PUBLIC REPORT

Prepared & Issued by:

Developer Old Island LLC, a Hawaii limited liability company
Address 75-5801 Alii Drive Suite AU2, Kailua-Kona, Hawaii 96740

Project Name(*):ISLANDER ON THE BEACH
Address: 440 Aleka Place, Kapaa, Kauai, Hawaii 96746

Registration No. 5420 (conversion)

Effective date: December 30, 2004
Expiration date: January 30, 2006

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.

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

____ **FIRST SUPPLEMENTARY:** (pink) And — This report updates information contained in the:
[ ] Preliminary Public Report dated: _____
[ ] Final Public Report dated: _____
[ ] Supplementary Public Report dated: _____
[ ] Supersedes all prior public reports.
[ ] Must be read together with _____
[ ] This report reactivates the _____ public report(s) which expired on _____

(*) Exactly as named in 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.

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[X] Required and attached to this report as Exhibit H

[ ] 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.

[X] Changes made are as follows:

THE DEVELOPER IS NOW OLD ISLAND LLC, A HAWAII LIMITED LIABILITY COMPANY OF WHICH THE FORMER DEVELOPER PULUWAI LLC IS A MEMBER. THE ESCROW AGREEMENT AND THE CONTRACTS WITH PURCHASERS HAVE BEEN ASSIGNED TO OLD ISLAND LLC. THE DEVELOPER HAS PURCHASED THE LEASED FEE, LEASEHOLD AND SUBLEASEHOLD INTERESTS IN THE PROPERTY AND HAS MERGED THOSE INTERESTS SO THAT IT OWNS THE APARTMENTS IN FEE SIMPLE EXCEPT FOR APARTMENT 23 IN WHICH IT OWNS THE LEASED FEE. THE DEVELOPER HAS RECORDED THE SECOND AMENDMENT TO DECLARATION OF CONDOMINIUM PROPERTY REGIME WHICH DIFFERS FROM THE DRAFT SUBMITTED FOR THE PRELIMINARY PUBLIC REPORT BY DESIGNATING THE POOL BAR STRUCTURE AS A LIMITED COMMON ELEMENT APPURTENANT TO APARTMENT 21. THE ESTIMATED MAINTENANCE FEES HAVE BEEN REVISED TO REFLECT THE ADDITION OF RESERVES AND UPDATED TO 2005. THE COUNTY OF KAUAI HAS ASSIGNED A NEW ADDRESS TO THE PROJECT.

SPECIAL ATTENTION

THE DEVELOPER HAS DISCLOSED THAT THE APARTMENTS IN THE PROJECT WILL BE OFFERED AND SOLD **WITHOUT WARRANTIES** FROM THE DEVELOPER AS TO THE HABITABILITY, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR USE OR PURPOSE, WORKMANSHIP, MATERIALS, OR DEFECTS OF ANY KIND AND WITHOUT ANY OTHER EXPRESS OR IMPLIED WARRANTIES WITH REGARD TO THE APARTMENT AND ANY FURNISHINGS, FIXTURES OR APPLIANCES IN AN APARTMENT, THE PROJECT OR ANY OF THE COMMON ELEMENTS OR LIMITED COMMON ELEMENTS. EACH APARTMENT SHALL BE SOLD BY THE DEVELOPER AND ACCEPTED BY THE PURCHASER STRICTLY IN "**AS IS**" CONDITION AS OF THE DATE OF CLOSING. NO REPRESENTATIONS OF ANY KIND ARE MADE ABOUT INCOME POTENTIAL OR FINANCIAL BENEFITS FROM OWNERSHIP.

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EXHIBIT A: DEVELOPER'S RIGHT TO CHANGE DOCUMENTS AND CERTAIN OTHER RIGHTS
EXHIBIT B: DESCRIPTION OF BUILDINGS
EXHIBIT C: APARTMENT TYPES AND BOUNDARIES OF APARTMENTS
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EXHIBIT I: SUMMARY OF SALES CONTRACT AND ESCROW AGREEMENT
EXHIBIT J: DEPT. OF PLANNING LETTER DATED JUNE 17, 2004
EXHIBIT K: DEPT. OF PLANNING LETTERS DATED DECEMBER 10, 1981 AND FEBRUARY 3, 1987
EXHIBIT L: SUMMARY OF DECLARATION OF COVENANTS AND RESTRICTIONS DATED OCTOBER 12, 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:	Old Island LLC Name* 75-5801 Alii Drive Suite AU2 Business Address Kailua-Kona, Hawaii 96740	Phone:	(800) 326-1540 (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):

Managers:	Brian A. Anderson John M. Alderson Thomas C. Connor Donald W. Woolley Thomas C. Connor Jr.	Members:	Puluwai, LLC Mustang Canyon, LLC

Real Estate Brokers*:	Hawaiian Island Homes, Ltd. Name 931 University Avenue, Ste.207 Business Address Honolulu, Hawaii 96826	Phone:	(808) 946-3322 (Business)
Escrow*	Tittle Guaranty Escrow Services, Inc. Name 235 Queen Street, 2nd Floor Business Address Honolulu, Hawaii 96813	Phone:	(808) 521-0209 (Business)
General Contractor	Not Applicable (conversion) Name Business Address (Construction completed 1970)	Phone	 (Business)
Condominium Managing Agent	ResortQuest Hawaii, LLC dba Aston Property Management Name 2155 Kalakaua Ave Ste 500 Business Address Honolulu Hawaii 96815-2354	Phone	(808) 931-1400 (Business)
Attorney for Developer	Cades Schutte A Limited Liability Law Partnership LLP Attn: Bernice Littman Suite 1200,1000 Bishop Street Honolulu, Hawaii 96813 Business Address	Phone	(808) 521-9200 (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		
[ ]	Recorded	Bureau of Conveyances:	Document No. Book_____ Page _____
[X]	Filed -	Land Court:	Document No: 1095514

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

First Amendment to Declaration of Islander on the Beach was filed as Land Court Document 1188203

Confirmation of Merger and Submission was filed as Land Court Document 3179873.

Second Amendment to Declaration of Condominium Property Regime for Islander on the Beach was filed as Land Court Document 3179874. Developer intends to file an additional amendment to correct a typographical error contained in the Second Amendment.

B. **Condominium Map (File Plan)** shows the floor plans, 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.
[X]	Filed -	Land Court Condo Map No. 469

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:
Filed together with First Amendment to Declaration of Islander on the Beach described above.

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. Book _____ Page _____
[X]	Filed -	Land Court:	Document No. 1095514

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

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

The House Rules for this condominium are:

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

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

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

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

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

2. Developer:

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

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

See attached Exhibit "A"

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 Subleasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

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

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

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

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

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

For Subleaseholds:

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

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

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

Leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specific 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: 440 Aleka Place
Kapaa, Kauai, Hawaii 96746

Tax Map Key (TMK): (4) 4-3-002-013

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

Land Area: 6.003 [ ] square feet [x] acre(s) Zoning: Resort RR-20

Fee Owner: Old Island LLC
Name
75-5801 Alii Drive Suite AU2, 96740
Address
Kailua-Kona, Hawaii 96740

Lessor: Old Island LLC (Only for Unit 23)
Name
75-5801 Alii Drive Suite AU2,
Address
Kailua-Kona, Hawaii 96740

C. **Building and Other Improvements:**

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

2. Number of Buildings: 10 Floors Per Building: 2 one floor, 8 three floor

[x] Exhibit "B" contains further explanations.

3. Principal Construction Material:

[x] Concrete [x] Hollow Tile [x] Wood

[ ] Other:

4. Uses Permitted by Zoning:

	No. of Apts.	Use Permitted By Zoning	
[ ] Residential		[ ] Yes	[ ] No
[x] Commercial	3	[x] Yes	[ ] No
[ ] Mix Res/Comm		[ ] Yes	[ ] No
[x] Hotel*	200 *	[x] 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

*2 dwelling units and 198 lodging units

5. Special Use Restrictions:

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

[x] Pets: None except as required by accessibility laws

[ ] Number of Occupants: _____

[x] Other: No rental pooling until Project sold. Restrictions to preserve hotel use See Exhibit H

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 16 Trash Chutes: 0

See Exhibits "C" and "D"

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)

Total Apartments: 203
See Exhibits "B" and "D"

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

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

Boundaries of Each Apartment:

See Exhibit "C"

Permitted Alterations to Apartments:

See Exhibit "E"

7. Parking Stalls:

Total Parking Stalls: 113

	Regular		Compact		Tandem		TOTAL
	Covered	Open	Covered	Open	Covered	Open	
Assigned (for each unit)	0	2		0	0	0	2
Guest		111	0	0	0	0	111
Unassigned	0	0	0	0	0	0	
Extra for Purchase	0	0	*	0	*	0 0	
Other:	0	0	0	0	0	0	
Total Covered & Open		113		0		0	113

[Note: the count of parking stalls will be lower when they are restriped to add five handicapped parking stalls]

Each apartment will have the exclusive use of at least 0 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

[ ] Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

[ ] There are no recreational or common facilities.

[x] Swimming pool [x]* Storage Area [ ] Recreation Area (Building)

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

[x] Other Lobby

*Limited common element for Commercial Apt 21

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):

Not applicable. The Project is located in County-zoned/designated resort area.

11. Conformance to Present Zoning Code:

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

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

1. Z-IV-82-23 (SMA (U) 82-7) accessory hotel uses
2. Z-IV-87-28 (SMA (U) 87-5) interior renovation (shed) office renovation, pool bar and shower and new spa and Puu Lani pool

See attached "Exhibit K".

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*		

*To Developer's knowledge but see page 20 . Additional information. 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 "F"

[ ] 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 "F"*

[ ] as follows:

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

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

[x] described in Exhibit "D"

[ ] as follows:

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

Exhibit "G" describes the encumbrances against the title contained in the title report dated October 14, 2004 issued by Title Guaranty of Hawaii, Incorporated.

Blanket Liens:

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

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

[X] There are blanket liens which may affect title to the individual apartments.

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

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed **Prior to Conveyance**
Mortgage	Developer's interest in the Project is subject to a mortgage in the principal sum of $31,000,000.00. If the Developer defaults under the mortgage then the lender may foreclose on the property and the lender may not be willing to honor the sales contracts for the Apartments. In that case the apartment buyers deposits will be returned by escrow less escrow's cancellation fee. Developer has made arrangements with the lender for partial releases of the mortgage to facilitate closing of the sale of apartments provided that Developer is not in default and is able to meet the conditions for partial release.

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:

Construction of the project was completed over 30 years ago by a prior unrelated developer. The current developer has begun to make certain repairs and renovations to the building but makes no representations, warranties or other promises about those repairs and the project is being sold strictly in its "as is" condition as of the date of closing. The Developer makes no representations, warranties or other promises whatsoever, express or implied, as to the condition of the apartments, common elements or any improvements comprising part of the project, as to the habitability or merchantability of any apartment or the project, or as to the fitness of the apartments, the common elements and the project for any particular use or purpose. The Developer will assign to purchasers at closing any assignable warranty (if any) with respect to purchaser's apartment that is given by the repairing/renovation contractor .

2. Appliances:

The Developer makes no warranties whatsoever as to any appliances, fixtures or furnishings conveyed together with an apartment or otherwise used or owned in common by the association or apartment owners of the project. Where new appliances are being installed by Developer the Developer will assign warranties given by the manufacturer to the extent assignable.

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

The project was completed 1970.

H. **Project Phases**:

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

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

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

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

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

C. **Utility Charges for Apartments**:

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

[ ] None [x] Electricity (_____ Common Elements only __X__ Common Elements & Apartments

* [x] Gas (___ Common Elements only _____ Common Elements & Apartments)

[x] Water [x] Sewer [x] Television Cable

[x] Other Basic telephone service, refuse, hot water

Note: Apartment 23 is a free-standing restaurant building and pays its own utilities.

* Gas is supplied via a propane tank located on the Project but owned by the supplier.

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 "I" contains a summary of the pertinent provisions of the sales contract.

[x] Escrow Agreement dated June 30, 2004
Exhibit "I" contains a summary of the pertinent provisions of the escrow agreement.

[ ] Other _____

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

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

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the developer may be binding on the developer unless the developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all monies 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 monies 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 part of Registration No. 5420 filed with the Real Estate Commission on July 16, 2004.

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[ ] YELLOW paper stock [x] WHITE paper stock [ ] PINK paper stock

C. **Additional Information Not Covered Above:**

ADDITIONAL DISCLOSURES CONCERNING THE PROJECT

1. Since the project was completed in 1970 many changes have been made to the zoning, building and other construction codes.

2. The zoning requires that at least six units in the Project be rooms intended or designed to be used, or which are used, rented or hired out to be occupied for sleeping purposes by guests when the rooms are open to the occupancy by the general public on a commercial basis whether the establishment is called a hotel, resort hotel, inn, lodge or otherwise which rooms do not constitute dwelling units. The project has 198 lodging units and only 2 dwelling units.

3. The developer received from the current owner certain reports on the property including a bulk asbestos analysis and a limited asbestos containing material sampling report. The developer obtained a Phase I environmental site assessment, a limited survey for moisture intrusion and visible microbial growth ("mold report"), a structural observations report, and a termite inspection report. Copies of the reports are available for review at the sales office and a compact disc of the reports will be given to every purchaser requesting one except in cases where the report forbids developer to reproduce or quote the report. Every purchaser is encouraged to review the available reports. No representation is made as to their completeness or accuracy.

2. The asbestos containing material sampling report revealed the presence of asbestos in a number of areas, including asbestos containing sprayed on ceiling material at the curtain rails that are damaged and in need of repair or replacement as soon as feasible; a copy of the report is attached to the Disclosure Abstract, but because of the limited nature of the asbestos survey it may not be complete.

3. The mold report revealed water damage and visible mold in a number of areas; a copy of the findings, conclusions and recommendations of the report is attached to the Disclosure Abstract, but because of the limited nature of the survey, it may not be complete.

4. The structural report includes the following information:

a. The building is generally in poor to fair condition and is in need of structural repairs and maintenance.

b. Substantial corrosion of the reinforcing is ongoing in both the concrete slabs and masonry walls, manifesting itself in cracking and spalling of the concrete. The corrosion will not stop due to exposure to salts and water.

c. Corrosion of numerous exposed steel wood connectors.

d. Some lanais appear to be sagging.

e. The elastometric coating has failed in and is in need of replacement to help prevent or slow concrete deterioration.

A copy of the report is attached to the Disclosure Abstract, but because of the limited nature of the observations, it may not be complete.

5. The termite inspection report revealed the presence of termites and termite damage in a number of areas, a severe bird and nest infestation in the attics and eaves that pose a potential fire hazard and mite problem, and roach and ant infestations. A copy of the overview and recommendations of the report is attached to the Disclosure Abstract, but because of the limited nature of the inspections, it may not be complete.

6. While the developer plans to undertake certain repairs it does not make any representations as to the adequacy or completeness of the repairs. Prospective purchaser should take into account that the Project is more than thirty years old and even after renovations will remain old buildings

7. Some barriers for persons with disabilities were identified by the barrier removal study. The developer will adopt a barrier removal plan that the Developer will implement while it holds apartments in the Project and operates them as a public accommodation. The Association may be responsible for the removal of architectural barriers in the common areas, to the extent readily achievable or if triggered by renovations. The developer will restripe certain parking spaces to create five (5) handicapped parking spaces.

Purchasers who plan to use their apartments as rentals or public accommodations should consult their own advisers about their obligations under disabilities laws.

8. The Reserve Study includes descriptions of wear and tear to components and estimates of their useful lives. A number of components are described as poor and estimated to be replaced in several years. A summary of the reserve study is attached to Exhibit H the Disclosure Abstract. A copy of the Reserve Study will be provided to each purchaser. Developer makes no representations that the components listed in the Reserve Study, including the components developer plans to replace, will actually have the useful lives that are estimated in the Reserve Study.

9. The developer may enter into long term leases of Commercial or Hotel Apartments. If so the developer will provide a copy of the lease to the prospective purchaser of the leased Apartment and convey the Apartment subject to the lease. The developer plans to sell the Commercial Apartments (see Exhibit F for a list of their limited common elements) as well as the Hotel Apartments and may sell the Commercial Apartments to a single purchaser.

10. With respect to Apartment 23, the developer has purchased and offers for sale the leased fee interest since a prior owner issued an Apartment Sublease for this Apartment. This Apartment Sublease has become a direct Apartment Lease and has been amended to reflect the change from an Apartment Sublease to an Apartment Lease and to modify the rent provisions. A copy of the Apartment Lease and the amendment will be given to any purchaser of the leased fee interest together with this Final Public Report. In accordance with rights reserved in the Declaration the owner of Apartment 23 enlarged Apartment 23 within the area of its limited common elements.

11. The private roadways serving the project and several neighboring properties and a beach access are maintained by the Coconut Plantation Association in accordance with the Declaration of Easements and Covenants listed as item 6. of Exhibit G Encumbrances and the project's share of the costs has been added to the maintenance fee budget in Exhibit H the Disclosure Abstract.

12. At the time of the fee purchase the Project was made subject to the Declaration of Covenants and Restrictions listed in item 11 of Exhibit G Encumbrances. A summary of this Declaration is attached as Exhibit L. This Declaration provides for approval of alterations to the Project in accordance with The Coconut Plantation at Waipouli Architectural Guidelines. A copy of the Architectural Guidelines will be given to prospective purchasers together with this Final Public Report. Requests for approval will be submitted through the project's Association of Apartment Owners.

13. The Developer has been informed that the State and County plan a bike path running along the coast which would pass in front of the Project within the beach reserve. A copy of the State Bike Path Plan, which is subject to change is available to prospective purchasers upon request.

D. The developer declares, to the best of its knowledge and based on the compliance letter issued by the County of Kauai and 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-A-1.6].

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.

OLD ISLAND LLC, a Hawaii limited liability company
Printed Name of Developer

By: _____ 12/28 2004
Duly Authorized Signatory* Date

Brian A. Anderson, Its Manager
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: DEVELOPER'S RIGHT TO CHANGE DOCUMENTS AND CERTAIN OTHER RIGHTS

The Second Amendment to Declaration adds the following to Paragraph E and a new Paragraph Y:

"E.4. Easements for Sales Activities. Developer and its agents, employees, contractors, and licensees shall have the right and easement to conduct extensive sales activities in the Project, including the Common Elements (but not Limited Common Elements appurtenant to Apartment 23), including the use of model Apartments, sales and management offices, and extensive sales displays and activities, provided that the Developer's easement shall terminate on the Sell-Out Date. The Developer shall be responsible for any additional cleaning and repairs caused by its exercise of this easement. The "Sell-Out Date" means the date on which all of the Apartments in the Project have been conveyed to persons other than Developer or Developer's mortgage lender or the last time-share interest (if any) in the Project has been transferred.

5. Developer's Easement for Repair and Renovation. Until the Sell-Out Date, Developer, its agents, employees, contractors and licensees shall have an easement over, under and upon the Project, or any portion of the Project as may be necessary or useful in the opinion of Developer for the completion of repairs and renovations to the Project, except Apartment 23 and its Limited Common Elements.

6. Developer's Easement to Create Noise etc. Developer, its agents, employees, contractors and licensees shall have an easement over, under and upon the Project or any portion of the Project, to create and cause noise vibration, dust and other nuisances created by or resulting from any work connected with or incidental to the renovation, repair or sale of any Apartment or other improvements in the Project, and each Apartment owner, lessee, mortgagee, lien holder or other person with an interest in the Project waives any right, claim or action which such person may have or acquire against Developer, its agents, employees, contractors, licensees, successors and assigns as a result of such activity or activities; provided however that Developer shall not, in the exercise of the rights granted by this Section 6 unreasonably interfere with the use of Apartment 23.

