

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report as Exhibit "E".

Not required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

1. There are no changes to unsold Unit 5. Ulrich Rachner, who purchased under the prior public report, is the Developer of Units 4A and 4B.
2. Description of Project: The Project will now consist of six (6) units rather than five (5) units. Prior Unit 4 was divided into Unit 4A and 4B.
3. The Limited Common Elements and Common Interests: The limited common elements and common interests of Unit 4 were apportioned between new Units 4A and 4B. See Exhibit A.
4. Condominium Map: Condominium Map No. 2231 has been amended to reflect the division of Apartment 4 into Apartments 4A and 4B.
5. Guest House: This Project is entitled to one guest house. The right to construct the guest house has been assigned to Apartment 4A and the rights, responsibilities, and potential limitations of Apartment 4A with respect to the guest house are more fully set forth in the Second Amendment to the Declaration of Condominium Property Regime of Kalihiwai Mountains Estates ("Second Amendment").

Apartment 4A will not be able to build a full residence, only a guest house complying with Kauai County Comprehensive Zoning Ordinances, regulations, and other building requirements. In addition, all provisions of the Comprehensive Zoning Ordinance of the County of Kauai, and any other laws, ordinances or regulations with applicability, shall be observed by the owner of the Apartment to which the guest house right applies. No use of the guest house shall impair the right of any other Apartment owner to construct a farm dwelling, or the offending aspect(s) of the guest house shall be removed promptly. A summary of the County of Kauai guest house requirements is attached as Exhibit "A" to the Second Amendment to Declaration. The Guest House summary states that the guest house is for use as a dwelling for guests, not as a permanent residence.

6. Registration of Association: Since the Project now has 6 units, it is subject to bi-ennial registration at the Hawaii Real Estate Commission. Units 4A and 4B are responsible to pay all costs of registration, and to do so perpetually. See the Second Amendment for specific information.
7. Sale of Originally Developed Units: Only Units 3 and 5 of the original project remain unsold. Unit 3 is under development, and cannot be sold under this report until its owner records an amendment to the Declaration of the Condominium Property Regime and an amended disclosure abstract with the Real Estate Commission.
8. Attorney representing the developer of Unit 4A and 4B is Glen T. Hale, 4473 Pahee Street, Suite L, Lihue, Hawaii 96766.
9. Title Guaranty Escrow Services, Inc. is the escrow agent.

This public report does not constitute approval of the Project by the Real Estate Commission, or any other government agency, nor does it ensure that all applicable County codes, ordinances and subdivision requirements have been complied with.

THE PROSECTIVE 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: Units 4A/4B Ulrich Rachner Phone: 808-828-2054
(President of AOA) Name*
P. O. Box 692
Business Address
Kilauea, Hawaii 96754

Names of officers and directors of developers who are corporations; general partners of a partnership; partners of a Limited Liability Partnership (LLP); or manager and members of a Limited Liability Company (LLC) (attach separate sheet if necessary):

N/A

Real Estate Broker: By Owner: Units 3 and 5
By Real Estate Broker: Units 4A and 4B
ERA Regency Pacific Realty LLC Phone: 808-826-7498
Name
P. O. Box 1046
Business Address
Hanalei, Hawaii 96714

Escrow: Title Guaranty Escrow Services, Inc. Phone: 808-521-0211
Name
235 Queen Street, First Floor
Business Address
Honolulu, Hawaii 96813

General Contractor: Units 4A/4B Mark Gauthier (License No. BC 19728) Phone: 826-6693
Name
4174 Kekuanoa
Business Address
Princeville, Hawaii 96722

Condominium Managing Agent: Self Managed by Association of Apartment Owners Phone: _____
Name
Business Address

Attorney for Developer: Units 4A/4B Glen T. Hale Phone: 808-245-4100
Name
4473 Pahe'e Street, Suite L
Business Address
Lihue, Hawaii 96766

*For Entities: Name of corporation, partnership, Limited Liability Partnership (LLP), or Limited Liability Company (LLC)

**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. 95-046942

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 to Declaration of Condominium Property Regime of Kalihiwai Mountains Estates dated December 26, 1995, recorded in the Bureau of Conveyances of the State of Hawaii as Doc. No. 96-016625; Second Amendment to Declaration of Condominium Property Regime of Kalihiwai Mountains Estates and Second Amended Condominium Map No. 2231, dated February 9, 2001, recorded in said Bureau of Conveyances as Doc. No. 2001-022407; and Third Amendment to Declaration of Condominium Property Regime of Kalihiwai Mountains Estates and Amendment to the Second Amended Condominium Map No. 2231; Correction to Second Amendment to Declaration of Condominium Property Regime of Kalihiwai Mountains Estates Due to Scrivener's Error dated May 1, 2001, recorded in the Bureau of Conveyances of the State of Hawaii as Doc. No. 2001-075362.

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. 2231

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]:

First Amendment to Declaration of Condominium Property Regime of Kalihiwai Mountains Estates dated December 26, 1995, recorded in the Bureau of Conveyances of the State of Hawaii as Doc. No. 96-016625; and Second Amendment to Declaration of Condominium Property Regime of Kalihiwai Mountains Estates and Second Amended Condominium Map No. 2231, dated February 9, 2001, recorded in said Bureau of Conveyances as Doc. No. 2001-022407.

