CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer JAMES G. WATSON, SR., and FRANCES K. WATSON
Address P. O. Box 10221, Lahaina, Hawaii, 96761

Project Name (*): WATSON CONDOMINIUM
Address: 5783 and 5791 Kuamoo Road, Wailua, Kauai, Hawaii

Registration No. 5361 (Conversion)

Effective date: June 16, 2004
Expiration date: July 16, 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, if any, of the project or of purchasing an apartment in the project.

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

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

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

Type of Report:

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

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

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

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

(*) Exactly as named in the Declaration

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 [X] Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

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

[ ] Changes made are as follows:

SPECIAL ATTENTION

This is a CONDOMINIUM PROJECT, not a subdivision. There are County restrictions on the number of residential dwelling units, or other structures, which may be built on the property. Therefore, unless the Purchaser is buying an existing residential dwelling, there are no assurances that the Purchaser will be able to build a residential dwelling on the property. There is also no assurance that the Purchaser will be able to convert an existing non-residential structure to a residential use. The Purchaser should consult with the appropriate County agencies to determine whether the Purchaser may build a residential dwelling, or any other type of structure, on the property.

1. There are presently two residential structures on this Project, each of which may be defined 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 area in the land comprising the limited common element are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.

4. Facilities and improvements 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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EXHIBIT A: Common Elements and Limited Common Elements
EXHIBIT B: Encumbrances Against Title
EXHIBIT C: Summary of Sales Contract
EXHIBIT D: Summary of Escrow Agreement
EXHIBIT E: Memorandum from the County of Kauai dated April 27, 2004

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: JAMES G. WATSON, SR.
FRANCES K. WATSON
Name*
P. O. Box 10221
Business Address
Lahaina, Hawaii 96766

Phone: (808) 661-4331
(Business)

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):
N/A

Real Estate Broker*: THE PRUDENTIAL MAUI REALTORS, INC.
Name dba MAUI BEACHFRONT RENTALS
256 Papalaua
Business Address
Lahaina, Hawaii 96761

Phone: (808) 661- 5200
(Business)

Escrow: TITLE GUARANTY ESCROW SERVICES, INC.
Name
4414 Kukui Grove Street #104
Business Address
Lihue, Hawaii 96766

Phone: (808) 245-3381
(Business)

General Contractor*: N/A
Name
N/A
Business Address

Phone: N/A
(Business)

Condominium Managing Agent*: SELF-MANAGED BY THE ASSOCIATION OF APARTMENT OWNERS
Name
N/A
Business Address
N/A

Phone: N/A
(Business)

Attorney for Developer: PATRICK J. CHILDS, ESQ.
Name
4365 Kukui Grove Street #104
Business Address
Lihue, Hawaii 96766

Phone: (808) 245-2863
(Business)

* 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
[X] Recorded - Bureau of Conveyances: Document No. 2004-025784
Book _____ Page _____
[ ] Filed - Land Court: Document No. _____

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

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

The Condominium Map for this condominium project is:

[ ] Proposed
[X] Recorded - Bureau of Conveyances Condo Map No. 3705
[ ] Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

[ ] Proposed
[X] Recorded - Bureau of Conveyances: Document No. 2004-025785
Book _____ Page _____
[ ] Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

[ ] Proposed [ ] Adopted [X] Developer does not plan to adopt House Rules

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

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

	Minimum Set by Law	This Condominium
Declaration (and Condo Map)	75%*	100%
Bylaws	65%	100%
House Rules	---	N/A

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

2. Developer:

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

[X] Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules: The Developer has reserved the right to amend the Declaration and Condominium Map for the purposes of adjusting the plan or description of any apartment which may be improved, enlarged or altered, upon the condition that no such amendment shall in any way alter any apartment or common interest thereof which has been conveyed by the Developer prior to the recording of such amendment at the Bureau of Conveyances, State of Hawaii.

