

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer Summit Securities, Inc.
Address 5022 Lawai Road, P.O. Box 1225, Koloa, Kauai, Hawaii 96756
Project Name(*): PONO KAI- located in Building K of the Project. This report covers only 15 apartments **
Address: 1250 Kuhio Highway, Kapaa, Kauai, Hawaii 96746

Registration No. 987

Effective date: September 9, 1997
Expiration date: October 9, 1998

Preparation of this Report:

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

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

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

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

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

Type of Report:

- PRELIMINARY: (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.
 - FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
 - No prior reports have been issued.
 - This report supersedes all prior public reports.
 - This report must be read together with _____
 - FOURTH SUPPLEMENTARY: (pink) This report updates information contained in the:
 - Preliminary Public Report dated: May 16, 1987 ***
 - Final Public Report dated: May 16, 1979 ***
 - Supplementary Public Reports dated: 11/21/91, 5/31/96 and 5/9/97
- 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

(**) The fifteen (15) Apartments covered by this Report are K-204 to K-209, K-301 to K-309.

(***) These Reports are available to buyers and prospective buyers at their request.

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report
as **Exhibit H**

Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

No prior reports have been issued by the developer.

Changes made are as follows:

1. The Association of Apartment Owners, through its Board, has retained RCI Management, Inc. as the managing agent for the Condominium Project. This new managing agent is not affiliated with Summit Securities, Inc., the "Developer" under this Public Report.

2. The Developer named herein has purchased the 15 Apartments identified in attached Exhibit "A" and covered by this Report from the Trustee in Bankruptcy from the Original Developer of Building K. Each Apartment is now covered by a separate Condominium Conveyance Document which conveyed that Apartment in fee simple and leased a common interest in the underlying land. Only these 15 Apartments or interests in them (including time share interests), may be offered and sold under this Report.

3. Since the Developer herein is not the Original Developer or affiliated with the Original Developer, the Developer disclaims all responsibility and liability for the establishment and construction of the Project itself.

4. (a) These 15 Apartments are in a time share plan called the Pono Kai Interval Ownership Program (the "Program") Each of these time share interests, called Intervals, includes an undivided interest, called an Ownership Share, in one of the 15 Apartments covered by this Report.

(b) The Developer has also registered these 15 Apartments in the Program with the Department of Commerce and Consumer Affairs ("DCCA") under Registration No. TD-128. As part of that Registration, the Developer has issued a current Time Share Disclosure Statement which has been accepted for filing by DCCA.

(c) Prospective time share buyers are also advised that they have the rights to cancel under the Condominium Property Act (Chapter 514A, HRS), as explained in Section V.B. below, as well as the other rights to cancel explained in the Time Share Disclosure Statement or provided under the Time Sharing Act (Chapter 514E, HRS).

5. The Developer may, but is not required to, offer entire Apartments for sale under this Report. Prospective buyers of an entire Apartment, when and if offered by the Developer, must be given a copy of this Report and the attached Disclosure Abstract only. These prospective buyers should read these materials for information about not only about the Condominium Project but also the sale contract and escrow arrangements for the purchase of an entire Apartment.

6. This report correctly describes the appliances in the apartments and the recreational amenities of the project.

This Public Report does not constitute an approval of the Condominium Project or the Time Share Plan by the Real Estate Commission or any other governmental agency, nor a representation by the Commission that all material facts about the Project or the Plan have been fully or adequately disclosed.

PROSPECTIVE PURCHASERS ARE CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS FOR FURTHER INFORMATION, AND ALSO THE TIME SHARE DISCLOSURE STATEMENT AND THE TIME SHARE PLAN DOCUMENTS, IF THEY ARE PURCHASING A TIME SHARE INTERVAL.