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. 95-046943

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]:

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- Leasehold or Sub-leasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit _____ contains further explanation regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: _____ Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per Month Year

For Sub-leaseholds:

- Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is:
 Canceled Foreclosed
- As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

- Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Sub-leasehold:

Leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: _____ Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per: Month Year

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

B. Underlying Land:

Address: Kahiliholo Road, Kahiliwai, Kauai, Hawaii Tax Map Key: (TMK): (4) 5-2-022:023

Address TMK is expected to change because each residence is entitled to its own address.

Land Area: 27.295 square feet acre(s) Zoning: Agriculture

Fee Owner: ULRICH RACHNER, Unit 4 (See additional Fee Owners on page 10a attached hereto)
 Name _____
 Post Office Box 692 _____
 Address _____
 Kilauea, Hawaii 96754 _____

Lessor: N/A _____
 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: Six (6) Floors Per Building one (1)
 Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other shade cloth and iron fence posts

4. Permitted Uses by Zoning:

	No. of Apts.	<u>Use Permitted by Zoning</u>	
<input type="checkbox"/> Residential	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<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"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Agricultural	_____	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Other: Shed	<u>6</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

KALIHIWAI MOUNTAINS ESTATES
(Fee Owners Continued)

Unit 1 Owner:

Matthew F. Christian
1802 Pleasant Valley Rd., Ste. 100-102
Garland, Texas 75040

Unit 2 Owner:

Lucie W. Griggs
591 Oscar Rock Road
Clayton, Georgia 30525

Unit 3 Owner:

Gerald R. Clerc and Marjorie E. Clerc
5971 Kahiliholo Road
Kilauea, Hawaii 96754

Unit 5 Owner:

W. Gregory Chuck, Trustee
3325 Paty Drive
Honolulu, Hawaii 96822

and

Yen Chun, Trustee
1310 Heulu
Honolulu, Hawaii 96822

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: _____
Exhibit F – Building and House Rules
- Other: Exhibit G – Summary of Declaration of Protective Covenants, Conditions and Restrictions for Kalihiwai Ridge
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: -0- Stairways: -0- 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>Units 1, 2, 4A and 5</u>	<u>4</u>	<u>N/A</u>	<u>_____</u>	<u>64</u>	<u>Shed</u>
<u>Unit 4B</u>	<u>1</u>	<u>N/A</u>	<u>_____</u>	<u>20</u>	<u>Shade Structure</u>
<u>** Unit 3</u>	<u>1</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>Residence</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

Total number of Apartments: Six (6)

**The residence located on Unit 3 is currently under development. Until it is completed and an amendment to the declaration for the project and a disclosure abstract are filed with the Real Estate Commission, Unit 3 may not be sold under this supplementary report.

*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 exterior surfaces of the structures and the description of the limited common element for each of the units as set forth in the Second Amended Condominium Map.

Permitted Alterations to Apartments:

Each apartment owner can increase the total square footage of his structure, add additional structures, alter the location of his structure and/or subdivide in accordance with the Declaration, Building and House Rules, building code, zoning and subdivision ordinances.

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 not elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 12

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		TOTAL
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	_____	<u>2</u>	_____	_____	_____	_____	<u>12</u>
Guest	_____	_____	_____	_____	_____	_____	_____
Unassigned	_____	_____	_____	_____	_____	_____	_____
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____	_____	_____	_____
Total Covered & Open:	<u>12</u>		<u>0</u>		<u>0</u>		<u>12</u>

Each apartment will have the exclusive use of at least 2 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

*** There is ample parking area in the limited common element for each unit. Open stalls not designated. By ordinance, two (2) parking stalls for each residential apartment is required.**

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 lawfully at one time but which does not now conform to present zoning requirements:

	Conforming	Non-Conforming	Illegal
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 Interests:

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 A

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 _____.

as follows:

The land area of each apartment consisting of the land beneath it as shown and delineated on the Second Amended Condominium Map is a limited common element for the use of the owner of each respective apartment.

Unit 1	= 5.461 acres
Unit 2	= 5.462 acres
Unit 3	= 3.459 acres
Unit 4A	= 3.342 acres
Unit 4B	= 4.116 acres
Unit 5	= 5.454 acres

Note: the land areas referenced above are not legally subdivided.

3. Common Interests: Each apartment will have an undivided fractional interests in all of the common elements. This interest is called the "common interests." 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 _____.

as follows:

Unit 1	= 20% appurtenant common interest
Unit 2	= 20% appurtenant common interest
Unit 3	= 12% appurtenant common interest
Unit 4A	= 14% appurtenant common interest
Unit 4B	= 14% appurtenant common interest
Unit 5	= 20% appurtenant common interest
	100%

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 on or your purchase and ownership of an apartment in the project.

Exhibit B describes the encumbrances against the title contained in the title report dated February 21 , 2001 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.

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 Completion Date:**

All 4 sheds on Units 1, 2, 4A and 5 were completed on December 16, 1994.

