CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Dennis Calvin Willaims and Theo-Margaret Williams
Address 454 Kamalu, Kapaa, HI 96746

Project Name(*): KAMALU Condominium Project
Address: 454 Kamalu, Kapaa, HI 96746

Registration No. 4336 (conversion) Effective date: March 28, 2000
Expiration date: April 28, 2001

Preparation of this Report:

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

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

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

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

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

Type of Report:

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

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

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

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

(*) Exactly as named in the Declaration

FORM: RECO-30 286/986/189/1190/892/0197/1098

This material can be made availabe for individuals with special needs. Please call the Senior Condominium Specialist at 586-2644 to submit your request.

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[ ] Required and attached to this report [x] Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

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

[ ] Changes made are as follows:

SPECIAL ATTENTION

This is a CONDOMINIUM PROJECT, not a subdivision. There are County restrictions on the number of residential dwelling units, or other structures, which may be built on the property. Therefore, THERE IS NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO BUILD ADDITIONAL RESIDENTIAL DWELLING UNITS ON THE PROPERTY. THERE IS ALSO NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO CONVERT AN EXISTING NON-RESIDENTIAL STRUCTURE TO A RESIDENTIAL USE. The Purchaser should consult with the appropriate County agencies to determine whether the Purchaser may build a residential dwelling unit, or any other type of structure, on the property.

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

The land area beneath and immediately appurtenant to each unit is designated a LIMITED COMMON ELEMENT and is not a legally subdivided lot. The dotted lines on the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

Facilities and improvements normally associated with County-approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owners and emergency traffic, drainage facilities, etc., may not be provided, and services such as County street maintenance and trash collection may not be available for interior roads and driveways.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

The Developer has filed with the Kauai Planning Department the Notice of Intention, copy of the Public Report and Condominium Map. In the event that the County should comment on matters which may be contrary or in need of additional information, which the Commission deems material, the Developer may be required to prepare a Supplementary Public Report to address such concerns.

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EXHIBIT A: Description of Units
EXHIBIT B: Permitted Alterations
EXHIBIT C: Common Elements
EXHIBIT D: Limited Common Elements
EXHIBIT E: Encumbrances Against Title
EXHIBIT F: Summary of Sales Contract
EXHIBIT G: Escrow Agreement
EXHIBIT H: Specimen Farm Dwelling Agreement

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: Dennis Calvin Williams and Theo-Margaret Williams, husband and wife
Name*
Phone: (808)822-3775 (Business)
454 Kamalu, Kapaa, HI 96746
Business Address

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):

Real Estate Broker*: See Page 20
Name
Phone: (Business)
Business Address

Escrow: Fidelity National Title Insurance Co, Inc.
Name
Phone: (808)823-0606 (Business)
4568 Kukui St.
Business Address
Kapaa, HI 96746

General Contractor*: N/A
Name
Phone: (Business)
Business Address

Condominium Managing Agent*: Self-Managed by Association of Apartment Owners
Name
Phone: (808)822-3775 (Business)
454 Kamalu, Kapaa, HI 96746
Business Address

Attorney for Developer: James W. Licke, Attorney al Law
Name
Phone: (808)245-9355 (Business)
4357 Rice Street, Lihue, HI 96766
Business Address

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

10/98

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
[x] Recorded - Bureau of Conveyances: Document No. 99-192499
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
[x] Recorded - Bureau of Conveyances Condo Map No. 3006
[ ] 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
[x] Recorded - Bureau of Conveyances: Document No. 99-192500
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 [X] Developer does not plan to adopt House Rules

E. Changes to Condominium Documents

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

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

	Minimum Set by Law	This Condominium
Declaration (and Condo Map)	75%*	75%
Bylaws	65%	65%
House Rules	—	~~n/a~~

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

2. Developer:

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

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

The Developer may change the proposed declaration and bylaws up to the point at which these documents have been recorded with the Bureau of Conveyances, State of Hawaii, after which time amendments could be made by the percentage of apartment owners required by law.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

[ ] Leasehold or 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 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 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: 454 Kamalu, Kapaa, HI Tax Map Key (TMK): 4-2-03-46 (Kauai)

[ ] Address [ ] TMK is expected to change because_____

Land Area:_____ [ ] square feet [x] acre(s) 3.8 acres, more or less Zoning: Agriculture

Fee Owner: Dennis Calvin Williams and Theo-Margaret Williams, husband and wife
Name
454 Kamalu, Kapaa, HI 96746
Address

Lessor: _____
Name
_____
Address
_____

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 2 Floors Per Building Unit 1 has 2 storys and Unit 2 has 1 story.

   [x] Exhibit _____ contains further explanations.

3. Principal Construction Material:

   [ ] Concrete [ ] Hollow Tile [x] Wood

   [ ] Other_____

4. Uses Permitted by Zoning:

	No. of Apts.	Use Permitted By Zoning		No. of Apts.	Use Permitted By Zoning
[ ] Residential	___	[ ] Yes [ ] No	[ ] Ohana	___	[ ] Yes [ ] No
[ ] Commercial	___	[ ] Yes [ ] No	[ ] Industrial	___	[ ] Yes [ ] No
[ ] Mix Res/Comm	___	[ ] Yes [ ] No	[x] Agricultural	2	[x] Yes [ ] No
[ ] Hotel	___	[ ] Yes [ ] No	[ ] Recreational	___	[ ] Yes [ ] No
[ ] Timeshare	___	[ ] Yes [ ] No	[ ] Other:_____	___	[ ] Yes [ ] No

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

5. Special Use Restrictions:

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

[x] Pets: See Bylaws, Article 5, Section 5-11

[ ] Number of Occupants: _____

[ ] Other: _____

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: _____ Stairways: 1 Trash Chutes: _____

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
Single	Family 1	5/4	2,684	1,373	
Single	Family 1	5/4	1,354	414	

Total Number of Apartments: 2

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

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment: See Exhibit A

Permitted Alterations to Apartments: The owners of each unit may make any alterations permitted by law and the condominium documents, as long as they pay for the same themselves as set out in Exhibit B.

