

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer KEN KJER  
Address 83-1018 Kamuku Place, Captain Cook, HI 96704

Project Name(\*): HALE O HOLUALOA  
Address Lot 71-A, Holualoa, North Kona, Hawaii

Registration No. 4328 Effective date: February 4, 2000  
Expiration date: March 4, 2001

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

       **PRELIMINARY:** The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.  
(yellow)

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

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

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

(\*) Exactly as named in the Declaration

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

**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 Commission.

Changes made are as follows:

**SPECIAL ATTENTION**

This is a CONDOMINIUM PROJECT, **not** a subdivision. The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and does **not** represent a legally subdivided lot. The dotted lines and metes and bounds descriptions 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 the property lines of legally subdivided lots.

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

Note: Developer has filed with the Notice of Intention, proposed condominium map and plot plan and draft Public Report with the County Planning Department. To date, no response has been received.

In the event the County objects to certain aspects of the project which the Commission deems material, Developer will file a Supplementary Public Report addressing such concerns.

Prospective purchasers are advised that as of the effective date of this report, no additional comments have been received from the Hawaii County Planning Department. If and when such additional comments are received which are contrary or in addition to the information contained herein, a copy shall be provided to each purchaser or prospective purchaser. If the information represents material facts not already disclosed in this public report, the Commission may require the Developer to prepare a Supplementary public report.

**THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS FOR FURTHER INFORMATION WITH REGARDS 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: Ken Kier Phone: (808) 322-3101  
Name (Business)  
78-6831 Alii Drive, #109  
Business Address  
Kailua-Kona, Hawaii 96740

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

NONE  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Real Estate  
Broker: Clark Realty Corporation Phone: (808) 322-3101  
Name (Business)  
78-6831 Alii Drive, #109  
Business Address  
Kailua-Kona, Hawaii 96740

Escrow: Title Guaranty Escrow Services, Inc. Phone: (808) 329-6666  
Name (Business)  
P. O. Box 1837  
Business Address  
Kailua-Kona, Hawaii 96745

General  
Contractor: \_\_\_\_\_ Phone: \_\_\_\_\_  
Name (Business)  
\_\_\_\_\_  
Business Address  
\_\_\_\_\_

Condominium  
Managing  
Agent: Project will be self-managed by the Phone: \_\_\_\_\_  
Name (Business)  
Association of Apartment Owners  
Business Address  
\_\_\_\_\_

Attorney for  
Developer: S. V. (Bud) Quitiquit Phone: (808) 326-7300  
Name (Business)  
75-1000 Henry Street, Suite 208  
Business Address  
Kailua-Kona, Hawaii 96740

**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. 99-198424  
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 the condominium project is:

- Proposed  
 Recorded - Bureau of Conveyances Condo Map No. 3010  
 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. 99-198425  
Book \_\_\_\_\_ Page \_\_\_\_\_  
 Filed - Land Court Document No. \_\_\_\_\_

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]:

D. **House Rules.** The Board of Directors may adopt House Rules to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the developer.

The House Rules for this condominium are:

Proposed       Adopted       Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. Apartment Owners: Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	_____75%_____
Bylaws	65%	_____65%_____
House Rules	----	_____N/A_____

\*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:

During the sales period, the Developer has reserved the right to make any changes to the project documents and the project as may be required by law, any title insurance company, and institutional lender or any governmental agency; and, prior to the conveyance or transfer of the first unit, for any reason and in any manner as the developer deems necessary, provided that no such change shall substantially alter or reduce the usable space or value of any unit or the unit's limited common elements, render unenforceable the Buyer's mortgage loan commitment, increase the Buyer's share of common expenses, increase the purchase price or reduce the obligations of the Developer for common expenses or unsold units.



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 purposes 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: Lot 71-A, Holualoa, North Kona Tax Map Key (TMK): (3) 7-6-003:004  
Hawaii

Address  TMK is expected to change because County of Hawaii will assign street  
addresses upon inspection of project building and approval of street name

Land Area: 1.52  square feet  acre(s) Zoning: A 1-a

Fee Owner: Ken Kjer  
 Name  
83-1018 Kamuku Place  
 Address  
Captain Cook, Hawaii 96704

Sublessor: N/A  
 Name  
 \_\_\_\_\_  
 Address  
 \_\_\_\_\_

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 2 Floors Per Building Unit 1-1 floor; Unit 2-1 floor

Exhibit A contains further explanations.

