

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer QEB II LLC
Address P.O. Box 3382, Princeville, Kauai, Hawaii 96722

Project Name(\*): VILLAS OF KAMALI'I
Address: 4171 Lei O Papa Road, Princeville, Kauai, Hawaii 96722

Registration No. 4723

Effective date: September 12, 2001
Expiration date: October 12, 2002

Preparation of this Report:

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

This report has not been prepared or issued by the Real Estate Commission or any other 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:

- X 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.
FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
SUPPLEMENTARY: (pink) This report updates information contained in the:
And [ ] Supersedes all prior public reports

(\* ) Exactly as named in the Declaration
This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2644 to submit your request.
FORM: RECO-30 286/986/189/1190/892/0197/1098/0800

**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:

**SPECIAL ATTENTION**

This is a **CONDOMINIUM PROJECT**, not a subdivision. It does not involve the sale of individual subdivided lots. The land area beneath and immediately appurtenant to each unit is designated a **LIMITED COMMON ELEMENT** and not a legally subdivided lot. The dotted lines on the Condominium Map bounding the designating 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.

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

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

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

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## **General Information On Condominiums**

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

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

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

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

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

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

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

## **Operation of the Condominium Project**

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: **QEB II LLC** Phone: (808) 826-1704  
Name\* (Business)  
**P.O. Box 3382**  
**Princeville, Kauai, Hawaii 96722**  
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):  
**[See Page 5-A]**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Real Estate Broker\*: **ALL ISLANDS, INC.** Phone: (808) 826-7211  
**dba Century 21, All Islands** (Business)  
Name  
**P.O. Box 3195**  
**Princeville, Kauai, Hawaii 96722**  
Business Address

Escrow: **TITLE GUARANTY ESCROW SERVICES, INC.** Phone: (808) 826-5300  
Name (Business)  
**4280 Kuhio Highway, Suite G-207**  
**Princeville, Kauai, Hawaii 96722**  
Business Address

General Contractor\*: **SHIOI CONSTRUCTION, INC.** Phone: (808) 245-3975  
Name (Business)  
**4023 Halau Street**  
**Lihue, Kauai, Hawaii 96766**  
Business Address

Condominium Managing Agent\*: **CERTIFIED MANAGEMENT, INC.** Phone: (808) 836-0911  
Name (Business)  
**3179 Koapaka Street, 2<sup>nd</sup> Floor**  
**Honolulu, Hawaii 96819**  
Business Address

Attorney for Developer: **McCORRISTON MILLER MUKAI MacKINNON LLP** Phone: (808) 529-7300  
Name (Business)  
**Five Waterfront Plaza, Suite 400**  
**500 Ala Moana Boulevard**  
**Honolulu, Hawaii 96813**  
Business Address

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

**MEMBERS OF QEB LLC**

**Trudy Comba, Trustee of the Trudy Comba Trust**

**Larry M. Day and Anne L. Day**

**Scott Doty**

**Louis J. Dubuque, III, Trustee of the Louis J. Dubuque, III Revocable Living Trust, and Nancy T. Dubuque, Trustee of the Nancy T. Dubuque Revocable Living Trust**

**Brian J. Grossi and Marilyn Anne Woods, Trustees of the Woods-Grossi Family Trust**

**Douglass Henderson**

**Kenneth W. Kubiak, Trustee of the Kenneth W. Kubiak Trust, and Laura L. Kubiak, Trustee of the Laura L. Kubiak Trust**

**Gary W. Schreyer**

**Donald M. Schultz**

**Shioi Construction, Inc.**

**Michael D. Tom**

**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:

<input checked="" type="checkbox"/>	Proposed			Document No. _____
<input type="checkbox"/>	Recorded -	Bureau of Conveyances:		Book _____ Page _____
<input type="checkbox"/>	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:

<input checked="" type="checkbox"/>	Proposed			Condo Map No. _____
<input type="checkbox"/>	Recorded -	Bureau of Conveyances		Condo Map No. _____
<input type="checkbox"/>	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:

<input checked="" type="checkbox"/>	Proposed			Document No. _____
<input type="checkbox"/>	Recorded -	Bureau of Conveyances:		Book _____ Page _____
<input type="checkbox"/>	Filed -	Land Court		Document No. _____

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

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

The House Rules for this condominium are:

Proposed             Adopted             Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

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

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

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

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

\*\* **The House Rules may be amended by action of the Board of Directors of the Association of Apartment Owners of Villas on the Prince.**

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 Exhibit A**

III. 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: 4171 Lei O Papa Road Tax Map Key (TMK): (4) 5-4-006-01  
Princeville, Kauai, Hawaii 96722

[ ] Address [ ] TMK is expected to change because \_\_\_\_\_

Land Area: 7.611 [ ] square feet [ X ] acre(s) Zoning: R-15



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: See Exhibit B

Number of Occupants: \_\_\_\_\_

Other: See Exhibit B

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: N/A Stairways: ^ Trash Chutes: N/A

**^ 1 exterior and 2 interior stairways per Apartment**

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Lanai Area (sf)</u>	<u>Net Garage Area(sf)</u>
<u>AP1</u>	<u>9</u>	<u>3/3</u>	<u>1,761</u>	<u>63</u>	<u>199</u>
<u>AP1R</u>	<u>4</u>	<u>3/3</u>	<u>1,761</u>	<u>63</u>	<u>199</u>
<u>AP2</u>	<u>1</u>	<u>3/3</u>	<u>1,767</u>	<u>63</u>	<u>199</u>
<u>AP3</u>	<u>5</u>	<u>3/3</u>	<u>1,766</u>	<u>63</u>	<u>199</u>
<u>BP1</u>	<u>17</u>	<u>3/3</u>	<u>1,732</u>	<u>63</u>	<u>199</u>
<u>BP1R</u>	<u>17</u>	<u>3/3</u>	<u>1,732</u>	<u>211</u>	<u>208</u>
<u>BP2</u>	<u>6</u>	<u>3/3</u>	<u>1,781</u>	<u>211</u>	<u>208</u>

Total Number of Apartments: 59

**\*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:

**Each apartment consists of the spaces within the perimeter and party walls, windows, doors, floors and ceiling(s) of the respective apartment.**

Permitted Alterations to Apartments:

**See Exhibit C**

Apartments Designated for Owner-Occupants Only:

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

7. Parking Stalls:

Total Parking Stalls: 131

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned* (for each unit)	<u>59</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>59</u>
Guest	<u>      </u>	<u>13**</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>13**</u>
Unassigned	<u>      </u>	<u>59</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>59</u>
Extra for Purchase	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Other:	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Total Covered & Open:	<u>131**</u>	<u>      </u>	<u>0</u>	<u>      </u>	<u>0</u>	<u>      </u>	<u>131**</u>

Each apartment will have the exclusive use of at least 1 parking stall(s).  
Buyers are encouraged to find out which stall(s) will be available for their use.

\* **Comprising a part of the subject Apartment**

\*\* **Including one handicap stall**

- 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: See Exhibit D

9. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations

- There are no violations.                       Violations will not be cured.
- Violations and cost to cure are listed below:     Violations will be cured by \_\_\_\_\_  
(Date)

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

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

N/A

11. Conformance to Present Zoning Code

a.  No variances to zoning code have been granted.

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

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

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

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<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   D  .

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   D  .

as follows:

3. Common Interest: Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest". It is used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interests for the apartments in this project, as described in the Declaration, are:

described in Exhibit   E  .

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   as of August 27, 2001   and issued by   Title Guaranty of Hawaii, Incorporated  .

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.

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>
<b>Mortgage</b>	<b>If the Developer defaults before the apartment is conveyed to the buyer, the Mortgagee will have the right to decide whether to sell the apartment to the buyer under the Sales Contract. If the buyer's interest is terminated by the Mortgagee, then the buyer's deposit will be refunded to the buyer, less the escrow cancellation fee.</b>

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:

**See Exhibit G**

2. Appliances:

**See Exhibit G**

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

Construction is scheduled to commence in March 2002, and is scheduled to be completed in August 2003.

