

# **Summary Report for Kona View Estates Phase I**

This report is prepared by 327 Kona, LLC, the Developer of Kona View Estates Phase I.

## TABLE OF CONTENTS

	<u>Page</u>
RISKS OF BUYING LAND	3
GENERAL INFORMATION	3
TITLE TO THE PROPERTY AND LAND USE	4
METHOD OF SALE	4
Sales Contract and Delivery of Deed	4
Type of Deed	4
Oil, Gas and Mineral Rights	4
ENCUMBRANCES, MORTGAGES AND LIENS	5
RECORDING THE CONTRACT AND DEED	5
Method or Purpose of Recording	5
Title Insurance	5
PAYMENTS	5
Escrow	5
Prepayments	6
RESTRICTIONS ON THE USE OF YOUR LOT	6
Restrictive Covenants	6
Easements	7
PLATS, ZONING, SURVEYING, PERMITS, ACCESS AND ENVIRONMENT	7
Plats	7
Phase I	7
Zoning	7
Surveying	7
Permits	7
Environment	8
UTILITIES & SERVICES	9
Refuse	9

Public Services	9
Water	9
Sewer	9
Electricity	9
Telephone	10
Fuel or other Energy Source	10
<b>LOCAL SERVICES</b>	<b>10</b>
Fire Protection	10
Police Protection	10
Schools	10
Hospital	12
Physicians and Dentists	12
Shopping Facilities	12
Mail Service	13
Public Transportation	13
<b>SUBDIVISION CHARACTERISTICS AND CLIMATE</b>	<b>13</b>
General Topography	13
Water Coverage	13
Drainage and Fill	13
Hazards	13
Climate	15
Occupancy	15
<b>ADDITIONAL INFORMATION</b>	<b>15</b>
Property Owners' Association	15
Taxes	18
Resale or Exchange Program	18
Equal Opportunity in Lot Sales	18

## **RISKS OF BUYING LAND**

The future value of any land is uncertain and dependent upon many factors. Do not expect all land to increase in value during the time you own it.

Any subdivision will have an impact on the surrounding environment. Whether or not the impact is adverse and the degree of impact will depend upon the location, size, planning, and extent of development. Subdivisions, which adversely affect the environment, may cause governmental agencies to impose restrictions on the use of the land. Changes in plant and animal life, air and water quality and noise levels may affect your use and enjoyment of your lot and your ability to sell it.

In the purchase of real estate, many technical requirements must be met to assure that you receive proper title. Since this purchase involves a major expenditure of money, it is recommended that you seek professional advice before you obligate yourself.

Each one acre Lot in Kona View Estates Phase I is zoned Agricultural. The Land Use Commission of the State of Hawaii ("Commission") has determined that any buildings located on any parcel of land designated by the Commission with a Land Use Classification of "Agricultural" must be related to some kind of agricultural activity or use. Nothing contained in the Kona View Estates Phase I Declaration of Covenants, the Design Guidelines the Articles of Incorporation and Bylaws of the Kona View Estates community Association, Inc. or any other rules or regulations shall prevent the use of a Lot for agricultural purposes. The County of Hawaii, as the enforcement and permitting agency of improvements built within the Agricultural Land Use Classification, requires that a Farm Dwelling Agreement be obtained from the Planning Department.

### **WARNINGS**

THROUGHOUT THE PROPERTY REPORT THERE ARE SPECIFIC WARNINGS CONCERNING THE DEVELOPER, THE SUBDIVISION OR INDIVIDUAL LOTS. BE SURE TO READ ALL WARNINGS CAREFULLY BEFORE SIGNING ANY CONTRACT OR AGREEMENT.

## **GENERAL INFORMATION**

This report covers 29 lots located in Kona View Estates Phase I ("Kona View Estates"), a subdivision located in North Kona District, Hawaii County, Hawaii. Refer to the Design Guidelines for a listing of these lots.