3. **Principal Construction Material:**

Concrete  Hollow Tile  Wood

Other Prefabricated Plastic

4. **Permitted Uses by Zoning:**

	No. of <u>Apts.</u>	Use Permitted <u>By Zoning</u>		No. of <u>Apts.</u>	Use Determined <u>By Zoning</u>
<input type="checkbox"/> Residential	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Agricultural	_____	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Other: <u>Storage Shed</u>	<u>2</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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

Yes  No

5. Special Use Restrictions:

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

Pets: No swine are allowed on the project; pets must be confined.

Number of Occupants: \_\_\_\_\_

Other: Only uses allowed by Hawaii County Code and State Land Use laws

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>Unit 1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>12.5</u>	<u>Storage Shed</u>
<u>Unit 2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>12.5</u>	<u>Storage Shed</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total 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:

Each Apartment shall be deemed to include the perimeter walls and any doors, windows, floors, roofs, concrete footings, garages or other improvements now existing or hereafter constructed on or within the appurtenant Yards.

Permitted Alterations to Apartments:

Each Apartment Owner shall have the right at his sole option at any time and from time to time, as hereinafter set forth, without the consent and/or approval of the Owner of the other Apartment or any other persons or entity, to improve, renovate, remodel, make additions to, enlarge, remove, replace, alter or restore the improvements to or in his Apartment, or portions thereof, or upon the Yard and limited common elements appurtenant to his Apartment.

7. Parking Stalls:

Total Parking Stalls: 2

	<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	___	___	___	___	___	___	___
Extra for Purchase	___	___	___	___	___	___	___
Other:	___	<u>2</u>	___	___	___	___	<u>2*</u>
Total Covered & Open	<u>2</u>		<u>0</u>		<u>0</u>		<u>2</u>

\*Units 1 & 2 have ample area within their limited common elements for parking purposes

Each residential apartment will have the exclusive use of at least 1 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
- Other: \_\_\_\_\_

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

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

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

Not Applicable

11. Conformance to Present Zoning Code

- a.  No variances to zoning code have been granted.  
 Variance(s) to zoning code was/were granted as follows:

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

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

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u>  X  </u>	<u>          </u>	<u>          </u>
Structures	<u>  X  </u>	<u>          </u>	<u>          </u>
Lot	<u>  X  </u>	<u>          </u>	<u>          </u>

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

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

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

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

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

- described in Exhibit B.  
 as follows:

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

There are no limited common elements in this project.

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

described in Exhibit 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 \_\_\_\_\_.

as follows:

Unit A - 50%

Unit B - 50%

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

Exhibit C describes the encumbrances against the title contained in the title report dated December 27, 1999 and issued by Title Guaranty of Hawaii, Inc.

**Blanket Liens:**

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

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed <b>Prior to Conveyance</b></u>
Mortgage	The buyer's interest will be canceled and the buyer's deposit will be returned with any interest earned while in escrow, less escrow cancellation fee.

**F. Construction Warranties:**

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

1. Building and Other Improvements:

Developer makes no express warranties. DEVELOPER DISCLAIMS ANY IMPLIED WARRANTY OF HABITABILITY, ANY IMPLIED WARRANTY OF MERCHANTABILITY, ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR USE, ANY IMPLIED WARRANTY OF WORKMANSHIP AND ANY OTHER EXPRESS OR ANY IMPLIED WARRANTIES WITH RESPECT TO THE APARTMENTS, THE COMMON ELEMENTS OR THE PROJECT.

Developer disclaims any and all responsibility or liability for any water infiltration, any malfunction, any construction or design defect, or any other problems which a buyer may encounter with respect to the apartments or the project.

2. Appliances:

None.

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

Storage Shed UNIT 1 - Completed 1999

Storage Shed UNIT 2 - Completed 1999

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):

None.

**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, your apartment may be liened and sold through a foreclosure proceeding.

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

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

C. **Utility Charges for Apartments:**

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

None  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 November 9, 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 given 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 NONE

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, as amended) 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. 4328 filed with the Real Estate Commission on 12/30/1999.