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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: * Summit Securities, Inc. Phone: (808) 742-1225
Name (Business)
5022 Lawai Road, P.O. Box 1225
Business Address
Koloa, Kauai, Hawaii 96756

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

Real Estate Broker: Shell Development Corp. - Lawai Phone: (808) 742-7211
Name (Business)
5022 Lawai Road
Business Address
Koloa, Kauai, Hawaii 96756

Escrow: Hawaii Escrow & Title, Inc. Phone: (808) 531-1165
Name (Business)
Amfac Tower, 700 Bishop St., Ste. 1600
Business Address
Honolulu, Hawaii 96813

General Contractor: ** Kealii Builders, Inc. Phone: (808) 837-7744
(for Bldg. Name (Business)
K) 2933-B Koapaka Street
Business Address
Honolulu, Hawaii 96819

Condominium Managing Agent: RCI Management, Inc. Phone: (808) 822-9831
Name (Business)
1250 Kuhio Highway
Business Address
Kapaa, Kauai, Hawaii 96746

Attorney for Developer: Charles E. Pear, Jr., Esq.
McCorriston Miho Miller Mukai Phone: (808) 529-7300
Name (Business)
500 Ala Moana Boulevard
Five Waterfront Plaza, Ste. 330
Business Address
Honolulu, Hawaii 96813

*The original developer of the condominium, excluding Building K, was Keokiaka Corporation. The Original Developer of Building K was Glen Ivy Resorts, Inc. 5

**The contractor of the condominium, excluding Building K, was Pacific Construction, Inc.

**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. _____
Book 13670 Page 558
 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]:

There have been numerous amendments to the Declaration since 1979.
See Exhibit "F" for specifics.

- B. Condominium Map (File Plan) shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is: _____

Proposed
 Recorded - Bureau of Conveyances Condo Map No. 611
 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. _____
Book 13670 Page 581
 Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

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

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

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u>None **</u>

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

** Rules may be amended by vote of a majority of the Board.

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:

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- Leasehold or Sub-leasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

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

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

Lease Term Expires: _____ Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per: Month Year

For Sub-leaseholds:

- Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:
 Canceled Foreclosed
- As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Sub-leasehold:

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

Exhibit B 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: December 31, 2044 Rent Renegotiation Date(s): January 1, 2010, January 1, 2020, January 1, 2030, January 1, 2040

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit B contains a schedule of the lease rent for each apartment per: Month Year

[] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

B. Underlying Land:

Address: 1250 Kuhio Highway Tax Map Key (TMK): 4-5-7-2 (4th Div.)
Kapaa, Kauai, Hawaii

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

Land Area: 12.049 [] square feet [X] acre(s) Zoning: RR-20

Fee Owner: 300 West 23rd Street Company
 Name
480 Park Avenue
 Address
New York, NY 10022

Lessor: N/A
 Name
 Address

C. Buildings and Other Improvements:

1. New Building(s) Conversion of Existing Building(s) Both New Building(s) and Conversion as of 1991

2. Number of Buildings: 1 Floors Per Building 3

Exhibit A contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other Allied Building Materials

4. Uses Permitted by Zoning: (Building K only)

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>		<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>
<input checked="" type="checkbox"/> Residential	<u>27</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Ohana	___	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Commercial	<u>3</u>	<input checked="" 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 type="checkbox"/> Agricultural	___	<input 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 checked="" type="checkbox"/> Timeshare	<u>24</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Other: _____	___	<input type="checkbox"/> Yes <input type="checkbox"/> No

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

Yes No

5. Special Use Restrictions:

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

Pets: No pets are allowed within the project.

Number of Occupants: 4 in one bedroom units and 4 in studio unit (the handicap studio may only be occupied by 2 people)

Other: _____

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 1 Stairways: 2 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
B3(A)	9	1/1	473	40	lanai
B3(B)	9	1/1	473	40	lanai
B3(C)	2	1/1	554	40	lanai
B3(D)	2	1/1	554	40	lanai
C-1	2	Studio	320	76	lanai

Five residential types--(See Exhibit "A" for details)

Total Number of Apartments) 27 (15 of which are covered by this Report in Building K)

*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 of the apartments shall include all walls, partitions, floors, ceilings and other improvements within said perimeter any adjacent lanai shown on the Condominium Map; all built-in appliances and fixtures and all furnishings and appliances described herein; and all air space encompassed within said perimeter; excluding therefrom, however, all elements herein established as common elements.

Permitted Alterations to Apartments: No apartment owner will, without the prior written consent of the board (and any other persons required by the By-Laws or by law), make any structural alterations within his apartment or make any alterations in or additions to the exteriors of the building (including awnings, jalousies, screens or air conditioners) or to any other portion or portions of the common elements.

