROA, the Developer may, in addition to other remedies, be entitled to all deposits paid by the purchaser as liquidated damages.

The DROA contains various other important provisions relating to the purchase of a unit in the Project. It is incumbent upon purchasers and prospective purchasers to read with care the specimen DROA on file with the Real Estate Commission.

(End of Exhibit "G")

EXHIBIT H

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement sets up an arrangement under which the deposits a purchaser makes pursuant to a DROA will be held by a neutral party ("Escrow"). Under the Escrow Agreement, these things will or may happen:

- (a) Escrow will let the purchaser know when payments are due;
- (b) Escrow will arrange for the purchaser to sign all necessary documents;
- (c) The purchaser will be entitled to a refund of his or her funds only under certain circumstances as set forth in the DROA.

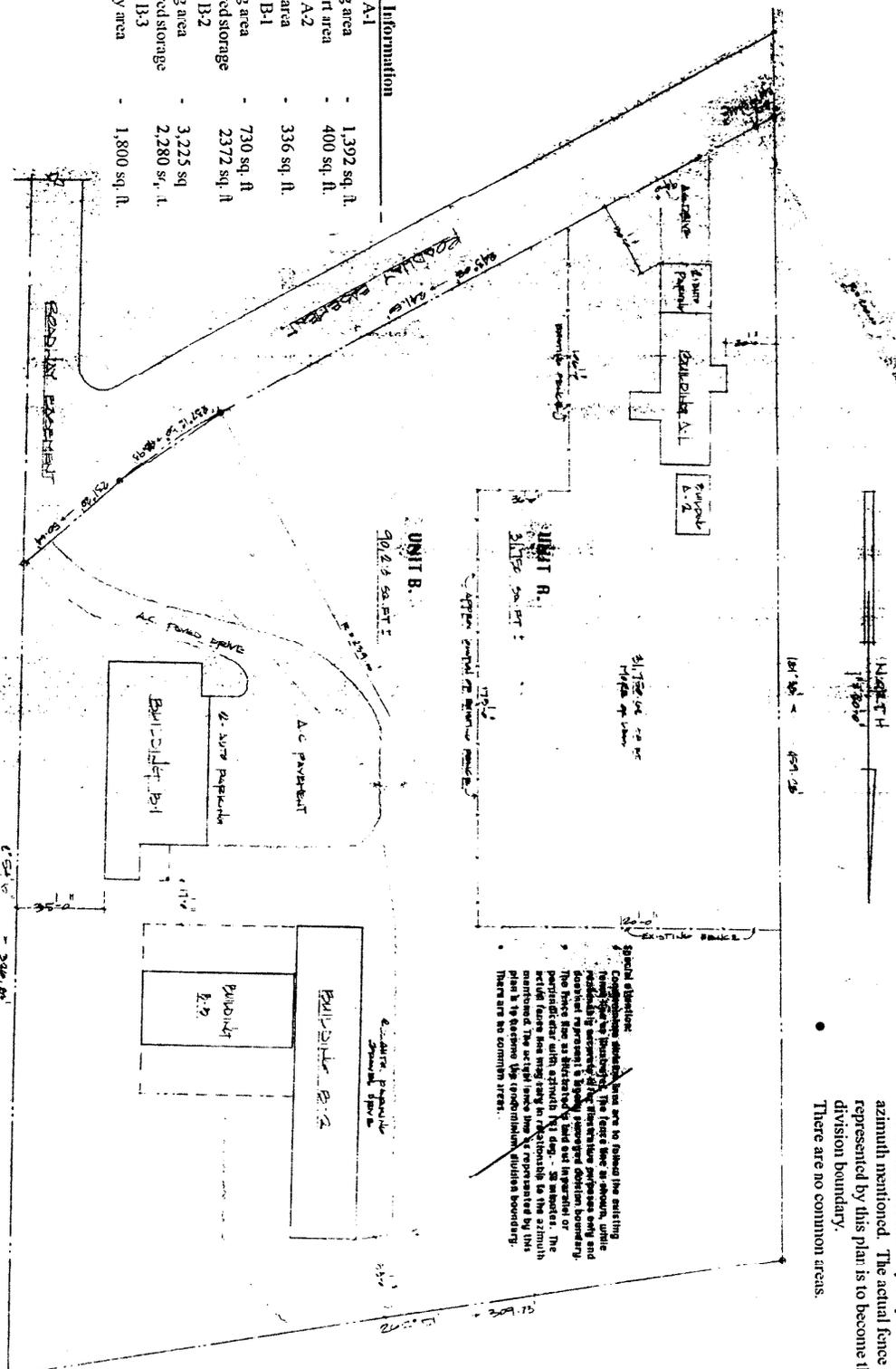
The Escrow Agreement also establishes the procedures for the retention and disbursement of a purchaser's funds and says what will happen to the funds upon a default under the DROA. The Escrow Agreement contains various other important provisions and establishes certain charges with which a purchaser should be familiar. It is incumbent upon purchasers and prospective purchasers to read with care the executed Escrow Agreement on file with the Real Estate Commission.

