

REAL ESTATE COMMISSION
PROFESSIONAL & VOCATIONAL LICENSING DIVISION
DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS
STATE OF HAWAII
1010 RICHARDS STREET
P. O. BOX 3469
HONOLULU, HAWAII 96801

SUPPLEMENTARY
HORIZONTAL PROPERTY REGIMES (CONDOMINIUM)
PUBLIC REPORT

on
ISLANDER ON THE BEACH
484 Kuhio Highway
Kapaa, Kauai, Hawaii

REGISTRATION NO. 1381

This Report Is Not an Approval or Disapproval of This Condominium Project

It was prepared as a supplement to ~~an~~ earlier Reports dated February 27, 1981 and January 18, 1982 issued by the Real Estate Commission on the above project. This report, based on a principle of disclosure, is issued by the Commission for the purpose of preventing fraud, misrepresentation or deceit.

The developer shall not enter into a binding contract or agreement for the sale of any unit in a Condominium Project until

- (1) A copy of this Report has been given to the prospective purchaser,
- (2) The latter has been given an opportunity to read same, and,
- (3) His receipt taken therefor.

Issued: November 9, 1983

Expires: August 18, 1984

SPECIAL ATTENTION

A comprehensive reading of this report is urged in order that personal requirements and expectations to be derived from the property can be ascertained. The attention of the purchaser or prospective purchaser is particularly directed to the following:

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED JANUARY 6, 1981, AND INFORMATION SUBSEQUENTLY FILED AS OF NOVEMBER 3, 1983. THE OWNER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY ACT, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

1. Since the issuance of the Commission's Preliminary Public Report dated February 27, 1981 and Final Public Report dated January 18, 1982, on the ISLANDER ON THE BEACH, certain material changes have been made in the Project.

2. Except for Apartment 23, which has been conveyed to a third party purchaser, the original Developer, Islander on the Beach Associates, has conveyed title to the Project to Seafirst Mortgage Corporation, herein called "Owner," in lieu of foreclosure of the interim renovation loan on the Project.

3. The Owner has filed all documents and materials deemed necessary by the Commission for the registration of this condominium project and the issuance of this Supplementary Public Report.

The basic documents (Declaration of Horizontal Property Regime, By-laws of the Association of Apartment Owners) were dated October 28, 1981, and filed as Document No. 1095514 and amended by a First Amendment dated August 16, 1983 and filed as Document No. 1188203. A copy of the floor plans has been filed as Condominium Map No. 469, as amended.

4. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, and the Condominium Rules and Regulations which relate to Horizontal Property Regimes.

5. No advertising or promotional matter has been filed pursuant to the Rules and Regulations promulgated by the Commission.

6. This Supplementary Public Report amends the Preliminary and Final Public Reports, becoming a part of the ISLANDER ON THE BEACH registration. The Owner is responsible for placing a true copy of this Supplementary Public Report (pink paper stock) in the hands of all purchasers and prospective purchasers along with a copy of the Preliminary Public Report (yellow paper stock), Final Public Report (white paper stock) and updated Disclosure Abstract, and securing a receipt therefore.

7. This Supplementary Public Report automatically expires August 18, 1984, unless a Second Supplementary Public Report issues or the Commission, upon review of the registration, issues an order extending the effective period of this report.

The information in the Final Public Report of January 18, 1982, under the topical headings DESCRIPTION, COMMON ELEMENTS, LIMITED COMMON ELEMENTS, INTEREST TO BE CONVEYED TO PURCHASER, PURPOSE OF BUILDING AND RESTRICTIONS AS TO USE, OWNERSHIP OF TITLE, ENCUMBRANCES AGAINST TITLE, PURCHASE MONEY HANDLING and STATUS OF PROJECT, and in the Preliminary Public Report of February 27, 1981, under the topical headings DEVELOPER, ATTORNEY REPRESENTING DEVELOPER, RESERVATION FOR FUTURE DEVELOPMENT and MANAGEMENT OF PROJECT, have been changed. A new section entitled COMMON AREAS USE AGREEMENT has been added.

DEVELOPER/OWNER: Seafirst Mortgage Corporation, Fourth and Blanchard Building, Seattle, Washington, 98121, Telephone

(206) 583-4190. The officer in charge of the project is Mr. Edward T. Eckburg, Vice President, telephone (206) 538-7098.

ATTORNEY FOR DEVELOPER/OWNER: Carlsmith, Carlsmith, Wichman and Case, 190 South King Street, Suite 2200, Honolulu, Hawaii 96813, Telephone (808) 523-2500 (Attention: Deborah M. Chun or John K. Lucey).

DESCRIPTION: The First Amendment of Declaration of Horizontal Property Regime and the amended Condominium Map filed therewith, show a leasehold condominium project consisting of eight three (3) level buildings, and two one (1) level buildings, all without basements, containing living and commercial apartments and common service facilities. The buildings are constructed principally of wood, glass, concrete hollow tile, and other allied building materials. The Buildings are identified on the Condominium Map as Buildings A, B, C, D, E, F, G, H, J, and L.

The project consists of two hundred and three (203) apartment units and one hundred thirteen (113) parking stalls.