7. Developer's Rights to Grant Easements. Developer reserves the right to designate, grant, convey, transfer, cancel, relocate and otherwise deal with any easements over, under, across, or through the Common Elements (including the Limited Common Elements but excluding Apartment 23 and its Limited Common Elements) for any purpose Developer considers necessary or appropriate in Developer's sole discretion, which may include those purposes which are necessary to the operation, care, upkeep, maintenance or repair of any Apartment or the Common Elements, or any easements for utilities benefiting the Project or any adjacent property, or for any public purpose, including the grant of designated easements over, under, across and through the Land for the pipeline transmission of water and other utilities, and other designated easements; provided, however, that in exercising its rights under this Section 7. Developer shall not do anything or permit anything to be done which shall unreasonably interfere with the use of the affected Common or Limited Common Element for its originally intended purpose, unless such action is required to ensure the public health, safety or welfare or to comply with any governmental rule, regulation, law or ordinance. The rights set out in this Section 7. shall continue for a period of twenty-four (24) months following the Sell-Out Date. Developer, by a recorded instrument, may transfer some or all of the rights under this Section 7. to the Association, to be exercised as determined by the Board.

8. Compliance with Laws. If the Project is found not to be in compliance with any federal, state or local law in effect at the time of completion of the Project, Developer shall have the right, at its election, at any time afterwards, to enter the Project (except Apartment 23 and its Limited Common Elements) and make such modifications to the Common Elements as are necessary, in Developer's judgment, to bring the Project into compliance with the applicable laws. For example the Developer can restripe the parking stalls that are not Limited Common Elements to provide accessible parking stalls. This right shall include the right to cause noise, dust, vibrations, and other disturbances and nuisances incidental to modifying the Common Elements as required; provided, however, that Developer or any party performing such work on behalf of Developer shall make reasonable efforts to minimize such disturbances and nuisances.

9. Power of Attorney. To the extent that the joinder or consent of any Apartment Owner may be required in order to confirm, effectuate or exercise any easements or rights granted or reserved to Developer, or to validate any act or thing done in accordance with such easements, rights and reservations of Developer, such joinder or consent may be executed and given by Developer as the attorney-in-fact for, and in the name and stead and on behalf of, such Apartment Owner, except the Apartment Owner of Apartment 23. Each Apartment Owner, except the Apartment Owner of Apartment 23, by acquiring or accepting the ownership of an Apartment or any other interest in the Project or any Apartment (i) appoints Developer as such Owner's attorney-in-fact as aforesaid, such appointment being coupled with an interest and being irrevocable, and (ii) agrees that such Owner shall, promptly upon Developer's request and for no further consideration, execute, acknowledge and deliver to Developer such instruments as Developer may reasonably require to evidence or confirm such joinder or consent."

"Y. **Amendments by Developer**.

1. **Before First Conveyance**. At any time prior to the first recording of a conveyance or transfer (other than for security) of an Apartment, other than Apartment 23, to a person other than Developer, Developer may amend this Declaration (including all Exhibits), the Bylaws and the Condominium Map in any manner, without the consent or joinder of any Apartment purchaser or any other party; provided however that no amendment using this Section 1. shall adversely affect the rights of Apartment 23 or its Limited Common Elements without the consent or joinder of the Apartment Owner of Apartment 23.

2. **Amendments Required by Law etc.** No matter what else this Declaration says, until the Sell-Out Date, Developer shall have the right (but not the obligation) to amend this Declaration and the Bylaws (and the Condominium Map, if appropriate) without the consent or joinder of any Apartment owner, lienholder or other person or entity, for the purpose of meeting any requirement imposed by (i) any applicable law, (ii) the Real Estate Commission of the State of Hawaii, (iii) any title insurance company issuing a title insurance policy on the Project or any of the Apartments, (iv) any institutional lender lending funds on the security of the Project or any of the Apartments, or (v) any other governmental or quasi-governmental agency, including the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the U.S. Department of Housing and Urban Development and the Veterans Administration. However, no amendment which would change the common interest appurtenant to an Apartment or materially change the design, location or size of an Apartment shall be made without the consent of all persons having an interest in such Apartment .

3. **Subdivision And Consolidation Of Apartments**.
(a) Subdivision.
(i) With respect to Apartments owned by Developer, Developer can amend the Declaration and Condominium Map without the joinder of any other Owner to do any or all of the following:
(1) Subdivide the Apartment to create two or more Apartments;
(2) Designate which Limited Common Elements of the subdivided Apartment will be appurtenant to the Apartments resulting from the subdivision;
(3) Change parts of the existing Apartment to Common Elements or to Limited Common Elements appurtenant to one or more of the Apartments resulting from the subdivision; and
(4) Change parts of the Limited Common Elements appurtenant only to the subdivided Apartment into parts of one or more of the Apartments resulting from the subdivision.
(ii) The common interest that was appurtenant to the subdivided Apartment will be divided among the Apartments resulting from the subdivision according to the ratio of their net living areas. The total of the common interests for the newly created Apartments must be equal to the common interest of the subdivided Apartment.
(b) Consolidation.
(i) With respect to Apartments owned by Developer, Developer can amend the Declaration and Condominium Map without the joinder of any other Owner to do any or all of the following:
(1) Consolidate the apartments into a single Apartment; and
(2) Make any Common Element walls between the Apartments part of the Apartment or its Limited Common Elements. This does not apply, however, to load-bearing walls.
(ii) The common interest of the newly created Apartment will be equal to the sum of the common interests of the Apartments being consolidated.
(c) Consolidation and Resubdivision. With respect to Apartments owned by Developer, Developer can amend the Declaration and Condominium Map without the joinder of any other Owner to consolidate and resubdivide the Apartments in a single amendment using the rights provided in Sections (a) and (b).

4. **As Built Amendment**. Notwithstanding the lease, sale or conveyance of any of the Apartments, if Developer exercises its rights to alter the Project, Developer may amend this Declaration (and when applicable, any Exhibits to this Declaration) and the Condominium Map to file the "as-built" verified statement required by Section 514A-12 of the Act (i) so long as such statement is merely a verified statement of a registered architect or professional engineer certifying that the final plans previously filed fully and accurately depict the layout, location, Apartment numbers, and the dimensions of the Apartments as built, or (ii) so long as the plans filed with the verified statement involve only minor changes to the layout, location, or dimensions of the Apartments as built or any change in the Apartment number."

EXHIBIT B: DESCRIPTION OF BUILDINGS

The Project is described in the Condominium Map and consists of eight three (3) level buildings, and two one (1) level buildings, all without basements, containing living and commercial apartments, common service facilities and limited common elements. The buildings are constructed principally of wood, glass, concrete hollow tile, and other allied building materials. The buildings are identified on the Condominium Map as Buildings A, B, C, D, E, F, G, H, J and L. The Project contains a swimming pool and a pool bar.

EXHIBIT C: APARTMENT TYPES AND BOUNDARIES OF APARTMENTS

Apartment Types.- The apartments are described as follows:
(a) TYPE 1. The TYPE 1 apartment is a studio apartment consisting of a single room, a bathroom/dressing room and one lanai for a floor area of approximately 372 square feet not counting the lanai. The lanai has a floor area of approximately 67 square feet.
(b) TYPE 2. The TYPE 2 apartment is a studio apartment consisting of a single room, a bathroom/dressing room and one lanai for a floor area of approximately 372 square feet not counting the lanai. The lanai has an area of approximately 84 square feet.
(c) TYPE 3. The TYPE 3 apartment is one-bedroom apartment which consists of one bedroom, a bathroom/dressing room, a living room, a kitchenette unit and one lanai for a floor area of approximately 529 square feet, not counting the lanai. The lanai has a floor area of approximately 169 square feet.
(d) TYPE 4. The TYPE 4 apartment consists of one room, and contains a floor area of approximately 810 square feet.
(e) TYPE 5. The TYPE 5 apartment consists of one room, and contains a floor area of approximately I26 square feet.
(f) TYPE 6. The TYPE 6 apartment is a one-story, free-standing building identified as building L, containing a total area of approximately 6,000 square feet, and presently consisting of a restaurant facility with kitchen, bar, and dining room. This is Apartment 23 and it shall include the entirety of Building L and (i) any facilities within, appurtenant to or along Building L, (ii) any adjacent lanais or patios, and (iii) all fixtures installed therein.

Notwithstanding the description of the boundaries of the apartments as set forth below, the square footage areas of the respective apartment types in the Declaration are computed from and to the center lines of the apartment perimeter party walls and perimeter walls directly across the party walls and to the exterior surface of all other apartment walls, not including the area to the edge of the lanais. See Exhibit D for net living areas. The approximate net living areas set forth in Exhibit D are based on measurements taken from the undecorated or unfinished surface of the perimeter walls, except that no reduction has been made to account for interior walls, ducts, vents, shafts and the like located within the perimeter walls. All net living areas set forth in Exhibit D are not exact but are approximations based on the floor plans of each type of apartment. All net living areas set forth in Exhibit D have also been rounded to the lowest full square foot where the approximation of such living areas exceed a square foot by any fraction of a square foot. For these reasons, the measurements of the net living areas set forth in Exhibit D may not follow the designation of the limits of the apartments (the legally designated areas of the apartments) set forth below, and the net living areas set forth in Exhibit D below may be different from the actual living areas of the apartments as constructed.

Access. Each of the living units on the 2nd and 3rd floors in Buildings A, B, C, D, E, F, G, and H leads to a corridor. which leads to 2 stairways, each stairway leading to the ground floor or common elements leading to the grounds and roadways of the Project. Each of the living units on the 1st floor in Buildings A, B, C, D, E, F, G, and H leads to walkways leading to the grounds or common elements leading to the grounds and roadways of the Project. All of the other apartments are on the first level, and lead to common elements leading to the grounds and roadways of the Project.

Apartment Numbers and Location. The apartment numbers for all of the living units, being Types 1, 2, and 3 have three digits, while the apartment numbers for all of the non-living units, being Types 4, 5 and 6, have two digits. There are 26 living units in Building A, 24 living units in Building B, 30 living units in Building C, I8 living units in Building D, I8 living units in Building E, 30 living units in Building F, 30 living units in Building G, and 24 living units in Building H. There are 2 commercial units (Units 21 and 22) on the ground floor of the main portion of Building A. There is one commercial unit Building L (Apartment 23). All of the living units are marked chronologically, starting with the number 100. The first digit of a living unit denotes the floor in which it is located. The Living units in Building A are numbered generally from west to east. The living units on the first floor start with 100 and go to 103, then from 110 to 114, except there is no 113, the living units on the second start with 200 and go to 214, except there are no 207 and 213, and the living units on the third level start with 304 and go to 309, except there is no 307. The living units in Building B are numbered generally from north to south, starting with numbers 115, 215, and 315, and ending with 122, 222, and 322, for each of the three floors. The living units in Building C are numbered generally from east to west, starting with numbers 123, 223, and 323, and ending with 132, 232, and 332, for each of the three floors. The living units in Building D are numbered generally from south to north, starting with numbers 133, 233, and 333, and ending with 138, 238, and 338 for each of the three floors. The living units in Building E are numbered generally north to south, starting with numbers 139, 239, and 339, and ending with 144, 244, and 344, for each of the three floors. The living units in Building F are numbered generally from east to west, starting with numbers 145, 245, and 345, and ending with 154, 254, and 354 for each of the three floors. The living units in Building G are numbered generally from north to south, starting with numbers 155, 255, and 355, and ending with 164, 264, and 364 for each of the three floors. The living units in Building H are numbered generally from north to south, starting with numbers 165, 265, and 365, and ending with 172, 272, and 372 for each of the three floors.

Boundaries of Apartments. Except for Apartment 23, which is described above, the respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls, the floors and ceilings surrounding each apartment or any pipes, wires, conduits, or other utility lines running through such apartment, the same being deemed common elements as hereinafter provided. Each apartment shall include all the walls and partitions which are not load-bearing within its perimeter walls, the inner decorated or finished surfaces of all walls, floors and ceilings, and the fixtures installed therein, including (except for Types 4, 5, and 6 apartments) refrigerator, carpeting, drapery hardware and, except for the Type 5 apartment, an air conditioner and any appurtenant lanais and balconies.

EXHIBIT D: APARTMENT TYPES, NUMBERS, AREAS, COMMON INTERESTS

BUILDING	APT NO.	TYPE	UNDIVIDED PERCENTAGE INTEREST	HPR No.	NET LIVING AREA	LANAI AREA
A	100	1	.4616	1	342 sq. ft.	67 sq. ft.
A	101	1	.4616	2	342 sq. ft.	67 sq. ft.
A	102	1	.4616	3	342 sq. ft.	67 sq. ft.
A	103	1	.4616	4	342 sq. ft.	67 sq. ft.
A	21	4	.847	5	747 sq. ft.	
A	22	5	.130	6	176 sq. ft.	
A	110	1	.4616	9	342 sq. ft.	67 sq. ft.
A	111	1	.4616	10	342 sq. ft.	67 sq. ft.
A	112	1	.4616	11	342 sq. ft.	67 sq. ft.
A	114	1	.4616	12	342 sq. ft.	67 sq. ft.
A	200	1	.4616	16	342 sq. ft.	67 sq. ft.
A	201	1	.4616	17	342 sq. ft.	67 sq. ft.
A	202	1	.4616	18	342 sq. ft.	67 sq. ft.
A	203	1	.4616	19	342 sq. ft.	67 sq. ft.
A	204	2	.4616	20	342 sq. ft.	84 sq. ft.
A	205	2	.4616	21	342 sq. ft.	84 sq. ft.
A	206	2	.4616	22	342 sq. ft.	84 sq. ft.
A	208	3	.7281	23	498.5 sq. ft.	169 sq. ft.
A	209	2	.4616	24	342 sq. ft.	84 sq. ft.
A	210	1	.4616	25	342 sq. ft.	67 sq. ft.
A	211	1	.4616	26	342 sq. ft.	67 sq. ft.
A	212	1	.4616	27	342 sq. ft.	67 sq. ft.
A	214	1	.4616	28	342 sq. ft.	67 sq. ft.
A	304	2	.4616	29	342 sq. ft.	84 sq. ft.
A	305	2	.4616	30	342 sq. ft.	84 sq. ft.
A	306	2	.4616	31	342 sq. ft.	84 sq. ft.
A	308	3	.7281	32	498.5 sq. ft.	169 sq. ft.
A	309	2	.4616	33	342 sq. ft.	84 sq. ft.
B	115	1	.4616	34	342 sq. ft.	67 sq. ft.
B	116	1	.4616	35	342 sq. ft.	67 sq. ft.
B	117	1	.4616	36	342 sq. ft.	67 sq. ft.
B	118	1	.4616	37	342 sq. ft.	67 sq. ft.
B	119	1	.4616	38	342 sq. ft.	67 sq. ft.
B	120	1	.4616	39	342 sq. ft.	67 sq. ft.
B	121	1	.4616	40	342 sq. ft.	67 sq. ft.
B	122	1	.4616	41	342 sq. ft.	67 sq. ft.
B	215	1	.4616	42	342 sq. ft.	67 sq. ft.
B	216	1	.4616	43	342 sq. ft.	67 sq. ft.
B	217	1	.4616	44	342 sq. ft.	67 sq. ft.

ALL AREAS ARE APPROXIMATE

BUILDING	APT NO.	TYPE	UNDIVIDED PERCENTAGE INTEREST	HPR No.	NET LIVING AREA	LANAI AREA
B	218	1	.4616	45	342 sq. ft.	67 sq. ft.
B	219	1	.4616	46	342 sq. ft.	67 sq. ft.
B	220	1	.4616	47	342 sq. ft.	67 sq. ft.
B	221	1	.4616	48	342 sq. ft.	67 sq. ft.
B	222	1	.4616	49	342 sq. ft.	67 sq. ft.
B	315	1	.4616	50	342 sq. ft.	67 sq. ft.
B	316	1	.4616	51	342 sq. ft.	67 sq. ft.
B	317	1	.4616	52	342 sq. ft.	67 sq. ft.
B	318	1	.4616	53	342 sq. ft.	67 sq. ft.
B	319	1	.4616	54	342 sq. ft.	67 sq. ft.
B	320	1	.4616	55	342 sq. ft.	67 sq. ft.
B	321	1	.4616	56	342 sq. ft.	67 sq. ft.
B	322	1	.4616	57	342 sq. ft.	67 sq. ft.
C	123	1	.4616	58	342 sq. ft.	67 sq. ft.
C	124	1	.4616	59	342 sq. ft.	67 sq. ft.
C	125	1	.4616	60	342 sq. ft.	67 sq. ft.
C	126	1	.4616	61	342 sq. ft.	67 sq. ft.
C	127	1	.4616	62	342 sq. ft.	67 sq. ft.
C	128	1	.4616	63	342 sq. ft.	67 sq. ft.
C	129	1	.4616	64	342 sq. ft.	67 sq. ft.
C	130	1	.4616	65	342 sq. ft.	67 sq. ft.
C	131	1	.4616	66	342 sq. ft.	67 sq. ft.
C	132	1	.4616	67	342 sq. ft.	67 sq. ft.
C	223	1	.4616	68	342 sq. ft.	67 sq. ft.
C	224	1	.4616	69	342 sq. ft.	67 sq. ft.
C	225	1	.4616	70	342 sq. ft.	67 sq. ft.
C	226	1	.4616	71	342 sq. ft.	67 sq. ft.
C	227	1	.4616	72	342 sq. ft.	67 sq. ft.
C	228	1	.4616	73	342 sq. ft.	67 sq. ft.
C	229	1	.4616	74	342 sq. ft.	67 sq. ft.
C	230	1	.4616	75	342 sq. ft.	67 sq. ft.
C	231	1	.4616	76	342 sq. ft.	67 sq. ft.
C	232	1	.4616	77	342 sq. ft.	67 sq. ft.
C	323	1	.4616	78	342 sq. ft.	67 sq. ft.
C	324	1	.4616	79	342 sq. ft.	67 sq. ft.
C	325	1	.4616	80	342 sq. ft.	67 sq. ft.
C	326	1	.4616	81	342 sq. ft.	67 sq. ft.
C	327	1	.4616	82	342 sq. ft.	67 sq. ft.
C	328	1	.4616	83	342 sq. ft.	67 sq. ft.

