CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer: **ALBERT LOUIS POLICE and TIARE HOKUILI POLICE**

Address: 73-1081 Ahikawa Street, Kailua-Kona, Hawaii 96740
Project Name (*): "KALAOA MOUNTAIN HALE"
Project Address: 73-1081 Ahikawa Street, Kailua-Kona, Hawaii 96740--Tax Map Key (3) 7-3-023-037
Registration No. 4470 (conversion) Effective date: October 5, 2000
Expiration date: November 5, 2001

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes. 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 a unit 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 a unit 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 unit condominium project shall have no expiration date.

Type of Report:

_____ **PRELIMINARY:** (yellow) 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.

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

_____ **SUPPLEMENTARY:** (pink) This report updates information contained in the:
[ ] 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
FORM: RECO-30 286/986/189/1190/892/0197

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

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[ ] Required and attached to this report [X] 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.

[X] No prior reports have been issued by the developer.

[ ] Changes made are as follows:

SPECIAL ATTENTION

This is a CONDOMINIUM PROJECT, not a subdivision. There are County and State restrictions on the number of residential dwelling units, or other structures, which may be built on the property. Therefore, unless the Purchaser is buying an existing residential dwelling, THERE IS NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO BUILD A RESIDENTIAL DWELLING UNIT ON THE PROPERTY. THERE IS ALSO NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO CONVERT AN EXISTING NON-RESIDENTIAL STRUCTURE TO A RESIDENTIAL USE. The Purchaser should consult with the appropriate County and State agencies to determine whether the Purchaser may build a residential dwelling unit, or other type of structure, on the property.

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 warrant that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.

2. The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and is not a legally subdivided lot. The lines on the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

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 (unit owner/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 units often require that at the end of the lease term, the lessee deliver to the lessor the unit, including any improvements placed in the unit by the lessee.

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

"Common elements" are the areas of the condominium project other than the individual units. They are owned jointly by all unit 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 unit.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of the owners of certain units. 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 unit. Condominium units may be individually bought, sold, rented, mortgaged, or encumbered, and they may be disposed of by will, gift, or operation of law.

Your unit will, however, be part of the group of units 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 units and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

The Association of Unit Owners is the entity through which unit owners may take action with regard to the administration, management, and operation of the condominium project. Each unit 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 a unit owner. The Board of Directors and officers can take certain actions without a 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 unit owners.

Until there is sufficient number of purchasers of units 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 unit owners that the transition of control from the developer to the unit owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: ALBERT LOUIS POLICE and TIARE HOKUILI POLICE

Name (Business)
73-1081 Ahikawa Street, Kailua-Kona, Hawaii 96740
Business Address

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

N/A

Real Estate Broker: MARYL REALTY, INC.
Name
75-1000 Henry Street
Business Address

Kailua-Kona, Hawaii 96740

Phone: (808) 331-3208 (Business)

Escrow: FIRST HAWAII TITLE CORPORATION
Name
75-5722 Kuakini Highway, Suite 210
Business Address

Kailua-Kona, Hawaii 96740

Phone: (808) 329-8227 (Business)

General Contractor: N/A
Name

Business Address

Phone: (Business)

Condominium Managing Agent: Self-managed by association of unit owners

Phone: N/A (Business)

Attorney for Developer: MATTHEW G. JEWELL (ASHFORD & WRISTON)
Name
75-5722 Kuakini Highway, Suite 208
Business Address

Kailua-Kona, Hawaii 96740

Phone: (808) 329-7706 (Business)

II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Unit Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the unit owners with respect to the project and the common elements, to each other, and to their respective units. 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, units, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

[ ] Proposed
[X] Recorded - Bureau of Conveyances — Document No. 2000-083552
Book _____ Page _____
[ ] Recorded - Land Court — Document Number _____

The Declaration referred to above has been amended by the following instrument [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, unit number, and dimensions of each unit.

The Condominium Map for this condominium project is:

[ ] Proposed
[X] Recorded - Bureau of Conveyances Condo Map No. 3120
[ ] Recorded - 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 Unit Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Unit 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
[X] Recorded - Bureau of Conveyances — Document No. 2000-083553
Book _____ Page _____
[ ] Recorded - Land Court — Document No. _____

The Bylaws referred to above have been amended by the following instrument [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 [X] 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. Unit Owners: Minimum percentage of common interest which must vote for or give written consent to changes:

	Minimum Set by Law	This Condominium
Declaration (and Condo Map)	75%*	100%
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 units.