III. THE CONDOMINIUM PROJECT

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

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

[ ] Leasehold or Sub-leasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

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

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

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

Lease Rent Payable: [ ] Monthly [ ] Quarterly
[ ] Semi-Annually [ ] Annually

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

For Sub-leaseholds:

[ ] Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is: [ ] Canceled [ ] Foreclosed

[ ] As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

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

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

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

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

Lease Rent Payable: [ ] Monthly [ ] Quarterly
[ ] Semi-Annually [ ] Annually

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

[ ] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. **Underlying Land:**

Address: 5783 & 5791 Kuamoo Road
Wailua, Kauai, Hawaii

Tax Map Key (TMK): (4) 4-2-009-033

[ ] Address [ ] TMK is expected to change because _____

Land Area: 18,529 [X] square feet [ ] acre(s) Zoning: R-4

Fee Owner: JAMES G. WATSON, SR.
FRANCES K. WATSON
Name
P. O. Box 10221
Address
Lahaina, Hawaii 96766

Lessor: N/A
Name

Address

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 2 Floors Per Building: 1

[ ] Exhibit _____ contains further explanations.

3. Principal Construction Material:

[ ] Concrete [ ] Hollow Tile [X] Wood

[ ] Other _____

4. Uses Permitted by Zoning:

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

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

5. Special Use Restrictions:

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

[ ] Pets: _____

[ ] Number of Occupants: _____

[X] Other: Refer to Section 10, Page 7 of the Declaration and Section 3, Page 27 of the Bylaws for Special Use Restrictions.

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
A	1	3/2.5	1744	440	Lanai
B	1	4/1.5	1012	265	Lanai

Total Number of Apartments: 2

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

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

Boundaries of Each Apartment: Perimeter wall to perimeter wall, floor to exterior of roof.

Permitted Alterations to Apartments: Any alterations permitted by law.

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 N/A elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 4

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

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

[ ] Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

[X] There are no recreational or common facilities.

[ ] Swimming pool [ ] Storage Area [ ] Recreation Area

[ ] Laundry Area [ ] Tennis Court [ ] Trash Chute/Enclosure(s)

[ ] Other: _____

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

[X] There are no violations. [ ] Violations will not be cured.

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

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

Developer retained Ron Agor, Architect, to inspect the apartments, including the exterior roof, foundation, walls, visible electrical and plumbing systems. Mr. Agor certifies that the structural components and mechanical and electrical installations appear to be in good sound condition. Mr. Agor estimates that the apparent useful life of the apartments, provided that proper maintenance is performed, is 25 years.

11. Conformance to Present Zoning Code

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

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

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

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

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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

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

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

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

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

[X] described in Exhibit A.

[ ] as follows:

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

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

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

[X] described in Exhibit A.

[ ] as follows:

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

[ ] described in Exhibit _____.

[X] as follows: There are two apartments in this Project, each of which will burden the common elements equally. Therefore the assessment of undivided interest for both common expense and for voting is 50% for each apartment.

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

Exhibit B describes the encumbrances against the title contained in the title report dated February 20, 2004 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.

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed **Prior to Conveyance**
Mortgage	The underlying mortgage is superior to and takes precedence over the sales contract. If the Developer defaults, Purchaser shall lose its option to consummate its purchase of the property and Purchaser's money shall be refunded, less any 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.

2. Appliances: None.

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

All construction is complete. Apartment A was constructed in 1965 and Apartment B was constructed in 1983.

H. **Project Phases:**

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

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

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

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

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

There are no maintenance fees at this time. Please see Page 20.

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:

[X] None [ ] Electricity (___ Common Elements only ___ Common Elements & Apartments)

[ ] Gas (___ Common Elements only ___ Common Elements & Apartments)

[ ] Water [ ] Sewer [ ] Television Cable

[ ] Other _____

V. MISCELLANEOUS

A. **Sales Documents Filed With the Real Estate Commission:**

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

[ ] Notice to Owner Occupants

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

[X] Escrow Agreement dated February 2, 2004
Exhibit D contains a summary of the pertinent provisions of the escrow agreement.

[X] Other Specimen Notice to Tenants; 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 documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

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

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer 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. 5361 filed with the Real Estate Commission on March 9, 2004.

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

[ ] YELLOW paper stock [X] WHITE paper stock [ ] PINK paper stock

C. Additional Information Not Covered Above.

Maintenance fees for this project have not been established at this time. In the event the Developer elects to establish maintenance fees prior to entering into a binding contract for the sale of an apartment in this project, Developer shall: (1) submit to the Real Estate Commission a duly executed Disclosure Abstract identifying such maintenance fees; and (2) provide a copy of the Disclosure Abstract to the Purchaser together with a copy of this Public Report. Developer discloses that no reserve study was done in accordance with Chapter 514-A-83.6, HRS, and replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

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.