The apartments consist of the following types:

(a) Type 1. The Type 1 apartment is a studio apartment consisting of a single room, a bathroom/dressing room and one lanai for a floor area of approximately 372 square feet not counting the lanai. The lanai has a floor area of approximately 67 square feet.

(b) Type 2. The Type 2 apartment is a studio apartment consisting of a single room, a bathroom/dressing room and one lanai for a floor area of approximately 372 square feet not counting the lanai. The lanai has a floor area of approximately 84 square feet.

(c) Type 3. The Type 3 apartment is a one-bedroom apartment which consists of one bedroom, a bathroom/dressing room, a living room, a kitchenette unit and one lanai for a floor area of approximately 529 square feet, not counting the lanai. The lanai has a floor area of approximately 169 square feet.

(d) Type 4. The Type 4 apartment consists of one room, and contains a floor area of approximately 810 square feet.

(e) Type 5. The Type 5 apartment consists of one room, and contains a floor area of approximately 126 square feet.

(f) Type 6. The Type 6 apartment is a one-story free-standing building identified as Building L, containing a total area of approximately 6,000 square feet, and presently consisting of a restaurant facility with kitchen, bar, and dining room. This is Apartment 23 and it shall include the entirety of Building L and (i) any facilities

within, appurtenant to or along Building L, (ii) any adjacent lanais or patios, and (iii) all fixtures installed therein.

Notwithstanding the description of the apartments as set forth above, the square footage areas of the respective apartment types are computed from and to the center lines of the apartment perimeter party walls and perimeter walls directly across the party walls and to the exterior surface of all other apartment walls, not including the area to the edge of the lanais.

Each of the living units on the 2nd and 3rd floors in Buildings A, B, C, D, E, F, G, and H leads to a corridor, which leads to 2 stairways, each stairway leading to the ground floor or common elements leading to the grounds and roadways of the Project. Each of the living units on the 1st floor in Buildings A, B, C, D, E, F, G, and H leads to walkways leading to the grounds or common elements leading to the grounds and roadways of the Project. All of the other apartments are on the first level, and lead to common elements leading to the grounds and roadways of the Project.

The apartment numbers for all of the living units, being Types 1, 2, and 3 have three digits, while the apartment numbers for all of the non-living units being Types 4, 5 and 6, have two digits. There are 26 living units in Building A, 24 living units in Building B, 30 living units in Building C, 18 living units in Building D, 18 living units in Building E, 30 living units in Building F, 30 living units in Building G, and 24 living units in Building H. There are 2 commercial units (Units 21 and 22) on the ground floor of the main portion of Building A. There is one commercial unit in Building L (Apartment 23). All of the living units are marked chronologically, starting with the number 100. The first digit of a living unit denotes the floor in which it is located. The living units in Building A are numbered generally from west to east. The living units on the first floor start with 100 and go to 103, then from 110 to 114, except there is no 113, the living units on the second level start with 200 and go to 214, except there are no 207 and 213, and the living units on the third level start with 304 and go to 309, except there is no 307. The living units in Building B are numbered generally from north to south, starting with numbers 115, 215, and 315, and ending with 122, 222, and 322, for each of the three floors. The living units in Building C are numbered generally from east to west, starting with numbers 123, 223, and 323, and ending with 132, 232, and 332, for each of the three floors. The living units in Building D are numbered generally from south to north, starting with numbers 133, 233, and 333, and ending with 138, 238, 338 for each of the three floors. The living units in Building E are numbered generally from north to south, starting with numbers 139, 239, and 339, and ending with 144, 244, and 344, for each of the three floors. The living units in Building F are numbered generally from east to west, starting with numbers 145, 245, and 345, and ending with 154, 254, and 354 for each of the three floors. The living units in Building G are numbered generally from north to south, starting with numbers 155, 255, and 355, and

ending with 164, 264, and 364 for each of the three floors. The living units in Building H are numbered generally from north to south, starting with numbers 165, 265, and 365, and ending with 172, 272, and 372 for each of the three floors.

Except for Apartment 23, which is described above, the respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls, the floors and ceilings surrounding each apartment or any pipes, wires, conduits, or other utility lines running through such apartment, the same being deemed common elements as hereinafter provided. Each apartment shall include all the walls and partitions which are not load-bearing within its perimeter walls, the inner decorated or finished surfaces of all walls, floors and ceilings, and the fixtures installed therein, including (except for Types 4, 5, and 6 apartments) refrigerator, carpeting, drapery hardware and, except for the Type 5 apartment, an air conditioner and any appurtenant lanais and balconies.

COMMON ELEMENTS: Paragraph (c) under this topical heading in the Preliminary and Final Public Reports has been revised as follows:

(c) All yards, grounds, landscaping, planters, fences, mail boxes, refuse facilities, storage and service areas, manager's office and front desk area located on the first floor in Building A, one men's rest room and one women's rest room located on the first floor of Building A, and the other open areas, including the area which is adjacent to, and which is underneath the roof area of Building J.

LIMITED COMMON ELEMENTS: Paragraphs (c), (d) and (e) under this topical heading have been deleted in its entirety.

