

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer **ULRICH H. RACHNER, PALI VISTA LIMITED PARTNERSHIP, a Hawaii L.P., JOHN R. BARNETT, STEPHEN C. HAVLICEK and MARY D. HAVLICEK, LAURENCE W. RYAN and CYNTHIA P. WEISS, formerly known as Cynthia P. Ryan**
Address c/o James R. Buckley, CMA 249, Regency Pacific Realty, P.O. Box 1046, Hanalei, HI 96714

Project Name(*): PALI VISTA
Address: (no street address available yet) Lot 26-A, Kalihiwai Ridge Subdivision Phase II, Hanalei, Kauai, Hawaii

Registration No. 3865 Effective date: October 26, 1998
Expiration date: November 26, 1999

Preparation of this Report:

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

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

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

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

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

Type of Report:

 PRELIMINARY: 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.
(yellow)

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

 SUPPLEMENTARY: This report updates information contained in the:
(pink)
 Preliminary Public Report dated: _____
 Final Public Report dated: _____
 Supplementary Public Report dated: _____

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

(*) Exactly as named in the Declaration

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report 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:

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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(s): * See below Phone: (808) 826-7498
Name c/o Regency Pacific Realty (Business)
Business Address Att: James R. Buckley
P.O. Box 1046, Hanalei, HI 96714

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

Linda D. Foy, Trustee, is the general partner of Pali Vista Limited Partnership.
*The "Developers" are: ULRICH H. RACHNER, PALI VISTA LIMITED
PARTNERSHIP, a Hawaii limited partnership, JOHN R. BARNETT, STEPHEN C.
HAVLICEK and MARY D. HAVLICEK, LAURENCE W. RYAN and CYNTHIA P.
WEISS

Real Estate Broker: Regency Pacific, Inc. Phone: (808) 826-7498
Regency Pacific Realty (Business)
Name Att: James R. Buckley,
Principal Real Estate Broker
Business Address P.O. Box 1046
Hanalei, Hawaii 96714

Escrow: Title Guaranty Escrow Service, Inc. Phone: (808) 245-3381
Name 4414 Kukui Grove St., Suite 104 (Business)
Business Address Lihue, HI 96766

General Contractor: Mark R. Gauthier as to Apts. B, C & D * Phone: (808) 826--6693
Name 3967 Kalakaua (Business)
Business Address Princeville, Kauai, HI 96722
*Apts A & E were owner-builder units

Condominium Managing Agent: Regency Pacific, Inc. Phone: (808) 826-7498
Regency Pacific Realty (Business)
Name Att: James R. Buckley
Business Address P.O. Box 1046
Hanalei, Hawaii 96714

Attorney for Developer: Francis L. Jung, Esq. Phone: (808) 326-4852
Name Jung & Vassar, P.C. (Business)
Business Address 77-6399 Nalani St., #3C
Kailua-Kona, HI 96740

**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. 97-046092
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]:

- 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. 2532
 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]:

- 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. 97-046093
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>75%</u>
House Rules	---	<u>majority</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:

See attached page 7a

Developers have reserved the following rights to change the Declaration, Condominium Map, By-Laws or House Rules:

1. At any time prior to the recording of an apartment deed to a party not signing the Declaration, the Developers may amend the Declaration (including the By-Laws, the Condominium Map and other Exhibits or Rules) in any manner, without the approval or consent of any prospective apartment purchaser;
2. The Developers shall have the right, 36 months from the date of the recording of the first apartment deed, to make any changes to the Project Documents (including the Declaration, the By-Laws, the Condominium Map and any other Exhibits or Rules) and the Project as may be required by law, by any title insurance company, by any lender, by any governmental agency, or for any reason and in any manner as Developers deem necessary, provided that no such change shall substantially impair the prospective use and enjoyment of any apartment, substantially alter or reduce the usable space within any apartment, render unenforceable any apartment buyer's mortgage loan commitment, increase any buyer's share of the common expenses or reduce the obligations of the Developers for common expenses.

Developers may amend the Declaration (and, when applicable, the condominium map), without the consent or joinder of persons then owning or leasing the apartments, to file the "as-built" verified statement required by Section 514A-12, Hawaii Revised Statutes: (1) so long as such amendment is a verified statement of a registered architect or professional engineer certifying that the final plans fully and accurately depict the layout, location and dimensions of the apartments as built, or (2) so long as the plans being filed involve only immaterial changes to the layout, location and dimensions of the apartment as built or any change in any apartment number.

3. The Developers may add to, delete from, relocate, redesign, realign, reserve, or grant easements or rights of way on the following terms and conditions:

Developers shall, at their own expense, have the right to execute and record an amendment to the Declaration and the condominium map, when necessary, in order to add to, delete from, relocate, redesign, realign, reserve and grant all easements and rights of ways over, under and on the common elements which, in the Developers' opinion, is necessary or desirable, including but not limited to easements and/or rights of ways for utilities, cesspools, sanitary and storm sewers, cable television, refuse disposal, driveways, parking areas and roadways, provided that such easement and/or rights of ways shall not be located on or within any existing structure on said property and shall not be exercised as to unreasonably disturb, impair or interfere with the normal use and enjoyment of the property by any owner.

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 Subleasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

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

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

Lease Term Expires: _____

Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

For Subleaseholds:

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

Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Subleasehold:

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

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

Lease Term Expires: _____

Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: Lot 26-A, Kalihiwai Ridge Subdivision Tax Map Key (TMK): (4) 5-2-022-024
Phase II, Hanalei, Kauai, Hawaii

Address TMK is expected to change because _____

Land Area: 28.266 square feet acre(s) Zoning: Agricultural

**ULRICH H. RACHNER, PALI VISTA LIMITED PARTNERSHIP, a
Hawaii L.P., JOHN R. BARNETT, STEPHEN C. HAVLICEK and
MARY D. HAVLICEK, LAURENCE W. RYAN and CYNTHIA P.
WEISS, formerly known as Cynthia P. Ryan**

Fee Owner:

Name c/o Regency Pacific Realty, Attn: James F. Bukley, CMA
Address P.O. Box 1046, Hanalei, HI 96714

Sublessor:

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: 5 Floors Per Building 1

Exhibit B contains further explanations.