The lots covered by this report comprise Lots 1 through 29 ("Phase I). It is estimated that the entire community will eventually contain approximately forty five (45) one acre lots with additional land available for the development of smaller lots to the west of the one acre lots. For purposes of this report, the Kona View Estates planned community is referred to as the "Planned Community" while Phase I is individually referred to as the "Subdivision."

The Developer of this Subdivision is:

327 Kona LLC, a Delaware Limited Liability Company  
256 26<sup>th</sup> Street, Suite 200  
Santa Monica, California 90402  
310-451-3111

4054 McKinney Avenue  
Suite 310  
Dallas, Texas 75204  
214-520-0600

THE AREA IN WHICH THIS SUBDIVISION IS LOCATED MAY BE AFFECTED BY NATURAL DISASTERS LIKE EARTHQUAKES AND VOLCANIC ERUPTIONS. SEE PAGE 16 OF THIS PROPERTY REPORT FOR A DISCUSSION OF THIS SITUATION

### **TITLE TO THE PROPERTY AND LAND USE**

A person with legal title to property generally has the right to own, use and enjoy the property. A contract to buy a lot may give you possession but does not give you legal title. You will not have legal title until you receive a valid deed. A restriction or an encumbrance on your lot, or on the Subdivision, could adversely affect your title.

Here we will discuss the sales contract you will sign and the deed you will receive. We will also provide you with information about any land use restrictions and encumbrances, or liens affecting your lot and some important facts about payments, recording and title insurance.

### **METHOD OF SALE**

#### **Sales Contract and Delivery of Deed**

In connection with the purchase of a lot, you will sign a purchase contract in which you will be required to pay the full purchase price in cash at closing of the purchase and sale of the lot. The purchase contract will also require you to make one or more cash down payments prior to closing. As a cash purchaser you will receive a limited warranty deed at closing.

#### **Type of Deed**

The transfer of legal title will be accomplished by a limited warranty deed free and clear of all monetary liens and encumbrances, except for real property taxes not yet due and payable.

#### **Oil, Gas and Mineral Rights**

The mineral and metallic rights to all lots in this Subdivision will not belong to the purchaser of those lots. They are reserved in favor of the State of Hawaii. The exercise of these rights could affect the use, enjoyment and value of your lot.

## **ENCUMBRANCES, MORTGAGES AND LIENS**

The Subdivision is free and clear of mortgage liens. The Lots are subject to that certain Kona View Estates Phase I Declaration of Covenants, Conditions and Restrictions which are recorded in the Bureau of Conveyances of the State of Hawaii, as the same may be amended from time to time ("Declaration"). All references herein to "Declaration" shall refer to the Kona View Estates Phase I Declaration.

## **RECORDING THE CONTRACT AND DEED**

### **Method or Purpose of Recording**

The purchase contract you sign evidencing your interest in purchasing a lot does not contain official acknowledgments and will not be recorded. Hawaii law does not require that purchase contracts be recorded, and since it is not a common practice in Hawaii, we will not record the purchase contract. Under Hawaii law, recording a purchase contract places third parties on notice that the subject property is under contract for sale.

The deed you receive at closing will be recorded. It is the responsibility of the title or escrow agent to record the deed. You will be responsible for the cost of recording the deed.

**UNLESS YOUR CONTRACT OR DEED IS RECORDED, YOU MAY LOSE YOUR LOT THROUGH THE CLAIMS OF SUBSEQUENT PURCHASERS OR SUBSEQUENT CREDITORS OR ANYONE HAVING AN INTEREST IN THE LAND.**

### **Title Insurance**

We will deliver to you an ALTA Owner's policy of title insurance policy ("Title Policy") at such time as the closing of the transaction takes place and a deed is delivered to you. You are responsible for 40% of the premium for the Title Policy and the cost of any additional coverage or any coverage required by your lender. We recommend that a professional interpret any title policy issued.