The shade structure on Unit 4B was completed on March 16, 2001.

The residence located on Unit 3 is currently under development. Please refer to page 11, item 6 of this report.

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 affiliated 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.
[X] 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 _____ "I" 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:

[X] None [] Electricity (_____ Common Elements only _____ Common Elements & Apartments)
[] Gas (_____ Common Elements only _____ Common Elements & Apartments)
[] Water [] Sewer [] Television Cable

[x] Other _____ The apartments shall be billed separately for the respective limited common elements use as set forth in 4.5 of the Declaration of Condominium Property Regime

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all the documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime, 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 Covenants, Conditions and Restrictions for Kalihiwai Ridge; Building and House Rules Kalihiwai Mountains Estates; Waiver and Release – Water Service

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. 3341 filed with the Real Estate Commission on May 4, 1995.

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

YELLOW paper stock

WHITE paper stock

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C. Additional Information Not Covered Above:

Units 1, 2, 4A and 4B have brokers whose listing agreements are on file with the Real Estate Commission.

This is a condominium project, not a subdivision. The condominium project is part of the Kalihiwai Ridge Subdivision. Units purchased are not subdivided lots. To determine whether your expectations can be realized, you should carefully review the contents of this Report, especially Exhibit G to this report which is a summary of the recorded restrictive covenants for the subdivision within which this project is located. Among other things, the restrictive covenants govern land use, building type and materials, possession of animals, and cultivation of crops. You should also conduct your own investigations and ascertain the validity of information provided.

As to any undeveloped units, it is anticipated that the initial improvements on each unit will be replaced by or supplemented with a farm dwelling or a guest house (hereinafter referred to as "dwelling"), unless there are any prohibitions in the Declaration. The prospective purchaser shall have the right to build such dwelling at purchaser's expense. The purchaser shall also, in such event, file the "as built" certificate within thirty days of completion of the 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 dwelling. The County of Kauai Planning Department requires, in order to process the necessary permits for the construction of a 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"). In most cases 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.

Except as limited specifically by the condominium documents and subdivision restrictive covenants, all uses permitted in the agricultural and open zones are permitted. Uses in one zone area are not the same as in the other, and the prospective purchaser should consult the appropriate county agency for information on uses and construction in the respective zones.

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.

DISCLOSURE REGARDING SELECTION OF REAL ESTATE BROKER:

THE DEVELOPER/OWNERS OF UNITS 3 AND 5 DO NOT PRESENTLY INTEND TO USE A REAL ESTATE BROKER FOR THE SALE OF APARTMENTS IN THE PROJECT.

IN THE EVENT THE DEVELOPER CHOOSES TO USE A REAL ESTATE BROKER FOR THE SALE OF AN APARTMENT, PRIOR TO ENTERING INTO A BINDING CONTRACT FOR SUCH SALE THE DEVELOPER SHALL (1) SUBMIT TO THE REAL ESTATE COMMISSION A DULY EXECUTED COPY OF A BROKER LISTING AGREEMENT WITH A HAWAII LICENSED REAL ESTATE BROKER, TOGETHER WITH A DULY EXECUTED DISCLOSURE ABSTRACT IDENTIFYING THE DESIGNATED BROKER, AND (2) PROVIDE A COPY OF THE DISCLOSURE ABSTRACT TO THE PURCHASER TOGETHER WITH A COPY OF THIS PUBLIC REPORT. UNITS 4A AND 4B ARE BEING SOLD BY A BROKER WHOSE LISTING IS ON FILE WITH THE REAL ESTATE COMMISSION.

- 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 a 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.



 ULRICH RACHNER
 Name of Developer

By: _____ Date: March 5, 2001
 Duly Authorized Signatory* Date

ULRICH RACHNER
 OWNER/DEVELOPER OF UNITS 4A AND 4B/PRESIDENT OF AOA

 Printed Name & Title of Person Signing Above

Distribution:
 Department of Finance: County of Kauai
 Planning Department: County of Kauai

***Must be signed for a: corporation by an officer; partnership or Limited Liability Partnership (LLP) by the general partner, Limited Liability Company (LLC) by the manager or member; and for an individual by the individual.**

EXHIBIT "A"

COMMON ELEMENTS OF THE PROJECT

The common elements of the project are:

- (a) The land in fee simple from the depth of 50 feet below the surface of the land to the center of the earth ("Subsurface Land").
- (b) The central and appurtenant installations for services such as power, light, gas, telephone, sewer, hot and cold water and like installations when and only those items are on shared installations.
- (c) All other parts of the Project existing for the common use or necessary to the existence, maintenance and safety of the Project.

LIMITED COMMON ELEMENTS OF THE PROJECT

The limited common elements include the land area delineated and designated in the Condominium Map and consist of the following:

A. Apartment 1. The land area consisting of approximately 5.461 acres is a limited common element for the owner of Apartment 1. The owner of Apartment 1 is authorized to build a single family detached unit on the limited common element land area and agricultural buildings.