H. **Project Phases:**

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

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

**IV. CONDOMINIUM MANAGEMENT**

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

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

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

not affiliated with the Developer  the Developer or the Developer's affiliate.  
 self-managed by the Association of Apartment Owners  other \_\_\_\_\_

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

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your apartment and the apartment may be sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit H contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

- C. **Utility Charges for Apartments:**

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

None  Electricity ( Common Elements only  Common Elements & Apartments)  
 Gas ( Common Elements only  Common Elements & Apartments)  
 Water  Sewer  Television Cable  
 Other Refuse Collection and Telephone (Common Elements only)

## 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 I contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated as of August 1, 2001  
Exhibit J contains a summary of the pertinent provisions of the escrow agreement.
- Other \_\_\_\_\_

### B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
  - B) Declaration of Condominium Property Regime, as amended.
  - C) Bylaws of the Association of Apartment Owners, as amended.
  - D) House Rules, if any.
  - E) Condominium Map.
  - 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. 4723 filed with the Real Estate Commission on August 29, 2001.

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

1. Pursuant to sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that (a) Developer/Owner Kenneth Kubiak, RB 14431, is a current and active Hawaii-licensed real estate broker and the broker in charge for All Islands, Inc., the Developer's Real Estate Broker for the Villas on the Prince condominium project; and (b) Developer/Owner Louis J. Dubuque is a current and active Hawaii-licensed real estate salesperson with All Islands, Inc. Pursuant to section 16-99-11(c), HAR, "(n)o licensee shall be allowed to advertise 'For Sale by Owner', 'For Rent by Owner', 'For Lease by Owner', or 'For Exchange by Owner.' Also, Shioi Construction, Inc. is a current and active Hawaii-licensed contractor, and is the General Contractor for the Villas on the Prince condominium project.

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

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.

**QEB II LLC**

Printed Name of Developer

By:   
Name: **Donald M. Schultz**  
Title: **Managing Member**

August 29, 2001  
Date

By:   
Name: **Kenneth W. Kubiak**  
Title: **Managing Member**

August 29, 2001  
Date

Distribution:

Department of Finance, County of Kauai

Planning Department, County of Kauai

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

**DEVELOPER'S RIGHTS  
TO CHANGE THE DECLARATION,  
CONDOMINIUM MAP, BYLAWS OR HOUSE RULES**

1. Notwithstanding any other provision in the Declaration to the contrary, prior to (i) the time that all apartments in the Project have been sold and recorded, and (ii) the filing by the Developer of the "as built" verified statement (with plans, if applicable) required by Section 514A-12 of the Hawaii Revised Statutes (but in no event later than December 31, 2025), the Developer shall have the right, without the consent, approval or joinder of any apartment owner, (a) to make alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and the limited common elements appurtenant thereto) in the Project which is not sold and recorded; or (b) to make other alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) which make minor changes in any apartment in the Project or the common elements which do not affect the physical location, design or size of any apartment which has been sold and recorded; PROVIDED, HOWEVER, that as to (a) and (b) hereinabove, any such changes shall be reflected in an amendment to the Declaration as provided in Section 2 of Paragraph R of the Declaration. As used herein the term "sold and recorded" shall mean and refer to the sale of apartments in the Project, and the recording in the Bureau of Conveyances of the State of Hawaii of the apartment deeds transferring said apartments from the Developer to parties not signatory to the Declaration.
  
2. Notwithstanding the recording in the Bureau of Conveyances of the State of Hawaii of any or all apartment deeds conveying any or all of the apartments to any person, the Developer shall have the right to successively amend the Declaration (including the By-Laws and, when applicable, the Condominium Map), without the consent, approval or joinder of the persons then owning or leasing the apartments, to file the "as built" verified statement (with plans, if applicable) required by Section 514A-12, Hawaii Revised Statutes, as amended, (a) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans theretofore filed or being filed simultaneously with such amendment fully and accurately depict the layout, location, apartment numbers and dimensions of the apartments as built, or (b) so long as any plans filed therewith involve only changes to the layout, location, apartment numbers, dimensions of or other changes to the apartments and common elements as built which the Developer is permitted to make in accordance with Paragraph Q of the Declaration.
  
3. Until the recording in the Bureau of Conveyances of the State of Hawaii of apartment deeds covering all of the apartments in the Project (including all interests therein) in favor of parties not a signatory to the Declaration and other than to any mortgagee of the Developer, the Developer shall have the right to amend the Declaration, the By-Laws and the Condominium Map, without the consent, approval or joinder of any purchaser of an apartment or any interest therein (including any lessee), and to make such amendments as may be required by law, by the Real Estate Commission of the State of Hawaii, by any title insurance company issuing a title insurance policy on the Project or any of the apartments or any interest therein, by any institutional lender lending funds on the security of the Project or any of the apartments or any interest therein, or by any governmental agency of any state, territory, possession or foreign county or other foreign jurisdiction as a condition precedent to the marketing or sale of apartments or any interests therein in any such jurisdiction; provided, however, that no such amendment which would change the common interest appurtenant to an apartment or substantially change the design, location or size of an apartment shall be made without the consent to such amendment by all persons having an interest in such apartment.

## SPECIAL USE RESTRICTIONS

1. Nameplates and names shall be in the form approved by the Board of Directors and located only in the places designated by the Board of Directors.

2. Drapes shall be appropriately attached to windows or doors and shall be of a subdued tone and color.

3. No livestock, poultry, rabbits or other animals whatsoever, including but not limited to pests as defined in HRS §150A-2 or animals prohibited from importation under HRS §§141-2, 150A-5 or 150A-6, shall be allowed or kept in any part of the Project except that one dog (not to exceed forty pounds in weight), or one cat or one other household pet as allowed by the Board of Directors may be kept in an apartment but shall not be kept, bred, or used therein for any commercial, profit making, or money generating purposes, nor allowed on any common elements except in transit when carried or on leash. Any authorized pet may be kept in an apartment on the following terms and conditions:

a. All pets must be registered with the Board of Directors through the Resident Manager or Managing Agent.

b. The apartment owner(s) and tenant(s) of an apartment with a pet shall indemnify and hold the Board of Directors, the Resident Manager, and the Managing Agent harmless from and against any and all claims, liabilities, or damages arising out of the presence of such pet in the apartment and the Project.

c. The apartment owner(s) agrees in writing to allow the apartment owner's tenant(s) to keep a pet in the apartment.

d. The apartment owner(s) and tenant(s) owning or having custody of a dog must (a) obtain a liability insurance policy with reasonable coverage and including the Board of Directors and the AOA Villas of Kamali'i as additional insureds and provide a current certificate of such insurance to the Board of Directors or Managing Agent; (b) diligently and promptly pick up and dispose of any solid waste discharged by the dog on any walkway, open area or other part of the common elements.

e. Failure to register a pet or provide the required indemnity or certificate of insurance shall be grounds for the Board of Directors to order that the pet be permanently removed from the apartment and Project upon notice given by the Board of Directors, the Resident Manager or the Managing Agent.

Notwithstanding the foregoing, Owners, occupants, and guests may keep certified guide dogs, signal dogs or other animals upon which a person depends for assistance within the Project and shall be allowed to walk such animals throughout the common elements while on a leash; provided that such animals shall at all times be accompanied by the individual to whom such animal belongs while present upon the common elements.

If any pet or certified guide dog, signal dog or other animal upon which a person depends for assistance within the Project causes a nuisance or unreasonable disturbance, the owner shall be given an opportunity to rectify the problem. If the animal continues to cause a nuisance or unreasonable disturbance, the Board of Directors may require the pet or animal, including certified guide animal or signal animal, to be removed from the Project within a reasonable time period. Any pet or certified guide dog, signal dog or other animal upon which a person depends for assistance within the Project that presents a danger to any person within the Project shall be permanently and promptly removed from the apartment upon notice given by the Board of Directors or Managing Agent.