## **PAYMENTS**

### **Escrow**

Your down payments will be placed in escrow until such time as the closing of the transfer of the deed takes place. Other than your down payments, you will make no installment payments prior to closing. The name and address of the escrow agent is as follows:

Title Guarantee Services	Office:	808-327-3220
Janet Lum Won	Fax:	808-329-3322
75-170 Hualalai Road	E-Mail:	jlumwon@tghawaii.com
Suite C-210		
Kailua-Kona, HI 96740		

In the event we fail to convey title to you or default under any obligation which would result in the loss of your money prior to closing, you will be entitled to a refund of all of your payments from the escrow agent.

### **Prepayments**

All sales will be for cash, which means that you will make full payment of the balance of the purchase price of the lot at closing. Accordingly, there are no prepayment penalties or privileges.

## **RESTRICTIONS ON THE USE OF YOUR LOT**

### **Restrictive Covenants**

#### **A. Declaration of Covenants, Conditions and Restrictions.**

A complete copy of the Declaration will be provided to you. There is no assurance that the restrictions contained in the Declaration will be applied uniformly. These restrictions may be changed and may be difficult to enforce. Certain provisions of the Declaration, as discussed below, require you to secure permissions, approvals or take certain actions before using or selling your lot. However, this discussion will only highlight certain areas of the Declaration and should not be a substitute for your careful study of the Declaration.

1. All improvements to any lot in the Subdivision must comply with the provisions of the Declaration and the Kona View Design Guidelines ("Design Guidelines"). The Declaration contains provisions for the architectural control over all properties within the Subdivision. Before constructing any improvements on your lot, or making any modifications, additions, or alterations to any existing structures, units, or open space appurtenant thereto, you must have the plans and specifications approved by 327 Kona LLC, the Declarant under the Declaration ("Declarant"), or the Design Review Committee ("DRC"), whose members are appointed by the Declarant initially, then the Board of Directors ("Board") of the Kona View Community Association, Inc. ("Association"). The Declarant will have exclusive jurisdiction over all original construction and modifications, additions, and alterations to any existing structures, units, or open space on or within any portion of the Subdivision until the Declarant delegates all or a portion of this authority to the DRC or the Declarant's rights under Article V or the Declaration terminates. Variances from the Design Guidelines may be authorized when circumstances, such as topography, natural obstructions, hardship, or aesthetic or environmental considerations, require. The inability to obtain approval of any government agency, any necessary permit, or particular financing is not considered a hardship warranting a variance. A copy of the Design Guidelines will be provided to you.

2. The Declaration authorizes the Board to make and enforce rules and regulations in addition to those contained in the Declaration and to impose reasonable fees for the use of certain facilities of the Association.

## **Easements**

There are easements affecting lots in this offering that may have an effect on the lot use plans of some individual lot owners. The lot plans will show the easements of record at the time of closing. The Developer reserves for itself, so long as the Developer owns any property described in Exhibits A or B of the Declaration, to grant and record easements over the lots as set forth in the Declaration.

## **PLATS, ZONING, SURVEYING, PERMITS, ACCESS AND ENVIRONMENT**

### **Plats**

#### Phase I

The plat for Phase I has received final approval from the County of Hawaii has issued a final of registration for these lots. The descriptions of these lots as set forth in the metes and bounds descriptions on the Lot Plots are legally adequate for the conveyance of the lots.

#### Zoning

The Subdivision is located in an area zoned one acre agricultural.

### **Surveying**

At no cost to you, the boundaries of each lot within the Subdivision have been, or will be before closing, surveyed and marked for identification. However, any surveys required in accordance with submittals under the Design Guidelines are your responsibility.

### **Permits**

It is necessary for you to obtain a building permit before beginning construction on your lot. The building permit must be obtained from:

County of Hawaii  
Dept. of Public Works  
West Hawaii Division  
75-5706 Kuakini Hwy.  
Suite 109-111  
Kailua-Kona, HI 96740

There are no other building permits necessary other than the building permit described above. However, as discussed in the paragraph entitled "Restrictive Covenants" on page 6, you must have the plans and specifications reviewed by 327 Kona, LLC or the DRC before beginning the construction of the improvements.