B. Apartment 2. The land area consisting of approximately 5.462 acres is a limited common element for the owner of Apartment 2 subject to Easement W-1 for water line purposes. The owner of Apartment 2 is authorized to build a single family detached unit on the limited common element land area and agricultural buildings.

C. Apartment 3. The land area consisting of approximately 3.459 acres is a limited common element for the owner of Apartment 3. The owner of Apartment 3 is authorized to build a single family detached unit on the limited common element land area and agricultural buildings.

D. Apartment 4A. The land area consisting of approximately 3.342 acres is a limited common element for the owner of Apartment 4A subject to Easement R-3 for vehicular access and utilities. The owner of Apartment 4A is entitled to build a guesthouse and agricultural buildings on the limited common element land area.

E. Apartment 4B. The land area consisting of approximately 4.116 acres is a limited common element for the owner of Apartment 4B subject to Easement W-20 for irrigation ditch and access purposes and Easement WS-2 for water line purposes. The owner of Apartment 4B is entitled to build a single family detached unit and agricultural buildings on the limited common element land area.

F. Apartment 5. The land area consisting of approximately 5.454 acres is a limited common element for the owner of Apartment 5. The owner of Apartment 5 is authorized to build a single family detached unit on the limited common element land area and agricultural buildings.

*Note: Land areas referenced herein are not legally subdivided lots. Also see note on bottom of Exhibit J

END OF EXHIBIT "A"

EXHIBIT "B"

ENCUMBRANCES AGAINST TITLE

1. Real Property Taxes. Check with the County of Kauai, Department of Finance, Real Property Tax Division, for detailed information.
2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Designation of Easement "D-11" (area 0.017 acre) for drainage purposes, as shown on File Plan No. 2053.
4. Designation of Easement "R-3" (area 0.306 acre) for vehicular and pedestrian access purposes, as shown on File Plan No. 2053.
5. Grant of Easement in favor of Kilauea Agronomics, Inc., dated November 7, 1991, recorded as Document No. 91-155975; granting an easement over said Easement "R-3" for roadway, vehicular and pedestrian access and underground utility purposes.
6. Grant of Easement in favor of Kilauea Irrigation Co., Inc., dated November 7, 1991, recorded as Document No. 91-155976; granting an easement over said Easement "R-3" for roadway, vehicular and pedestrian access and underground utility purposes.
7. Designation of Easement "W-20" (area 0.837 acre) for irrigation ditch and access purposes, as shown on File Plan No. 2053.
8. Grant of Easement in favor of Kilauea Agronomics, Inc., dated November 7, 1991, recorded as Document No. 91-155973; granting an easement over said Easement "W-20" for irrigation ditch, pipeline and facility and vehicular and pedestrian access purposes.
9. Grant of Easement in favor of Kilauea Agronomics, Inc., dated November 7, 1991, recorded as Document No. 91-155974; granting an easement over said Easement "W-20" for irrigation ditch, pipeline and facility and vehicular and pedestrian access purposes.
10. Setback for building and drainageway purposes, as shown on File Plan No. 2053.

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

INSTRUMENT: AGREEMENT

DATED: March 16, 1977

RECORDED: Liber 12110/Page 330

The foregoing includes, but is not limited to, matters relating to the use of the land for agricultural purposes.

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

INSTRUMENT: DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
KALIHIWAI RIDGE

DATED: October 3, 1988

RECORDED: Liber 22452/Page 429

Said Declaration was amended and supplemented by instruments dated July 5, 1990, recorded as Document No. 90-104733, dated November 7, 1991, recorded as Document No. 91-155979, and dated August 9, 1993, recorded as Document No. 94-037305.

13. Unrecorded KALIHIWAI RIDGE ENVIRONMENTAL DESIGN RULES AND GUIDELINES PURSUANT TO DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR KALIHIWAI RIDGE dated October 12, 1988, as amended.

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

INSTRUMENT: AGREEMENT TO INCORPORATE
AGRICULTURAL RESTRICTIONS INTO
INSTRUMENTS OF CONVEYANCE

DATED: November 7, 1991

RECORDED: Document No. 91-155967

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

INSTRUMENT: DEED

DATED: December 4, 1991

RECORDED: Document No. 91-177419

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

INSTRUMENT: WAIVER AND RELEASE
DATED: May 26, 1994
RECORDED: Document No. 94-095026
RE: water service

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

INSTRUMENT: WAIVER AND RELEASE
DATED: May 31, 1994
RECORDED: Document No. 94-097579
RE: water service

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

INSTRUMENT: WAIVER AND RELEASE
DATED: June 10, 1994
RECORDED: Document No. 94-100126
RE: water service

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

INSTRUMENT: WAIVER AND RELEASE
DATED: June 6, 1994
RECORDED: Document No. 94-106687
RE: water service

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

INSTRUMENT: WAIVER AND RELEASE
DATED: June 8, 1994
RECORDED: Document No. 94-116288
RE: water service

21. 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 FOR THE "KALIHIWAI MOUNTAINS
ESTATES" CONDOMINIUM PROJECT

DATED: March 16, 1995
RECORDED: Document No. 95-046942
MAP: 2231 and any amendments thereto

Said Declaration was amended by instruments dated December 26, 1995, recorded as Document No. 96-016625; dated February 6, 2001, recorded as Document No. 2001-022407; and dated May 1, 2001, recorded as Document No. 2001-075362.