JAMES G. WATSON, SR., and FRANCES. K. WATSON

Printed Name of Developer

By: _____ January 5, 2004

Duly Authorized Signatory* Date

JAMES G. WATSON, SR., and FRANCES K. WATSON

Printed Name & Title of Person Signing Above

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 AND LIMITED COMMON ELEMENTS

1. Common Elements. The common elements of the Project consist only of the following:

A. All of the land, in fee simple, subject to the division of the same as limited common elements pursuant to Paragraph 6 of the Declaration of Condominium Property Regime.

B. The limited common elements hereinafter described, subject to the provisions set forth in Paragraph 6 of the Declaration of Condominium Property Regime.

C. All pipes, wires, waste disposal systems, conduits, or other utility or service lines, drainage ditches or appurtenant drainage structures, retaining walls (if any) and yard fences, which are outside of the buildings and which are utilized for or serve more than one apartment.

D. The 533 square foot common element which serves both apartments for ingress to and egress from Kuamoo Road. The common element is shown on the Condominium Map and described in the following attachment prepared by Roger M. Caires, Licensed Professional Land Surveyor.

2. Limited Common Elements. The limited common elements of the Project consist only of the following:

A. That portion of the land which is designated as Limited Common Element for Apartment A, consisting of 10,478 square feet, is reserved for the exclusive use of Apartment A, for the support of the buildings and other improvements comprising Apartment A and for residential, yard, driveway and parking purposes. The Limited Common Element for Apartment A is shown on the Condominium Map and described in the following attachment prepared by Roger M. Caires, Licensed Professional Land Surveyor.

B. That portion of the land which is designated as Limited Common Element for Apartment B, consisting of 7,518 square feet, is reserved for the exclusive use of Apartment B, for the support of the buildings and other improvements comprising Apartment B and for residential, yard, driveway and parking purposes. The Limited Common Element for Apartment B is shown on the Condominium Map and described in the following attachment prepared by Roger M. Caires, Licensed Professional Land Surveyor.

****
NOTICE: This is not a subdivision. The Limited Common Elements are reserved for the exclusive use of individual apartments and are not subdivided parcels. As such, they do not fall within the ordinances of the County of Kauai as the same pertain the subdivisions nor do they derive any benefit therefrom.
****

CAIRES LAND SURVEYING

P.O. Box 777
Kalaheo, Kauai, Hawaii 96741
(808) 635-3700 · Fax (808) 332-8910
roger@caireslandsurveying.com
www.caireslandsurveying.com

WATSON CONDOMINIUM
UNIT A

All of that certain parcel of land being the Limited Common Element containing Condominium Unit "A", Watson Condominium, situate at Wailua, Puna, Kauai, Hawaii.

Being a portion of Grant 10,985 to Antone Nobriga, being also a portion of Lot 24 of the WAILUA HOMESTEADS (FIRST SERIES), and more particularly described as follows:

BEGINNING at the Southeast corner of this parcel of land, at the Southwest corner of the Limited Common Element for Unit B of Watson Condominium, on the North line of Lot 8-A, the coordinates of said point of beginning referred to Government Survey Triangulation Station "NONOU", being 3,289.60 feet South and 4,642.30 feet West, thence running by azimuths measured clockwise from true South:

1.	125°	00'		60.00	feet along Lot 8-A;
2.	199°	35'		169.81	feet along Lot 15, Lot 14 and Lot 12;

Thence along Kuamoo Road on a curve to the right, the chord azimuth and distance being;

3.	325°	50'	08"	11.34	feet;
4.	326°	36'		86.43	feet along same;
5.	28°	40'		128.64	feet along the remainder of this portion of Lot 24 of the WAILUA HOMESTEADS (FIRST SERIES), the Common Element and the Limited Common Element for Unit B of Watson Condominium to the point of beginning and containing an AREA of 10,478 Sq. Ft.

TOGETHER WITH, a Common Element as shown on Watson Condominium Map dated January 2, 2004.

