



**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 Pubic 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**

1. This Public Report does not constitute an approval of the Project by the Real Estate Commission or any other government agency, nor does it ensure that all County codes, ordinances and subdivision have necessarily been complied with.
2. Facilities and improvements normally associated with County-approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owners and emergency traffic, drainage facilities, etc., may not be provided, and services such as County street maintenance and trash collection may not be available for interior roads and driveways.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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### General Information On Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

### Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Lono Kona Partnership, a Phone: (808) 961-6648  
Hawaii Partnership  
688 Kinoole Street  
Hilo, Hawaii 96720

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

Hakalau Properties, LLC, John Tolmie, Managing Member  
Puueo Limited Partnership, Greg Gadd, Manager

Real Estate  
Broker\*: Big Island Land Co. Ltd. Phone: (808) 935-6874  
305 Wailuku Drive, Suite 3  
Hilo, Hawaii 96720

Escrow: Island Title Corp. Phone: (808) 961-4646  
688 Kinoole, Ste. 122  
Hilo, Hawaii 96720

General  
Contractor\*: N/A Phone: \_\_\_\_\_  
Name (Business)  
\_\_\_\_\_  
Business Address  
\_\_\_\_\_

Condominium  
Managing  
Agent\*: Ala Kai Realty, Inc. Phone: (808) 961-5561  
688 Kinoole St., Ste. 102  
Hilo, Hawaii 96720

Attorney for  
Developer: Thomas D. Welch, Jr. Phone: (808) 871-8351  
Mancini, Rowland & Welch  
33 Lono Ave., Ste. 470  
Kahului, Hawaii 96732

\* For Entities: Name of corporation, partnership, Limited Liability Partnership (LLP), or Limited Liability Company (LLC)

10/98

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. 99-063678  
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. 2891
- Filed - Land Court Condo Map No. N/A

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. 99-063679  
Book \_\_\_\_\_ Page \_\_\_\_\_
- Filed - Land Court: Document No. N/A

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>N/A</u>

\* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. Developer:

- No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

The Declaration provides that the owner of any unit may subdivide his unit and the owners of adjoining units may eliminate a common boundary between two units or adjust the common boundary and may amend the Declaration and Condominium Plan accordingly.



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 period 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: 421 Kalanikoa Street Tax Map Key (TMK): (3) 2-2-32:22 and  
Hilo, Hawaii 96720 (3) 2-2-35:37

Address  TMK is expected to change because \_\_\_\_\_

Land Area: 28,000 sq. ft.  square feet  acre(s) Zoning: ML-20: Light Industrial

918 sq. ft. (6 Licensed parking stalls of 9' x 17' each, plus ingress and egress. Parcel on which the stalls are located is 9,600 sq. ft. in size).

Fee Owner: Lono Kona Partnership  
688 Kinoole Street  
Hilo, Hawaii 96720

Lessor: Same

\_\_\_\_\_  
Address  
\_\_\_\_\_

C. Buildings and Other Improvements:

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

2. Number of Buildings: 2 Floors Per Building: The "Four Unit Building" has one floor.  
The "Six Unit Building" has two floors.

Exhibit B contains further explanations.

3. Principal Construction Material:

Concrete  Hollow Tile  Wood

Other: Building containing units 1-4 is principally metal and the building containing units 101, 102 and 201-204 is primarily of hollow tile.

4. Uses Permitted by Zoning:

	No. of <u>Apts.</u>	Use Permitted <u>By Zoning</u>		No. of <u>Apts.</u>	Use Permitted <u>By Zoning</u>
<input type="checkbox"/> Residential	___	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Ohana	___	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Commercial	___	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> Industrial	<u>10</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mis Res/Comm	___	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Agricultural	___	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Hotel	___	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Recreational	___	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Timeshare	___	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Other: N/A	___	<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: \_\_\_\_\_

[x] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: None Stairways: \* Trash Chutes: None

<u>Apt.</u> <u>Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net</u> <u>Living Area (sf)*</u>	<u>Net</u> <u>Other Area (sf)</u>	<u>(Identify)</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 10 (See Exhibit B)

\*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:

Interior undecorated surfaces of perimeter and party walls, lower limit of concrete floor slab for ground floor units, upper unfinished surface of subflooring of second floor units and lower unfinished surfaces of ceiling joists.