22. 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 March 16, 1995
RECORDED: Document No. 95-046943

23. Grant in favor of the COUNTY OF KAUAI, dated March 29, 1995, recorded as Document No. 95-145624; granting an easement for drainage purposes.
24. Designation of Easements "WD-1" AN "WD-2" for waterline purposes, as shown on Condominium Map No. 2231 and set forth in Apartment Deed dated September 25, 1995, recorded as Document No. 96-109826.
25. Grant in favor of CITIZENS UTILITIES COMPANY, dated July 15, 1996, recorded as Document No. 96-117284; granting a perpetual right and easement to build, construct, reconstruct, rebuild, repair, maintain and operate pole and wire lines and/or underground lines, etc., for the transmission and distribution of electricity, over and across the easement area designated as Easement "E-1".
26. The terms and provision, including the failure to comply with any covenants, conditions and reservations, contained in Apartment Deed dated September 25, 1995, recorded as Document No. 96-109826.
27. Any lien (or claim of lien) for services, labor or material arising from an improvement or work related to the land described herein.

END OF EXHIBIT "B"

EXHIBIT "C"

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. An application for a mortgage loan within 10 days after notification by Seller and if approval is not concluded within 30 days after submission of the application then Seller has the option to terminate the contact. 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 Seller unless Buyer arranges with Escrow to establish a separate savings account and to pay \$25.00 to Escrow for the establishment and maintenance of such account, then such interest shall accrue to the benefit of the Buyer.

(d) That the unit will be subject to various legal documents, including Declaration, By Laws, Final Public Report including Encumbrances and Disclosure Statement attached thereto, Building/House Rules, Escrow agreement, Apartment Deed, Certificate of Architect and Condominium Map and any other documents which the buyer is given a copy of and for which he has received for the same.

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

(f) If Buyer defaults, Seller shall give written notice to Buyer by certified mail and if such default is not cured within 10 days after receipt of notice, Seller may terminate the Sales Contract and retain the Buyer's deposits as liquidated damages. Seller may in addition pursue any other remedy including specific performance and all costs by reason of such default shall be borne by Buyer.

(g) If Buyer has paid all payments required under the Sales Contract, Buyer shall be entitled to specific performance.

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

EXHIBIT "D"

SUMMARY OF PORTIONS OF ESCROW AGREEMENT

The Escrow Agreement ("Agreement") between TITLE GUARANTY ESCROW SERVICES, INC., a Hawaii corporation ("Escrow"), and ULRICH RACHNER ("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. In the event of default by the Buyer, Buyer may forfeit his or her deposit, which will be paid to the Seller, less any cancellation fees charged by Escrow.
6. Escrow will arrange for and supervise the signing of all documents which are to be signed subsequent to and contemplated by the sales contract.
7. 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"

DISCLOSURE ABSTRACT FOR KALIHIWAI MOUNTAINS ESTATES

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

1. The Successor Developer of the Project who is the President of AOA O Kalihawai Mountains Estates and the owner of Units 4A and 4B is ULRICH RACHNER, whose mailing address is Post Office Box 692, Kilauea, Hawaii 96754.
2. See Exhibit I to the Final Public Report for the projected annual maintenance fees. The Developer hereby certifies that the estimations have been based on generally accepted accounting principles.
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 residential purposes only. No apartments shall be used for hotel or timeshare purposes. There will be no commercial use except those activities permitted by County Ordinance.
5. The real estate broker for Units 4A and 4B is ERA Regency Pacific Realty LLC, P.O. Box 1046, Hanalei, Hawaii 96714. There is no broker for Units 3 and 5, the only unsold units in the project.
6. The escrow company for Units 4A and 4B is Title Guaranty Escrow Services, Inc., 235 Queen Street, First Floor, Honolulu, Hawaii 96813. The escrow company for Units 3 and 5 is First Hawaii Title, as shown in the prior public report for this project.
7. The general contractor for Units 4A and 4B is Mark Gauthier, License No. BC 19728, 4174 Kekuanoa, Princeville, Hawaii 96722.
8. The attorney for this supplementary report and for Units 4A and 4B is Glen T. Hale, 4473 Pahe'e Street, Suite L, Lihue, Hawaii 96766.

9. The Developer has not conducted a reserve study in accordance with 514A-83.6, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. There are no depreciable common elements in the Project.
10. This Project consists of completed structures built during condominium ownership.

In witness whereof, the developer has executed this Disclosure Abstract this 5th day of March, 2001.



ULRICH RACHNER

RECEIPT

The undersigned has received a copy of the foregoing Disclosure Abstract with Exhibit I this ____ day of _____, 20__.