2. Developer:

[ ] No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.

[X] Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

a. Any time prior to the first recording in the Bureau of Conveyances of a conveyance or transfer (other than for security) of a unit and its appurtenances to a party not a signatory to the Declaration, the Developer may amend the Declaration, the Bylaws and/or the Condominium Map in any manner without approval or consent of any unit purchaser.

b. Until all of the units have been sold, the Developer may amend the Declaration, the Bylaws and/or the Condominium Map to make such amendments as may be required by law, by the Real Estate Commission, by the title insurance company, by a mortgage lender, or by any governmental agency (including the VA, HUD, FNMA and/or FHLMC), provided that no such amendments change the common interest appurtenant to a unit or substantially change the design, location or size of a unit.

c. Until all of the units have been sold and the "as built" verified statement is filed, the Developer may amend the Declaration and the Condominium Map to (i) reflect alterations in any unit which has not been sold; and (ii) reflect minor changes in any unit or in the common elements which do not affect the physical location, design or size of any unit which has been sold.

III. THE CONDOMINIUM PROJECT

A. **Interest to be Conveyed to Buyer:**

[X] Fee Simple: Individual units and the common elements, which includes the underlying land, will be in fee simple.

[ ] Leasehold or Subleasehold: Individual units and the common elements, which includes the underlying land will be leasehold.

Leases for the individual units and the underlying land usually require that at the end of the lease term, the lessee (unit owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires:_____

Rent Renegotiation Date(s): _____

Lease Rent Payable: [ ] Monthly [ ] Quarterly
[ ] Semi-Annually [ ] Annually

Exhibit _____ contains a schedule of the lease rent for each unit per [ ] Month [ ] Year.

For Subleaseholds:

[ ] Buyer's sublease may be cancelled if the master lease between the sublessor and fee owner is:
[ ] Canceled [ ] Foreclosed

[ ] As long as the buyer is not in default, the buyer may continue to occupy the unit and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

[ ] Individual Units in Fee Simple Common Interest in the Underlying Land in Leasehold or Subleasehold:

Leases for the underlying land usually require that at the end of the lease term, the lessees (unit owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provisions.

Lease Term Expires:_____

Rent Renegotiation Date(s): _____

Lease Rent Payable: [ ] Monthly [ ] Quarterly
[ ] Semi-Annually [ ] Annually

Exhibit _____ contains a schedule of the lease rent for each unit per [ ] Month [ ] Year.

[ ] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of a unit will acquire the right to occupy and use the unit 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 unit 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 unit owners may have to surrender the units, 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 (unit owner). The developer may lease the improvements to the unit owner by way of a unit lease or sublease, or sell the improvements to the unit owners by way of a condominium conveyance or unit deed.

B. **Underlying Land:**

Address: 73-1081 Ahikawa Street, Kailua-Kona, Hawaii 96740 Tax Map Key:(3) 7-3-023-037, C.P.R. Nos. 1 & 2

[ ] Address [ ] TMK is expected to change because N/A

Land Area: 17,535 [x] square feet [ ] acre(s) Zoning: A-5a

Fee Owner: ALBERT LOUIS POLICE and TIARE HOKUILI POLICE
Name

73-1081 Ahikawa Street
Address

Kailua-Kona, Hawaii 96740

Sublessor: N/A
Name

Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 2 Floors Per Building Unit 1: 2/Unit 2: 1

   [ ] Exhibit _____ contains further explanations.