INTEREST TO BE CONVEYED TO PURCHASER AND PAYMENT OF COMMON EXPENSES: The revised percentage of undivided interest in the common elements appurtenant to each apartment unit for all purposes, including voting, shall be as set forth in Exhibit A attached hereto. Apartment owners will be liable for common expenses in accordance with their percentage interest except (a) expenses incurred in connection with limited common elements shall be borne and apportioned between the owners of the apartments to which the limited common element is appurtenant pro rata in proportion to the ratio that the common interest appurtenant to their respective apartment bears to the aggregate of the common interests of all the apartments to which such limited common element is appurtenant, and (b) the charges for common expenses shall be apportioned between Apartment 23 and all other apartments in the following fair and equitable manner: Apartment 23 shall be charged its proportionate share of all common expenses in proportion to its respective common interest with only the exceptions specifically hereinafter set forth; Apartment 23 shall have a separate meter to determine the use by Apartment 23 of electricity and water so that the cost and expenses of such use will be paid by

Apartment 23 as a direct expense or, in the alternative, shall have a check meter to determine the portion of the cost and expense of such use to be allocated to Apartment 23; in computing the common expenses allocable to Apartment 23, there shall be deducted therefrom the cost of all utilities, including sewer, gas, telephone, television cable, and the like, and also including electricity and water unless the amount of electricity and/or water used by Apartment 23 is determined by a check meter, in which case the expense attributable to such use by Apartment 23, as determined by the check meter, shall be allocated to Apartment 23; in computing the common expenses allocable to Apartment 23, there shall also be deducted therefrom the building and ground maintenance costs, including costs for pest control, pool, jacuzzi, refuse removal, repair, and purchase of new material and equipment, and to the extent that the owner of Apartment 23 has secured, at his own costs, adequate liability insurance policies, covering his Apartment 23, the cost of all premiums for liability insurance policies; the cost of all premiums for casualty insurance policies shall be charged to Apartment 23 in proportion to its respective common interest; Apartment 23 shall be charged all of the costs and expenses pertaining to the limited common elements appurtenant only to Apartment 23; in further computing the common expense allocable to Apartment 23, there shall be deducted therefrom eighty percent (80%) of the cost of the following items: management fee, data processing, salaries and wages for the manager and maintenance and grounds crew, payroll taxes, rent for the apartment manager, workmen's compensation insurance, group insurance, legal and audit fees, office supplies and printing, and miscellaneous costs. In further computing the common expense allocable to Apartment 23, twenty-five percent (25%) of the normal ongoing cost of paving and restripping the parking lot area shall be the responsibility of Apartment 23.

PURPOSE OF BUILDING AND RESTRICTIONS AS TO USE: Each of the apartment units shall be used only in accordance with the uses permitted under the applicable laws and ordinances, unless such uses are prohibited by the Association, in accordance with the terms of this Declaration, the By-Laws of the Association of Apartment Owners, and the House Rules or any Apartment Lease as they exist or as they may be amended from time to time and each owner shall observe, comply with, and perform all rules and regulations, ordinances, and laws made or adopted by the various governmental agencies. To the extent that such uses may not be prohibited by such laws and ordinances, the apartment units may be used for hotel, transient vacation rentals, resort, apartment, or related resort uses. The apartment units MAY BE USED FOR TIME SHARING PURPOSES as defined in, and in conformance with the applicable provisions of Chapter 514E, Hawaii Revised Statutes, as amended, BUT ONLY WITH THE PRIOR WRITTEN APPROVAL OF NIU PIA FARMS, LTD., its successors and assigns (the "Fee Owner") which approval must be filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii and which approval may be withheld for any reason or granted on such terms and conditions as are

satisfactory to the Fee Owner. All non-living units may be used for commercial and related uses. The front desk area next to the Manager's Office shall always be maintained as a front desk and reception area. In no event shall the uses of the apartment units or common areas be inconsistent with the uses permitted under the Master Lease nor shall such uses be inconsistent with a resort type use. Notwithstanding the foregoing or any other provision in this Declaration, the By-Laws, or the House Rules, and notwithstanding any action which may be taken by the Association or its Board of Directors, Apartment 23 may be used for any commercial and related uses permitted under applicable governmental laws and ordinances so long as any change in use does not materially reduce the value of the project. The owner of Apartment 23 may upon obtaining the prior consent of the Board of Directors and the Fee Owner and no others make any lawful structural alterations and/or additions to Apartment 23, and any alterations and/or additions to the exterior of the structures within Apartment 23 or to any other portion or portions of the limited common elements appertaining to Apartment 23, and the Board of Directors and the Fee Owner will grant such consent so long as such alterations or additions are consistent with the general architectural design of the Project.

OWNERSHIP OF TITLE: The subleasehold interest in the property submitted to the Horizontal Property Regime, which was vested in Islander on the Beach Associates, was assigned to Owner by Assignment of Lease dated December 24, 1982, filed in the Office of the Assistant Registrar of the State of Hawaii as Document No. 1145914. Immediately prior to the conveyance by it of an apartment lease in the Project, Owner plans to convey the subleasehold interest to Inn-vestment Partners, a Hawaii limited partnership, which will, in turn, concurrently therewith issue apartment leases for all apartments (exclusive of Apartment 23) to Owner. Owner will then assign individual apartment leases to purchasers of condominium units.