7. Parking Stalls:

Total Parking Stalls: 4

	Regular		Compact		Tandem		
	Covered	Open	Covered	Open	Covered	Open	TOTAL
Assigned (for each unit)	2						2
Guest							
Unassigned							
Extra for Purchase							
Other:							
Total Covered & Open:	4		0		0		4

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.

[ ] Commercial parking garage permitted in condominium project.

[ ] Exhibit _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

[X] 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

[X] 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): The Architect's statement attached states that the expected useful life is more than 20 years.

11. Conformance to Present Zoning Code

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

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

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

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

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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

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

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

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

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

[X] described in Exhibit A, the Condominium Mapa and Exhibit C

[ ] as follows:

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

[ ] There are no limited common elements in this project.

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

[x] described in Exhibits A and D (Note: Land areas referenced herein are not legally subdivided lots.)

[x] as follows: The portion of land set aside for the use of each owner of a Unit is as set forth in Exhibit A, the Condominium Map, subject to the road way and utility access. As indicate above, Land areas referenced 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:

[x] described in Exhibit A, the Condominium Map and 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 E describes the encumbrances against the title contained in the title report dated December 7, 1999 and issued by Fidelity National Title Insurance Company.

Blanket Liens:

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

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

[x] There are blanket liens which may affect title to the individual apartments. See Exhibit E.

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

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance
First Mortgage Bank of America.	The intention is to secure a release of the unit being sole from the lien of the lien of the mortgage; if for some reason, this did not happen, purchaser would be refunded their deposit less any sscrow cancellation fees.

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:

2. Appliances:

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

Unit 1 was built in 1977.

Unit 2 was built in 1990.

H. **Project Phases:**

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

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

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, 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 _____ contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. **Utility Charges for Apartments:** All common areas are limited common areas (except for a small area of road access and a utility conduit); each unit owner will bear the expenses associated with their limited common area.

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
[ ] 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

[x] Specimen Sales Contract
Exhibit F contains a summary of the pertinent provisions of the sales contract.

[x] Escrow Agreement dated Feb. 28, 2000
Exhibit G contains a summary of the pertinent provisions of the escrow agreement.

[x] Other Developers intend to retain both units for the foreseeable future, and hence have not selected a real estate broker.*

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.

* In the event that the Developer chooses to use a real estate broker for the sale of a unit, prior to entering into a binding contract for such sale the Developers 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 disclosure abstract identifying the designated broker and (2) provide a copy of the desclosure abstract to the purchaser together with a copy of this public report.

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

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

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. 4336 filed with the Real Estate Commission on 1/13/2000.

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

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C. Additional Information Not Covered Above

Purchasers should be aware that Chapter 205, Hawaii Revised Statutes CH.R.S."), does not authorize residential dwellings as a permissible use in an agricultural use district, unless the dwelling is related to an agricultural activity or is a "farm dwelling".

The term "farm dwelling" is defined in H.R.S. Chapter 205-4.5(a)(4) as a "single family dwelling located on and used in connection with a farm, including clusters of single-family farm dwelling permitted within agricultural parks developed by the State or where agricultural activity provides income to the family occupying the dwelling."

The penalty for violation of H.R.S. Section 205-4.5, is a fine of not more than $5,000. If any person who is cited for a violation of the law fails to remove the violation within six months of such citation and the violation continues, such person is subject to a citation for a new and separate violation. There shall be a fine of not more than $5,000 for any additional violation.

In order for any purchaser to obtain a building permit to construct a single family residential unit (farm dwelling), the County of Kauai requires the purchaser to sign a Farm Dwelling Agreement in the form attached hereto as Exhibit "H".

Developers intend to retain both units for the foreseeable future, and hence have not selected either a real estate broker or an escrow company for the sales of the units created. In the event that the Developer chooses to use a real estate broker for the sale of a unit, prior to entering into a binding contact 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 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.

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

Dennis Calvin Williams/Theo. Margaret Williams
Printed Name of Developer

By Calvin Williams Theo. Margaret Williams 3-22-00
Duly Authorized Signatory* Date

Dennis Calvin Williams Theo. Margaret Williams
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, _____
Planning Department, _____

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.

10/98

Estimate of Maintenance Fee Disbursements:

Monthly x 12 months = Yearly Total

Utilities and Services

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

Maintenance, Repairs and Supplies

Building
Grounds

Management

Management Fee
Payroll and Payroll Taxes
Office Expenses

Insurance

Reserves(*)

Taxes and Government Assessments

Audit Fees

Other

TOTAL

I, _____, as agent for/and/or employed by _____, the condominium managing agent/developer for the _____ 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. Developers disclose that no reserves study was done in accordance with Chapter 514A 83.6, Hawaii Revised Statutes and and replacement reserves rules, Subchapter 6, Title 16, Chapter 107, Hawaii ~~Administrative~~ Rules.

Calvin Williams Theo Margaret Williams 3-22-00
Signature Date

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

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

EXHIBIT "A"

DESCRIPTION OF BUILDINGS

The project consists of (2) dwellings, without basements, constructed primarily of wood, as shown on the Condominium Map, with Unit 1 having 2,684 square feet of living area and Unit 2 of 1,354 square feet of living space.

The approximate net floor areas of each unit as set forth above is measured from the interior surface of the unit perimeter walls and includes all of the walls and partitions within its perimeter walls.

The Units are depicted on the Condominium Map attached hereto.