BUILDING	APT NO.	TYPE	UNDIVIDED PERCENTAGE INTEREST	HPR No.	NET LIVING AREA	LANAI AREA
C	329	1	.4616	84	342 sq. ft.	67 sq. ft.
C	330	1	.4616	85	342 sq. ft.	67 sq. ft.
C	331	1	.4616	86	342 sq. ft.	67 sq. ft.
C	332	1	.4616	87	342 sq. ft.	67 sq. ft.
D	133	1	.4616	88	342 sq. ft.	67 sq. ft.
D	134	1	.4616	89	342 sq. ft.	67 sq. ft.
D	135	1	.4616	90	342 sq. ft.	67 sq. ft.
D	136	1	.4616	91	342 sq. ft.	67 sq. ft.
D	137	1	.4616	92	342 sq. ft.	67 sq. ft.
D	138	1	.4616	93	342 sq. ft.	67 sq. ft.
D	233	1	.4616	94	342 sq. ft.	67 sq. ft.
D	234	1	.4616	95	342 sq. ft.	67 sq. ft.
D	235	1	.4616	96	342 sq. ft.	67 sq. ft.
D	236	1	.4616	97	342 sq. ft.	67 sq. ft.
D	237	1	.4616	98	342 sq. ft.	67 sq. ft.
D	238	1	.4616	99	342 sq. ft.	67 sq. ft.
D	333	1	.4616	100	342 sq. ft.	67 sq. ft.
D	334	1	.4616	101	342 sq. ft.	67 sq. ft.
D	335	1	.4616	102	342 sq. ft.	67 sq. ft.
D	336	1	.4616	103	342 sq. ft.	67 sq. ft.
D	337	1	.4616	104	342 sq. ft.	67 sq. ft.
D	338	1	.4616	105	342 sq. ft.	67 sq. ft.
E	139	1	.4616	106	342 sq. ft.	67 sq. ft.
E	140	1	.4616	107	342 sq. ft.	67 sq. ft.
E	141	1	.4616	108	342 sq. ft.	67 sq. ft.
E	142	1	.4616	109	342 sq. ft.	67 sq. ft.
E	143	1	.4616	110	342 sq. ft.	67 sq. ft.
E	144	1	.4616	111	342 sq. ft.	67 sq. ft.
E	239	1	.4616	112	342 sq. ft.	67 sq. ft.
E	240	1	.4616	113	342 sq. ft.	67 sq. ft.
E	241	1	.4616	114	342 sq. ft.	67 sq. ft.
E	242	1	.4616	115	342 sq. ft.	67 sq. ft.
E	243	1	.4616	116	342 sq. ft.	67 sq. ft.
E	244	1	.4616	117	342 sq. ft.	67 sq. ft.
E	339	1	.4616	118	342 sq. ft.	67 sq. ft.
E	340	1	.4616	119	342 sq. ft.	67 sq. ft.
E	341	1	.4616	120	342 sq. ft.	67 sq. ft.
E	342	1	.4616	121	342 sq. ft.	67 sq. ft.
E	343	1	.4616	122	342 sq. ft.	67 sq. ft.

BUILDING	APT NO.	TYPE	UNDIVIDED PERCENTAGE INTEREST	HPR No.	NET LIVING AREA	LANAI AREA
E	344	1	.4616	123	342 sq. ft.	67 sq. ft.
F	145	1	.4616	124	342 sq. ft.	67 sq. ft.
F	146	1	.4616	125	342 sq. ft.	67 sq. ft.
F	147	1	.4616	126	342 sq. ft.	67 sq. ft.
F	148	1	.4616	127	342 sq. ft.	67 sq. ft.
F	149	1	.4616	128	342 sq. ft.	67 sq. ft.
F	150	1	.4616	129	342 sq. ft.	67 sq. ft.
F	151	1	.4616	130	342 sq. ft.	67 sq. ft.
F	152	1	.4616	131	342 sq. ft.	67 sq. ft.
F	153	1	.4616	132	342 sq. ft.	67 sq. ft.
F	154	1	.4616	133	342 sq. ft.	67 sq. ft.
F	245	1	.4616	134	342 sq. ft.	67 sq. ft.
F	246	1	.4616	135	342 sq. ft.	67 sq. ft.
F	247	1	.4616	136	342 sq. ft.	67 sq. ft.
F	248	1	.4616	137	342 sq. ft.	67 sq. ft.
F	249	1	.4616	138	342 sq. ft.	67 sq. ft.
F	250	1	.4616	139	342 sq. ft.	67 sq. ft.
F	251	1	.4616	140	342 sq. ft.	67 sq. ft.
F	252	1	.4616	141	342 sq. ft.	67 sq. ft.
F	253	1	.4616	142	342 sq. ft.	67 sq. ft.
F	254	1	.4616	143	342 sq. ft.	67 sq. ft.
F	345	1	.4616	144	342 sq. ft.	67 sq. ft.
F	346	1	.4616	145	342 sq. ft.	67 sq. ft.
F	347	1	.4616	146	342 sq. ft.	67 sq. ft.
F	348	1	.4616	147	342 sq. ft.	67 sq. ft.
F	349	1	.4616	148	342 sq. ft.	67 sq. ft.
F	350	1	.4616	149	342 sq. ft.	67 sq. ft.
F	351	1	.4616	150	342 sq. ft.	67 sq. ft.
F	352	1	.4616	151	342 sq. ft.	67 sq. ft.
F	353	1	.4616	152	342 sq. ft.	67 sq. ft.
F	354	1	.4616	153	342 sq. ft.	67 sq. ft.
G	155	1	.4616	154	342 sq. ft.	67 sq. ft.
G	156	1	.4616	155	342 sq. ft.	67 sq. ft.
G	157	1	.4616	156	342 sq. ft.	67 sq. ft.
G	158	1	.4616	157	342 sq. ft.	67 sq. ft.
G	159	1	.4616	158	342 sq. ft.	67 sq. ft.
G	160	1	.4616	159	342 sq. ft.	67 sq. ft.
G	161	1	.4616	160	342 sq. ft.	67 sq. ft.
G	162	1	.4616	161	342 sq. ft.	67 sq. ft.

BUILDING	APT NO.	TYPE	UNDIVIDED PERCENTAGE INTEREST	HPR No.	NET LIVING AREA	LANAI AREA
G	163	1	.4616	162	342 sq. ft.	67 sq. ft.
G	164	1	.4616	163	342 sq. ft.	67 sq. ft.
G	255	1	.4616	164	342 sq. ft.	67 sq. ft.
G	256	1	.4616	165	342 sq. ft.	67 sq. ft.
G	257	1	.4616	166	342 sq. ft.	67 sq. ft.
G	258	1	.4616	167	342 sq. ft.	67 sq. ft.
G	259	1	.4616	168	342 sq. ft.	67 sq. ft.
G	260	1	.4616	169	342 sq. ft.	67 sq. ft.
G	261	1	.4616	170	342 sq. ft.	67 sq. ft.
G	262	1	.4616	171	342 sq. ft.	67 sq. ft.
G	263	1	.4616	172	342 sq. ft.	67 sq. ft.
G	264	1	.4616	173	342 sq. ft.	67 sq. ft.
G	355	1	.4616	174	342 sq. ft.	67 sq. ft.
G	356	1	.4616	175	342 sq. ft.	67 sq. ft.
G	357	1	.4616	176	342 sq. ft.	67 sq. ft.
G	358	1	.4616	177	342 sq. ft.	67 sq. ft.
G	359	1	.4616	178	342 sq. ft.	67 sq. ft.
G	360	1	.4616	179	342 sq. ft.	67 sq. ft.
G	361	1	.4616	180	342 sq. ft.	67 sq. ft.
G	362	1	.4616	181	342 sq. ft.	67 sq. ft.
G	363	1	.4616	182	342 sq. ft.	67 sq. ft.
G	364	1	.4616	183	342 sq. ft.	67 sq. ft.
H	165	1	.4616	184	342 sq. ft.	67 sq. ft.
H	166	1	.4616	185	342 sq. ft.	67 sq. ft.
H	167	1	.4616	186	342 sq. ft.	67 sq. ft.
H	168	1	.4616	187	342 sq. ft.	67 sq. ft.
H	169	1	.4616	188	342 sq. ft.	67 sq. ft.
H	170	1	.4616	189	342 sq. ft.	67 sq. ft.
H	171	1	.4616	190	342 sq. ft.	67 sq. ft.
H	172	1	.4616	191	342 sq. ft.	67 sq. ft.
H	265	1	.4616	192	342 sq. ft.	67 sq. ft.
H	266	1	.4616	193	342 sq. ft.	67 sq. ft.
H	267	1	.4616	194	342 sq. ft.	67 sq. ft.
H	268	1	.4616	195	342 sq. ft.	67 sq. ft.
H	269	1	.4616	196	342 sq. ft.	67 sq. ft.
H	270	1	.4616	197	342 sq. ft.	67 sq. ft.
H	271	1	.4616	198	342 sq. ft.	67 sq. ft.
H	272	1	.4616	199	342 sq. ft.	67 sq. ft.
H	365	1	.4616	200	342 sq. ft.	67 sq. ft.

BUILDING	APT NO.	TYPE	UNDIVIDED PERCENTAGE INTEREST	HPR No.	NET LIVING AREA	LANAI AREA
H	366	1	.4616	201	342 sq. ft.	67 sq. ft.
H	367	1	.4616	202	342 sq. ft.	67 sq. ft.
H	368	1	.4616	203	342 sq. ft.	67 sq. ft.
H	369	1	.4616	204	342 sq. ft.	67 sq. ft.
H	370	1	.4616	205	342 sq. ft.	67 sq. ft.
H	371	1	.4616	206	342 sq. ft.	67 sq. ft.
H	372	1	.4616	207	342 sq. ft.	67 sq. ft.
L	23	6	6.170	209	6,000 sq. ft.	

Common interests were allocated by the prior owner using a partially subjective formula taking into account floor areas but also the likely usage of common elements and utility expenses.

EXHIBIT E: PERMITTED ALTERATIONS

The Second Amendment to the Declaration adds the following new Paragraph X:

"X. **Alterations to the Project**. The following rights are reserved to Developer with respect to Apartments owned by Developer.

1. **Within an Apartment**. Any alterations or additions within an Apartment or a Limited Common Element appurtenant to an Apartment, which do not affect the structural integrity of the Building or the soundness or safety of the Project, or reduce the value of the Project or impair any easement, shall not require the approval of the Board or any other person.

2. **Adjacent Apartments**. Developer, if owning two or more Apartments, which Apartments are separated only by Common Elements which are walls or doors, may alter or remove all or portions of the intervening walls or doors if the Developer satisfies the following conditions:
(a) The structural integrity of the Building or the soundness and safety of the Project are not affected, the value of the Project is not reduced, and no easement or hereditament of the Project is impaired;
(b) The remainder of the Common Element is restored to a finish substantially comparable to the finish of that Common Element prior to the work; and
(c) On the termination of the common ownership of such adjacent Apartments, if the intervening walls or door shall have been altered or removed in accordance with this Section X.2 each of the Apartment Owners of such Apartments shall be obligated to restore the intervening walls or doors to substantially the condition in which they existed before the alteration or removal.
If the adjacent Apartments remain in common ownership, the Apartment Owner of the adjacent Apartments which have been altered or removed in accordance with this Section 2. may, at any time, restore the intervening walls or doors to substantially the condition in which they existed before the alteration or removal."

EXHIBIT F: COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

1. Common Elements. One freehold estate is designated in all of the portions and appurtenances of the project other than the apartments herein called the "common elements", including (except to the extent they are a part of Apartment 23) specifically, but not limited to:

(a) Said land in fee simple;

(b) All foundations, floor slabs, columns, girders, beams, supports, bearing walls, roofs, lobbies, stairs, stairways, walkways, hallways, corridors, entrances, and exits;

(c) All yards, grounds, landscaping. planters, fences, mail boxes, refuse facilities, storage and service areas, manager's office and front desk area located on the first floor in Building A, one men's rest room and one women's rest room located on the first floor of Building A, and the other open areas, including the area which is adjacent to, and which is underneath the roof area of Building J.

(d) All ducts, sewer lines, electrical equipment, gas tanks, pipes, wiring, and other central and appurtenant transmission facilities, installations which serve more than one apartment for services such as power, light, water, gas, refuse, telephone and radio and television signal distribution.

(e) All roadways, sidewalks, stairways, and driveways, which are rationally of common use including 113 parking stalls which are numbered from 1 through 113 on the Condominium Map.

(f) Swimming pool and all, apparatus and equipment related thereto, and all areas immediately adjacent thereto.

(g) Any and all other apparatus and installations of common use and all other parts of the property necessary or convenient to its existence, maintenance or safety, or normally in common use.

2. Limited Common Elements. Certain parts of the common elements, herein called and designated "limited common elements", are set aside and reserved for the exclusive use of certain apartments and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside and reserved are those common elements of the Project which are rationally related to less than all of said apartments or buildings and such common, elements shall be limited to the use of such apartments or buildings and are set forth below.

(a) Parking stall designated on the condominium map as number 62 shall be appurtenant to and for the exclusive use of apartment no. 208;

(b) Parking stall designated on the condominium map as number 70 shall be appurtenant to and for the exclusive use of apartment no. 308;

(c) The land between the parking areas and sidewalks surrounding Apartment 23 shall be appurtenant to and for the exclusive use of Apartment 23;

3. The Second Amendment to the Declaration amends Paragraph D. 2 Limited Common Elements by deleting and substituting the following for paragraph (d) and adding paragraph (e) as follows:

"(d) The following shall be limited common elements appurtenant to and for the exclusive use of Apartment 21:

(i) In Building A the Manager's Office, the Office and the front desk in front of the Manager's Office and the Office and marked with a double line on the Condominium Map, at the southern side of Buildings A,

(ii) The linen closets located in Buildings A, B, C, D, E, F, G and H as shown on the Condominium Map, except that the Association of Apartment Owners, through its authorized representatives or agents, shall have reasonable access onto and within those linen closets that contain water heaters, and their accessories, for the limited purpose of inspection, repair, maintenance, replacement and such similar uses and such water heaters and accessories are excluded from the designation of this limited common element.
[Note: Building A was omitted by typographical error from the Second Amendment to Declaration and Developer will exercise its reserved rights to amend the Declaration prior to first conveyance to correct this error.]

(iii) The whole of Building J:

(iv) The detached building currently used as a pool bar together with the land area on its west, south and east sides extending thirty-eight (38) inches beyond the outer edge of the roof line.

(e) Except for (i) the foregoing, (ii) all roadways, sidewalks, parking spaces, and driveways, and (iii) such of he other common elements as serve or are reasonably for the benefit of Apartment 23, all other common elements including other buildings, the other land and planters, the restrooms in Building A, and the swimming pool shall be appurtenant to and for the exclusive use of all apartments other than Apartment 23."

EXHIBIT G: ENCUMBRANCES AGAINST TITLE

1. Real Property Taxes have been fully paid up to and including December 31, 2004.
   Tax Key: (4) 4-3-002-013, H.P.R. Nos. & Apts. Nos. see Exhibit D

2. DESIGNATION OF EASEMENT"D"
   PURPOSE: sewer line
   SHOWN: on Map 6, as set forth by Land Court Order No. 29243, filed November 22, 1968

3. SETBACK(25 feet wide)
   PURPOSE: building
   SHOWN: on Map 6, as set forth by Land Court Order No. 29243

4. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:
   INSTRUMENT : DECLARATION OF HORIZONTAL PROPERTY REGIME FOR THE "ISLANDER ON THE BEACH" CONDOMINIUM PROJECT AND BY-LAWS
   DATED: October 28, 1981
   FILED: Land Court Document No. 1095514
   MAP: 469 and any amendments thereto
   Said Declaration was amended by instrument dated August 16, 1983, filed as Land Court Document No. 1188203.
   CONFIRMATION OF MERGER AND SUBMISSIONS dated October 12, 2004, filed as Land Court Document No. 3179873.
   Said Declaration was further amended by instrument dated October 12, 2004, filed as Land Court Document No. 3179874.

5. AS TO APARTMENT NO. 23:-

   APARTMENT LEASE
   LESSOR: ISLANDER ON THE BEACH ASSOCIATES, a Hawaii limited partnership
   LESSEE: ALAN CORY BEALL, husband of Carole Ann Beall, and JAY HAROLD SHIDLER, husband of Wallette Sue Shidler, each as to an undivided one-half (1/2) interest, as Tenants in Common
   DATED: November 9, 1981
   FILED: Land Court Document No. 1095833
   TERM: Commencing on November 25, 1981 and ending on December 29, 2033
   Leasing and demising Apartment No. 23 of the "Islander on the Beach Condominium", together with an undivided 6.170% interest in and to the common elements of the Project.
   ATTORNMENT AGREEMENT dated October 27, 1981, filed as Land Court Document No. 1095515, by and between NIU PIA FARMS, LTD. and ISLANDER ON THE BEACH ASSOCIATES.
   CONSENT TO APARTMENT LEASE given by BLACKFIELD HAWAII CORPORATION, a Hawaii corporation, WAIPOULI INVESTMENT COMPANY, a registered Hawaii general partnership, and PUNA HOA HANA INVESTMENT COMPANY, a registered Hawaii general partnership by instrument dated September 25, 1986, filed as Land Court Document No. 1404644.

   THE LESSEE'S INTEREST ASSIGNED
   ASSIGNOR: JAY HAROLD SHIDLER, husband of Wallette Sue Shidler, and ALAN CORY BEALL, husband of Carole Ann Beall
   ASSIGNEE: INNS INVESTMENT COMPANY, a Hawaii general partnership
   DATED: September 29, 1986
   FILED: Land Court Document No. 1404645
   ABOVE LEASE AMENDED BY INSTRUMENT
   DATED: October 12, 2004
   FILED: Land Court Document No. 3179875
   Said Apartment Lease is subject to any matters arising from and affecting the same.

6. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:
   INSTRUMENT: AMENDMENT AND RESTATEMENT OF DECLARATION OF EASEMENTS AND COVENANTS
   DATED: February 25, 1993
   FILED: Land Court Document No. 2007394
   The foregoing amends and restates the original Declaration of Easements and Covenants dated January 13, 1986, filed as Land Court Document No. 1351484.

JOINDER OF PUNA HOA HANA INVESTMENT COMPANY dated September 22, 1992, filed as Land Court Document No. 2007399.
JOINDER OF WAIPOULI INVESTMENT COMPANY dated September 22, 1992, filed as Land Court Document No. 2007400.
JOINDER OF INNS INVESTMENT COMPANY, dated March 1, 1993, filed as Land Court Document No. 2007401.
JOINDER OF NANSAY HAWAII, INC., dated August 27, 1991, filed as Land Court Document No. 2007402.
FIRST AMENDMENT TO THE AMENDED AND RESTATEMENT DECLARATION OF EASEMENTS AND COVENANTS AND CONSENT dated December 9, 2003, filed as Land Court Document No. 3124940.

7. RIGHT OF ENTRY in favor of CITIZENS UTILITIES COMPANY (whose interest is now held by KAUAI ISLAND UTILITY CO-OP), dated August 5, 1990, filed as Land Court Document No. 1853093; granting a right-of-entry and easement over and across the land described herein.

8. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:
   INSTRUMENT: DECLARATION OF COVENANTS AND RESTRICTIONS
   DATED: May 2, 2001
   FILED: Land Court Document No.2704863

9. As to Apartment 22,. Rights of parties under the following described lease, as tenant only with no right of first refusal to purchase or option to purchase the apartments or any portions thereof, and matters arising from or affecting the same:
   Unrecorded LEASE AGREEMENT effective August 1, 2000, by and between HOTEL CORPORATION OF THE PACIFIC, INC., a Hawaii corporation, dba ASTON HOTELS & RESORTS, as agent for the Island on the Beach Hotel, "Lessor", and PLEASANT HOLIDAYS, LLC, a Delaware limited liability company, dba PLEASANT HAWAIIAN HOLIDAYS, "Lessee"; leasing amd demising a certain space at the Islander on the Beach Hotel for the placement of a guest services desk, for a term from August 1, 2000 to August 1, 2001, and continuing on a month-to-month basis.

10. Encroachments or any other matters as shown on survey map prepared by Dennis M. Esaki, Land Surveyor, with Esaki Surveying & Mapping, Inc., dated July 19-23, 2004, last revised October 7, 2004.
    The foregoing includes, but is not limited to, the following:
    (a) Concrete path into Beach Reserve by 2.42 feet for a length of 54.54 feet.
    (b) Concrete path into Lot 7 by 1.09 feet for a length of 29.09 feet.
    (c) Concrete path, shower and shuffle board into 25 foot building setback line.
    (d) Concrete sign and curbings over Easement D.
    (e) Concrete sign into Lot 10-A.
    (f) Water valve, curbings, and fire hydrant into Lot 9.
    (g) Concrete paths into Lot 13.

11. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:
    INSTRUMENT: DECLARATION OF COVENANTS AND RESTRICTIONS
    DATED: October 12, 2004
    FILED: Land Court Document No.3178560
    PARTIES: NIU PIA LAND COMPANY, LTD., "Declarant"

12. MORTGAGE AND FIXTURE FILING
    MORTGAGOR: OLD ISLAND LLC, a Hawaii limited liability company
    MORTGAGEE: FREMONT INVESTMENT & LOAN, a California industrial bank
    DATED: October 12, 2004
    FILED: Land Court Document No. 3179877
    AMOUNT: $31,000,000.00

13. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:
    INSTRUMENT: ASSIGNMENT OF RENTS (AND LEASES)
    DATED: October 12, 2004
    FILED: Land Court Document No. 3181252
    RECORDED: Document No. 2004-210750
    PARTIES: OLD ISLAND LLC, a Hawaii limited liability company, "Borrower" and FREMONT INVESTMENT &

LOAN, a California industrial bank, "Lender"

14. FINANCING STATEMENT
    DEBTOR: OLD ISLAND LLC
    SECURED PARTY: FREMONT INVESTMENT & LOAN
    RECORDED: Document No.2004-210751
    RECORDED ON: October 14, 2004

15. Any unrecorded leases and matters arising from or affecting the same.

EXHIBIT "H"

DISCLOSURE ABSTRACT

December 27, 2004

1. (a) **PROJECT:** **ISLANDER ON THE BEACH**
440 Aleka Place
Kapaa, Kauai, Hawaii 96746

(b) **DEVELOPER:** **Old Island LLC,**
a Hawaii limited liability company
75-5801 Alii Drive Suite AU2,
Kailua-Kona Hawaii 96740

Telephone: (808) 326-1540

(c) **MANAGING AGENT:** **ResortQuest Hawaii, LLC, dba Aston Property Management**
2155 Kalakaua Avenue, Ste. 500
Honolulu, HI 96815-2398

Telephone: (808) 931-1431

(d) **REAL ESTATE AGENT:** **Hawaiian Island Homes Ltd.**
931 University Avenue, #207
Honolulu, Hawaii 96826

Telephone: (808) 946-3222

2. **MAINTENANCE FEES AND MONTHLY ESTIMATE OF COSTS FOR EACH APARTMENT.**

The estimated maintenance fees for 2005 are listed on page 6 and the estimated 2005 budget begins on page 5.

3. **DESCRIPTION OF ALL WARRANTIES COVERING THE UNITS AND COMMON ELEMENTS.**

The Developer is not making any warranties relating to the materials and workmanship of the Project or the common elements. Prospective purchaser should take into account that the Project is more than thirty years old. The reports revealed significant deferred maintenance, structural issues, cracking and

spalling, asbestos, mold and termite damage. While the developer plans to undertake certain repairs it does not make any representations as to the adequacy or completeness of the repairs. Prospective purchaser should take into account that the Project is more than thirty years old and even after renovations will remain old buildings. Portions of reports are attached to this Disclosure Abstract.(See Section titled "Information from studies of the Property".)

4. USE OF APARTMENTS.

(a) A primary purpose of the use provisions of the Declaration, including the Second Amendment to Declaration of Condominium Property Regime is to maintain the status of the Project as an Apartment-Hotel as permitted by the Resort RR-20 zoning of the Project and maintain the required parking. The Project and each of the Apartments are intended for and shall be restricted to the following purposes and uses as provided in paragraph G. of the Declaration as amended, including the Second Amendment to Declaration:

> G. USE. Each of the apartment units shall be used only in accordance with the uses permitted under the applicable laws and ordinances, unless such uses are prohibited by the Association, in accordance with the terms of this Declaration, the By-Laws of the Association of Apartment Owners, and the House Rules or any Apartment Deed as they may exist or as they may be amended from time to time and each Apartment Owner shall observe, comply with, and perform all rules and regulations, ordinances, and laws made or adopted by the various governmental agencies. To the extent that such uses may not be prohibited by such laws and ordinances, the apartment units may be used for hotel, transient vacation rentals, resort, apartment, or related resort uses. Type 1 and Type 2 apartments shall not be converted into dwelling units and no cooking device shall be installed in any Type 1 or Type 2 apartment. The apartment units MAY BE USED FOR TIME SHARING PURPOSES as defined in, and in conformance with the applicable provisions of Chapter 514E, Hawaii Revised Statutes, as amended, BUT ONLY WITH THE PRIOR WRITTEN APPROVAL OF THE DEVELOPER which approval must be filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii and which approval may be withheld for any reason or granted on such terms and conditions as are satisfactory to the Developer. All non—living units may be used for commercial and related uses. The front desk area next to the Manager's Office, that is a limited common element appurtenant to Apartment 21, shall always be maintained as a front desk and reception area. In no event shall the uses of the apartment units or common areas be inconsistent with a resort type use. Notwithstanding the foregoing or any other provision in this Declaration, the By-Laws, or the House Rules, and notwithstanding any action which may be taken by the Association or its Board of Directors, Apartment 23 may be used for any commercial and related uses permitted under applicable governmental laws and ordinances so long as any change in use does not materially reduce the value of the Project. The Apartment Owner of Apartment 23 may upon obtaining the prior consent of the Board of Directors and no others make any lawful structural alterations and/or additions to Apartment 23, and any alterations and/or additions to the exterior of the structures within Apartment 23 or to any other portion or portions of the limited common elements appertaining to Apartment 23 and the Board of Directors and the Developer will grant such consent so long as such alterations or additions are consistent with the general architectural design of the Project

(b) The form of deed contains the following prohibition on rental pools.

> The Grantee further agrees for the benefit of Grantor, that until the date that all of the apartments in the Project have been conveyed to persons other than Grantor or Grantor's mortgage lender or the last time-share interest (if any) in the Project has been transferred,

> Grantee will not enter into any contract or arrangement concerning the rental of the apartment, with a rental manager or anyone else, that provides for any present or future pooling of income from the apartment with income from any apartment or property owned by any other person. Grantee acknowledges that no representations have been made to Grantee concerning the availability of any rental pool arrangement now or in the future.

(c) The form of deed contains the following restriction on cooking devices to maintain the status of the lodging units.

> The Grantee hereby covenants with the Grantor, that the Grantee will observe, perform, comply with and abide by the Declaration of Horizontal Property Regime ("Declaration") and the Bylaws of the Project ("Bylaws"), mentioned in said Exhibit "A", as the same are or may be amended or restated from time to time in accordance with law and the rules and regulations adopted in accordance with the Bylaws, and including without limitation all use restrictions on the installation of cooking devices in the event the Apartment is a lodging unit
>
> Any advertisement or listing of any lodging unit for a period of more than thirty (30) days shall specify that the lodging unit is a lodging unit and contains no kitchen. Any rental agreement for a lodging unit shall contain a copy of this paragraph _and shall require the tenant to comply with it.

(d) THE PROJECT DOCUMENTS PERMIT TIMESHARING WITH THE CONSENT OF THE FEE OWNER. THE COUNTY ADVISES THE PROJECT IS ON THE VISITOR DESTINATION MAPS ALLOWING TIMESHARING.

Although the Declaration permits time sharing, Apartments sold to individual buyers under this registration will be prohibited by their Apartment Deeds from time sharing. Although the Declaration permits time sharing, Apartments sold to individual buyers under this registration will be prohibited by their Apartment Deeds from time sharing. Only time share developers purchasing multiple apartments from the Developer will be permitted to time share their Apartments, but only if the Developer expressly permits them to do so in an addendum to their sales contracts; and if they choose to do so they will be required by Hawaii law to register them under Chapter 514E Hawaii Revised Statutes..

(e) The Declaration of Covenants and Restrictions dated October 12, 2004 and filed as Land Court Document No. 3178560 contains the following restrictions on use. See Exhibit L for a summary of this Declaration.

> 3.1 Restrictions on Use. The Property shall not be used in whole or part for any purpose or in any manner other than (a) as a hotel, including a condominium hotel, or (b) as a time share plan or fractional use plan, or (c) as a Condominium Project, or (d) as another facility or use approved by the Declarant; and in all of the foregoing cases shall include all facilities and related commercial operations ordinarily included in a quality resort operation. Declarant acknowledges that the current use of the property including one hundred ninety-eight (198) lodging units, two (2) dwelling units, one free standing restaurant, one free standing pool bar/kiosk, an activity desk, and accessory commercial uses conforms to the use restriction set forth in the preceding sentence. Any current or future use that is not permitted under applicable zoning or is inconsistent with the use or maintenance of the Properties as a quality destination resort is prohibited and may be enjoined and removed at the cost and expense of the Owner suffering such use.

(f) The Developer may include the following provision or a similar provision in the deed of Apartment 22:

> The Front Desk operator shall at all times arrange for the issuance of card keys for the front doors of all type 1, 2 and 3 apartments to control access to such apartments in the event that such front doors are controlled by card keys and shall issue such card keys to the owners of such apartments (the "resort owners"):
>
> (a) A resort owner may elect:
>
> (i) to take custody of the card keys or retain the keys for his apartment in which case the Front Desk operator shall be relieved of responsibility; or
>
> (ii) may elect to leave the card keys or keys in the custody of the Front Desk operator with instructions to issue the card keys or keys to the resort owner's tenants or hotel guests; but in that event the resort owner shall:
>
> (1) Execute an indemnity agreement in a form provided by the Front Desk operator relieving the Front Desk operator and its employees and agents of liability in connection with the card keys or keys except for gross negligence or willful misconduct;
>
> (2) Provide the Front Desk operator in writing from time to time the names and addresses of the persons to whom the card keys or keys are to be issued and the dates for which they are to be issued; and
>
> (3) Pay a reasonable fee to the Front Desk operator for this service.
>
> As used in this covenant "Front Desk Apartment" means the apartment to which the front desk is appurtenant as provided in the Limited Common Elements Paragraph D.2 (d) (i) of the Declaration. "Front Desk operator" means the Front Desk Owner or such tenant or agent of the Front Desk Owner to whom the Front Desk Owner delegates its duties under this covenant.
>
> The Front Desk operator may charge a reasonable fee to resort owners for issuance of card keys and replacement of lost card keys.

AOAO ISLANDER ON THE BEACH
BUDGET 2005

	Monthly Budget	Annual Budget
REVENUES:		
Maintenance Fees	$75,704	$908,452
Capital Reserve	$10,124	$121,488
Interest - Operating	$35	$420
Capital Gain/Loss - Operating	$0	$0
Interest - Capital	$50	$600
Capital Gain/Loss - Capital	$0	$0
Late Fee	$0	$0
Pay Phone Income	$0	$0
TOTAL REVENUES	$85,913	$1,030,960
EXPENSES:		
UTILITIES		
Electricity	$16,250	$195,000
Gas	$1,800	$21,600
Sewer	$4,007	$48,084
Water	$2,311	$27,732
Telephone	$50	$600
Television Cable	$2,500	$30,000
TOTAL UTILITIES	$26,918	$323,016
BUILDING & MAINTENANCE		
Cleaning Supplies	$100	$1,200
Communications	$10	$120
Electric Bulbs	$150	$1,800
Fire Equipment	$160	$1,920
Grounds & Grounds Supplies	$6,185	$74,225
Tree Trimming	$1,020	$12,240
Major Improvements	$0	$0
Painting	$250	$3,000
Pest Control	$500	$6,000
Pool/Hydro Spa	$600	$7,200
Refuse	$1,983	$23,796
Repairs & Purchases	$500	$6,000
Watchmen	$0	$0
TOTAL BUILDING & MAINTENANCE	$11,458	$137,501
ADMINISTRATION		
Date Processing	$300	$3,600
Management Fee	$3,200	$38,400
Salaries - Utility Cleaning	$7,638	$91,651
Salaries - Grounds	$0	$0
Salaries - Maintenance	$7,601	$91,216
Salaries - Manager & Admin	$3,298	$39,576
Payroll Taxes	$0	$0
Group Insurance	$0	$0
Worker's Compensation	$0	$0
TOTAL ADMINISTRATION	$22,037	$264,443

AOAO ISLANDER ON THE BEACH
BUDGET 2005

	Monthly Budget	Annual Budget
OTHER EXPENSE		
Automobile	$75	$900
D & O Insurance	$208	$2,496
Property/Flood Insurance	$10,833	$129,996
General Liability Insurance	$583	$6,996
Umbrella Liability Insurance	$250	$3,000
Other Insurance	$438	$5,256
Legal & Audit	$300	$3,600
Office Supplies & Printing	$400	$4,800
Miscellaneous	$500	$6,000
Rent - Commercial	$750	$9,000
Rented Space Expense	$0	$0
Tax Liability Allocation	$0	$0
Travel Expenses	$250	$3,000
Taxes - General Excise	$3	$36
Taxes - Federal Income	$0	$0
Taxes - State Income	$0	$0
Master Association Dues	$786	$9,432
TOTAL OTHER EXPENSE	$15,376	$184,512
NON-OPERATING TRANSACTIONS		
Operating Reserve - Transfer From	$0	$0
Operating Reserve - Transfer To	$0	$0
Capital Reserve - Transfer From	$0	$0
Capital Reserve - Transfer To	$10,124	$121,488
TOTAL NON-OPERATING	$10,124	$121,488
TOTAL EXPENSES	$85,913	$1,030,960
NET	$0	$0

Unit Type	% of Interest	# of Units	2005		
			Maint Fee	Cap Res	Total
Type 1	0.462%	190	$367.45	$49.22	$416.67
Type 2	0.462%	8	$367.45	$49.22	$416.67
Type 3	0.728%	2	$579.59	$77.64	$657.23
Type 4	0.847%	1	$674.24	$90.31	$764.55
Type 5	0.130%	1	$103.48	$13.86	$117.34
Type 6	6.170%	1	$1,012.91	$119.00	$1,131.91

I, Ruth Okada, employed by ResortQuest Hawaii, LLC, the proposed condominium managing agent for the condominium project, Islander on the Beach, hereby certify that the above estimates of maintenance fee and capital reserve assessments and maintenance fee disbursements for 2004 were prepared in accordance with generally accepted accounting principles. The budget assumes: 1)Unit Type 6 will pay directly for all utilities related to this unit and will fund 25% of the parking lot area paving and restriping and 2) all limited common expense are not included.

Ruth Okada

Date: December 1, 2004

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

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

EXPLANATION REGARDING RESERVES

Developer has obtained a Reserve Study dated June 25, 2004 revised December 1, 2004 by Metropolitan Management Company a portion of which is attached to this Disclosure Abstract.

Note: In calculating the maintenance fees the managing agent slightly rounded the percentages for Types 1, 2 and 3 which results in a difference of less than fifty cents per month.

INFORMATION FROM STUDIES OF THE PROPERTY

Note several are summaries and prospective purchasers are encouraged to review the materials in full. The Developer makes no representations, warranties or other promises that the studies are complete, accurate or reveal all defects.

1. **Bulk Asbestos Analysis** dated February 5, 2003.

2. **Limited Asbestos Containing Material Sampling** dated January 6, 2004.

3. Project at a Glance, Action Items, Summary, Findings, Conclusions and Recommended Mold Remediation sections of **Limited Survey for Moisture Intrusion and Visible Microbial Growth** dated June 1, 2004.

4. Project at a Glance and Summary of **Phase I Environmental Site Assessment** dated June 2, 2004.

5. **Aston Islander on the Beach Structural Observations** dated June 3, 2004.

6. Recommendations and Reserve Cash Flow Computations from **Reserve Study** revised November 9, 2004 (not including inflation projection)

7. Overview and Recommendations from **Termite Inspection Report** dated June 28, 2004

Globeteck NVLAP
NVLAP ID# 200541-0

544 Ohohia Street, Suite 2, Honolulu, HI 96819, Phone : (808) 833-5787, Fax: (808) 833-5987

February 5, 2003,
Aston Islander on the Beach
Kauai, HI.
Fax: (808) 822-1947

RE: Remove Popcorn Ceiling - Aston Islander on the Beach

Globeteck, served as the air monitoring professional for the above referenced project on February 5, 2003. We have conducted a visual inspection of the abatement area and have determined that no asbestos waste or debris was present at the time PCM air samples were taken (within the scope of work).

Furthermore, we have measured the airborne fiber concentration in accordance with National Institute for Occupational Safety and Health (NIOSH) Method 7400. This fiber collection and counting method has been accepted by the State of Hawaii, Department of Labor and Industrial Relations (Title 12: Subtitle 8, Part 8, Chapter 145.1). The final concentrations in air were measured to be less than 0.01 f/cc, using NIOSH method 7400.

I certify that the above samples were taken and that all fiber counts performed in strict compliance with applicable standards and regulations.

If you have any questions regarding this report, please do not hesitate to call me at 833-5787. Thank you for the opportunity to be of service for your environmental needs.

Sincerely,

Mohammad Rouf, MPH, CHMM
Industrial Hygienist

Globeteck NVLAP®
NVLAP ID# 200541-0
544 Ohohia Street, Suite 2, Honolulu, HI 96819, Phone : (808) 833-5787, Fax: (808) 833-5987

Attention: Barren Sakai
Client: Aston
Address: 484 Kuhio Highway
Kapaa, HI 96746

Report Number: G03-0042
Project Number: GGI-461
Date Sample Received: 2/5/2003
Analysis Date: 2/5/2003
Date of Report: 2/5/2003
Analyst:

Project Name: Aston Islander on the Beach Hotel

Analysis: Bulk Asbestos Analysis
Method: EPA Method 600/R-93-116, Visual Area Estimation

Total Layer(s): 4
Total Number of Sample(s): 3

Client ID: 461-1 Lab ID: 0193

Layer Number 1

Sample Description: White Soft lumpy Material

Homogenous: No
Sample Condition: Good
Comments:

Asbestos Type	Percent
None Detected	N/A

Non Asbestos Fibers: Cellulose <1%

Non Fibrous Material: Calcite, Mica, Paint

Client ID: 461-2 Lab ID: 0194

Layer Number 1

Sample Description: White Soft lumpy Material

Homogenous: No
Sample Condition: Good
Comments:

Asbestos Type	Percent
None Detected	N/A

Non Asbestos Fibers: Cellulose <1%

Non Fibrous Material: Calcite, Mica, Paint

Client ID: 461-2 Lab ID: 0194

Layer Number 3

Sample Description: Cream Chalky Material w/paper

Homogenous: No
Sample Condition: Good
Comments:

Asbestos Type	Percent
None Detected	N/A

Non Asbestos Fibers: Cellulose 30-40%, Fiber Glass 1-3%

Non Fibrous Material: Gypsum, Calcite, Mica

Client ID: 461-3 Lab ID: 0195

Layer Number 1

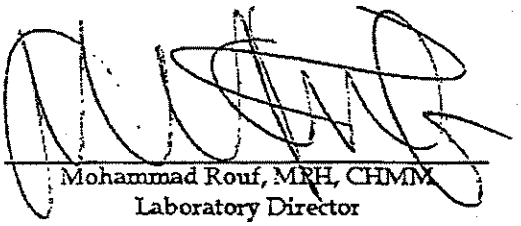
Sample Description: White Muddy Material w/paper

Homogenous: No
Sample Condition: Good
Comments:

Asbestos Type	Percent
None Detected	N/A

Non Asbestos Fibers: Cellulose 30-40%

Non Fibrous Material: Calcite, Mica, Paint



Mohammad Rouf, MRH, CHMM
Laboratory Director

The result quantitations reported are an estimation based on the methods of visual microscopic estimation which is considered only a semi-quantitative technique. This report applies only to the sample(s) received and analyzed by Globeteck. Results do not necessarily reflect the makeup of the entire span of the material from which the samples were derived. Sampling techniques and/or sample handling may affect the integrity of the sample(s) before submission to Globeteck, hence the outcome of the laboratory results. Samples not destroyed by testing are retained a minimum of thirty days. Globeteck., recommends re-analysis by point count or Transmission Electron Microscopy(TEM) for materials that are found to contain less than ten percent (<10%) asbestos by PLM. This report cannot be used by the client to claim product endorsement by NVLAP or any agency of the U.S. Government. This report shall not be reproduced except in full, without the written consent of Globeteck.

