

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer SAFETY LOAN COMPANY, LTD.

Address 2065 South King Street, Suite 105

Honolulu, Hawaii 96826

Project Name(\*): PUULIMA III\*

Address: Lots 5 and 6, Puulima Estates Subdivision

Kalaheo, Kauai, Hawaii

Registration No. 2768

Effective date: May 18, 1998

Expiration date: June 18, 1999

Preparation of this Report:

\*For Sale of Units A and B

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

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

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

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

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

Type of Report:

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

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

X SUPPLEMENTARY: (pink) This report updates information contained in the: [X] Preliminary Public Report dated: February 17, 1993 [X] Final Public Report dated: April 11, 1994 [ ] Supplementary Public Report dated:

And [X] 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 as Exhibit G.                       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 conclusive. 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:

This supplementary public report covers the sale of Units A and B only. Units C and D have already been sold by the original developer. The original project developer conveyed the unsold units to its lender in lieu of foreclosure of its mortgage on the project. Therefore, the lender is now the developer of the unsold units and they are no longer encumbered by the blanket lien of the mortgage.

The Declaration of Condominium Property Regime for the project and the Condominium Map have been amended to reflect (a) shade structures having been built on Units A and B; (b) a boundary adjustment between Units A and B; (c) there are newly designated easements affecting the project; (d) one prior easement has been deleted; (e) the location and purpose of each remaining easement have been clarified; and (f) the project owners have entered into a road maintenance agreement.

Title Guaranty Escrow Services has been selected as the project escrow agent, Kauai Realty, Inc., will be the broker of record, and Phil Dow is the contractor who built the apartments on Units A and B.

\* \* \* \* \*  
\* **SPECIAL NOTICE:** \*

\* THERE ARE COUNTY RESTRICTIONS ON THE NUMBER OF DWELLING UNITS, OR \*  
\* OTHER STRUCTURES, WHICH MAY BE BUILT UPON THE PROPERTY. THEREFORE, \*  
\* UNLESS THE PURCHASER IS PURCHASING AN EXISTING DWELLING, THERE IS NO \*  
\* ASSURANCE THAT THE PURCHASER WILL BE ABLE TO BUILD A DWELLING UNIT \*  
\* ON THE PROPERTY. THERE ALSO IS NO ASSURANCE THAT THE PURCHASER WILL \*  
\* BE ABLE TO CONVERT AN EXISTING NON-RESIDENTIAL STRUCTURE TO \*  
\* RESIDENTIAL USE. THE PURCHASER SHOULD CONSULT WITH THE APPROPRIATE \*  
\* COUNTY AGENCIES TO DETERMINE WHETHER THE PURCHASER MAY BUILD A \*  
\* DWELLING UNIT, OR ANY OTHER TYPE OF STRUCTURE, UPON THE PROPERTY. \*

- \* 1. Issuance of an effective date for this Public Report does not \*  
\* constitute an approval of the project by the Real Estate \*  
\* Commission, or any other governmental agency, nor does it imply \*  
\* that all County codes, ordinances and subdivision requirements \*  
\* have been complied with. \*
- \* 2. This project does not involve the sale of individual subdivided \*  
\* lots. The land area beneath and immediately adjacent to each \*  
\* unit, as shown on the Condominium Map, is designated as a \*  
\* limited common element for that unit and does not represent a \*  
\* legally subdivided lot. The dotted lines on the Condominium Map \*  
\* merely represent the location of the limited common element \*  
\* assigned to each unit. \*
- \* 3. Facilities and improvements normally associated with County \*  
\* approved subdivisions, such as fire protection devices, County \*  
\* street lighting, electricity, upgraded water facilities, \*  
\* improved access for owner and emergency traffic, drainage \*  
\* facilities, etc., may not necessarily be provided for and \*  
\* services such as County street maintenance and trash collection \*  
\* will not be available for interior roads and driveways. \*
- \* 4. Two of the units are permitted to construct residences and the \*  
\* third and fourth units may construct additional dwelling units \*  
\* under the county "Additional Dwelling Unit" ordinance. The \*  
\* right to build the additional dwelling unit may expire if a \*  
\* building permit is not obtained on or before December 31, 1999. \*  
\* A purchaser should contact the County of Kauai Planning \*  
\* Department to verify that Purchaser's expectations may be met. \*

\* THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE \*  
\* CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT 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. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

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

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

## Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: SAFETY LOAN COMPANY, LTD. Phone: (808) 946-4894  
Name 2065 South King Street, Suite 105 (Business)  
Business Address  
Honolulu, Hawaii 96826