3. Principal Construction Material:

[] Concrete [] Hollow Tile Wood
[] Other _____

4. Uses Permitted by Zoning:

	No. of Use Permitted			No. of Use Permitted	
	<u>Apts.</u>	<u>By Zoning</u>		<u>Apts.</u>	<u>By Zoning</u>
[] Residential	_____	[] Yes [] No	[] Ohana	_____	[] Yes [] No
[] Commercial	_____	[] Yes [] No	[] Industrial	_____	[] Yes [] No
[] Mix Res/Comm	_____	[] Yes [] No	<input checked="" type="checkbox"/> Agricultural	<u>5</u>	<input checked="" type="checkbox"/> Yes [] No
[] Hotel	_____	[] Yes [] No	[] Recreational	_____	[] Yes [] No
[] Timeshare	_____	[] Yes [] No	<input checked="" type="checkbox"/> Other: <u>Shed</u>	<u>5</u>	<input checked="" type="checkbox"/> Yes [] 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: Dogs, cats and other household and farm animals in reasonable number.

Number of Occupants: _____

Other: An owner must engage in agricultural activity to be permitted to construct a residence.

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: _____ Stairways: _____ Trash Chutes: _____

Apt. Type	Quantity	BR/Bath	Net Living Area (sf) *	Net Other Area (sf)	(Identify)
<u>A</u>	<u>1</u>	<u>0/0</u>	<u>0</u>	<u>2,634**</u>	<u>corral</u>
<u>B</u>	<u>1</u>	<u>0/0</u>	<u>0</u>	<u>24</u>	<u>shed</u>
<u>C</u>	<u>1</u>	<u>0/0</u>	<u>0</u>	<u>24</u>	<u>shed</u>
<u>D</u>	<u>1</u>	<u>0/0</u>	<u>0</u>	<u>24</u>	<u>shed</u>
<u>E</u>	<u>1</u>	<u>0/0</u>	<u>0</u>	<u>400</u>	<u>shed</u>

Total Number of Apartments: 5

*Net Living Area Is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.

**Original building permit indicates only 1,200 sf. As-built certification and later permit reflect true size of 2,634 sf

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:

Each apartment includes, but is not limited to, the exterior finished surfaces of all walls, the doors and door frames, windows and window frames along the perimeter, the air space within the perimeter, and all fixtures originally installed in the apartment. The apartments include the interior load-bearing columns, girders, beams and walls, the undecorated or unfinished surfaces of the floor and ceilings surrounding each apartment and any pipes, shafts, wires, conduits or other utility or service lines running through or servicing only that apartment. An apartment does not include any pipes, shafts, wires, conduits or other utility or service lines running through or servicing an apartment which are utilized for or serve more than one apartment.

Permitted Alterations to Apartments:

Alterations or additions within an apartment may be made with prior written notice to the Board of Directors, as long as the structural integrity and soundness of the apartment is not adversely affected. A copy of the owner's plans and appropriate building permits and an estimate of time of construction shall be submitted with the written notice. No exterior alterations other than those reasonably required for maintenance and upkeep may be made without the prior written approval of the Board of Directors, provided that such approval is required if such changes or alterations will change the overall uniform appearance of the Project. Alterations, replacements or additions outside of apartments shall be made only with the prior written consent of the Board of Directors. View planes shall be protected, and any such alterations or additions shall not include unpainted metal roofs, gabled roofs, or kit or pre-cut homes. All utilities shall be underground.

7. Parking Stalls:

Total Parking Stalls: 10

	<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)	_____	_____	_____	_____	_____	_____	_____
Guest	_____	_____	_____	_____	_____	_____	_____
Unassigned	_____	_____	_____	_____	_____	_____	_____
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other: _____	_____	<u>10</u>	_____	_____	_____	_____	<u>10</u>
Total Covered & Open:	<u>10</u>		<u>0</u>		<u>0</u>		<u>10</u>

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

***Apartments A, B, C, D and E have ample area within their limited common elements for parking purposes.**

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):

Not Applicable

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

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

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

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

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

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

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

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

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

described in Exhibit 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:

NOTE: The land areas referenced to herein are not legally subdivided lots.

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 July 2, 1998
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>
Mortgage	The mortgage reflected in Exhibit F attached will be released prior to the conveyance of any condominium unit.

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:

The Owner/Developer makes no warranties itself and the Owner/Developer is not aware of any warranties from any general contractor, subcontractor or materials supplier that are in existence. The Owner/Developer will assign to the purchasers of apartments such warranties as may exist, if any, and the Owner/Developer will cooperate with each apartment owner during the effective period of any warranty, if any, in asserting any claims.

2. Appliances:

None.

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

All sheds on Apartments A, B, C, D and E have been completed as follows:

Apartment A was completed 8/30/95*

" B " " 6/10/97

" C " " 6/10/97

" D " " 6/10/97

" E " " 2/25/97

* It should be noted that the original building permit for Apartment A reflects a building that is only 1,200 square feet instead of the 2,634 square feet reported herein, and as is now noted in County records.

H. Project Phases:

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

- not affiliated with the Developer 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 G 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 H contains a summary of the pertinent provisions of the sales contract.
 - Escrow Agreement dated November 11, 1996
Exhibit I contains a summary of the pertinent provisions of the escrow agreement.
 - Other Specimen 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 - NONE.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other **Declaration of Protective Covenants, Conditions and Restrictions for the Kalihiwai Ridge Subdivision, Phase II**

- I) Unrecorded Kalihiwai Ridge Environmental Design Rules and Guidelines, 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 Cashiers 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. 3865 filed with the Real Estate Commission on January 15, 1998

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. Apartments and limited common elements purchased are not subdivided lots. You will be required to comply with zoning codes to be allowed to construct a residence on your limited common element.

To determine how you will be able to use your apartment (shed) and appurtenant limited common element, you should carefully review this Report, including Exhibit D (a summary of the Declaration of Protective Covenants of Kalihiwai Ridge Subdivision). Among other things, the Declaration states what you may and may not do with the property, what is required of you, and what is and is not available. You should also conduct your own investigation to review the Declaration and zoning codes. There is also an Architectural Review Committee which must approve all building plans.

Generally, in connection with agricultural condominium projects, such as Pali Vista, 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 of Condominium Property Regime, the By-Laws, and the Declaration of Covenants.

Except as limited specifically by the Declaration of Condominium Property Regime, the By-Laws and the Declaration of Covenants, 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, nurseries and wildlife management. See Kauai County Comprehensive Zoning Ordinance, Article 8.7.

With reference to page 10 of this report, specifically the 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 Declaration of Covenants. An agricultural residence may not be constructed unless the Apartment Owner demonstrates to the County his ability to derive income and/or agricultural products from his property. Agricultural use must be established and verified prior to any building permit approval.