## **Environment**

While the Subdivision is expected to have minimal negative impacts upon the environment, the unavoidable adverse impacts are anticipated and discussed in the following sections.

1. Topography.

Grading of the Roads and Lots will affect much of the Subdivision's topography.

2. Soil Types and Agricultural Capability

Soils will be disturbed for grading and excavation and additional soil may be imported for landscaping ground cover. Some soil erosion will occur during construction, but will be controlled on-site. A Best Management Practices for erosion and sedimentation control for the Subdivisions infrastructure construction has been prepared and approved by the County of Hawaii Department of Public Works as part of the grading permit approval process.

3. Drainage and Runoff Water Quality

Minor contributions of fertilizer constituents and pesticides will enter storm water runoff generated at the Subdivision. Drywells, drainage pits and landscaped areas will collect this runoff during peak precipitation periods. Approved types of fertilizers and pesticides should be carefully controlled in amounts applied following State and Federal guidelines. No applications should be made proceeding or during high precipitation periods.

4. Archaeological and Historic Resources

There are recorded archaeological sites in the Subdivision and these sites have undergone archaeological data recovery and/or site preservation, in accordance with the recommendations of the Historic Preservation Division of the State of Hawaii Department of Land and Natural Resources and the County of Hawaii. There is one burial site which will be preserved located on Lot 22.

5. Access, Roadways and Traffic

Some of the lots in Kona View Estates are located adjacent to a major thoroughfare. All roads within the Subdivision are dedicated residential County roads. Subdivision access is by Halolani Street through the Kona Heavens Subdivision to the north which connects to Hina Lani, a major thoroughfare. Eventually a secondary access to the Subdivision is planned directly to the west which will connect to Kealakaa when it is extended.

6. Noise.

Noise will be generated by construction activities on the project site. Compliance with existing State and County regulations will mitigate construction noise generated.

7. Social and Economic Characteristics.

The population increase associated with the Subdivision is approximately 75 persons (full-time and part-time residents).

**UTILITIES & SERVICES**

1. Refuse.

The County will not provide domestic refuse removal and disposal. The solid waste will be disposed by private contractors secured by the lot owners at the County landfill at Pu'uana'hulu, approximately 12 miles north of the Subdivision.

2. Public Services.

Emergency medical facilities in Kealahou, Kailua-Kona, or Waimea may occasionally be utilized by sick or injured construction workers, or in the long term, by residents of the Subdivision.

In the long term, the area's existing elementary, intermediate, and high schools are either near or at capacity in student enrollment. The Subdivision's use of public services such as police and fire protection, emergency medical facilities, and recreational facilities will have only a minor effect on these services. Property tax revenues generated by the Subdivision and County of Hawaii impact fees are expected to offset the increase in operational costs caused by the Subdivision.

3. Water.

Potable water is provided by the County of Hawaii water system.

4. Sewer.

Sewage disposal will be provided by septic systems installed by each individual lot owner.

5. Electricity.

Connections for electrical service are provided to each lot throughout the Subdivision. You will be responsible for the cost to extend the electrical lines and service from the facilities located within the abutting roadway to and throughout the dwelling you construct on your lot. The name and address of the entity providing electrical service to the Subdivision is:

Hawaii Electric Light Co. (HELCO) Kona Office  
74-5519 Kaiwi Street  
Kailua-Kona, 1-11 96740

6. Telephone.

You will not be responsible for any construction costs in connection with the construction of the telephone main service lines. You will be responsible for the cost to extend the telephone lines and service from the facilities located within the abutting roadway to and throughout the dwelling you construct on your lot. The name and address of the entity providing telephone service to the Subdivision is:

Verizon Hawaii  
Crossroads Shopping Centre  
Kailua-Kona, HI 96740

7. Fuel or Other Energy Source.

We have not provided for natural gas, or any other alternate energy source, to be available in the Subdivision.

### **LOCAL SERVICES**

Under this topic, we will discuss the availability of fire and police protection, the location of schools, medical care and shopping facilities.