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

The land underlying the project is classified and zoned "Agricultural". County ordinance and the Hawaii Land Use laws allows only the construction of farm dwellings on such lands. A farm dwelling is a single family dwelling that is located on or used in connection with a farm or if the agricultural activity provides income to the family occupying the dwelling. More than one farm dwelling may be allowed on a parcel of land if (a) a farm dwelling agreement is executed for each additional farm dwelling which requires that the dwelling be used for farm-related purposes and (b) the applicant for the permit submits an agricultural development and use program, farm program or other evidence of the applicant's continual agricultural productivity or farming operations in the County of Hawaii and such plan shows how the farm dwelling will be utilized for farm related purposes.

Buyers are advised that the developer makes no representations or warranties with respect to (i) the improvements that are or will be allowed on the real property, (ii) the uses that are allowed or required for real property located in an "Agricultural" land use classification or (iii) the restrictions, requirements or conditions that may be imposed by any governmental entity with respect to the proposed uses of the real property and/or the apartments or the proposed construction of improvements thereon or therein. Prospective buyers are advised to verify the legality of and the requirements for the buyer's intended use of the apartment and the land with the County of Hawaii.

Pursuant to Sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that Developer Ken Kjer, RB-16747, is a current and active Hawaii-licensed real estate broker. Further, Ken Kjer is the Broker-in-Charge of Clark Realty Corporation, Keauhou-Kona Office, the project broker. Pursuant to Section 16-99-11(c), HAR, "(no) licensee shall be allowed to advertise 'For Sale by Owner', 'For Rent by Owner', 'For Lease by Owner' or 'For Exchange by Owner'".

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 Witness

\_\_\_\_\_  
Signature of Applicant

Mailboxes. Mailboxes have not been provided for the units, as there is no mail delivery to this area. People in this area customarily maintain a post office box at the local post office.

**Additional Information Not Covered Above continued**

There are two storage sheds depicted on the Condominium Map. These sheds were constructed without building permits from the County of Hawaii because sheds of this size and dimension do not require building permits from the County. Normally, an owner who builds a structure on his property can be exempt from the requirements of Hawaii Revised Statutes 444-1 et seq. if certain things are done in connection with the County's issuance of a building permit. Since the County of Hawaii does not require a building permit for storage sheds of the type in question, however, Chapter 444 does not appear to apply in this situation.

The Condominium Map was recorded without a certificate from a registered architect or professional engineer stating that the map consists of copies of portions of the plans filed with and approved by the County officer having jurisdiction over the issuance of permits for construction of buildings. This occurred because no building permits were required for construction of the storage sheds and, therefore, no plans had to be submitted. The Developer has promised to file the required "as built" certificate.

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.

KEN KJER

Printed Name of Developer

By:  \_\_\_\_\_  
Duly Authorized Signatory

November 22, 1999  
Date

Ken Kjer, Developer

Print Name & Title of Person Signing Above

Distribution:

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

**HALE O HOLUALOA CONDOMINIUM**  
**EXHIBIT "A"**

**DESCRIPTION OF BUILDINGS AND APARTMENTS**

1. **Description of the Buildings:** The Project is shown on the Condominium Map and consists of two (2) separate storage sheds, and appurtenant improvements, Unit 1 consisting of a one (1) story storage shed constructed of prefabricated plastic, and Unit 2 consisting of a one (1) story storage shed constructed of prefabricated plastic. If the descriptions and divisions set forth in this Declaration conflict with the depictions and divisions shown on the Condominium Map, the latter shall control. The Condominium Map is intended only to show the layout, location, Apartment numbers, dimensions and elevations of the Apartments and is not intended and shall not be deemed to contain or make any other representation or warranty.

2. **Description of the Apartments:** Each of the two (2) Apartments shown on the Condominium Map, together with the perimeter walls and any doors, windows, floors, roofs, concrete footings, garages or other improvements now existing or hereafter constructed on or within the appurtenant Yards, are hereby designated as the Apartments of the Project, and are shown on the Condominium Map and described as follows:

a. **Apartment Numbers and Locations.** The Apartment numbers and the location of Apartments are shown on the Condominium Map.

b. **Layout and Area.** The various Apartments and their respective areas are more particularly described as follows:

(i) **Unit 1:** "Unit 1" consists of the following: (1) a separate of prefabricated plastic storage shed structure of approximately 12.5 square feet; and (2) any and all other future improvements which may be constructed on the Yard appurtenant to said Apartment by the Owner thereof. Specifically, in addition to said shed structure, the Owner is permitted to build other improvements as allowed by applicable law, provided that said improvements comply with the provisions of this Declaration and all applicable buildings codes and zoning ordinances. In the event any improvements are constructed for use as a dwelling, then the Apartment Owner shall construct, as a part of the Apartment, at least one parking stall for use by residents of the Apartment. The right to secure the building permit(s) for and construct said improvements vests solely with the Owner of the Apartment, and the costs and expenses of any such future construction shall be borne solely by such Owner.