3. Principal Construction Material:

   [ ] Concrete [ ] Hollow Tile [X] Wood

   [X] Other glass and other building materials

4. Permitted Uses by Zoning:

	No. of Apts.	Use Determined By Zoning			No. of Apts.	Use Determined By Zoning	
[ ] Residential		[ ] Yes	[ ] No	[ ] Ohana		[ ] Yes	[ ] No
[ ] Commercial		[ ] Yes	[ ] No	[ ] Industrial		[ ] Yes	[ ] No
[ ] Mix Res/Comm		[ ] Yes	[ ] No	[X] Agricultural	2	[X] Yes	[ ] No
[ ] Hotel		[ ] Yes	[ ] No	[ ] Recreational		[ ] Yes	[ ] No
[ ] Timeshare		[ ] Yes	[ ] No	[ ] Other: ___		[ ] Yes	[ ] No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?
[X] Yes [ ] No

5. Special Use Restrictions:

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

[X] Pets: *See* By-Laws Article 12, 12.1(c)
[ ] Number of Occupants: _____
[X] Other: See use restrictions contained in Section G of the Declaration
[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0-Unit 1 / 0-Unit 2 Trash Chutes: 0

Unit Type	Quantity	BR/Bath	Net Living Area(sf)*	Gross Lanai/Patio(sf)	Gross Garage Area(sf)
Unit 1	1	2/2	2,160	547	590
Unit 2	1	1/1	586	95	

Total Units 2

**Net Living Area is the floor area of the unit measured from the interior surface of the unit 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 Unit: Each unit includes, but is not limited to, the footing and slab on which it is constructed, the exterior walls and roof, all interior walls, floors, ceilings, columns and partitions, and the finished surfaces thereof, the doors and door frames, window and window frames, the air space within the perimeter of the units, and all fixtures originally installed in the unit. Each unit also includes the garage or carport appurtenant thereto, if any. Each unit shall not include any pipes, shafts, wires, conduits or other utility service lines running through such unit which are utilized for or serve more than one unit, the same being deemed common elements.

Permitted Alterations to Units: See Exhibit "C".

7. Parking Stalls:

Total Parking Stalls: 2*

	Regular		Compact		Tandem		
	covered	open	covered	open	covered	open	TOTAL
Assigned (for each unit)	Unit 1: 1	0					1
	Unit 2: 0	0					0
Guest							
Unassigned							
Extra for Purchase							
Other:	*Units 1 & 2 have ample area within their respective limited common element land areas for parking purposes						
Total Covered & Open	1		0		0		1

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

[ ] Commercial parking garage permitted in condominium project.

[ ] Exhibit _____ contains additional information on parking stalls for this condominium project.
[ ] Note:

8. Recreational and Other Common Facilities.

[X] 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

[X] There are no violations. [ ] Violations will not be cured.

[ ] Violations and cost to cure are listed below. [ ] Violations will be cured by _____

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

Based on a report by an independent registered architect or engineer, all structural components and mechanical and electrical installations material to the use and enjoyment of the condominium project appear to be in working condition consistent with their age.

NO REPRESENTATIONS OR WARRANTIES OF ANY KIND ARE MADE AS TO THE EXPECTED USEFUL LIFE OF THE STRUCTURAL COMPONENTS AND MECHANICAL AND ELECTRICAL INSTALLATIONS MATERIAL TO THE USE AND ENJOYMENT OF THE CONDOMINIUM UNITS.

11. Conformance to Present Zoning Code

a. [X] 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.

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures		X*	
Lot	X		

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

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

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

**Letter dated June 7, 2000 from the County of Hawaii Planning Department indicates that ohana dwelling may be non-confirming due to changes in the yard/setback requirements.*

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

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

[X] described in Exhibit "A".

[ ] as follows:

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

[ ] There are no limited common elements in this project.

[X] The limited common elements and the units which may use them, as described in the Declaration are:

[X] described in Exhibit "B".

[ ] as follows:

3. Common Interest: Each unit 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 unit's share of the maintenance fees and other common profits and expenses of the condominium. It may also be used for other purposes, including voting on matters requiring action by unit owners. The common interests for the units in this project, as described in the Declaration, are:

[ ] described in Exhibit _____.

[X] as follows:

UNIT NO.	UNDIVIDED COMMON INTEREST
1	0.50 (50.00%)
2	0.50 (50.00%)

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 a unit in the project.

Exhibit "D" describes the encumbrances against the title contained in the title report dated June 20, 2000, and issued by First Hawaii Title Corporation.

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 a unit-by-unit basis upon payment of specified sums so that individual units can be conveyed to buyers free and clear of the lien.