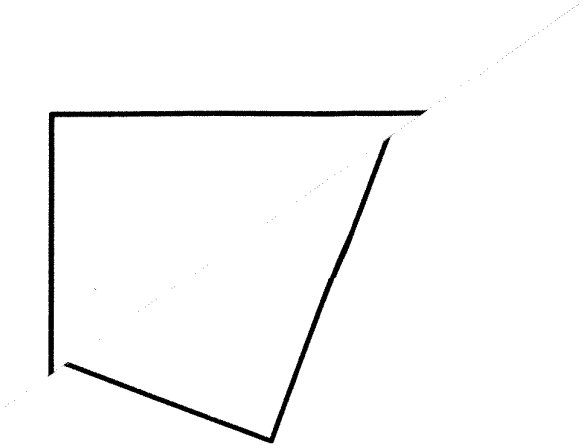

EXHIBIT B

Permitted Alteratons

1. The Declaration at Page 9, Article XVI entitled "Alteration of Project", states the following:

XVI -- ALTERATION OF PROJECT

(a) Generally. The owner of any individual unit in the Project shall have the right at any time and from time to time, at his or its sole cost and expense, and with the consent of the Board if so required by law (which consent shall not be unreasonably withheld) and without the consent or joinder of any other condominium unit owners, to alter such unit, or to cause or permit such alterations to be made by his tenants and lessees, in accordance with the provisions hereinafter set forth. Specifically, but without limiting the generality of the foregoing, any unit owner may, or may cause or permit his tenants and lessees, to install, maintain, remove and/or rearrange partitions and other structures from time to time within said unit and to paint, paper, panel, plaster, tile, finish, and do or cause to be done such other work on the interior surfaces of the ceilings, floors and walls within any such unit, and to finish, alter or substitute any plumbing, electrical or other fixtures attached to said ceilings, floors and walls as shall be appropriate for the utilization of such unit by such owner or the tenants or lessees thereof; PROVIDED, HOWEVER, that said alterations are done in complete accordance with all applicable ordinances, codes, rules, regulations or other requirements in force at the time said alterations are made, and provided, further, that any plumbing and electrical alterations and/or substitutions shall not adversely affect the plumbing and electrical systems of the Project or other individual unit(s) in the Project.

(b) Owner to Amend Declaration. The owner of any altered unit shall have the right and duty, without the consent or joinder of any other person, to amend and shall be required to amend this Declaration and the Condominium Map to accomplish any such alterations. If required by the Condominium Property Act, then promptly upon completion of such alterations, the owner of the altered unit shall duly record an amendment to this Declaration with the Bureau of Conveyances of the State of Hawaii, together with a complete set of floor plans and elevations of the Project as so altered, certified as built by a registered architect or professional engineer. Pursuant hereto, all unit owners and their mortgagees, by acquiring an interest in a unit, shall be deemed to have been granted a Power of Attorney from all other unit owners to execute an amendment to this Declaration solely for the purpose of describing the alterations to his respective unit. This Power of Attorney shall be deemed coupled with each owner's interest in his unit and shall be irrevocable.

2. Pursuant to Chapter 205, Hawaii Revised Statutes, each unit owner is entitled to construct a farm dwelling on each limited common element within the Project, and each unit owner is required to enter into an agreement with the County of Kauai certifying that the farm dwelling will be used in connection with a farm or where agricultural activity provides income to the family occupying the farm dwelling. In addition, the Planning Department of the County of Kauai requires that any farm dwelling constructed after the first farm dwelling within the Project requires an inspection by the Planning Department to confirm whether the agricultural activities are being conducted on the Project in accordance with Chapter 205, Hawaii Revised Statutes. Each unit owner in the Project, therefore, shall bear an equal burden proportionate to the unit owner's respective appurtenant interest in the common area, for the cost of maintaining agricultural activities on the Project that are satisfactory to the Planning Department of the County of Kauai and that will allow the issuance of a Farm dwelling Agreement and corresponding building permit to all of the units within the Project. Any assessment that may be necessary to maintain agricultural activities pursuant to this paragraph may be imposed upon each unit in

EXHIBIT "C"

COMMON ELEMENTS

The common elements of the project shall specifically include, but are not limited to, the following:

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

2. All central and appurtenant installations for common services, including power, light, water, telephone and sewer.

3. Any and all apparatus and installations of common use and all other parts of the project necessary or convenient to its existence, maintenance and safety, or normally in common use.

EXHIBIT "D"

LIMITED COMMON ELEMENTS

Certain units shall have appurtenant thereto easements for the exclusive use of certain limited common elements as follows:

Unit 1: The land area under and surrounding Unit 1, consisting of approximately 1.049 acres, as designated on the Condominium Map, is reserved for the exclusive use of Unit 1 for the support of the building and other improvements comprising Unit 1, and for the yard, driveway purposes and parking.

Unit 2: The land area under and surrounding Unit 2, consisting of approximately 2.793 acres, as designated on the Condominium Map, is reserved for the exclusive use of Unit 2 for the support of the building and other improvements comprising Unit 2, and for the yard, driveway purposes and parking.

Exhibit E
Encumbrances

1. For Real Property taxes, including any personal property taxes and any assessments collected with taxes, for Tax Map Key(s) 4-2-003-046, reference is made to the County of Kauai, Real Property Division.

2. The property described herein is subject to possible rollback taxes. Verification should be made with the Kauai County, Real Property Tax Office.

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

4. Excepting and reserving the waters and all riparian and other rights in or to the streams passing over and across the premises described herein, as expected and reserved in Land Patent Grant No. 9288.