7. Parking Stalls:

Total Parking Stalls: 4

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

Total Covered & Open: 4*

*There are a total of ~~327~~ open parking stalls including the ~~4~~ handicapped stalls. Each apartment will have the exclusive use of at least 0 parking stall(s). No assigned Buyers are encouraged to find out which stall(s) will be available for their use. parking.

[] Commercial parking garage permitted in condominium project.

[x] Exhibit A contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities: for the entire project.

[] There are no recreational or common facilities.

[x] Swimming pool [] Storage Area [x] Recreation Area

[] Laundry Area [x] Tennis Court [] Trash Chute/Enclosure(s)

[x] Other: Lobby, spa

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 _____
(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	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.

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

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

described in Exhibit C.

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit D.

as follows:

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

described in Exhibit E.

as follows:

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

Exhibit F describes the encumbrances against the title contained in the title report dated March 10, 1997 and issued by Hawaii Escrow & Title, Inc. There have been no material changes to title since said date.

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.

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
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F. Construction Warranties:

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

1. Building and Other Improvements: None (expired)

2. Appliances: None (expired)

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

Construction of Building K commenced in December 1989 and was completed in September, 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):

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~~ Purchase Agreement
Exhibit H contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated May 5, 1997
Exhibit H contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime, as amended.
 - C) Bylaws of the Association of Apartment Owners, as amended.
 - D) House Rules, if any.
 - E) Condominium Map, as amended.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other _____

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

This Public Report is a part of Registration No. 987 filed with the Real Estate Commission on April 5, 1978.

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 Developer represents that RCI Management, Inc., is the managing agent for the condominium project as well as time share interests, and Shell Corporation-Lawai will be the marketing agent for the sale of entire apartments (if entire apartments are sold). Copies of the latest management and marketing agreements are available for inspection at the Real Estate Commission.

EXHIBIT "A"

DESCRIPTION OF PROPERTY (EXCLUDING BUILDING K):

The two hundred and seventeen (217) residential apartments are located in nine (9) low-rise residential apartment buildings, identified by the letters "A" through "J" (excluding the letter "I"). Each building varies from two to three stories in height. There are no basements. Buildings A, B, C, D, E and F each contain twenty-five (25) residential apartments; Buildings G and H each contain twenty-three (23) residential apartments, and Building J contains twenty-one (21) residential apartments. Each residential building has two stairways and one elevator for access to the second and third floors. A laundry room is located on the ground floor of each residential building and a storage room is located on each floor of each residential building.

Recreational amenities in the Project include a swimming pool, jacuzzi, two tennis courts, two shuffle boards, and a separate free-standing recreational building, one-story high in height. Two sauna baths are located in the recreational building. Barbecue facilities will be located near the pool area and/or near the beach. Other free-standing buildings, include an office building and a manager's residence; also one-story in height. The recreational amenities, the recreational building, the office building and the manager's residence are common elements limited in their use to the residential apartments.

All buildings are constructed principally of reinforced concrete steel, glass, aluminum, wood, stucco, and allied building materials.

There are additional facilities for maintenance purpose such as a sewage treatment plant with its associated equipment and electrical and mechanical facilities.

Residential parking will be at unassigned stalls locate near the residential buildings. There are a total of three hundred and thirty seven (337) open parking stalls, including two-hundred and sixty-six (266) full size parking stalls, sixty-six (66) compact parking stalls) and four (4) handicap stalls

DESCRIPTION OF ADDITIONAL BUILDING BUILDING K:

There are twenty-four (24) residential apartments located in one low rise residential apartment building, identified as Building K. Building K consist of three stories without a basement. The building has two exterior stairways and one elevator. In addition to the

residential apartments, there is also a gift shop, laundry unit and a housekeeping unit on the ground level of the building.

DESCRIPTION OF RESIDENTIAL APARTMENTS:

The two-hundred and seventeen (217) residential apartments and the twenty-four (24) residential apartments in Building K are divided into three basic types: Type A, all having two bedrooms, Type B, all having one bedroom, and Type C which consists of a studio apartment.

