

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer: PUALEI PROPERTIES, LLC. Address: 2760 Kauapea Road Kilauea, Hawaii 96754

Project Name(*): PAVILIONS AT SEA CLIFF ESTATES Address: 2445 Makana'ano Place Kilauea, Kauai, Hawaii 96754

Registration No. 5260 (PARTIAL CONVERSION) Effective date: February 18, 2004 Expiration date: March 18, 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: (yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A final Public Report will be issued by the developer when complete information is filed.
FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission. [X] No prior reports have been issued. [] This report supersedes all prior public reports. [] This report must be read together with
SUPPLEMENTARY: (pink) This report updates information contained in the: [] Preliminary Public Report dated: [] Final Public Report dated: [] Supplementary Public Report dated:
And [] Supersedes all prior public reports [] Must be read together with [] This report reactivates the public report(s) which expired on

(* Exactly as named in the Declaration 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:

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. There are County restrictions on the number of residential dwelling units, or other structures, which may be built on the property. Therefore, unless the Purchaser is buying an existing residential dwelling, **THERE IS NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO BUILD A RESIDENTIAL DWELLING UNIT ON THE PROPERTY. THERE IS NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO CONVERT AN EXISTING NON-RESIDENTIAL STRUCTURE TO A RESIDENTIAL USE.** The Purchaser should consult with the appropriate County agencies to determine whether the Purchaser may build a residential dwelling unit, or any other type of structure, on the property.

1. There is presently **ONE RESIDENTIAL STRUCTURE ON THE PROPERTY.** The two other structures on the property are sheds, each of which are designated as an "Apartment" under the condominium property act.
2. This public report does **not** constitute an approval of the project by the Real Estate Commission or any other governmental agency, nor does it warrant that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.
3. The land area beneath and immediately appurtenant to each unit is designated a **LIMITED COMMON ELEMENT** and is **not** a legally subdivided lot. The dotted lines on the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.
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 owners and emergency traffic, drainage facilities, etc., may not be provided, and services such as County street maintenance and trash collection may not be available for interior roads and driveways.

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

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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: PUALEI PROPERTIES, LLC. Phone: (808) 8254226
 A Delaware limited liability company
 2760 Kauapea Road
 Kilauea, Kauai, Hawaii 96754

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

| | |
|-----------------------------------|-----------------------------------------|
| <u>C. Christopher Jaeb</u> | <u>Member</u> |
| <u>C. Jaeb Management, L.L.C.</u> | <u>Member</u> |
| <u>Harvey L. Cohn</u> | <u>Vice President – Hawaii Division</u> |
| _____ | _____ |
| _____ | _____ |

Real Estate Broker: None at present. See page 20 Phone: N/A

Escrow: First Hawaii Title Corporation. Phone: (808) 8266812
 5-4280 Kuhio Highway, Suite B-201
 Princeville, Kauai, Hawaii 96722

General Contractor: N/A Phone:

Condominium Managing Agent: Self-managed by Association of Apartment Owners Phone: N/A

Attorney for Developer: Hiroshi Sakai, Esq. Phone: (808) 734-8619
 3773 Diamond Head Circle
 Honolulu, Hawaii 96815

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

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

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

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

The Declaration for this condominium is:

Proposed

Recorded - Bureau of Conveyances: Document No. 2003-231476

Book _____ Page _____

Filed - Land Court: Document No. _____

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

First Amendment to the Declaration dated January 13, 2004 recorded in the Bureau of Conveyances as Document No. 2004-010714.

B. **Condominium Map (File Plan)** shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

Proposed

Recorded - Bureau of Conveyances Condo Map No. 3663

Filed - Land Court Condo Map No. _____

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

C. **Bylaws of the Association of Apartment Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

Proposed

Recorded - Bureau of Conveyances: Document No. 2003-231477

Book _____ Page _____

Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

Proposed* Adopted Developer does not plan to adopt House Rules

*Note: The Association has the power to adopt house rules, but none have yet been adopted.

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%* | <u>75%</u> |
| Bylaws | 65% | <u>65%</u> |
| House Rules | ---- | <u>N/A</u> |

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

2. **Developer**

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

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

The Developer reserves the right to change the Declaration and Condominium Map as provided for in Section M. of the Declaration, and further the Developer reserves the right to change the Bylaws as provided for in Section 13.6 of the Bylaws.

III. THE CONDOMINIUM PROJECT

A. **Interest to be Conveyed to Buyer:**

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit_____contains a schedule of the lease rent for each apartment per Month Year

For Sub-leaseholds:

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

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit_____contains a schedule of the lease rent for each apartment per: Month Year

[X] 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: 2445 Makana'ano Place Tax Map Key: (TMK): (4) 5-2-04: 076
Kilauea, Kauai, Hawaii 96754

[X] Address [X] TMK is expected to change because addresses will be assigned by the County when houses are constructed; CPR numbers will be added to the current TMK number.

Land Area: 7.987 [] square feet [X] acre(s) Zoning: CZO - Agriculture

Fee Owner: PUALEI PROPERTIES, LLC
 2760 Kauapea Road
 Kilauea, Kauai, Hawaii 96754

Lessor: N/A
 Name _____
 Address _____

C. Buildings and Other Improvements:

1. New Building(s)
 Conversion of Existing Building(s)
 Both New Building(s) and Conversion
2. Number of Buildings: 7 Floors Per Building 1
 Exhibit _____ contains further explanations.
3. Principal Construction Material:
 Concrete Hollow Tile Wood
 Other Stucco, Mineral paper covered roof and 4 wooden posts for two sheds
4. Permitted Uses by Zoning:

| | No. of Apts. | <u>Use Permitted by Zoning</u> | |
|--------------------------------------------------|-----------------|-----------------------------------------|-----------------------------|
| <input type="checkbox"/> Residential | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Commercial | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Mix Res/Comm | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Hotel | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Timeshare | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Ohana | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Industrial | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input checked="" type="checkbox"/> Agricultural | <u>3</u> | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Other: | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

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

*NOTE: The subject property is within the State Land Use Agricultural District and is zoned Agricultural by the County of Kauai. "Farm Dwellings" and other structures appropriate to agricultural usage are permitted, subject to certain guidelines. See the disclosures on Page 20 of this Final Public Report and Exhibit "I", Farm Dwelling requirements.

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: A reasonable number of dogs, cats and other typical household pets.
- Number of Occupants: _____
- Other: See Section 8 of Declaration and Exhibit F
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

| <u>Apt. Type</u> | <u>Quantity</u> | <u>BR/Bath</u> | <u>Net Living Area (sf)*</u> | <u>Net Other Area (sf)</u> | <u>Identify</u> |
|------------------------|-----------------|----------------|------------------------------|----------------------------|----------------------------|
| <u>Unit 1</u> | <u>1</u> | <u>3BR/3BA</u> | <u>3,540 s.f.</u> | <u>1,650/730 s.f.</u> | <u>Lanai/porte cochere</u> |
| <u>Units 2 & 3</u> | <u>2</u> | <u>N/A</u> | <u>16 s.f. (area)</u> | <u>N/A</u> | <u>Sheds</u> |
| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ |

Total number of Apartments: 3

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

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

Boundaries of Each Apartment:

The exterior surfaces of the structures and the description of the limited common elements for each of the units as set forth in the Condominium Map.

Permitted Alterations to Apartments:

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

Apartments Designated for Owner-Occupants Only:

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

11. Conformance to Present Zoning Code

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

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

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

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

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

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

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

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

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

described in Exhibit "A" .

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit _____.

as follows:

| Apartment | Land Area |
|-----------|-------------|
| 1 | 4.513 acres |
| 2 | 2.050 acres |
| 3 | 1.241 acres |

Note: Land area referenced herein are not legally subdivided lots.

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

described in Exhibit _____.

as follows:

| Apartment | Appurtenant Common Interest |
|-----------|-----------------------------|
| 1 | 50.00% |
| 2 | 33.33% |
| 3 | 16.67% |

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

Exhibit "B" describes the encumbrances against the title contained in the title report dated 10/17/03 and issued by First Hawaii Title Corporation.

Blanket Liens:

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

- There are no blanket liens affecting title to the individual apartments.
- There are blanket liens which may affect title to the individual apartments.

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

| <u>Type of Lien</u> | <u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u> |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortgage dated 12/23/02 in favor of Bank of America, N.A. recorded as Doc. No. 2003-004618 in the amount of \$1,200,000.00. | Lender has priority over Buyer's rights under a sales contract, and has a right to terminate sales contracts upon foreclosure of its mortgage before an apartment sale is closed. Should the lender terminate Buyer's sales contract, Buyer shall be entitled to a refund of all deposits, less escrow cancellation fee. |

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: Units are sold "as is".
2. **Appliances:**
None

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

Apartment 1 was completed in 1992.

Apartments 2 and 3 were completed on December 14, 2000.

H. **Project Phases:**

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

not affiliated with the Developer the Developer or the Developer's affiliate.
 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 "E" 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 _____

Note: Developer discloses that no reserve study was done in accordance with Chapter 514A-83.6 and replacement reserve rules, Subchapter 5, Title 16, Chapter 197, Hawaii Administrative Rules, as amended.

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 "C" contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated October 13, 2003
Exhibit "D" contains a summary of the pertinent provisions of the escrow agreement.
- Other Building and House Rules (Exhibit "F")

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 _____

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. 5260 filed with the Real Estate Commission on December 12, 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:**

Residential Dwellings within State Land Use Agricultural District

Purchasers should be aware that the State Land Use Commission issued a Declaratory Ruling in December, 1994, regarding the construction of residential dwellings on properties located within the State Land Use Agricultural District. In response to said ruling, the Hawaii County Planning Department is requiring applicants for building permits on such lands to acknowledge receipt of a "Farm Dwelling Notice." This Farm Dwelling Notice reads as follows:

FARM DWELLING NOTICE

To: Applicants for Building Permits on Land in State Land Use Agricultural District.

This is to inform you that Chapter 205, Hawaii Revised Statutes ("H.R.S."), does not authorize residential dwellings as a permissible use in an agricultural use district, unless the dwelling is related to an agricultural activity or is a "farm dwelling".

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

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

I acknowledge that I have read the above and have been given a copy.

Signature of Applicant

Signature of Witness

Disclosure regarding selection of Real Estate Broker

The Developer plans to sell the apartments 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 this 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.

PUALEI PROPERTIES, LLC

Owner/Developer

By Harvey L. Cohen 11/17/03
 Harvey L. Cohen Date
 Its Vice President – Hawaii Division

Distribution:

Department of Finance, County of Kauai

Planning Department, County of Kauai

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

EXHIBIT A

Common Elements

The common elements which the apartments have immediate access to include:

- a. The land in fee simple.
- b. The common element roadway of 0.102 acre from Makana'ano Place into Apartments 1, 2 and 3.
- c. The central and appurtenant installations for services benefiting all apartments and/or the entire project, including but not limited to power, light, gas, telephone, drainage, water management and like utilities.
- d. All other parts of the Project existing for the common use or necessary to the existence, maintenance and safety of the Project.

EXHIBIT B

Encumbrances Against Title

The title report of First Hawaii Title Corporation reports that title to the land is subject to the following encumbrances:

1. Real property taxes – For an update contact the Director of Finance, County of Kauai.
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 of the Seacliff Plantation at Kilauea Bay Community Declaration of Covenants, Conditions and Restrictions dated August 31, 1983, recorded in Book 17405 at Page 411 but omitting covenants or restrictions, if any based upon race color, religion, sex, handicap, familial status or national origin, unless and only to the extent that said covenant (a) is exempt under Chapter 42, section 3607 of the United States Code or (b) relates to handicapped but does not discriminate against handicapped persons. Said declaration was amended by instrument recorded in Book 21704, at Page 1, and dated September 9, 1988, recorded in Book 22367 at Page 21, and recorded in Book 22766 at Page 559.
4. The Covenants, conditions, restrictions, reservations, agreements, obligations, exceptions and other provisions as contained in the Deed recorded in the Bureau of Conveyances, in Book 17405, page 411 but omitting any covenants or restrictions if any, based upon race, color, religion, sex, handicap, familiar status, or national origin unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons.
5. Building Setback as shown on survey map prepared by Cesar C. Portugal, dated July, 1983 (revised).
6. Requirement of signing an elevation agreement with the Department of Water for water services, as set forth in Declaration of covenants, Conditions and Restrictions, dated August 31, 1983, recorded in Book 17405, Page 411.
7. Easement “D-2” (15 feet wide) for irrigation purposes, containing an area of 61,833 square feet, more or less, more particularly described in deed dated June 11, 1990, recorded as Document No. 90-09187.

8. The terms and provisions, including the failure to comply with any covenants, conditions, restrictions, reservations or obligations contained in the Declaration of Electrical use dated July 25, 1988, recorded in the Bureau of Conveyances of the State of Hawaii at Book 22226, Page 340, but omitting any covenants or restrictions, if any, based upon race, color, religion, sex, handicap, familiar status, or national origin unless and only to the extent that said covenant (a) is exempt under Chapter 42 section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons.

9. Grant in favor of Citizens Utilities Company, and GTE Hawaiian Telephone Company Incorporated, dated October 12, 1988, recorded in said Bureau in Book 22768 at Page 454, granting a right of entry and easement over and across Parcels 74 through 99, inclusive, and Parcel 101 for the purpose of building, constructing, repairing, maintaining and operating pole and wire lines, etc. for the transmission and distribution of electricity and communication, etc. and incidental purposes.

10. Farm Dwelling Agreement dated January 8, 1991, between Cherry Hill Pacific Ltd., a Hawaii corporation "Applicant", and the County of Kauai Planning Department, "Department", recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 91-013354.

11. Grant in favor of Citizens Utilities Company, a Delaware corporation, dated May 3, 1991, recorded as Document No. 92-035462 in said Bureau granting an easement for utility purposes and incidental purposes.

12. Waiver and Release to the County of Kauai, dated May 26, 2000 executed by William D. Hayes and Gloria D. Hayes, recorded as Document No. 2000-083238 for lack of county-supplied water service.

13. Waiver and Release to the County of Kauai dated July 13, 2000 executed by William D. Hayes and Gloria d. Hayes, recorded as Document No. 2000-101089 for lack of County-supplied water service.

14. Mortgage dated December 23, 2002 made by William D. Hayes and Gloria D. Hayes, husband and wife and Justin Hughes and Michele Hughes, husband and wife, as Mortgagor in favor of Bank of America , N.A., a national bank associations, as Mortgagee, recorded as Document No. 2003-004618 in the principal sum of \$1,200,000.00.

15. The covenants, agreements, obligations, conditions, easements and other provisions as contained in the following: Declaration of Condominium Property Regime of Pavilions at Sea Cliff Estates Condominium dated October 13, 2003, and recorded in said Bureau as Document No. 2003-231476, but omitting any covenants or restrictions if any, based upon race, color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to

to which reference is hereby made, as amended by First Amendment of Declaration of Condominium Property Regime dated January 13, 2004, recorded in said Bureau as Document No. 2004-019714.

16. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the By-Laws of the Association of Apartment Owner of Pavilions at Sea Cliff Estates Condominium dated October 13, 2003, and recorded in said Bureau as Document No. 2003-231477 to which reference is hereby made.

Pavilions – Exh. B

EXHIBIT D

Summary of Escrow Agreement

The Escrow Agreement sets up an arrangement under which the deposits, which a purchaser makes under a Sales Contract, will be held in a neutral party ("Escrow"). Under the Escrow Agreement these things will or may happen:

- (a) Developer will let purchasers know when payments are due.
- (b) Escrow will arrange for purchasers to sign all necessary documents.

(c) The Escrow Agreement states the following conditions under which a refund will be made to a purchaser. Developer and purchaser must make a written request to Escrow: (a) Requesting the return of purchaser's funds to purchaser; (b) Notifying Escrow of Developer's exercise of any option to rescind the Sales Contract; or (c) Notifying Escrow that the conditions provided for a refund under Section 514A-62 or 514A-63 of the Condominium Act have been met.

(d) The Escrow Agreement says what will happen to a purchaser's funds upon a default under the Sales Contract, that is, the purchaser's funds shall be retained by the Seller as liquidated damages.

(e) A summary of the conditions under which disbursement of the purchaser's fund may be made are as follows:

(1) Escrow shall make no disbursements of purchaser's funds or proceeds on the sale of such apartments including any payments made on loan commitments from permanent lenders), except by way of refunds thereof as provided herein below until:

(i) Escrow receives a copy of a "Receipt for Public Report(s) and Notice of Right to Cancel", in the form specified by Section 514A-62 of the Condominium Act for the Final and any Supplementary Public Report, executed by the purchaser;

(ii) Escrow has received a certification from Developer, acceptable to Escrow, stating that the Sales Contract has become effective and the requirements of Sections 514A-39 and 514A-63 have been met as those quoted phrases are used in Section 514A-65 of the Condominium Act; and

(iii) Until the purchaser's apartment deed is recorded in the Bureau of Conveyances, State of Hawaii.

The Escrow Agreement contains various other provisions and establishes certain charges with which the purchaser should become acquainted.

Note: Section 514A-63, Hawaii Revised Statutes provides for Rescission Rights to a purchaser under a binding Sales Contract if there is a material change in the Project which directly, substantially and adversely affects the use or value of (1) such purchaser's apartment or appurtenant limited common elements, or (2) those amenities of the Project available for such purchaser's use.

EXHIBIT "E"

PAVILIONS AT SEA CLIFF ESTATES

REGISTRATION NO. 5260
DISCLOSURE STATEMENT AS OF October 31, 2003

1. Name of Project: PAVILIONS AT SEA CLIFF ESTATES
2. Address: 2445 Makana'ano Place, Kilauea, Kauai, Hawaii 95754
3. Name of Owner and Developer: PUALEI PROPERTIES, LLC., a Delaware limited liability company.
4. Address: 2760 Kauapea Road, Kilauea, Hawaii 96754.
5. Project Manager or Agent: Self managed by Association of Apartment Owners. Agent: Harvey L. Cohen
6. Address: 2760 Kauapea Road, Kilauea, Hawaii 96754.
7. Maintenance Fees: There are presently no maintenance fees since the project is divided with each party having improvements located within is own apartment unit. The common area and roadway easements do not require any maintenance at the present time.
8. Commencement of Maintenance Fees: At such time that the Association shall determine a need therefor. In the mean time each owner will maintain his premises at his own cost and expense.
9. Warranties: The Project is a fee simple condominium project and there are no warranties.
10. Project: The Project consists of three (3) condominium apartments. Apartment 1 is a farm dwelling and Apartments 2 and 3 inclusive are free standing detached sheds. The uses will be agricultural and other uses that are allowed by the County of Kauai ordinances.

Dated: Kilauea, Kauai, Hawaii, this 31st day of October, 2003.

DEVELOPER
PUALEI PROPERTIES, LLC.

By Harvey L. Cohen
Harvey L. Cohen
Its Vice President - Hawaii Division

EXHIBIT F

**BUILDING AND HOUSE RULES
PAVILIONS AT SEA CLIFF ESTATES**

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

1. Definitions. As used herein:

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

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

c. The "unit owner" as used in the condominium documents shall also refer to an "apartment owner" or "apartment unit owner" in the Project.

d. The "condominium documents" refers to the Declaration, By Laws, Building and House Rules, Certificate of Architect or Engineer, and the Condominium Map.

e. The "Declarant" refers to PUALEI PROPERTIES, LLC, A Delaware limited liability company.

2. Private Building Approvals. Any owner desiring to construct or install any building or improvements in an Apartment is required to submit the plans and specifications to the Declarant so long as he owns an apartment for approval of such plans and specifications to be in conformance with the condominium documents. Thereafter the plans and specification shall be submitted to the owners of the other Apartments for his or her review for conformance with the condominium documents. If there is a difference of opinion the matter is subject to arbitration as set forth in the By Laws.

3. Building Permit and Construction. Any owner desiring to construct a dwelling in a Unit will comply with the building and zoning ordinances as the same may be changed from time to time. The requirements of the County of Kauai ordinances are required to be observed in the securing of a building permit and construction and maintenance of any dwelling as well as the following:

a. No house trailer, mobile home, motor home, permanent camping tent or similar facility or structure shall be kept, placed or maintained upon any Unit at any time to serve as an additional dwelling Unit, provided, however, that the provisions of this paragraph shall not apply to temporary construction shelters or facilities maintained for a period not to exceed one year during and used exclusively in connection with the construction or any work or improvement permitted on the Unit.

b. Each dwelling and all improvements from time to time located thereon shall be maintained by the owner(s) thereof in good and clean condition and repair and in such manner as not to create any fire, safety, or health hazard to the Project or any part thereof, all at such owner's sole cost and expense.

4. Use Restrictions. The property is zoned for agricultural use and such use shall be observed by each owner of a Unit in the Project. In addition the following Use Restrictions shall be observed by each Unit Owner:

a. Pets. Dogs, cats and other typical household pets may be kept, but only in reasonable numbers and under reasonable conditions so as not to become a nuisance to the neighboring Unit owners. All animals kept or maintained on a Unit, whether domestic pets, livestock, game and fish or any other animal or aquatic life propagated for economic or personal use shall be kept and maintain only in a density compatible with the agricultural zoning of the Unit and shall be cared for in conformance with practices of good animal husbandry, including but not limited to (i) fencing and animal housing facilities adequate to restrict such animals to their Unit where it is being maintained and (ii) control of noise and noxious odors to levels which are customary under practices of good animal husbandry and which are compatible with the agricultural zoning of the land.

b. Animals and Noise. The keeping and maintaining of pigs and fighting cocks and chickens are expressly prohibited as being incompatible with the neighboring residential and agricultural use. No animals or fowl that are loud or obnoxious shall be maintained. This includes, but is not limited to peacocks, donkeys, hunting dogs, pit bulls or any other vicious animals.

c. Noxious Activities. No noxious chemicals or pesticides shall be sprayed without giving a 24 hour notice to all Unit owners or agent of a Unit Owner prior to commencement of spraying. For the purpose of this paragraph, noxious shall be deemed to mean any chemical that presents a danger of physical

injury to human beings, domestic pets and farm animals as well as offering a possible drift residue contamination to neighboring unit crops that will be harvested for human consumption. No aircraft serial spraying of noxious chemical or pesticides shall be allowed.

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

5. General Appearance.

a. Signs. Signs, signals and lettering may be inscribed or exposed on any part of a building or in the common elements of the Project that meets the requirements of the ordinances of the County of Kauai.

b. Storage. No open storage of furniture, fixtures, appliances and other goods not in use will be permitted if not screened from the street and the other apartments. This restriction does not apply to garden furniture, children's swings or recreational equipment, or barbecues.

c. Antenna. No antenna, satellite dish, or other device to receive or transmit any television, radio, C.B. or any electronic signal shall be erected, placed or maintained on any building or area that is visible from any other apartment without the prior written approval of the affected apartment owner(s).

d. Vehicles in Disrepair. No vehicle that is unlicensed, or in non-working order, or in an extreme state of disrepair shall be abandoned or allowed to remain on the property for a period in excess of five (5) days, unless placed in a garage or other covered space screened from view.

6. Upkeep of Area. Each owner will be responsible for the landscaping and upkeep of its own Area and shall not permit its Area to be overgrown with weeds and/or place used goods and/or storage of materials to make the Area become unsightly like a junkyard.

7. Water and Utilities. Declarant will have such water and utilities brought to the Unit's boundary at the cost and expense of the Declarant. Each Unit Owner will be required to construct or extend the utilities to his/her own dwelling at his or her own cost and expense.

8. Cesspool and septic tanks. Each owner will be

responsible for their own cesspool and septic tanks provided that where there is sharing of sewer lines, cesspool and/or septic tanks then the owner affected shall cooperate with each other and be responsible for any costs and expenses on connection therewith.

9. Setbacks. Any structure placed in an area shall observe setbacks as provided for in the County of Kauai from the perimeter boundaries of each limited common element land area.

10. Common Element roadway. Each owner will be responsible to keep the common element roadway free and clear of any objects and vehicles at all times.

11. Completion. After completion of the dwelling and/or improvements, the owner shall proceed to do the following:

a. Publish a Notice of Completion in the Garden Island or newspaper of general circulation in the State of Hawaii for two (2) consecutive weeks at least seven (7) days apart and have it filed with the Clerk of the Fifth Circuit Court.

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

c. The architect or engineer's certificate should be executed reflecting the obtaining of a building permit from the County of Kauai and reflecting the "as built" condition of the dwelling.

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

e. The amendment to the Declaration

should then be filed for record in the Bureau
of Conveyances, State of Hawaii.

Executed this 13th day of October,
2003.

PUALLEI PROPERTIES, LLC,
A Delaware limited liability company

By Harvey L. Cohen
Harvey L. Cohen
Its Vice President - Hawaii Division

EXHIBIT "G"

**SUMMARY OF DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS OF THE
SEACLIFF PLANTATION AT KILAUEA BAY COMMUNITY**

The summary of Declaration of Covenants, Conditions and Restrictions of the Seacliff Plantation at Kilauea Bay Community dated August 31, 1983, filed in the Bureau of Conveyances, State of Hawaii, on October 24, 1983 in Book 17405, Page 411, is applicable to the Project (Lot 25), as amended. The reading of the Third Amendment of the Declaration, the most current amendment is important and various requirements have to be met before any construction and development of any improvements can be undertaken.

1. There are Lots 1 through 25 inclusive being a subdivision of Parcel 9, Kilauea, Island and County of Kauai, State of Hawaii.
2. Before any improvements can be commenced, the plans and specifications have to be reviewed and approved by a Design Committee of three regular persons and alternate appointed by Declarant (Pali Moana Company) with one representing the Declarant, one representing the lot owners and the third whoever the Declarant selects and an alternate. This right to continue for 10 years from December 1, 1988 and thereafter the Association to appoint and remove such members.
3. The Consultant will conduct a design review in accordance with standards established and in compliance with public regulatory requirements. The standards to include among other things setback, height, roof materials, reflective materials, minimum size of unit, construction schedule and height limitation.
4. There are restrictions as to temporary structures, house trailer, mobile homes, overhead utility lines, screening of transmission and receiving facilities.
5. There are restrictions on use of property such as noxious or offensive activities, unsightliness, noise, bright exterior lighting, number of animals and aquatic life kept and maintained and governmental health requirements that have to be observed.
6. Prior to the commencement of site improvements, grading permits need to be obtained from the County of Kauai and appropriate steps taken not to significantly alter any site from its natural or improved state existing on the date when the lot was first conveyed by the Declarant.

7. The lots to be maintained and landscaped and the sign requirements as set forth in the Declaration have to be observed.

8. There is a list of prohibited uses and activities which have to be observed.

9. There are State Land Use Restrictions for "agricultural activities" and "dwellings" that have to be observed as contained in Section 205-4.5, Hawaii Revised Statutes.

10. The restrictive covenants to continue for a period to January 1, 2012 at which time it shall be automatically extended for successive periods of ten years unless a majority of the Class A members (owners of lots) agree to change covenants in whole or in part.

11. Enforcement of these covenants and restrictions shall be by proceeding at law or in equity against any violator, either to restrict by injunctive relief or recover damages against the violator and against the land to enforce any lien created by these covenants.

12. There are easements, reservations and restrictions set forth for the various Lots 1 through 25 in this Subdivision of which this Project is Lot 3 and Lot 35 is required to observe such easements, reservations and restrictions as set forth in the Declaration. These relate to flood zone, run off, drainage, roadway, pedestrian and vehicular access and utilities.

EXHIBIT "H"

****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 "H "

BRYAN J. BAPTISTE
Mayor



IAN K. COSTA
Director of Planning

SHEILAH N. MIYAKE
Deputy Director of Planning

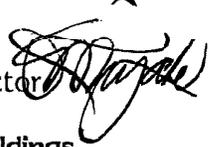
**COUNTY OF KAUA'I
PLANNING DEPARTMENT**

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

TELEPHONE: 808.241.6677
FAX: 808.241.6699

DATE: December 10, 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: PAVILIONS at SEA CLIFF ESTATES
Condominium Project (119)
Tax Map Key: (4) 5-2-004: 076

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), (1), 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 Pavilions at Sea Cliff Estates Condominium Unit 1 through Unit 3 inclusive 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.

EXHIBIT "I"

AN EQUAL OPPORTUNITY EMPLOYER

Senior Condominium Specialist
Pavilions at Sea Cliff Estates Condominium
TMK: (4) 5-2-004: 076
Page 2
December 10, 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: Harvey Cohen, Project Developer
Hiroshi Sakai, Attorney at Law