5. Notice of Dedication to Permanent Home Use dated July 1, 1992, recorded in said Bureau as Document No. 92-069923.

6. A mortgage to secure an indebtedness as shown below, and any other obligations secured thereby

Amount:	$200,000.00
Dated:	Jan. 13, 1994
Loan No.:	CS60134
Mortgagor:	Dennis Calvin Williams, Sr. and Theo Margaret Williams, husband and wife
Mortgagee:	Honolulu Mortgage Company, Inc., which is organized and existing under the laws of Hawaii
Recorded:	January 18, 1994, in the Bureau of Conveyances of the State of Hawaii, Document No. 94-007948.

An assignment of the mortgagee's interest under said mortgage which names:

Assignee:	Bank of America National Trust & Savings Association
Loan No.:	none shown
Recorded:	December 2, 1997, in the Bureau of Conveyances of the State of Hawaii, Document No. 97-167977.

7. A mortgage to secure an indebtedness as shown below, and any other obligations secured thereby

Amount:	$70,000.00
Dated:	July 15, 1992
Loan No,;	99-200553

Mortgagor: Dennis Calvin Williams, Sr., as Trustee under that certain Dennis Calvin Williams, Sr. Revocable Living Trust dated April' 10, 1990, and Theo Margaret Williams, as Trustee under that certain Theo Margaret Williams Revocable Living Trust dated April 10, 1990

Mortgagee: Bank of Hawaii, a corporation formed and exists under the laws of the State of Hawaii

Recorded: July 24, 1992, in the Bureau of Conveyances of the State of Hawaii, Document No. 92-119061.

By the provisions of an agreement

Dated: January 7, 1994

Executed by: Honolulu Mortgage Company, Inc., and Bank of Hawaii

Recorded: January 18, 1994, in the Bureau of Conveyances of the State of Hawaii, Document No. 94-007949.

Said instrument was made subordinate to the lien of the document or interest shown as item No. 6.

8. Condominium Map No. 3006, recorded in the Bureau of Conveyances of the State of Hawaii.

9. Covenants, conditions, and restrictions (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as contained in the following:

Declaration of Condominium Property Regime of Kamalu

Dated: October 29, 1999

Recorded: December 6, 1999, in the Bureau of Conveyances of the State of Hawaii, Document No. 99-192499.

10. By-Laws of the Association of Apartment Owners of Kamalu, dated October 29, 1999, recorded December 6, 1999, in the Bureau of Conveyances of the State of Hawaii, Document No. 99-192500.

11. Terms, provisions, conditions and restrictions and the failure to comply with said terms, contained in that certain, Dennis Calvin Williams, Sr. Revocable Living Trust dated April 10, 1990, a short form of which was recorded as Document No. 90057418, to which reference is hereby made.

12. Terms, provisions, conditions and restrictions and the failure to comply with said terms, contained in that certain, Theo Margaret Williams Revocable Living Trust dated April 10, 1990, a short form of which was recorded as Document No. 90057419, to which reference is hereby made.

13. The requirement that a Statement of Trust Certification be executed stating that the trust(s) referred to herein has not been amended, modified, supplemented or revoked.

EXHIBIT "F"

SUMMARY OF DEPOSIT RECEIPT AND SAt JV. S CONTRACT

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

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

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

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

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

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

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

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

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

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

Contract.

(j) If the buyer shall default:

(1) notice to the buyer; and

The contract may, at the seller's option, be terminated by written

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

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

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

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

Exhibit G

CONDOMINIUM ESCROW AGREEMENT
for
KAMALU CONDOMINIUM PROJECT

THIS AGREEMENT, made this 3 day of February, 2000, by and between FIDELITY NATIONAL TITLE INSURANCE COMPANY, INC., a Hawaii corporation, whose principal place of business and post office address is 4568 Kukui Street, Kapaa, Hawaii 96746, hereinafter called "Escrow", and DENNIS CALVIN WILLIAMS and THEO-MARGARET WILLIAMS, both of whose mailing address is 454 Kamalu, Kapaa, HI 96746, hereinafter collectively called "Developer",

WITNESSETH

WHEREAS, Developer intends to enter into at least one contract for the sale of units in a condominium project established or to be established under a Declaration of Condominium Property Regime created under Chapter 514A, Hawaii Revised Statutes, as amended, the terms of which sales contracts will provide for payment on account of the purchase price to be made to Escrow, to be held and disbursed by Escrow pursuant to the provisions hereof; and

WHEREAS, the name of the project is KAMALU CONDOMINIUM PROJECT (herein called the "Project"); and

WHEREAS, there are two (2) units in the Project; and

WHEREAS, the land included or to be included within the Project is located in the County of Kauai, State of Hawaii, and is designated as Tax Key (4) 4-2-03-46;

NOW, THEREFORE, it is hereby mutually agreed as follows:

1. Sales Contracts Deposited in Escrow.

(a) As and when Developer shall enter into a sales contract for the sale of a unit, Developer shall deliver an executed copy of such sales contract to Escrow. Each sales contract shall contain the correct names and addresses of the purchasers, shall require that all payments to be made thereunder shall be made to Escrow and shall be accompanied by the initial deposit required thereunder.

(b) If it is intended that the sale of a residential unit will be made to purchasers as owner-occupants (herein called "Owner-Occupants") pursuant to Chapter 514A, Part VI, of the Hawaii Revised Statutes (Sales to Owner-Occupants), the prospective Owner-Occupants shall also deliver to Escrow an affidavit in the form approved and issued by the Real Estate Commission of the Department of Commerce and Consumer Affairs of the State of Hawaii (herein called the "Affidavit"). In the Affidavit, the prospective Owner-Occupants shall affirm, inter alia, that: (a) the prospective Owner-Occupants intend to become owner-occupants pursuant to said statutes; (b) if the prospective Owner-Occupants intend to secure financing from a financial institution, the financing shall be an owner-occupant mortgage loan; and (c) the prospective Owner-Occupants shall notify said Real Estate Commission immediately upon any decision to cease being owner-occupants at any time after obtaining adequate financing or a commitment for adequate financing up until the expiration of the Affidavit. The Affidavit shall be personally executed by all of the prospective Owner-Occupants of the residential unit and shall not be executed by an attorney-in-fact.