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

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

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

Type of Lien	Effect on Buyer's Interest and Deposit If Developer Defaults or Lien is Foreclosed Prior to Conveyance
Mortgage in favor of First Hawaiian Bank Bank, a Hawaii corporation, dated May 20, 1994 and recorded in said Bureau as Document Number 94-088727	Buyer's interest will be terminated and Buyer's deposit refunded, less escrow cancellation fees. However, if disbursement of Buyer's deposit has been made by escrow prior to foreclosure but before conveyance of title to Buyer, Buyer may lose Buyer's deposit.
Mortgage in favor of First Hawaiian Bank Bank, a Hawaii corporation, dated October 13, 1997 and recorded in said Bureau as Document Number 97-143662.	Buyer's interest will be terminated and Buyer's deposit refunded, less escrow cancellation fees. However, if disbursement of Buyer's deposit has been made by escrow prior to foreclosure but before conveyance of title to Buyer, Buyer may lose Buyer's
Mortgage in favor of First Hawaiian Bank Bank, a Hawaii corporation, dated July 29, 1998 and recorded in said Bureau as Document Number 98-114011.	Buyer's interest will be terminated and Buyer's deposit refunded, less escrow cancellation fees. However, if disbursement of Buyer's deposit has been made by escrow prior to foreclosure but before conveyance of title to Buyer, Buyer may lose Buyer's deposit.

F. Construction Warranties:

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

1. Building and Other Improvements:

None.

2. Appliances:

The Developer makes no warranty as to appliances or other consumer products installed in any unit or in the common elements. If there are any applicable manufacturer's or dealer's warranties relating to such appliances or other consumer products, the Developer will cooperate as necessary to assign and pass on to each unit owner the benefit of such warranties.

G. Status of Construction and Estimated Completion Date:

Unit 1 was completed in approximately 1981. Unit 2 was completed in approximately 1991.

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 Unit 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.

[X] self-managed by the Association of Unit Owners

[ ] other _____

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

The Association will make assessments against your unit to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your unit 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 ___"E"___ contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. **Utility Charges for Units:**

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

[X] None [ ] Electricity [ ] Gas [ ] Water

[ ] Sewer [ ] Television Cable [ ] Other _____

Note: The condominium project is not serviced by public sewer system. Each unit has a separate cesspool.

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

[ ] Notice to Owner Occupants

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

[X] Escrow Agreement dated July 19, 2000
Exhibit "G" contains a summary of the pertinent provisions of the escrow contract.

[X] Other Specimen Deed and Broker Listing Agreement.

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 buyers. 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 money paid, less any escrow cancellation fee up to $250.00.

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

Final Report, 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 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 unit 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 unit or its limited 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 money the buyer paid.

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

A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
B) Declaration of Condominium Property Regime.
C) Bylaws of the Association of Unit Owners.
D) House Rules. (None)
E) Condominium Map.
F) Escrow Agreement.
G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
H) Other: Specimen Deed; Deed dated November 16, 1979, and recorded in said Bureau in Liber 14654, Page 414.

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, Hawaii 96809, at a nominal cost.

This Public Report is a part of Registration No. 4470 filed with the Real Estate Commission on August 3, 2000.

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

[ ] yellow paper stock [X] white paper stock [ ] pink paper stock

C. Additional Information Not Covered Above

Water Meter

The County of Hawaii Department of Water Supply has allotted one county water meter for the Project. The Declarant will install a separate private water meter to measure the water used by Unit 2. The owner of Unit 1 will be periodically billed by the Department of Water Supply for total water usage by both Units 1 and 2 for the billing period. The owner of Unit 1 will deliver a copy of the bill to the owner of Unit 2. Based on the reading of the private water meter, the owners of Units 1 and 2, or their authorized representatives, will then determine the amount of water used by their respective units from the time of the previous billing period to the time of the meter reading (which span of time will be called the "reading period"). The rate per gallon of water charged by the Department of Water Supply for the billing period shall be applied to the water usage for each unit for the reading period, together with each unit's proportionate share of any charges other than water usage reflected on each bill, to determine the amount of each bill to be so allocated to each unit. The owner of Unit 2 shall then separately pay the owner of Unit 1 the amount of each bill so allocated to his unit. Such payment shall be made by check delivered to the owner of Unit 1 at that party's address, or such other place as that party shall direct, no later than five days prior to the due date of each bill from the Department of Water Supply. Failure by any owner to pay its share of each bill from the Department of Water Supply in accordance with this section shall be treated as a default in payment of assessments pursuant to the bylaws, and shall be subject to the remedies provided therefor. The private water meter shall be a common element of the project, with maintenance, repair and replacement expenses relating thereto being a common expense of the project. The proper working order and calibration of the private water meters shall be subject to professional review and inspection at the reasonable request of a unit owner.