ENCUMBRANCES AGAINST TITLE: The Owner's Policy of Title Insurance issued to Owner by Title Insurance and Trust on December 30, 1982, reflects the following encumbrances:

1. Taxes which may be or become due and owing. Reference is made to Finance Director, County of Kauai.
2. Easement "D" in favor of the County of Kauai, for sewer line purposes, situate over and across Lot 12, as shown on Map 6, as set forth by Land Court Order No. 29243, filed November 22, 1968.
3. A 25-foot building setback line over and across Lot 12, as shown on Map 6, as set forth by said Land Court Order No. 29243.
4. Unrecorded Lease dated February 18, 1969, entered into by and between Niu Pia Farms, Ltd., a Hawaii corporation, as Lessor, and Blackfield Enterprises, Inc., a Hawaii corporation, as Lessee, a short form of which dated

April 7, 1969 is filed as Document No. 473388; leasing and demising Lot 12, together with an easement, in common with others, over such roads, sidewalks and access walks to the beach as are provided by the Lessor and are shown on a map of the area attached to said unrecorded Lease, for a term of 65 years from January 1, 1969.

5. Terms, agreements, reservations, covenants, conditions and provisions contained in the unrecorded Sublease, dated February 18, 1969, between Blackfield Enterprises, Inc., a Hawaii corporation, as sublessor, and InterIsland Resorts, Ltd., a Hawaii corporation, as sublessee, for a term of 65 years from January 1, 1969 to and including December 30, 2033, a short form of which Sublease is dated April 11, 1969, filed as Document No. 473389. Said Sublease was amended by instrument dated September 28, 1981, filed as Document No. 1095505.

6. Consent of Master Lessor and Sublessor to Mortgage of Sublease; Attornment Agreement; and Estoppel Certificates dated September 28, 1981, filed as Document No. 1095510, by Niu Pia Farms, Ltd., Blackfield Hawaii Corporation, Waipouli Investment Company, Islander on the Beach Associates and State Savings and Loan Association.

7. Attornment Agreement dated October 27, 1981, filed as Document No. 1095515, by and between Niu Pia Farms, Ltd. and Islander on the Beach Associates.

8. As to Lease filed as Document No. 473388 and Sublease filed as Document No. 473389,

(a) An Agreement of Sale dated March 11, 1977 and effective at midnight on February 28, 1977 between Blackfield Hawaii Corporation, a Hawaii corporation, as vendor, and Waipouli Investment Company, a registered Hawaii general partnership, as vendee, filed as Document No. 808320.

(b) A Sub-Agreement of Sale dated November 11, 1981, but effective November 30, 1981, between Waipouli Investment Company, a registered Hawaii general partnership, as sub-vendor, and Puna Hoa Hana Investment Company, a Hawaii general partnership, as sub-vendee, filed as Document No. 1095516.

9. Unrecorded Lease dated June 23, 1970, entered into by and between Islander Inns, Incorporated, a Hawaii corporation and successor in interest to Islander Inns, a cancelled Hawaii limited partnership, as Lessor, and Far West Services, Inc., a California corporation, as Lessee, of which a Short Form dated July 15, 1976 is filed as Document No. 775365; leasing and demising that certain building containing a floor area of 6,000 square feet, constructed as part of the Islander Inn at Coconut Plantation, together with the right to use in common with others entitled, driveways, parking spaces and sidewalks on Lot 12, etc., for a term ending December 31, 1990.

Said Unrecorded Lease was assigned to Jolly Roger Hawaii, Inc., a Hawaii corporation, by Assignment dated July 26, 1976, filed as Document No. 775366; Consent thereto given by Islander Inns, Incorporated, by instrument dated July 15, 1976, filed as Document No. 775367. Said unrecorded Lease is subject to the following:

Mortgage dated August 2, 1976, filed as Document No. 775368, made by Jolly Roger Hawaii, Inc., a Hawaii corporation, in favor of Far West Services, Inc., a California corporation, to secure the repayment of the sum of \$775,000.00; Consent thereto given by Islander Inns, Incorporated, by instrument dated July 15, 1976, filed as Document No. 775369.

10. Mortgage, Security Agreement and Financing Statement dated November 25, 1981 between Islander on the Beach Associates, a Hawaii limited partnership, as mortgagor, and State Savings and Loan Association, a Utah corporation, as mortgagee, filed as Document No. 1095509, which mortgage was assigned to Seafirst Mortgage Corporation by Assignment dated December 29, 1982, filed as Document No. 1145912.

