

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer THE SHEARWATER

Address P. O. Box 3099, Princeville, Kauai, Hawaii 96722

Project Name(*): THE SHEARWATER (Increment III)

Address 3730 Kamehameha Road, Princeville, Kauai, Hawaii 96722

Registration No. 2277

Effective date: March 9, 2001

Expiration date: April 9, 2002

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 governmental 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: The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.

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

SECOND

SUPPLEMENTARY: This report updates information contained in the: [] Preliminary Public Report dated: [X] Final Public Report dated: November 10, 1993 [X] Supplementary Public Report dated: October 16, 1996

And

[] Supersedes all prior public reports [X] Must be read together with Final and Supplementary Reports [] This report reactivates the public report(s) which expire on

(*) Exactly as named in the Declaration

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report Not Required - disclosure covered in this report.

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

- 1) The Final Public Report previously issued for the Project disclosed that the 13 apartments in Increment I and the Clubhouse unit 401 in Increment IV were constructed. The Developer has also constructed a swimming pool and recreation area in Increment I.
- 2) The Supplementary Public Report dated October 1, 1996 disclosed that 6 units in Increment II were constructed.
- 3) The Developer has exercised its right to develop an additional Increment and construction was completed for Increment III in January, 2001. Increment III contains 13 apartments which are identical to the apartments in Increment II except that there is one less lanai in the apartments in Increment II.
- 4) The Declaration of Condominium Property Regime, By-Laws of the Association of Unit Owners and the Condominium Map have been amended.

SPECIAL ATTENTION

The Developer has disclosed the following additional information:

This registration is for The Shearwater, Increment III. The registration for The Shearwater, Increments I and IV were done by the Final Public Report issued in February of 1993 and for Increment II was done by the Supplementary Public Report issued in October of 1996.

- 1) This project is part of phased-increment development and the Developer has reserved the right to add or construct additional buildings and apartments, however, this Increment III is the last area that can be developed.
- 2) This Project permits commercial, timesharing/resort use. Refer to Page 10, No. 4 of this public report.

The prospective purchaser is cautioned to carefully review the documents for further information with regard to the foregoing.

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General Information on Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

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

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. The common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

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

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary of the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: THE SHEARWATER Phone: (808) 826-6549
Name (Business)
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

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

The Shearwater is a Hawaii limited partnership
David E. Walters, is its General Partner
P. O. Box 3099
Princeville, Kauai, Hawaii 96722

Real Estate Broker: Pahio Vacation Ownership, Inc. Phone: (808) 826-6549
Name (Business)
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

Escrow: Hawaii Escrow & Title, Inc. Phone: (808) 532-2977
Name (Business)
700 Bishop Street, Suite 1600
Business Address
Honolulu, Hawaii 96813

General Contractor: Pahio Construction, Inc. Phone: (808) 826-6549
Name (Business)
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

Condominium Managing Agent: Pahio Resorts, Inc. Phone: (808) 826-6549
Name (Business)
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

Attorney for Developer: Michael H. Sakai, Esq. Phone: (808) 531-4171
Name (Business)
201 Merchant Street, Suite 902
Business Address
Honolulu, Hawaii 96813-2929

**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. 93-142493
 Filed - Land Court: Document No. _____

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

First Amendment to Declaration dated September 14, 1993, recorded as Document No. 93-157699
Second Amendment to Declaration dated October 14, 1993, recorded as Document No. 93-174317
Third Amendment to Declaration dated May 18, 1996, recorded as Document No. 96-120606
Fourth Amendment to Declaration dated September 6, 1996, recorded as Document No. 96-131285
Fifth Amendment to Declaration dated January 6, 2000, recorded as Document No. 2000-007991
Sixth Amendment to Declaration dated February 22, 2001, recorded as Document No. 2001-028180.

- 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. 1914
 Filed - Land Court Condo Map No. _____

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

Amended by the Third Amendment to Declaration dated May 18, 1996, recorded as Document No. 96-120606
Amended by the Sixth Amendment to Declaration dated February 22, 2001, recorded as Document No. 2001-028180

- 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 manners which affect how the condominium project will be governed.

The Bylaws for this condominium re:

- Proposed
 Recorded - Bureau of Conveyances: Document No. 93-142494
 Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

E. Changes to Condominium Documents

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

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

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u>Majority of Board of Directors</u>

*The percentage 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

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

The Developer has retained certain rights in order to allow it to construct additional buildings and apartments in this Project. However, this Public Report covers Increment III which contains the last and final building which can and was built.