(End of Exhibit "H")

EXHIBIT "I"

CONDOMINIUM FILE PLAN - SITE MAP

Building Information	
Building A-1	
Living area	- 1,392 sq. ft.
Carport area	- 400 sq. ft.
Building A-2	
Total area	- 336 sq. ft.
Building B-1	
Living area	- 730 sq. ft.
Covered storage	- 2372 sq. ft.
Building B-2	
Living area	- 3,225 sq.
Covered storage	- 2,280 sq. ft.
Building B-3	
Aviary area	- 1,800 sq. ft.



PLOT PLAN
1" = 200'

Kaumana Heights Condominium Project
Units A & B

618 A&B Kaumana Drive. Situated at Penahawai Homesteads, Penahawai, South Hill, being a portion of lot 22, Grant 4601 to Mary E. Kaihenui and bearing Tax Map Key: (3) 2-5-40:21

EXHIBIT "J"

SUMMARY OF COVENANTS, CONDITIONS & RESTRICTIONS

All of that certain piece or parcel of land, being a portion of Lot 22, Grant 4601 to Mary E. Kaihenui, Ponahawai Homesteads, Ponahawai, South Hilo, is subject to the covenants, conditions, restrictions, reservations, agreements, obligations and other provisions set forth in the Declaration of Condominium Property Regime for "KAUMANA HEIGHTS" dated March 15, 1999, and recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 99-053256, a summary of which follows:

(a) The units of the Project shall be occupied and used as private residential dwellings by the respective owners thereof, their families, domestic servants, personal guests and tenants, for agricultural purposes, and all uses permitted by the County Zoning Ordinance. The unit owners shall have the absolute right to lease or rent their units subject to the limitations, restrictions, covenants and conditions contained in this Declaration or in the By-Laws of the Association of Condominium Owners. Subject also to said Declaration and By-Laws, maximum allowance and freedom shall be given so as to accommodate the individual unit owner's artistic, creative and life-style requirements;

(b) That certain land area upon and around which Unit A is located, shown and designated on the Condominium Map as "Lot A", and being 31,650 square feet in area, is deemed a limited common element appurtenant to and for the exclusive use of Unit A.

(c) That certain land area upon and around which Unit B is located, shown and designated on the Condominium Map as "Lot B", and being 90,218 square feet in area, is deemed a limited common element appurtenant to and for the exclusive use of Unit B.

(d) Changes to Units. Generally: Individual unit owners may, at their sole discretion, remodel, expand or otherwise alter their units, or construct additional improvements, including structures, on their limited common elements, provided same is permitted by and done in complete accordance with all applicable ordinances, codes, rules, regulations or other requirements in force at the time of said construction. Pursuant hereto, said alterations and improvements shall not require the consent or permission of other unit owners of the Association provided, however, that any newly constructed improvements shall maintain a minimum setback of fifteen (15) feet from all property lines (including all individual limited common element land are perimeter boundaries); and provided further that said newly constructed improvements do not alter the essential nature and character of the Project, and do not unreasonably interfere with any other unit owner's enjoyment of their unit. All alterations and improvements shall be at the expense of the unit owners making said alterations, and shall be expeditiously made and in a manner that will not unreasonably interfere with the other unit owner's use of his limited common elements. Any and all changes shall be subject to certain conditions delineated in the Declaration.

END OF EXHIBIT "J"