Permitted Alterations to Apartments:

See Item E-2 of Section II above.

\*The Six Unit Building has two stairways. The Four Unit Building has no stairways.

7. Parking Stalls:

Total Parking Stalls: 34

	<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)	_____	_____	_____	_____	_____	_____	_____
Guest Unassigned	_____	<u>34</u>	_____	_____	_____	_____	_____
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____	_____	_____	_____
Total Covered & Open:	<u>34</u>		<u>0</u>		<u>0</u>		<u>34</u>

Each apartment will have the exclusive use of at least 0 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 A 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: SEE EXHIBIT B.

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):

N/A

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:

A variance was granted on September 14, 1978 granting relief from a building set-back along Piilani Street.

A second variance was granted from Table 33-A, item number 4 of the Uniform Building Code, 1982 Edition, Chapter 5, Hawaii County Code, as amended, by allowing the use of the second floor of the existing building as a drinking and dining establishment without providing access for the physically handicapped by means of a ramp or an elevator at Waiakea, 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>all</u>	_____	_____
Structures	<u>all</u>	_____	_____
Lot	<u>yes</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 B.

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 B.

as follows:

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

Exhibit C described the encumbrances against the title contained in the title report dated April 27, 1999 and issued by Island Title Corporation.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some 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 lien.

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage dated March 22, 1993 to City Bank, in the principal amount of \$1,425,000, recorded as Document No. 93-062752, and UCC-1 Financing Statement to City Bank, recorded as Document No. 93-062753	Buyer may lose his or her unit, but Buyer's deposit to be refunded, less any 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

2. Appliances:

There are no warranties

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

Construction of all units was completed by January 1, 1998.

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

C. Utility Charges for Apartments:

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

None  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 E contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated January 15, 1999  
Exhibit F contains a summary of the pertinent provisions of the escrow agreement.
- Other \_\_\_\_\_

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

- A) Condominium Public Reports issued by the developer which have been 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. 4187 filed with the Real Estate Commission on June 2, 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

None.

- 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.

Lono Kona Partnership

By: Hakalau Properties LLC  
its Partner

May 5, 1999  
Date

  
Duly Authorized Signatory

John S. Tolmie, Jr., Member of partner and authorized signatory  
(Printed Name & Title of Person Signing Above)

tribution:

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

\*\* Must be signed for a: corporation by an officer; a partnership or Limited Liability Partnership (LLP) by the general partner; Limited Liability Company (LLC) by the manager or member; and for an individual by the individual.

## EXHIBIT A

### Summary of Terms of Parking License

1. The Association of Apartment Owners hold a 55 year license on six parking spaces located on TMK (3) 2-2-35:37, approximately 400' away from the condominium.

2. The License begins as of January 1, 1999 and continues through December 31, 2053.

3. License fee to the Association is as follows:

First 10 years: \$197.00 per month;

Second 10 years: \$276.00 per month;

Third 10 years: \$386.00 per month;

The fourth and fifth 10 year periods and the last 5 year period will be determined by mutual agreement of the Lessor and the Association.

If the Lessor and the Association shall fail to reach agreement as to the license fee for any period by 90 days prior to the commencement of said period, either party may elect to have the license fee determined by three independent appraisers. The license fee so determined will be 20% of the fair rental value of the parcel as a whole, as undeveloped and available for use or development at its highest and best use, but in no event shall the license fee for any period be less than the license fee which was in effect for the prior rental period.

4. The Association will pay said license fee as a common expense and the apartments will be responsible for paying its share of the rent in the same manner as the payment of any other common expense of the Association, based on that unit's common interest percentage as set forth in Exhibit B of the Declaration of Condominium Property Regime.