There are one hundred fifty-six (156) one-bedroom apartments, eighty-two (82) two bedroom apartments, and 3 studio apartments. The basic types of apartments are further subdivided as follows:

(a) Type A-1, containing two bedrooms, two bathrooms, a kitchen, a dining room, a living room, a lanai, two hallways and an entryway. Each Type A-1 contains a gross floor area of approximately 1,302 square feet, including a lanai of approximately 108 square feet. The net floor area, including lanai, is approximately 1,256 square feet.

(b) Type A-2, containing two bedrooms, two bathrooms, a kitchen, a dining room, a living room, a lanai, one hallway and an entryway. Each Type A-1 contains a gross floor area of approximately 1,191 square feet, including a lanai of approximately 96 square feet. The net floor area, including lanai, is approximately 1,146 square feet.

(c) Type A-3, containing two bedrooms, two bathrooms, a kitchen, a dining room, a living room, a lanai, one hallway and an entryway. Each Type A-3 contains a gross floor area of approximately 1,179 square feet, including a lanai of approximately 96 square feet. The net floor area, including lanai, is approximately 1,132 square feet.

(d) Type A-4, containing two bedrooms, two bathrooms, a kitchen, a dining room, a living room, a lanai, one hallway and a loft. Each Type A-4 contains a gross floor area of approximately 1,471 square feet, including a lanai of approximately 96 square feet. Type A-4 is the same as Type A-3, except that Type A-4 apartments also have a loft containing an a gross floor area of approximately 292 square feet. The net floor area, including lanai and loft is approximately 1,403 square feet.

(e) Type B-1, containing one bedroom, one bathroom, a kitchen, a dining room, a living room, a lanai, one hallway. Each Type B-1 contains a gross floor area of approximately 775 square feet, including a lanai of approximately 96 square feet. The net floor area, including lanai, is approximately 740 square feet.

(f) Type B-2, containing one bedroom, one bathroom, a kitchen, a dining room, a living room, a lanai, one hallway and a loft. Type B-2 contains a gross floor area of approximately 1,067 square feet, including a lanai of approximately 96 square feet. Type B-2 is the same as Type B-1, except that Type B-2 apartments also have a loft containing a gross floor area of approximately 292 square feet. The net floor area, including lanai and loft, is approximately 1,011 square feet.

Building K Apartments:

(g) Type B-3(A), containing one bedroom, one bathroom, a kitchen, a dining room, a living room, a lanai, and one hallway. Each Type B-3 (A) contains a net living area of approximately 473 square feet, including a lanai of approximately 40 square feet.

(h) Type B-3(B), containing one bedroom, one bathroom, a kitchen, a dining room, a living room, a lanai, and one hallway. Each Type B-3(B) contains a net living area of approximately 473 square feet, including a lanai of approximately 40 square feet.

(i) Type B-3(C), containing one bedroom, one bathroom, a kitchen, a dining room, a living room, a lanai, and one hallway. Each Type B-3 (C) contains a net living area of approximately 554 square feet, including a lanai of approximately 40 square feet. The unit of this type designed for the physically handicapped consist of 556 square feet.

(j) Type B-3(D), containing one bedroom, one bathroom, a kitchen, a dining room, a living room, a lanai, and one hallway. Each Type B-3(D) contains a net living area of approximately 554 square feet, including a lanai of approximately 40 square feet. The unit of this type designed for the physically handicapped consist of 556 square feet.

(k) Type C-1, a studio unit, containing a living room-bedroom, with a kitchen area, a lanai and one bathroom. Each type C-1 contains a net living area of approximately 320 square feet, including a lanai of approximately 76 square feet. The unit of this type designed for the physically handicapped consist of 296 square feet.

Each apartment in Building K has a mini-refrigerator, and draperies and carpeting, except in the bathroom and kitchen area which have vinyl floors. All other apartments have a range, oven, dishwasher, disposal, refrigerator, draperies and carpeting, except in the bathroom and kitchen which have vinyl floors.

Apartments on the first level have direct access to the grounds. Access to the apartments on the second and third levels are via one elevator or two stairways and the open corridor on that floor.

Description of Commercial Apartments located in Building K:

There are three commercial apartments located in Building K described as follows:

a) Gift Shop. This apartment consist of one room with two entrances. This unit contains a net area of approximately 446 square feet.

b) Laundry Unit. This apartment consist of one room with four entrances. This unit contains a net area of approximately 436 square feet.

b) Housekeeping Unit. This apartment consist of one room with two entrances. This unit contains a net area of approximately 317 square feet.