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

Judy Okada, President/Secretary  
Wesley Nakamura, Vice President  
Liane Nakamura, Vice President  
Walter Okada, Treasurer

Real Estate  
Broker: KAUAI REALTY, INC. Phone: (808) 245-1651  
Name P. O. Box 1246 (Business)  
Business Address  
Lihue, Hawaii 96766

Escrow: TITLE GUARANTY ESCROW Phone: (808) 245-3381  
Name SERVICES, INC. (Business)  
4414 Kukui Grove Street, #204  
Business Address  
Lihue, Hawaii 96766

General  
Contractor: PHIL DOW CONSTRUCTION Phone: (808) 822-7909  
Name P. O. Box 466 (Business)  
Business Address  
Kapaa, Hawaii 96746

Condominium  
Managing  
Agent: Self-managed by the Association  
of Apartment Owners. Phone: \_\_\_\_\_  
Name \_\_\_\_\_ (Business)  
Business Address \_\_\_\_\_

Attorney for  
Developer: STEVEN R. LEE, ESQ. Phone: (808) 246-1101  
Name 4473 Pahe'e Street, Suite L (Business)  
Business Address  
Lihue, 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. 94-026070  
Book \_\_\_\_\_ Page \_\_\_\_\_  
 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 July 7, 1994 Document No. 94-113787  
Second Amendment February 13, 1997 Document No. 97-025002  
Third Amendment March 20, 1998 Document No. 98-046607

- 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. 1998  
 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]:

Second Amendment February 13, 1997 Document No. 97-025002  
Third Amendment March 20, 1998 Document No. 98-046607

- 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. 94-026070  
Book \_\_\_\_\_ Page \_\_\_\_\_  
 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>N/A</u>

\* 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.

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



[ ] 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: Lots 5 and 6, Puulima Estates Tax Map Key (TMK): (4) 2-4-003-039  
Subdivision, Kalaheo, Kauai, Hawaii

Address  TMK is expected to change because each unit may obtain a street address  
from the Department of Public Works, County of Kauai

Land Area: 6.279  square feet  acre(s) Zoning: Agricultural

Fee Owner: SAFETY LOAN COMPANY, LTD.  
 Name  
2065 South King Street, Suite 105  
 Address  
Honolulu, Hawaii 96826

Lessor: N/A  
 Name  
 \_\_\_\_\_  
 Address  
 \_\_\_\_\_

2. Buildings and Other Improvements:

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

2. Number of Buildings: 2 Floors Per Building 1

Exhibit \_\_\_\_\_ contains further explanations.

3. Principal Construction Material:

Concrete  Hollow Tile  Wood

Other PVC Pipe and Shade Cloth

4. Uses Permitted by Zoning:

	No. of Apts.	Use Permitted By Zoning		No. of Apts.	Use Permitted By Zoning
<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 type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Other: <u>Shade Structures 2</u>	_____	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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

Yes  No

5. Special Use Restrictions:

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

[ ] Pets: \_\_\_\_\_

[ ] Number of Occupants: \_\_\_\_\_  
Special use restrictions are contained in the Declaration of

[ X] Other: Protective Covenants, as amended, a summary of which is attached hereto as Exhibit I. PLEASE READ CAREFULLY.

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
A	1	0/0	0	16	<u>Shade Structure</u>
B	1	0/0	0	16	<u>Shade Structure</u>
C	1	0/0	0	0*	_____
D	1	0/0	0	0*	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 4

\*Gazebos formerly on Units C and D are no longer in existence

\*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: Per Article II of the Declaration of Condominium Property Regime, the boundaries of each apartment shall be the outer surface of the entire building. Wires or conduits, pipes or any utility lines running over, under or through any apartment which are utilized for or serve more than one unit shall not be deemed a part of the apartment, the same being deemed common elements.

Permitted Alterations to Apartments: Permitted alterations to apartments are as allowed by County of Kauai zoning ordinances and recorded restrictions on the project, if any. Upon construction of each permanent improvement, an amendment to the Declaration of Condominium Property Regime will be required to disclose actual improvements as a matter of public record.

7. Parking Stalls:

Total Parking Stalls: 0

Each unit has ample area within its limited common element for parking purposes.

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	_____	_____	_____	_____	_____	_____	<u>0</u>
Guest	_____	_____	_____	_____	_____	_____	<u>0</u>
Unassigned	_____	_____	_____	_____	_____	_____	<u>0</u>
Extra for Purchase	_____	_____	_____	_____	_____	_____	<u>0</u>
Other: _____	_____	_____	_____	_____	_____	_____	<u>0</u>
Total Covered & Open:	<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>

Each apartment will have the exclusive use of at least \_\_\_\_\_ 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 \_\_\_\_\_ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

- There are no recreational or common facilities.
- Swimming pool       Storage Area       Recreation Area
- Laundry Area       Tennis Court       Trash Chute/Enclosure(s)
- 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 \_\_\_\_\_  
(Date)

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

11. Conformance to Present Zoning Code

a.  No variances to zoning code have been granted.