5. If the Association fails to pay the license fee or otherwise defaults under the License, the Licensor has the right to terminate the license fee and evict the Association from further use, possession or enjoyment of the premises. Also, at the expiration of the term, the premises will be returned to the Licensor.

EXHIBIT "B"

DESCRIPTION OF CONDOMINIUM AND APARTMENTS

DESCRIPTION OF BUILDINGS AND LOCATIONS OF APARTMENTS:

The project contains two separate buildings, each with no basement. The northerly (or northwesterly) of the two buildings contains one story and Units 1 through 4, numbered consecutively west to east. The southerly (or southeasterly) of the two buildings contains two stories and Units 101, 102, 201, 202, 203, and 204. Units 101 and 102 are on the ground floor, with 101 northerly of 102. Units 201 through 204 are located on the second floor and are numbered consecutively from north to south. The four-unit building is constructed primarily of metal. The six-unit building is constructed primarily of hollow tile.

DESCRIPTION OF APARTMENTS:

The project contains ten (10) light/industrial apartments. Each ground floor apartment has immediate access to the driveway and parking areas of the project and to a driveway area providing egress and ingress to Kalanikoa Street. Each second floor apartment has immediate access to a second floor exterior walkway and exterior stairs leading to the driveway and parking areas of the project. Each apartment is unfurnished.

1. The floor areas of the units are as follows:

Unit 1	977.6 sq. ft.	Unit 101	2,297.4 sq. ft.
Unit 2	1,980 sq. ft.	Unit 102	1,514.1 sq. ft.
Unit 3	1,980 sq. ft.	Unit 201	1,068.4 sq. ft.
Unit 4	508.9 sq. ft.	Unit 202	809.7 sq. ft.
		Unit 203	973.4 sq. ft.
		Unit 204	940.8 sq. ft.

2. Floor Plan. Each apartment has a single open room or bay, except for existing non-structural internal divisions.

COMMON INTEREST:

1. Allocation of Undivided Common Interest. Each apartment shall have an undivided interest (referred to as the "common interest" in all common elements of the project and the same proportionate share in all common profits and common expenses of the project (except as otherwise provided in Section D of the Declaration or in the bylaws with respect to limited common elements) and for all other purposes, including voting, as follows:

Unit 1:	7.491%
Unit 2:	15.1721%
Unit 3:	15.1721%
Unit 4:	3.8995%
Unit 101:	17.6042%
Unit 102:	11.602%
Unit 201:	8.1868%
Unit 202:	6.2045%
Unit 203:	7.4588%
Unit 204:	7.2090%

2. Alterations and Transfers of Common Interest. The common interest and easements appurtenant to each apartment shall have a permanent character and shall not be altered except by an amendment to this declaration which contains the consent of all owners affected. The common interest and appurtenant easements shall not be separated from the apartment to which they appertain and shall be deemed to be conveyed or encumbered with that apartment even though such interest or easements are not expressly mentioned in the conveyance or other instrument. The common elements shall remain undivided and the right to partition or divide any part of the common elements shall not exist.

COMMON ELEMENTS AND LIMITED COMMON ELEMENTS:

The common elements and limited common elements of the condominium are defined in the body of the declaration. The common elements include all land, structures and elements of the condominium which are not included within or are not part of any unit.

Certain parts of the common elements, referred to as the "limited common elements", are hereby designated and set aside for the exclusive use of certain apartments, and such apartments shall have appurtenant, exclusive easements for the use of such limited common elements. The limited common elements are shown on the Condominium File Plan and are described as follows:

- (a) All portions of the building (the "Four Unit Building") containing Units 1 through 4 which are not contained within the boundaries of any unit are a limited common element appurtenant only to said Units 1 through 4. All portions of the building (the "Six Unit Building") containing Units 101, 102 and Units 201 through 204 which are not contained within the boundaries of said units shall be a limited common element appurtenant only to those Units 101, 102 and 201 through 204.