Your attention is directed to Exhibit "B" which contains further information and details on the rights and obligations of the Developer.

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 period 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 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: 3730 Kamehameha Road, Princeville, Kauai, Hawaii 96722 Tax Map Key (TMK): (4) 5-4-5-32

Address TMK is expected to change because _____

Land Area: ±3,599 _____ square feet acre(s) Zoning: R-10

Fee Owner: THE SHEARWATER
 Name
P. O. Box 3099
 Address
Princeville, Kauai, Hawaii 96722

Lessor:

 Name

 Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 1** Floors Per Building Building 3-3 (Increment 3)

Exhibit A contains further explanations. **There are three additional buildings in Increments 1, 2, and 4

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other Allied building materials

4. Permitted Uses by Zoning:

	No of <u>Apts.</u>	Use Permitted <u>By Zoning</u>		No. of <u>Apts.</u>	Use Determined <u>By Zoning</u>
<input type="checkbox"/> Residential	___	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Ohana	___	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Commercial	___	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Industrial	___	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	___	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Agricultural	___	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	___	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Recreational	___	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Timeshare	<u>13*</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Other: _____	___	<input type="checkbox"/> Yes <input type="checkbox"/> No

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

*13 were added in Increment 3. There are 13 additional apartments in Increment 1, 6 additional apartments in Increment 2, and 1 commercial unit in Increment 4.

5. Special Use Restrictions:

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

Pets: Pets are permitted only with the approval of the Board of Directors. See Article V, Section 3(1) of By-Laws

Number of Occupants: _____

Other: _____

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 2 Trash Chutes: 0

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area(sf)</u>	<u>(Identify)</u>
<u>2 Bedroom</u>	<u>13</u>	<u>2/2</u>	<u>1368</u>	<u>245</u>	<u>lanai/patio</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Apartments: 13 See Exhibit "A" for further information on the 13 units and all previously developed units.

*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:

The apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls, interior walls including all load bearing walls, ceilings, entry and exit doors, lanais, lanai railings, lanai walls, entry deck, or floors. The wires, conduits or other utility lines running through them which are utilized for or serve more than one unit are deemed common elements as herein provided. Each apartment shall be deemed to include the finished surfaces of all walls and partitions within the apartment, including paint, wallpaper, or the like, carpeting, floor covering and built-in fixtures. Additionally, the boundary lines of each apartment are the interior unfinished surfaces of doors, windows, and glass walls and the frames thereof.

Permitted Alterations to Apartments:

None

Apartments Designated for Owner-Occupants Only:

Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has n/a elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 63 (This is the total number of parking and not just the parking stalls located in or added by Increment 3)

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>TOTAL</u>
Assigned* (for each residential unit)	<u> </u>	<u> 1 </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> 13 </u>
					(Assigned for prior Increments 19)		
Guest Unassigned	<u> </u>	<u> 26 </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> 26 </u>
Extra for Purchase	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other: Unit 401 (Handicapped)	<u> 3 </u>	<u> 2 </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> 5 </u>
Total Covered & Open	<u> 63 </u>	<u> </u>	<u> 0 </u>	<u> </u>	<u> 0 </u>	<u> </u>	<u> 63 </u>

*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.

Exhibit contain additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities: (Recreational Facilities are located on the prior phases which this Project will be merged with)

There are no recreational facilities

Swimming pool

Storage Area

Recreation Area

Laundry Area

Tennis Court

Trash Chute/Enclosure

Other: _____

9. Compliance with Building Code and Municipal Regulations: Cost to Cure Violations

There are no violations.

Violations will not be cured.

Violations and cost to cure are listed below.

Violations will be cured by _____

10. Conditions and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

(For conversions of residential apartments in existence for at least five years):

Not Applicable

11. Conformance to Present Zoning Code

- a. No variances to zoning code have been granted.
 Variance(s) to zoning code was/were granted as follows:

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

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

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u> X </u>	<u> </u>	<u> </u>
Structures	<u> X </u>	<u> </u>	<u> </u>
Lot	<u> X </u>	<u> </u>	<u> </u>

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

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

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

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

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

described in Exhibit C.

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit C.

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 D.

as follows:

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

Exhibit E describes the encumbrances against the title contained in the title report dated February 12, 2001 and issued by Hawaii Escrow & Title, Inc.

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 specific 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.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage	If Developer defaults, the lenders may foreclose and terminate the interest of a purchaser under a sales contract. Purchaser's fund in Escrow to be refunded, less cancellation fee.