The 15 Building K Units Covered by This Report:

K-204, K-205, K-206, K-207, K-208, K-209, K-301, K-302, K-303, K-304, K-305, K-306, K-307, K-308 and K-309.

EXHIBIT "B"
PONO KAI LEASEHOLD PROPERTY DISCLOSURE

This is a summary of information about the Condominium Conveyance Document (the "Lease") for the apartments in Building K. Of course, there is no substitute for reading the Lease itself.

Buyers must realize that this document does not and cannot change the terms of the Lease. If the information below differs from the Lease, the Lease controls.

1. **Property Address:** An apartment at 1250 Kuhio Highway, Kapaa, Kauai, Hawaii
2. **Tax Map Key:** (Fourth) 4-5-7-2
3. **Lessor:** 300 West 23rd Street Co., a New York Partnership
4. **Expiration Date:** December 31, 2044
5. **Fixed Base Annual Rental for Each Apartment Unit:**

<u>Unit Number</u>	<u>First Term Rental</u>	<u>Second Term Rental</u>	<u>Third Term Rental</u>	<u>Fourth Term Rental</u>
K-204 & K-304	\$507.37	\$507.37	\$591.94	\$676.51
K-205, K-206, K-207, K-208, K-302, K-303, K-305, K-306, K-307 & K-308	\$750.29	\$750.29	\$875.35	\$1,000.41
K-209, K-301 & K-309	\$877.46	\$877.46	\$1,023.72	\$1,169.98

First rental period ends 10/09/96; the Second Term Rental starts 10/10/96 and ends 12/31/96; and the Third Term Rental starts 1/1/97 and ends 12/31/99; and the Fourth Term Rental starts 1/1/2000 and ends 12/31/2009.

NOTE: This is the base rent. The Lease requires the lessee to pay other charges such as real property taxes, excise taxes, and so on. Your attention is directed to the annual maintenance budget for estimates of the other cost that a Buyer would be held responsible for.

6. **Renegotiation Dates:** 1/1/2010 to 12/31/2019; from 1/1/2020 to 12/31/2029; and from 1/1/2030 to 12/31/2039.
7. **Renegotiation Terms:** The Fixed Base Annual Rental for each of the terms commencing on the renegotiation dates shall be determined by agreement between the Board of Directors of the Association of Apartment Owners and the Fee Owner. The Base Rental shall not be less than the greater of (i) 7% or the highest minimum percentage used by the Estate of Bernice Pauahi Bishop in determining rent payable on re-negotiation; or (ii) the total annual rent of the preceding rental period. In the event no agreement can be reached, the Base Rental will be determined by three impartial real estate appraisers. See Section IV.l(d) of Lease for the exact terms.
8. **Surrender Clause:** Upon termination, the lessees may remove the improvements from the land or sell it to a successor lessee, if any. If they do not remove it, then the improvements will be conveyed to the Fee Owner. The total sum of 850,000 will be paid by the Fee Owner which sum will be shared and apportioned between all apartments within the Project. You are advised to become familiar with Section IV. 14 of the Lease.
9. **The Fee Owner has not made the lessor's interest available for sale.**

EXHIBIT "C"

Common Elements

The common elements include:

- a. The land in fee simple.
- b. The foundations, floor slabs, columns, girders, beams, supports, bearing walls, roofs, entry landings, and stairways in the buildings not within any of the apartments.
- c. The yards, landscaping, trash areas, including the open parking stalls which are not yet appurtenant or assigned to an apartment, all of the landscaped yards and lawns.
- d. The central and appurtenant installations for utility services used or necessary to the existence, maintenance and safety of the Project.
- e. All licenses, leases, or contractual arrangements that the Association enters into for the purpose of providing parking, recreational amenities, including but not limited to swimming pools, tennis courts, meeting rooms, clubhouses, and management facilities for the use or benefit of the apartment owners, their tenants and/or guest.
- f. Any limited common elements that by the terms hereof shall become common elements.
- g. Any improvements placed on the grounds pursuant to a reservation in favor of Developer such as swimming pools, landscaping and parking.