(ii) **Unit 2:** "Unit 2" consists of the following: (1) a separate of prefabricated plastic storage shed structure of approximately 12.5 square feet; and (2) any and all other future improvements which may be constructed on the Yard appurtenant to said Apartment by the Owner thereof. Specifically, in addition to said shed structure, the Owner is permitted to build other improvements as allowed by applicable law, provided that said improvements comply with the provisions of this Declaration and all applicable buildings codes and zoning ordinances. In the event any improvements are constructed for use as a dwelling, then the Apartment Owner shall construct, as a part of the Apartment, at least one parking stall for use by residents of the Apartment. The right

to secure the building permit(s) for and construct said improvements vests solely with the Owner of the Apartment, and the costs and expenses of any such future construction shall be borne solely by such Owner.

The foregoing approximate total square footage of the enclosed portions of the Apartments are computed from and to the interior surfaces of the Apartment perimeter walls.

**END OF EXHIBIT "A"**

# HALE O HOLUALOA CONDOMINIUM

## EXHIBIT "B"

### COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

1. **Common Elements:** One freehold estate is hereby designated in all remaining portions of the Project, herein called the "Common Elements", including specifically, but not limited to:

- a. The Land in fee simple.
- b. All Yards, grounds and landscaping, if any, whether within or appurtenant to the Project.
- c. All ducts, sewer lines, cesspools, electrical equipment, wiring, pipes and other appurtenant transmission facilities over, under and across the Project which are outside of the Apartment and which serve more than one Apartment for services such as power, light, water, gas, sewer, refuse, telephone and radio and television signal distribution.
- d. Any driveway(s) or utility facilities, equipment and installations shown on the Condominium Map for ingress and egress and utility purposes for use by both of the Apartments over and across the "Common Area" more particularly described in Exhibit "2" attached to the Declaration.
- e. Any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance and safety, or normally in common use.

2. **Limited Common Elements:** Certain parts of the Common Elements, herein called the "Limited Common Elements", are hereby designated, set aside and reserved for the exclusive use of certain Apartments, and such Apartments shall have appurtenant thereto exclusive easements for the use of such Limited Common Elements as set forth hereinbelow and in the Declaration. The costs and expenses of every description pertaining to the Limited Common Elements, including but not limited to the costs of maintenance, repair, replacement, improvement or additions to the Limited Common Elements, shall be charged to the Owner of the Apartment to which the Limited Common Element is appurtenant, and if there is more than one Apartment to which the Limited Common Element is appurtenant, then in proportion to the Common Interest appurtenant to each of the respective Apartments except as otherwise provided in the Declaration.

a. Unit 1 shall have Yard 1 as shown on the Condominium Map appurtenant to it as a Limited Common Element. Unit 2 shall have Yard 2 as shown on the Condominium Map appurtenant to it as a Limited Common Element. The boundaries of the Yards appurtenant to each Apartment are more particularly described in Exhibit "1" attached to the Declaration. *The Yards **do***

*not* represent County of Hawaii approved subdivided lots. Such boundary descriptions serve only to delineate the boundaries of the Limited Common Element Yards appurtenant to each Apartment.

b. Each Unit shall have its cesspool, or other sewage treatment facility located in its respective Limited Common Element adjacent to the Unit, which cesspool shall be deemed to be a Limited Common Element.

c. All Common Elements of the Project which are rationally related to less than all of the Apartments shall be Limited Common Elements appurtenant to the Apartment(s) to which they are so related.

**END OF EXHIBIT "B"**

**EXHIBIT "C"**

**ENCUMBRANCES AGAINST TITLE**

1. Real Property Taxes, due and payable, refer to Director of Finance, County of Hawaii
2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Encroachment(s) as shown on the survey map prepared by Chrystal Thomas Yamasaki, L.P.L.S., Land Surveyor, with Wes Thomas Associates, dated April 19, 1999.