Deed Restriction

The Warranty Deed dated November 16, 1979, and recorded in the Bureau of Conveyances of the State of Hawaii in Liber 14654, Page 414, contains, among others, a provision stating that:

> No dwelling house shall be erected upon said premises which shall contain less than 1,000 square feet of ground floor area, exclusive of servants' quarters, garage, storage space, workshop, verandas and open porches, and the total said cost of construction, excluding furniture and appliances such as stove and refrigerator shall not be less than FIFTEEN THOUSAND DOLLARS ($15,000.00); PROVIDED, HOWEVER, the restrictions as provided under this paragraph may be waived or modified upon receiving written consent from Kona Scenic Land, Inc.

Unit 2, which was completed in approximately 1991 with all required governmental permits, has net living floor area of approximately 586 square feet and gross lanai area of approximately 95 square feet.

Restriction on use of Hazardous Materials

There are restrictions on the use of hazardous materials within the units and the common elements except in a manner that complies with law. *See* Section H of the Declaration for additional information.

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.

ALBERT LOUIS POLICE and TIARE HOKUILI POLICE
Name of Developer

By: _____ 7/19/00
ALBERT LOUIS POLICE Date

By: _____ 7/19/00
TIARE HOKUILI POLICE Date

Distribution:

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

EXHIBIT "A"

COMMON ELEMENTS

The common elements of the project shall specifically include, but are not limited to, the following:

1. The land described in Exhibit "A" attached to the Declaration, in fee simple.

2. All yards, grounds, landscaped areas, parking areas and driveways around and between the units.

3. All sewer lines, drainage facilities, electrical equipment, wiring, pipes and other central and appurtenant facilities and installations over, under and across the project which serve more than one unit for services such as power, light, water, gas, telephone, sewer and radio and television signal distribution, if any.

4. Any and all apparatus and installations of common use and all other parts of the project necessary or convenient to its existence, maintenance and safety, or normally in common use.

EXHIBIT "B"

LIMITED COMMON ELEMENTS

The units shall have appurtenant thereto easements for the exclusive use of certain limited common elements as follows:

PRIVATE LAND AREA OR YARD. Certain land area of the project, located as shown on the condominium map and designated thereon as limited common element, is appurtenant to and for the exclusive use of each unit as designated on the condominium map.

Unit No.	Private land area (approx. land area)
1	0.32 acre
2	0.08 acre

NOTE: The boundaries of the private land area or yard appurtenant to each unit, as shown on the condominium map, do not represent County-approved subdivided lots. Such boundaries serve only to delineate the limited common element private land area or yard appurtenant to each unit.

EXHIBIT "C"

ALTERATION OF PROJECT

The dimensions, area and location of each unit are shown graphically on the Condominium Map. Each unit shall include and contain all space, including but not limited to the residential building(s), if any, and other improvements within the area bounded by the perimeter boundaries of such unit, as follows:

Paragraph L of the declaration provides as follows:

1. Each unit 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 unit 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 unit or portions thereof or upon the yard appurtenant to his unit (collectively, the foregoing are referred to as "alterations"). Each unit owner shall have the right without the consent or joinder of any other person to amend this declaration and the condominium map to accomplish any such alterations. If required by the Act, promptly upon completion of such alterations the owner of the altered unit shall duly record such amendment to this declaration in the Bureau of Conveyances together with a complete set of the floor plans of such unit as so altered, certified by a registered architect or professional engineer to fully and accurately depict the altered portions of the property as built. If required by the Act, the board shall be deemed to approve of all such alterations. All existing unit owners and all future unit owners and their mortgagees, by accepting an interest in a unit, consent to all such alterations and agree to give and shall be deemed to have given the owner of the altered unit a power of attorney to execute an amendment to the declaration solely for the purpose of describing the alterations to such unit in the declaration so that the owner of the altered unit shall hereafter have a power of attorney from all the other unit owners to execute such amendment to the declaration. This power of attorney shall be deemed coupled with each owner's interest in his unit (including his common interest) and shall be irrevocable.