Globeteck Group, Inc
544 Ohohia Street, Suite #4
Honolulu, Hawaii 96819
Phone (808) 833-5787 Fax (808) 833-5987

G03-0042

CHAIN OF CUSTODY

Project Name: Aston Islander On The Beach Hotel
Client: Aston
Project # GGI-461
Sampled by: Jeff Goff
Sample Date: 2/4/03
Turn Around Time: 3-5 DAY

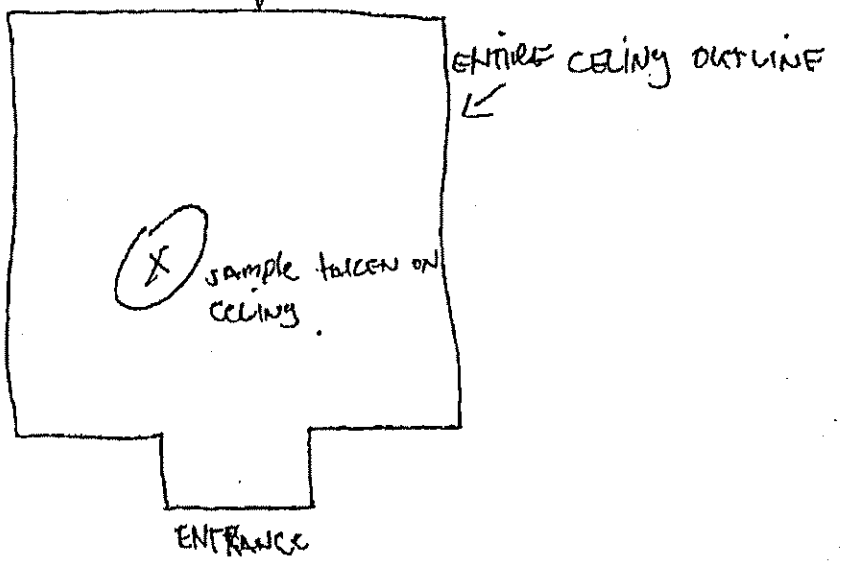
SAMPLE ID	DATE	TIME	LOCATION	ANALYSIS REQUESTED: Asbestos PLM/PCM	Lead Air/Wipe	Lead Paint/Soil	TCLP Pb				NO. OF CONTAINERS	
461-1	2/4/03	4:30	Office Room "Ceiling"	✓								193
461-2	1	1	Room 308 "Ceiling"	✓								1914
461-3	—	—	Room 364 "Ceiling"	✓								195

Relinquished by: Jeff Goff
Signature: [signature]
Time/Date: 2/4/03

Received by:
Signature:
Time/Date:

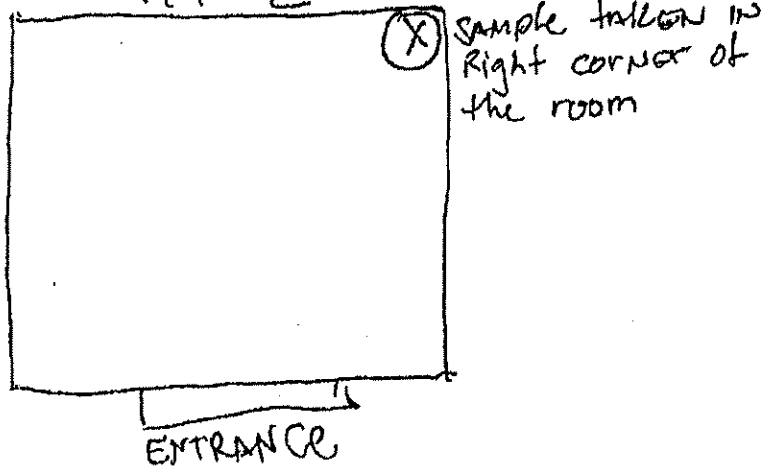
Relinquished by:
Signature:
Time/Date:

Office Sample
461-1



Room 364
461-3

Room 308
461-2



EQI
EnviroQuest INC.

Mr. Dan Sakai
Aston Islander Beach Hotel
4-484 Kuhio Highway
Kapaa, HI 96746

January 6, 2004
EQI Project 1826

Subject: Limited Asbestos Containing Material Sampling – Ceiling
Aston Islander Beach Hotel

Dear Mr. Sakai:

1.0 INTRODUCTION

EnviroQuest, Inc. (EQI) is pleased to submit this report documenting the limited asbestos containing building material (ACBM) sampling conducted at the Aston Islander Beach Hotel. Sampling was limited to the sprayed-on ceiling material in 15 guest rooms located in the Maui, Moloka'i, O'ahu, and Ni'ihau buildings.

2.0 LIMITED ASBESTOS-CONTAINING MATERIAL SAMPLING

On December 3, 2003, EQI collected forty-five representative bulk samples from the ceiling material in 15 guest rooms.

2.1 Methodology

Samples were collected from suspect building materials in accordance with current EPA guidelines and industry standards. Sampling locations were selected randomly to represent the homogenous ceiling material within each guest room. A minimum of three samples was collected from each guest room.

An approximate one-inch square portion of the suspect ACBM was collected using a hand chisel or utility knife, and then placed into a plastic bag which was sealed and labeled. The samples were then placed into another bag for storage. Collection tools were carefully cleaned between each sample collection to prevent any potential cross contamination.

All samples were logged and recorded following standard chain of custody procedures and submitted to Hygeia Laboratories Inc. in Sierra Madre, California for laboratory analysis. The samples were analyzed in accordance with US EPA Method 600/M4-82-020, polarized light microscopy. Hygeia is accredited for bulk asbestos analysis through successful participation in the National Voluntary Laboratory Accreditation Program (NVLAP).

2.2 Results

The laboratory was directed to stop analysis of each guest room at the first positive sample. Twelve of the forty-five samples were identified as asbestos containing materials. The National Emission Standards for Hazardous Air Pollutants (NESHAP) 40 CFR 61, defines asbestos containing materials (ACM) as containing greater than 1% asbestos. However, if asbestos is detected in a sample and the estimated amount by visual estimation is less than 10%, including trace amounts (less than or equal to 1%), the owner or operator of the building must elect to

assume the amount to be greater than 1% and treat the material as asbestos-containing material or request verification of the amount by point counting. Sample numbers 10A, 11A, and 36A were point counted for this report.

NESHAP also categorizes ACM as either being a friable material, a Category I non-friable material or a Category II non-friable material. Friable materials are defined as those which can be reduced to powder by hand pressure. Category I non-friable materials are the asphalt roofing materials, resilient floor covering, excluding linoleum, packings, and gasket. Category II non-friable materials are the cementatious materials such as stucco and asbestos cement board. The laboratory analytical results are summarized in Table 1. A summary of asbestos containing material is presented in Table 2. The laboratory analytical report and chain-of-custody forms are attached.

TABLE 1
Bulk Asbestos Sample Summary
Aston Islander Beach Hotel

Sample Number	Sample Location	Sample Description	Asbestos % & Type
1826-01A	Maui Building, room 171, northeast side	Sprayed-on ceiling	2% Chrysotile
1826-02A	Maui Building, room 171, middle	Sprayed-on ceiling	Not Analyzed
1826-03A	Maui Building, room 171, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-04A	O'ahu Building, room 141, northeast side	Sprayed-on ceiling	2% Chrysotile
1826-05A	O'ahu Building, room 141, middle	Sprayed-on ceiling	Not Analyzed
1826-06A	O'ahu Building, room 141, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-07A	O'ahu Building, room 142, northwest side	Sprayed-on ceiling	2% Chrysotile
1826-08A	O'ahu Building, room 142, east side	Sprayed-on ceiling	Not Analyzed
1826-09A	O'ahu Building, room 142, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-10A	O'ahu Building, room 341, northeast side	Sprayed-on ceiling/ Gypboard	<1% Chrysotile 0.44**
1826-11A	O'ahu Building, room 341, west side	Sprayed-on ceiling/ Gypboard	0.22**
1826-12A	O'ahu Building, room 341, by the entrance door	Sprayed-on ceiling/ Gypboard	Not Detected
1826-13A	Molaka'i Building, room 157, northeast side	Sprayed-on ceiling	2% Chrysotile
1826-14A	Molaka'i Building, room 157, west side	Sprayed-on ceiling	Not Analyzed
1826-15A	Molaka'i Building, room 157, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-16A	Molaka'i Building, room 257, northeast side	Sprayed-on ceiling	2% Chrysotile
1826-17A	Molaka'i Building, room 257, east side	Sprayed-on ceiling	Not Analyzed
1826-18A	Molaka'i Building, room 257, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-19A	Molaka'i Building, room 262, northwest side	Sprayed-on ceiling	2% Chrysotile
1826-20A	Molaka'i Building, room 262, west side	Sprayed-on ceiling	Not Analyzed
1826-21A	Molaka'i Building, room 262, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-22A	Molaka'i Building, room 358, northwest side	Sprayed-on ceiling/ Gypboard	2% Chrysotile
1826-23A	Molaka'i Building, room 358, east side	Sprayed-on ceiling/ Gypboard	Not Analyzed
1826-24A	Molaka'i Building, room 358, by the entrance door	Sprayed-on ceiling/ Gypboard	Not Analyzed

TABLE 1 (continued)
Bulk Asbestos Sample Summary
Aston Islander Beach Hotel

Sample Number	Sample Location	Sample Description	Asbestos % & Type
1826-25A	Ni'ihau Building, room 152, north side	Sprayed-on ceiling	2% Chrysotile
1826-26A	Ni'ihau Building, room 152, east side	Sprayed-on ceiling	Not Analyzed
1826-27A	Ni'ihau Building, room 152, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-28A	Ni'ihau Building, room 248, north side	Sprayed-on ceiling	2% Chrysotile
1826-29A	Ni'ihau Building, room 248, east side	Sprayed-on ceiling	Not Analyzed
1826-30A	Ni'ihau Building, room 248, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-31A	Ni'ihau Building, room 252, north side	Sprayed-on ceiling	2% Chrysotile
1826-32A	Ni'ihau Building, room 252, east side	Sprayed-on ceiling	Not Analyzed
1826-33A	Ni'ihau Building, room 252, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-34A	Ni'ihau Building, room 351, northeast side	Sprayed-on ceiling/ Gypboard	None Detected
1826-35A	Ni'ihau Building, room 351, west side	Sprayed-on ceiling/ Gypboard	None Detected
1826-36A	Ni'ihau Building, room 351, by the entrance door	Sprayed-on ceiling/ Gypboard	<1% Chrysotile 0.15**
1826-37A	Ni'ihau Building, room 354, northwest side	Sprayed-on ceiling/ Gypboard	None Detected
1826-38A	Ni'ihau Building, room 354, east side	Sprayed-on ceiling/ Gypboard	None Detected
1826-39A	Ni'ihau Building, room 354, by the entrance door	Sprayed-on ceiling/ Gypboard	None Detected
1826-40A	Ni'ihau Building, room 251, northwest side	Sprayed-on ceiling	2% Chrysotile
1826-41A	Ni'ihau Building, room 251, west side	Sprayed-on ceiling	Not Analyzed
1826-42A	Ni'ihau Building, room 251, by the entrance door	Sprayed-on ceiling	Not Analyzed
1826-43A	Moloka'i Building, room 259, north side	Sprayed-on ceiling	2% Chrysotile
1826-44A	Moloka'i Building, room 259, east side	Sprayed-on ceiling	Not Analyzed
1826-45A	Moloka'i Building, room 259, entrance door	Sprayed-on ceiling	Not Analyzed

**Point Count Result

TABLE 2
Asbestos-Containing Materials
Kaahumanu Hale Building

Asbestos-Containing Material	Material Location
Sprayed-on (pop corn) ceiling	Maui Building, room 171
Sprayed-on (pop corn) ceiling	O'ahu Building, room 141
Sprayed-on (pop corn) ceiling	O'ahu Building, room 142
Sprayed-on (pop corn) ceiling	Moloka'i Building, room 157
Sprayed-on (pop corn) ceiling	Moloka'i Building, room 257
Sprayed-on (pop corn) ceiling	Moloka'i Building, room 262
Sprayed-on (pop corn) ceiling	Moloka'i Building, room 358
Sprayed-on (pop corn) ceiling	Ni'ihau Building, room 152
Sprayed-on (pop corn) ceiling	Ni'ihau Building, room 248
Sprayed-on (pop corn) ceiling	Ni'ihau Building, room 252
Sprayed-on (pop corn) ceiling	Ni'ihau Building, room 251
Sprayed-on (pop corn) ceiling	Moloka'i Building, room 259

3.0 CONCLUSION

The asbestos containing sprayed-on ceiling material at the curtain rails was found to be damaged and should be repaired or replaced as soon as feasible. Repair or replacement should be conducted by a qualified asbestos abatement contractor under controlled conditions and under the supervision of an independent industrial hygiene professional

Upon completion of the repair, an Operation and Maintenance (O&M) program should be implemented as a means of monitoring and documenting the condition of the ACM.

4.0 LIMITATIONS

The information set forth is based solely on the agreed upon scope of services. This information is based on personal observation, data and information provided by Aston Islander Beach Hotel.

Although this sampling provides information on the relative presence or absence of hazardous materials, it should not be construed as a final statement that all hazardous material have been identified.

Given the often obscure and elusive nature of hazardous substances, it is never possible to absolutely dismiss the possibility of site contamination. EnviroQuest, Inc. expressly disclaim any and all liability representations, expressed, or implied, contained in, or for omissions from this report, or any other written or oral communication which might be interpreted as establishing the total extent of all liability present at the subject property.

Our services have been performed with the usual thoroughness and competence of the consulting profession, in accordance with the standards of professional services at this time. This report is intended for the exclusive use of Aston Islander Beach Hotel for specific application to the referenced property. This report is not meant to represent a legal opinion. No other warranty or representation, either expressed or implied is included or intended.

EQI greatly appreciates this opportunity to assist Aston Islander Beach Hotel with your industrial hygiene needs. We look forward to working with you again in the future.

Sincerely,

Jesus Sacramento
Industrial Hygienist

Attachments

MOLDPRO
International

PROVIDING INDOOR AIR QUALITY SOLUTIONS

NATIONWIDE

LIMITED SURVEY FOR MOISTURE INTRUSION AND VISIBLE MICROBIAL GROWTH (LSM)

Site Address: Islander on the Beach Hotel
484 Kuhio Highway
Kapaa, Kauai, Hawaii 96746

MoldPro Project: 4D040107-HNL

PROJECT AT A GLANCE

LSM SURVEY COMPONENT	NO FURTHER ACTION [1]	ROUTINE SOLUTION [2]	(PHASE II) MICROBIAL INVESTIGATION	ESTIMATED COST	LSM SECTION(S) REFERENCED
Regulatory Records Review	X				
Historical Records Review	X				
Interviews	X				
Current Operations	X				
Walk-Through Survey Property		**X**			**Section 5.3.1**
Walk-Through Survey Structure(s)		**X**			**Sections 5.3.3, 5.3.4, 5.3.5, 5.5**
Walk-Through HVAC System(s)		**X**			**Section 5.3.2**
Survey Measurements		**X**			**Section 5.4**

Bold type = identified issues.
N/A = Not Applicable or not in the scope of the project.

1) Based on this preliminary study, it appears that further investigation in this area is not a priority concern for this site at the present time.

2) The purchaser has indicated that major renovations are planned for the property. It is our belief that these renovations shall address necessary corrective actions for identified moisture and microbial growth issues.

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ACTION ITEMS

Project: MoldPro Project # 4D040107-HNL

Based on our Limited Survey for Moisture Intrusion and Visible Microbial Growth (LSM) for the Islander on the Beach Hotel at 484 Kuhio Highway, Kapaa, Kauai, MoldPro has identified the following action items for the project site property and structure exteriors:

1) Remove algal buildup on the roofs of the structures.
2) Improve drainage of the flat roof west of the lobby area.
3) Repair the water damage to the walkway adjacent to the flat roof west of the lobby area.
4) Provide engineered drainage for the air conditioning condensate outside of the converted guest rooms 110 and 112.
5) Remove soil along the "front" side of the buildings to three inches below the bottom of the wood siding.

It is our opinion that the renovation activities planned for the guest rooms of the subject property will address the current mold amplification occurrences within the on-site structures. We recommend the following to the prevent future mold amplification:

1) Install higher performance ventilation fans in the restrooms.
2) Rebuild the restroom areas with mold-resistant materials.
3) Apply a mold-resistant coating on building materials within the restrooms.
4) Eliminate all vinyl wallpaper in the guestrooms.
5) Eliminate all carpeting in the guest rooms.
6) Position new air-conditioning units well above the floor. Do not allow cold air to be directed to the surface of building materials.
7) Install a drip tray to catch condensation associated with opening the refrigerator door.

2.0 Summary

MoldPro International, LLC (MoldPro) has completed a Limited Survey for Moisture Intrusion and Visible Microbial Growth (LSM) of the project site during May 2004. Factual information regarding operational conditions and data provided by the client, owner, or their representatives has been assumed to be correct and complete.

The following summarizes the independent conclusions representing MoldPro's best professional judgment based on information and data available to us during the performance of this assignment. The conclusions presented are based on the conditions that existed at the time of the survey.

- MoldPro submitted inquiries via fax to the Wastewater Branch, the Noise, Radiation, and Indoor Air Quality Branch (NRIAQ), and the Hazard Evaluation and Emergency Response (HEER) Office of the Hawaii State Department of Health (DOH), regarding available records, communications and previous reports for the project site. At the time this report was prepared, no records from these offices had been made available for our review. For details refer to Appendix D of this report.

- MoldPro reviewed a report by Globeteck Group, Inc. summarizing air monitoring and visual inspection to document the removal of asbestos-containing ceiling texture from selected rooms of the subject property. This report stated that the final concentrations of asbestos in air were measured to be less than 0.01 fiber per cubic centimeter.

- MoldPro reviewed a report by EnviroQuest, Inc. (EQI) summarizing the results of limited sampling to evaluate the asbestos content of ceiling texture material at the subject property. This report concluded that the ceiling material was

asbestos-containing. This report further stated that the ceiling material was damaged in several areas.

- MoldPro conducted interviews with Mr. Darren Sakai, Maintenance Supervisor; Ms. Jasmine Lopez-Silva, General Manager; and Ms Cindy Bandmann, Executive Housekeeper. These interviews revealed the following information:

  - The project site structures were constructed in approximately 1970.

  - The roofs of the structures were replaced in approximately 1988 or 1989.

  - Each of the guest room buildings had a separate hot water heater.

  - There had been no flooding incidents involving the structures.

  - Limited occurrences of suspect mold were observed in guest rooms 152, 157, 257, and 259.

  - There had not been any previous testing or reporting of the occurrence of mold on the property.

  - One of the site structures, the Hawaii Building, experienced significant damage during hurricane Iniki. The interviewees reported that this building was taken "off-line" for insurance purposes, and subsequently gutted and re-built to repair the hurricane-related damage.