11. Assignment of Subleases dated November 25, 1981, filed as Document No. 1095511, by which Islander on the Beach Associates, a Hawaii limited partnership, assigns to State Savings and Loan Association, a Utah corporation, (a) unrecorded Sublease dated July 29, 1970, by and between Islander Inns, Incorporated, a Hawaii corporation, as general partner of Islander Inns, a Hawaii limited partnership, as Sublessor, and Waltah Clarke's Hawaiian Shop, Inc., a Hawaii corporation, as Sublessee, and (b) any and all other condominium apartment subleases, condominium conveyance documents, or tenant leases affecting any portion of the land comprising the Project, whether now or hereafter existing, as additional security to said above Mortgage, Security Agreement and Financing Statement, which assignment was assigned to Seafirst Mortgage Corporation by assignment dated December 29, 1982 and filed as Document No. 1145912.

12. The restrictions on use and other restrictions and all other of the covenants, agreements, obligations, conditions, reservations, easements and other provisions set forth in Declaration of Horizontal Property Regime dated October 28, 1981, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 1095514, and the By-Laws attached thereto, as the same are or may hereafter be amended in accordance with law, said Declaration or said By-Laws. (Project covered by Condominium Map No. 469.)

13. Apartment Lease dated November 9, 1981, filed as Document No. 1095833, entered into by and between Islander on the Beach Associates, a Hawaii limited partnership, as Lessor, and Alan Cory Beall, husband of Carole Ann Beall, and Jay Harold Shidler, husband of Waillette Sue Shidler, each as to an undivided one-half (1/2) interest, as Tenants in Common, as Lessee; leasing and demising Apartment No. 23 of the "Islander on the Beach Condominium", for a term

commencing November 25, 1981 and ending on December 29, 2033.

14. Various unrecorded Leases, Assignment of Leases, Subleases and Agreements regarding store spaces or other facilities.

15. Various mechanic's liens which have been released as evidenced by copies of releases submitted to the Commission.

16. Possible claims arising under the bankruptcy or insolvency laws. (Note: By letter dated January 18, 1983, Title Guaranty of Hawaii assured the Owner that it would issue title policies to purchasers which will not contain an exception relating to possible bankruptcy claims.)

COMMON AREAS USE AGREEMENT: Owner, on behalf of the Association of Apartment Owners, has entered into an agreement dated August 18, 1983, with Hotel Corporation of the Pacific ("HCP"), which allows HCP the nonexclusive use of a portion of the common areas of the Project consisting of the lobby reception area and offices on the first floor of Building A, plus 23 linen closets located on each floor of each residential building, plus Building J, plus any other portions of the common areas designated in writing and agreed to by all parties. The term of the agreement is effective as of February 1, 1983 and terminates December 20, 1984 provided that the agreement shall thereafter continue on a yearly basis unless otherwise terminated by either party as provided in the agreement. The agreement further provides that (a) either party may terminate the agreement at any time by giving 30 days' written notice to all other parties, and (b) the agreement shall be subject to ratification and/or termination by the Association of Apartment Owners at the first meeting of the Association called pursuant to HRS § 514A-82(12). No rent is payable under the agreement until the first day of the first month following the recordation of the first apartment lease (or assignment thereof) to an owner other than Jay Shidler, Alan Beall, Seafirst Mortgage Corporation or an affiliate of any of them. Thereafter, HCP shall pay to the Association monthly rental of \$500.

PURCHASE MONEY HANDLING: The Developer/Owner has entered into an Escrow Agreement dated July 21, 1983 with Title Guaranty Escrow Services, Inc. The Escrow Agreement and Deposit Receipt, Offer and Acceptance contract ("DROA") to be used by Owner have been submitted to the Commission and have been found to be in compliance with Chapter 514A, Hawaii Revised Statutes, as amended. The provisions of the DROA should be carefully read by the purchasers.

Among other provisions, the Escrow Agreement provides that a purchaser shall be entitled to a refund of his funds, less any cancellation fee, and Escrow shall pay said funds to the purchaser without interest, if the purchaser requires financing and is unable to obtain a mortgage loan.

The Escrow Agreement also provides that Escrow shall deposit all funds received in a bank or savings and loan institution selected by Developer/Owner and that any interest earned thereon shall accrue to Developer/Owner.

The specimen DROA filed with the Commission provides, among other things, as follows:

Seller makes no express warranties. SELLER DISCLAIMS ANY IMPLIED WARRANTY OF HABITABILITY, ANY IMPLIED WARRANTY OF MERCHANTABILITY, ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR USE, ANY IMPLIED WARRANTY OF WORKMANSHIP AND ANY OTHER EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE APARTMENT, THE COMMON ELEMENTS OR THE PROJECT. Buyer acknowledges that he has had an opportunity to examine the apartment, the common elements and the Project and that neither Seller nor the Seller's agents, representatives or employees have made any warranties, express or implied, with respect to the Apartment, its quality or grade, or any of the common elements of the Project or anything installed therein, their quality or grade. In particular Seller disclaims any and all responsibility or liability for water infiltration, any malfunctions, and construction or design defects, or any other problems which Purchaser may encounter with respect to the Apartment or the Project. BUYER FURTHER ACKNOWLEDGES THAT HIS ATTENTION HAS BEEN DIRECTED TO THIS PARAGRAPH 7, THAT HE HAS READ AND UNDERSTANDS SELLER'S DISCLAIMERS OF WARRANTY AND THAT HE EXPRESSLY, KNOWINGLY AND INTELLIGENTLY WAIVES AND RELEASES ANY AND ALL RIGHTS, CLAIMS, ACTIONS OR CAUSES OF ACTION HE NOW HAS OR MAY HAVE IN THE FUTURE ARISING OUT OF, RELATED TO, OR CONNECTED IN ANY WAY WITH, ANY DEFECTS OR DEFICIENCIES IN THE APARTMENT, THE COMMON ELEMENTS OR THE PROJECT.