2. Receipt of Funds by Escrow. Developer shall pay over to Escrow any monies received by Developer from purchasers under sales contracts covering units in the Project, including all disbursements made on loan commitments, if any, from lending institutions to individual purchasers. Escrow shall receive and hold in escrow and disburse as herein set forth: (a) all payments received by Escrow under sales contracts made by Developer; (b) all sums received by Escrow hereunder from Developer; (c) all funds from any lending institution pursuant to a mortgage loan for the purchase of any unit by individual purchasers; and (d) all sums received by Escrow from any other source on account of this Project. In accordance with written instructions from Developer that are acceptable to Escrow, Escrow shall deposit all funds so received, within a reasonable time of their receipt by Escrow and in reasonably convenient sums, in accounts at a federally insured bank, savings and loan association or other financial institution that pays interest on deposits; provided, however, if Escrow is instructed to make such deposits more frequently than once each calendar week, Developer shall pay to Escrow a reasonable service charge for each additional deposit made during such week. Any interest earned on funds deposited in escrow under this Agreement shall accrue to the credit of Developer; except that, if Escrow is requested to establish a separate account for a purchaser, the purchaser shall pay Escrow a fee of $25.00 for each such separate account and shall furnish Escrow the purchaser's social security or federal identification number, and any interest earned on funds deposited in such account shall accrue to the credit of the purchaser. Escrow shall not be liable to either Developer or any purchaser for loss or diminution in funds invested in accordance with such instructions.

3. Conditions to be Met Prior to Disbursement. No disbursements of funds held in escrow shall be made unless and until the following conditions have been fulfilled:

(a) The Real Estate Commission shall have issued a Final Report on the Project; provided, however, to the extent any sales contracts are entered into and a purchaser's funds are obtained prior to the issuance of a Final Public Report of the Real Estate Commission, no disbursements shall be made from such purchaser's funds until (i) such Final Public Report shall have been issued; and (ii) the purchaser shall have been given a copy of said Final Report and shall have acknowledged receipt of same or shall have been deemed to have acknowledged receipt of the same and Developer's
attorney shall have delivered a written opinion to Escrow that the purchaser's sales contract has become effective; and

(b) Developer or Developer's attorney shall have delivered a written opinion to Escrow stating that the requirements of Sections 514A-62 and 514A-63, Hawaii Revised Statutes, as amended, have been met; and, if the project is a conversion project, that requirements of Section 521-38, Hawaii Revised Statutes, as amended, have been complied with; and

(c) Developer shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract; and

(d) The Affidavit described in subparagraph l(b) above shall have been personally reaffirmed by all the prospective Owner-Occupants of the residential unit no earlier than their receipt of a final public report but no later than closing of escrow for the unit, and the prospective Owner-Occupants shall have delivered to Escrow the reaffirmed Affidavit and proof of the date of receipt by the prospective Owner-Occupants of the final public report.

4. Return of Funds and Documents.

(a) A purchaser shall be entitled to a return of funds and Escrow shall pay such funds to such purchaser, without interest, if any one of the following has occurred:

(i) Developer and the purchaser shall have requested Escrow in writing to return to the purchaser the funds of the purchaser held hereunder by Escrow; or

(ii) Developer shall have notified Escrow of Developer's exercise of the option to cancel or rescind the sales contract pursuant to a right of cancellation or rescission provided therein or otherwise available to Developer; or;

(iii) With respect to a purchaser whose funds were obtained prior to the issuance of the Final Report, the purchaser has exercised such purchaser's right to cancel the contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or

(iv) The purchaser has exercised such purchaser's right to rescind the contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.

In any of the foregoing events, Escrow shall, upon the occurrence of the event described in (i) or (ii) above or upon receipt of a written request for a refund from the purchaser upon the occurrence of an event described in (iii) or (iv) above, unless the purchaser has waived or has been deemed to have waived the right to a refund, pay said funds to said purchaser (less a cancellation fee of Escrow of not less than $25.00 per unit or a cancellation fee commensurate with the work done by Escrow prior to such cancellation, whichever fee is greater, up to a maximum of $250.00) and thereupon said sales contract shall be deemed canceled and any partially executed conveyance document theretofore delivered to Escrow shall be returned to Developer; provided, however, that no refund shall be made to a purchaser at the purchaser's request prior to receipt by Developer of written notice from Escrow of Escrow's intent to make such refund.

(b) Notwithstanding any other provision in this Agreement to the contrary, a purchaser shall be entitled to a return of funds and Escrow shall pay such funds to such purchaser, without interest, pursuant to Chapter 514A, Part VI, Hawaii Revised Statutes, if Developer or the purchaser shall so request in writing and any one of the following events has occurred:

(i) No sales contract has been offered to the prospective Owner-Occupant within six months of the issuance of the first public report or of the public lottery (as applicable); or

(ii) The prospective Owner-Occupant has requested to be removed from the final reservation list (as defined in Section 514A-104, Hawaii Revised Statutes);

(iii)The prospective Owner-Occupant has elected not to execute a sales contract; or

(iv) The prospective Owner-Occupant has not obtained adequate financing, or a commitment for adequate financing, by a date which is no earlier than fifty calendar days after Developer's execution and acceptance of the sales contract.