Purchaser(s):

END OF EXHIBIT "E"

EXHIBIT "F"

BUILDING AND HOUSE RULES
KALIHIWAI MOUNTAINS ESTATES

The purpose of these Building and House Rules ("Rules") is to protect all owners and occupants from annoyance and nuisance caused by improper conduct and improper use of the KALIHIWAI MOUNTAINS ESTATES Condominium, hereinafter referred to as "Project", and to provide for the maximum enjoyment of the premises. All owners and occupants, their agents, employees and invitees shall be bound by these Rules and standards of reasonable conduct whether covered by these Rules or not.

1. Definitions. As used herein:

a. The "Area" refers to the land set aside for the use of each owner as a limited common element.

b. The "Apartment" refers to the existing buildings built on the land designated as the limited common element for the owner and any subsequent improvements built within the Area.

c. The "lot" refers to Lot 24 described in the Kalihiwai Ridge Declaration dated October 3, 1988, recorded in Liber 22452, Page 429, as now or hereafter amended and supplemented by Correction to Declaration of Protective Covenants, Conditions and Restrictions for Kalihiwai Ridge dated July 5, 1989, recorded as Document No. 90-104733, and by Annexing Declaration and Declaration of Restrictive Covenants dated November 7, 1991 recorded as Document No. 91-155979 in the Bureau of Conveyances, State of Hawaii, and shall also refer to an "apartment" or "unit" in the project.

2. Building Permit. Any owner desiring to make an addition to the existing buildings and/or construct any new building will have to comply with the building and zoning ordinances as the same may be changed from time to time. The requirements of the County of Kauai Ordinance No. 317 approved on June 27, 1977 is required to be observed in the construction of a single family dwelling as well as the following:

a. No building shall exceed two (2) stories in height.

b. No structure of a temporary character, trailer, quonset hut, tent, shack, garage and/or barn shall be used as a permanent residence.

c. In any grading and/or excavation of the Apartment the grade of the Apartment shall not be altered in such a manner as to affect the drainage of any adjoining Apartment.

3. Garbage and Trash. Each unit shall place his own garbage, trash and rubbish in covered receptacles or in plastic or fastened bags. Each owner shall exercise reasonable care to avoid exposure of waste materials to flies, roaches, rodents and other insects or materials.

4. General Appearance.

a. Storage. No open storage of furniture, fixtures, appliances and other goods not in use will be permitted if not screened from the street and the other apartment.

b. Mailboxes and Street Address. Mailboxes and street address shall be in an Area that is set aside for each apartment at the driveway entrance.

5. Water and Utilities. The water, electricity and telephone lines will be drawn from the street to each Apartment abutting the street at their own cost and expense.

6. Sewage Disposal. There are no sewer lines and sanitary sewer system. Each owner shall have to install his own septic tank and/or cavitette to be located within his own Area. A cesspool will be permitted only if the State Board of Health and/or the County of Kauai permits it.

7. Setbacks. Any dwelling and/or structure placed in an Area by an owner will observe a 50 foot setback abutting Kahiliholo Road, a minimum 10-foot setback from the common boundary with the neighboring apartment boundary of each Area and other setbacks along the drainage channel as noted on the condominium map .

8. Use Restrictions. The use restrictions for the use of the unit shall be observed as set forth in the recorded covenant, conditions and restrictions against Lot 24.

9. Building Permit and Construction. The following shall be observed to secure the Kalihiwai Ridge Community Association's approval to obtain the building permit, the construction of the improvements and the amendment of the Declaration of Condominium Property Regime.

a. The owner shall have plans for the dwelling prepared by a licensed architect or engineer and submit it to the Kalihiwai Ridge Environmental Committee, for its approval.

b. The plans shall conform to the Building Code of the County of Kauai.

c. After approval by the Association, the plans are to be submitted to the County of Kauai for the issuance of the building permit.

d. The owner should provide a construction contract and a 100% bond against mechanic's and materialmen's lien to the Association with the Association as an additional obligee.

e. Upon the completion of the dwelling a Notice of Completion shall be published in the Garden Isle for two (2) successive weeks at least seven (7) days apart and the Notice of Completion filed with the Clerk of the Fifth Circuit Court.

f. The plans as drawn should meet the requirements of a Condominium Map. The plan should show a site plan indicating where the dwelling will be located in the unit's limited common element land area. There should be a floor plan indicating the living/dining room, bedrooms, kitchen, bathrooms, lanai, etc. and the total net living area. The plans should show the elevations of the dwelling. The project and the architect's or engineer's stamp should be stamped on the plans.

g. An architect or engineer's certificate should be executed reflecting the "as built" condition of the dwelling.

h. The owner should have prepared at his own cost the amendment to the Declaration reflecting the change in description of the apartment and the amendment to the Condominium Map.

i. The amendment to the Declaration should then be filed for record in the Registrar of Conveyances, State of Hawaii.

EXHIBIT "G"

SUMMARY OF DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR KALIHIWAI RIDGE

INTRODUCTION

The Declaration of Protective Covenants, Conditions and Restrictions for KALIHIWAI RIDGE dated October 3, 1988 was filed in the Bureau of Conveyances, State of Hawaii in Book 25452, page 429 by C. Brewer Properties, Inc., for the purpose of enhancing the agricultural potential of aesthetic values of the Kalihiwai Ridge area which includes Lots 1 through 25 inclusive as shown on File Plan No. 1934 of the Kalihiwai Ridge subdivision, Phase 1. The reading of the Declaration is important and various requirements have to be met before any construction and development of any improvements can be undertaken since Lot 24 is a part of such subdivision.