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:

One year after substantial completion of an apartment unit.

2. Appliances:

The Developer is not giving any express or implied warranties for the Appliances. However, the Developer will assign its rights under any warranties from the Appliance manufacturer.

G. Status of Construction and Estimated Completion Date:

Building 3 in Increment 3 was completed in January 2001.

H. Project Phases:

The developer [X] has 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):

The Developer had retained the right to add and construct additional buildings/apartments. However, the last building that the Developer could add and establish is Building 3 which is covered by this Public Report.

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 the Developer or the Developer's affiliate.
 self-managed by the Association of Apartment Owners 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 Electricity (Common Elements only _____ Common Elements & Apartments)
 Gas (_____ Common Elements only _____ Common Elements & Apartments)
 Water Sewer Television Cable
 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:

Notice to Owner Occupants

Specimen Sales Contract

Exhibit G contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated August 27, 1990

Exhibit H contains a summary of the pertinent provisions of the escrow agreement.

Other Master Declaration for Phased Development for Bali Hai Villas dated October 19, 1994, as amended.

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 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 a 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 as 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 Report issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended.
- D) House Rules (none).
- E) Condominium Map, as amended.
- F) Escrow Agreement
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other _____

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

This Public Report is part of Registration No. 2277 filed with the Real Estate Commission on July 30, 1990.

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

yellow paper stock white paper stock pink paper stock

C. Additional Information Not Covered Above

POWER OF ATTORNEY: Each Purchaser of an apartment by virtue of the project instruments, sales contract, and apartment deed specifically grants a power of attorney to the Developer and/or its mortgagee to construct and develop the Project in phases and in order to exercise any of the Developer's and/or mortgagee's right to withdraw, remove and subdivide the undeveloped land from the Project.

DECLARATION OF COVENANTS: This Project is subject to the covenants and restrictions set forth in a Declaration of Restrictions and Conditions dated March 1, 1971. That instrument was made by Eagle County Development Corporation which was the developer that originally established the Princeville Community. A summary of the Restrictions is attached hereto as Exhibit "I".

TIME INTERVAL PLAN: All of the thirteen apartments in Increment III have been submitted to a time interval plan which has been registered with the State of Hawaii and was assigned Registration No. TD-116. The name of the plan is Pahio at the Shearwater. The Developer intends to register/annex the thirteen apartment sin Increment III to the same time interval plan. There are no assurances that the Developer will register and the State will approve the annexation of the thirteen Increment III apartments to the time interval plan. The time interval plan was established by a Declaration of Covenants, Conditions and Restrictions for Time Interval Ownership at Pahio at the Shearwater dated June 16, 1993, recorded in the Bureau of Conveyances, State of Hawaii, as Document No. 94-48932, as amended.

MANAGING AGENT. Pahio Resorts, Inc. will be the Managing Agent for the condominium project and also the plan manager of the Interval Plan. David E. Walters has a principal interest in both the Developer and Pahio Resorts, Inc.

REAL ESTATE BROKER. Pahio Vacation Ownership, Inc., is the real estate broker for both the condominium project and Interval Plan. Pahio Vacation Ownership, Inc. is a related entity to the Developer. Pursuant to sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that Pahio Vacation Ownership, Inc., is a current and active Hawaii-licensed real estate corporation. Further, that David E. Walters has a principal interest in both the Developer and Pahio Vacation Ownership, Inc. Pursuant to section 16-99-11(c), HAR, "(n)o licensee shall be allowed to advertise 'For Sale by Owner', 'For Rent by Owner', 'For Lease by Owner', 'For Exchange by Owner'."

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-](The developer is required to make this declaration for issuance of an effective date for final public report.
- E. 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.

THE SHEARWATER
Name of Developer

By David E. Walters
David E. Walters, Its General Partner

2/26/01
Date

Distribution:

Department of Finance, County of Kauai

Planning Department, County of Kauai

EXHIBIT "A"

Description of Apartments and Phasing/Increments

I. DESCRIPTION OF NEW APARTMENTS IN INCREMENT III. There is only one type of apartment in Increment III of the Project as follows:

A. Two-bedroom Apartment. Building 3 (Increment III) contains three floors with three apartments and a three car garage on the first floor, five apartments on the second floor, and four apartments on the third floor. Each apartment consists of 2 bedrooms, 2 bathrooms, a kitchen, living room, and dining room. Each apartment in Building 2 has one lanai. The total net living area of a 2-bedroom apartment in Building 3 is 1,368 square feet and the lanai is 245 square feet. The total area including lanais for the unit is 1,613.