ROGER M. CAIRES
LICENSED PROFESSIONAL LAND SURVEYOR NO. 7919
HAWAII U.S.A.

Kalaheo, Hawaii 96741
January 2, 2004

DESCRIPTION PREPARED BY
CAIRES LAND SURVEYING

ROGER M. CAIRES
Licensed Professional Land Surveyor
Certificate Number 7919

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WATSON CONDOMINIUM
UNIT B

All of that certain parcel of land being the Limited Common Element containing Condominium Unit "B", Watson Condominium, situate at Wailua, Puna, Kauai, Hawaii.

Being a portion of Grant 10,985 to Antone Nobriga, being also a portion of Lot 24 of the WAILUA HOMESTEADS (FIRST SERIES), and more particularly described as follows:

BEGINNING at the Southwest corner of this parcel of land, at the Southeast corner of the Limited Common Element for Unit A of Watson Condominium, on the North line of Lot 8-A, the coordinates of said point of beginning referred to Government Survey Triangulation Station "NONOU", being 3,289.60 feet South and 4,642.30 feet West, thence running by azimuths measured clockwise from true South:

1.	208°	40'	96.64	feet along the remainder of this portion of Lot 24 of the WAILUA HOMESTEADS (FIRST SERIES), the Limited Common Element for Unit A of Watson Condominium;
2.	298°	40'	20.00	feet along the remainder of this portion of Lot 24 of the WAILUA HOMESTEADS (FIRST SERIES), the Common Element of Watson Condominium;
3.	208°	40'	21.40	feet along same;
4.	326°	36'	69.48	feet along Kuamoo Road;
5.	41°	57'	94.64	feet along Lot 1;
6.	125°	00'	60.00	feet along Lot 8-A to the point of beginning and containing an AREA of 7,518 Sq. Ft.

TOGETHER WITH, a Common Element as shown on Watson Condominium Map dated January 2, 2004.

ROGER M. CAIRES
LICENSED PROFESSIONAL LAND SURVEYOR NO. 7919
HAWAII U.S.A.

Kalaheo, Hawaii 96741
January 2, 2004

DESCRIPTION PREPARED BY
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Roger M Caires

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WATSON CONDOMINIUM
COMMON ELEMENT

All of that certain parcel of land being the Common Element for Watson Condominium, situate at Wailua, Puna, Kauai, Hawaii.

Being a portion of Grant 10,985 to Antone Nobriga, being also a portion of Lot 24 of the WAILUA HOMESTEADS (FIRST SERIES), and more particularly described as follows:

BEGINNING at the Northwest corner of this parcel of land, at the Northeast corner of the Limited Common Element for Unit A of Watson Condominium, on the West line of Kuamoo Road, the coordinates of said point of beginning referred to Government Survey Triangulation Station "NONOU", being 3,176.74 feet South and 4,580.59 feet West, thence running by azimuths measured clockwise from true South:

1.	326°	36'	22.64	feet along Kuamoo Road;
2.	28°	40'	21.40	feet along the remainder of this portion of Lot 24 of the WAILUA HOMESTEADS (FIRST SERIES), the Limited Common Element for Unit B of Watson Condominium;
3.	118°	40'	20.00	feet along same;
4.	208°	40'	32.00	feet along the remainder of this portion of Lot 24 of the WAILUA HOMESTEADS (FIRST SERIES), the Limited Common Element for Unit A of Watson Condominium to the point of beginning and containing an AREA of 533 Sq. Ft.

ROGER M. CAIRES
LICENSED PROFESSIONAL LAND SURVEYOR NO. 7919
HAWAII U.S.A.

DESCRIPTION PREPARED BY
CAIRES LAND SURVEYING

Kalaheo, Hawaii 96741
January 2, 2004

ROGER M. CAIRES
Licensed Professional Land Surveyor
Certificate Number 7919

End of Exhibit "A"

EXHIBIT "B"

ENCUMBRANCES AGAINST TITLE

1. Any and all Real Property Taxes that may be due and owing for Tax Key No. (4) 4-2-009-033, area assessed 18,530 square feet. A prospective purchaser is encouraged to contact the Director of Finance, County of Kauai, Real Property Tax Division, for the most current information regarding Real Property Taxes.