A buyer should understand that all development and use of the properties shall comply with all County Codes and Ordinances, that owners in this project will not necessarily receive the same County benefits as owners of approved subdivided lots, and that owners who wish to develop their properties later than others may find that insufficient utility capabilities or changes in laws may adversely affect their ability to develop.

The issuance of this Report does not mean the Real Estate Commission has approved the project.

All new waste water disposal systems will be subject to new State of Hawaii Dept. of Health Regulations referred to as Hawaii Administrative Rules, Title 11, Dept. of Health Chapter 62-Waste Water Systems. It is the buyer's responsibility to obtain and review these regulations and to seek additional information from a qualified sanitation engineer.

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 H. RACHNER, PALI VISTA LIMITED PARTNERSHIP, a Hawaii L.P.,
JOHN R. BARNETT, STEPHEN C. HAVLICEK and MARY D. HAVLICEK,
LAURENCE W. RYAN and CYNTHIA P. WEISS**

Printed Name of Developer

By:  9-29-98
Duly Authorized Signatory Date

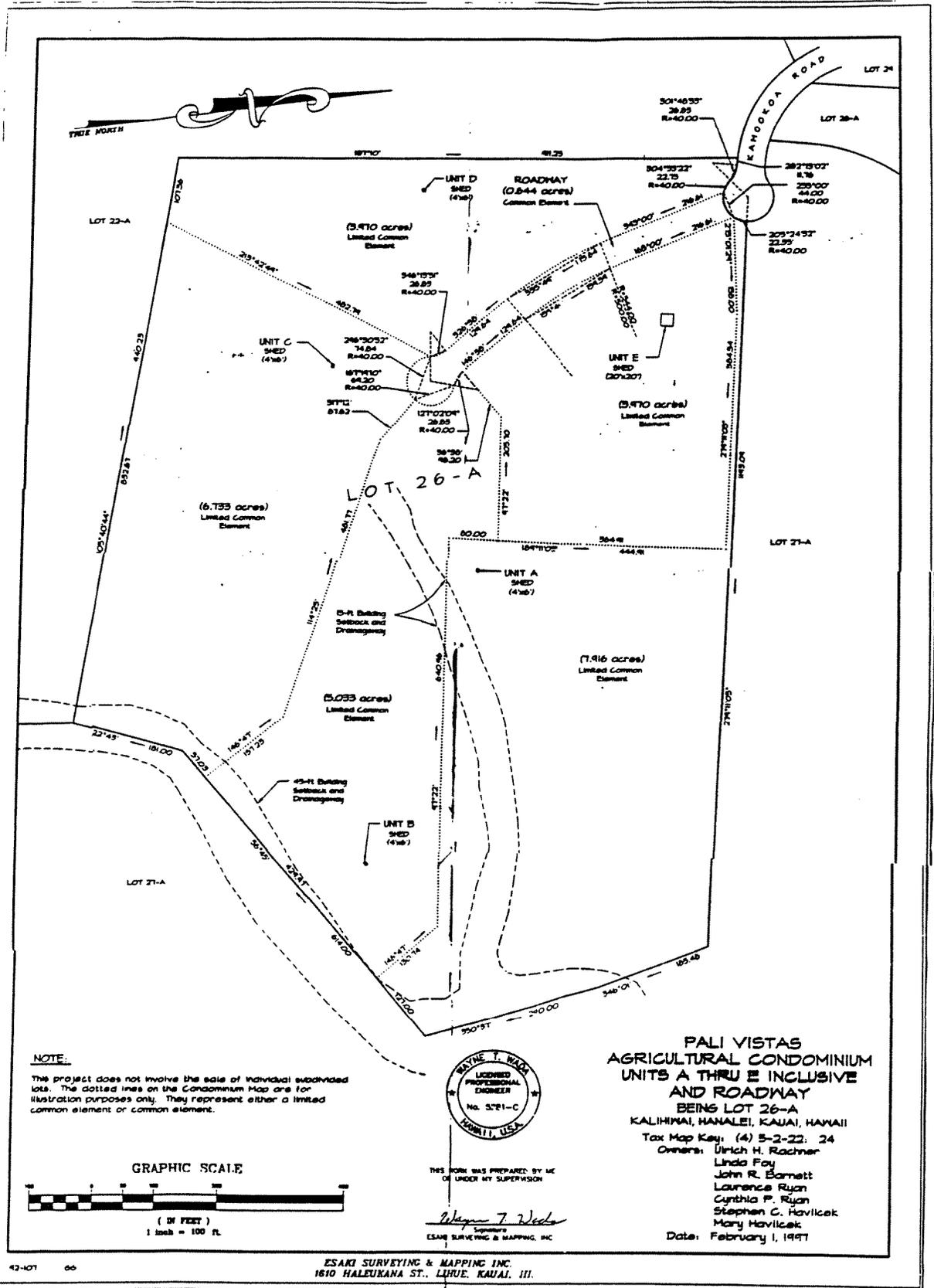
Ulrich H. Rachner

**ULRICH
Ulrich H. Rachner, Developer**

Printed Name & Title of Person Signing Above

Distribution:

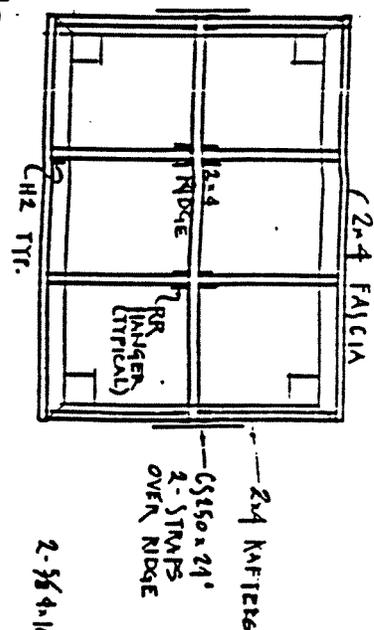
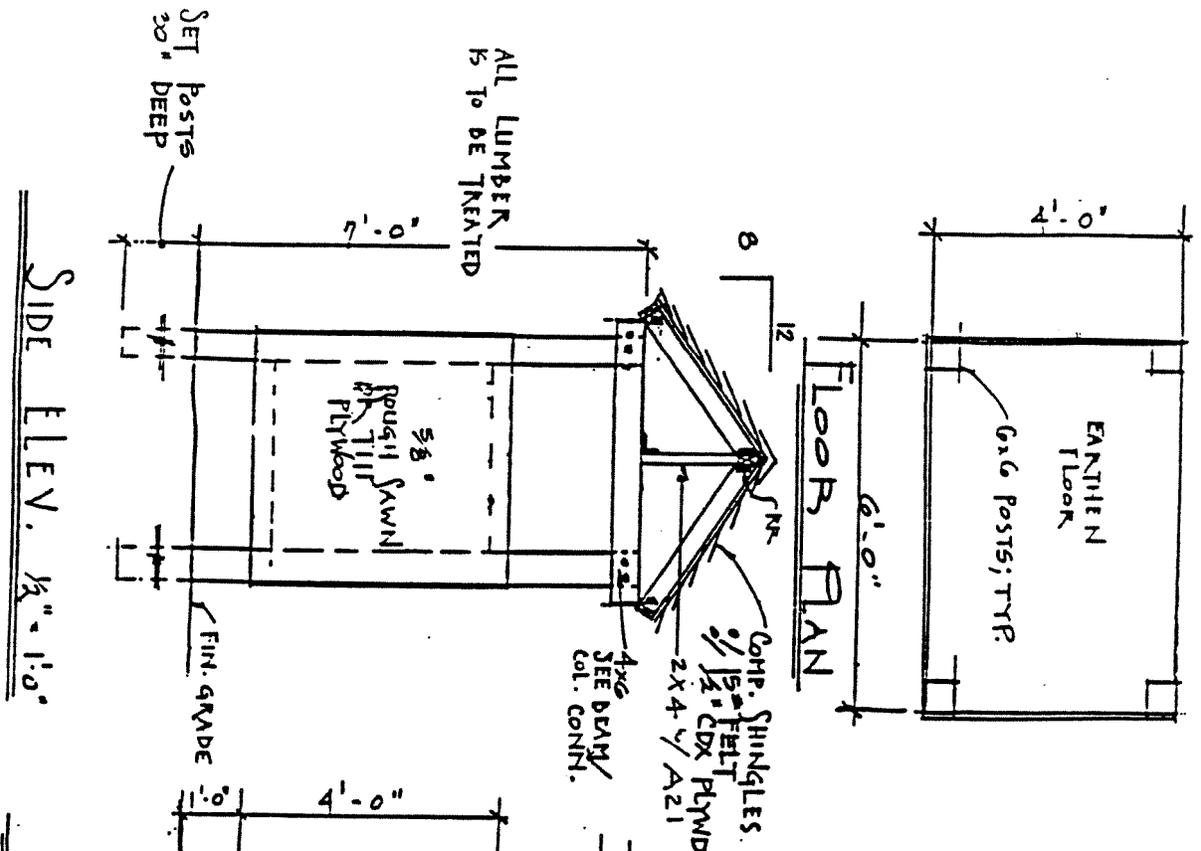
Department of Finance, County of Kauai
Planning Department, County of Kauai
Federal Housing Administration



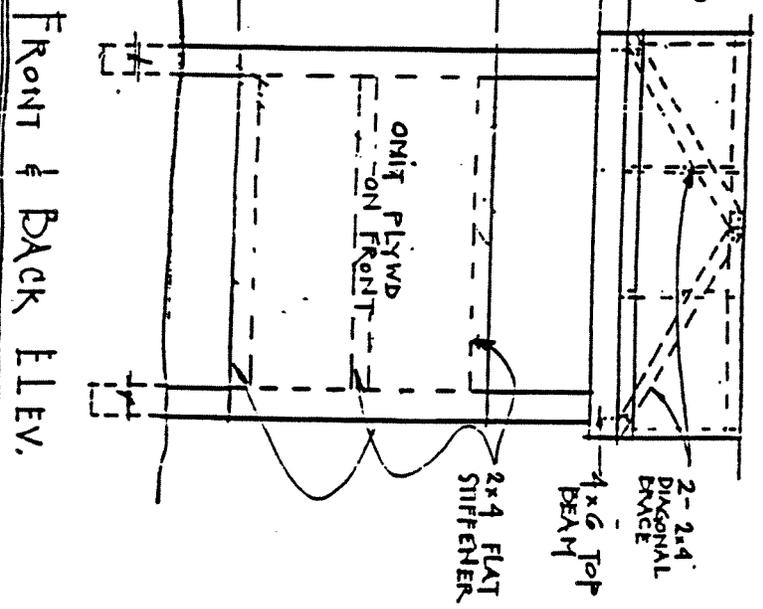
42-107 00

ESAR SURVEYING & MAPPING, INC.
 1610 HALEUKANA ST., LIHUE, KAUAI, III.

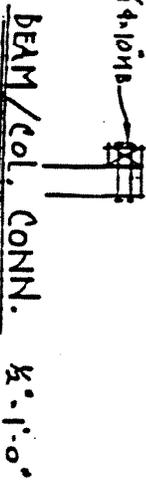
EXHIBIT "A"



Roof Framing Plan



Front & Back ELEV.



BEAM/Col. CONN. 1/2" x 1'-0"

FLOOR PLANS & ELEVATIONS FOR UNITS "A", "B", "C" & "D" ONLY

FLOOR PLAN & ELEVATIONS FOR UNITS "A", "B", "C" & "D" ONLY

51

20'-0"

2-3'6" SL DOORS

STAIR NOTES:
6" RISE
12" TREAD
OVERALL W. 32"

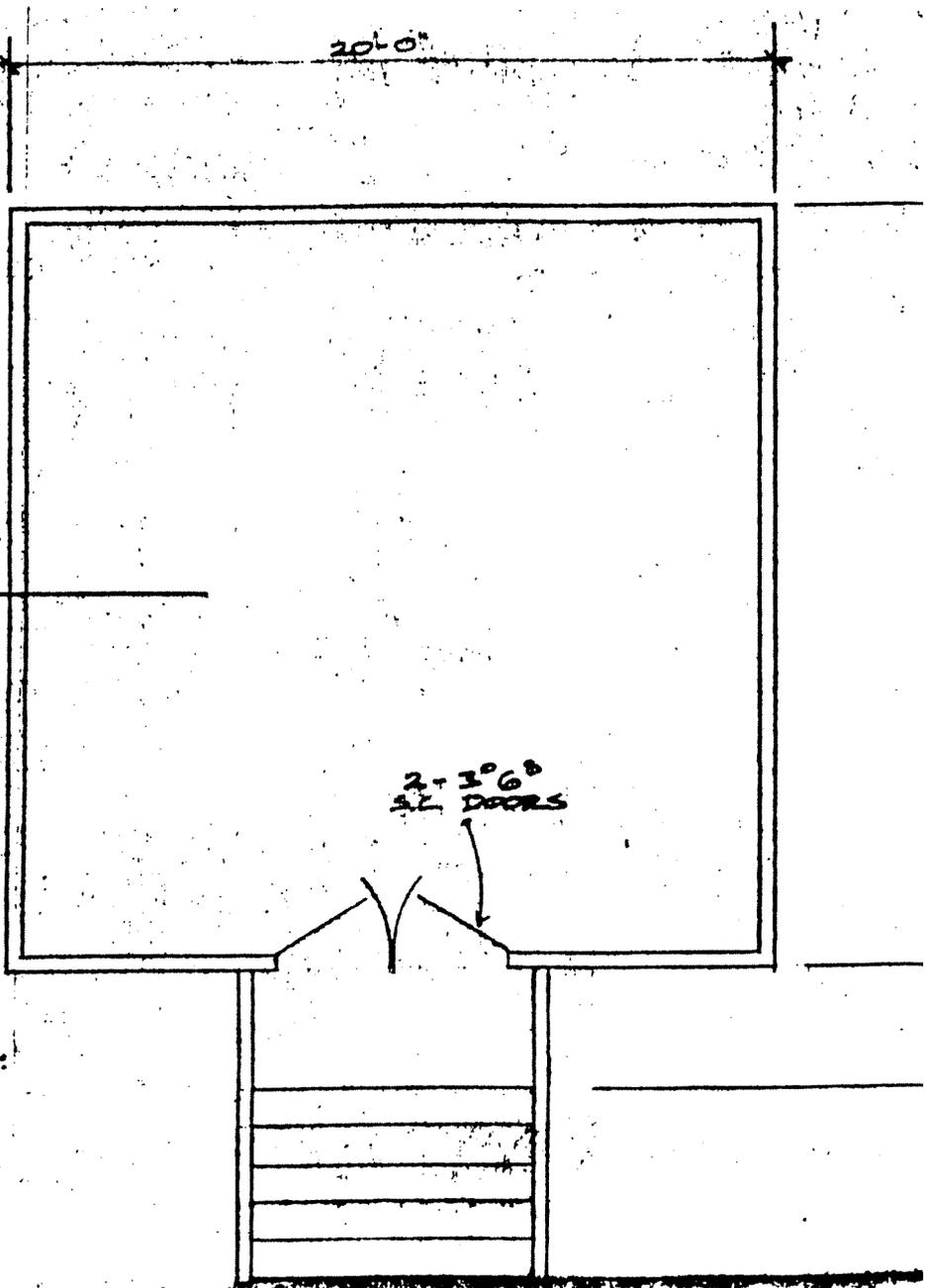
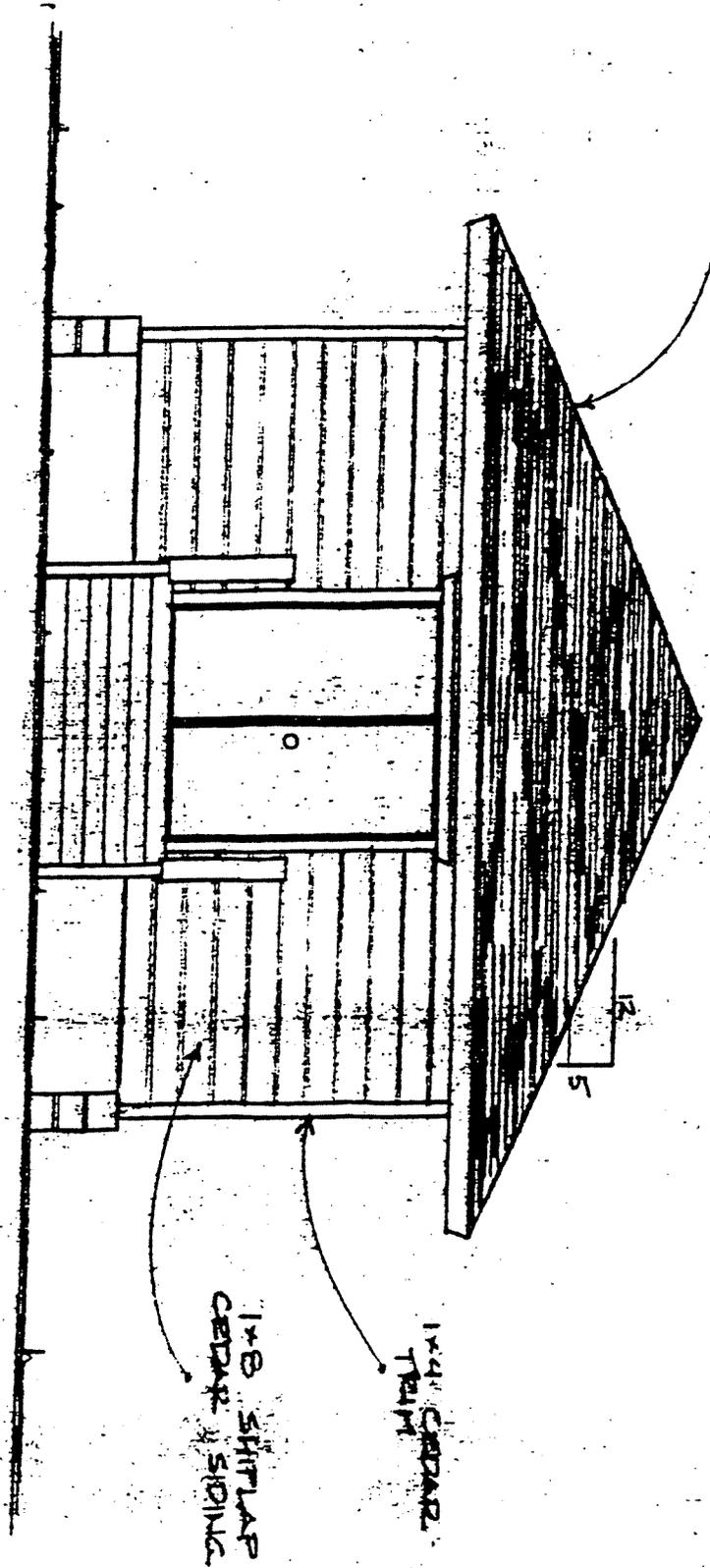


Exhibit "B"
Floor Plan & Elevations for Unit "E"
Page 2 of 4

FLOOR PLAN

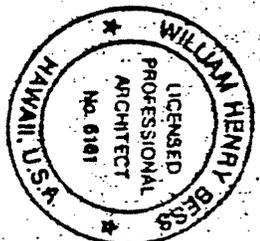
ASPHALT SHINGLES



SOUTH ELEVATION

Exhibit "B"
Floor Plan & Elevations for Unit "E"
Page 3 of 4

SCALE: 1/4" = 1'-0"		APPROVED BY:	
DATE: 6-23-92		DRAWN BY: [Signature]	
TMK: 5-2-22-24 LOT 26-E		DRAWING NUMBER	

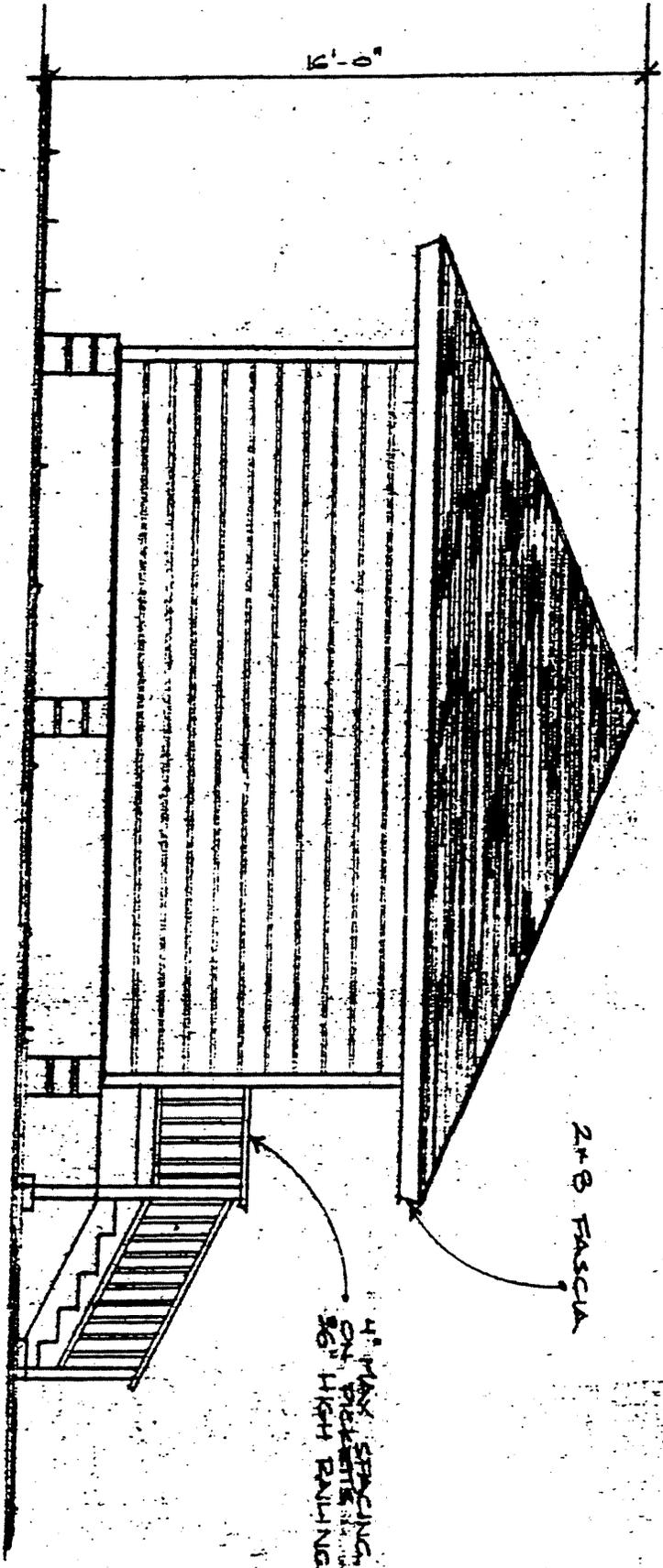


This work was prepared by me or under my supervision and construction of this project will be under my supervision (supervision of construction as defined under Hawaii Administrative Rules, Title 16-115-2).

W. H. Berg

2" B FASCIA

4" MAX SPACING ON PICKETS 30" HIGH RAILING



WEST ELEVATION

Exhibit "B"

Floor Plan & Elevations for Unit "E"

Page 4 of 4

EXHIBIT "C"

SCHEDULE OF APARTMENTS AND COMMON INTERESTS
FOR PALI VISTA AGRICULTURAL CONDOMINIUM

Qty.	Apt. No.	Area of Limited Common Element	Shed Area (Sq.Ft.)	% Common* Interest
1	A	7.916 acres	24	20%
1	B	5.033 acres	24	20%
1	C	6.733 acres	24	20%
1	D	3.970 acres	24	20%
1	E	3.970 acres	400	20%

The common interest appurtenant to each unit shall be permanent. Subject to the zoning requirements and amendments of the Condominium Map and Declaration of Condominium Property Regime, each owner may use his unit, alter or add to his farm structure in any manner he deems desirable, so long as it is permitted by the Declaration of Protective Covenants, Conditions and Restrictions of the Kalihiwai Ridge Subdivision.

* Please note that this allocation of common interest to each apartment does not correspond with each apartment owner's percentage of undivided common interest ownership of the fee title to the land as reflected in the title report.

EXHIBIT "C"

EXHIBIT "D"

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

The Pali Vista Agricultural Condominium Project is located in the Kalihiwai Ridge Subdivision (the "Subdivision"). The developer of the subdivision, C. Brewer Properties, Inc., executed that certain Declaration of Protective Covenants, Conditions and Restrictions for the Kalihiwai Ridge, dated October 3, 1988, recorded in the Bureau of Conveyances of the State of Hawaii in Book 22452 at Page 429. The Declaration has been amended and/or supplemented by Correction to Declaration of Protective Covenants, Conditions and Restrictions for Kalihiwai Ridge dated July 5, 1990, and recorded in said Bureau as Document No. 90-104733, and by Annexing Declaration and Declaration of Restrictive Covenants dated November 7, 1991, and recorded in said Bureau as Document No. 91-155979. The Declaration, as amended, contains certain guidelines for all of the lots in the Subdivision, including the Pali Vista Agricultural Condominium Project.

Further, C. Brewer Properties, Inc., has adopted 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.

The Seller/Developer recommends that each prospective purchaser review the Declaration, as amended, and the Rules and Guidelines referred to above.

EXHIBIT "D"

EXHIBIT "E"

COMMON ELEMENTS AND LIMITED COMMON ELEMENTS OF
THE PALI VISTA AGRICULTURAL CONDOMINIUM PROJECT

The common elements of the Project are the land as shown on the Condominium Map (Exhibit "A"), excluding the five (5) units (sheds) shown on the Condominium Map.

Certain parts of the common elements, herein called the "limited common elements" are designated and set aside for the exclusive use of certain units, and such units shall have appurtenant thereto easements for the use of such limited common elements as follows:

The area of each limited common area as specified in Exhibit "C" and as shown on the Condominium Map.

EXHIBIT "E"

EXHIBIT "F"

ENCUMBRANCES AGAINST TITLE
(as set forth in Title Report dated July 2, 1998
issued by Title Guaranty of Hawaii, Incorporated)

1. The terms and provisions of that certain Agreement dated March 16, 1977, recorded in Liber 12110 at Page 330, by and between the State of Hawaii and C. Brewer and Company, Limited; re: use of land for agricultural purposes.
2. Covenants, conditions and restrictions set forth in the Kalihiwai Ridge Declaration dated October 3, 1988, recorded in Liber 22452 at 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, 1990, 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 and by instrument dated August 9, 1993, recorded as Document No. 94-37305.
3. 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.
4. The rights of others to the free flowage of Kahiliholo Stream, as shown on File Plan No. 2053.
5. Setbacks for building and drainage ways, as shown on File Plan No. 2053.
6. AGREEMENT TO INCORPORATE AGRICULTURAL RESTRICTIONS INTO INSTRUMENTS OF CONVEYANCE

DATED: November 7, 1991
RECORDED: Document No. 91-155967
PARTIES: C. BREWER PROPERTIES, INC., a Hawaii corporation,
and the COUNTY OF KAUAI PLANNING DEPARTMENT

7. INDEMNITY AGREEMENT dated September 23, 1991, recorded as Document No. 91-164222, entered into between C. BREWER PROPERTIES, INC., a Hawaii corporation, "Brewer", and the DEPARTMENT OF PUBLIC WORKS of the COUNTY OF KAUAI, "County"; re: Brewer will, and does hereby agree to, indemnify and hold the County harmless from any and all claims, actions or judgments for damage to property or injury or death to persons arising out of or resulting from the design, construction and diversion of waters caused by the drain system generally and specifically including but not limited to the use of the water from the reservoir on Lot 3 for irrigation and agricultural pursuits on their respective lot within the Kalihiwai Ridge Subdivision Phase II, where such damage, injury or death is adjudged or found to be the result of contamination of the reservoir from the subdivision roadways which have been dedicated by Brewer to the County, etc.

EXHIBIT "F"

8. Covenants, reservation set forth in DEED dated April 13, 1992, recorded as Document No. 92-057890.

9. MORTGAGE AND FINANCING STATEMENT

MORTGAGOR: ULRICH H. RACHNER, a married man, LINDA DIANE FOY, an unmarried woman, JOHN R. BARNETT, a married man, STEPHEN C. HAVLICEK and MARY D. HAVLICEK, husband and wife, and LAURENCE W. RYAN and CYNTHIA P. RYAN, husband and wife

****Bureau of Conveyances notes the divorce of Lawrence W. Ryan and Cynthia P. Ryan, now known as Cynthia P. Weiss**

MORTGAGEE: C. BREWER PROPERTIES, INC., a Hawaii corporation

DATED : April 13, 1992
RECORDED : Document No. 92-057891

(This purchase money mortgage will be released prior to the conveyance of any condominium unit.)

ABOVE MORTGAGE ASSIGNED

TO: ULRICH H. RACHNER, a married man

DATED: May 28, 1998
RECORDED: Document No. 98-085847

PARTIAL RELEASE OF MORTGAGE

DATED: June 8, 1998
RECORDED: Document No. 98-085848
BY: ULRICH H. RACHNER, a married man
RELEASING: that certain parcel of land being a PORTION OF LOT 26, containing an area of 0.545 acre, more or less, and being more particularly described therein as per survey of Wayne T. Wada, Licensed Professional Land Surveyor, with Esaki Surveying and Mapping, Inc., dated May 1998

10. CO-OWNERS AGREEMENT dated April 13, 1992, recorded as Document No. 92-057892, by and between ULRICH H. RACHNER, a married man, LINDA DIANE FOY, an unmarried woman, JOHN R. BARNETT, a married man, STEPHEN C. HAVLICEK and MARY D. HAVLICEK, husband and wife, and LAURENCE W. RYAN and CYNTHIA P. RYAN, husband and wife.

Said Co-Owners Agreement was amended by instrument dated April 30, 1992, recorded as Document No. 92-093906.

Said Co-Owners Agreement was amended by instrument dated August 17, 1996, recorded as Document No. 96-124619.

Said Co-Owners Agreement was amended by instrument dated May 29,

EXHIBIT "F"

1997, recorded as Document No. 97-076957.

11. WAIVER AND RELEASE

DATED: --- (acknowledged July 26, 1994)
RECORDED: Document No. 94-127964
BY: ULRICH RACHNER
WITH: COUNTY OF KAUAI
RE: water services

12. JUDGMENT

AGAINST: WILLIAM RYAN and CYNTHIA RYAN
IN FAVOR OF: STATE OF HAWAII, Department of Health, by its
Attorney General, Robert A. Marks
DATED: January 18, 1995
AMOUNT: \$417.51
FILED: District Court of the Third Circuit, State of
Hawaii, Case No. 94-045744 on April 5, 1995

13. WAIVER AND RELEASE

DATED: October 22, 1996
RECORDED: Document No. 96-170280
BY: STEPHEN HAVLICEK and MARY HAVLICEK
WITH: COUNTY OF KAUAI
RE: water service

14. WAIVER AND RELEASE

DATED: November 4, 1996
RECORDED: Document No. 96-170281
BY: ULRICH H. RACHNER
WITH: COUNTY OF KAUAI
RE: water service

15. WAIVER AND RELEASE

DATED: November 6, 1996
RECORDED: Document No. 96-170282
BY: JOHN R. BARNETT
WITH: COUNTY OF KAUAI
RE: water service

16. WAIVER AND RELEASE

DATED: November 8, 1996
RECORDED: Document No. 96-170283
BY: LINDA FOY
WITH: COUNTY OF KAUAI
RE: water service

17. Real property taxes as may be due and owing. Check with the
County Tax Assessor for the latest information.

EXHIBIT "F"

EXHIBIT G

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee x 12 months = Yearly Total</u>	
A	\$100.00 x 12	= \$1,200.00
B	\$100.00 x 12	= \$1,200.00
C	\$100.00 x 12	= \$1,200.00
D	\$100.00 x 12	= \$1,200.00
E	\$100.00 x 12	= \$1,200.00

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

EXHIBIT "G"

EXHIBIT "H"

SUMMARY OF SALES CONTRACT

The "PALI VISTA" RESERVATION, DEPOSIT RECEIPT AND SALES AGREEMENT (herein "Contract") contains, among other provisions, the following general provisions:

1. The amount of the purchase price and the method of payment of the purchase price to the escrow agent.
2. Before signing the Contract, the Buyer has received and read copies of the Public Report(s) for the project, the Declaration of Condominium Property Regime, By-Laws of the Association of Apartment Owners, Proposed House Rules, Condominium Escrow Agreement and form of Warranty Deed. Seller reserves the right under certain conditions to change these documents.
3. All plans and specifications, including any changes thereto, are available for Buyer's inspection. Seller reserves the right to make changes or modifications to the plans and specifications as deemed reasonable or necessary.
4. Seller will provide a title search for the entire project but will not provide Certificates of Title for the individual units within the project.
5. The Contract shall not be construed as a present transfer of any interest in the property but rather as an agreement to transfer in the future.
6. If Buyer plans to finance all or part of the purchase price, Buyer shall apply for such financing within seven days after the effective date of the Sales Agreement.
7. If Buyer plans to pay in cash, Buyer shall provide Seller with written evidence of Buyer's financial ability to pay.
8. The property is currently subject to a first mortgage (which shall be released prior to the closing of escrow). Buyer agrees that the first mortgage is superior to any rights under the Contract.
9. Seller has the authority to exercise all Association rights attributable to the property, including voting, until the closing of escrow.
10. Seller may act as the initial Managing Agent or may employ a competent Managing Agent for a period of three years.
11. Buyer may not enter into any agreement for a rental pool for his unit prior to December 31, 1994, or the date that all of the units in the project are sold.

EXHIBIT "H"

12. If the Contract is signed prior to the issuance of a Final Public Report, the Contract shall not be legally binding upon either Buyer or Seller, and may be terminated by either party.
13. The purchase price may increase due to unexpected events affecting the development or construction.
14. Buyer shall pay certain closing costs and a nonrefundable start-up fee for the Association's expenses.
15. If Buyer defaults, Seller may terminate the Contract and retain Buyer's deposit.
16. Buyer may not assign his interest in the Contract.

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS CONTAINED IN THE SALES CONTRACT. THE BUYER MUST REFER TO THE CONTRACT TO DETERMINE HIS ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE CONTRACT, THE CONTRACT WILL CONTROL.

EXHIBIT "I"

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement ("Agreement") between Title Guaranty Escrow Services, Inc., ("Escrow") and the Developers contains the following general provisions:

1. As each sales contract is signed by the purchaser and Developers, it shall be delivered to Escrow.
2. Developers shall pay over to Escrow any monies received by Developers from purchasers under the sales contracts. All of Purchaser's mortgage proceeds shall also be delivered to Escrow. Escrow shall deposit all funds in interest-bearing accounts. All interest shall be credited to Developers unless purchaser requests a separate account.
3. Escrow shall not disburse any funds until:
 - a. The Real Estate Commission issues a Final Report on the Project and the purchaser acknowledges receipt of a copy; and
 - b. The Developers deliver a written opinion to Escrow stating that the requirements of Sections 514A-62 and 514A-63, Hawaii Revised Statutes, have been met; and
 - c. The Developers give Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract.
4. Purchaser shall be entitled to a return of funds if:
 - a. Developers and purchaser request in writing that Escrow return purchaser's funds; or
 - b. Developers exercise their option to cancel or rescind a sales contract pursuant to the terms of the sales contract; or
 - c. Purchaser exercises his right to cancel or the sales contract pursuant to Section 514A-62 and Section 514-63, Hawaii Revised Statutes.
5. Escrow is entitled to compensation for the handling of the escrow of each purchaser, and for the issuance of any title insurance policy.

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL THE TERMS CONTAINED IN THE ESCROW AGREEMENT. PURCHASER MUST REFER TO THE AGREEMENT TO DETERMINE HIS ACTUAL RIGHTS AND OBLIGATIONS. IF ANY DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE AGREEMENT, THE AGREEMENT WILL CONTROL.

EXHIBIT "I"

JUNG & VASSAR, P.C.

ATTORNEYS AT LAW
A LAW CORPORATION
77-6399 NALANI STREET
KAILUA-KONA, HI 96740

FRANCIS L. JUNG (NJ, DC & HI)
THOMAS W. VASSAR (MD, VA, DC & HI)

RICHARD C. LUCKHAM (CA & HI)

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January 13, 1998

Director, Planning Dept.
County of Kauai
4280 Rice Street, Box 111
Lihue, Kauai, Hawaii 96766

RE: Pali Vista Agricultural Condominium Project
Lot 26-A, Kalihiwai Ridge Subdivision Phase II

Dear Sir:

The undersigned represents the Owners/Developers of the referenced Project for Lot 26-A, which is being submitted to the Real Estate Commission for Final Public Report.

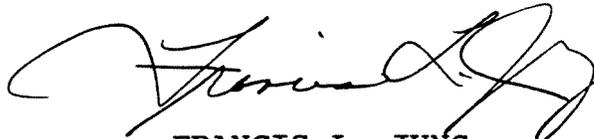
Please find enclosed the following:

- 1) One copy of the executed Notice of Intention and the Questionnaire form;
- 2) Condominium File Plan No. 2069, "PALI VISTA"; and
- 3) The proposed draft of the Public Report for "PALI VISTA".

We are transmitting these documents to you in accordance with the General Instructions from the Real Estate Commission, Department of Commerce and Consumer Affairs, State of Hawaii. If you have any questions, please contact the undersigned.

Thank you for your cooperation.

Very truly yours,
JUNG & VASSAR, P.C.



FRANCIS L. JUNG

FLJ/11b
Enclosures
cc: James R. Buckley

EXHIBIT "J"