BUYER FURTHER ACKNOWLEDGES THAT HIS ATTENTION HAS BEEN DIRECTED TO PARAGRAPHS 37 AND 38 OF THE APARTMENT LEASE. Buyer acknowledges that the Lessor, Master Lessor, Sublessor (all as defined in the Apartment Lease), Alan Cory Beall, Jay Harold Shidler, and Jolly Roger Hawaii, Inc. are not involved in the development of the Project, have not made any representations in connection with the Project, and are not the partners or joint venturers with the Seller or any other party on this project. BUYER WAIVES ANY AND ALL CLAIMS AGAINST SUCH LESSOR, MASTER LESSOR, SUBLESSOR, ALAN CORY BEALL, JAY HAROLD SHIDLER, AND JOLLY ROGER HAWAII, INC., AND THEIR RESPECTIVE HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS, AND ASSIGNS, ARISING OUT OF THE DEVELOPMENT OF THE PROJECT, INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING: (A) FAULTY OR IMPROPER CONSTRUCTION

OF IMPROVEMENTS; (B) ANY DEFECTS, OR CODE VIOLATIONS IN CONSTRUCTION; AND (C) FAILURE TO COMPLY WITH THE DECLARATION AND BY-LAWS.

The DROA also provides that if the purchaser requires financing but cannot obtain a mortgage loan commitment within thirty (30) days of his execution of the DROA, he shall be entitled to a refund of his deposit.

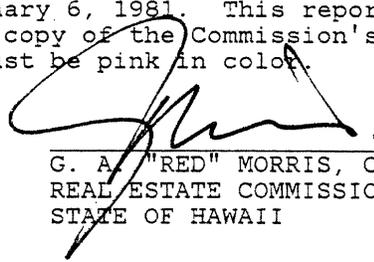
RESERVATION FOR FUTURE DEVELOPMENT: The reservation originally contained in the Declaration and reported in the Preliminary Public Report has been deleted in its entirety.

MANAGEMENT AND OPERATION: The Owner has entered into a Management Agreement dated August 18, 1983 with Hotel Corporation of the Pacific, a Hawaii corporation. A copy of the Management Agreement has been filed with the Commission.

STATUS OF PROJECT: Renovation and construction of the Project is complete and it is ready for occupancy as evidenced by the copy of the Certificate of Occupancy dated July 2, 1982.

The purchaser or prospective purchaser should be cognizant of the fact that this published report represents information disclosed in the Notice of Intention submitted January 6, 1981 and information subsequently filed as of November 3, 1983.

THIS SUPPLEMENTARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1381 filed with the Commission on January 6, 1981. This report when reproduced shall be a true copy of the Commission's Public Report. The paper stock must be pink in color.



G. A. "RED" MORRIS, CHAIRMAN
REAL ESTATE COMMISSION
STATE OF HAWAII

Distribution:

DEPARTMENT OF FINANCE, COUNTY OF KAUAI
BUREAU OF CONVEYANCES
PLANNING DEPARTMENT, COUNTY OF KAUAI
FEDERAL HOUSING ADMINISTRATION
ESCROW AGENT

Registration No. 1381

November 9, 1983

EXHIBIT A

<u>BUILDING/ APARTMENT NO.</u>	<u>UNDIVIDED PERCENTAGE INTEREST</u>	<u>BUILDING/ APARTMENT NO.</u>	<u>UNDIVIDED PERCENTAGE INTEREST</u>
A21	.847	A114	.4616
A22	.130	A200	.4616
A100	.4616	A201	.4616
A101	.4616	A202	.4616
A102	.4616	A203	.4616
A103	.4616	A204	.4616
A110	.4616	A205	.4616
A111	.4616	A206	.4616
A112	.4616	A208	.7281
A209	.4616	B315	.4616
A210	.4616	B316	.4616
A211	.4616	B317	.4616
A212	.4616	B318	.4616
A214	.4616	B319	.4616
A304	.4616	B320	.4616
A305	.4616	B321	.4616
A306	.4616	C122	.4616
A308	.7281	C123	.4616
A309	.4616	C124	.4616
B115	.4616	C125	.4616
B116	.4616	C126	.4616
B117	.4616	C127	.4616
B118	.4616	C128	.4616
B119	.4616	C129	.4616
B120	.4616	C130	.4616

