CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer ALIHI LANI PARTNERSHIP, a Hawaii general partnership
Address 793 North Sunset Drive, Camano Island, Washington 98292

Project Name(*): ALIHI LANI
Address: 2564 Hoonani Road, Koloa, Kauai, Hawaii 96756

Registration No. 1507

Effective date: March 7, 1994
Expiration date: April 7, 1995

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.

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

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

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

(*) Exactly as named in the Declaration

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[ ] Required and attached to this report [X] Not Required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

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

[X] Changes made are as follows:

1. The number of units in the project has increased from 4 to 6 units. The units were completed in May, 1993.

2. The area of the underlying land has decreased from 20,000 square feet to 19,200 square feet.

3. The Declaration of Condominium Property Regime, By-Laws of the Association of Apartment Owners and Condominium Map have been filed in the Office of the Assistant Registrar of the Land Court. See page 6 for filing information.

4. With respect to persons connected with the project:

   a. The Developer's address has changed.

   b. The Real Estate Broker, Escrow Agent, and Attorney for the Developer has changed.

   See page 5 for detailed information.

TABLE OF CONTENTS

	page
Preparation of this Report	1
Expiration Date of Reports	1
Type of Report	1
Disclosure Abstract	2
Summary of Changes from Earlier Public Reports	2
Table of Contents	3
General Information on Condominiums	4
Operation of the Condominium Project	4
I. PERSONS CONNECTED WITH THE PROJECT	5
Developer / Attorney for Developer / General Contractor	
Real Estate Broker / Escrow Company / Condominium Managing Agent	
II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS	
A. Declaration	6
B. Condominium Map (File Plan)	6
C. Bylaws	6
D. House Rules	7
E. Changes to Condominium Documents	7
III. THE CONDOMINIUM PROJECT	
A. Interest to be Conveyed to Buyer	8
B. Underlying Land	9
C. Buildings and Other Improvements	10
D. Common Elements, Limited Common Elements, Common Interest	13
E. Encumbrances Against Title	14
F. Construction Warranties	15
G. Status of Construction	16
H. Project Phases	16
IV. CONDOMINIUM MANAGEMENT	
A. Management of the Common Elements	17
B. Estimate of Initial Maintenance Fees	17
C. Utility Charges for Apartments	17
V. MISCELLANEOUS	
A. Sales Documents Filed with the Real Estate Commission	18
B. Buyer's Right to Cancel Sales Contract	18
C. Additional Information Not Covered Above	20
D. Signature of Developer	21

EXHIBIT A: DESCRIPTION OF BUILDINGS
EXHIBIT B: PERMITTED ALTERATIONS TO APARTMENTS
EXHIBIT C: COMMON ELEMENTS
EXHIBIT D: LIMITED COMMON ELEMENTS
EXHIBIT E: ENCUMBRANCES AGAINST TITLE
EXHIBIT F: ESTIMATED MONTHLY EXPENSES
EXHIBIT G: SUMMARY OF DEPOSIT RECEIPT AND SALES CONTRACT
EXHIBIT H: SUMMARY OF ESCROW AGREEMENT
EXHIBIT I:

;eneral Information On Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the :ondominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain equirements 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 re leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment wners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that ıe lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for y the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments ften require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any nprovements 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 our 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 wned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the uilding or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your ndivided 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 ertain apartments. These common elements are called "limited common elements" and may include parking stalls, atios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be ıdividually 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. tudy the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use nd occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

)peration of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard) the administration, management, and operation of the condominium project. Each apartment owner is automatically member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an fficer, or are on a committee appointed by the board, your participation in the administration and operation of the ondominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors nd officers can take certain actions without the vote of the owners. For example, the board may hire and fire mployees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some f 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 kely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer) do so during the early stages of development and the developer may reserve certain special rights to do so in the)eclaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the ransition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of ooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer:

ALIHI LANI PARTNERSHIP
Name

Phone: (206)365-5710
(Business)

793 North Sunset Drive
Business Address
Camano Island, Washington 98292

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

Watson B. Hovis
Maryn N. Hovis
Mari Lou Johnson
Watson B. Hovis, as Trustee for the benefit of Watson B. Hovis
Watson B. Hovis, as Trustee for the benefit of Mari Lou Johnson

Real Estate Broker:

Z & M, Ltd. dba
Name Turtle Cove Realty

Phone: (808)332-7394
(Business)