4. Balconies and lanais may be furnished appropriately with typical lanai furniture which includes chairs, lounges, and tables, which shall be kept in an orderly fashion and maintained in good, clean condition. Balconies and lanais will not be used for storage areas for sports and play equipment, nor surplus cartons, boxes, or any other type of excess belongings. Any furniture, plants, or other articles which, in the opinion of the Board of Directors, are unsightly, shall be removed and kept from the balconies and lanais upon request by the Board of Directors.

5. Boats, canoes, rafts, jet skis or other navigable craft and bicycles, motorcycles, mopeds and other transportation vehicles may be stored, maintained or repaired within the enclosed garage; provided that the enclosed garage shall continue to be used primarily for the parking and storing of automobile(s); provided, further, that minor repairs taking no more than eight (8) hours shall be permitted.

6. Contractors, other than those employed to provide services to the AOAO Villas of Kamali'i, will be permitted on the premises Monday through Saturday 8:00 a.m. to 5:00 p.m. except in emergencies.

7. No signs, signals, lettering or decorative items shall be attached or exposed on any part of the building, lanais or the exterior door of any apartment, except for a sign indicating the apartment number and name of the occupant, without the prior approval by the Board of Directors. Reasonable holiday decorations are exempt from this rule as long as they are affixed in a temporary manner.

8. There shall be no shooting or use of fireworks of any type at any time in, from or around any apartment or the common and limited common elements except by special permission in writing from the Board of Directors. There shall be no shooting or use of firearms of any type at any time in, from or around any apartment or the common and limited common elements.

9. An apartment shall be used only for family living accommodations and shall not be used for business or any other purposes; provided, however, this provision shall not affect such apartments from being rented or leased for residential or living accommodations.

10. No vehicles may be parked along the main roadways. Residents of any one apartment may not bring more than two (2) vehicles on the Project at any one time. Residents shall park their vehicles only in the garage attached to their apartment as provided in the Declaration. No other vehicles shall park in the driveway of any apartment except on a temporary basis. "Temporary" shall mean not on a daily basis.

11. Guests may park in designated guest stalls for not more than twelve (12) hours per day and not more than three (3) consecutive days without prior approval of management. Designated guest stalls may not be utilized for any activity except parking of guest vehicles. Residents may not park in a designated guest stall without approval of management. "Stacking" of vehicles one behind another in guest stalls is not permitted.

## PERMITTED ALTERATIONS TO APARTMENTS

1. The owner of any apartment may make any alterations or additions within the owner's apartment.
2. The owner of any two (2) adjacent apartments which are separated by a common element that is a wall, with only the approval required hereinbelow, may alter or remove all or portions of the intervening wall, if the structural integrity of the building is not thereby adversely affected and if the finish of the common element then remaining is then restored to a condition substantially comparable to that of the common element prior to such alterations. The owner of any two (2) such adjacent apartments may install a door or doors to such opening or openings in the intervening common element. Alterations or additions within any such adjacent apartments shall require only the written approval thereof, including the apartment owner's plans therefor, by the holders of first mortgage liens affecting such apartments (if the lien holders require such approval), by the appropriate agencies of the State of Hawaii and the County of Kauai (if such agencies so require), by the Board of Directors (which approval shall not be unreasonably or arbitrarily withheld or delayed), and by all other apartment owners thereby directly affected (as determined in a reasonable manner by the Board of Directors), and such alterations or additions may be undertaken without an amendment to the Declaration or filing of a complete set of floor plans of the Project as so altered; provided, however, if the alterations or additions are substantial in nature, as reasonably determined by the Board of Directors, the Board of Directors may require that the owner of the apartment provide evidence satisfactory to the Board of Directors of sufficient financing to complete such alterations or additions or, in lieu thereof, require that the owner obtain a performance and labor and materials payment bond, naming as obligees the Board of Directors, the Association and collectively all apartment owners and their respective mortgagees of record, as their interests may appear, for a penal sum of not less than one hundred percent (100%) of the estimated cost of such construction. Prior to the termination of the common ownership of any such adjacent apartments, if the intervening wall shall have been altered or removed pursuant to the foregoing provisions and/or any entry to hallways sealed, the owner of such apartments shall be obligated to restore such intervening wall and/or hallway entries to substantially the same condition in which the same existed prior to such alteration or removal.
3. Prior to (i) the time that all apartments in the Project have been sold and recorded, and (ii) the filing by the Developer of the "as built" verified statement (with plans, if applicable) required by Section 514A-12 of the Hawaii Revised Statutes (but in no event later than December 31, 2025), the Developer shall have the right, without the consent, approval or joinder of any apartment owner, to (a) to make alterations in the Project (and/or to amend the Declaration and the Condominium Map accordingly) which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and the limited common elements appurtenant thereto) in the Project which is not sold and recorded; or (b) make other alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) which make minor changes in any apartment in the Project or the common elements which do not affect the physical location, design or size of any apartment which has been sold and recorded; PROVIDED, HOWEVER, that as to (a) and (b) hereinabove, any such changes shall be reflected in an amendment to the Declaration as provided in Section 2 of Paragraph R of the Declaration. As used herein the term "sold and recorded" shall mean and refer to the sale of apartments in the Project, and the filing in the Office of the Assistant Registrar of the Land Court of the State of Hawaii of the apartment deeds transferring said apartments from the Developer to parties not signatory to the Declaration.

## THE COMMON ELEMENTS

Common Elements. The Common Elements are comprised of all portions of the Project with the exception of the Apartments, and include specifically, but are not limited to:

1. The Land in fee simple;
2. All roads, driveways, access lanes, paved areas, ramps and loading areas;
3. All parking stalls and parking areas except for the parking garages, which comprise a portion of the Apartments;
4. All yards, grounds, gardens, walkways, walkway railings, landscaping and refuse facilities not located within an Apartment;
5. The swimming pool and appurtenant deck area and barbecue areas;
6. All restroom facilities not located within an Apartment;
7. The maintenance building;
8. All foundations, floor slabs, columns, girders, beams, supports, perimeter, party and load-bearing walls and partitions (excluding the finishes thereon), roofs and stairways (excluding any private stairway located within and serving only an Apartment);
9. All vents, shafts, sewer lines, pipes, cables, conduits, ducts, electrical equipment, wiring and other central and appurtenant transmission facilities and installations on, above, over, under and across the Project to the point of their respective connections to Improvements comprising a part of the Apartments or the Limited Common Elements appurtenant thereto, including, without limitation, those providing electricity, light, gas (if any), water, air conditioning, sewer, refuse, telephone, and radio and television signal distribution (if any) to more than one Apartment;
10. Any and all other apparatus and installations existing for common use by more than one (1) Apartment, and any and all other parts of the Project necessary or convenient to its existence, maintenance or safety, or normally in common use; and
11. All mailboxes.

Limited Common Elements. The Limited Common Elements are those certain parts of the Common Elements which are designated and set aside for the exclusive use of certain Apartments as follows:

1. Each apartment shall have for its exclusive use one (1) mailbox bearing the same number as such apartment.
2. Each apartment shall have for its exclusive use the courtyard area located either between the entry and garage on the ground level of such apartment or adjacent to the master retreat on the lower level of such apartment, as shown on the Condominium Map.

3. Each apartment shall have for its exclusive use the exterior stairway and entry leading to the front door to the apartment.