(c) The sales contract shall be rescinded pursuant to Section 514A-105(d), Hawaii Revised Statutes, if any prospective Owner-Occupant is unable to reaffirm the Affidavit as described in subparagraph 3(e) above. Any partially executed conveyance document theretofore delivered to Escrow shall be returned to Developer. All deposits shall be refunded to the purchaser unless (i) Developer or Developer's attorney shall have delivered a written opinion to Escrow stating that the sales contract has become binding upon the purchaser pursuant to Section 514A-62, Hawaii Revised Statutes, as amended, and (ii) written instructions approved by Developer and the prospective Owner-Occupant direct Escrow to distribute the deposit otherwise.

5. Unclaimed Funds. Escrow shall give each purchaser entitled to a return of funds notice thereof by

registered, certified or regular mail, postage prepaid addressed to such purchaser at the purchaser's address shown on the sales contract or any address later made known in writing to Escrow by such purchaser. If such purchaser shall not have claimed such refund within sixty (60) days, Escrow shall deposit such funds into a special account in a bank or other depository selected by Escrow, in the name of Developer, as trustee for the benefit of such purchaser. After notifying the purchaser of all such facts at the purchaser's address as described herein and delivering all partially executed conveyance documents to Developer, Escrow shall thereupon be released from any further duties or liability hereunder with respect to such funds and such purchaser.

6. Closing. Except for the sales contracts and any note and mortgage that is to be closed by the mortgagee thereof, Escrow shall promptly and diligently arrange for and supervise the execution of all documents related to the Project and shall promptly and diligently close the transactions and perform such services as are necessary or proper therefor. Upon receipt by Escrow of the conveyance document, receipt of final report, Affidavit reaffirmed by all the prospective Owner-Occupants as described in subparagraph 3(e) above, all necessary releases of encumbrances, full amount of the purchase price of the unit, any mortgage or other instruments securing payment by the purchaser of all or part of the purchase price of the unit and purchaser's share of closing costs, Escrow will act with diligence and dispatch to "close" the sale of the unit by performing the following:

(a) Escrow shall cause the recording of such releases, conveyance document and mortgage, if any; and

(b) After recordation, Escrow shall cause a copy of said conveyance document to be delivered to the purchaser, the release or partial releases to be delivered to Developer, the mortgage, if any, to be delivered to the purchaser's lending institution, all sums respecting the purchase of the unit to be disbursed to Developer after deduction by Escrow of Developer's share of the closing costs, and the reaffirmed Affidavit (if any) to be delivered to Developer.

7. Partial Closings. It is understood that partial closings, i.e., closings for some but not all of the units, may be desired by Developer. If Developer desires to close any or all sales at different times, Escrow agrees to cooperate with Developer and shall vary its performance of the directions contained herein in such manner as will facilitate its Performance of such partial closings.

8. Defects in Documents. Upon the closing of each sales transaction, provided that any individual mortgage in connection therewith may then be filed or recorded, and it is legally possible to file and record all closing documents and none is in any way defective, Escrow shall proceed promptly and within five (5) business days (exclusive of the day of closing) file and record the necessary documents to effect the transfer of legal title to the purchaser. If for any reason it is determined that any document necessary to close the transaction is defective or cannot be filed or recorded, Escrow shall promptly notify Developer of such fact and Escrow shall proceed promptly to correct such defects as are within its capacity as an escrow depository to correct. If, for any cause beyond Escrow's control, the necessary documents cannot be filed or recorded within said five (5) day period after closing, Escrow shall file or record the same within five (5) days after learning that the reason that prevented their filing or recording no longer exists.

9. Purchaser's Default. Developer shall give notice in writing to Escrow of the occurrence of each event that initiates an obligation of a purchaser to make a payment to Escrow pursuant to the sales contract as well as notice of the amount and due date of such payment. Escrow shall thereupon promptly give the purchaser notice of the amount and due date of such payment. If the purchaser fails to make such payment to Escrow on or before the due date thereof or if the purchaser fails to perform in any matter that is being handled by Escrow, Escrow shall promptly notify Developer of any such failure on the part of the purchaser. If Developer subsequently certifies in writing to Escrow that Developer has terminated the sales contract in

accordance with the terms thereof and provides to Escrow copies of all such notices of termination sent to the purchaser, Escrow shall thereafter treat all funds of the purchaser paid on account of such purchaser's sales contract as funds of Developer and not as funds of the purchaser. Thereafter, such funds shall be free of the escrow established by this Agreement and shall be held by Escrow for the account of Developer. Upon written request by Developer, Escrow shall pay such sums to Developer, less any escrow cancellation fee, shall return to Developer any partially executed conveyance documents that had been theretofore delivered to Escrow by Developer and shall hold all other documents theretofore delivered to Escrow in connection with the purchase of the unit for the statutory period; and, Escrow shall thereupon be released from any further duties or liability hereunder with respect to such funds and such purchaser.

10. Protection of Escrow. In consideration of Escrow acting as escrow holder hereunder, it is agreed that Escrow is relieved from all liability for acting in accordance with the terms hereof, notwithstanding a notice to the contrary by Developer or any purchaser or third person. Escrow shall not be responsible for the validity or sufficiency of any sales contracts or other documents received by it and shall be entitled for all purposes to assume that the same have been signed by the persons whose signatures purport to be thereon and that any written certification or instruments from Developer are true and accurate.

If any dispute or difference shall arise or if any conflicting demand shall be made upon Escrow, Escrow shall not be required to determine the same or take any action in the premises, but Escrow may await settlement of the controversy by final appropriate legal proceedings or otherwise as it may require, or Escrow may file a suit in interpleader in any court having jurisdiction in the matter, for the purpose of having the respective rights of the parties adjudicated and may deposit with the court any or all monies held hereunder. Upon institution of such interpleader suit or other action, depositing such money with the court, and giving notice thereof to the parties thereto by personal service or in accordance with the order of the court, Escrow shall be fully released and discharged from all further obligations hereunder with respect to the monies so deposited.