  - Room 141 experienced significant water damage associated with an obstructed shower drain. Repairs reportedly included removing all of the dry wall from this bathroom.

- Room 322 and 308 experienced water damage from roof leaks in approximately August of 2003. The roof was reportedly patched and repaired in October 2003.

- MoldPro interviewed Mr. Brad Anderson regarding future plans for renovating the resort guest rooms. Mr. Anderson reported that Puluwai, LLC planned to remove all of the drywall from the restroom and adjacent vanity and closet areas. He reported that all of the wall covering and carpeting would be removed and the air conditioning units would be replaced. He reported that the vanity cabinets, as well as the refrigerator cabinets in the bedroom areas, would all be removed.

- Mr. Ken Beal, Project Manager, and Ms. Dawne Yates, Indoor Environmental Professional, for MoldPro, conducted the walk-through survey portion of the LSM. The MoldPro investigators observed visible suspect mold in several locations of the project site structures. Based on the observations during the walk-through survey, MoldPro concluded that the project site structures have likely been impacted by moisture intrusion and/or visible microbial growth in the following locations:

  - The north side of the roof of the Lanai Building. There is visible evidence of suspected damage associated with algae accumulation.

  - The individual wall-mounted air-conditioning (A/C) units located in each guest room were generally in poor condition. The exterior housings of most of these units were rusted. Many of the units had either leaked, or contributed to condensation, resulting in water damage to the carpet and, to a lesser extent, the wooden wall finish adjacent to the A/C units. The interiors of these units were observed to be very dusty.

- Water damage was observed within the wooden cabinets beneath the sinks in the vanity cabinets of the bathrooms and surrounding the refrigerators in the bedroom areas.

- Water damage was observed on the mirrors located behind the beds in several of the guest rooms accessed.

- Visible suspect mold was observed above the ceiling tiles in the shower stalls of several of the guest rooms accessed.

- We recorded elevated relative humidity readings in all of the guest rooms accessed.

For more details, on the observations noted during the site walk through, refer to Section 6 of this report.

Based on the above information, MoldPro is of the opinion that the project site represents a moderate[1] risk level.

[1] Although no regulatory standards currently exist for acceptable levels of moisture intrusion or microbial growth, MoldPro has used its professional judgment to assign a risk level to the site relative to the conditions existing at the time of the survey. MoldPro has adopted a ranking system of low, moderate, or high. *Low* is reserved for sites that have no or very limited indications of moisture intrusion and/or visible microbial growth and possess few or no areas or conditions that are conducive to such problems, as identified during the LSM. *Moderate* indicates that limited portions of the site have a strong potential to have been impacted by moisture intrusion and visible microbial growth, and that areas or conditions exist that are conducive to such problems, as identified during the LSM. *High* indicates that numerous portions of the site have a strong potential to have been impacted by moisture intrusion and visible microbial growth and that areas or conditions exist that are conducive to exacerbate such problems, as identified during the LSM. *High* further indicates that the extent of moisture intrusion and visible microbial growth may represent a significant financial liability for repairs, microbial investigation, remediation, and/or regulatory compliance.

5.0 Findings

The following sections represent MoldPro's findings, based on our visual observations, interviews, survey measurements and federal, state, local, and user provided records, communications and previous reports.

5.1 Records/Communications/Previous Reports Reviewed

MoldPro submitted inquiries via fax to several offices of the Hawaii State Department of Health (DOH), regarding available records, communications and previous reports for the property addressed as 484 Kuhio Highway, Kapaa, Kauai, Hawaii 96746. These inquiries were made in an attempt to ascertain whether historical events related to moisture intrusion or visible microbial growth could have had an environmental impact on the project site. DOH offices contacted included the Wastewater Branch, the Noise, Radiation, and Indoor Air Quality Branch (NRIAQ), and the Hazard Evaluation and Emergency Response (HEER) Office. At the time this report was prepared, no records from these offices had been made available for our review. For details regarding inquiries to the DOH, refer to Appendix D of this report.

Mr. Brad Anderson, provided MoldPro with the following two reports of the project site for our review:

Globeteck Group, Inc., February 5, 2003, *Remove Popcorn Ceiling – Aston Islander on the Beach.*

EnviroQuest, Inc., January 6, 2004, *Limited Asbestos Containing Material Sampling–Ceiling, Aston Islander Beach Hotel.*

The Globeteck report indicated that they served as the air monitoring professional for asbestos removal at selected locations within the subject property. Globeteck conducted visual inspection of the abatement area and reported that no asbestos waste or debris was present. They collected air samples to quantify the presence of airborne asbestos fibers. The final

concentrations of asbestos in air were reported to be less than 0.01 fibers per cubic centimeter.

The EnviroQuest, Inc. (EQI) report documented the results of limited asbestos sampling conducted in 15 guest rooms located in the Maui, Molokai, Oahu, and Ni'ihau buildings. EQI reported forty-five samples were collected from representative areas of the ceilings of the subject rooms. The sprayed-on ceiling texture for all of the rooms sampled was determined to be asbestos-containing. EQI concluded that the texture material was damaged at the locations of the curtain rails and recommended repairing or replacing the ceiling texture as soon as feasible. EQI further recommended that an Operation and Maintenance (O&M) program be implemented as a means of monitoring and documenting the condition of the asbestos containing material.

5.2 Interviews

On May 4, 2004, MoldPro conducted an interview with Mr. Darren Sakai, Maintenance Supervisor since September 2000; Ms. Cindy Bandmann, Executive Housekeeper since 1983; and Ms. Jasmine Lopez-Silva, General Manager since January 2000. The interview included structured questions designed to collect information regarding historical and current moisture intrusion events, observations of visible microbial growth, and areas/conditions perceived as being conducive to moisture intrusion and/or visible microbial growth.

According to the interviewees, the project site structures were constructed in approximately 1970. The roofs of the structures were replaced in approximately 1988 or 1989. Each of the guest rooms was served by a wall-mounted air-conditioning unit. Each of the guest room buildings had a separate hot water heater. The interviewees reported that there had been no flooding incidents involving the structures.

The interviewees reported that limited occurrences of suspect mold were observed in guest rooms 152, 157, 257, and 259. They reported that there had not been any previous testing or reporting of the occurrence of mold on the property.

The interviewees reported that three of the buildings had been renovated, including removal of wall covering and re-texturing of drywall material. They reported that all of the guest room bathrooms include a drop ceiling encasing the plumbing beneath the bathroom for the overlying floor.

The interviewees reported that the Hawaii Building had experienced significant damage during Hurricane Iniki. They reported that this building was taken "off-line" for insurance purposes, and subsequently gutted and re-built to repair the hurricane-related damage. The interviewees reported that approximately half of the remaining guest rooms were taken "off-line" because of damage inflicted by Hurricane Iniki.

The interviewees reported the following guest rooms had experienced known water damage:

- Room 141 had experienced significant water damage associated with an obstructed shower drain. Repairs reportedly included removing all of the dry wall from this bathroom.

- Rooms 322 and 308 had experienced water damage from roof leaks in approximately August of 2003. The roof was reportedly patched and repaired in October 2003.

MoldPro also interviewed Mr. Brad Anderson of Puluwai, LLC, the prospective buyer of the subject property. Mr. Anderson reported the following information:

- Suspect mold was observed above several of the drop ceilings in the bathrooms of the guest rooms.

- Several of the rooms had musty odors.

- Planned guest room renovation activities included removal of all of the drywall material in the bathrooms and associated vanity and closet areas, removal and replacement of the drop ceiling material, demolition of the bathroom vanities and bedroom cabinetry, removal of the carpets, finishing the

floors with a travertine tile or equivalent material, and replacing the air conditioning units.

5.3 Walk-Through Survey Observations

On May 4, 2004, Mr. Kenton Beal, Project Manager for MoldPro, and Ms. Dawne Yates, Indoor Environmental Professional for MoldPro, conducted the walk-through survey portion of this LSM.

The scope of the walk-through survey consisted of visual reconnaissance for indications of moisture intrusion and/or visible microbial growth observed to be occurring at the time of the survey, and the presence of areas or conditions, located on the project site or within structures on the project site, considered to be conducive to moisture intrusion and/or visible microbial growth. Only readily accessible areas were inspected. Excluded from detailed observation were the occupied guest rooms, rooftop areas, the Jolly Roger restaurant, and selected housekeeping closets. Areas accessed included a representative number of unoccupied guest rooms, common areas (hallways and the registration lounge), the guest laundry facility, a representative number of housekeeping and water heater closets, the parking lot, and the exteriors of the on-site structures.

5.3.1 Project Site Property and Structure Exteriors

MoldPro observed what appeared to be significant algal accumulation on the north side of the roof of the Lanai Building. Minor water damage was observed adjacent to the eaves on the west side of the roof of the Ni'ihau Building. Standing water was also noted on the flat roof west of the registration lobby. Evidence of water damage was observed on the second floor walkway adjacent to this flat roof.

Evidence of water accumulation was noted outside the west wall of the main building, between converted guest rooms 110 and 112. This water accumulation was a result of inadequately

drained condensate from the wall mounted air-conditioning unit at this location.

The perimeters of the buildings were investigated for evidence of soil buildup that might impact the wood siding on the exterior wall. The following locations exhibited soil that was either in contact with the wood siding, or very close to being in contact with the wood siding:

- West side of Ni'ihau Building
- West side of Maui Building
- Southwest side of Oahu Building
- West side of Kauai Building
- Northeast side of Lanai Building
- Southwest side of Hawaii Building

5.3.2 HVAC Units

A representative number of HVAC units were visually inspected. In general, the HVAC units were observed to have significant rust and corrosion on the exterior housing. The interiors of these units were typically very dusty. Several of the HVAC units were inadequately sealed to the wall penetration, allowing for infiltration of warm, humid air. Several units exhibited evidence that they had either leaked and/or resulted in the formation of condensation within the associated guest room.

5.3.3 Guest Rooms

The investigators observed that a majority of the accessed guest rooms had common problems, including musty odors, water damaged cabinets, elevated ambient humidity levels, visible suspect mold above the drop ceiling in the bathrooms and undersized ventilation fans in the bathrooms. A summary of the conditions observed in the guest rooms is presented in Table 1.

5.3.4 Maid's Closet (Molokai Building)

The maid's closet in the Molokai Building exhibited water staining and corroded plumbing around the base of the sink. Visible suspect mold was not observed in this area.

5.3.5 Water Heater Closets

The water heater closet on the third floor of the Hawaii Building was visually assessed. No significant water damage or visible suspect mold was observed, however, there appeared to be a nest in the ceiling above the water heater.

The water heater closet in the Kauai Building was visually assessed. No significant water damage or visible suspect mold was observed, however, the walls and ceiling appeared to have been stained black, presumably from soot associated with combustion by-products from the water heater.

TABLE 1

Summary of Visible Conditions

Guest Rooms, Islander on the Beach Hotel

Room Number	Building	Musty Odors	Water Staining	Visible Suspect Mold	Other
166	Maui	Yes	Refrigerator cabinet	Top of bathroom wall	1, 2
167	Maui	Yes	Wood adjacent to A/C unit, refrigerator cabinet	Above bathroom ceiling, at ceiling of northwest wall	1, 3
269	Maui	No	Cabinet beneath sink	Wall adjacent to toilet, above shower	1, 5
271	Maui	Yes	Refrigerator cabinet	Above bathroom ceiling	1, 4
260	Molokai	No	Slight	No	1, 5
262	Molokai	Yes	Refrigerator cabinet	Above bathroom ceiling	1, 2, 3, 4
163	Molokai	Yes	Ceiling tile above shower, wall hanging, refrigerator cabinet	Above bathroom ceiling, matting of wall hanging	1, 6, 7
161	Molokai	Yes	Discoloration of south wall	No	1, 2, 4, 5
159	Molokai	Yes	Refrigerator cabinet, bathroom vanity	Refrigerator cabinet, beneath vanity sink, above bathroom ceiling	1, 7

TABLE 1
(continued)
Summary of Visible Conditions
Guest Rooms, Islander on the Beach Hotel

Room Number	Building	Musty Odors	Water Staining	Visible Suspect Mold	Other
264	Molokai	Minor	Very little	No	1, 4
146	Niihau	No	Refrigerator cabinet	No	1, 4, 6
351	Niihau	No	Refrigerator cabinet	No	1, 4
342	Oahu	No	Refrigerator cabinet, bathroom vanity	No	1, 8, 9
233	Lanai	No	No	No	1, 10
119	Hawaii	Yes	Very slight in refrigerator cabinet and bathroom vanity	Very slight above bathroom ceiling	1, 6

Key to Table 1

1 = Inadequate bathroom ventilation
2 = Slight visible staining on ceiling
3 = Corroded HVAC housing
4 = Water spotting behind mirror
5 = Under renovation
6 = Carpet adjacent to A/C is damp
7 = Soft spot on wall behind shower head
8 = Ceiling texture delaminating
9 = Cabinet beneath refrigerator sagging
10 = Recently painted

5.4 Survey Measurements

Psychrometric readings, including temperature and relative humidity, were collected within the accessed guest rooms. These readings indicated that all of the guest rooms measured had relative humidity levels above published standards recommended by the American Society of Heating, Refrigeration, and Air-conditioning Engineers (ASHRAE) for indoor environments. Table 2, on the following page, presents a summary of the recorded readings.

Table 2
Summary of Psychrometric Readings

Guest Room Number	Relative Humidity (%)	Temperature (°F)
166	67	84
167	75	81
269	74	80
271	73	81
262	66	81
163	69	82
159	72	81
264	85	76
146	80	78
351	79	78
342	75	80
233	78	78
119	71	79
ASHRAE Standard 55	40-60	68-76

5.5 Guest Laundry

Visual assessment of the guest laundry facility did not reveal evidence of mold amplification or water damage to the associated building materials. This facility was observed to be in a general state of disrepair.

6.0 Conclusions

The following are the independent conclusions representing MoldPro's professional judgment, based on the information described in the previous sections of this report.

6.1 Project Site Property and Structure Exteriors

MoldPro observed the presence of visible microbial or algal growth and/or conditions that reasonably could result in such growth in the following areas of the project site property:

- Significant algal accumulation on the north side of the roof of the Lanai Building.
- Minor water damage was observed adjacent to the eaves on the west side of the roof of the Ni'ihau Building.
- Standing water was noted on the flat roof west of the registration lobby.
- Evidence of water damage was observed on the second floor walkway adjacent to the flat roof west of the registration lobby.
- Water accumulation was noted outside the west wall of the main building, between converted guest rooms 110 and 112.

The following locations exhibited soil that was either in contact with the wood siding, or very close to being in contact with the wood siding:

- West side of Ni'ihau Building
- West side of Maui Building
- Southwest side of Oahu Building
- West side of Kauai Building
- Northeast side of Lanai Building
- Southwest side of Hawaii Building.

Based on the information gathered during this LSM, it is our opinion that the project site property had been impacted by visible microbial growth at the time this LSM was performed.

We recommend the following:

- **Remove algal buildup on the roofs of the structures.**
- **Improve drainage of the flat roof west of the lobby area.**
- **Repair the water damage to the walkway adjacent to the flat roof west of the lobby area.**
- **Provide engineered drainage for the air conditioning condensate outside of the converted guest rooms 110 and 112.**
- **Remove soil along the "front" side of the buildings to three inches beneath the bottom of the wood siding.**

6.2 Project Site Structures

MoldPro observed the following typical areas of concern for the guest rooms observed:

- Musty odors
- Water staining and/or visible mold on cabinetry surrounding the refrigerator in the bedroom
- Water staining on the floor of the vanity, beneath the sink outside the bathroom
- Elevated ambient humidity

- Dusty, rusted air conditioning units
- Water stains behind the mirror in the bedroom.

Also of concern for the guest rooms is the information contained in the EQI report indicating that all of the ceiling texture samples analyzed contained asbestos.

It is our opinion that the renovation activities planned for the guest rooms of the subject property will address the current mold amplification occurrences. We recommend the following actions to prevent future mold amplification:

- **Install higher performance ventilation fans in the restrooms.**
- **Rebuild the restroom areas with mold-resistant materials.**
- **Apply a mold-resistant coating on building materials within the restrooms.**
- **Eliminate all vinyl wallpaper in the guestrooms.**
- **Eliminate all carpeting in the guestrooms.**
- **Position new air-conditioning units well above the floor level. Do not allow cold air to be directed to the surface of building materials.**
- **Install a drip tray to catch condensation associated with opening refrigerator door.**
- **Eliminate the sliding glass door at the "back" of the rooms.**
- **Control the ambient humidity in the guestrooms through constant operation and maintenance of the air-conditioning system and/or via utilization of a dehumidifier system.**

We further recommend removal of all asbestos-containing ceiling texture prior to initiating renovation activities in each room. Removal of asbestos-containing materials must be performed by a properly licensed contractor in adherence to NESHAPS regulations as promulgated by the U.S. EPA and enforced by the State of Hawaii Department of Health. In addition to providing exposure protection during asbestos remediation activities, NESHAPS requirements for asbestos removal are typically effective at preventing cross-contamination and unwanted exposure during mold remediation.

We recommend performing all demolition activities under negative air containment conditions. Areas with visible suspect mold growth should be cleaned in accordance with the general mold remediation guidelines included in Appendix G.

After demolition and prior to reinstallation of new building materials, we recommend performing post-remediation verification to confirm that remediation activities have successfully removed the sources of mold amplification identified in the guest rooms.

In the event that all of the asbestos-containing materials are not removed, we recommend implementation of an Operations and Maintenance Program for all remaining asbestos-containing materials.

We recommend implementation of a Mold and Moisture Prevention and Response Plan for this facility. This Plan would document and monitor problem or potential problem areas, provide training to front line staff, and provide a comprehensive program for proactive management of moisture and mold-related issues.

MOLDPRO
International

Recommended Mold Remediation

General

We assume all sources of water leaks have been determined and will be repaired prior to remediation.

Confirm all dimensions of areas to be remediated prior to submission of a cost proposal. Do not rely solely on the information provided in the text and appendices of this report to determine the square footage of materials to be cleaned and/or removed.

Sequence and contain all multiple areas of remediation in such a manner that those areas remediated first are not re-contaminated by subsequent areas as they are remediated.

Where wall drywall or plaster removal is specified, remove the drywall from the floor to the ceiling (i.e. the entire height of the wall) unless otherwise specified.

Removal of ceiling and wall drywall or plaster will expose the ceiling and wall framework as well as any thermal insulation that may be present. Removal of drywall material from exterior walls will expose the outer shell of the structure. Remove and replace all exposed thermal insulation. Remediate exposed wooden framework by sanding and/or planing. After remediating the framework, vacuum with a HEPA vacuum, wipe with an anti-microbial growth inhibitor and vacuum a second time. Remove non-structural framework that cannot be cleaned by sanding or planing. Aggressively plane and treat with a microbial growth inhibitor structural framework that cannot be cleaned by sanding. Remediate mold on the exposed surface of the outer shell of the structure to the extent practicable using repeated HEPA vacuuming and wiping with an anti-microbial growth inhibitor. Remediate exposed metal framework using a HEPA vacuum, followed by a wipe down with an anti-fungal growth inhibitor and a second HEPA vacuum.

Where there is a recommendation to remediate structural framework, evaluate whether cleaning or removal/build back is more economical.

Removal of flooring material from buildings constructed with slab-on-grade foundations will expose the concrete slab (floor). Clean the exposed floor with a HEPA vacuum followed by a wipe with an anti-fungal growth inhibitor and a second HEPA vacuum. Removal of flooring from buildings constructed on pier

and beam foundations will expose the flooring framework. Treat the exposed flooring framework as described above for wall and ceiling framework.