EXHIBIT "D"

Limited Common Elements

The following parts of the common elements, herein called "limited common elements", are hereby set aside and reserved for the exclusive use of one or more apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common element(s):

(a) Residential Elements. The following limited common elements ("residential elements") are appurtenant to and for the exclusive use of all residential apartments:

1. Buildings "A" through "K" (there is no Building "I"), and the laundry room, storage rooms, elevators, stairways, exterior walkways, sidewalks, corridors, and electrical mechanical and telephone rooms in each such building and all other improvements, apparatus, equipment and installations thereof, except the residential apartments located therein and any commercial apartments located within Building "K";

2. The Swimming pool, jacuzzi, two tennis courts, two shuffleboard, barbecue facilities and recreational building (and the two sauna baths therein):

3. The Project Office Building;

4. The Manager's residence;

5. Central and appurtenant installations for services and utilities such as power, light, gas, hot and cold water, heating, refrigeration, air condition, incinerators, refuse collection, sewage and sewage treatment, which from time to time are used solely by any of the residential apartments;

6. All parking spaces;

7. All yards, grounds, landscaping, pathways, sidewalks, driveways and roads, except those (i) within the areas delineated on said Sheet 1 as being set aside for the development of additional commercial apartments, pursuant to paragraph 13 of the Declaration, and/or (ii) which provide access to said area.

(b) Commercial Elements. Those common elements, exclusive of the above-listed residential elements (except as otherwise provided), which are appurtenant to and for the exclusive use of all the commercial apartments, shall be "commercial elements"; and, subject to the provision of paragraph 12 below, all

costs and expenses of every description pertaining thereto ("commercial expenses"), including, but not limited to, the cost of maintenance, repair, and replacement of, and the making of any additions and improvements to, and the costs of administering and operating, including the costs of any security arrangements, and the cost of insuring, shall be charged to and borne by each owner of each additional commercial apartment in the percentage which common interest appurtenant to his commercial apartment bears to the total common interests of all commercial apartments.

EXHIBIT "E"

Percentage Common Interest in Building K Apartments

<u>Apartment Type</u>	<u>Undivided Percentage Interest</u>	<u>Percentage of Common Expenses</u>	<u>Percentage of Residential Expenses</u>
Type B-3(A)	.1115	.2185	.2197
Type B-3(B)	.1115	.2185	.2197
Type B-3(C)	.1304	.2559	.2573
Type B-3(D)	.1304	.2559	.2573
Type C-1	.0754	.1478	.1486
Type C-1 (accessible)	.0754	.1478	.1486
Gift Shop	.1051	.2060	-0-
Laundry Unit	.1026	.2014	-0-
Housekeeping Unit	.0747	.1463	-0-

1. Type B-3(A) apartments are numbered: K101, X103, K105, K202, K205, K207, K302, R305, K307
2. Type B-3(B) apartments are numbered: K102, K104, K106, K203, K206, K208, K303, K306, K-308
3. Type B-3(C) apartments are numbered: K201(HC), K301
4. Type B-3(D) apartments are numbered: K209(HC), K309
5. Type C-1 apartments are numbered: K204(HC), K304
6. The Gift Shop unit is numbered: KC1
7. The laundry unit is numbered: KC2
8. The housekeeping unit is numbered: KC3

HC-The letters "HC" after the apartment number designates that it is a handicap unit.

EXHIBIT "F"
[Encumbrances]

PART 1: Miscellaneous Encumbrances

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

2. Terms, provisions, conditions, covenants, restrictions or reservations, contained in that certain DEED, dated November 8, 1943, recorded in Bureau of Conveyances of the State of Hawaii in Liber 1791 at Page 205, as amended by AMENDMENT dated December 29, 1978, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 13493 at Page 641.

3. A GRANT of Easement for the transmission and distribution of electricity purposes over, under, across and through Easement E-1 (21,267 square feet), in favor of CITIZENS UTILITIES COMPANY, a Delaware corporation, dated May 6, 1980, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 14739 at Page 559.

4. A RIGHT-OF-ENTRY for the transmission and distribution of electricity, in favor of CITIZENS UTILITIES COMPANY, a Delaware corporation, dated October 22, 1990, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 90-189368.