P. O. Box 954
Business Address
Kalaheo, Kauai, Hawaii 96741

Escrow:

Security Title Corporation
Name

Phone: (808)245-6975
(Business)

4370 Kukui Grove Street, #203
Business Address
Lihue, Kauai, Hawaii, 96766

General Contractor:

R. S. Weir General Contractor
Name

Phone: (808)245-1724
(Business)

4359 Kukui Grove Street, Suite 102
Business Address
Lihue, Kauai, Hawaii 96766

Condominium Managing Agent:

Self-managed by Association of
Name Apartment Owners

Phone: _____
(Business)

Business Address

Attorney for Developer:

Michael J. Belles
Name Case & Lynch

Phone: (808)245-4705
(Business)

4334 Rice Street, Suite 202
Business Address
Lihue, Kauai, Hawaii 96766

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_____ Page _____
[X] Filed - Land Court: Document No. 2066820

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

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

The Condominium Map for this condominium project is:

[ ] Proposed
[ ] Recorded - Bureau of Conveyances Condo Map No. _____
[X] Filed - Land Court Condo Map No. 995

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_____ Page _____
[X] Filed - Land Court: Document No. 2066821

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 [X] 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:

	Minimum Set by Law	This Condominium
Declaration (and Condo Map)	75%*	75%
Bylaws	65%	65%
House Rules	---	51%

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

2. Developer:

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

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

The Developer reserves the right to change the Declaration and Condominium Map as provided for in Section L.2. of the Declaration, and further the Developer reserves the right to change the Bylaws as provided for in Section 14.4(d) of the Bylaws.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

[ ] Leasehold or Subleasehold: 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 Subleaseholds:

[ ] 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 Subleasehold:

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 _____ 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

[ ] 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: 2564 Hoonani Road
Koloa, Kauai, Hawaii 96756

Tax Map Key: (4) 2-8-15-009
(TMK)

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

Land Area: 19,200 [X] **square feet** [ ] **acre(s)** **Zoning:** R-20

Lessor
(Fee Owner): ALIHI LANI PARTNERSHIP
Name
793 North Sunset Drive
Address
Camano Island, Washington 98292

Sublessor: N/A
Name

Address

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 1 Floors Per Building 2 floors

[X] Exhibit "A" contains further explanations.

3. Principal Construction Material:

[ ] Concrete [ ] Hollow Tile [X] Wood

[ ] Other

4. Permitted Uses by Zoning:

	No. of Apts.	Use Permitted By Zoning		No. of Apts.	Use Determined By Zoning
[X] Residential	6	[X] Yes [ ] No	[ ] Ohana		[ ] Yes [ ] No
[ ] Commercial		[ ] Yes [ ] No	[ ] Industrial		[ ] Yes [ ] No
[ ] Mix Res/Comm		[ ] Yes [ ] No	[ ] Agricultural		[ ] Yes [ ] No
[ ] Hotel		[ ] Yes [ ] No	[ ] Recreational		[ ] Yes [ ] No
[ ] Timeshare		[ ] Yes [ ] No	[ ] Other:		[ ] Yes [ ] No

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

5. Special Use Restrictions:

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

[X] Pets: No dogs, cats, fish, birds or any other animals shall be kept, allowed or maintained on the premises.

[ ] Number of Occupants: N/A

[X] Other: There are special use restrictions contained in the project documents. See paragraph G. of the Declaration. The Project Rules prohibit the use of water beds. See Section C., paragraph 14 of the Project Rules.

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 1 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Patio (sf)
Unit 1	1	2/2	1,104 sq. ft.	184 sq. ft.
Unit 2	1	2/2	1,104 sq. ft.	184 sq. ft.
Unit 3	1	2/2	1,104 sq. ft.	184 sq. ft.
Unit 4	1	2/2	1,146 sq. ft.	184 sq. ft.
Unit 5	1	2/2	1,104 sq. ft.	184 sq. ft.
Unit 6	1	2/2	1,146 sq. ft.	184 sq. ft.

Total Apartments: 6

*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:

See Exhibit "A"

Permitted Alterations to Apartments:

See Exhibit "B"

7. Parking Stalls:

Total Parking Stalls: 9

	Regular		Compact		Tandem		
	covered	open	covered	open	covered	open	TOTAL
Assigned (for each unit)		6					6
Guest							
Unassigned		3					3
Extra for Purchase							
Other:							
Total Covered & Open	9		0		0		

Each apartment will have the exclusive use of at least 1 parking stall(s). Buyers are encouraged to find out which stall(s) will be available for their use.

[ ] Commercial parking garage permitted in condominium project.

[X] Exhibit "D" contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

[ ] There are no recreational or common facilities.

[X] Swimming pool [X] Storage Area [ ] Recreation Area

[ ] Laundry Area [ ] Tennis Court [ ] Trash Chute

[ ] Other: _____

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

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

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

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

N/A

11. Conformance to Present Zoning Code

a. [X] No variances to zoning code have been granted.

[ ] Variance(s) to zoning code was/were granted as follows:

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

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

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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

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

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

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:

[X] 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.

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

[X] 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 _____.

[X] as follows: The undivided interest in the common elements appurtenant to each apartment shall be one-sixth (1/6). Each apartment shall have said fraction in all common profits and expenses of the Project and for all other purposes, including voting on all matters requiring action by the apartment owners.

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 "E" describes the encumbrances against the title contained in the title report dated October 15, 1993 and issued by First American Title Insurance Company.

Blanket Liens:

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

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

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

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

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance
Mortgage in favor of First Hawaiian Bank, a Hawaii corporation	Buyer's interest may be terminated but Buyer may be entitled to a refund of deposit.

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:

Apartments are sold "as is" and no warranties are applicable.

2. Appliances:

Any manufacturer's warranties currently in effect.

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

All apartments were completed in May, 1993.

H. **Project Phases:**

The developer [ ] has [X] has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right to perform for future development (such as additions, mergers or phasing):

IV. CONDOMINIUM MANAGEMENT

A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliate is the initial condominium managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial condominium managing agent for this project, named on page five (5) of this report, is:

[ ] not affiliated with the Developer
[X] self-managed by the Association of Apartment Owners
[ ] the Developer or the Developer's affiliate.
[ ] other _____

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

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and sold through a foreclosure proceeding.

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

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

C. **Utility Charges for Apartments:**

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

[ ] None
[X] Electricity (common elements only)
[ ] Gas
[X] Water
[X] Sewer
[ ] Television Cable
[X] Other refuse collection

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:

[X] Notice to Owner Occupants

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

[X] Escrow Agreement dated September 1, 1993
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 given an effective date by the Hawaii Real Estate Commission.
B) Declaration of Condominium Property Regime.
C) Bylaws of the Association of Apartment Owners.
D) House Rules.
E) Condominium Map.
F) Escrow Agreement.
G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
H) Other_____

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. 1507 filed with the Real Estate Commission on July 1, 1982

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

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

C. **Additional Information Not Covered Above**

None.

D. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

ALIHI LANI PARTNERSHIP

Name of Developer

By: Watson B. Hovis

Duly Authorized Signatory

9/1/93

Date

Watson B. Hovis, General Partner

print name & title of person signing above

Distribution:

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

EXHIBIT "A"

DESCRIPTION OF BUILDINGS

The Project contains one (1) building and is two (2) stories in height. The Project has a total of six (6) residential apartments. The building is constructed principally of wood, and concrete footing foundations. The exterior walls are constructed of wood and interior walls are of wood and gypsum board.

Each apartment includes, but is not limited to, all walls, columns and partitions which are not load-bearing within the apartment's perimeter walls, the inner decorated or finished surfaces of all walls, floors and ceilings, the doors and door frames, lanai railings, windows and window frames along the perimeters, the air space within the perimeters, the lanai air space, and all fixtures originally installed in the apartment. The apartments shall not include the undecorated or unfinished surfaces of the perimeter party or non-party walls, the interior load-bearing columns, girders, beams and walls, the undecorated or unfinished surfaces of the floors and ceiling surrounding each apartment or any pipes, shafts, wires, conduits or other utility or service lines running through an apartment which are utilized for or serve more than one apartment, the same being deemed common elements as provided for in the Declaration.

EXHIBIT "B"

Paragraph F. 2. of the Declaration provides that:

Except as provided elsewhere in this declaration, the common interest and easements appurtenant to each apartment shall have a permanent character and shall not be altered except by an amendment to this declaration which contains the consent of all owners affected. The common interest and appurtenant easements shall not be separated from the apartment to which they appertain and shall be deemed to be conveyed or encumbered with that apartment even though such interest or easements are not expressly mentioned in the conveyance or other instrument. The common elements shall remain undivided and the right to partition or divide any part of the common elements shall not exist except as provided in the Act.