Asbestos and/or lead-containing materials may be encountered during remediation. It is the responsibility of the remediation contractor to determine if asbestos and/or lead -containing materials are present.

Extension of Remediation Areas

While remediation is being conducted, it may become apparent that the remediation should be extended in order to encompass and abate newly discovered mold contamination. Visually inspect accessible building materials adjacent to remediation areas. Remove visibly contaminated materials to two feet beyond visible mold.

Contents and Surfaces

Clean all contents and surfaces by vacuuming with a HEPA vacuum. Wood surfaces, including cabinetry, with mold growth may need to be sanded and/or planed or removed and replaced. After remediating the wood surface, vacuum with a HEPA vacuum, wipe with an anti-microbial growth inhibitor and vacuum a second time. Several iterations of this may process may be required. HEPA vacuum non-porous (concrete) walls. Wipe with an anti-microbial growth inhibitor and HEPA vacuum a second time.

Restrooms

Install higher performance ventilation fans. Remove all drywall and drop ceiling materials. Remove drywall material from opposite facing wall behind the showerhead. Rebuild restroom areas with mold-resistant materials. Apply a mold-resistant coating on building materials within the restrooms. Remove all cabinetry in the vanity area. Remove all wall covering in restroom and vanity area. Remediate visible mold from non-porous (concrete block) walls as described above. Remove drywall material with visible mold growth. Remediate all exposed framework as described above.

Guestrooms

Eliminate all vinyl wallpaper and carpeting from the guestrooms. Remove all mirrors from wall behind bed. Remediate visible mold from non-porous (concrete block) walls as described above. Remove drywall material with visible

mold growth. Remediate the exposed slab-on-grade floor as described above. Remove all cabinetry from the bedroom area. Remediate exposed framework as described above.

Air Conditioning Units

Replace all air conditioning units. Locate new units well above the floor. Do not direct cold air toward the surface of building materials.

Ceiling Areas

Remove asbestos-containing ceiling texture material from all ceilings. Follow NESHAPS guidelines for all asbestos remediation activities.

Containment and Personal Protection

Construct containment of remediation areas to prevent cross-contamination of other areas of the house. Create and maintain negative air pressurization for remediation containment areas until receipt of acceptable post-remediation evaluation results. Exhaust negative air units used during remediation to the outdoor air through a HEPA filtration unit. The use of air scrubbers within the remediation area is recommended to filter air in the house prior to clearance testing.

All workers within the remediation shall don appropriate personal protective equipment, including respiratory protection.

Post Remediation Verification

Leave all cleaned surfaces exposed for verification. Paints and/or encapsulants shall not be applied prior to clearance sampling, as they will hinder the ability of the investigator to perform a thorough clearance investigation.

Retain a qualified investigator, experienced in mold contamination and familiar with recent property history, to perform post remediation verification sampling. Prior to collecting any post remediation verification samples, the investigator shall perform a thorough visual inspection of the remediated area. Should any portion of the remediated area be deemed suspect by the investigator based on the visual inspection, the investigator will bring these areas to the attention of the remediation contractor, and additional remediation efforts shall be implemented prior to collecting post remediation verification samples.

Post remediation verification sampling shall include adequate samples to evaluate the effectiveness of the remediation efforts. Air samples should exhibit mold spores at concentrations less than outside air samples collected at approximately the same time as the post remediation evaluation samples. Surface samples should not indicate evidence of mold growth.

Exterior

Remove algal buildup on the roofs of the structures. Improve drainage of the flat roof west of the lobby area. Repair water damage to walkway adjacent to the flat roof west of the lobby area. Provide engineered drainage for condensate outside of converted guest rooms 110 and 112. Remove soil along the "front" side of the buildings to three inches below the bottom of the wood siding.

We strongly recommend not taking any action without reading the report in its entirety.

ENPRO
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PROFESSIONALS

ENPRO – 4D0250054-HNL

PROJECT AT A GLANCE

Project: Islander on the Beach Hotel
484 Kuhio Highway, Kapaa, Kauai
Date: June 2, 2004

Assessment Component	No Further Action (1)	Routine Solution	Phase II	Estimated Cost Range (2)	Reference Section
Regulatory Review	X				
Historical Review	X				
Hazardous Materials	X				
PCBs	X				
ACM	N/A				
Lead-Containing Paint	N/A				
Current Operations	X				
ASTs	X				
USTs	X				
Surface Areas	X				
Adjacent Properties	X				

Bold type = identified issues.

N/A = Not Applicable or not in the scope of the project.

(1) Based on this preliminary study, it appears that further investigation in this area is not a priority concern for this site at the present time.

(2) Costs depicted are for investigation/program development activities. Remediation costs, if required, will be identified as a result of investigation/program development activities

2.0 Summary

ENPRO performed a Phase I Environmental Site Assessment of the project Site during May 2004. The following summarizes the independent conclusions representing ENPRO's best professional judgment based on information and data available to us during the performance of this assignment. Factual information regarding operational conditions and data provided by the client, owner, or their representatives has been assumed to be correct and complete. The conclusions presented are based on the conditions that existed at the time of the assessment.

* The database search for regulatory agency data for the project Site and adjacent properties indicated that the Site was listed as part of a cluster of nine properties on the FINDS database.

* The database search for regulatory agency data concerning adjacent and nearby properties identified one property in addition to the properties listed on the FINDS database. This additional identified site is not expected to have an adverse environmental impact of the subject property.

* The database search report listed eleven sites as "Orphan Sites". One of these sites, the Kauai Coconut Beach Resort, was also part of the cluster of nine properties included on the FINDS database. Aside from the Kauai Coconut Beach Resort, it is our opinion that the listed Orphan sites do not have a reasonable potential to adversely impact the environmental condition of the subject property.

* ENPRO has requested regulatory files for those properties considered to have a potential to have an adverse environmental impact on the subject property and to gather further information regarding the listing of the subject site on the FINDS database. As of the date of this report, ENPRO has not received comment on our requests for these files.

* No significant quantities of hazardous materials were observed on-site. Small quantities of household-type cleaning materials were being stored at the Site at the time of our investigation. Approximately 50-gallons of paint was stored on-site and scheduled for disposal.

* No significant Site contamination was observed. No RCRA regulated hazardous waste was observed to be generated, stored, accumulated, transported, or disposed on the subject Site.

* Based on review of historical information, including building permit information and chain of title documentation, we did not identify the presence of any previous land use for the subject Site that is expected to present a significant threat to the environmental condition of the subject property.

* Sanborn fire insurance maps were requested. The contract firm indicated that coverage was not available for the subject property.

* Responses to interviews conducted with personnel familiar with the historical operations at the Site, did not indicate any current or previous land use for the subject Site or adjacent properties that is expected to present a significant threat to the environmental condition of the subject property.

Based on the preceding information, and pending our review of the requested regulatory files, ENPRO is of the opinion that the project Site represents a low[1] environmental risk. It should be noted that we have not, as yet, received regulatory information for the database listings of the subject site and several surrounding properties. Our opinion regarding the environmental risk of the Site may change based on our review of these files when they become available.

These opinions are supported by the ENPRO investigation of the project Site, which includes regulatory review, historical/records review, interviews, and on-site visual assessment.

[1] The ASTM standard requires ENPRO to use professional judgment to assign a relative environmental risk to the project Site compared to similar area properties or similar use properties. ENPRO has adopted a ranking of low, moderate, or high. *Low* is reserved for sites that have no or very limited potential for environmental impairment as identified during the Phase I assessment. *Moderate* indicates the site has a reasonable potential to have been impacted by environmental issues identified within the context of the Phase I assessment. *High* is assigned to properties with a strong potential to have been impacted by environmental issues identified within the context of the Phase I assessment and these potential impacts may represent a significant financial liability for required remediation and/or regulatory compliance.

LIBBEY HEYWOOD, INC.
STRUCTURAL ENGINEERS

210 Ward Avenue, Suite 122
Honolulu, Hawaii 96814

Telephone (808) 531-4627
Fax (808) 533-3745
E-mail mail@lhise.com

June 3, 2004

Puluwai L.L.C.
P. O. Box 1237
Kamuela, HI 96743

Attention: Mr. Brad Anderson

Subject: Aston Islander on the Beach, Kauai
Structural Observations

Gentlemen:

At your request, the undersigned met with you at the Aston Islander on the Beach to perform observations on its structural condition. This was a brief visit for visual observation and drawing review only.

EXECUTIVE SUMMARY

The building is generally in poor to fair condition and is in need of structural repairs and maintenance. These repairs are due to corrosion caused by greater exposure to salts and moisture due to the buildings being located adjacent to the ocean. A termite infestation and damage report should be performed by a qualified professional.

DESCRIPTION OF STRUCTURES

The Aston Islander on the Beach located at 484 Kuhio Highway in Kapa'a consists of eight (8) three-story buildings and a one-story maintenance building. This facility was originally known as the Islander Inn and was structurally designed by Richard M. Libbey, Inc., our predecessor corporation in 1969.

The typical buildings are rectangular in shape with a single loaded corridor and lanais on the opposite side. The roof utilizes pre-engineered wood trusses at 24 inches on center spanning from the corridor rail to the lanai sliding door header. The floors shown on the drawings were to be either a 5-inch "conventionally reinforced" or a "precast" concrete slab spanning between party walls. The vertical forces are supported by masonry walls

and columns. The wind and seismic forces are resisted by the masonry walls. The foundation utilizes concrete spread footings.

The maintenance building is framed with pre-engineered wood trusses supported on masonry and wood walls and columns. The foundation consists of spread footings.

The drawings also indicate that the 1967 Uniform Building Code was used for design purposes.

The old Jolly Roger Restaurant building is not included in our scope of work.

PRIOR REPAIR WORK

During our site visit we reviewed two prior repairs to the facility as follows:

1) Drawing prepared by Richard Sato dated December 8, 1986 indicated that additional posts were added at certain stair corners at the lower level, concrete crack and spall repairs were to be made and an elastomeric coating was to be installed at the exposed corridors and lanai slabs on the second and third floors.

2) Drawings prepared by Dale Christian, undated, showed concrete crack and spall repairs were to be made.

3) While no drawings were made available, it is apparent that some of the lanai edges were reinforced by enlargement of a 2 inch in depth deeper and 10 inch wide slab edge. This additional strengthening occurs randomly at the lanais.

OBSERVATIONS

The following structural discrepancies were observed and require repairs or maintenance.

1) Substantial corrosion of the reinforcing is ongoing in both the concrete slabs and masonry walls. This is manifesting itself in both cracking and spalling of the concrete, primarily at exposed outer edges of the second and third floor slabs. Some cracking was also observed in the masonry walls. The corrosion will not stop due to the exposure to salts and water. These cracks need to be repaired

by chipping out the damaged concrete; expose, clean, and apply a corrosion inhibitor to the reinforcing steel; and install a concrete patch. This is similar to both prior concrete repairs. There are various methods of stopping or slowing future corrosion but a common method is to stop the water and salts from entering the concrete.

2) Corrosion of numerous exposed steel wood connectors requires cleaning and/or replacing; these should be protected by zinc rich primers and paint.

3) Some of the lanais appear to be sagging (no measurements were taken). Some of the lanai edges were reinforced with a deeper edge beam. No details were made available for this report. Other than the sagging, we did not observe cracking or any other indication of structural distress other than that which would be associated with corrosion. A brief analysis indicated that the original design provides sufficient reinforcing for strength.

4) The elastomeric coating has failed and is in need of replacement to help prevent or slow concrete deterioration indicated in Item 1 above.

5) No termite infestation and damage inspection has been provided and we recommend that one be performed.

6) We did not determine the current flood requirements for the site, but are only suggesting that flood regulations have been implemented since the construction of the building. This is only for informational purposes and does not necessarily require any improvements be carried out since the buildings should be "grandfathered".

7) The Code required lateral forces for both wind and seismic forces have significantly increased since the 1967 Uniform Building Code. This also applies to wind uplift restraint. Currently buildings do not require strengthening due to the Code changes, provided its "grandfathering" remains intact.

8) We are not architects and do not claim expertise in architectural requirements that similarly have changed since the 1967 Uniform Building Code such as the handrail spacing, ADA, etc.... If these items are of importance to you, you may wish to engage an architect.

SUMMARY

These approximately 34 year old buildings are in need of their third concrete cracking and spalled concrete and masonry repairs. Corrosion of some steel connectors require repair or replacement. The location being next to the ocean provides a more severe exposure to salts. This coupled with moisture has caused the frequency of repairs to be more than normal in our experience. An aggressive maintenance plan and execution for painting, coatings, etc...are necessary to minimize future repairs.

Our review of this project was based upon the fact that certain assumptions must be made regarding existing conditions of existing buildings, and some of these assumptions cannot be verified without expending great sums of additional money, or destroying otherwise adequate or serviceable portions of the building. Therefore, be advised that this report was based on our visual observations and a brief review of the available drawings to determine the present condition of the structure.

Very truly yours,

LIBBEY HEYWOOD, INC.

Steven C. Heywood

SCH:bz

Attachments

rpt-AstonIslanderOnTheBeach

RECOMMENDATIONS

COMPONENT FUNDING SUMMARY

Based on estimated replacement costs of **$1,668,400**, when using a straight-line funding method, the annual reserve requirement is **$146,361**. The scheduled reserve balance is **$528,317**.

With an initial startup balance of **$264,159** during the year 2005, Islander On The Beach will need to deposit an annual amount of **$242,977** into the Reserve Fund to maintain a **100%** fund level. With a minimum of **50%** required by the current State law, the Islander On The Beach will need to deposit an annual amount of **$121,488.**

However, when using a **cash flow funding method** over a twenty year period, the Islander On The Beach will need to deposit an annual amount of **$146,808**, or **60%** of the scheduled amount under the straight-line method, provided that all present conditions such as the projected interest and inflation rates stay the same.

FUNDING COMPARISON

	Per Month	*Per Unit
2005 RESERVES CONTRIBUTION [100%] *(Using the Straight-line Method)*	$20,248	$100
2005 RESERVES CONTRIBUTION [50%] *(Using the Straight-line Method)*	$10,124	$50
2005 PROPOSED CONTRIBUTION [60%] *(Using the **Cash Flow** Method)*	**$12,234**	**$60**

RECOMMENDATION

Because State law requires reserves of 50% (10,124/mo.) under a straight-line funding method, it is Metropolitan Management's recommendation, as reflected by this study, that the Islander On The Beach Condominium **adopt the alternate cash flow funding method to fund its reserves at $12,234 per month (individual owner contribution of $60/mo.).** Under the cash flow method, the reserve fund is considered 100% funded with a positive balance over a 20 year period.

**Amount based on 203 units with a mean average percentage of ownership.*

COMPONENT	[A] USEFUL LIFE	[B] REMAIN LIFE	[C] REPLACE COST	[D] ANNUAL CONTRIB	[E] SCHEDULE BALANCE	[F] ACTUAL BALANCE	[G] ANNUAL DEFICIT	[H] 100% CONTRIB	[I] 50% CONTRIB	[J] PERCENT FUNDED
ASPHALT PAVING										
Asphalt Overlay	20	20	95,000	4,750	0	**0**	0	4,750	2,375	50%
Asphalt Seal Coat	5	5	31,000	6,200	0	**0**	0	6,200	3,100	50%
Asphalt Patch & Curb Repair	10	10	5,000	500	0	**0**	0	500	250	50%
COMMUNICATION SYSTEMS										
Cable Line Upgrade	15	1	115,000	7,667	107,333	**53,667**	53,667	61,333	30,667	50%
Entry Sign (Property)	20	15	2,500	125	625	**313**	21	146	73	50%
Entry Sign (Lobby)	20	15	1,000	50	250	**125**	8	58	29	50%
Entry Sign (Buildings)	20	5	6,000	300	4,500	**2,250**	450	750	375	50%
Telephone Line Upgrade	15	5	80,000	5,333	53,333	**26,667**	5,333	10,667	5,333	50%
DOMESTIC WATER SYSTEM										
Backflow Prevention System	20	3	10,000	500	8,500	**4,250**	1,417	1,917	958	50%
Building Shutoff Valves	25	25	8,400	336	0	**0**	0	336	168	50%
Building Pressure Regulators	25	5	8,000	320	6,400	**3,200**	640	960	480	50%
Water Sub Meter	30	5	1,500	50	1,250	**625**	125	175	88	50%
ELECTRICAL SUPPLY SYSTEM										
Dry Transformers	30	15	61,000	2,033	30,500	**15,250**	1,017	3,050	1,525	50%
Switch Gear Maintenance	10	1	5,000	500	4,500	**2,250**	2,250	2,750	1,375	50%
Distribution Panel Maintenance	10	1	5,000	500	4,500	**2,250**	2,250	2,750	1,375	50%
FIRE ALARM SYSTEM										
Annunciator Panel	30	26	8,000	267	1,067	**533**	21	287	144	50%
Flash Strobes, Horns & Pull Stations	30	26	2,500	83	333	**167**	6	90	45	50%
FIRE SUPRESSION										
ABC Extinguishers	6	1	1,500	250	1,250	**625**	625	875	438	50%
Cabinets & Hoses	20	12	12,600	630	5,040	**2,520**	210	840	420	50%
HOT WATER SYSTEM										
Bldgs A, B & H Gas Boilers	25	25	15,000	600	0	**0**	0	600	300	50%
Bldgs C, D, & E Gas Boilers	25	25	15,000	600	0	**0**	0	600	300	50%
Bldg F Gas Boiler	25	20	5,000	200	1,000	**500**	25	225	113	50%
Bldg G Gas Boiler	25	22	5,000	200	600	**300**	14	214	107	50%
LANDSCAPING										
Ground Cover Replacement	20	20	9,000	450	0	**0**	0	450	225	50%
Irrigation System	20	20	50,000	2,500	0	**0**	0	2,500	1,250	50%
Shrub & Small Tree Replacement	20	20	5,000	250	0	**0**	0	250	125	50%
Tree Removal/Replacement	30	30	5,000	167	0	**0**	0	167	83	50%
LIGHTING										
Beach Flood Lights	15	2	3,500	233	3,033	**1,517**	758	992	496	50%
Corridor Lights	20	20	14,400	720	0	**0**	0	720	360	50%
Landscape Lights	15	7	1,500	100	800	**400**	57	157	79	50%
Parking Lot Post Lights	15	3	8,500	567	6,800	**3,400**	1,133	1,700	850	50%
Stairway Lights	20	20	12,000	600	0	**0**	0	600	300	50%
MAIN LOBBY										
Art Work Refurbishment	15	6	1,000	67	600	**300**	50	117	58	50%
Interior Furniture	20	20	7,500	375	0	**0**	0	375	188	50%