2. Any alterations to a unit pursuant to this paragraph L shall be subject to the following conditions:

(a) All buildings plans for any such alterations shall conform with State and County land use, building and zoning laws and other applicable County ordinances and regulations.

(b) Such alterations may decrease or increase the size of the affected unit, provided that no alteration shall extend or place the unit outside of the limits of the yard appurtenant to such unit.

(c) All such alterations shall be at the sole expense of the unit owner making the change and shall be made within one year of the commencement thereof and in a manner that will not unreasonably interfere with the other unit owner's use of his unit or yard.

(d) The owner of the altered unit shall have the right to utilize, relocate and realign existing and/or to develop additional, central and appurtenant installations for services to the unit affected by such alteration for electricity, sewer and other utilities and services and when applicable, to add, delete, relocate, realign, designate and grant easement and rights-of-way over, under and on the common elements as necessary or desirable in connection therewith; provided that the same shall not cause any interruption in the service of such utilities to any other part of the project, nor shall it unreasonably interfere with the other unit owner's use or enjoyment of his unit or yard.

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

(f) Before commencing or permitting construction on any alteration of a unit pursuant to this paragraph L, the costs of which will exceed $10,000, the unit owner thereof, at his sole expense, shall obtain and provide the other unit owner with evidence of a bond or certificate, or an irrevocable letter of credit issued by a bank authorized to do business in the State of Hawaii, in an amount of not less than one hundred percent (100%) of the cost of such construction, or, in lieu thereof, a guarantee against mechanics' and materialmen's liens satisfactory to the other unit owner.

EXHIBIT "D"

ENCUMBRANCES AGAINST TITLE

1. For real property taxes that may be due and owing, reference is made to the Real Property Tax Office of the Third Division. Also, possible rollback taxes may be assessed by the Real Property Tax Office of the Third Tax Division.

2. Reservation in favor of the State of Hawaii of all minerals and metallic mines.

3. Covenants, conditions, restrictions, reservations, exceptions, agreements, terms, obligations and other provisions set forth in that certain instrument (Deed) dated November 16, 1979, and recorded in said Bureau in Liber 14654, Page 414.

4. Mortgage in favor of First Hawaiian Bank, a Hawaii corporation, dated May 20, 1994, and recorded in said Bureau as Document Number as Document Number 94-088727.

5. Mortgage in favor of First Hawaiian Bank, a Hawaii corporation, dated October 13, 1997, and recorded in said Bureau as Document Number as Document Number 97-143662.

6. Mortgage in favor of First Hawaiian Bank, a Hawaii corporation, dated July 29, 1998, and recorded in said Bureau as Document Number as Document Number 98-114011.

7. Declaration of Condominium Property Regime of "KALAOA MOUNTAIN HALE", dated June 9, 2000, and recorded in said Bureau as Document Number 2000-083552, as the same may from time to time be amended in accordance with law and said Declaration. (Project covered by Condominium Map No. 3120).

8. The terms, provisions, covenants, conditions, agreements, easements, restrictions and reservations contained in that certain By-Laws of the Association of Unit Owners of "KALAOA MOUNTAIN HALE", dated June 9, 2000, and recorded in said Bureau as Document Number 2000-083553, as the same may be from time to time amended in accordance with law and said By-Laws.

EXHIBIT "E"

ESTIMATED MAINTENANCE FEES
and
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

The regular maintenance and repair of each unit and appurtenant limited common elements shall be the sole responsibility of each respective unit owner. Article 7 of the Bylaws requires that the Association shall purchase and maintain casualty and liability insurance covering the project. The Developer anticipates that the cost of such policies will be the principal, if not the only common expense of the project for which maintenance fees will be assessed. The Developer estimates that the annual premiums for such insurance policies will be approximately $1,500.00. However, Article 7 of the Bylaws further provides that the Association may elect to satisfy the insurance requirement by obligating each unit owner, at such owner's sole expense, to procure and maintain separate policies covering his or her respective unit and appurtenant limited common elements, with such policies meeting each of the requirements set forth in Article 7.