4. MORTGAGE

MORTGAGOR : KEN KJER, unmarried

MORTGAGEE : LEONARD STEVEN GONSALVES, husband of Anita Dew Gonsalves, and LEONA GONSALVES COMBS, unmarried, as Tenants in Common

DATED : September 9, 1999

RECORDED : Document No. 99-146879

AMOUNT : \$40,000.00

5. 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 HALE O HOLUALOA CONDOMINIUM PROJECT

DATED : November 22, 1999

RECORDED : Document No. 99-198424

MAP : 3010 and any amendments thereto

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

INSTRUMENT : BYLAWS OF THE ASSOCIATION OF APARTMENT OWNERS

DATED : November 22, 1999

RECORDED : Document No. 99-198425

7. Any unrecorded leases and matters arising from or affecting the same.

**END OF EXHIBIT "C"**

# HALE O HOLUALOA CONDOMINIUM

## EXHIBIT "D"

### ESTIMATE OF INITIAL MAINTENANCE FEES AND DISBURSEMENTS

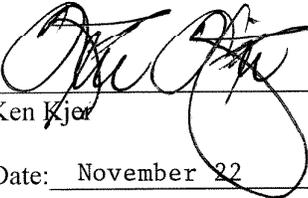
The regular maintenance and repair of each apartment and the limited common elements appurtenant to each apartment is the sole responsibility of each respective apartment owner. There are presently no common elements which will require maintenance and repair by the Association. In the future, any utility facilities and/or driveway which serve more than one apartment will be the only common elements of the Project to require maintenance and repair by the Association. The driveway and utility facilities that serve more than one apartment are not expected to require maintenance or repair on a regular basis. The payment for all utility services to each apartment is the sole responsibility of the apartment owner. As a result, Developer anticipates that there will be no annual assessments for maintenance fees. Instead, assessments for maintenance and repair of the common elements will be made as needed and assessments for utilities will be made directly to the apartment by the utility provider for payment by the apartment owner.

Section 514A-86, HRS, requires fire insurance to be purchased by the Association to cover the improvements of the Project. Pursuant to Paragraph K of the Declaration and Article VII of the Bylaws, the Association will purchase such insurance for the common elements once such common elements are constructed. Pursuant to the Declaration and the Bylaws, the Association will require the individual apartment owners to obtain separate insurance policies for their respective apartments and the appurtenant limited common elements (once constructed), the premiums for which will be the sole responsibility of and be paid by each respective apartment owner.

There is no non-exempt Association property requiring the establishment of any replacement reserves pursuant to HRS § 514A-83.6 or Subchapter 6 of Chapter 16-107 of the Hawaii Administrative Rules.

Note: Developer discloses that no reserve study was done in accordance with Chapter 514A-83.6, HRS, and replacement reserve rules, Subchapter 8, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

I, Ken Kjer, Developer, hereby certify that the above estimate of initial maintenance fees and disbursements are true and accurate to the best of my knowledge.

  
\_\_\_\_\_  
Ken Kjer  
Date: November 22, 1999

**END OF EXHIBIT "D"**

# HALE O HOLUALOA CONDOMINIUM

## EXHIBIT "E"

### SUMMARY OF SALES CONTRACT

The unexecuted Sales Contract filed with the Commission, provides for, among other things, a description of the apartment to be sold, the purchase price, the time, manner and place of payment, the buyer's obligations regarding mortgage financing, Developer's warranties and disclaimers regarding the construction, fixtures and appliances, and the remedies of Developer and of buyer in the event of a default under the Contract.

Among other provisions, the specimen Sales Contract and the provisions of Chapter 514A, Hawaii Revised Statutes, provide:

1. That the Sales Contract is not binding upon the buyer unless:

(a) a true copy of the Final Public Report (with all then issued Supplementary Public Reports, if any) is delivered to the buyer and the buyer has an opportunity to read the report(s) and executes and gives the Developer a receipt/notice for the report(s) waiving buyer's right to cancel; **provided** that if buyer does not execute and return the receipt/notice within thirty (30) days from the date of delivery of the report(s) and receipt/notice, or if buyer's Apartment is conveyed to buyer prior to the expiration of said thirty (30) day period, then buyer shall be deemed to have receipted for the report(s) and waived his right to cancel; and

(b) if there is a material change affecting:

(i) the buyer's Apartment or appurtenant limited common elements;

or

(ii) the amenities of the Project available for buyer's use;

the buyer executes and returns to Developer a written approval or acceptance of the material change; **provided** that if the buyer does not execute and return a written approval or acceptance of the material change within thirty (30) days of delivery of a disclosure document describing the material change, or if buyer's Apartment is conveyed to the buyer prior to the expiration of the thirty (30) day period, then the buyer shall be deemed to have accepted and approved the material change.