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

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

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

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

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

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

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

c. 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 E.

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit E.

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 C.

as follows:

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

Exhibit F describes the encumbrances against the title contained in the title report dated 4-20-98  
and issued by TITLE GUARANTY OF HAWAII, 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 specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

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

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

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

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

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

1. Building and Other Improvements: None .

2. Appliances: None .

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

Construction is complete. The shade structures received final building approval on March 6, 1998.

H. Project Phases:

The developer  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):

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, a lien may be placed on your apartment and the apartment may be 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 H 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 \_\_\_\_\_

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 B contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated March 31, 1998  
Exhibit D contains a summary of the pertinent provisions of the escrow agreement.
- Other Specimen Apartment Deed

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended.
- D) House Rules, if any.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other Declaration of Protective Covenants, as amended.

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. 2768 filed with the Real Estate Commission on December 24, 1992.

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.

This is a condominium project, not a subdivision. Units purchased are not subdivided lots. To determine whether your expectations can be realized, you should carefully review the contents of this Report and conduct your own investigations and ascertain the validity of information provided.

It is anticipated that the initial improvements will be replaced by or supplemented with a farm dwelling. The prospective purchaser shall have the right to build such farm dwelling at purchaser's expense. The purchaser shall also, in such event, file the "as-built" certificate within thirty days of completion of the farm dwelling in conformance with Section 514A-12, Hawaii Revised Statutes, and record an amendment of the Declaration of Condominium Property Regime ("Declaration") to describe the farm dwelling. The County of Kauai Planning Department requires, in order to process the necessary permits for the construction of a farm dwelling and the processing of a farm dwelling agreement, authorization from at least 75% of the legal and equitable ownership of the entire project, consistent with the Declaration and the Bylaws ("condominium documents"). Except as limited specifically by the condominium documents and subdivision restrictive covenants (if any), all uses permitted in the agricultural zone are permitted. Such uses include, but are not limited to, growing crops, raising animals, residence, diversified agriculture, forestry, orchards and nurseries and wildlife management. See Kauai County Comprehensive Zoning Ordinance, Article 8.7. for detailed information. In relation to specifically permitted uses of buildings and other improvements, structures shall only be occupied or used for agriculture, associated residential uses, and/or other uses permitted under the Kauai County Zoning Ordinances and the condominium documents. A farm dwelling may not be constructed unless a unit owner demonstrates to the County his ability to derive income from his property, established and verified prior to any building permit approval.

A buyer should understand that all development and use of the property shall be in compliance with County codes and ordinances, that owners in this condominium project will not necessarily receive the same County benefits as owners of approved subdivided lots, and that owners who develop their limited common element later than others may find that land use and zoning changes or insufficient utility capacities may thwart their expectations.

This condominium project is located on one or more lots in the Puulima Estates Subdivision and is subject to a recorded Declaration of Protective Covenants. A summary of these covenants, as amended, is attached to this Report as Exhibit I. Among other things, the covenants govern land use, building type and the quality and size of structures. Also, due to concerns that the subdivision drainage improvements may cause natural waters to be partially blocked or slowed through their course over an adjacent property owner's land, the subdivision developer was required by the County of Kauai to enter into an indemnity and consent agreement with the adjacent property owner and the County of Kauai. In this document, the developer agreed to pay for and construct all county-required improvements to carry the water flowage from the adjacent property through the subdivision; the developer agreed to

indemnify the adjacent property owner and the County from all acts arising out of any lack of free flowage of water; and the neighboring land owner gave his consent to the County issuing final subdivision approval. Upon completion of water and drainage improvements, only one obligation will remain. The Association of Unit Owners will retain the obligation to protect the adjacent owner from damages caused by the future water flows, although the developer does not expect such things to happen. Floodway and flood fringe limits within the subdivision are as delineated on the map prepared by The Keith Companies-Hawaii dated May 29, 1991. No new structures may be constructed within the floodway and new structures constructed within the flood fringe shall be elevated. This project is located in the vicinity of a chicken farm which may cause agricultural nuisances to property owners.