Paragraph H. (f) of the Declaration further provides that the Association shall:

Not erect or place on the property any building or structure, including fences and walls, nor make additions or structural alterations or exterior changes to any common elements, nor place or maintain any signs, posters or bills whatsoever on the property, except in accordance with plans and specifications, including a detailed plot plan prepared by a licensed architect, first approved by a majority of owners (or such larger percentage as required by law or the declaration) including all owners of apartments directly affected, as determined by the board of directors, and complete any such improvements with due diligence.

* SPECIAL NOTATION: When applying for zoning permits with the Planning Department of the County of Kauai, 75% of the owners of the project must sign the permit forms. This requirement is binding on all purchasers as well as future assignees.

The issuance of an effective date for the Condominium Public Report should not be construed to mean that all County Codes and Ordinances have been complied with and all subsequent development and use shall comply with applicable County Codes and Ordinances.

Additionally, the creation of the Condominium Property Regime does not mean that the land has met the subdivision requirements of the County. As such, certain facilities/ improvements normally associated with County approved subdivisions may not be necessarily provided for.

EXHIBIT "C"

COMMON ELEMENTS

The common elements will include all portions of the land and improvements (other than the apartments) including the apartment buildings, the land on which the apartments are located, and all common elements mentioned in the Condominium Property Act which are actually constructed on the Land herein described. The common elements shall include, but are not limited to:

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

2. Interior walls separating apartments, halls, stairs, entrances, and exits of the apartment building and appurtenances.

3. All yards, swimming pool, entrance decks, grounds, landscaping, refuse facilities, sewage treatment facilities, building walkways, building sidewalks, pathways, driveways, and roads within the Project.

4. All ducts, electrical equipment, wiring and other central and appurtenant installations, including power, light, water, sewer, gas and telephone; all pipes, plumbing, wires, conduits, central solar water heating system, or other utility or service lines, which run through an apartment but which are utilized by or serve more than one apartment; and air conditioning and like utilities, if installed.

5. All other portions of the Land and improvements not specifically heretofore designated as apartments, but which are intended for common use and all other devices and installations existing for or rationally of common use or necessary to the existence, upkeep and safety of the Condominium Property Regime.

EXHIBIT "D"

LIMITED COMMON ELEMENTS

1. Certain parts of the common elements, herein called and designated "Limited Common Elements", are hereby designated and set aside and reserved for the exclusive use of certain apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements.

2. Any entrance, exit, gateway, entry, patio, yard, driveway, or steps which would normally be used only for the purpose of ingress to and egress from a specific apartment shall be limited common element appurtenant to and reserved for the exclusive use of such apartment.

3. Six (6) of the nine (9) parking stalls designated on the Condominium Map by the same numbers as those of each apartment shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment having the same number. The remaining three (3) parking stalls shall be deemed to be common elements.

EXHIBIT "E"

ENCUMBRANCES AGAINST TITLE

1. Any taxes that may be due and owing and tax liens that may exist, refer to Director of Finance, County of Kauai.

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

3. Right-of-Entry in favor of Citizens Utilities Company, a Delaware corporation, dated May 11, 1990, and recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 91-042807, granting an easement for utility purposes (Not noted on Transfer Certificate of Title No. 372,619).

4. Real Property Mortgage; Security Agreement; Assignment of Rents; and Financing Statement in favor of First Hawaiian Bank, a Hawaii corporation, dated August 2, 1991, and recorded in the Land Court of the State of Hawaii as Land Court Document No. 1850244.

5. Financing Statement in favor of First Hawaiian Bank, filed on September 12, 1991, and recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 92-124116 (Not noted on Transfer Certificate of Title No. 372,619).

6. The effects, if any, of the Conveyance of Water Facility dated August 1, 1991, in favor of the Board of Water Supply, County of Hawaii, "Board", recorded in said Bureau of Conveyances as Document No. 91-131289, re: all right, title and interest in and to the waterline facilities and appurtenances (Not noted on Transfer Certificate of Title No. 372,619).

7. Terms and provisions of that certain Agreement For The Design, Construction, Maintenance And Operation Of A Wastewater System For The Alihi Lani And "Manroel-Matyas" Properties made by and between Alihi Lani Partnership, a Hawaii general partnership, Eric Andrew Matyas (no marital status given), and Susan Marie Manroel (no marital status given), dated May 26, 1993, and recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 93-103934, to which reference is hereby made (Not noted on Transfer Certificate of Title No. 372,619).