All units include kitchen with Jenn-Aire ranges, dishwashers, refrigerators, a washer and dryer, microwave, disposal, and a hot water heater.

II. DESCRIPTION OF ALL APARTMENTS INCLUDING PRIOR INCREMENTS. There are only two types of apartment in the Project as follows:

A. Two-bedroom Apartment. There are 19 separately designated and described freehold estates in Increments I and II (13 units in Increment I and 6 units in Increment II). Building 1 (Increment I) contains three floors with five apartments on the first and second floors, and three apartments on the third floor. Building 2 (Increment II) contains two floors with three apartments on each floor. Each apartment consists of 2 bedrooms, 2 bathrooms, a kitchen, living room, and dining room. Each apartment in Building 1 has two lanais and each apartment in Building 2 has one lanai. The total net living area of a 2-bedroom apartment in Building 1 is 1,316 square feet and the lanais are 245 and 52 square feet and the total net living area of a 2-bedroom apartment in Building 2 is 1,368 square feet and the lanai is 245 square feet. The total area including lanais for both units is 1,613.

All units include kitchen with Jenn-Aire ranges, dishwashers, refrigerators, a washer and dryer, microwave, disposal, and a hot water heater.

B. Office Apartment. There is one separately designated and described freehold estate. Apartment 401 is contained in the Clubhouse Management Office Building in Increment IV. The top level of the apartment contains a manager office, lounge and storage, reception area and men's and women's restrooms which has a net area of approximately 1592 square feet. There also is a lanai on the first level consisting of 315

square feet. The basement level of apartment 401 contains a maintenance room housekeeping work area, linen room, equipment room and cart storage area. The net area of the basement level is approximately 945 square feet. The top level and basement level is connected by an exterior stairwell. Additionally, each level has access to the grounds and/or parking areas from its own entrance ways.

III. PROJECT. The Project consists of the following:

A. Increment I and II. There is one building situated on Increment I in which there are 13 apartments, the number and location of which are as set forth in the Condominium Map and described as Building 1. Apartments 101 through 105 being located on the ground level, apartments 201 through 205 on the second level; and apartments 302 through 304 on the third level. There is also a swimming pool and recreation area located within Increment I. There is one building situated on Increment II in which there are 6 apartments, the number and location of which are set forth in the Condominium map. Apartments 106 through 108 are located on the ground level and apartments 206 through 208 are located on the second level.

B. Increment III. There is one building situated on Increment III in which there are 13 apartments, the number and location of which is as set forth in the Condominium map and described as Building 3. Apartments 104 through 112 being located on the ground level, apartments 209 through 213 on the second level; and apartments 310 through 313 on the third level.

C. Increment IV. There is one building situated on Increment IV in which there is one apartment, the number and location of which is as set forth in the Condominium map and described as the Clubhouse and Management Office. Apartment number 401 is contained in this building. Apartment 401 consists of the manager office and reception area located on the top level and the entire basement level which consists of a maintenance room, housekeeping area, linen room and two storage areas. The top level containing the reception area includes front desk and counter and the stairway leading to the lounge and manager's office.

IV. RESERVATION TO DEVELOP FUTURE INCREMENTS. The Developer had reserved the right to construct and develop additional buildings and apartments in this Project. The Developer has exercised its rights and completed the construction and development of Increment III. There are no further Increments and there cannot be any additional buildings.

EXHIBIT "B"

Reservation By Developer To Phase Project And To Withdraw Land

PHASED DEVELOPMENT. The Developer had the right to develop one or more phases of the Project and obtain financing and separately encumber each apartment and the limited common land area for the phase. The Developer exercised such rights in the development and construction of the 13 apartments in Building 3, Increment 3. The Developer may not build or add any more apartments or buildings to the Project.

EXHIBIT "C"

Common Elements

The common elements include:

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

Limited Common Elements

The limited common elements include:

- a. Building 3. The land areas delineated as Increment III on the Condominium Map is a limited common element for the Apartments contained in Building 3 and is for the exclusive use of the apartments contained in Building 3.
- b. Redesignation of Limited Common Elements as Common Elements. Notwithstanding any term or provision contained in the Declaration, upon the recording of an "As Built" architect's or engineer's certificate for the building in Increment III and the

Project, the land area including any landscaping, parking lot, driveways, swimming pool and/or recreation areas contained in such Increment shall be deemed to be common elements of the Project, see 4.6 (c) and (d) of Fifth Amendment to Declaration.

d. Designation of Limited Common Elements and Common Elements for Future Increments. The Developer has reserved the right to designate the land area together with any improvements within the Increments and any unassigned stalls of the Project to be developed as a limited common element for the apartments and/or building situated within such Increment and to redesignate such limited common element (excluding the assigned parking stalls), if any as a common element.