**SPECIAL DISCLOSURE REGARDING O'HANA UNITS AND LIMITS  
ON CONSTRUCTION OF AN ADDITIONAL DWELLING UNIT ON THIS PROJECT**

The first of Units A and B to build is permitted to construct a residence and the second may construct an additional dwelling unit under the Kauai County O'hana ordinance, as evidenced by the Additional Dwelling Unit Facilities Clearance submitted to the Real Estate Commission in the Developer's application package for the final public report. Under Kauai County zoning regulations, this means that an "Additional Dwelling Unit" may be constructed for residential use on the property if the provisions of the O'hana ordinance are followed. You should be aware that the O'hana ordinance will expire on December 31, 1999 or sooner upon the passage of a new Comprehensive Zoning Ordinance (known as the "CZO"). A study to determine the provisions of a new CZO for Kauai is now under way, but no public announcements regarding possible changes to the O'hana provisions have been made. This does not mean that the provisions will not change, only that there has been no public announcement. In either case, it will be necessary to obtain a building permit for the construction of a residence prior to the expiration of the O'hana ordinance to be assured that a residence may be constructed on the unit with the O'hana status. The purchaser is advised to contact the Kauai County Planning Department to determine whether there is any risk to the prospective purchaser from pending or proposed zoning code changes. A purchaser who does not plan to build in the immediate future may find that passage of time or a change in the CZO will preclude any residential development of the O'hana unit in this project.

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.

SAFETY LOAN COMPANY, LTD.

Printed Name of Developer

By: JUDY OKADA  
Duly Authorized Signatory

March 20, 1998  
Date

JUDY OKADA, Its President

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Kauai  
Planning Department, County of Kauai



EXHIBIT B

SUMMARY OF SALES CONTRACT

The PUULIMA III Sales Contract and Receipt (the "contract"), contains, among other provisions, the following (which may be modified or otherwise limited by provisions not summarized):

1. The method of payment of the purchase price to the escrow agent, subject to other terms.

2. The closing date for the purchase.

3. Whether, at the time of execution of the contract, an effective date for a final public report has been issued.

4. The terms and conditions of the sale which include, among other provisions, the following:

(a) That Purchaser will receive a copy of the final public report for the project.

(b) Purchaser agrees that all payments made will be placed on deposit with escrow pursuant to the terms of the Escrow Agreement.

(c) Seller has a right to extend the closing date by 31 days or by 31 days after the public report effective date is issued, whichever is later.

(d) After issuance of the Final Public Report effective date and Buyer's waiver of its right to cancel under Hawaii Revised Statutes Section 514A-62, Purchaser shall not have the right to rescind the contract.

(e) Purchaser has received a copy of the Escrow Agreement for the Project.

(f) If Purchaser defaults, Seller may cancel the contract or bring legal action against Purchaser to force sale, obtain money damages, or retain Purchaser's deposit money held in escrow.

(g) The unit the Purchaser is purchasing will be shown on a condominium map prior to closing and will have the right to cancel if it is different from that shown on the Exhibit A.

(h) That a deed conveying clear title will be given at closing, subject to certain obligations.

(i) The Purchaser agrees to give future easements if reasonably required for the project.

(j) The Purchaser will accept the Unit "AS-IS". Purchaser assumes all risks regarding any potential hazardous materials on the condo property or property adjoining or in the vicinity, including liability for suits by third parties. Seller is, however, unaware of any such materials, chemicals or conditions on the property.

(k) The payment of commissions, if any, is set out in the contract.

(l) Time is of the essence of the obligations of Purchaser under the contract.

**SPECIAL NOTICE:** THE FOREGOING SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS CONTAINED IN THE CONTRACT. WHILE A PURCHASER CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF THE PURCHASER'S RIGHTS AND OBLIGATIONS, THE PURCHASER MUST REFER TO THE PURCHASER'S CONTRACT TO DETERMINE THE BUYER'S ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE CONTRACT, THE CONTRACT WILL CONTROL NOT THIS SUMMARY.

**END OF EXHIBIT B**

EXHIBIT C

SCHEDULE OF APARTMENTS AND COMMON INTERESTS

Qty.	Unit No.	Area of Limited Common Element* (Acres)	No. of Br./Bath	Appx. Net Living Area (Sq. Ft.)	Appx. Other Area (Sq. Ft.)	% of Common Int.
1	A	1.269	0/0	0	16-shade structure	25%
1	B	1.832	0/0	0	16-shade structure	25%
1	C	1.006	0/0	0	0**	25%
1	D	2.172	0/0	0	0**	25%

Pursuant to Section 16-107-5, Hawaii Administrative Rules, reference is hereby made to the method by which common interest has been computed. There are four units, each of which will burden the common elements equally. Therefore, the assessment of undivided interest both for common expense and for voting is 25% for each unit.