## THE APARTMENTS

<u>Apt. No.</u>	<u>Bldg. Type</u>	<u>Apt. Type</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)</u>	<u>Net Lanai Area (sf)</u>	<u>Net Garage Area (sf)</u>	<u>Net Total Area (sf)</u>	<u>% Common Interest</u>
1	A2.1	AP1	3/3	1,761	63	199	2,023	1.5915
2	A2.1	AP3	3/3	1,766	63	199	2,028	1.5954
3	A2.1	AP1	3/3	1,761	63	199	2,023	1.5915
4	A2.1	AP3	3/3	1,766	63	199	2,028	1.5954
5	A2	AP1	3/3	1,761	63	199	2,023	1.5915
6	A2	AP1R	3/3	1,761	63	199	2,023	1.5915
7	A2	AP1	3/3	1,761	63	199	2,023	1.5915
8	A2	AP1R	3/3	1,761	63	199	2,023	1.5915
9	A2.1	AP1	3/3	1,761	63	199	2,023	1.5915
10	A2.1	AP3	3/3	1,766	63	199	2,028	1.5954
11	B2	BP1	3/3	1,795	211	213	2,219	1.7457
12	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
13	B3	BP1	3/3	1,795	211	213	2,219	1.7457
14	B3	BP2	3/3	1,776	211	213	2,200	1.7306
15	B3	BP1R	3/3	1,795	211	213	2,219	1.7457
16	A2	AP1	3/3	1,761	63	199	2,023	1.5915
17	A2	AP1R	3/3	1,761	63	199	2,023	1.5915

<u>Apt. No.</u>	<u>Bldg. Type</u>	<u>Apt. Type</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)</u>	<u>Net Lanai Area (sf)</u>	<u>Net Garage Area (sf)</u>	<u>Net Total Area (sf)</u>	<u>% Common Interest</u>
18	B3	BP1	3/3	1,795	211	213	2,219	1.7457
19	B3	BP2	3/3	1,776	211	213	2,200	1.7306
20	B3	BP1R	3/3	1,795	211	213	2,219	1.7457
21	B2	BP1	3/3	1,795	211	213	2,219	1.7457
22	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
23	B3	BP1	3/3	1,795	211	213	2,219	1.7457
24	B3	BP2	3/3	1,776	211	213	2,200	1.7306
25	B3	BP1R	3/3	1,795	211	213	2,219	1.7457
26	B3	BP1	3/3	1,795	211	213	2,219	1.7457
27	B3	BP2	3/3	1,776	211	213	2,200	1.7306
28	B3	BP1R	3/3	1,795	211	213	2,219	1.7457
29	B2	BP1	3/3	1,795	211	213	2,219	1.7457
30	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
31	B3	BP1	3/3	1,795	211	213	2,219	1.7457
32	B3	BP2	3/3	1,776	211	213	2,200	1.7306
33	B3	BP1R	3/3	1,795	211	213	2,219	1.7457
34	B3	BP1	3/3	1,795	211	213	2,219	1.7457
35	B3	BP2	3/3	1,776	211	213	2,200	1.7306
36	B3	BP1R	3/3	1,795	211	213	2,219	1.7457
37	B2	BP1	3/3	1,795	211	213	2,219	1.7457
38	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
39	B2	BP1	3/3	1,795	211	213	2,219	1.7457
40	B2	BP1R	3/3	1,795	211	213	2,219	1.7457

EXHIBIT E  
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<u>Apt. No.</u>	<u>Bldg. Type</u>	<u>Apt. Type</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)</u>	<u>Net Lanai Area (sf)</u>	<u>Net Garage Area (sf)</u>	<u>Net Total Area (sf)</u>	<u>% Common Interest</u>
41	B2	BP1	3/3	1,795	211	213	2,219	1.7457
42	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
43	B2	BP1	3/3	1,795	211	213	2,219	1.7457
44	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
45	B2	BP1	3/3	1,795	211	213	2,219	1.7457
46	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
47	B2	BP1	3/3	1,795	211	213	2,219	1.7457
48	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
49	B2	BP1	3/3	1,795	211	213	2,219	1.7457
50	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
51	B2	BP1	3/3	1,795	211	213	2,219	1.7457
52	B2	BP1R	3/3	1,795	211	213	2,219	1.7457
53	A3	AP1	3/3	1,761	63	199	2,023	1.5915
54	A3	AP2	3/3	1,767	63	199	2,029	1.5961
55	A3	AP1R	3/3	1,761	63	199	2,023	1.5915
56	A2.1	AP1	3/3	1,761	63	199	2,023	1.5915
57	A2.1	AP3	3/3	1,766	63	199	2,028	1.5954
58	A2.1	AP1	3/3	1,761	63	199	2,023	1.5915
59	A2.1	AP3	3/3	1,766	63	199	2,028	1.5954
Total				105,176	9,637	12,301	127,114	100.00

EXHIBIT E  
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## DESCRIPTION OF FLOOR PLANS BY APARTMENT TYPE

1. Apartment Type AP1. Each apartment is a two-story apartment containing nine (9) rooms. The first floor contains a foyer, an under-staircase storage area, two (2) bedrooms, two (2) bathrooms, a den/study and a one-car garage, and is connected by an interior stairway to the second floor, which contains a living/dining room, a lanai, a kitchen, one (1) bedroom and one (1) bathroom. Each apartment has a net living area of approximately 1,761 square feet, a net lanai area of 63 square feet, and a net garage area of approximately 199 square feet.
2. Apartment Type AP1R. Each apartment is a two-story apartment containing nine (9) rooms. The first floor contains a foyer, an under-staircase storage area, two (2) bedrooms, two (2) bathrooms, a den/study and a one-car garage, and is connected by an interior stairway to the second floor, which contains a living/dining room, a lanai, a kitchen, one (1) bedroom and one (1) bathroom. Each apartment has a net living area of approximately 1,761 square feet, a net lanai area of 63 square feet, and a net garage area of approximately 199 square feet.
3. Apartment Type AP2. The apartment is a two-story apartment containing nine (9) rooms. The first floor contains a foyer, an under-staircase storage area, two (2) bedrooms, two (2) bathrooms, a den/study and a one-car garage, and is connected by an interior stairway to the second floor, which contains a living/dining room, a lanai, a kitchen, one (1) bedroom and one (1) bathroom. The apartment has a net living area of approximately 1,767 square feet, a net lanai area of 63 square feet, and a net garage area of approximately 199 square feet.
4. Apartment Type AP3. Each apartment is a two-story apartment containing nine (9) rooms. The first floor contains a foyer, an under-staircase storage area, two (2) bedrooms, two (2) bathrooms, a den/study and a one-car garage, and is connected by an interior stairway to the second floor, which contains a living/dining room, a lanai, a kitchen, one (1) bedroom and one (1) bathroom. Each apartment has a net living area of approximately 1,766 square feet, a net lanai area of 63 square feet, and a net garage area of approximately 199 square feet.
5. Apartment Type BP1. Each apartment is a two-story apartment containing nine (9) rooms. The main floor is a split level, which contains a foyer, one (1) bedroom, one (1) bathroom and a one-car garage at the street level, with an interior stairway connection to the upper level, which contains a kitchen, a living/dining room, one (1) bedroom, one (1) bathroom and two (2) lanais at the upper level. The main floor is connected by a second interior stairway to the lower floor, which contains a laundry area, a storage room, one (1) bedroom, one (1) bathroom, a master retreat area and a lanai. Each apartment has a net living area of approximately 1,795 square feet, a net lanai area of 211 square feet, and a net garage area of approximately 213 square feet.
6. Apartment Type BP1R. Each apartment is a two-story apartment containing nine (9) rooms. The main floor is a split level, which contains a foyer, one (1) bedroom, one (1) bathroom and a one-car garage at the street level, with an interior stairway connecting to the upper level, which contains a kitchen, a living/dining room, one (1) bedroom, one (1) bathroom and two (2) lanais at the upper level. The main floor is connected by a second interior stairway to the lower floor, which contains a laundry area, a storage room, one (1) bedroom, one (1) bathroom, a master retreat area and a lanai. Each apartment has a net living area of approximately 1,795 square feet, a net lanai area of 211 square feet, and a net garage area of approximately 213 square feet.
7. Apartment Type BP2. Each apartment is a two-story apartment containing nine (9) rooms. The main floor is a split level, which contains a foyer, one (1) bedroom, one (1) bathroom and a one-car garage at the street level, with an interior stairway connection to the upper level, which contains a

kitchen, a living/dining room, one (1) bedroom, one (1) bathroom and two (2) lanais at the upper level. The main floor is connected by a second interior stairway to the lower floor, which contains a laundry area, a storage room, one (1) bedroom, one (1) bathroom, a master retreat area and a lanai. Each apartment has a net living area of approximately 1,776 square feet, a net lanai area of 211 square feet, and a net garage area of approximately 213 square feet.