ARTICLE I DEFINITIONS

This Article sets forth the defined terms that are used throughout this Declaration. The Kalihiwai Ridge - Phase 1 means all of the land described in Exhibit "A" of the Declaration.

ARTICLE II CONTROL OF REAL PROPERTY USE

To control the real property for the purpose stated herein there are criteria and guidelines for the ordered growth of the real property which includes but is not limited to structure siting, architectural style, agricultural development, drainage, landscaping and minimizing conflicts of use. No change in the existing state of lot shall be permitted without the prior written approval of the Kalihiwai Ridge Environmental Committee.

ARTICLE III THE ASSOCIATION

An Association consisting of all of the lot owners shall constitute the Association managed by a Board of Directors composed of not fewer than three members. Declarant shall also be a member of the Association until Declarant's right to annex additional real property without the consent of the Owners expire on the 20th anniversary from October 11, 1988.

ARTICLE IV CERTAIN RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

The Association is authorized to enforce the Declaration upon 24 hours notice, maintain the Association property and make and enforce rules and regulations governing the use of the real property. The Association may charge reasonable fees for the use of its property.

ARTICLE V ASSESSMENTS

Within 60 days prior to the commencement of the fiscal year which is the calendar year the Board shall determine the total amount to be raised by regular assessments during each fiscal year. The assessments are apportioned according to the point system assigned to the lot owned by such owner and are due and payable 30 days after notice of the amount due is given by the Association to the owner. Any unpaid assessment shall be a lien against the lot and may be foreclosed in the same manner as a mortgage foreclosure.

ARTICLE VI USE RIGHTS AND RESTRICTIONS

The use by an owner of his lot is subject to this Declaration, the charter, by laws and rules and regulations of the Association. The use of lot shall not imperil insurance, no violation of law, no noxious or offensive activity, no hazardous activities, no unsightliness, no exterior noise, light, lights fixtures, odors, temporary structures, animals to be maintained in accordance with good animal husbandry and other restrictions relating to the use of the real property as set forth in the Declaration. No two or more lots shall be consolidated and/or developed as one lot, nor shall any lot be divided or subdivided or a fractional portion thereof conveyed or otherwise transferred so as to be held in divided ownership without the prior written approval of the Kalihiwai Ridge Environmental Committee. Any such owner seeking approval shall prepare a suitable map prepared by a licensed surveyor showing the proposed consolidation or subdivision together with a reasonable fee as required by the Committee for the review of such request. The Committee has 60 days to approve or disapprove such submission. No lot shall be made subject to any declaration of condominium property regime or declaration of restrictive covenant or similar document without the written consent of Declarant. No time sharing is permitted.

ARTICLE VII REGULATION OF LAKE LOTS

Within one year after any lot is designated as a Lake Lot by this Declaration or by an annexing Declaration, the Declarant will convey to the Association in fee simple determinable a Lake Lot for the use of owners in this Kalihiwai Ridge subdivision. The Lake Lot to have regulation of boating use within the Lake Lot. The owners abutting shall be responsible for the care and maintenance of such Lake Lot and any appurtenant mooring area within the boundaries of his Lot. Introduction of species of animals and the building of any improvements will require the approval of the Environmental Committee.

ARTICLE VIII EASEMENTS

The Association shall have an easement for access through

each lot for making emergency repairs thereon necessary to prevent damage to Association property or to another lot. Any damage to any lot caused by the gross negligence or willful misconduct of the Association or any of its agents during any entry into the Lot shall be repaired by and at the expense of the Association.

ARTICLE IX KALIHIWAI RIDGE ENVIRONMENTAL COMMITTEE

The Declarant shall have the right to appoint and remove the three members and the alternate to the Committee. The function of the Committee is to consider and approve or disapprove any plans, specifications or other material submitted to it for the erection, construction, installation, alteration, placement or maintenance of any buildings or other improvements on the lots. The committee sets up procedures for review of plans, the requirements for plans, standards of review and a bond requirement of \$5,000.00 cash to guarantee the completion of all improvements, landscaping and other work other than interior portions of enclosed structures approved by the Committee.

ARTICLE X INSURANCE

The Association to obtain such fire and public liability insurance that is necessary for Association property. Each owner shall obtain insurance he deems desirable.

ARTICLE XI DESTRUCTION, CONDEMNATION AND RESTORATION OF KALIHIWAI RIDGE

Upon the occurrence of any damage or destruction to the Common Area or any part thereof or upon a complete or partial taking of the common Area under eminent domain or damage or destruction the Board shall to send to each owner a written description of what is taking place on a ballot and asking each owner as to their desires. The Board shall take such action as is necessary to restore unless there is a vote of by 2/3rds of the votes against such restoration. The award of any compensation for the taking of any Association property shall be paid over to the Association.