The common interest appurtenant to each unit shall be permanent. Subject to the zoning requirements and amendments of the Condominium Map and the Declaration of Condominium Property Regime, each unit owner may use the unit, alter or add to it in any manner deemed desirable, so long as it is permitted by law and the Declaration of Protective Covenants and House Rules, if any. If adjoining unit owners desire to alter and/or transfer portions of their respective units, they can do so by the filing of an amendment to the Condominium Map and the Declaration of Condominium Property Regime together with their respective signatures.

\*Note: Land areas referenced herein are not legally subdivided lots.

\*\*Note: Gazebos formerly on Units C and D are no longer in existence.

END OF EXHIBIT C

EXHIBIT D

SUMMARY OF PORTIONS OF ESCROW AGREEMENT

The Escrow Agreement ("Agreement") between TITLE GUARANTY ESCROW SERVICES, INC. (the "Escrow"), and SAFETY LOAN COMPANY, LTD. (the "Seller"), contains, among other provisions, the following (which may be modified or otherwise limited by provisions not summarized):

1. Whenever Seller enters into a sales contract for the sale of an apartment, Seller will require that payments due under the sales contract be made to Escrow and will deliver an executed copy of the sales contract to Escrow.

2. Escrow will receive payments under the sales contract and sums received from any other source with respect to the project. Funds held under the Agreement will initially be deposited in an account for the project. Interest on all funds will be paid to Seller.

3. Escrow will release from the trust fund and disburse Buyer's funds at closing, unless: (a) Buyer has elected within seven days of signing the sales contract to cancel and receive all funds paid, without deduction; or (b) the Real Estate Commission has not issued a Final Public Report on the project or the requirements of the sales contract have not been met; or (c) Seller has not satisfied Escrow that all other requirements of Hawaii Revised Statutes have been met.

4. Escrow will return deposited sums to the Buyer without interest if Seller and Buyer give Escrow written notice to return the funds to Buyer, if there is a right to cancellation and refund of monies under the sales contract or otherwise. If there is a cancellation under the seven-day right, no fees will be charged Buyer. Thereafter, in the event of a cancellation as a matter of agreement or right, Buyer's funds shall be returned to Buyer less Escrow's cancellation fee, if any, and all other costs incurred in connection with the Escrow, not less than \$25.00.

5. Escrow will arrange for and supervise the signing of all documents which are to be signed subsequent to and contemplated by the sales contract.

6. As Escrow's compensation for its performance under this Agreement, Escrow will receive its schedule rate for each apartment for which an apartment deed of the project is handled by Escrow and recorded in the Bureau of Conveyances of the State of Hawaii. Escrow will record all applicable documents. The cost of title insurance will be an additional amount, based upon schedule rate.

**SPECIAL NOTICE:** THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS CONTAINED IN THE AGREEMENT. WHILE ONE CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF THE AGREEMENT, ONE MUST REFER TO THE ACTUAL AGREEMENT TO DETERMINE THE RIGHTS AND OBLIGATIONS OF THE PARTIES. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE AGREEMENT, THE AGREEMENT WILL CONTROL AND NOT THIS SUMMARY.

END OF EXHIBIT D

EXHIBIT E

COMMON ELEMENTS OF THE PROJECT

The common elements of the project are:

- (a) the land in fee simple;
- (b) the common access and utility element, if any;
- (d) all commonly used present or future ducts, electrical equipment, wiring and other central and appurtenant installations for common services, if any, including power, light, sewage, irrigation and telephone; and
- (e) any and all other future elements and facilities in common use or necessary to the Project.

LIMITED COMMON ELEMENTS OF THE PROJECT

Certain parts of the common elements, referred to as the "limited common elements", have been designated and set aside for the exclusive use of one or more units, and such unit(s) have appurtenant exclusive easements for the use of such limited common elements. The limited common elements set aside, reserved and deemed a limited common element appurtenant to and for the exclusive use of each respective unit is that certain land area upon and around which Units A, B, C and D are located, shown and designated on the Condominium Map and the table below.

<u>Unit Number</u>	<u>Area of Limited Common Element*</u>
A	1.269 acres
B	1.832 acres
C	1.006 acres
D	2.172 acres

\*Land areas referenced herein are not legally subdivided lots.

END OF EXHIBIT E

EXHIBIT F

ENCUMBRANCES AGAINST TITLE

1. Real Property Taxes. Check with the County of Kauai, Department of Finance, Real Property Tax Division, for detailed information.

2. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT: LAND PATENT GRANT NUMBER 6464

The foregoing includes, but is not limited to, matters relating to the following:

"Excepting and reserving therefrom the stream within this lot, as shown on map made a part hereof, and all riparian and other rights in or to this stream and the waters therefrom."

3. Indemnity and Consent Agreement dated August 27, 1991, recorded on September 12, 1991 in the Bureau of Conveyances of the State of Hawaii as Document No. 91-124293.

4. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT: DECLARATION OF PROTECTIVE PROVISIONS

DATED : December 18, 1991  
Recorded : Document No.: 91-177582

Said Declaration was amended by instruments dated August 27, 1992, recorded as Document No. 92-149911, dated November 30, 1993, recorded as Document No. 93-203144, dated November 30, 1993, recorded as Document No. 93-203145, and February 8, 1994, recorded as Document No. 94-025869.

5. RIGHT-OF-ENTRY

TO : CITIZENS UTILITIES COMPANY, a Delaware corporation  
DATED : July 14, 1992  
RECORDED : Document No. 93-157130  
GRANTING : a right-of-way for utility purposes.

6. An easement for water purposes in favor of Board of Water Supply, County of Kauai, dated November 1, 1993, recorded November 22, 1993, in the Bureau of Conveyances, State of Hawaii, recorded as Document No. 93-193212.

7. -AS TO PARCEL FIRST:-

(A) Easement 6 (area 3,539 square feet, more or less) for access and utility purposes, as contained in Declaration dated February 8, 1994, recorded as Document No. 94-026070.

(B) Easement 8 (area 48 square feet, more or less) for electrical purposes, as shown on Consolidation and Resubdivision Map dated November 26, 1993, prepared by Ronald J. Wagner, Registered Professional Land Surveyor with The Keith Companies-Hawaii, Inc., as contained in Declaration dated February 8, 1994, recorded as Document No. 94-026070.

(C) A County of Kauai pipeline right-of-way, (10 feet wide), having an area of 0.034 acre, more or less, as shown on Consolidation and Resubdivision Map dated November 26, 1993, prepared by Ronald J. Wagner, Registered Professional Land Surveyor with The Keith Companies-Hawaii, Inc., as contained in Declaration dated February 8, 1994, recorded as Document No. 94-026070.

8. -AS TO PARCEL SECOND:-

(A) Easement 7 (area 3,536 square feet, more or less) for access and utility purposes, as shown on Consolidation and Resubdivision Map dated November 26, 1993, prepared by Ronald J. Wagner, Registered Professional Land Surveyor with The Keith Companies-Hawaii, Inc., as contained in Declaration dated February 8, 1994, recorded as Document No. 94-026070.

(B) Tunnel and ditch right-of-way (10 feet wide), having an area of 0.034 acre, more or less, as shown on Consolidation and Resubdivision Map dated November 26, 1993, prepared by Ronald J. Wagner, Registered Professional Land Surveyor with The Keith Companies-Hawaii, Inc., as contained in Declaration dated February 8, 1994, recorded as Document No. 94-026070.

(C) Existing building setback and drainageway line, as shown on Consolidation and Resubdivision Map dated November 26, 1993, prepared by Ronald J. Wagner, Registered Professional Land Surveyor with The Keith Companies-Hawaii, Inc., as contained in Declaration dated February 8, 1994, recorded as Document No. 94-026070.

9. Due to the high elevations of this property, a dependable supply of water cannot be assured. The lot owners will be required to sign an Elevation Agreement with the Department of Water upon application for water service, agreeing to accept such water service as the Department of Water is able to render and agreeing to install and maintain suitable booster pumps and storage tanks, if necessary, as shown on Consolidation and Resubdivision Map dated November 26, 1993, prepared by Ronald J. Wagner, Registered Professional Land Surveyor with The Keith Companies-Hawaii, Inc., as contained in Declaration dated February 8, 1994, recorded as Document No. 94-026070.

10. Existing building setback and drainageway line from Drainage Report by The Keith Companies-Hawaii, Inc., no new structures shall be constructed within the drainageway, obstructing the flow of drainage within the building setback and drainageway line is prohibited, as shown on Consolidation and Resubdivision Map dated November 26, 1993, prepared by Ronald J. Wagner, Registered Professional Land Surveyor with The Keith Companies-Hawaii, Inc., as contained in Declaration dated February 8, 1994, recorded as Document No. 94-026070.

11. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT:       DECLARATION OF CONDOMINIUM PROPERTY REGIME OF  
                  "PUULIMA III"

DATED            :       February 8, 1994  
RECORDED        :       Document No. 94-026070

Said Declaration was amended by instruments dated July 7, 1994, recorded as Document No. 94-113787, dated February 13, 1997, recorded as Document No. 97-025002, and dated March 20, 1998, recorded as Document No. 98-046607.

12. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT:       BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS

DATED            :       February 8, 1994  
RECORDED        :       Document No. 94-026071

13. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT:       APARTMENT DEED

DATED            :       May 24, 1994  
RECORDED        :       Document No. 94-104181

14. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT:       GRANT

DATED            :       August 16, 1994  
RECORDED        :       Document No. 94-137893  
RE               :       road maintenance

15. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT:       ROAD MAINTENANCE AGREEMENT  
  
DATED            :       effective 1, 1994  
RECORDED        :       Document No. 95-142358  
PARTIES         :       JAMES G. WETHERILL and LANA R. WETHERILL

16. -AS TO UNIT B ONLY:-

WAIVER AND RELEASE

DATED            :       January 7, 1998  
RECORDED        :       Document No. 98-023114  
BY               :       SAFETY LOAN COMPANY LIMITED  
WITH             :       COUNTY OF KAUAI  
RE               :       water service

END OF EXHIBIT F

EXHIBIT G

DISCLOSURE ABSTRACT FOR  
PUULIMA III

Pursuant to Hawaii Revised Statutes, Section 514(A)-61, the Developer of PUULIMA III makes the following disclosures:

1. The Developer of the project is SAFETY LOAN COMPANY, LTD., 2065 So. King Street, Suite 105, Honolulu, Hawaii, 96826; telephone 808-946-4894.

2. See Exhibit H to the Final Public Report for the projected maintenance fees. The Developer discloses that no reserve study was conducted in accordance with §514A-83.6, HRS, and replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

3. There are no warranties against defects of material and workmanship in individual apartments, common elements or exclusive use areas, and the purchaser buys his/her unit in an "as is" condition.

4. All of the apartments of the project are to be used for agricultural purposes and permitted residential use within the agricultural zone. There will be no commercial use except those activities permitted by the County of Kauai County Comprehensive Zoning Ordinance.

SAFETY LOAN COMPANY, LTD.

By:

  
\_\_\_\_\_  
JUDY OKADA  
Its President

Dated: March 20, 1998

---

RECEIPT

The undersigned has received a copy of the foregoing disclosure abstract with Exhibit H this \_\_\_ day of \_\_\_\_\_, 19\_\_.

Purchaser(s)  
\_\_\_\_\_  
\_\_\_\_\_

EXHIBIT H

ESTIMATE OF INITIAL MAINTENANCE FEES  
AND  
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee</u> x 12 months =	<u>Yearly Total</u>
A	\$5.00	\$60.00
B	\$5.00	\$60.00
C	\$5.00	\$60.00
D	\$5.00	\$60.00

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

Estimate of Maintenance Fee Disbursements:

Monthly x 12 months = Yearly Total

Utilities and Services

- Air Conditioning
- Electricity
  - common elements only
  - common elements and apartments
- Elevator
- Gas
  - common elements only
  - common elements and apartments
- Refuse Collection
- Telephone
- Water and Sewer

Maintenance, Repairs and Supplies

- Building
- Grounds

Management

- Management Fee
- Payroll and Payroll Taxes
- Office Expenses

Insurance

Reserves(*) - Road Maintenance	\$20.00	\$240.00
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Taxes and Government Assessments

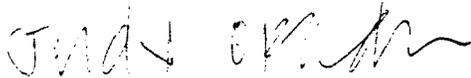
Audit Fees

Other

TOTAL	\$20.00	\$240.00
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SAFETY LOAN

I, JUDY OKADA, as agent for/and/or employed by COMPANY, LTD., the condominium managing agent/developer for the PUULIMA III condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



Signature

March 20, 1998

Date

(\*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

## EXHIBIT I

### SUMMARY OF DECLARATION OF PROTECTIVE COVENANTS

This project is located on one or more of the lots of the Puulima Estates Subdivision. The subdivision is affected by a Declaration of Protective Covenants (hereinafter called the "protective covenants"), which is dated December 18, 1991 and was recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 91-177582. The protective covenants were amended and restated by instrument recorded on September 15, 1992 as Document No. 92-149911. First and Second Amendments to the amended and restated protective covenants were recorded on December 8, 1993 as Documents No. 93-023144 and 93-023145, respectively.

This is a summary of the types of restrictions applicable to the subdivision as a whole, and to the lot(s) upon which this project is located. This summation is not meant to completely recite the actual provisions of the protective covenants, nor to cover every issue in which a purchaser might have interest. Due to the extensive number of covenants, conditions and rules applicable to the subdivision, the prospective purchaser is urged to obtain a full copy of the protective covenants, as amended, from the developer prior to entering into an agreement to purchase a unit in this project.