Developer and the Purchaser each agrees to pay Escrow on demand and to indemnify and hold Escrow harmless from and against all costs, damages, judgments, attorneys' fees, expenses, obligations and liabilities of every kind and nature reasonably suffered or incurred in connection with or arising out of this escrow, including, but not limited to, all costs and expenses incurred in connection with the interpretation of this Agreement or with respect to any interpleader or other proceeding, and excluding all of the foregoing that is the result of any act or omission by Escrow or its agents that is not generally accepted in the Honolulu business community as a reasonable business practice. Upon payment thereof, the prevailing party will be subrogated to Escrow's right to judgment for such costs, damages, etc., against third persons.

Developer expressly agrees that Escrow shall not be required to mail any notice or to keep any records that may be required under Chapter 514A, Hawaii Revised Statutes.

11. Binding Effect. This Agreement shall be binding upon, shall apply to and shall inure to the benefit of the parties hereto and their respective devisees, personal representatives, successors and assigns.

12. Termination. This Agreement may be terminated by either party hereto upon fifteen (15) days written notice to the other; provided, however, that all transactions in process hereunder at the time of such termination shall be completed under the terms of this Agreement.

13. Statutory provisions Control. This Agreement is, in all of its provisions, to be deemed and interpreted as supplementary and subject to the provisions of Chapter 514A, Hawaii Revised Statutes, as now or hereafter amended, and if any conflict should arise between the provisions of this Agreement and the provisions of said Chapter 514A, the provisions of the latter shall control.

14. Reports and Billings by Escrow. Escrow shall furnish Developer with a semi-monthly Developer's report that will cover the status of each sales contract in escrow. Escrow shall, upon certification from Developer that such payments are due, bill each purchaser for payments due under the purchaser's sales contract.

15. Compensation of Escrow. The compensation of Escrow for performance hereunder shall be based on schedule rate for each unit in the Project, on the condition that all sales of units in the Project are closed on or before two years after the date hereof. Escrow shall also arrange for the issuance of a title insurance policy (standard owner's or ALTA lender's policy) for the sum of based on schedule rate for each unit in the Project. An additional fee of $0 shall be charged to the purchaser for each mortgage obtained by the purchaser if the purchaser does not obtain a mortgage loan from a lender designated by Developer.

Said compensation shall become due and payable with respect to a unit in the Project upon the first to occur of the following events: (1) the transfer to the purchaser of such unit of legal title thereto; or (2) final disbursement of the funds held in escrow in connection with such unit. In the event of the cancellation of any sales contract that has been submitted to Escrow, a cancellation fee commensurate with the services rendered by Escrow, but not less than $25.00, plus all costs incurred by Escrow, shall be charged to Developer, unless otherwise agreed to by Developer and the purchaser. If Escrow shall for any reason without fault on its part be required to change subsequent to the commencement of preclosings or closings for the Project any closing statement or document previously approved as to form and figures by Developer, Developer agrees to pay an additional charge for each such statement or document that is changed.

IN WITNESS WHEREOF, the parties hereto have executed these presents the day and year first above written.

FIDELITY NATIONAL TITLE INSURANCE COMPANY, INC.

By _____
Its V.P.

By _____
Its AVP

Escrow

_____
DENNIS CALVIN WILLIAMS, Developer

_____
THEO-MARGARET WILLIAMS, Developer

STATE OF HAWAII)
) SS:
COUNTY OF ~~KAUAI)~~ Honolulu

On this day of February, 2000 before me appeared to me personally known, who, being by me duly sworn, did say that they are the Vice President and Assist. Vice Pres., respectively, of FIDELITY NATIONAL TITLE INSURANCE COMPANY, INC., a Hawaii corporation, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and the said officers acknowledged said instrument to be the free act and deed of said corporation.

Notary Public, State of Hawaii.
My Commission Expires: 11-11-20

DEE JACKSON NOTARY PUBLIC STATE OF HAWAII

NOTARY'S NAME SPELLED OUT:

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

On this day of , 2000, before me personally appeared DENNIS CALVIN WILLIAMS and THEO-MARGARET WILLIAMS, and they acknowledged that they executed the same as their free act and deed.

Notary Public, State of Hawaii
My Commission Expires: 11-11-2001
DEE JACKSON

NOTARY'S NAME SPELLED OUT:

DEE JACKSON NOTARY PUBLIC STATE OF HAWAII

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

On this day of February, 2000 before me appeared to me personally
known, who, being by me duly sworn, did say that they are the and
_____, respectively, of FIDELITY NATIONAL TITLE INSURANCE COMPANY, INC., a Hawaii corporation, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and the said officers acknowledged said instrument to be the free act and deed of said corporation.

Notary Public, State of Hawaii.
My Commission Expires:

NOTARY'S NAME SPELLED OUT:

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

On this 9 day of May, 2000, before me personally appeared DENNIS CALVIN WILLIAMS and THEO-MARGARET WILLIAMS, and they acknowledged that they executed the same as their free act and deed.