## ENCUMBRANCES AGAINST TITLE

1. Any and all real property taxes that may be due and owing to the County of Kauai.
  
2. DESIGNATION OF EASEMENT "D-7" (10 feet wide)  
  
PURPOSE: surface drainage  
SHOWN: on File Plan No. 1179
  
3. Declaration of Restrictions, Covenants and Conditions by Eagle County Development Corporation, dated March 1, 1971, recorded in Liber 7444 at Page 93, as amended.  
  
By Declaration of Declarant dated May 16, 1985, recorded in Liber 18662 at Page 485, Princeville Development Corporation was declared and designated the Declarant under said Declaration.  
  
The interest of Princeville Development Corporation was assigned to Princeville at Hanalei Community Association, a nonprofit corporation, by Notice of Transfer and Assignment dated May 1, 1990, recorded as Document No. 90-120777.  
  
The interest of Princeville Corporation, a Colorado corporation was assigned to Princeville at Hanalei Community Association, a Hawaii non-profit corporation, by Notice of Delegation, Transfer and Assignment dated January --, 1994, recorded as Document No. 94-009984.
  
4. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:  
  
INSTRUMENT: DEED  
  
DATED: March 30, 1979  
RECORDED: Liber 13590 Page 408
  
5. Grant in favor of PRINCEVILLE DEVELOPMENT CORPORATION, dated October 8, 1980, recorded in Liber 15068 at Page 17; granting a perpetual easement for golf course access and golf cart and golf course maintenance equipment roadway purposes, over, under and across a portion of the land described herein, said easement being more particularly described as per survey of Wesley M. Thomas, Registered Professional Land Surveyor, dated January 3, 1980, to-wit:

Access Easement  
Over and across Lot 3 Princeville at Hanalei Parcel 1-A,  
Unit VI, (F. P. 1179)  
In favor of

Consolidated Oil & Gas, Inc.

Being a portion of Grant 4845 to Albert S. Wilcox.

Beginning at the northerly corner of this parcel of land being, also, the northerly corner of Lot 3, Princeville at Hanalei, Parcel 1-A, Unit VI, (F. P. 1179) and on the east side of Lei O Papa Road (Road "A", Princeville at Hanalei, Parcel 1-A, Unit VI, (F. P. 1179)), the coordinates of which referred to Government Survey Triangulation Station "POOKU" being 4,939.99 feet north and 6,160.91 feet west and running by azimuths measured clockwise from true South:

- |    |      |     |     |        |   |
|----|------|-----|-----|--------|---|
| 1. | 345° | 48' | 04" | 128.00 | feet along the remainder of Grant 4845 to Albert S. Wilcox; |
| 2. | 151° | 00' |     | 46.00  | feet along the remainder of Grant 4845 to Albert S. Wilcox; |
| 3. | 141° | 00' |     | 53.23  | feet along the remainder of Grant 4845 to Albert S. Wilcox; |

Thence, along the east side of Lei O Papa Road (Road "A", Princeville at Hanalei, Parcel 1-A, Unit VI, (F. P. 1179)) on a curve to the right with a radius of 375.00 feet, the chord azimuth and distance being:

- |    |      |     |     |       |   |
|----|------|-----|-----|-------|---|
| 4. | 209° | 52' | 29" | 49.00 | feet to the point of beginning and containing an area of 1,995 square feet, more or less. |
|----|------|-----|-----|-------|---|

6. GRANT

TO: PRINCEVILLE AT HANAIEI COMMUNITY ASSOCIATION, a non-profit corporation

DATED: November 12, 1987  
RECORDED: Liber 21516 Page 321  
GRANTING: an easement over said Easement "D-7"

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

**INSTRUMENT:**

DATED: April 13, 1988  
RECORDED: Liber 22130 Page 667  
PARTIES: PRINCEVILLE DEVELOPMENT CORPORATION, a Colorado corporation, PRINCEVILLE UTILITIES COMPANY, INC., a Hawaii corporation, and PRINCEVILLE WATER SYSTEMS, INC., a Hawaii corporation DEPARTMENT OF WATER, COUNTY OF KAUAI

8. **MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT**

MORTGAGOR: QEB II LLC, a Hawaii limited liability company  
MORTGAGEE: INTER-PACIFIC CONECTION, LTD., a Hawaii corporation  
DATED: April 9, 2001  
RECORDED: Document No. 2001-133475  
AMOUNT: \$1,400,000.00

9. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.

## CONSTRUCTION WARRANTIES

### 1. Building and Other Improvements.

The construction contract for the Project (the "Construction Contract") contains a clause which provides in pertinent part that:

"If, within one year after the Date of Substantial Completion of the Work or designated portion thereof, or after the date for commencement of warranties established under Subparagraph 9.9.1, or by terms of an applicable special warranty required by the Contract Documents, any of the Work is found to be not in accordance with the requirements of the Contract Documents, the Contractor shall correct it promptly after receipt of written notice from the Owner to do so unless the Owner has previously given the Contractor a written acceptance of such condition. This period of one year shall be extended with respect to portions of Work first performed after Substantial Completion by the period of time between Substantial Completion and the actual performance of the Work. This obligation under this Subparagraph 12.2.2 shall survive acceptance of the Work under the Contract and termination of the Contract."

The Developer makes no warranties itself, but the Developer agrees that the closing of the sale of any apartment in the Project shall constitute an assignment by the Developer to the purchaser of the apartment (the "Purchaser") of any and all warranties given to the Developer by the contractor(s) for the Project in connection with the apartment, including any contractor's agreement to promptly correct any of its work found to be defective or not in conformance with the Construction Contract following the "Date of Substantial Completion of the Work", as defined in the Construction Contract. The benefit of such agreement shall accrue to the Purchaser on closing without further instruments or documents. The Developer shall cooperate with the Purchaser during the effective period of such agreement in asserting any claims based on any such warranty. The Developer is not adopting the contractor's warranty or acting as co-warrantor, but is merely attempting to pass through to any Purchaser the benefit of such contractor's warranty, if any.

### 2. Appliances.

The closing of the sale of any apartment in the Project shall also constitute the assignment by the Developer to the Purchaser, for the unexpired term, if any, of any manufacturer's or dealer's warranties covering any furnishings, fixtures and appliances that are part of the apartment. The Developer is merely attempting to pass through to the Purchaser any such manufacturer's or dealer's warranties; the Developer is not adopting any such warranties or acting as co-warrantor with respect to any furnishings, fixtures or appliances. The terms of the manufacturer's or dealer's written warranties will be available for the Purchaser's examination at the Developer's sales office.

\*\*\*\*\*

Except for the agreements set forth hereinabove, THE DEVELOPER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO ANY APARTMENT, THE PROJECT, ANY CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN ANY APARTMENT OR IN THE PROJECT, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS OF ANY APARTMENT FOR A PARTICULAR PURPOSE.

VILLAS OF KAMALI'I

ESTIMATED INITIAL MONTHLY MAINTENANCE FEES

As of August 24, 2001

<u>Apt. No.</u>	<u>% Common Interest</u>	<u>Estimated Monthly Maintenance Fees</u>
1	1.5915	\$ 339.13
2	1.5954	\$ 339.96
3	1.5915	\$ 339.13
4	1.5954	\$ 339.96
5	1.5915	\$ 339.13
6	1.5915	\$ 339.13
7	1.5915	\$ 339.13
8	1.5915	\$ 339.13
9	1.5915	\$ 339.13
10	1.5954	\$ 339.96
11	1.7457	\$ 371.99
12	1.7457	\$ 371.99
13	1.7457	\$ 371.99
14	1.7306	\$ 368.77
15	1.7457	\$ 371.99
16	1.5915	\$ 339.13
17	1.5915	\$ 339.13
18	1.7457	\$ 371.99
19	1.7306	\$ 368.77
20	1.7457	\$ 371.99
21	1.7457	\$ 371.99
22	1.7457	\$ 371.99
23	1.7457	\$ 371.99

<u>Apt. No.</u>	<u>% Common Interest</u>	<u>Estimated Monthly Maintenance Fees</u>
24	1.7306	\$ 368.77
25	1.7457	\$ 371.99
26	1.7457	\$ 371.99
27	1.7306	\$ 368.77
28	1.7457	\$ 371.99
29	1.7457	\$ 371.99
30	1.7457	\$ 371.99
31	1.7457	\$ 371.99
32	1.7306	\$ 368.77
33	1.7457	\$ 371.99
34	1.7457	\$ 371.99
35	1.7306	\$ 368.77
36	1.7457	\$ 371.99
37	1.7457	\$ 371.99
38	1.7457	\$ 371.99
39	1.7457	\$ 371.99
40	1.7457	\$ 371.99
41	1.7457	\$ 371.99
42	1.7457	\$ 371.99
43	1.7457	\$ 371.99
44	1.7457	\$ 371.99
45	1.7457	\$ 371.99
46	1.7457	\$ 371.99
47	1.7457	\$ 371.99
48	1.7457	\$ 371.99
49	1.7457	\$ 371.99
50	1.7457	\$ 371.99
51	1.7457	\$ 371.99
52	1.7457	\$ 371.99
53	1.5915	\$ 339.13

<u>Apt. No.</u>	<u>% Common Interest</u>	<u>Estimated Monthly Maintenance Fees</u>
54	1.5961	
55	1.5915	\$ 339.13
56	1.5915	\$ 339.13
57	1.5954	\$ 339.96
58	1.5915	\$ 339.13
59	1.5954	\$ 339.96
Total	100.00	\$21,308.88

**VILLAS OF KAMALI'I**  
**ESTIMATED MONTHLY MAINTENANCE FEE DISBURSEMENTS**

As of August 24, 2001

MONTHLY BUDGET ANALYSIS FOR:	<b>Villas of Kamali'i</b>	
9/1/01-12/31/02	2002 Budget	
REVENUE:		0
FEES, DUES & RECEIPTS	20943	
ASSESSMENTS	200	
TAXABLE INCOME	166	
<b>TOTAL REVENUES</b>	<b>21309</b>	
EXPENSES:		
OPERATING EXPENSES:		
ADMINISTRATIVE COSTS	310	
PROPERTY MANAGEMENT	649	
OTHER PROFESSIONAL	170	
ELECTRICITY	1000	
WATER	800	
SEWER	2500	
TELEPHONE	60	
GAS	300	
EXTERMINATING	200	
RUBBISH REMOVAL	1200	
CUSTODIAL	400	
MAINTENANCE	4700	
AMENITIES	570	
TAXES	300	
FIXED EXPENSE	1000	
INSURANCE	4484	
<b>TOTAL OPERATING EXPENSES:</b>	<b>18643</b>	
NON-OPERATING EXPENSES:		
CAPITAL EXPENSE	0	
DEPRECIATION EXPENSE	0	
<b>TOTAL NON-OPERATING EXPENSES:</b>	<b>0</b>	
<b>TOTAL EXPENSES</b>	<b>18643</b>	
<b>NET INCOME</b>	<b>2666</b>	

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RESERVE FUND TRANSFERS:	
TRANSFER CLEARING-FROM RESERVES	0
TRANSFER CLEARING-TO RESERVES	2666
<b>NET RESERVE TRANSFERS</b>	<b>-2666</b>
<b>NET INCOME &amp; NET RESERVE TRANSFERS</b>	<b>0</b>

NOTE: The budgeted revenues and expenses are based on accrual-basis accounting.

QEB II LLC, the developer of the Villas of Kamali'i condominium project (the "Project"), hereby certifies that the estimated initial monthly maintenance fees and the estimated monthly maintenance fee disbursements for the Project set forth in this Exhibit H were prepared in accordance with generally accepted accounting principles.

Pursuant to §514A-83.6, Hawaii Revised Statutes, 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. Accordingly, QEB II LLC has not conducted a reserve study for the Project.

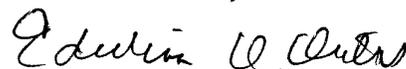
QEB II LLC

By:   
Name: Donald M. Schultz  
Title: Managing Member

By:   
Name: Kenneth W. Kubiak  
Title: Managing Member

Date: August 23, 2001

Subscribed and sworn to before me  
this 23<sup>rd</sup> day of August, 2001.

  
Notary Public, State of Hawaii  
Name: EDERLINA O. ORTAL  
My Commission expires: 2-06-04

## SUMMARY OF SALES CONTRACT

The specimen Condominium Purchase Agreement, Deposit Receipt and Contract ("Purchase Agreement") contains, among others, the following terms and provisions (which may be modified or otherwise limited by provisions not summarized):

1. The Purchase Price shall be paid in three (3) payments, the last of which shall be paid to the escrow agent, subject to other terms, on the earlier of (a) the Date of Pre-closing, or (b) three (3) days prior to the Date of Closing, except that mortgage proceeds from Buyer's Permanent Loan may be paid one (1) day prior to the Date of Closing.

2. The Purchase Price does not include the Project start-up fee, closing costs, prorations, and additional costs payable by Buyer under the Purchase Agreement.

3. Until (i) the Real Estate Commission of the State of Hawaii ("Commission") has issued an effective date for a Final Public Report for the Project, (ii) Buyer has received for or is deemed to have received for the Final Public Report, and (iii) Buyer has waived or is deemed to have waived Buyer's right to cancel under Hawaii Revised Statutes ("H.R.S.") §514A-62, the Purchase Agreement does not constitute a binding sales contract and may be terminated by either Buyer or Seller by written notice of such termination delivered to the other party.

4. Buyer has received a copy of the Declaration, By-Laws, House Rules, public report(s) for the Project, form of Apartment Deed, and Escrow Agreement, and Buyer acknowledges that Buyer has had an adequate opportunity to read those documents and to examine the Project plans, and Buyer accepts such documents and plans with such changes and modifications as the Project architect may deem necessary.

5. Within thirty (30) days after the date Seller accepts the Purchase Agreement, Buyer must submit to Seller evidence of Buyer's ability to pay the Purchase Price.

6. If Buyer will be utilizing mortgage financing to pay a portion of the Purchase Price, then:

(i) If the Purchase Agreement is executed prior to the issuance of the Final Public Report on the Project, Buyer must submit to Seller a pre-qualification letter from Norwest Mortgage, Inc. or such other financial institution as Seller shall designate as its Pre-Qualification Agent, within thirty (30) days of Seller's acceptance of the Purchase Agreement. If such pre-qualification letter is not obtained by Buyer within the required time, Seller or Buyer shall have the option to terminate the Purchase Agreement.

(ii) Buyer must submit to Seller a firm written commitment for Buyer's Permanent Loan from Buyer's Permanent Lender within thirty (30) days from the date of delivery to Buyer of the Final Public Report (or within forty-five (45) days if Buyer is not a resident of the State of Hawaii). If said written commitment is issued more than one hundred twenty (120) days prior to the Date of Closing, Buyer agrees to submit all verifications, authorizations, certifications, tax returns, and other documents that may be required by Buyer's Permanent Lender to reconfirm the written commitment for Buyer's Permanent Loan. If Buyer's application for mortgage financing is not approved within thirty (30) days from the date of delivery to Buyer of the Final Public Report (or within forty-five (45) days if Buyer is not a resident of the State of Hawaii), either Buyer or Seller may terminate the Purchase Agreement, provided that Buyer's option to terminate must be exercised, if at all, within forty-five (45) days after delivery to Buyer of the Final Public Report (or within sixty (60) days if Buyer is not a resident of the State of Hawaii).

EXHIBIT I

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7. If Buyer will be paying the entire Purchase Price in cash, then within (i) thirty (30) days after Buyer's receipt for the Final Public Report, and (ii) if Seller so requires, no later than thirty (30) days, and no earlier than ninety (90) days prior to the Date of Closing, Buyer must submit to Seller written evidence from Buyer's bankers or accountants or other persons reconfirming Buyer's ability to pay the Purchase Price in cash on the Date of Closing. If Seller, in its sole discretion, is not satisfied as to Buyer's continued ability to make such cash payments, then Seller may terminate the Purchase Agreement.

8. All payments made by Borrower under the Purchase Agreement will be deposited with Escrow under the terms of the Escrow Agreement.

9. Seller has reserved the right to make certain modifications to the Declaration, By-Laws, House Rules, Apartment Deed, and other documents as may be required by law, any title insurance company, any institutional mortgagee, or any governmental agency, or as Seller otherwise deems appropriate.

10. Buyer acknowledges that construction may continue on the site after Buyer has occupied the Apartment, and sales activities will continue until the last unsold apartment in the Project has been sold.

11. The Purchase Agreement shall not be construed as a present transfer of any interest in the Apartment, but is an agreement to transfer in the future.

12. Buyer waives, relinquishes, and subordinates the priority or superiority of any lien or any other legal or equitable interest arising under the Purchase Agreement in favor of the lien or charge on the Project or the security interests of the Lender, including but not limited to any lien, mortgage, or other charge securing a loan made to finance the acquisition of the land and the costs of construction and other costs during such construction and any and all advances therefor, whether contractual or voluntary, until the final closing and delivery by Seller of an apartment deed to Buyer.

13. Buyer consents to Seller's assignment to Lender, as security, of Seller's interests in the Purchase Agreement and Buyer's deposits with Escrow. In the event Lender acquires Seller's interest in the Purchase Agreement pursuant to said assignment, Buyer will, at Lender's option, perform to, attorn to, and recognize Lender as the Seller under the Purchase Agreement.

14. The estimated completion date of the Project, March 31, 2001, is an approximate date given to the best of Seller's information and belief. If the Project is not completed and ready for occupancy within twelve (12) months after the estimated completion date, then at the sole option of Seller, the obligations of both Buyer and Seller under the Purchase Agreement shall terminate.

15. So long as Seller owns an interest in any apartment in the Project, and until the election of the Board of Directors and officers of the Association of Apartment Owners, Seller may exercise all of the powers of the Board of Directors and officers.

16. In the event that the development and construction of the Project is delayed due to any governmental restrictions or regulations enacted after the date of acceptance of the Purchase Agreement by Seller, or by the occurrence of a contingency, the nonoccurrence of which was a basic assumption on which the Purchase Agreement was made, and Seller determines that increases in the development and construction costs due to such delay require increases in the sales price of apartments to maintain financial feasibility of the Project, Seller may increase the Purchase Price of the Apartment, and after Buyer's receipt of notice of such increase in the Purchase Price, Buyer shall have fifteen (15) days within which to cancel the Agreement. Seller reserves the right, from time to time, to increase or decrease the listed purchase price of any unsold apartment in the Project.

17. After Buyer has receipted for or is deemed to have receipted for the Final Public Report, and Buyer has waived or is deemed to have waived Buyer's right to cancel under H.R.S. §514A-62, Buyer may terminate the Purchase Agreement only if there is a material change in the Project (other than a change made pursuant to the Declaration) which directly, substantially, and adversely affects the use or value of the Apartment or appurtenant limited common elements or the amenities of the Project available for Buyer's use. The foregoing rescission right may be waived as provided in H.R.S. §514A-63.

18. Seller may terminate the Purchase Agreement if (i) Buyer fails to make any payment when due under the Purchase Agreement, or (ii) Buyer fails to furnish to Seller satisfactory evidence of Buyer's ability to pay the Purchase Price, or (iii) if Buyer is paying the Purchase Price partially from the proceeds of a loan to Buyer, Buyer fails to furnish to Seller the pre-qualification letter or Buyer fails to furnish to Seller a firm written commitment for such loan within the time periods specified in the Purchase Agreement, or (iv) if Buyer is paying the entire Purchase Price in cash, Buyer fails to provide evidence to Seller of Buyer's ability to pay the Purchase Price as required by the Purchase Agreement, or (v) if Buyer is not a natural person, Buyer fails to have its obligations under the Purchase Agreement guaranteed by a person acceptable to Seller, or (vi) Buyer fails to execute and return the receipt and notice of right to cancel in connection with Buyer's receipt of a copy of the Final Public Report within the time period specified in the Purchase Agreement, or (vii) Buyer fails to perform any other obligation required under the Purchase Agreement and such failure continues for fifteen (15) days after Seller gives written notice to Buyer of such failure, or (viii) the Project is not completed and ready for occupancy by September 30, 2002, or (ix) any Buyer under the Purchase Agreement dies prior to the performance of all of Buyer's obligations under the Purchase Agreement.

19. Neither Seller nor any of Seller's representatives has made any representations or references as to rental of the Apartment, or the income, or any other economic benefit to be derived from the rental of the Apartment. Buyer will not enter into any rental pool or similar arrangement until Seller has closed the sale of all the apartments in the Project or until December 31, 2005, whichever shall first occur.

20. Seller makes only those warranties regarding construction and appliances which are set forth in the Purchase Agreement.

21. If Buyer is purchasing the Apartment as a prospective owner-occupant pursuant to H.R.S. §514A-101 et seq., Buyer must reaffirm the owner-occupant affidavit no earlier than the date of Buyer's receipt for the Final Public Report and no later than the Date of Closing.

22. Seller may preclose on or about sixty (60) days prior to the estimated Date of Closing by having all documents necessary for closing executed and deposited with Escrow. Upon preclosing, Buyer must deposit into Escrow all sums due at closing, except Buyer's Permanent Loan proceeds, if applicable.

23. Buyer will not take possession of the Apartment prior to the Date of Closing and full satisfaction by Buyer of all terms and conditions of the Purchase Agreement.

24. Buyer will inspect the Apartment and will sign an inspection sheet to be furnished by Seller or the contractor, or Buyer will appoint the inspecting architect or engineer for the Project, or Seller or any agent of Seller to inspect the Apartment and execute the inspection sheet on behalf of Buyer. Buyer agrees to accept possession of the Apartment despite the existence of damages and defects as long as Seller agrees to repair such defects or damage within a reasonable time. Buyer agrees to indemnify Seller for any damages resulting from any wrongful refusal to accept possession of the Apartment.

25. Risk of loss to the Apartment shall be borne by Seller until the Date of Closing.

26. Time is of the essence of the obligations of Buyer under the Purchase Agreement.

27. In the event of any default under the Purchase Agreement by Buyer which occurs before the Purchase Agreement becomes a binding contract, Seller may cancel the Purchase Agreement and (a) all moneys paid under the Purchase Agreement shall be refunded or the check returned to Buyer, with interest to the extent provided in the Purchase Agreement, less any cancellation fee imposed by Escrow and any other actual expenses incurred by reason of Buyer having signed the Purchase Agreement; and (b) all costs, including reasonable attorneys' fees, incurred by reason of the default by Buyer shall be paid by Buyer promptly upon Seller's demand therefor. In the event of any default under the Purchase Agreement by Buyer which occurs after the Purchase Agreement becomes a binding contract, Seller may cancel the Purchase Agreement and thereupon, at Seller's option, all sums previously paid by Buyer, together with all accrued interest thereon, shall belong to Seller as liquidated damages.

Unless otherwise defined herein, all capitalized terms used herein shall have the same meanings given them under the Purchase Agreement.

\* \* \* \* \*

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS-CONTAINED IN THE PURCHASE AGREEMENT. WHILE A BUYER CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF BUYER'S RIGHTS AND OBLIGATIONS UNDER THE PURCHASE AGREEMENT, BUYER MUST REFER TO THE PURCHASE AGREEMENT TO DETERMINE BUYER'S ACTUAL RIGHTS AND OBLIGATIONS. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE PURCHASE AGREEMENT, THE PURCHASE AGREEMENT WILL CONTROL.

## SUMMARY OF CONDOMINIUM ESCROW AGREEMENT

The Condominium Escrow Agreement ("Escrow Agreement") dated as of August 1, 2001, made by and between Title Guaranty Escrow Services, Inc. ("Escrow Agent"), and QEB II LLC ("Developer"), contains among other provisions the following (which may be modified or otherwise limited by provisions not summarized herein):

1. Sales Contracts Deposited in Escrow. Whenever Developer enters into a sales contract with a purchaser for the sale of an apartment in Villas of Kamali'i (the "Project"), Developer shall deliver an executed copy of said contract to Escrow Agent. The sales contract shall require that all payments due thereunder be made directly to Escrow Agent to be held and disbursed in accordance with the Escrow Agreement. If the purchaser intends to purchase the apartment as an "owner-occupant" pursuant to Chapter 514A, Part VI, Hawaii Revised Statutes ("H.R.S."), said purchaser shall deliver an owner-occupant affidavit to Escrow Agent in the form and content required by H.R.S. §514A-104.5.

2. Receipt of Funds by Escrow Agent. Escrow Agent will receive payments under the sales contracts and from any other source relating to the Project. Escrow Agent will deposit all funds within a reasonable time after receipt in an interest-bearing account or accounts at a federally insured bank, savings and loan association, or other financial institution. Any interest earned on such deposits shall accrue to the credit of Developer unless Escrow Agent is asked to establish a separate account for a purchaser, in which case interest on such account shall accrue to the credit of said purchaser. (Pursuant to the sales contract, Purchaser and Developer will instruct Escrow Agent to credit to Purchaser all interest earned on deposits made by Purchaser, except as otherwise specifically provided for in the sales contract.)

3. Conditions to be Met Prior to Disbursement. Escrow Agent shall make no disbursement of funds deposited with it unless: (a) the Real Estate Commission has issued a Final Public Report on the Project; (b) Developer or Developer's attorney has notified Escrow Agent that the requirements of H.R.S. §514A-62 and §514A-63 have been met; and (c) Developer has given Escrow Agent a written waiver of any reserved option to cancel the sales.

4. Return of Funds and Documents. Escrow Agent will return deposited sums, without interest and less Escrow Agent's cancellation fee and other costs up to a maximum of \$250.00, to a purchaser if:

(a) Developer and such purchaser shall instruct Escrow Agent in writing to return such funds to such purchaser; or

(b) Developer shall notify Escrow Agent of Developer's exercise of the option to cancel or rescind the Sales Contract entered into by such purchaser pursuant to any right of cancellation or rescission provided for therein or otherwise available to Developer with respect to which, in accordance with the sales contract, Purchaser is entitled to a return of funds deposited by it with Escrow Agent; or

(c) With respect to any purchaser whose funds were obtained prior to the issuance of the Final Public Report, such purchaser has exercised such purchaser's right to cancel the sales contract entered into by such purchaser pursuant to HRS Section 514A-62; or

(d) Such purchaser has exercised such purchaser's right to rescind the sales contract pursuant to HRS Section 514A-63.

5. Unclaimed Funds. Escrow Agent shall notify each purchaser entitled to a return of funds by registered or certified mail. If any purchaser does not claim the refund within sixty (60) days, Escrow Agent shall deposit the funds with a bank or depository selected by Escrow Agent in the name of Developer as trustee for the purchaser. Thereafter, Escrow Agent shall have no further obligation or liability with respect to such funds or purchaser.

6. Closing. Except for the sales contract and any note and mortgage, Escrow Agent shall arrange for and supervise the execution, recording, and delivery of all documents, as necessary, related to the Project.

7. Partial Closings. In the event Developer desires partial closings (i.e. closings for some but not all of the apartments), Escrow Agent agrees to cooperate and facilitate such partial closings.

8. Defects in Documents. Escrow Agent shall record all documents within five (5) business days of the date of closing, provided said documents are not defective in any way. If any documents are defective, Escrow Agent will notify Developer thereof and correct such defects if they are within Escrow Agent's capacity to correct.

9. Purchaser's Default. Developer shall notify Escrow Agent when payments are due from a purchaser, who shall then be notified by Escrow Agent. Escrow Agent shall notify Developer of any defaults by a purchaser. If Developer certifies to Escrow Agent in writing that Developer has terminated the sales contract, Escrow Agent shall thereafter treat all funds of the purchaser paid on account of said sales contract as funds of Developer. Upon the written request of Developer, Escrow Agent shall pay such funds to Developer, less any cancellation fee, and shall return any partially executed conveyance documents. Escrow Agent shall retain all other documents for the statutory period. Thereafter, Escrow Agent shall have no further obligation or liability with respect to such funds or purchaser.

10. Protection of Escrow Agent. Escrow Agent shall have no liability for acting in accordance with the terms of the Escrow Agreement, notwithstanding a notice to the contrary from Developer, any purchaser, or any third person. Escrow Agent shall not be responsible for the validity or sufficiency of any documents received by it, shall assume that said documents have been properly executed, and shall assume that any written certification or instrument from Developer is true and accurate. In the event of any dispute, difference, or conflicting demand upon Escrow Agent, Escrow Agent shall not be required to determine the same or take any action in the premises, but may await settlement of the controversy by appropriate legal proceedings or otherwise, including the resolution of an interpleader action initiated by Escrow Agent. Developer and each purchaser agree to pay Escrow Agent on demand and to indemnify and hold harmless Escrow Agent against all costs and damages arising out of this Agreement, except for any act or omission of Escrow Agent that is not generally accepted as a reasonable business practice. Escrow Agent shall not be required to mail any notice or keep any records required under H.R.S. Chapter 514A.

11. Miscellaneous. The Escrow Agreement is binding upon and inures to the benefit of the parties hereto and their successors and assigns. The Escrow Agreement may be terminated on fifteen (15) days' written notice to either party. In the event of any conflict between the Escrow Agreement and H.R.S. Chapter 514A, the statutory provisions shall control. Escrow Agent shall furnish Developer with semi-monthly reports that cover the status of each sales contract in escrow.

12. Compensation. For each Apartment sale closed by Escrow Agent, Escrow Agent shall be paid a fee in the amount of \$500.00. The premium for the standard owner's title insurance policy and ALTA lender's title insurance policy issued with respect to each Apartment shall be \$500.00. The compensation to Escrow Agent with respect to the closing of the sale of any apartment shall be due and

payable upon the earlier of: (i) transfer to a purchaser of legal title to such apartment; and (ii) final disbursement of the purchase price of such apartment and other sums held by Escrow Agent with respect hereto. Developer agrees to pay an additional charge for any changes to any closing statement or other document that are necessary after the commencement of preclosing or closing proceedings, unless said changes are necessary due to the fault of Escrow Agent.

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