EXHIBIT "D"

Common Interest

I. COMMON INTEREST FOR UNITS IN INCREMENT II.

<u>Apartment</u>	<u>No.</u>	<u>Undivided Interest</u>
109		2.995%
110		2.995%
111		2.995%
112		2.995%
209		2.995%
210		2.995%
211		2.995%
212		2.995%
213		2.995%
309		2.995%
310		2.995%
311		2.995%
312		2.995%
313		2.995%

II. COMMON INTEREST OF ALL UNITS.

The common interest for each apartment is dependent upon the total number of apartments constructed. Increments I, II, III and IV have been completed, therefore each apartment shall have appurtenant thereto the following undivided interest in all the common elements of the Project for determination of the common profits, expenses, voting and for all other purposes:

<u>Apartment</u>	<u>No.</u>	<u>%</u>	<u>Total</u>
<u>Type</u>			
2 Bedroom	32	2.995	95.840%
Apt. 401	1	4.160	<u>4.160%</u>
			100.000%

EXHIBIT "E"

Encumbrances

1. Title to all minerals and metallic mines reserved to the State of Hawaii.
2. As to the portion of the land herein described boarding on the ocean:

The effect of Sections 205-31 to 205-37, inclusive, Hawaii Revised Statutes, as now or hereafter amended, pertaining to shoreline setbacks.

Any adverse claim of the State of Hawaii based upon the contention that some portion of the land hereinafter described lies seaward of the line of vegetation, pursuant to the ruling of County vs. Sotomura (1973) 55 H. 176, 517 P. 2D 57.
3. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions set forth in the Declaration, dated March 1, 1971, recorded in the Bureau of Conveyances, State of Hawaii, in Book 7444, Page 93.

Declaration of annexing additional land to Princeville at Hanalei, dated September 19, 1972, recorded in Book 8599, Page 6, in the Bureau of Conveyances.
4. An easement affecting a portion of said land and for the purposes stated herein, and incidental purposes, in favor of: Kassler & Co., for roadway and utility purposes over, under and across Easement R-2, dated June 19, 1975, recorded in Book 10756, Page 267, in the Bureau of Conveyances.
5. Easement S-1, being 10 feet wide, for sanitary sewer purposes, as shown on File Plan 1350.
6. An easement affecting a portion of said land and for the purposes stated herein, and incidental purposes, in favor of Kauai County Public Improvement Corp., for Sanitary Sewer purposes under and across said Easement S-1, dated October 29, 1975, recorded in Book 11034, Page 88, in the Bureau of Conveyances.
7. Reservation in favor of Consolidated Oil & Gas, Inc., a Colorado corporation of easements R-2 and roadway lots in File Plan Nos. 1179, 1350 and 1360 as reserved in Deed dated November 20, 1979, recorded in the Bureau of Conveyances in Book 14252, Page 688 and correction Deed dated September 17, 1980, but effective March 12, 1980, recorded in Book 14995, Page 447.

8. Easement E-2 (10 feet wide) for electrical purposes in favor of Kauai Electric Company, as shown in File Plan No. 1350.
9. An easement affecting a portion of said land and for the purposes stated herein, and incidental purposes, in favor of: Citizens Utilities Company (Kauai Electric Division), for electrical purposes over, under and across Easement E-2, dated December 6, 1976, recorded in Book 14306, Page 238, in the Bureau of Conveyances.
10. An easement affecting a portion of said land and for the purposes stated herein, and incidental purposes, in favor of: Citizens Utilities Company, a Delaware corporation, for pole and wire lines, dated October 27, 1980, recorded in Book 15138, Page 494, in the Bureau of Conveyances.
11. An Easement affecting a portion of said land and for the purposes stated herein, and incidental purposes, in favor of Citizens Utilities Company, A Delaware Corporation, and Hawaiian Telephone Company, a Hawaii corporation, for Right- of-Entry for Utility Purposes, recorded in Book 17863, Page 593, in the Bureau of Conveyances.
12. Waiver and Release by David E. Walters, the General Partner of The Shearwater, a Hawaii limited partnership, to the County of Kauai by and for the Department of Water and Board of Water Supply dated January 27, 1991, re: Water Services, recorded in said Bureau, as Document No. 91-029601.
13. Waiver and Release by David E. Walters, the General Partner of The Shearwater, a Hawaii limited partnership, to the County of Kauai by and for the Department of Water and Board of Water Supply dated August 24, 1993, re: Water Services for Clubhouse, recorded in said Bureau, as Document No. 93-139767.
14. Matters as shown on Condominium File Plan No. 1914, filed in the Bureau of Conveyances, as amended.
15. Covenants, conditions, restrictions, reservations, agreements, obligations, provisions, easements and by-laws set forth in the Declaration of Condominium Property Regime, dated June 16, 1993, recorded in said Bureau, as Document No. 93-142493.