Notary Public, State of Hawaii
My Commission Expires: 3/30/00

NOTARY'S NAME SPELLED OUT: James Whitey

Exhibit H

LAND COURT SYSTEM	REGULAR SYSTEM

RETURN BY: MAIL [ ] PICKUP [ ] To:

County of Kauai
Planning Department
4280 Rice Street
Lihue, Kauai, Hawaii 96766

FARM DWELLING AGREEMENT

This agreement made and entered into as of the _____ day of _____, 19 _____, by and between _____ _____, whose mailing address is _____ _____ _____, hereinafter called the "APPLICANT(S)", and the COUNTY OF KAUAI, Planning Department, whose business and mailing address is 4280 Rice Street, Lihue, Hawaii 96766, hereinafter called the "DEPARTMENT",

W I T N E S S E T H :

WHEREAS, the APPLICANT(S) warrant and represent that they are the _____ of that certain parcel of land, Tax Map Key No. _____ more particularly described in Exhibit "A", attached hereto and made a part hereof; and

WHEREAS, this document pertains only to _____ as shown in Exhibit "B" and made part hereof; and

WHEREAS, that certain parcel of land is classified Agriculture by the State Land Use Commission and is zoned Agriculture by the County of Kauai; and

WHEREAS, Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations only permit "farm dwellings" within the State Agriculture Land Use District unless otherwise relieved from the restriction by a special permit obtained pursuant to Chapter 205, Section 6, Hawaii Revised Statutes; and

WHEREAS, a "farm dwelling" is defined by Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations as "a single family dwelling located on and used in connection with a farm where agricultural activity provides income to the family occupying the dwelling"; and

WHEREAS, the parcel identified by Tax Map Key No._____

_____ is entitled to _____ residential units and one guest house; and

WHEREAS, this agreement is evidenced that _____ is entitled to one of those residential units; and

WHEREAS, a "family" as used in the definition of a "farm dwelling" is defined by the State Land Use District Regulations as "an individual or two or more persons related by blood, marriage or adoption or a group comprising not more than five persons, not related by blood, marriage or by adoption"; and

WHEREAS, the APPLICANT(S) acknowledge that a violation of Chapter 205, Hawaii Revised Statutes, and the State Land Use District restriction is subject to a citation and fine of not more than $5,000 pursuant to Chapter 205, Section 13, Hawaii Revised Statutes, as amended; and

WHEREAS, the APPLICANT(S) also acknowledge that failure to abide by this agreement may result in the removal of the prohibited structure at the owner's expense; and

WHEREAS, the DEPARTMENT is charged with the enforcement of the restriction by Chapter 205, Hawaii Revised Statutes; and

WHEREAS, the APPLICANT(S) wish to construct a dwelling unit on that certain parcel of land described in Exhibit A; and

WHEREAS, the APPLICANT(S) wish to execute this Farm Dwelling Agreement without first obtaining the signatures of all interest holders in the CPR;

NOW THEREFORE, for and in consideration of the terms, covenants and conditions hereinafter contained, the parties hereby mutually agree as follows:

1. That the dwelling permitted to be constructed on the parcel of land described in Exhibit "A" classified Agriculture by the State Land Use Commission shall be a "farm dwelling" as defined by Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations, as recited herein; and

2. That the dwelling shall only be occupied by a "family", as defined by the State Land Use District Regulations and as recited herein, who derive income from the agricultural activity on the parcel; and

3. That the APPLICANT(S) and all present and future owners, lessees and occupants of said land grant the DEPARTMENT the right of entry at the request of the DEPARTMENT to inspect the premises to assure compliance with the provisions of this agreement; and

4. That this agreement shall be a covenant running with the land and be binding on the APPLICANT(S), and all present and future owners, lessees and occupants of said land and anyone claiming under said APPLICANT(S), their heirs, executors, administrators, successors and assigns, as owners or occupants thereof or otherwise; and

5. That this agreement shall remain in effect so long as the land retains its Agriculture District classification under the State Land Use Commission and the pertinent restrictive provisions of Chapter 205, Hawaii Revised Statutes, and the State Land Use District Regulations remain in effect; and

6. That the APPLICANT(S) expressly set forth the provisions of this agreement in any subsequent conveyance, deed, lease or rental agreement to said property executed by them, so as to give effect to said covenant; and

7. That this agreement shall be recorded with the State of Hawaii Bureau of Conveyances, fees to be paid by the APPLICANT(S); and

8. The DEPARTMENT and APPLICANT(S) shall execute the Farm Dwelling Agreement; and

9. The APPLICANT(S), for themselves (himself/herself), their (his/her) heirs, administrators, successors and assigns, do hereby waive and release the DEPARTMENT and the County of Kauai, a political subdivision of the State of Hawaii, whose principle place of business is 4396 Rice Street, Lihue, Hawaii, 96766, from all claims and causes of action, either legal or equitable, which may hereafter accrue by reason of the DEPARTMENT'S execution of said Farm Dwelling Agreement; and

10. The APPLICANT(S) do(es) hereby promise to indemnify and hold the DEPARTMENT and the County of Kauai, its successors, assigns, offices, employees, agents, attorneys or any other person or legal entity connected with or legally responsible to them, harmless from any and all claims, actions, causes of action, lawsuits, demands or liability for damages of whatever king and nature, arising out of the DEPARTMENT'S execution of said Farm Dwelling Agreement; and

11. This Agreement shall be a covenant running with the portion of land described in Exhibit A, and shall be binding on APPLICANT(S) and all present and future owners and occupants of said portion of land and any one claiming under APPLICANT(S), their successors, and assigns, as owners or occupants thereof. The APPLICANT(S) further agree(s) to expressly set forth the provisions of this waiver and indemnity agreement in any subsequent conveyance, deed, lease, or rental agreement so as to give effect to said covenant.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed on the _____ day of _____,

19 _____.

APPROVED:

_____
Planning Director

APPROVED AS TO FORM
AND LEGALITY:

_____
County Attorney

Applicant(s)

_____

_____

_____

STATE OF HAWAII)
) ss.
COUNTY OF KAUAI)

On this _____ day of _____, 19 _____, before me personally appeared _____

_____

to me known to be the person(s) described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

_____
Notary Public, Fifth Judicial Circuit
State of Hawaii

My commission expires: