

CONDOMINIUM PUBLIC REPORT

Prepared &
Issued by:

Developer: JOSEPH BRIAN NEIL AND KAREN ANNE NEIL
Address: P.O. Box 1554
Hanalei, Hawaii 96714

Project Name(*): NALU HALE
Address: 5335 Kapa'ka Street B
Princeville, Kauai, Hawaii 96722

Registration No. 5242
(partial conversion)

Effective date: May 10, 2004
Expiration date: June 10, 2005

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, in any, of the project or of purchasing an apartment in the project.

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

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

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

Type of Report:

- PRELIMINARY: The developer may not as yet have created the condominium but has filed with the (yellow) Real Estate Commission minimal information sufficient for a Preliminary Public Report. A final Public Report will be issued by the developer when complete information is filed.
- FINAL: The developer has legally created a condominium and has filed complete information (white) with the Commission.
[X] No prior reports have been issued.
[] This report supersedes all prior public reports.
[] This report must be read together with
- SUPPLEMENTARY: This report updates information contained in the:
(pink) [] Preliminary Public Report dated:
[] Final Public Report dated:
[] Supplementary Public Report dated:
- And [] Supersedes all prior public reports
[] Must be read together with
[] This report reactivates the _____ public report(s) which expired on

(*) Exactly as named in the Declaration

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.

FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[X] Required and attached to this report As Exhibit "G" [] Not required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

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

[] Changes made are as follows:

SPECIAL NOTICE:

This is a CONDOMINIUM PROJECT, not a subdivision. THERE ARE COUNTY RESTRICTIONS ON THE NUMBER OF DWELLINGS, OR OTHER STRUCTURES, WHICH MAY BE BUILT UPON THE PROPERTY. THEREFORE, UNLESS THE PURCHASER IS PURCHASING THE UNIT WITH THE EXISTING DWELLING, THERE IS NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO BUILD A DWELLING UNIT ON THE PROPERTY. THERE ALSO IS NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO CONVERT AN EXISTING NON-RESIDENTIAL STRUCTURE TO RESIDENTIAL USE. THE PURCHASER SHOULD CONSULT WITH THE APPROPRIATE RESIDENTIAL AGENCIES TO DETERMINE WHETHER THE PURCHASER MAY BUILD A DWELLING UNIT, OR ANYOTHER TYPE OF STRUCTURE, UPON THE PROPERTY.

1. There are presently NO FARM DWELLING STRUCTURES on Unit A of the Project. The only buildings on Unit A is shade structure, which may be defined as an "apartment" under the Condominium Property Act.
2. Issuance of an effective date for this Public Report does not constitute an approval of the project by the Real Estate Commission or other agency, nor does it imply that all County codes, ordinances or other requirements have been complied with.
3. This project does not involve the sale of individual subdivided lots. The land area beneath and immediately adjacent to each unit, as shown on the Condominium Map, is designated as a limited common element for that unit and does not represent a legally subdivided lot. The dotted lines on the Condominium Map merely represent the location of the limited common element assigned to each unit.
4. 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 may not be available for interior roads and driveways.
5. The land may be subject to rollback real property taxes. The failure of an owner to observe restrictions on the use of the land may cancel the County dedication and special real property tax assessment. Please refer to the Director of Finance, County of Kauai for further information.

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: JOSEPH BRIAN and KAREN ANNE NEIL
P.O. 1554
Hanalei, HI 96714

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):

NA

**Real Estate
Broker*:** None selected
(See Exhibit "G")

Escrow: TITLE GUARANTY ESCROW SERVICES Phone: (808) 245-3381
235 Queen Street
Honolulu, HI 96813

**General
Contractor*:** KENDALL PACIFIC Phone: (808) 826-9390
P.O. Box 1017
Hanalei, HI 96714

**Condominium
Managing Agent*:** SELF MANAGED BY UNIT OWNERS

**Attorney for
Developer:** PATRICK CHILDS Phone: (808) 245-2863
4365 Kukui Grove St., #104
Lihue, HI 96766

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

**II. CREATION OF THE CONDOMINIUM;
CONDOMINIUM DOCUMENTS**

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

A. **Declaration of Condominium Property Regime** contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded - Bureau of Conveyances:	Document No. <u>2003-166827</u>		
	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]:

First Amendment of Declaration of Condominium Property Regime of Nalu Hale recorded in the Bureau of Conveyances as Document No. 2004-043948

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 type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded - Bureau of Conveyances Condo Map No. <u>3266</u>	(Attached hereto as Exhibit "A")		
<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 type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded - Bureau of Conveyances:	Document No. <u>2003-166828</u>		
	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 interests 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%*	75%
Bylaws	65%	65%
House Rules	----	NA

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

2. **Developer**

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

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

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: 5335 Kapa'ka Street B
Princeville, , Kauai, Hawaii 96722

Tax Map Key: (TMK): (4) 5-3-008-067

Address TMK are expected to change because: each Unit is entitled to its own street address and TMK number

Land Area: 5.0 square feet acre(s) Zoning: Agricultural

Fee Owner: Joseph Brian Neil and Karen Anne Neil
P.O. Box 1554
Hanalei, Hi 96722

Lessor: NONE

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 3 Floors Per Building: Unit A-1 Floor, Unit B-2 floors

Exhibit "C" contains further explanations.

3. **Principal Construction Material:**

Concrete Hollow Tile Wood (residence)

Other: Metal and shade cloth (shade structure)

4. **Uses Permitted by Zoning:**

	<u>No. of Apts.</u>		<u>Use Permitted by Zoning</u>	
<input type="checkbox"/> Residential	_____		<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____		<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____		<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____		<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____		<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____		<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____		<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Agricultural	<u>1</u>	Farm dwelling	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Other:	<u>1</u>	shade structures	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

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

Yes No

5. Special Use Restrictions:

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

- Pets: Household pets may be kept consistent with any applicable law and restrictive covenants applicable to the Project.
- Number of Occupants: _____
- Other: The units of the project may only be occupied and used for agricultural uses. Residential use currently requires the execution of a Farm Dwelling Agreement with the County of Kauai.
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 1 Trash Chutes: 0

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>Identify</u>
A	1	0/0	0	16	shade structure
B	1	3/3	2,390	708/640	lanai/garage

Total number of Apartments: two

***Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls. Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.**

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

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

Apartments Designated for Owner-Occupants Only:

Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by Section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has NOT elected to provide the information in a published announcement or advertisement.

Parking Stalls: 0*

Total Parking Stalls:

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		TOTAL
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	3 (Unit B)	2 (Unit A)	0	0	0	0	5
Guest	0	0	0	0	0	0	0
Unassigned	0	0	0	0	0	0	0
Extra for Purchase							0

Other: * There is ample space for parking of two or more vehicles on each Unit's Limited Common Elements

Total Covered & Open: 5 0 0 5

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

Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

There are no recreational or common facilities.

Swimming pool Storage Area Recreation Area

Laundry Area Tennis court Trash Chute/Enclosure(s)

Other: _____

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

There are no violations. Violations will not be cured.

Violations and cost to cure are listed below. Violations will be cured by _____
(Date)

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

NA

11. Conformance to Present Zoning Code

- a. No variances to zoning code have been granted.
 Variance(s) to zoning code was/were granted as follows:

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

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

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

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

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

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

D. Common Elements, Limited Common Elements, Common Interests:

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

described in **Exhibit "E"**.

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit "E".

as follows:

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

described in Exhibit "C".

as follows: Unit A – 50% and Unit B – 50%

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

Exhibit F describes the encumbrances against the title contained in the title report dated October 20, 2003, and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

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

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

[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>
MORTGAGE	LENDER HAS PRIORITY OVER A BUYER'S RIGHTS UNDER A SALES CONTRACT, AND HAS A RIGHT TO TERMINATE SALES CONTRACT UPON FORECLOSURE OF ITS MORTGAGE BEFORE AN APARTMENT SALE IS CLOSED. IN SUCH EVENT BUYER SHALL BE ENTITLED TO A REFUND OF ALL DEPOSITS, LESS ESCROW CANCELLATION FEES.

F. **Construction Warranties:**

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

1. Building and Other Improvements:

NONE

2. Appliances:

NONE

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

The Unit B Farm Dwelling was completed in January of 2000 and the Unit A shade structure was completed in June of 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):

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate commission include but are not limited to:

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit "B" contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated August 23, 2003.
Exhibit "D" contains a summary of the pertinent provisions of the escrow agreement.
- Other: Specimen Apartment Deed

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all the documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime, as amended.
 - C) Bylaws of the Association of Apartment Owners, as amended.
 - D) House Rules, if any.
 - E) Condominium Map, as amended.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other: Farm Dwelling Agreement, Declaration in Re Availability of Water, Waiver and Release Agreement

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's sales agent, if any. The Condominium Property Regime law (Chapter 514A, HRS) and the Administrative Rules (Chapter 107) are available online. Please refer to the following sites:

Website to access official copy of laws: www.capitol.hawaii.gov
Website to access unofficial copy of laws: www.hawaii.gov/dcca/hrs
Website to access rules: www.hawaii.gov/dcca/har

This Public Report is a part of Registration No. 5242 filed with the Real Estate Commission on November 21, 2003.

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

YELLOW paper stock

WHITE paper stock

PINK paper stock

C. Additional Information Not Covered Above:

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

It is anticipated that the initial improvements on Units A and B will be replaced by or supplemented with a farm dwelling. The prospective purchaser shall have the right to build such residence at purchaser's expense. The purchaser shall also, in such event, file the "as-built" certificate within thirty days of completion of the farm dwelling in conformance with Section 514A-12, Hawaii Revised Statutes, and record an amendment of the Declaration of Condominium Property Regime ("Declaration") to describe the farm dwelling. The County of Kauai Planning Department requires, in order to process the necessary permits for the construction of a residence, authorization from at least 75% of the legal and equitable ownership of the entire project, consistent with the Declaration and the Bylaws ("condominium documents").

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

The land which has been submitted to the Condominium Property Regime has a State Land Classification of "Agricultural" and the provisions of Chapter 205, HRS becomes available. Chapter 205, HRS does not authorize residential dwellings as permissible use in an Agricultural District unless the dwellings related to agricultural activity or is a "farm dwelling". All buyers must comply with Chapter 205, HRS.

County Restrictions

Purchasers should be aware that there is no public sewer system available, which requires the project to comply with the requirements of Chapter 11-62, HAR, "Wastewater Systems". Purchasers of each apartment or unit would bear the cost of designing and installing the wastewater system as a part of their construction costs. The County of Kauai may allow the first apartment/unit applying for such a permit to use a cesspool; the second would require a septic system. Any prospective purchaser should verify the requirements with the County of Kauai and seek design and installation estimates prior to proceeding with the wastewater system.

Disclosure regarding section Real Estate Broker

The Developer plans to sell the apartment in the project, but is not prepared to make any current offerings of sale. When the Developer begins selling or offers to sell, the Developer will use a real estate broker for the sale of an apartment. Prior to entering into a binding contract for such sale, the Developer shall (1) submit to the Real Estate Commission a duly executed copy of a broker listing agreement with a Hawaii-licensed real estate broker, together with a duly executed disclosure abstract identifying the designated broker, and (2) provide a copy of the disclosure abstract to the purchaser together with a copy of the public report.

- 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-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.


KAREN ANNE NEIL, Developer


JOSEPH BRIAN NEIL, Developer

11/12/03
Date

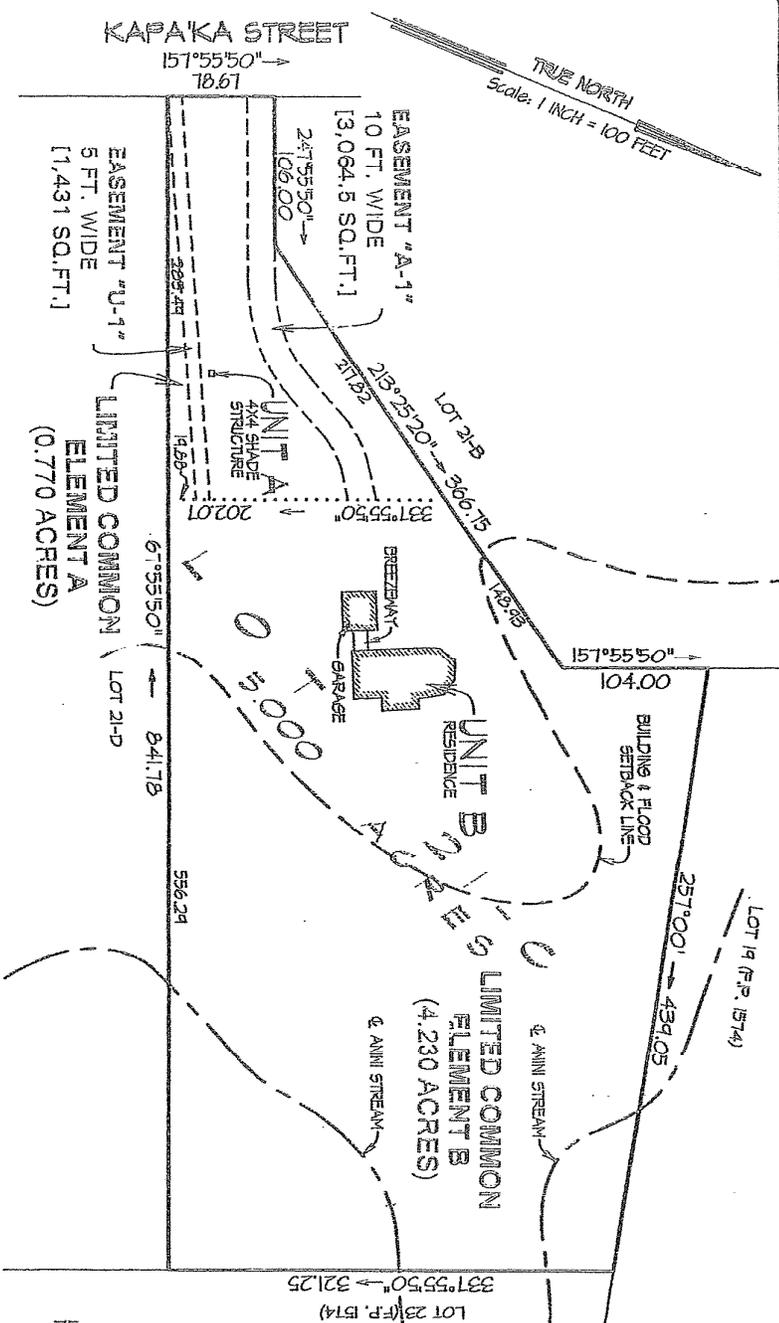
Distribution:

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.**

TRUE NORTH
Scale: 1 INCH = 100 FEET



Map of
"NALUHALE"
Condominium
Showing
Units A and B
and Designating
Easements "A-1" and "U-1"
Being portions of
LOT 21-C
Being portions of
LOT 21
Parcel 3
Princeville at Hanalei
(File Plan 1574)
at
Kalihikai, Halealea, Kawai, Hawaii



PREPARED FOR:

Joe Nell
Priority Computer Parts
P. O. Box 1005
Gross Valley, CA 95445
APRIL 25, 2002

NOTE:

1. This project does not involve the sale of individual lots. The dotted lines on the Condominium Map are for illustration purposes only. They represent either a limited common element or common element.

Wagner Engineering Services, Inc.
P.O. Box 851 Hanalei, HI 96714 (808) 828-7256

TRK 5-3-08-87 (4TH DIVISION)



THIS MAP WAS PREPARED BY ME OR UNDER MY SUPERVISION
Ronald J. Wagner
RONALD J. WAGNER
Licensed Professional Land Surveyor
Certificate No. 5074

PROJECT NO. 2821

EXHIBIT "B"

SUMMARY OF SALES CONTRACT

This Project Utilized a Condominium Addendum to Sales Contract (the "Addendum") to be utilized in conjunction with a standard printed form contract provided by the Hawaii Association of Realtors. The Addendum protects the rights of the Purchasers and the handling of the funds under the Condominium Property Act (the "Act"), as well as the insuring compliance with the Act by all parties. Relevant portions of the Addendum are summarized as follows:

1. The fact that the Act controls over any portion of a contract to sell a condominium unit.
2. That an effective date for a final or supplementary public report must be in place and a receipt for the same signed by the buyer to have an effective date.
3. That all purchaser funds must be held in escrow until the law allows closing and disbursement of the funds.
The conditions precedent to release of the funds are enumerated, including in part:
 - (a) That Purchaser will receive a copy of the final public report for the project.
 - (b) Purchaser agrees that all payments made will be placed on deposit with escrow pursuant to the terms of the Escrow agreement, and Purchaser is subject to all of the terms of the Escrow Agreement.
 - (c) If there is a dual agency by a single broker, it will be disclosed in the contract.

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

EXHIBIT "C"

SCHEDULE OF APARTMENTS AND COMMON INTERESTS

Qty.	Unit No.	Area of Limited Common Element* (Acres)	No. of Br./Bath	Appx. Net Living Area (Sq. Ft.)	Appx. Other Area (Sq. Ft.)	% of Common Int.
1	A	0.770	0/0	0	16	50%
1	B	4.230	3/3	2,390	1,348	50%

Pursuant to Section 16-107-5, Hawaii Administrative Rules, reference is hereby made to the method by which common interest has been computed. The Developer has determined the assignment of each unit's percentage interest in the common elements based on the assumption that both units equally burden the common elements. Therefore, the assessment of undivided interest both for common expense and for voting is as follows: Unit A & B – 50% each.

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

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

EXHIBIT "D"

SUMMARY OF PORTIONS OF ESCROW AGREEMENT

The Escrow Agreement ("Agreement") between TITLE GUARANTY ESCROW SERVICES, INC. (the "Escrow"), and BRIAN JOSEPH NEIL and KAREN ANNE NEIL (the "Seller"), contains, among other provisions, the following (which may be modified or otherwise limited by provisions not summarized):

1. Whenever Seller enters into a sales contract for the sale of an apartment, Seller will require that payments due under the sales contract be made to Escrow and will deliver an executed copy of the sales contract to Escrow.
2. Escrow will receive payments under the sales contract and sums received from any other source with respect to the project. Funds held under the Agreement will initially be deposited in an account for the project. Interest on all funds will be paid to Seller.
3. Escrow will release from the trust fund and disburse Buyer's funds at closing, unless: (a) Buyer has elected within seven days of signing the sales contract to cancel and receive all funds paid, without deduction; or (b) the Real Estate Commission has not issued a Final Public Report on the project or the requirements of the sales contract have not been met; or (c) Seller has not satisfied Escrow that all other requirements of Hawaii Revised Statutes have been met.
4. Escrow will return deposited sums to the Buyer without interest, if Seller and Buyer give Escrow written notice to return the funds to Buyer, if there is a right to cancellation and refund of monies under the sales contract or otherwise. If there is a cancellation under the seven-day right, no fees will be charged Buyer. Thereafter, in the event of a cancellation as a matter of agreement or right, Buyer's funds shall be returned to Buyer less Escrow's cancellation fee, if any, and all other costs incurred in connection with the Escrow, not less than \$25.00.
5. Escrow will arrange for and supervise the signing of all documents, which are to be signed subsequent to and contemplated by the sales contract.
6. As Escrow's compensation for its performance under this Agreement, Escrow will receive its schedule rate for each apartment for which an apartment deed of the project is handled by Escrow and recorded in the Bureau of Conveyances of the State of Hawaii. Escrow will record all applicable documents. The cost of title insurance will be an additional amount, based upon schedule rate.
7. In the event of default by the Buyer, Buyer may forfeit his or her deposit, which will be paid to the Seller, less any cancellation fees charged by Escrow.

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

EXHIBIT "E"

**COMMON ELEMENTS AND LIMITED COMMON ELEMENTS
OF THE PROJECT**

The common elements of the project are:

- (a) All of the Land, in fee simple, subject to the division of the same as Limited Common Elements;
- (b) Easement A-1, a 10-foot wide roadway easement over Unit A in favor of Unit B for access purposes;
- (c) Easement A-2, a 5-foot wide easement over, under, along and across Unit A in favor of Unit B for utility purposes;
- (d) All pipes, wires, conduits, or other utility or service lines, drainage ditches or appurtenant drainage structures retaining walls (if any) and yard fences, which are located outside the buildings and which utilize for more than one apartment.

LIMITED COMMON ELEMENTS OF THE PROJECT

Certain parts of the common elements, referred to as the "limited common elements," have been designated and set aside for the exclusive use of one or more units, and such unit(s) have appurtenant exclusive easements for the use of such limited common elements. The limited common elements set aside, reserved and deemed a limited common element appurtenant to and for the exclusive use of each respective unit is that certain land area upon and around which Units 1 and 2 located, shown and designated on the Condominium Map and the table below.

<u>Unit Number</u>	<u>Area of Limited Common Element*</u>
Unit A	0.770 acres
Unit B	4.230 acres

*Land areas referenced herein are not legally subdivided lots.

EXHIBIT "F"

ENCUMBRANCES AGAINST TITLE

The following documents are listed in this Exhibit "F" as encumbrances against title:

1. Any and all Real Property Taxes that may be due and owing.

Tax Key: (4) 5-3-008-067 Area Assessed: 5.000 acres

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

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

INSTRUMENT : DECLARATION

DATED : November 25, 1977

RECORDED : Liber 12660 Page 690

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

INSTRUMENT : DEED

DATED : November 30, 1977

RECORDED : Liber 12661 Page 1

The foregoing includes, but is not limited to, matters relating to water reservation

5. Free flowage of Anini Stream as shown on Tax Map.

6. Building and flood setback line as shown on surveyor's map prepared by Cesar C. Portugal, Registered Professional Land Surveyor with Portugal & Associates, Inc., dated February 13, 1995.

7. A 40-foot building setback line as shown on surveyor's map prepared by said Cesar C. Portugal, Registered Professional Land Surveyor, dated February 13, 1995.
8. Agreement for rock quarrying purposes in favor of Grove Farm Company, Limited, recorded in Liber 4228 at Page 139, covering the makai east side of Kalihiwai Valley, terminate upon 60 days written notice, as set forth in instrument dated December 2, 1977, recorded in Liber 13501 at Page 313.
9. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : AGREEMENT

DATED : December 6, 1982

RECORDED : Liber 16891 Page 505

PARTIES : CONSOLIDATED OIL & GAS, INC., and CITIZENS

UTILITIES COMPANY, doing business as Kauai Electric

RE : Kauai Electric shall install, construct and maintain underground utility lines and appurtenant facilities within the subdivision roadways designated as Lots 24 and 25, etc.

10. RIGHT-OF-ENTRY

TO : CITIZENS UTILITIES COMPANY

DATED : May 13, 1983

RECORDED : Liber 17251 Page 782

GRANTING : a right-of-entry and easement over and across the land described herein, for the purpose of building, constructing, repairing, maintaining and operating pole and wire lines, etc. for the transmission and distribution of electricity

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

INSTRUMENT : DECLARATION REGARDING AVAILABILITY OF WATER OF SUBDIVISION

DATED : August 11, 1997

RECORDED : Document No. 97-121235

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

INSTRUMENT : FARM DWELLING AGREEMENT

DATED : December 15, 1998
RECORDED : Document No. 98-191106
PARTIES : JOSEPH B. NEIL, KAREN NEIL, and COUNTY OF KAUAI,
PLANNING DEPARTMENT

SUBORDINATION AGREEMENT

DATED : May 31, 2000
RECORDED : Document No. 2000-083648

Subordinates said above Farm Dwelling Agreement to the lien of that certain Mortgage recorded as Document No. 2000-083647.

SUBORDINATION AGREEMENT

DATED : June 20, 2003
RECORDED : Document No. 2003-171574

Subordinates said above Agreement to the lien of that certain Mortgage recorded as Document No. 2003-171573.

13. WAIVER AND RELEASE

DATED : April 29, 1999
RECORDED : Document No. 99-074818
BY : JOSEPH B. NEIL and KAREN A. NEIL
WITH : COUNTY OF KAUAI

14. GRANT

TO : CITIZENS UTILITIES COMPANY
DATED : August 5, 1999
RECORDED : Document No. 99-197606
GRANTING : a perpetual right and easement for utility purposes over
Easement "E-1"

15. MORTGAGE

LOAN/ACCOUNT NO. 3001946

MORTGAGOR : JOSEPH BRIAN NEIL and KAREN ANNE NEIL, husband and
wife

MORTGAGEE : BANK OF HAWAII, a Hawaii corporation

DATED : June 13, 2000
RECORDED : Document No. 2000-083647
AMOUNT : Revolving Line of Credit Agreement, with a credit limit of
\$100,000.00

SUBORDINATION AGREEMENT

DATED : August 11, 2003
RECORDED : Document No. 2003-171575

Subordinates said above Mortgage to the lien of that certain Mortgage recorded as
Document No. 2003-171573.

16. WAIVER AND RELEASE

DATED : April 23, 2002
RECORDED : Document No. 2002-098761
BY : JOSEPH NEIL and KAREN NEIL
WITH : COUNTY OF KAUAI

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

INSTRUMENT : DECLARATION OF CONDOMINIUM PROPERTY REGIME
FOR "NALU HALE" CONDOMINIUM PROJECT

DATED : July 22, 2003
RECORDED : Document No. 2003-166827
MAP : 3622 and any amendments thereto

Said Declaration was amended by Document No. 2004-043948.

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

INSTRUMENT : BY-LAWS OF THE ASSOCIATION OF APARTMENT
OWNERS

DATED : July 22, 2003
RECORDED : Document No. 2003-166828

19. MORTGAGE

MORTGAGOR : JOSEPH BRIAN NEIL and KAREN ANNE NEIL, husband and
wife

MORTGAGEE : BANK OF HAWAII, a Hawaii corporation

DATED : August 11, 2003
RECORDED : Document No. 2003-171573
AMOUNT : \$600,000.00

EXHIBIT "G"

DISCLOSURE ABSTRACT

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

1. The Developers of the project are JOSEPH BRIAN NEIL and KAREN ANNE NEIL, P.O. Box 1554, Hanalei, HI 96714, telephone (808) 826-6921.
2. See Exhibit "H" to the Final Public Report for the projected annual maintenance fees. The Developer hereby certifies that the estimations have been based on generally accepted accounting principles.
3. There are no warranties against defects of material and workmanship in individual apartments, common elements or exclusive use areas, and the purchaser buys his/her unit in an "as is" condition
4. All of the apartments of the project are to be used for agricultural and permitted residential purposes only. No apartments shall be used for hotel or timeshare purposes. There will be no commercial use except those activities permitted by county ordinance.
5. There is no real estate broker for this project. Units will be sold "By Owner." If a broker is selected, Developer shall file an Escrow Agreement and a listing agreement with the Real Estate Commission along with an amended disclosure abstract to be provided to all purchasers.
6. The Developer has not conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. There are no depreciable common elements in the Project.
7. The Developer discloses Common Interest has been divided as shown: Units A and B are each entitled to 50%.



Developer: KAREN ANNE NEIL



Developer: JOSEPH BRIAN NEIL

11-12-03

Date

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services

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

Telephone

Water and Sewer

Maintenance, Repairs and Supplies

- Building
- Grounds
- Roadway

\$25.00 x 12 = \$300.00

Management

- Management Fee
- Payroll and Payroll Taxes
- Office Expenses

Insurance

Reserves(*)

Taxes and Government Assessments

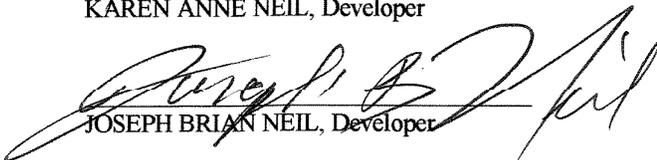
Audit Fees

Other

TOTAL = \$300.00

We, JOSEPH BRIAN NEIL and KAREN ANNE NEIL, the Developers, for the NALU HALE condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.


KAREN ANNE NEIL, Developer


JOSEPH BRIAN NEIL, Developer

11-13-08

Date

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

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

EXHIBIT "I"

BRYAN J. BAPTISTE
Mayor



IAN K. COSTA
Director of Planning

SHEILAH N. MIYAKE
Deputy Director of Planning

COUNTY OF KAUAI
PLANNING DEPARTMENT

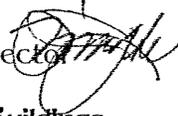
Kapule Building
4444 Rice Street Suite A473
Lihu'e, Hawai'i, 96766-1326

TELEPHONE: 808.241.6677
FAX: 808.241.6699

COPY

DATE: November 19, 2003

TO: Senior Condominium Specialist
Real Estate Commission
P & VLD/DCCA
250 South King Street, Suite 702
Honolulu, Hawaii 96813

FROM: Sheilah N. Miyake, Deputy Planning Director 

SUBJECT: Certification of Inspection of Existing Buildings

Project Name: NALU HALE Condominium Project (I15)
Tax Map Key: (4) 5-3-008: 067

The attorney for the above-mentioned condominium project has requested that this office, as an agency of the County of Kauai, review the project for compliance with all ordinances, codes, rules, regulations and other requirements of the County of Kauai, (Section 514 A-40 (b), (l), Hawaii Revised Statutes, subject to the disclosures and waivers (item "5" below) specified herein, we certify the following:

1. The developer has contracted architect Avery Youn to certify that the buildings on the proposed project referred to as Nalu Hale Condominium Unit 1 and Unit 2 are in compliance with all ordinances, codes, rules, regulations and other requirements in force at the time of its construction, and to that extent, and subject to the conditions of waiver herein, the Planning Department adopts that certification as it pertains to the rules and regulations administered solely by the Department.
2. There are no variances approved for the subject property.
3. The parcel does not contain any outstanding nonconforming uses or structures as a result of the adoption or amendments of any ordinances or codes and regulations.
4. There are no notices of violation of County building or zoning codes outstanding according to our records.

Senior Condominium Specialist
Nalu Hale Condominium
TMK: (4) 5-3-008: 067
Page 2
November 19, 2003

5. **WAIVER**

The foregoing certification is not a warranty to any compliance with applicable County and State rules and regulations. The sole reason for the execution hereof is to comply with statutory requirements relating to the regulations of condominiums under subsection 514 A-40, (b), and (l), Hawaii Revised Statutes.

If you have any questions, please contact me at 241-6677.

cc: Heidi Rodgers, Attorney at Law
for Patrick Childs
Joseph and Karen Neil, Project Developers

EXHIBIT "J"

****FOR ILLUSTRATION ONLY****

LAND COURT

REGULAR SYSTEM

AFTER RECORDATION, RETURN BY MAIL TO:

COUNTY OF KAUAI
Planning Department
Building A, Suite 473
4444 Rice Street
Lihue HI 96766

Document contains __ pages

FARM DWELLING AGREEMENT

THIS AGREEMENT, made and entered into this ____ day of _____,
20__, by and between _____,
_____, whose residence and post office address
is _____

_____, hereinafter called the
"APPLICANT(S)", and the COUNTY OF KAUAI, Planning Department, its
business and mailing address being 4444 Rice Street, Building A, Suite 473,
Lihue, Hawaii 96766, hereinafter called the "DEPARTMENT".

WITNESSETH:

WHEREAS, the APPLICANT(S) warrant and represent that he/she/they
is/are the _____ of that certain parcel of land, Tax Map
Key No. (4) _____, more particularly described in Exhibit "A",
attached hereto and made a part hereof; and

WHEREAS, this document pertains only to Unit(s) ____ as shown in Exhibit "B" and made a part hereof; and

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

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

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

WHEREAS, the parcel identified by Tax Map Key No. (4)_____, is entitled to _____ residential units (and one guest house); and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. The APPLICANT(S), for themselves (himself/herself), their (his/her) heirs, administrators, successors and assigns, do hereby waive and release the DEPARTMENT and the County of Kauai, a political subdivision of the State of Hawaii, whose principal place of business and mailing address is Building A, Suite 473, 4444 Rice Street, Lihue, Hawaii 96766, Lihue, Hawaii 96766, from all claims and causes of action, either legal or equitable, which may hereafter accrue by reason of the DEPARTMENT's execution of said Farm Dwelling Agreement; and

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

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

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed on the ____ day of _____, 20__.

APPROVED:

APPLICANT(S)

Planning Director

APPROVED AS TO FORM
AND LEGALITY:

County Attorney

STATE OF _____)
) SS:
COUNTY OF _____)

On this ____ day of _____, 20__, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ____ executed the same as ____ free act and deed.

Notary Public, in and for said
County and State.

Print Name: _____

My commission expires: _____

STATE OF _____)
) SS:
COUNTY OF _____)

On this ____ day of _____, 20__, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ____ executed the same as ____ free act and deed.

Notary Public, in and for said
County and State.

Print Name: _____

My commission expires: _____

STATE OF _____)
) SS:
COUNTY OF _____)

On this ____ day of _____, 20__, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ____ executed the same as ____ free act and deed.

Notary Public, in and for said
County and State.

Print Name: _____

My commission expires: _____

END OF EXHIBIT "J"