Units 1 through 4 as a group will have full control of and management responsibility for the Four Unit Building, and all common expenses properly and reasonably attributable to said limited common elements shall be allocated to and paid by said Units 1 through 4 in proportion to the ratio which the common interest appurtenant to each such unit bears to the total common interests appurtenant to all said Units 1 through 4 as a group. Unit 101, 102 and 201 through 204 will have full control of and management of the Six Unit Building and all common expenses properly and reasonably attributable to said limited common elements shall be allocated to and paid by said Units 101, 102 and 201 through 204 in proportion to the ratio appurtenant to each unit bears to the total common interests appurtenant to all said Units 101, 102 and 201 through 204 as a group.

(b) Any underground septic or sewage disposal system or any water, electrical or other system which serves one or more Units but less than all Units shall be a limited common element appurtenant to those Units which said system serves. All expenses property and reasonably attributable to said system shall be allocated to and paid by the Units served by said system in proportion to the ratio which the common interest appurtenant to each such Unit bears to the total common interests appurtenant to all Units served by said system.

PARKING:

Parking spaces are not specifically assigned. The general driveway and parking areas are subject to the reasonable regulation of the Association, through the Board of Directors.

COMPLIANCE AND VARIANCES:

The Declarant hereby represents that the (a) project is in compliance with all ordinances, codes, rules, regulations and other requirements in force at the time of its construction and (b) no variance has been granted from any ordinance, code, rule, regulation, or other requirements in force at the time of its construction or from any current ordinance, code, rule, regulation or other requirement, except for a single variance with respect to the location of a portion of the Six Unit Building within a set-back area, granted by Hawaii County Planning Commission on September 14, 1978.

## EXHIBIT C

### Encumbrances Against Title

1. Title to all minerals and metallic mines reserved to the State of Hawaii.
2. An easement as disclosed by an instrument dated May 17, 1973, recorded May 24, 1973, in the Bureau of Conveyances, State of Hawaii, in Book 9167, Page 2.
3. An easement for pole line (10 feet wide) in favor of Hawaii Electric Light Company, Inc., dated March 5, 1985, recorded May 28, 1985, in the Bureau of Conveyances, State of Hawaii, in Book 18667, Page 21.
4. Mortgage dated March 22, 1993, recorded April 21, 1993, in the Bureau of Conveyances, State of Hawaii, as Document No. 93-062752, to secure the repayment of \$1,425,000.00 and UCC-1 Financing Statement recorded as Document No. 93-062753:  
  
Mortgagor: Lono Kona Partnership, a Hawaii general partnership  
Mortgagee: City Bank, a Hawaii corporation
5. Declaration of Condominium Property Regime, dated December 28, 1998, recorded as Document No. 99-063678.
6. Condominium Bylaws dated December 28, 1998, recorded as Document No. 99-063679.
7. Condominium File Plan No. 2891.

EXHIBIT "D" - WAREHOUSE UNITS 1-4  
 ESTIMATE OF INITIAL MAINTENANCE FEES  
 AND  
 ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

ESTIMATE OF INITIAL MAINTENANCE FEES:

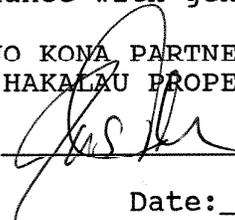
<u>Sq. Ft.</u>	<u>Unit No.</u>	<u>%</u>	<u>Monthly fee</u>	<u>x 12 months =</u>	<u>Yearly Total</u>
977.60	1	17.9492	\$ 134.95		\$ 1,619.40
1980.00	2	36.3536	273.33		3,279.96
1980.00	3	36.3536	273.33		3,279.96
508.90	4	9.3436	70.25		843.00
<hr/>		<hr/>	<hr/>		<hr/>
5446.50		100.0000	\$ 751.86		\$ 9,022.32

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 - Bldg:

	<u>Monthly</u> x 12 months =	<u>Yearly Total</u>
Utilities and Services		
Air Conditioning		
Electricity		
( ) common elements only		
( ) common elements and apartments		
Elevator		
Gas		
Refuse Collections		
Telephone		
Water	13.36	160.32
Maintenance, Repairs & supplies		
Building	71.55	858.60
Grounds	20.00	240.00
Termite Inspection		
Management		
Accounting & Legal	28.93	347.16
Management Fee	104.34	1,252.08
Payroll & Payroll Taxes		
Office Expense-Miscellaneous		
Insurance	146.15	1,753.80
Reserves (*)	200.00	2,400.00
Taxes & Government Assessments		
Audit Fees	76.51	918.12
Other - Parking License fee	<u>91.02</u>	<u>1,092.24</u>
TOTAL	751.86	9,022.32

I, Lono Kona Partnership as the developer, for the condominium project Kalanikoa Plaza, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

LONO KONA PARTNERSHIP  
by HAKALAU PROPERTIES, LLC  
by  it's member

Date: 12/27/98

(\*) Mandatory reserves in effect January 1, 1993

EXHIBIT "D" - BLDG. UNITS 101, 102 AND 201-204

ESTIMATE OF INITIAL MAINTENANCE FEES  
AND  
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

ESTIMATE OF INITIAL MAINTENANCE FEES:

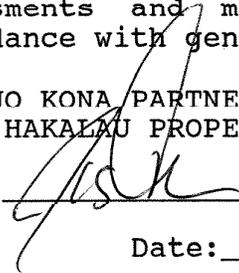
<u>Sq. Ft.</u>	<u>Unit No.</u>	<u>%</u>	<u>Monthly fee</u> x 12 months =	<u>Yearly Total</u>
2297.40	101	30.2138	\$ 597.25	\$ 7,167.00
1514.10	102	19.9124	393.62	4,723.44
1068.40	201	14.0509	277.75	3,333.00
809.70	202	10.6486	210.50	2,526.00
973.40	203	12.8015	253.05	3,036.60
<u>940.80</u>	204	<u>12.3728</u>	<u>244.57</u>	<u>2,934.84</u>
7603.80		100.0000	\$1,976.74	\$ 23,720.88

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 - Bldg:

	<u>Monthly</u> x 12 months =	<u>Yearly Total</u>
Utilities and Services		
Air Conditioning		
Electricity		
(X) common elements only	87.66	1,051.92
( ) common elements and apartments		
Elevator		
Gas		
Refuse Collections		
Telephone		
Water	561.94	6,743.28
Maintenance, Repairs & supplies		
Building	278.76	3,345.12
Grounds	50.00	600.00
Termite Inspection		
Management		
Accounting & Legal	40.40	484.80
Management Fee	145.66	1,747.92
Payroll & Payroll Taxes		
Office Expense-Miscellaneous		
Insurance	230.31	2,763.72
Reserves (*)	348.09	4,177.08
Taxes & Government Assessments		
Audit Fees	106.83	1,281.96
Other - Parking License fee	<u>127.09</u>	<u>1,525.08</u>
TOTAL	1,976.74	23,720.88

I, Lono Kona Partnership as the developer, for the condominium project Kalanikoa Plaza, hereby ceretify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

LONO KONA PARTNERSHIP  
by HAKALAU PROPERTIES, LLC  
by  it's member

Date: 12/27/98

(\*) Mandatory reserves in effect January 1, 1993

NOTICE RE: RESERVES

The Developer, in arriving at the figure for "Reserves" on the attached schedule, has not conducted a reserve study in accordance with Hawaii Revised Statutes, § 514A-83:6 and the replacement reserve rules of Hawaii Administrative Rules, Subchapter 6, Title 16, Chapter 107. In the first fiscal year beginning after the Association's first annual meeting, a reserve study will be conducted and the reserve figures in the Association's budget will be adjusted, if necessary, to meet the mandatory reserve funding requirements under said rules.