#### **FIRE PROTECTION**

Fire protection is available on a year round basis from:

County of Hawaii  
Fire Department  
Kailua-Kona, HI  
Miles: 7 miles.

#### **POLICE PROTECTION**

Police protection is available from:

County of Hawaii  
Police Department  
Kealakehe Station  
Kona District  
Kailua-Kona, HI  
Miles: 7 miles.

#### **SCHOOLS**

Elementary, junior high and senior high schools are available. The school name, community name and location in terms of miles to the school are as follows:

Kealakehe Elementary School (public)  
Kailua-Kona, HI  
Miles: 2 miles

Waikoloa Elementary School (public)  
South Kohala, HI  
Miles: 2 miles

Hawaii Preparatory Academy (private)  
Kamuela, HI  
Miles: 35 miles

Hualalai Academy (private)  
Kailua-Kona, HI  
Miles: 3 miles

Name and community location and miles to middle school:

Kealakehe Intermediate School (public)  
Kailua-Kona, HI  
Miles: 2 miles

Waimea Intermediate School (public)  
Kamuela, HI  
Miles: 40 miles

Hualalai Academy (private)  
Kailua-Kona, HI  
Miles: 3 miles

Hawaii Preparatory Academy (private)  
Kamuela, HI  
Miles: 35 miles

Parker School (private)  
Kamuela, HI  
Miles: 37 miles

Name and community location and miles to high school:

Kealakehe High School (public)  
Kailua-Kona, HI  
Miles: 6 miles

Makua Lani Christian School (private)  
Kailua-Kona, HI  
Miles: 7 miles

Hawaii Preparatory Academy (private)  
Kamuela, HI  
Miles: 35 miles

Parker School (private)  
Kamuela, HI  
Miles: 37 miles

School bus transportation is not available to any of the schools.

### **HOSPITAL**

The name and location of the nearest hospital is

Crossroads Medical Centre  
75-1028 Henry Street  
Kailua-Kona, HI  
Miles: 6

Kona Community Hospital  
Kealahou  
South Kona, HI  
Miles: 11 miles (from Kailua-Kona)

North Hawaii Community Hospital  
Kamuela, HI  
Miles: 25 miles

Ambulance Services are available from Kailua-Kona and Waimea.

### **PHYSICIANS AND DENTISTS**

The nearest physicians' and dentists' offices are located in the community of Kailua-Kona, HI 4 miles from the Subdivision.

### **SHOPPING FACILITIES**

The nearest shopping facilities to the Subdivision are located in the community of Kailua-Kona, HI 4 miles from the Subdivision:

Lanihau Shopping Center  
Crossroads Shopping Center  
Makalapua Shopping Center  
Kona Coast Shopping Center

## **MAIL SERVICE**

There is mail service available to the Subdivision. A mail station will be provided by the Developer.

## **PUBLIC TRANSPORTATION**

There is no public transportation available within the Subdivision, or to nearby towns from the Subdivision. The nearest public transportation is located 8 miles from the Subdivision at the Kona Airport. Bus transportation is available at the Kona Airport to nearby towns, as well as private air transportation to nearby towns and other islands.

## **SUBDIVISION CHARACTERISTICS AND CLIMATE**

In this section of the Property Report, we will discuss the general topography, the characteristics of the land included in this offering and the climate of the area where the Subdivision is located.

## **GENERAL TOPOGRAPHY**

A description of the general topography of the land is as follows: approximately 30 acres of open fields, sloping at 6 to 18 percent from an elevation of approximately 1375 feet at Mamalahoa Highway along the eastern edge of the Subdivision to an approximate elevation of 1060 feet along the southwestern corner of the Subdivision. Underground lava tubes causing localized depressions crisscross the property.

## **WATER COVERAGE**

None of the lots are covered by water at any time.

## **DRAINAGE AND FILL**

Although not required prior to being used for the purpose for which they are being sold, all pads will be assigned specific elevations determined by us. You will be responsible for any grading for homesite development and to make provisions for lot drainage.