Until the Sales Contract becomes binding and effective as described above, and in accordance with Chapter 514-A, Hawaii Revised Statutes, the Sales Contract may be unconditionally canceled at any time by either the Developer or the buyer. Upon such cancellation by Developer, Developer shall direct Escrow Agent to refund to buyer, without interest earned, all deposits paid by buyer; upon cancellation by buyer, Developer shall direct Escrow Agent to refund to buyer, without interest earned, a full refund of all deposits paid, less any escrow cancellation fee and other costs associated with the purchase of buyer's Apartment, up to a maximum of \$250.00.

2. In the event buyer fails to pay the balance of the purchase price or complete the purchase as provided in the Sales Contract, Developer may (a) bring an action for damages for breach of contract, (b) retain the initial deposit and all additional deposits provided for in the Sales Contract, as liquidated damages and (c) buyer shall be responsible for any costs incurred in accordance with the Sales Contract.

3. Developer has made no representations and has not authorized any representations to be made by any sales agent concerning any services or arrangements relating to the rental or sale or management of the buyer's Apartment.

4. The Sales Contract is subject to the provisions of the Declaration of Condominium Property Regime, By-laws, and other condominium documents.

5. The sale of the Apartment to the buyer is exempt from the disclosure requirements of Chapter 508D, Hawaii Revised Statutes, pursuant to HRS §508D-3(8).

**It is incumbent on the buyer that he read the full text of the Sales Contract.**

**END OF EXHIBIT "E"**

# HALE O HOLUALOA CONDOMINIUM

## EXHIBIT "F"

### SUMMARY OF CONDOMINIUM ESCROW AGREEMENT

A copy of the executed Condominium Escrow Agreement dated November 9, 1999, between Title Guaranty Escrow Services, Inc., as Escrow Agent, and Developer has been filed with the Commission.

The Escrow Agreement provides for the deposit of buyer's funds pursuant to the Sales Contract and also provides for the retention or disbursement of the funds. The Escrow Agent will refund the buyer's deposits if (i) the Developer and buyer mutually agree to such refund or (ii) the Developer or buyer exercise any right to cancel or rescind the Sales Contract as provided in the Sales Contract and/or Chapter 514A, Hawaii Revised Statutes, as amended. In the event that the Sales Contract and/or Chapter 514A, Hawaii Revised Statutes entitle a buyer to cancel or rescind the Sales Contract and to receive a refund of the buyer's deposits held by the Escrow Agent, then the Escrow Agent, upon a request therefor by the buyer, will refund the buyer's deposits, without interest earned and less certain cancellation fees and costs (e.g., escrow cancellation fees, loan processing fees, cost of credit reports, etc.) as provided in the Sales Contract and Chapter 514A, Hawaii Revised Statutes, as amended.

The Escrow Agreement further provides that the Escrow Agent will disburse the buyer's funds held by it to the Developer upon the closing of the buyer's purchase of the apartment only if the buyer has received the final public report for the project and the Developer has complied with the requirements of Sections 514A-62, 514A-63 and 521-38, Hawaii Revised Statutes, as amended.

The Escrow Agreement further provides that any interest earned on money on deposit may be retained by the Developer unless the Sales Contract directs otherwise.

Except as otherwise provided in the Sales Contract and/or Chapter 514A, Hawaii Revised Statutes, as amended, upon the default of the buyer under the Sales Contract, the Escrow Agent shall deem the buyer's funds held by it as the funds of the Developer and, to the extent provided for in the Sales Contract, deliver such funds to the Developer.

By law the total amount of such cancellation fees shall not exceed Two Hundred Fifty and No/100 Dollars (\$250.00). Under the Escrow Agreement, no disbursement of funds can be made to the Developer until the Sales Contract becomes effective under the provisions of Chapter 514A, Hawaii Revised Statutes.

**It is incumbent upon a prospective buyer to read the executed Escrow Agreement with care.**

**END OF EXHIBIT "F"**