General Restrictive Covenants. All improvements by an owner must be in strict compliance with the protective covenants and made only with the approval of the Design Review Committee. Failure of an owner to submit plans and/or to abide by the decisions of the Design Review Committee shall make the offending party liable for all costs incurred in enforcement of the protective covenants.

Agricultural activity shall be in accordance with the State Land Use Law (Chapter 205, Hawaii Revised Statutes) and only farm dwellings, as may be permitted by applicable law, shall be constructed. Owners are restricted from seeking any land use classification or other governmental approval which would result in a greater use density than provided for in the protective covenants.

Height restrictions have been established for both outbuildings and farm dwellings as well as restrictions on the size of limited common element or cotenancy land area and the number of dwellings allowed per lot. Restrictions also apply to the minimum livable floor area, garage requirements (minimum parking requirement and use), number of stories permitted and structure location in relation to lot boundaries. Structures shall be built of entirely new materials and restrictions apply to the type of material (roofing, glass, etc.) and its color. There are further restrictions applicable to the landscaping (height of plantings, bare areas, etc.), fencing and specific requirements for driveway construction. With the exception of a portion of Lot 10, all utilities within the subdivision shall be placed underground. A guest house may be constructed on Lot 3.

Farm dwelling units shall be used and occupied only as farm dwelling units, shall be maintained in good repair by each owner and no owner shall violate any applicable law pertaining to the use and development of his lot or farm dwelling. No signs, trailers, tents, or vehicles of more than one (1) ton capacity shall be maintained on any lot, except in accordance with the protective covenants. Visible construction or repair of any trailer, vehicle or boat is

prohibited as well as the open storage of these items and any furniture, fixtures, appliances, garbage and other goods. There are restrictions applicable to household pets, livestock, game, and fish. Noxious, offensive and/or illegal activities are prohibited within the subdivision. There are restrictions for the conduct of any cottage industries and businesses within the subdivision.

Design Review Committee. Organization, Power of Appointment and Removal of Members. This section discusses the creation and maintenance of a Design Review Committee, including its initial members and subsequent members. It outlines committee functions, including design review requirements for all improvements to the subdivision lots and project limited common elements. Further detailed information regarding Design Review Committee standards and requirements is found in Section 1 (ff) (1) through (9) of the protective covenants.

Agricultural Uses Pursuant to Chapter 205. This section deals with the use of the lots within the subdivision being primarily in pursuit of agricultural activities and only for those uses permissible in an agricultural district. These permissible uses (as contained in Chapter 205, Hawaii Revised Statutes) are outlined in an exhibit to the protective covenants however, it should be noted that many uses permitted in an agricultural district are not permitted by the protective covenants.

Building Setback Line for Drainage. This section discusses the building setback line shown on the subdivision map for the purpose of preserving a drainageway for surface water runoff and outlines the restrictions and conditions applicable to all subdivision lots. Lot owners are required to preserve and maintain the existing drainage pattern, are prohibited from constructing improvements within the setback area, are cautioned to exercise due care during times of heavy storm and rain conditions, are required to accept storm runoff and preserve and maintain the drainage pattern and are advised that the County of Kauai assumes no obligation for any storm flowages or damages or installation of improvements.

Future Easements/Covenants to Run With the Land. In this section, the declarant has reserved the right to grant any further easements to utility companies or governmental agencies deemed necessary to provide access or utilities to the subdivision. The duration of the protective covenants is discussed along with the procedures for the extension. This section also deals with the legal remedies for the enforcement of the protective covenants.

Interpretation of Covenants, Arbitration of Disputes. This section has to do with the means by which the protective covenants would be interpreted in a court of law, provides that any disputes be resolved by binding arbitration and calls for the severability of clauses that might be found invalid.

Common Access, Utility and Miscellaneous Easements. This section is applicable to subdivision Lots 5 and 6 only and is for the shared access, utility and other easements for the common use of portions of abutting properties. The section provides that all easements be recorded; that a setback be included with the grant of

any utility easement; that proper width and position of access and utility easements be maintained; and that commonly used access easements automatically incorporate a sixty (60) day cancellation provision.

Limitation of Access to Electrical and Telephone Utilities. Citizens Utilities Co. has imposed certain restrictions on the locations of the pull boxes through which electrical, cablevision and telephone services are drawn. A purchaser should review a copy of the Second Amendment to Amended and Restated Declaration of Restrictive Covenants and Conditions and House Rules for Puulima Subdivision for the specific locations.

END OF EXHIBIT I