## **HAZARDS**

The natural hazards that could have the greatest potential impact upon the physical character of the Subdivision, aside from occasional storms and strong winds, are volcanic eruptions, and earthquakes, and the conditions resulting there from, such as noxious or toxic fumes, other debris and flooding.

a. **VOLCANIC ERUPTION.** The Subdivision is located on the northwest flank of Hualalai, one of five volcanoes, which comprise the Island of Hawaii. The oldest volcano, Kohala, is extinct. Mauna Kea has erupted in the past 10,000 years, but not in historic times. Mauna Loa and Kilauea are currently active. Hualalai last erupted in 1800 and 1801. These two

eruptions were from vents that opened on the northwest rift zone. Most of the Hualalai eruptions have been small, similar to small or average Kilauea eruptions. The eruptions tend to be more explosive than those of Kilauea, because of the chemical composition of Hualalai lavas.

Volcanic hazards at the Subdivision would come from lava flows, volcanic gases, such as vog, or pyroclastic material, the products of explosive eruptions. Lava flows pose the greater hazard and because of the steepness of the west and northwest sides of Hualalai, lavas might flow down the volcano quite rapidly. On the basis of present data it is not possible to predict where the next eruption will occur. However, seismic monitoring instruments located on Hualalai and maintained by the Hawaii Volcano Observatory should permit advance warning of significant seismic activity, which could indicate impending volcanic activity.

Further Hualalai eruptions are likely to be of small to moderate size, though possibly explosive, if the pattern of past eruptions continued. There may be some warning time before an eruption, although precursors could be somewhat different from those that signal eruptions at Kilauea. Since Hualalai has been inactive since the 1800-1801 eruptions, there is probably no molten rock at shallow depths beneath the volcano. Therefore, rising magma could be expected to cause sharper and perhaps somewhat stronger earthquakes than the precursor earthquakes at Kilauea. It is likely that there also would be less ground deformation than occurs at Kilauea, which is underlain by a shallow magma chamber. Warning time might be short, perhaps as little as a week or a few weeks. The signals of impending eruptions should be clear and provide time to safeguard lives at the Subdivision and elsewhere on the Kona Coast.

Occasionally, wind conditions cause vog, consisting of various microscopic volcanic particles producing a haze, to drift over the part of the Island where the Subdivision is located. Although vog can be irritating for people with pre-existing respiratory health problems, there is no known significant health risk from vog. We recommend that persons with pre-existing respiratory health problems consult their physician about whether the anticipated vog creates a health risk for them.

In evaluating relative risks from volcanic hazards at Hualalai, Mullineaux and Peterson (1974) estimated the risk from lava-flow burial, falling rock fragments and volcanic gases to be moderate. Indirect risk from subsidence and surface rupture was judged to be low. In terms of overall relative volcanic hazards, the Subdivision is in an area of moderate.

b. TSUNAMIS. The Hawaiian Islands' coasts are exposed to seismic sea waves or tsunamis, from both distant earthquakes and local ones. Tsunami runups for the islands have been documented, but since the Subdivision is located approximately 1000 feet or more above sea level it is not considered an issue.

c. EARTHQUAKES. The island of Hawaii is seismically active and is in Seismic Zone III of the Uniform Building Code. Although the most recent large earthquakes have taken place under the southern part of the island, a large earthquake offshore from Kealakekua Bay, roughly 18 miles south of the site, occurred in 1951. Its magnitude was between 6.75 and 7.0, and its Modified Mercalli intensity at the site was estimated to be IV. This intensity level corresponds to nondestructive ground motion felt by many people indoors.

The closest large earthquake to the site probably was the magnitude 6.5 event in 1929, centered under Hualalai Volcano. Assuming a distance of 10 miles from the 1929 earthquake, Modified Mercalli intensities at the site of VII to VIII would have resulted. This corresponds to ground motion causing damage ranging between negligible to slight in well built structures and slight to considerable damage in ordinary substantial buildings.

### **CLIMATE**

	High	Low	Mean
Summer	88	65	75
Winter	80	48	70

Average rainfall: 30 to 40 inches

Average snowfall: none

### **OCCUPANCY**

No homes are occupied on a full time or part-time basis as of the date of this Report.

### **ADDITIONAL INFORMATION**

In this part of the Property Report, we will be describing the provisions that we have made for the establishment of a Property Owners' Association, the requirements for your payment of taxes and assessments. In addition, we will be describing other factors relating to the Subdivision, which are important for you to know prior to your purchase of your lot.

### **PROPERTY OWNERS' ASSOCIATION**

As described in the Declaration, under which the Subdivision will be annexed, a Property Owners' Association, known as the Kona View Estates Community Association, Inc., ("Association") has been formed of which lot owners in the Kona View Estates Phase I Subdivision will be members (the capitalized terms set forth in this paragraph shall have the meanings ascribed to them in the Declaration).

The Declarant has the right to exercise control over the Association initially through the appointment of the Board of Directors. The Declarant has the right to appoint a majority of the Board of Directors and thus control the Association during the Class "B" Control Period, as designated in the Bylaws of the Association ("Bylaws"), which right will expire as follows:

- a. When ninety percent (90%) of the total number of Lots permitted by the Master Plan for the property described in Exhibits "A" and "B" of the Declaration have certificates of occupancy issued thereon and have been conveyed to Class "A" Members; or
- b. December 31, 2050; or
- c. When, in the Declarant's sole discretion, the Declarant so determines.



In addition, after the Class "B" Control Period terminates, the Declarant has a veto power over all actions of the Board of Directors and any committee as provided in the Bylaws as long as the Class "B" membership exists.

Membership in the Association is mandatory, and there will be no non-member lot owners. Owners will be obligated to pay a quarterly assessment to the Association for each lot owned. Your assessment initially will be \$150.00 per quarter per lot, which covers the Association's general operating cost.

The Declaration authorizes the Board of the Association to levy several types of assessments to fund different types of expenses that the Association may incur for the benefit of all or certain specific lots in the Subdivision. As a general matter, all assessments shall be paid in such manner and on such dates as may be fixed by the Board and, if the Board so elects, assessments may be paid in two or more installments. If you are delinquent in paying any assessments or other charges levied against your lot, the Board may revoke the privilege of paying in installments and require any unpaid installments of an annual assessment and/or any other assessments to be paid in full immediately. The Declaration authorizes the Board to levy the following types of assessments:

1. The Declaration authorizes the Board to levy Assessments against all Lots to fund Common Expenses for the general benefit of all Lots. All costs associated with the maintenance, repair and replacement of the Area of Common Responsibility, shall be a Common Expense to be allocated among all Lots as part of the Assessment. The Declaration requires Assessments to be set at a level, which is reasonably expected to produce total income to the Association equal to the total budgeted Common Expenses, including reserves. Assessments are due and payable annually in advance on the first day of each fiscal year, unless otherwise determined by the Board, which has the authority to require that the Assessments be payable in installments. At least sixty days before the beginning of each fiscal year, the Board is required to prepare a budget covering the estimated Common Expenses of the Association during the coming fiscal year, including the amount to be generated through the levy of Assessments and Special Assessments. The Board must then send a copy of the final budget, together with a notice of the amount of the Assessment to be levied against each lot for the following year, to each Owner at least thirty days prior to the effective date of the budget. The budget and assessment shall become effective unless disapproved at a meeting by Members representing at least 75 % of the total Class "A" votes in the Association and by the Class "B" Member, if any. There is no obligation to call a meeting for the purpose of considering the budget except, upon the petition of the Members, at a special meeting called therefore pursuant to the By-laws, which petition must be presented to the Board within ten days after delivery of the budget and notice of assessment.
2. The Declaration authorizes the Board to levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Special Assessments may be levied against the entire membership; provided, however, that any such Special Assessment shall require the affirmative vote or written

consent of Members representing more than 50% of the total votes allocated to Lots which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be paid in installments extending beyond the fiscal year in which the Special Assessment is approved, if the Board so determines.

3. The Declaration authorizes the Board to levy Specific Assessments against a particular Lot as follows:
  - a. To cover the costs, including overhead and administrative costs, of providing services to Lots upon the request of an Owner pursuant to any menu of special services which may be offered by the Association. Specific Assessments for special services may be levied in advance of the provisions of the requested service;
  - b. To cover costs incurred in bringing the Lot into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Lot, their agents, contractors, employees, licensees, invitees or guests; provided the Board shall give the Lot Owner prior written notice and an opportunity for a hearing, in accordance with the Bylaws, before levying any such Specific Assessment.
4. The Declaration, upon acquisition of record title to a Lot by the first Owner thereof other than Declarant, and upon each subsequent transfer of record title, a contribution fee and a transfer fee (both initially set at \$1,000.00) must be made by or on behalf of the purchaser to the working capital of the Association. This amount shall be in addition to, not in lieu of, the annual Assessment and shall not be considered an advance payment of such assessment. This amount shall be deposited with the Escrow Agent and disbursed there from to the Association for use in covering operating expenses and other expenses by the Association pursuant to the Declaration and the Bylaws.
5. Pursuant to the Bylaws, the Board is responsible for the levying and collection of all assessments and is required to deposit all monies received by the Association as assessments into a bank depository which it shall approve and shall use the proceeds to operate the Association; provided that any reserve fund may be deposited, in the Board's best judgment, in depositories other than banks. The Declaration does not require that the deposit accounts be federally insured or interest bearing.

We anticipate that the current level of assessments, fees, charges and other income will provide the Association with the capability to meet its anticipated financial obligations, including operating costs, maintenance and repair costs, and reserves for replacement. If, however, the amount of assessments collected by the Association is insufficient, the Declarant may, but is not required to, pay a subsidy pursuant to the Declaration, to cover or reduce any such deficit.

The Association has powers and duties which include, but are not limited to, preparation and adoption of an annual budget, levying and collecting assessments, providing for the operation and maintenance of the common properties, hiring and firing personnel, making and amending rules and regulations, enforcing the provisions of the Declaration, the Bylaws and the Rules and Regulations of the Association, and keeping the books and records of the Association. The Declarant will exercise architectural control over all new construction within the Subdivision until the Declarant delegates all or a portion of this control to the Design Review Committee initially appointed by the Declarant, then the Board of Directors of the Association.

In order to avoid an unexpected increase in assessments in the future, we do not intend to provide any services free of charge to the Association for which it will be required to assume responsibility in the future.

## **TAXES**

Your obligation to pay taxes begins on the day you receive your deed to your lot. You will be required to pay your taxes to the County of Hawaii. The estimated annual taxes on an average \$500,000.00 dollar unimproved lot will be \$9.85 per \$1,000 taxable value, or approximately \$4,900.00 per year. The current tax rate for improvements on your lot is \$9.10 per \$1,000 taxable value.

The Subdivision is not located in a special improvement district and no special improvement district is proposed for the area of the Planned Community.

## **RESALE OR EXCHANGE PROGRAM**

Restrictions, which might hinder the resale of lots, include the architectural approval and control restrictions of the Declaration discussed in "Restrictions on the Use of Your Lot" above. In addition, the Design Guidelines contain detailed provisions imposing restrictions, such as height limits, minimum size requirements, and color and landscape restrictions, as well as limits on for sale signs. These may hinder the resale of your lot.

We have no program to assist you in the resell of your lot, nor do we have any provision to allow you to exchange one lot for another.

## **EQUAL OPPORTUNITY IN LOT SALES**

We are operating our development company and sales activities in compliance with Title VIII of the Civil Rights Act of 1968 by not directly or indirectly discriminating on the basis of race, religion, sex or national origin in lot marketing, advertising, rendering of lot services and in requiring terms and conditions on lot sales.