Said Declaration was amended by the following instruments:

DATED:

DOCUMENT NO.:

September 14, 1993

93-157699

October 14, 1993

93-174317

Third Amendment and Restatement of Declaration of Condominium Property Regime The Shearwater (Addition of Increment II), dated May 18, 1996, recorded in said Bureau, as Document No. 96-1206606.

Fourth Amendment to Declaration dated September 6, 1996, recorded in said Bureau, as Document No. 96-131285

Fifth Amendment to Declaration dated January 6, 2000, recorded in said Bureau, as Document No. 2000-007991.

Sixth Amendment to Declaration dated February 2, 2001, recorded in said Bureau, as Document No. 2001-028180.

16. By-Laws of the Association of the Apartment Owners of the Shearwater, dated June 16, 1993, recorded in said Bureau, as Document No. 93-142494.
17. Waiver and Release by David E. Walters, the General Partner of The Shearwater, a Hawaii limited partnership, to the County of Kauai by and for the Department of Water and Board of Water Supply dated August 24, 1993, re: Water Services for Increment I, recorded in said Bureau, as Document No. 93-146644.
18. Waiver and Release by David E. Walters, the General Partner of The Shearwater, a Hawaii limited partnership, to the County of Kauai by and for the Department of Water and Board of Water Supply dated August 24, 1993, re: Water Services for Increment II, recorded in said Bureau, as Document No. 93-146645.
19. Waiver and Release by David E. Walters, the General Partner of The Shearwater, a Hawaii limited partnership, to the County of Kauai by and for the Department of Water and Board of Water Supply dated August 24, 1993, re: Water Services for Increment III, recorded in said Bureau, as Document No. 93-146646.
20. Declaration of Covenants, Conditions and Restrictions for Time Interval Ownership at Pahio at the Shearwater, dated June 16, 1993, recorded in said Bureau, as Document No. 94-48932. (Affects apartments 101, 102, 103, 104, 105, 201, 202, 203, 204, 205, 302, 303 & 304).

Notice of Time Share Plan Declaration of Annexation Pahio at The Shearwater, dated September 3, 1996, recorded in said Bureau, as Document No. 96-131286. (Adds apartments 106, 107, 108, 206, 207 and 208)

Said Declaration was amended by instrument dated October 18, 1996, recorded in said Bureau, as Document No. 96-156925.

Said Declaration was amended by instrument dated January 1, 1998, recorded in said Bureau, as Document No. 98-028904.

Notice of Time Share Plan Declaration of Annexation Pahio at The Shearwater, dated January 6, 2000, recorded in said Bureau, as Document No. 2000-007992. (Affects Increment III, Building 3)

21. Right of Entry in favor of Citizens Utilities Company, a Delaware corporation, recorded in said Bureau, as Document No. 94-071045. (Re: Utility purposes)
22. Any and all easements encumbering the apartment herein mentioned, and/or the common interest appurtenant thereto, as created by or mentioned in said Declaration, as amended, and/or in said Apartment Deed, and/or as delineated on said Condominium File Plan.
23. Mortgage dated January 26, 2000, in favor of First Hawaiian Bank, a Hawaii corporation, recorded in said Bureau, as Document No. 2000-013447.
24. Absolute Assignment of Rentals and Lessor's Interests in Leases dated January 26, 2000, recorded in said Bureau, as Document No. 2000-13448.
25. A Financing Statement in favor of First Hawaiian Bank, a Hawaii corporation, recorded in said Bureau, as Document No. 2000-013449.
26. For real property taxes due and owing, your attention is directed to the Director of Finance, County of Kauai.