PART 2: Condominium Documents

1. Terms, provisions, covenants, conditions, restrictions, reservations, agreements, obligations, provisions, easements and by-laws set forth in that certain DECLARATION OF HORIZONTAL PROPERTY REGIME, dated February 9, 1979, and recorded in the Bureau of Conveyances of the State of Hawaii in Liber 13670 at Page 558 and the By-laws attached thereto, Condominium Map No. 611, as amended, and the House Rules adopted by the Association of Apartment Owners.

The foregoing DECLARATION OF HORIZONTAL PROPERTY REGIME was amended by the following:

<u>Dated</u>	<u>Liber</u>	<u>Page</u>
October 23, 1979	14093	646
October 25, 1979	14101	467
October 29, 1979	14108	66
October 31, 1979	14119	520
November 1, 1979	14126	626
November 7, 1979	14133	447
November 20, 1979	14220	229
May 6, 1980	14728	452

December 30, 1980	15254	36
July 16, 1984	18068	731
February 9, 1989	22909	39

Document No.

May 28, 1991	91-081637
April 23, 1991	91-094723
August 30, 1993	93-146039
July 29, 1996	96-108888
July 29, 1996	96-108890

2. QUITCLAIM CONDOMINIUM CONVEYANCE DOCUMENT for each Building K. Unit.

PART 3: Program Documents

1. Terms, provisions, conditions, covenants, restrictions or reservations, contained in that certain DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE CLUB PONO KAI INTERVAL OWNERSHIP PROGRAM and BY-LAWS OF THE CLUB PONO KAI INTERVAL OWNERS ASSOCIATION, dated July 8, 1982, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 16467 at Page 177, the Charter of the Pono Kai Interval Owners Association and the Project Rules of the Association.

The foregoing DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE CLUB PONO KAI INTERVAL OWNERSHIP PROGRAM and BY-LAWS OF THE CLUB PONO KAI INTERVAL OWNERS ASSOCIATION was amended, annexed and/or supplemented by the following:

<u>Dated</u>	<u>Liber</u>	<u>Page</u>
December 2, 1982	16722	321
July 28, 1986	19713	18
June 19, 1987	20808	671
June 22, 1988	22069	222

Document No.

November 12, 1990	91-030258
July 23, 1991	91-100297 *
August 30, 1993	93-146038 *
August 4, 1995	95-105610 **
August 4, 1995	95-105611 **

* Declaration of Annexation to Building K
** Correction to Building K Annexation
Real Property Taxes as may be due and owing - check with the County Tax Assessor for more information.

EXHIBIT "G"
ASSOCIATION OF APARTMENT OWNERS OF PONO KAI
OPERATING BUDGET FOR THE FISCAL YEAR ENDING
DECEMBER 31, 1978

	<u>ANNUAL</u>
REVENUE	
ASSESSMENT REVENUE	\$1,271,399
UNCOLLECTIBLE ASSESSMENTS	(54,500)
ACTIVITY DESK	84,000
LAUNDRY INCOME	16,000
OTHER REVENUE	3,000
TELEPHONE REVENUE	58,000
VENDING REVENUE	8,000
TOTAL REVENUE	<u>\$1,435,899</u>
EXPENSES	
FRONT DESK	
SALARIES	\$95,638
PAYROLL TAXES	16,616
WORKERS COMPENSATION	831
GROUP INSURANCE	16,388
SECURITY	48,000
SUPPLIES	9,000
UNIFORMS	400
VENDING EXPENSE	4,400
HOUSEKEEPING	
SALARIES	20,149
PAYROLL TAXES	2,237
WORKERS COMPENSATION	1,815
GROUP INSURANCE	7,176
SUPPLIES	908
WINDOW CLEANING	3,600
REPAIRS & MAINTENANCE	
SALARIES	194,670
PAYROLL TAXES	21,608
WORKERS COMPENSATION	17,340
GROUP INSURANCE	36,864
BUILDING	16,600
ELEVATOR	40,000
GROUNDS & LANDSCAPING	13,000
LIGHTING	5,000
PAINTING	1,800
PEST CONTROL	13,000
POOL & SPA	3,700
UNIFORMS	200

Since the Association has been managing and operating the project for many years, the developer has not conducted a reserve study. The Association has conducted a reserve study of its own.