ARTICLE XII EXPANSION OF KALIHIWAI RIDGE

Declarant reserves the right to expand by annexing nor more than 3,000 acres of additional land located on the Island of Kauai in the vicinity of Kalihiwai Ridge as shown in Exhibit B of the Declaration, as corrected plus buildings and improvements located thereon. Such expansion shall not require the consent of any owners. The Declarant shall exercise the right of expansion and annexation of the additional real property for the Kalihiwai Ridge. The new land annexed shall be subject to the terms and conditions of this Declaration.

ARTICLE XIII ENFORCEMENT

In addition to any other remedies provided in this Declaration, the Association by its Environmental Committee, by Declarant or by any owner to enforce by injunction or action to recover damages. If an owner commences construction of any new improvements or a material alteration on any existing improvements without first obtaining the approval of the Environmental Committee, and if the Association shall fail to correct the minimum fine within 45 days, the Declarant shall have the power to impose and collect said minimum fine. The minimum fine may not be imposed until the accused Owner has been afforded the right to have a hearing before a committee designated by Declarant to conduct such hearing or has in writing or otherwise waived such right. The failure of any owner to appear at a hearing, the notice of which has been delivered to such Owner not less than 30 days prior to such hearing shall constitute a waiver of such Owner's right to be heard prior to imposition of the minimum fine.

ARTICLE XIV MISCELLANEOUS

The duration of this Declaration is for 20 years beginning the recordation of this Declaration which is October 11, 1988. This Declaration can be amended by 2/3rds vote of the Association except for Articles XII or XIII and certain sections which will require the vote of 100% of the voting power of the Association and approved by the Declarant or its assigns.

There is protection of encumbrances recorded prior to this Declaration. This Declaration shall be incorporated into any conveyance instrument. The enforcement, remedies and protection of encumbrances is provided for. Other miscellaneous provisions for the construction, assignment of powers, non-avoidance, limited liability, successors and assigns, severability, captions, no waiver, further assurances, notices, and word usage is provided for.

Exhibit "A" provides for the legal description of the real property. Exhibit "B" provides for the land which may be annexed to the Declaration by the Declarant and the Kalihiwai Ridge Environmental Design Rules and Regulations adopted by the Kalihiwai Ridge Environmental Committee.

THE FOREGOING IS A SUMMARY OF THE DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR KALIHIWAI RIDGE AND IS FOR THE CONVENIENCE OF THE READER AND IF THERE IS ANY QUESTION THE ORIGINAL DOCUMENT SHOULD BE EXAMINED AND SUCH ORIGINAL DOCUMENT CONTROLS OVER THIS SUMMARY

EXHIBIT "I"

**ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS**

Estimate of Initial Maintenance Fees for the First Year:

<u>Apartment</u>	<u>Monthly Fee</u> x 12 months = <u>Yearly Total</u>
Unit 1	\$2.50 \$30.00
Unit 2	\$2.50 \$30.00
Unit 3	\$1.50 \$18.00
Unit 4A	\$1.75 \$21.00
Unit 4B	\$1.75 \$21.00
Unit 5	\$2.50 \$30.00

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:

	<u>Monthly x 12 months =</u>	<u>Yearly Total</u>
Utilities and Service		
Insurance	\$8.33	\$ 99.96
Reserves (*)		
Taxes and Government Assessments		
Audit Fees		
Other Kalihiwai Ridge Community Association	\$4.17	\$ 50.04
Note: No billings from the Kalihiwai Association		
Management Fee	_____	_____
TOTAL:	\$12.50	\$150.00

* Some of the units share access and utility easements. Maintenance fees for such easements will be paid by the units which use the easements.

I, ULRICH RACHNER, as President of the Association of Condominium Owners, and as the owner of Units 4A and 4B of the KALIHIWAI MOUNTAINS ESTATES 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.



ULRICH RACHNER

Dated: March 5, 2001

(**)Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation (See Exhibit E) whether, in arriving at the figure for "Reserves," the Developer has not conducted a reserve study in accordance with Section 514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to Section 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.

END OF EXHIBIT "I"

EXHIBIT "J"

SCHEDULE OF APARTMENTS AND COMMON INTERESTS

Quantity	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	1	5.461 acres	-0-	64	-0-	20%
1	2	5.462 acres	-0-	64	-0-	20%
**1	3	3.459 acres				12%
1	4A	3.342 acres	-0-	64	-0-	14%
1	4B	4.116 acres	-0-	16	-0-	14%
1	5	5.454 acres	-0-	64	-0-	20%

**The residence located on Unit 3 is currently under development. Until it is completed and an amendment to the declaration for the project and a disclosure abstract are filed with the Real Estate Commission, Unit 3 may not be sold under this supplementary report.

Pursuant to Section 16-107-5, Hawaii Administrative Rules, reference is hereby made to the method by which the common interest has been computed. The sizes of the limited common elements appurtenant to the units vary; therefore, the assessment of undivided interest both for common expense and for voting is as follows: **Unit 1 = 20%, Unit 2 = 20%, Unit 3 = 12%, Unit 4A = 14%, Unit 4B = 14%, and Unit 5 = 20%.**

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 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.

END OF EXHIBIT "J"