EXHIBIT "F"
ESTIMATE OF INITIAL MAINTENANCE FEES

Estimate of Initial Maintenance Fees: AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

<u>Apartment</u>	<u>Monthly Fee</u>	x	<u>12 Months</u>	=	<u>Yearly Total</u>
101	1230.375	x	12 Months	=	14,764.50
102	1230.375	x	12 Months	=	14,764.50
103	1230.375	x	12 Months	=	14,764.50
104	1230.375	x	12 Months	=	14,764.50
105	1230.375	x	12 Months	=	14,764.50
106	1230.375	x	12 Months	=	14,764.50
107	1230.375	x	12 Months	=	14,764.50
108	1230.375	x	12 Months	=	14,764.50
109	1230.375	x	12 Months	=	14,764.50
110	1230.375	x	12 Months	=	14,764.50
111	1230.375	x	12 Months	=	14,764.50
112	1230.375	x	12 Months	=	14,764.50
201	1230.375	x	12 Months	=	14,764.50
202	1230.375	x	12 Months	=	14,764.50
203	1230.375	x	12 Months	=	14,764.50
204	1230.375	x	12 Months	=	14,764.50
205	1230.375	x	12 Months	=	14,764.50
206	1230.375	x	12 Months	=	14,764.50
207	1230.375	x	12 Months	=	14,764.50
208	1230.375	x	12 Months	=	14,764.50
209	1230.375	x	12 Months	=	14,764.50
210	1230.375	x	12 Months	=	14,764.50
211	1230.375	x	12 Months	=	14,764.50
212	1230.375	x	12 Months	=	14,764.50
213	1230.375	x	12 Months	=	14,764.50
302	1230.375	x	12 Months	=	14,764.50
303	1230.375	x	12 Months	=	14,764.50
304	1230.375	x	12 Months	=	14,764.50
310	1230.375	x	12 Months	=	14,764.50
311	1230.375	x	12 Months	=	14,764.50
312	1230.375	x	12 Months	=	14,764.50
313	1230.375	x	12 Months	=	14,764.50
401	1380.870	x	12 Months	=	16,570.44

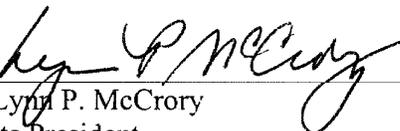
Estimate of Maintenance Fee Disbursement:

	<u>Clubhouse</u>	<u>32 Units</u>		<u>Yearly Total</u>
Accounting & Administration	1,566.48	31,726.08	=	33,292.56
Pools, Ponds & Maintenance	290.09	5,875.20	=	6,165.29
Landscape & Grounds	1,520.54	30,795.84	=	32,316.38
Pest Control	213.54	4,324.80	=	4,538.34
Refuse Collections	341.66	6,919.68	=	7,261.34
UTILITIES:				
Electricity	256.24	5,189.76	=	5,446.00
Water/Sewer	1,245.77	25,230.72	=	26,476.49
Cable/Television	406.12	8,225.28	=	8,631.40
Princeville Comm. Assoc. Dues	305.40	6,185.28	=	6,490.68
Property Tax		136,859.52	=	136,859.52
INTERIOR/EXTERIOR MAINTENANCE				
Appliance Maintenance	108.78	2,203.20	=	2,311.98
Building Repairs & Supplies	1,116.84	22,619.52	=	23,736.36
Maintenance Salaries/Benefits	2,319.06	46,968.96	=	49,288.02
Maintenance Week Contract	1,025.78	20,775.36		21,801.14
Window Washing	174.86	3,541.44	=	3,716.30
Insurance	2,382.75	48,258.24	=	50,640.99
Property Management Fees	2,003.22	40,571.52	=	42,574.74
Reserves for Replacement	1,599.51	32,395.20	=	33,994.71
Interest Income	-306.20	(6,201.60)	=	-6,507.80
TOTAL AOA FEEES	16,570.44	472,464.00		489,034.44

I, LYNN P. McCRORY, as agent and employed by PAHIO RESORTS, INC., the condominium managing agent for the condominium project THE SHEARWATER, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

The foregoing were prepared based on information available as of the date identified below.

PAHIO RESORTS, INC.

By 
Lynn P. McCrory
Its President

Date: February 27, 2001

EXHIBIT "G"

Summary of Sales Contract

The Sales Contract contains the price and other terms and conditions under which a purchaser will agree to buy an apartment in the Project. Among other things, the Sales Contract says:

(a) A buyer must obtain his own financing. Buyer acknowledges that this Sales Contract is contingent on any financing after the issuance of the final public report.