<u>BUILDING/ APARTMENT NO.</u>	<u>UNDIVIDED PERCENTAGE INTEREST</u>	<u>BUILDING/ APARTMENT NO.</u>	<u>UNDIVIDED PERCENTAGE INTEREST</u>
B121	.4616	C131	.4616
B122	.4616	C132	.4616
B215	.4616	C223	.4616
B216	.4616	C224	.4616
B217	.4616	C225	.4616
B218	.4616	C226	.4616
B219	.4616	C227	.4616
B220	.4616	C228	.4616
B221	.4616	C229	.4616
B222	.4616	C230	.4616
C231	.4616	D336	.4616
C232	.4616	D337	.4616
C323	.4616	D338	.4616
C324	.4616	E339	.4616
C325	.4616	E140	.4616
C326	.4616	E141	.4616
C327	.4616	E142	.4616
C328	.4616	E143	.4616
C329	.4616	E144	.4616
C330	.4616	E239	.4616
C331	.4616	E240	.4616
C332	.4616	E241	.4616
D133	.4616	E242	.4616
D134	.4616	E243	.4616
D135	.4616	E244	.4616
D136	.4616	E339	.4616
D137	.4616	E340	.4616

<u>BUILDING/ APARTMENT NO.</u>	<u>UNDIVIDED PERCENTAGE INTEREST</u>	<u>BUILDING/ APARTMENT NO.</u>	<u>UNDIVIDED PERCENTAGE INTEREST</u>
D138	.4616	E341	.4616
D233	.4616	E342	.4616
D234	.4616	E343	.4616
D235	.4616	E344	.4616
D236	.4616	E345	.4616
D237	.4616	F146	.4616
D238	.4616	F147	.4616
D333	.4616	F148	.4616
D334	.4616	F149	.4616
D335	.4616	F150	.4616
F151	.4616	G158	.4616
F152	.4616	G159	.4616
F153	.4616	G160	.4616
F154	.4616	G161	.4616
F245	.4616	G162	.4616
F246	.4616	G163	.4616
F247	.4616	G164	.4616
F248	.4616	G165	.4616
F249	.4616	G256	.4616
F250	.4616	G257	.4616
F251	.4616	G258	.4616
F252	.4616	G259	.4616
F253	.4616	G260	.4616
F254	.4616	G261	.4616
F345	.4616	G262	.4616
F346	.4616	G263	.4616
F347	.4616	G264	.4616

<u>BUILDING/ APARTMENT NO.</u>	<u>UNDIVIDED PERCENTAGE INTEREST</u>	<u>BUILDING/ APARTMENT NO.</u>	<u>UNDIVIDED PERCENTAGE INTEREST</u>
F348	.4616	G355	.4616
F349	.4616	G356	.4616
F350	.4616	G357	.4616
F351	.4616	G358	.4616
F352	.4616	G359	.4616
F353	.4616	G360	.4616
F354	.4616	G361	.4616
G155	.4616	G362	.4616
G156	.4616	G363	.4616
G157	.4616	G364	.4616
H165	.4616	H270	.4616
H166	.4616	H271	.4616
H167	.4616	H272	.4616
H168	.4616	H365	.4616
H169	.4616	H366	.4616
H170	.4616	H367	.4616
H171	.4616	H368	.4616
H172	.4616	H369	.4616
H265	.4616	H370	.4616
H266	.4616	H371	.4616
H267	.4616	H372	.4616
H268	.4616	L23	6.170
H269	.4616		

ISLANDER ON THE BEACH CONDOMINIUM

DISCLOSURE ABSTRACT

1. Name and Address of Project.

Islander on the Beach
484 Kuhio Highway
Kapaa, Kauai, Hawaii

2. Name, Address and Telephone Number of Owner.

Seafirst Mortgage Corporation
Fourth and Blanchard Building
Seattle, Washington 98121
Attention: Edward T. Eckberg
Vice President
(206) 538-7098

3. Name, Address and Telephone Number of Managing Agent and Project Manager.

Managing Agent:
Hotel Corporation of the Pacific
2299 Kuhio Avenue
Honolulu, Hawaii 96815
(808) 923-0745

Project Manager:
Kalakaua Development Group, Inc.
c/o Millar Enterprises, Ltd.
Suite 2100
Grosvenor Center
733 Bishop Street
Honolulu, Hawaii 96813
(808) 528-3355

4. Breakdown of Annual Maintenance Fees and Monthly Estimated Costs for Each Apartment. See Exhibit A attached hereto. The Owner has assumed all of the actual common expenses of the Project, and the apartment owners shall not be obligated for their respective shares of the common expenses until such time as the Owner files an amended Disclosure Abstract with the Real Estate Commission, and also provides a copy to the apartment owners, stating that they will, on a specified date, become obligated to pay for their respective shares of the common expenses.

5. No Warranties for the Apartments and Common Elements. Owner makes no express warranties. OWNER DISCLAIMS ANY IMPLIED WARRANTY OF HABITABILITY, ANY IMPLIED WARRANTY OF MERCHANTABILITY, ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR USE, ANY IMPLIED WARRANTY OF WORKMANSHIP AND ANY OTHER EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE APARTMENTS, THE COMMON ELEMENTS OR THE PROJECT. Owner disclaims any and all responsibility

or liability for any water infiltration, any malfunctions, any construction or design defects, or any other problems which purchasers may encounter with respect to the Apartments or the Project.