8. Condominium Map No. 995, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii.

9. Restrictions, covenants, agreements, obligations, conditions, easements and other provisions set forth in Declaration of Condominium Property Regime of "Alihi Lani Condominium" dated ---, filed in Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 2066820

10. Restrictions, covenants, agreements, obligations, conditions and other provisions set forth in By-Laws of the Association of Apartment Owners of Alihi Lani, dated September 1, 1993, filed in Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 2066821.

11. All exclusive and non-exclusive easements mentioned in said Declaration, and/or said By-Laws, and/or as shown on Condominium Map No. 995.

EXHIBIT "F"

ESTIMATED MONTHLY EXPENSES

Item	Annual Amount	Monthly Amount	Monthly Per Unit (6) Share
Pool maintenance	$ 3,600.00	$ 300.00	$ 50.00
Landscape Maintenance	$ 4,800.00	$ 400.00	$ 66.67
Treatment Plant Service	$ 3,600.00	$ 300.00	$ 50.00
Preventive Maintenance	$ 1,800.00	$ 150.00	$ 25.00
Insurance	$ 5,000.00	$ 416.67	$ 69.44
Water	$ 1,800.00	$ 150.00	$ 25.00
Garbage	$ 1,800.00	$ 150.00	$ 25.00
Electricity	$ 2,400.00	$ 200.00	$ 33.33
Replacement Reserves	$10,216.00	$ 851.33	$141.89
Contingency	$ 1,200.00	$ 100.00	$ 16.67
TOTALS	$36,216.00	$3,018.00	$503.00

THE REAL ESTATE COMMISSION HAS NOT REVIEWED THE ESTIMATES OF MAINTENANCE FEE ASSESSMENTS AND DISBURSEMENTS FOR THEIR ACCURACY OR SUFFICIENCY.

EXHIBIT "G"

SUMMARY OF DEPOSIT RECEIPT AND SALES CONTRACT

The Deposit Receipt and Sales Contract, including the terms and conditions attached thereto as Article IV (hereinafter collectively called the "Sales Contract") contain the price and other terms and conditions under which a purchaser will agree to buy a unit in the Project. Among other things, the Sales Contract states:

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

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

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

(d) That the purchaser's money will be held in escrow, under the terms of the Escrow Agreement.

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

(f) That the unit and the Project will be subject to various other legal documents which the purchaser should examine, and that the Developer may change these documents under certain circumstances.

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

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

(i) That the purchaser will not receive interest on deposits made under the Sales Contract.

(j) If the buyer shall default:

(1) The contract may, at the seller's option, be terminated by written notice to the buyer; and

(2) Any sums paid by the buyer shall belong to the seller as liquidated damages (up to a maximum of 20% of the total purchase price); and

(3) The seller may pursue any other remedy, including specific performance, permitted by law or equity. All costs, including reasonable attorneys' fees, incurred by reason of default by the buyer shall be borne by the buyer.

Further, if the buyer shall default in making any payment when due, a late charge of one percent (1%) per month shall accrue from the due date until such payment, together with such late charge, is paid, or at any time prior to the time that such payment and late charge is paid in full, the seller may, at its option, terminate this contract as provided in paragraphs (1) through (3) above.

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

EXHIBIT "H"

SUMMARY OF ESCROW AGREEMENT

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

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

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

(c) The purchaser will be entitled to a refund of his or her funds only under certain circumstances as set forth in the Sales Contract.

The Escrow Agreement also establishes the procedures for the retention and disbursement of a purchaser's funds and says what will happen to the funds upon a default under the Sales Contract. The Escrow Agreement contains various other important provisions and establishes certain charges with which a purchaser should be familiar. It is incumbent upon purchasers and prospective purchasers to read with care the executed Escrow Agreement on file with the Real Estate Commission.

(d) Escrow may not disburse any purchaser's funds in the construction of the project until completion of the project and the expiration of the mechanic's and materialmen's lien period. Escrow may disburse prior to completion of the project and expiration of the applicable lien period if the Developers would furnish each purchaser an Owners Title Insurance with an endorsement against any future liens placed on the apartments or project as a result of the development, plus providing the Real Estate Commission a release of the General Contractor's lien rights.