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

(c) That interest on deposits shall belong to the buyer so long as said funds are held in escrow.

(d) That the unit will be subject to various other legal documents which the buyer certifies that he has examined.

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

The Sales Contract contains various other provisions with which the purchaser should become acquainted.

In addition to the foregoing, the Sales Contract describes all of the Developers reservations and rights with respect to the future development of additional units and apartments in the Project. The provisions are described in Paragraphs 10, 28 and 29 of the Sales Contract and Exhibit "B" of this Supplementary Public Report.

EXHIBIT "H"

Summary of Escrow Agreement

The Escrow Agreement sets up an arrangement under which the deposits which a purchaser makes under 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 purchasers know when payments are due.
- (b) Escrow will arrange for purchasers to sign all necessary documents.
- (c) The Escrow Agreement says under what conditions a refund will be made to a purchaser.
- (d) The Escrow Agreement says what will happen to a purchaser's funds upon a default under the Sales Contract.

The Escrow Agreement contains various other provisions and establishes certain charges with which the purchaser should become acquainted.

EXHIBIT "I"

Summary of Declaration of Restrictions, Covenants and Conditions

The Project is subject to a Declaration of Restrictions, Covenants and Conditions dated March 1, 1971 ("Declaration of Restrictions"), which was made by Eagle County Development Corporation ("Eagle"). This Declaration of Restrictions was recorded in the Bureau of Conveyances, State of Hawaii, in Book 7444, Page 93.

The following is a summary of the various provisions contained in the Declaration of Restrictions. However a purchaser should understand that this summary is not intended to act as a substitute for the purchaser reading and understanding the Declaration of Restrictions. The Developer or the broker of the Project will make a copy available to a purchaser upon request. The information contained in the parentheses following each section describes the section where each particular provision is contained in the Declaration of Restrictions.

1. Property. The Declaration of Restrictions covers the properties located in Princeville, Kauai which includes the Project. (Exhibit "A").

2. Additional Property. Eagle has the right to annex additional property to the Declaration of Restrictions. (Article II, Section 2).

3. Classification of Lots. There are various design restrictions and requirements. There are three possible types of developments in the Princeville community: single family residential; multiple unit developments; and hotel developments. There are also various restrictions relating to construction of fences, minimum dwelling cost, location of structures, architectural standards and restrictions, landscaping, refuse disposal, temporary structures, signage, and animals. There are penalties if the covenants are not complied with (see paragraph o, page 12 of Declaration of Restrictions). The compliance with the requirements is determined by a Community Design Committee. (Article III).

NOTE: The Developer of The Shearwater had to meet all of the design requirements as part of the development process.

4. Community Design Committee. The committee is made up of five members. A simple majority vote of the committee is determinative for its decisions. The committee acts on all applications and other proposals or plans submitted for its approval. The committee may adopt rules from time to time in order to implement the provisions of the Declaration of Restrictions. (Article IV).

5. Princeville at Hanalei Community Association. There is a community association which is organized as a Hawaii non-profit corporation. Every owner in the Princeville community is a member of the Association. The Association has the general responsibility to maintain and repair property of the Association, make assessments, and has all of the general powers of a corporation. (Article V).

6. Assessments. Each owner must pay his proportionate share of maintenance assessments and special assessments for capital improvements. There is a formula in the Declaration of Restrictions as to how such assessments will be determined based on three categories of land areas (single family, multiple, and hotel). The Board of the Association also has the right to levy an assessment on an owner who fails or refuses to comply with the Declaration of Restrictions and any rules promulgated thereunder. (Article VI).

NOTE: The current assessments for this Project are described as "Princeville Dues" in the Estimate of Maintenance Fee Disbursements contained in Exhibit "F" of this Final Public Report.

7. Sewer and Water Assessments. All of the lots in the community shall be subject to water and sewer assessments of the Kauai County Public Improvement Corporation. Each lot is also subject to a tap fee for waterline and sewer connections to the lot and to monthly fees for the use of water and sewer systems. (Article VII).

8. Miscellaneous Provisions.

a) The Declaration of Restrictions may be amended by the owners of 3/4ths of the total votes of each class of owners.

b) The Declaration of Restrictions shall be effective until February 28, 2026, at which time the same will be automatically extended for successive periods of five years.

c) The Association shall accept all land conveyed to it as Common Area by Eagle, its successors and assigns.