There are presently no common elements which will require maintenance and repair by the Association. In the future, the utility facilities which serve more than one unit will be the only common elements of the project to require maintenance and repair by the Association. The utility facilities that serve more than one unit are not expected to require maintenance or repair on a regular basis. The payment for all utility services to each unit is the sole responsibility of the unit owner. As a result, the 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 unit by the utility provider for payment by the unit 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. Thus, it will not be necessary to assess any maintenance fees for the project.

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services

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

Maintenance, Repairs and Supplies

Buildings
Grounds

Management

Management Fee
Payroll and Payroll Taxes
Office Expenses

Insurance

Reserves(*)

Taxes and Government Assessments

Audit Fees

Other

TOTAL

We, **ALBERT LOUIS POLICE and TIARE HOKUILI POLICE,** Developer for the "KALAOA MOUNTAIN HALE" condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles, and certify that the above estimate of initial maintenance fees and disbursements are true and accurate to the best of our knowledge.

[Signature] 7/19/00 [Date]

[Signature] 7/19/00 [Date]

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with § 514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. ~~Developer discloses that the reserve study was not done.~~ **

Pursuant to § 514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

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

EXHIBIT "F"

SUMMARY OF DEPOSIT RECEIPT, OFFER AND ACCEPTANCE CONTRACT

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

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

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

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

(d) That the purchaser's money will be held in escrow.

(e) Requirements relating to the purchaser's financing of the purchase of a unit.

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

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

(h) Whether the purchaser will receive interest on deposits made under the DROA.

(i) In the event of a default by the purchaser under the DROA, the Developer may, in addition to other remedies, be entitled to all deposits paid by the purchaser as liquidated damages.

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

EXHIBIT "G"

SUMMARY OF ESCROW AGREEMENT

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

(a) Escrow will let the purchaser know when payments are due.

(b) Escrow will arrange for the purchaser to sign all necessary documents.

(c) The purchaser will be entitled to a refund of his or her funds only under certain circumstances as set forth in the DROA, including:

(1) Upon the written request of both parties to Escrow to return the purchaser's funds;

(2) Upon the exercise by the Developer of any right to cancel the DROA;

(3) Upon the exercise by the purchaser of a right to cancel the DROA if the purchaser's funds were obtained prior to the issuance of a Final Public Report, pursuant to HRS § 514A-62; or

(4) Upon the exercise by the purchaser of a right to cancel the DROA pursuant to HRS § 514A-63.

(d) The purchaser's funds deposited to Escrow may be disbursed to or otherwise used by the Developer only after:

(1) The Real Estate Commission has issued a final Public Report (the "Final Report") on the project;

(2) The purchaser has been given a copy of the Final Report together with a receipt and notice form which complies with Section 514A-62 of the condominium law;

(3) The purchaser has signed the receipt and notice form and waived his right to cancel or thirty days have elapsed since the purchaser received a copy of the Final Report and receipt and notice form;

(4) The Developer notifies Escrow in writing that, since the things described in (1), (2) and (3) above have happened, neither the purchaser nor the Developer may back out of the agreements they made in the DROA. In the same written notice, the Developer shall notify Escrow either that the time in which the Developer or the purchaser could back out of the agreements in the DROA has passed, or that the Developer and the purchaser have said that they will not back out of the agreements in the DROA;

(5) The Developer's attorney advises Escrow that the DROA has become effective and the requirements of Sections 514A-39.5, 514A-40 and 514A-63 of the condominium law have been met, as provided for in Section 514A-65 of the condominium law;

(6) Construction of the unit has been completed and the deed of the unit to the purchaser has been recorded; and

(7) If Closing is to occur prior to expiration of the applicable mechanic's lien period, Escrow shall have received satisfactory assurances that the purchaser will be provided an owner's title insurance policy with a mechanics' lien endorsement, protecting the purchaser from mechanics' and materialmen's liens.

(e) Unless otherwise agreed by the parties and Escrow, the purchaser shall not be entitled to any interest earned on any deposits made to Escrow by the purchaser, which interest will be credited to the Developer.

(f) In the event of a default by the purchaser under the DROA, the Developer may, in addition to any other remedies provided in the DROA, be entitled to all deposits paid to Escrow by the purchaser.

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.