ASSOCIATION OF APARTMENT OWNERS OF PONO KAI
 OPERATING BUDGET FOR THE FISCAL YEAR ENDING
DECEMBER 31, 1996

	<u>ANNUAL</u>
LEASES	
COPY MACHINE	273
TELEPHONE	13,116
UTILITIES	
CABLE	23,320
ELECTRIC	114,444
GAS	6,000
TELEPHONE	26,400
TRASH	25,200
WATER/SEWER	52,000
GENERAL & ADMINISTRATIVE	
AUDIT & TAX EXPENSE	4,600
BANK CHARGES	5,200
BOARD OF DIRECTORS/ANNUAL MEETING	5,000
CONTINGENCY	10,000
EMPLOYEE INCENTIVE	1,000
INSURANCE	393,634
LEGAL	2,000
MANAGEMENT SERVICES	37,603
PERMITS & FEES	1,000
POSTAGE	341
PRINTING	3,338
TRAINING & RECRUITMENT	1,400
TRAVEL	1,885
TOTAL OPERATING EXPENSE	1,313,277
REPLACEMENT FUND	122,622
TOTAL EXPENSES	\$1,435,899

	1996	1995	
<u>UNIT TYPE</u>	<u>MONTHLY</u> <u>ASSESSMENT</u>	<u>MONTHLY</u> <u>ASSESSMENT</u>	<u>VARIANCE</u>
A-1 CORAL (2 BEDROOM)	\$614.77	\$607.45	\$7.32
A-2 REEF (2 BEDROOM)	\$560.93	\$555.87	\$5.06
A-3 SURF (2 BEDROOM)	\$534.08	\$530.21	\$3.87
A-4 SURF (2 BEDROOM WITH LOFT)	\$686.72	\$686.47	\$0.25
B-1 SAND (1 BEDROOM)	\$362.21	\$361.77	\$0.44
B-3 SAND (1 BEDROOM WITH LOFT)	\$494.83	\$497.83	(\$2.98)
B-3 (A, B) BLDG "K" (1 BEDROOM)	\$231.31		
B-3 (C,D) BLDG "K" (1 BEDROOM)	\$271.18		
C-1 BLDG "K" (STUDIO)	\$136.63		
GIFT SHOP	\$218.26		
LAUNDRY UNIT	\$213.38		
HOUSEKEEPING	\$155.11		

EXHIBIT "H"

**SUMMARY OF PERTINENT PROVISIONS OF THE
SALES CONTRACT AND ESCROW AGREEMENT
FOR AN ENTIRE APARTMENT**

This summary is with regard to the sale and closing of an entire Apartment. For information regarding the sale and closing of a time share interval, see the Developer's Time Share Disclosure Statement and the time share purchase contract and escrow agreement.

Generally speaking, the Sales Contract will contain the price and other terms and conditions on which the purchase will be made, and the Escrow Agreement states how each purchaser's funds will be handled and the closing of his or her purchase will occur. Among other things, these documents state that:

1. The Sales Contract is not contingent on the purchaser's obtaining mortgage financing. If desired, each purchaser must obtain his or her own financing. But each purchaser must pay the purchase price in full on a date certain whether or not mortgage financing has been obtained, or the purchaser will be in default.
2. All of the purchaser's funds must be deposited with and held and handled by the Escrow Agent. Interest earned on these funds, if any, will belong to the Developer. The purchaser must pay all closing costs.
3. Each purchaser has the right to cancel and obtain a refund of his or her moneys as explained in this Report at Section V.B., page 18 and in the Escrow Agreement at Section 8, page 4.
4. At closing, the Apartment will be conveyed to a purchaser by a deed recorded in the Bureau of Conveyances of the State of Hawaii, and must be free and clear of all encumbrances except as stated in Exhibit F to this Report. Among other things, this means that all blanket mortgages and other blanket liens must be released. Each purchaser will be provided a title insurance policy to this effect.
5. Except for warranties of title contained in the deed, no warranties, express or implied, on the Apartment or the Condominium are given to a purchaser.

The Sales Contract and Escrow Agreement contain various other provisions which a purchaser should read carefully. These include provisions on how a purchaser's funds will be handled if he or she defaults and provisions for the protection of the Escrow.