2. MORTGAGE AND FINANCING STATEMENT

   LOAN/ACCOUNT NO. 6533098387

   MORTGAGOR : JAMES G. WATSON, SR., unmarried, and FRANCES K. WATSON, unmarried

   MORTGAGEE : BANK OF AMERICA, N.A., a national banking association organized and existing under the laws of the United States of America

   DATED : March 27, 2000
   RECORDED : Document No. 2000-044517
   AMOUNT : $135,000.00

3. 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 OF WATSON CONDOMINIUM

   DATED : January 5, 2004
   RECORDED : Document No. 2004-025784
   MAP : Condominium Map No. 3705

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

   INSTRUMENT: BYLAWS OF THE ASSOCIATION OF APARTMENT OWNERS

   DATED : January 5, 2004
   RECORDED : Document No. 2004-025785

EXHIBIT "C"

SUMMARY OF SALES CONTRACT

The Seller intends to use the Hawaii Association of Realtors' form of Deposit Receipt, Offer and Acceptance ("DROA") as the sales contract for the sale of apartments in the Project. The DROA contains the purchase price, description and location of the apartment and other terms and conditions under which a Buyer will agree to buy an apartment.

Among other things, the DROA:

1. Provides a section for financing to be completed and agreed to by the parties which will set forth how the Buyer will pay the purchase price.

2. Identifies the escrow agent and states that Buyer's deposit will be held in escrow until the sale is closed or cancelled.

3. Requires that Buyer must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

4. Provides the following remedies in the event of default under the DROA:

By Buyer:

A. Seller may bring an action against Buyer for breach of contract;

B. Seller may retain Buyer's deposit(s) as liquidated damages;

C. Buyer shall be responsible for all expenses incurred.

By Seller:

A. Buyer may bring an action against Seller for breach of contract;

B. Buyer may bring an action compelling Seller for perform under contract;

C. Seller shall be responsible for all expenses incurred.

Any awards to the prevailing party in any action are subordinate to escrow's expenses.

5. Allocation of payment of closing costs.

6. Provides that the property is sold "as is".

END OF EXHIBIT "C"

EXHIBIT "D"

SUMMARY OF ESCROW AGREEMENT

An Escrow Agreement allows the condominium Buyer's money to be held by a neutral party, the Escrow Agent, until the Seller can deliver good and marketable title to the apartment. The Escrow Agreement for this Project provides for, among other things:

1. That Title Guaranty Escrow Services, Inc., is the Escrow Agent.

2. That, upon execution of a sales contract, the Developer shall deliver all money received to the Escrow Agent.

3. That no money will be released by the Escrow Agent until the Real Estate Commission has issued an effective date for a Final Public Report.

4. That Buyer shall receive all public documents relating to the Project.

5. That a Buyer's money shall be returned to him if he exercises certain rights he may have to cancel his sales contract as provided by law, if that is his wish, or if the Seller is unable to provide title to the apartment.

6. That, upon the Seller providing good title to the apartment, the Buyer's money shall be turned over to the Seller.

7. That the Escrow Agent will record with the State of Hawaii all documents requiring such.

8. That, if the Buyer is unable to perform and has money on deposit with Escrow Agent, these monies will be turned over to the Seller.

END OF EXHIBIT "D"

EXHIBIT "E"

BRYAN J. BAPTISTE
MAYOR

GARY K. HEU
ADMINISTRATIVE ASSISTANT

IAN K. COSTA
DIRECTOR OF PLANNING

GARY L. HENNIGH
DEPUTY DIRECTOR OF PLANNING

COUNTY OF KAUA'I
PLANNING DEPARTMENT
Kapule Building
4444 Rice Street, Suite A473
Līhu'e, Hawai'i, 96766-1326

TELEPHONE: 808.241.6677
FAX: 808.241.6699

DATE: April 27, 2004

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

FROM: Ian K. Costa, Director of Planning

SUBJECT: **Certification of Inspection of Existing Buildings**

Project Name: **WATSON**
Condominium Project (141)
Tax Map Keys: (4) 4-2-009: 033

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 515A-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 Ron Agor to certify that the buildings on the proposed project referred to as Watson Condominium Unit A and Unit B 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.

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 (1), Hawaii Revised Statutes.

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

cc: Patrick Childs, Attorney at Law ✓
James Watson, Project Developer