6. Hotel and Other Use of Apartments. Each of the two hundred (200) residential apartment units may be rented for hotel use by the Owner until such time as the respective apartment is sold. All residential apartment units may be used by the apartment owners to the extent not prohibited by applicable laws and ordinances for hotel, transient vacation rentals, resort, apartment or related resort uses. THE RESIDENTIAL APARTMENT UNITS MAY BE USED FOR TIME SHARING PURPOSES AS DEFINED IN, AND IN CONFORMANCE WITH, THE APPLICABLE PROVISIONS OF CHAPTER 514E, HAWAII REVISED STATUTES, AS AMENDED, BUT ONLY WITH THE PRIOR WRITTEN APPROVAL OF NIU PIA FARMS, LTD., (and its successors and assigns) AS OWNER OF THE UNDERLYING FEE SIMPLE INTEREST OF THE REAL PROPERTY.
7. Commercial Use. There are three (3) commercial apartments in the Project: Apartments 23, 22 and 21. Apartment 23 is currently being used as a restaurant facility.
8. Condition of Improvements. Based upon reports prepared by Shigemura, Yamamoto & Associates, Inc., ECS, Inc., and Fujimoto, Yee & Associates, Inc. after a spot inspection of several units in different buildings, the condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the property was described as follows:
 - (a) Structural components:
 - (1) Shrinkage cracks were found on many of the cantilevered lanai slabs. The types of hairline cracks found are common to most concrete construction. The size of the cracks were not large enough to be considered detrimental.
 - (2) There were some isolated areas of concrete spalling due to the rusting of the rebar.
 - (3) On most of the lanai slabs, there were cracks along the joints of the precast concrete slabs. The cracks appear to have been patched before and may require periodic maintenance.
 - (4) The above-mentioned items were considered minor in nature and the buildings were described as structurally sound.
 - (b) Mechanical Installation:
 - (1) The overall plumbing system seemed to be in accordance with the County Plumbing Code for the time of the original construction of the improvements.

(2) The plumbing fixtures were in good condition. The individual stop valves may need to be checked and replaced on an individual basis.

(3) The exhaust system is on an individual basis with an interlock to the light switch. The fans appeared to be in good condition with no noticeable defect in operation. Some minor cleaning of the grilles may be necessary.

(c) Electrical Installation:

(1) There appeared to be no immediate danger of overloading, overheating, or shock hazards.

(2) With respect to the apartments:

(i) Device plates were in fair condition.

(ii) Light fixtures were in fair condition.

(iii) Devices (switches, T.V. outlets, receptacles) were in fair condition.

(iv) Toilet lavatory, no ground fault interrupter receptacle.

(3) With respect to the public area:

(i) Corridor and stair light fixtures were in fair condition.

(ii) Electrical distribution system was in fair condition.

(iii) Fire alarm system needs testing. No yearly test conducted or maintenance done.

(4) With respect to parking area:

(i) Very low lighting level.

(5) With respect to the exterior area:

(i) Very low level lighting.

9. Useful Life. The Owner makes no representations as to the useful life of any structural, mechanical or electrical installations in the Project.

10. Compliance with Codes. There are no outstanding notices of uncured violations of the building code or any other municipal regulations.

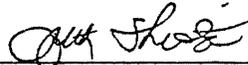
ISLANDER ON THE BEACH
SCHEDULE OF MAINTENANCE FEES

<u>Unit Type</u>	<u>Common Interest %</u>	<u>Monthly Maintenance Fee</u>
1 & 2	.4616	\$169.58
3	.7281	267.25
4	.8470	311.14
5	.1300	47.74
*6	6.1700	262.78

*Note: Unit type 6 does not contribute to the common area utilities and certain other expenses because it has separate utility metering and does not benefit from certain other common services. Other unit maintenance fees have been adjusted to cover the utilities, insurance and other expenses not covered by unit type 6.

The undersigned certifies that fees and costs are based on generally accepted accounting principles. Should you have any questions, please feel free to contact our office.

HOTEL CORPORATION OF THE PACIFIC, INC.



Ruth Shiota, Vice President
Condominium Administration

August 3, 1983

Date

I S L A N D E R O N T H E B E A C H

ESTIMATED MONTHLY COMMON AREA OPERATING BUDGET

REVENUE:

Maintenance Fees	<u>\$34,730</u>
Total	<u>\$34,730</u>

OPERATING EXPENSES:

Utilities	
Electricity	\$11,000
Water/Sewer	1,350
Gas	2,500
Telephone	200
Television Cable	800
Building	
Grounds	1,800
Pest Control	400
Pool/Jacuzzi	300
Refuse Removal	400
Repairs & Purchases	500
Security	2,200
Administration	
Management Fee	1,700
Data Processing	200
Salaries Manager	950
Salaries Maintenance	1,800
Salaries Grounds	2,720
Payroll Taxes	675
Rent Apartment	600
Workmen's Compensation	550
Group Insurance	330
Other	
Insurance Fire	1,920
Insurance Liability	625
Insurance Flood	440
Legal & Audit	120
Office Supplies & Printing	250
Miscellaneous	<u>400</u>
Total	<u>\$34,730</u>