EXHIBIT E

SUMMARY OF DEPOSIT RECEIPT AND SALES CONTRACT

The Deposit Receipt and Sales Contract contains the price and other terms and conditions under which a purchaser will agree to buy an apartment in the Project. Among other things, the Deposit Receipt and Sales Contract states:

(a) The total purchase price, method of payment and additional sums which must be paid in connection with the purchase of an apartment.

(b) That the purchaser acknowledges having received and read a public report (either preliminary or final) for the Project prior to signing the Deposit Receipt and Sales Contract.

(c) That the Developer makes no representations concerning rental of an apartment, income or profit from an apartment, or any other economic benefit to be derived from the purchase of an apartment.

(d) That the purchaser's money will be held in escrow, under the terms of the Escrow Agreement.

(e) Requirements relating to the purchaser's financing of the purchase of an apartment.

(f) That the apartment and the Project will be subject to various other legal documents which the purchaser should examine, and that the Developer may change these documents under certain circumstances.

(g) That the Developer makes no warranties regarding the apartment, the Project or anything installed or contained in the apartment or the Project.

(h) That the Project may be subject to ongoing sales activities which may result in certain annoyances to the purchaser.

(i) That the purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

(j) That certain expenses be allocated at closing, as follows:

(i) Buyer will pay all closing costs including costs of preparing the deed, escrow's fee, notary and recording fees, conveyance taxes, title search and title insurance, in addition to any cost of Buyer's financing to be charged to Buyer by the lender.

(ii) In addition, Buyer will pay to the condominium association a start-up fee equal to 2 months' estimated common expense assessments at closing.

(iii) Real property taxes will be prorated between Buyer and Seller at closing.

(k) That if Buyer defaults and Buyer fails to cure the default within 10 days after notice of default, Seller may terminate the purchase agreement. In that event, Seller shall be entitled to retain Buyer's deposit as liquidated damages (but not more than 20% of the total purchase price). In the event legal action is required, Buyer will pay Seller's collection costs, including attorney's fees. All late payments carry a late charge of 1% per month.

(l) That if a Buyer dies prior to closing, or if Buyer is a corporation, partnership or other business entity, the entity dissolves prior to closing, the Seller has the right to cancel the purchase agreement and to return Buyer's deposits without interest (less escrow cancellation fees and any other out-of-pocket costs of Seller, escrow or lender).

(m) That Buyer may not assign the purchase contract without the prior written consent of Seller.

(n) That any interest earned from Buyer's deposit will be the property of Seller.

The Deposit Receipt and Sales Contract contains various other important provisions relating to the purchase of an apartment in the Project. It is incumbent upon purchasers and prospective purchasers to read with care the specimen Deposit Receipt and Sales Contract on file with the Real Estate Commission.

EXHIBIT "E"  
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EXHIBIT "F"

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement sets up an arrangement under which the deposits a purchaser makes pursuant to a Sales Contract 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 Sales Contract, including (i) upon Buyer's exercise of his right to cancel within 30 days of receiving the Final Public Report of the condominium; (ii) if a Buyer dies prior to closing or if a corporation, partnership or other entity (which is the Buyer) is dissolved prior to closing, the election to Seller to cancel the purchase contract and return the Buyer's deposits (less certain out-of-pocket costs); or (iii) if Seller should fail to convey the apartment to Buyer or otherwise breach its obligations under the sales contract.

(d) Escrow may disburse Buyer's funds to Seller before closing, but only after Buyer has received a Final Public Report in accordance with law, a notice of Buyer's 30 day rescission rights has been provided to Buyer and either the 30 days has expired or Buyer has waived the rescission right, and upon Seller providing Escrow with notice that neither Buyer nor Seller have any further right to cancel the purchase agreement.

(e) If Buyer defaults, Seller has the right to instruct Escrow to disburse Buyer's deposits to Seller, minus Escrow's cancellation fee, as liquidated damages for Buyer's default. If Buyer and Seller disagree as to whether a default occurred, or disputes Seller's right to receive the deposit from Escrow, Escrow has the right to require the matter be decided by a court.

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 Sales Contract. 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.

EXHIBIT "F"