COMPONENT	[A] USEFUL LIFE	[B] REMAIN LIFE	[C] REPLACE COST	[D] ANNUAL CONTRIB	[E] SCHEDULE BALANCE	[F] ACTUAL BALANCE	[G] ANNUAL DEFICIT	[H] 100% CONTRIB	[I] 50% CONTRIB	[J] PERCENT FUNDED
Lanai Furniture	15	15	1,500	100	0	**0**	0	100	50	50%
Lobby Lighting	20	20	5,000	250	0	**0**	0	250	125	50%
Lobby Wood Flooring	15	15	10,000	667	0	**0**	0	667	333	50%
Restrooms	20	1	25,000	1,250	23,750	**11,875**	11,875	13,125	6,563	50%
MISCELLANEOUS										
Maintenance Carts	10	5	8,000	800	4,000	**2,000**	400	1,200	600	50%
PAINTING										
Exterior Spall Repair	7	6	75,000	10,714	10,714	**5,357**	893	11,607	5,804	50%
Exterior walls, Stairs & Trim	7	7	200,000	28,571	0	**0**	0	28,571	14,286	50%
Metal Bracket Support	7	7	25,000	3,571	0	**0**	0	3,571	1,786	50%
POOL & SPA										
Pool Equipment	5	3	1,500	300	600	**300**	100	400	200	50%
Pool Lining	10	5	24,000	2,400	12,000	**6,000**	1,200	3,600	1,800	50%
Spa Equipment	5	2	3,500	700	2,100	**1,050**	525	1,225	613	50%
Spa Lining	20	16	5,000	250	1,000	**500**	31	281	141	50%
RECREATION DECK										
Deck Lounge Chairs	15	15	12,000	800	0	**0**	0	800	400	50%
Outdoor Shower	10	8	1,500	150	300	**150**	19	169	84	50%
Tiki Torches	15	7	2,000	133	1,067	**533**	76	210	105	50%
ROOFS										
Cedar Shake Replacement	20	10	430,000	21,500	215,000	**107,500**	10,750	32,250	16,125	50%
Cedar Shake Maintenance	5	5	30,000	6,000	0	**0**	0	6,000	3,000	50%
Gutters & Downspouts	20	13	40,000	2,000	14,000	**7,000**	538	2,538	1,269	50%
TERMITE TREATMENT										
Bldg A Tenting	7	6	11,000	1,571	1,571	**786**	131	1,702	851	50%
Bldg B-H Tenting	7	7	77,000	11,000	0	**0**	0	11,000	5,500	50%
WALKWAYS										
Concrete Flooring	30	30	2,500	83	0	**0**	0	83	42	50%
Concrete Sidewalks	20	20	4,000	200	0	**0**	0	200	100	50%
Stairs, Landings & Corridor Floors	7	7	58,500	8,357	0	**0**	0	8,357	4,179	50%
CONTINGENCY RESERVES				6,970				6,970	3,485	
COMPUTATION TOTALS			**$ 1,668,400**	**146,361**	**528,317**	**$ 264,159**	**96,615**	**242,977**	**121,488**	**50%**

COLUMN CALCULATIONS Add=(+); Subtract=(-); Multiply=(x); Divide=(/)

[A] Useful Life = Published Guide Indexes
[B] Remaining Life = Column A-Year in Service
[C] Replacement Cost = Contractor Estimates
[D] Annual Contribution = Columns C/A
[E] Scheduled Balance = Columns Cx(A-B)/A
[F] Actual Balance = Association Records
[G] Annual Deficit = Columns E-F/B
[H] 100% Contribution = Columns D+G
[I] 50% Contribution = H/2
[J] Percent Funded = Columns F/E

Mr.T's
PEST CONTROL

P.C.O. License #719
P.O. Box 1482, Kapaa, HI 96746
Telephone: (808) 822-2404 Fax: (808) 822-2444

June 28, 2004

Mr. Brad Anderson
Puluwai LLC
75-5801 Alii Dr.
Kailua-Kona 96740

Dear Brad:

Enclosed is a Termite Inspection Report for the eight (8) attic spaces at Islander on the Beach. This letter serves as reference to evidence, damage, and treatment recommendations. The inspection of each attic was limited to the scope of accessibility on the date of inspection. Exterior roofs and any wood truss boards on top of the buildings were not inspected due to inaccessibility and/or obstructions. These are in addition to the areas noted in the Report of Findings, item 3 on page 1 of the Termite Inspection Report.

OVERVIEW

Main Lobby Building: Drywood termite evidence and damage were observed in the exterior wood members of the railings, trim boards, front desk counter area, and over-head decorative trim. Old Subterranean termite evidence was observed along the fence line bordering the adjacent property.

Maui / Molokai / Oahu / Niihau / Hawaii / Kauai / Lanai Buildings: Drywood termite evidence was observed in several doors on the third levels of all buildings. There is a high probability of transference of termites from the doors into the door jambs.

All Buildings: In addition to drywood termites, there is a severe bird infestation in all attics and the eaves are full of nests. This infestation obstructed thorough views of the attics, poses a fire hazard and potential mite problem. There are also infestations of American roaches and black "white-footed" ants. If left untreated, these pests will become well established and more difficult to treat and control.

RECOMMENDATIONS

- Tent fumigation for drywood termites is recommended for all buildings. For your reference, tenting companies on Kauai are:

Terminix	245-9055
Kauai Termite	245-3062
Aloha Termite	823-6674

- Due to the conditions surrounding the property that are conducive to Subterranean (ground) termites and a known history of these termites in surrounding areas, a monitoring system such as Sentricon should be considered for all buildings. A proposal accompanies this letter.
- General pest, rodent, and bird control is highly recommended for all buildings. A general pest and rodent control proposal accompanies this letter. When alterations to the buildings have been completed, the bird situation should be assessed and a proposal to address the problem can be submitted thereafter.

Thank you, Brad, for allowing us to be of service to you. Please feel free to contact us if you have any questions or if we can be of assistance to you in any way.

Sincerely,

Robert Todd
Owner

RT:jk
Enclosures

The Sales Contract provides for the sale of an Apartment by the developer to a Buyer. The Escrow Agreement provides how the funds paid by Buyer under the Sales Contract to Escrow are to be held and released. Both the Sales Contract and Escrow Agreement contain many important provisions which are not set out here and should be carefully reviewed by every prospective Buyer. Both documents have been written in language intended to be easier for Buyers to read than that used in traditional legal documents. This summary is not complete and will not control in the event of any conflict with a provision in the Sales Contract or the Escrow Agreement. Prospective Buyers are cautioned and encouraged to read carefully the Sales Contract and Escrow Agreement

SALES CONTRACT:

1. In the Sales Contract the developer is called "Seller". The Sales Contract provides for the number, amount and timing of payments Buyer is to make to Escrow. The Sales Contract provides that Buyer will receive any interest earned on Buyer's deposits provided that Buyer closes the puchase.

2. The Sales Contract describes the "Property" being sold, including the Apartment, its common interest, parking stall if any and personal property listed on a schedule attached to the Sales Contract.

2. The Sales Contract confirms that Buyer has had the opportunity to read and approve certain important legal documents for the Project, including the Declaration and the Bylaws. Seller's rights to change the documents is described.

3. The Sales Contract contains provisions confirming that the developer is not the original developer of the Project and took no part in building or developing the Project. Buyer takes the Apartment and Project "as is". The "as is" provision is part of this Exhibit.

4. The Sales Contract contains the following disclaimer about income

BUYER AGREES THAT NO ONE (INCLUDING SELLER OR ANY SALESPERSON) HAS TALKED TO BUYER AT ALL ABOUT ANY RENTAL INCOME OR RENTAL OR SALES SERVICES FOR BUYER'S APARTMENT. IF BUYER WANTS TO RENT OR SELL THE APARTMENT, HOW BUYER DOES IT WILL BE UP TO BUYER SUBJECT TO THE RESTRICTIONS CONTAINED IN THIS AGREEMENT. BUYER ALSO AGREES THAT NO ONE HAS TALKED TO BUYER AT ALL ABOUT INCOME FROM THE APARTMENT OR ANY OTHER ECONOMIC BENEFIT TO BE DERIVED FROM THE PURCHASE OR OWNERSHIP OF THE APARTMENT OR ABOUT THE TAX EFFECTS OF BUYING THE APARTMENT.

5. The Sales Contract contains the following prohibition on income pooling:

Buyer agrees that before the Sell-out date, Buyer will not enter into any contract or arrangement concerning the rental of the Apartment, with a rental manager or anyone else, that provides for any present or future pooling of income from the Apartment with income from any Apartment or property owned by any other person. Buyer acknowledges that no representations have been made to Buyer concerning the availability of any rental pool arrangement either before or after the Sell-out date. If Buyer breaches this Agreement, Seller may obtain an injunction from a court to prevent Buyer's continuing with any rental pooling arrangement and Buyer will pay Seller's costs and attorneys' fees for obtaining the injunction. This prohibition is included in the form of Apartment Deed.

The Sell-out Date is the date all of the apartments in the Project have been conveyed to persons other than Seller or Seller's mortgage lender or the last time-share interest (if any) in the Project has been transferred.

6. The Sales Contract contains the following "As is" provision in which Developer is referred to as Seller:

> Buyer understands that the Project was completed in or about 1970. Seller did not construct or develop the Project. Any warranties from the original developer or the original contractor for the Project expired years before Seller bought the Property. The Project has experienced a lot of wear and tear which includes among other things concrete cracking and spalling, rusting of post tension cables and waterproofing failures. Seller has obtained a mold report which contains recommendations for preventive actions. Seller has also obtained a report on accessibility under the Americans with Disabilities Act that contains recommendations for remedial action. The reserve stucy for the Project includes information concerning the state of components in the Project. A copy of the reserve study has been given to Buyer. Buyer is encouraged to read the mold, accessibility and other property reports that Seller has made available at the sales office, but Buyer acknowledges that the reports may not include every defect in the Project. The Seller is making certain repairs and renovations to the Property but Seller is not making any promises about those repairs or renovations.
>
> SELLER IS NOT GIVING ANY WARRANTIES TO BUYER. NO PERSON ACTING ON BEHALF OF SELLER IS AUTHORIZED TO MAKE, AND BY SIGNING THIS AGREEMENT, BUYER AGREES THAT

SELLER HAS NOT MADE, AND DISCLAIMS, ANY REPRESENTATIONS, WARRANTIES OR PROMISES OF ANY KIND WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, CONCERNING OR WITH RESPECT TO:

(a) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY;

(b) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE PROPERTY;

(c) ANY ARCHAEOLOGICAL SITES, REMAINS OR ARTIFACTS ON THE LAND;

(d) THE PROPERTY'S COMPLIANCE WITH LAWS, ORDINANCES OR REGULATIONS;

(e) THE QUALITY OF THE CONSTRUCTION OR MATERIALS INCORPORATED INTO THE PROPERTY OR THE REPAIRS OR RENOVATIONS;

(f) THE PRESENCE OR ABSENCE OF MOLD, STANDING WATER OR HAZARDOUS MATERIALS AT, ON, UNDER, OR ADJACENT TO THE PROPERTY;

(g) THE CONFORMITY OF THE PROPERTY TO PAST, CURRENT OR FUTURE APPLICABLE ZONING OR BUILDING REQUIREMENTS OR SPECIAL PERMITS;

(h) THE FACT THAT ALL OR A PORTION OF THE PROPERTY MAY BE LOCATED ON OR NEAR A TSUNAMI INUNDATION AREA;

(i) THE ABILITY OF THE PROJECT TO WITHSTAND EARTHQUAKE OR HURRICANE DAMAGE;

(j) THE EXISTENCE OF TERMITES OR OTHER PESTS OR TERMITE DAMAGE,

(k) THE LOCATION OF THE SHORELINE IN ACCORDANCE WITH THE LAWS OF THE STATE OF HAWAII, OR

(l) ANY OTHER MATTER CONCERNING THE PROPERTY.

In the "AS IS" provision Property includes the common elements of the Project.

7. The Sales Contract with the purchaser or purchasers of Apartments 21, 22 and the leased fee of Apartment 23 will differ from the form of Sales Contract in having an Addendum dealing with provisions special to these commercial apartments, for example: a restriction required by the developer's mortgage lender that the sale of Apartments 21 and 22 may not close before the repayment of the loan without the lender's consent; the fact that Apartment 22 is subject to a month to month tenancy and Apartment 23 is subject to a long term Apartment Lease as noted in Exhibit G; and such other terms as may be negotiated with the purchaser or purchasers.

ESCROW AGREEMENT.

1. The Escrow Agreement provides that Escrow is to collect Buyer's payments and hold them in accounts with banks or savings institutions that are federally insured.

2. The Escrow Agreement provides for the closing or settlement of the sale. Escrow collects all payments and other amounts owed under the Sales Contract, including closing costs which are shared between the Developer and Buyer as set forth in the Sales Contract.

3. Escrow handles the closing and the transfer of title in accordance with the Escrow Agreement. The Apartment must be conveyed to Buyer free and clear of any blanket liens, such as mortgages covering more than one apartment.

4. The Escrow Agreement provides certain protections to Escrow in the event of a dispute between Buyer and the Developer. These rights include filing an "interpleader" and the right to recover certain fees and costs. In an interpleader action the escrow deposit is given to the court to decide what action to take.

5. The Escrow Agreement sets out escrow fees, escrow cancellation fees and the fees for certain policies of title insurance.

EXHIBIT J

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
Lihu'e, Hawai'i, 96766-1326

TELEPHONE: 808.241.6677
FAX: 808.241.6699

DATE: June 17, 2004

TO: Senior Condominium Specialist
Real Estate Commission
P & VLD/DCCA
335 Merchant Street, Room 333
Honolulu, Hawaii 96813

FROM: Gary L. Hennigh for Ian K. Costa, Director of Planning

SUBJECT: Certification of Inspection of Existing Buildings

Project Name: ISLANDER on the BEACH Condominium Project
Tax Map Key: (4) 4-3-002: 013

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 proposed project referred to as Islander on the Beach Condominium is 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. 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.

3. There are no notices of violation of County building or zoning codes outstanding according to our records.

4. The variances that were approved for the subject property are as follows:
Z-IV-82-82, SMA (U) 82-7 - accessory hotel uses.
Z-IV-87-28, SMA (U) 87-5 - interior renovation (shed), office renovation, pool bar and shower, and new spa and Puu Lani pool.

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 of my staff at (808) 241-6677.

cc: Gloria Cohen, Attorney at Law
Brian Anderson, Project Developer✓
43 Ahui Street
Honolulu, Hawaii 96813

EXHIBIT K

EDUARDO E. MALAPIT
MAYOR

BRIAN K. NISHIMOTO
PLANNING DIRECTOR

AVERY H. YOUN
DEPUTY PLANNING DIRECTOR

TELEPHONE 245-3919

COUNTY OF KAUAI
PLANNING DEPARTMENT
4280 RICE STREET
LIHUE, KAUAI, HAWAII 96766

December 10, 1981

Mr. Walter H.T. Leong, AIA
W.H.T. Leong & Associates
1259 S. Beretania Street, Ste. 24
Honolulu, Hawaii 96814

Subject: Special Management Area Use Permit SMA(U)-82-7
Class IV Zoning Permit Z-IV-82-23
Islander On The Beach Associates
TMK: 4-3-02:13, Lot 12 Wailua, Kauai

The Planning Commission at its meeting on December 9, 1981, approved the subject permits for accessory hotel uses at the Islander Inn Hotel. Approval was with the following conditions:

1. As recommended by the Water Department, approval of additional water meters and/or increase in meter size will be dependent on the adequacy of the source, storage and transmission facilities existing at that time.

2. As recommended by the State Health Department:

   a) Spacing requirements according to Chapter 2, Housing, Public Health Regulations. shall be met.

   b) The proposed "Snack Concession" shall conform to the requirements of Chapter 1-A, Food Service and Food Establishment Sanitation Code, Public Health Regulations. The "Snack Concession" shall be connected to the County sewer system.

   c) The proposed jacuzzi shall conform to the requirements of Chapter 1-B, Public Health Regulations.

d) Grubbed material and debris generated by land clearing shall be disposed in a manner and at a site approved by the Department of Health.

e) Effective dust and soil erosion control measures shall be implemented during all stages of development by the developer.

Due to the general nature of the application submitted, we reserve the right to implement further environmental restrictions when more detailed plans are submitted.

3. As recommended by the Fire Department, the applicant shall install a minimum 2-A rated ABC type fire extinguisher mounted 5 feet from the floor in the pool building.

4. The applicant is advised that prior to and/or during construction and use, additional governmental agency conditions may be imposed. It shall be the applicant's responsibility to resolve those conditions with the respective agency(ies).

AVERY H. YOUN
Deputy Planning Director

cc: Mayor
Pub. Works Dept.
Water Dept.
Health Dept.
Fire Dept.
Real Property Div.

EXHIBIT K: DEPT. OF PLANNING LETTER DATED DECEMBER 10, 1981

TONY T. KUNIMURA
MAYOR

AVERY H. YOUN
PLANNING DIRECTOR

TOM H. SHIGEMOTO
DEPUTY PLANNING DIRECTOR

TELEPHONE (808) 245-3919

COUNTY OF KAUAI
PLANNING DEPARTMENT
4280 RICE STREET
LIHUE, KAUAI, HAWAII 96766

February 3, 1987

Mr. Wallace G. K. Chin
Kauai Islander Partners
900 Fort Street Mall, Suite 1540
Honolulu, Hawaii 96813

COPY

Subject: Special Management Area Use Permit SMA(U)-87-5
Class IV Zoning Permit Z-IV-87-28
TMK: 4-3-02:13 Waipouli, Kauai

The Planning Commission at its meeting held on January 28, 1987, approved the subject permits to allow expansion and improvements at the existing Islander Inn Hotel with the following conditions:

1. The applicant shall remove all obstructions within the portion of the County beach access right-of-way bordering the southwestern boundary of the subject property. New landscaping for the project shall not interfere with or obstruct access along the beach right-of-way. The applicant shall maintain the beach right-of-way.

2. Requirements of the State Health Department, County Water, Fire, and Public Works Departments shall be resolved and complied with each respective agency(ies).

3. The applicant is advised that prior to and/or during construction and use, additional government agency conditions may be imposed. It shall be the applicant's responsibility to resolve those conditions with the respective agency(ies).

Avery H. Youn

AVERY H. YOUN
Planning Director

cc: Mayor, Pub. Works Dept., Water Dept.
Health Dept., Fire Dept., Real Property Div.

EXHIBIT K: DEPT OF PLANNING LETTER DATED FEBRUARY 3, 1987

EXHIBIT L SUMMARY OF DECLARATION OF COVENANTS AND RESTRICTIONS

Declarant: Niu Pia Land Company, Ltd. The Declaration runs in favor of Declarant and Declarant can record a document to designate other persons to have some or all of its powers and functions, including the Coconut Plantation Association.

Owner: An Owner is a fee owner, recorded lessee with a term at least 15 years and vendee under agreement of sale.

Purpose: To cause the Islander on the Beach project and other properties in the Coconut Plantation at Waipouli to be developed and maintained as a quality destination resort. Coconut Plantation at Waipouli consists of seven sites including the Project, the other sites ranging in size from 8.012 to 11.783 acres.

Community Wide Standard: This is the standard of conduct, design, construction, maintenance, repair or other activity generally prevailing throughout the Coconut Plantation at Waipouli and consistent with a "three-star" destination resort.

Amendments: Amendments require the Declarant and a majority of the condominium owners.

Term: Until March 31, 2044 and then successive periods of 15 years each unless terminated.

Termination: Termination may be by written agreement among Declarant, a Majority of Owners and more than 50% of first mortgagees of mortgaged Condominium Units. Upon written agreement A Certificate of Termination will be recorded.

Easements to Government Agencies: Easement to government agencies may be granted free and clear of this Declaration.

Architectural Review and Restrictions: Work includes painting, construction, destruction, or alteration of any improvement, structure or natural feature including landscaping with an aggregate cost of more than $25,000.00. For Work subject to the condominium Association's jurisdiction the Association will make the submissions and be responsible.
The Declarant has adopted and may amend "The Coconut Plantation at Waipouli Architectural Guidelines" (the "Architectural Guidelines". Declarant will review or comment within 15 days of submission. If disapproved Owner must revise and resubmit. Declarant will return the submittal with approval noted when approved. Costs of review are borne by the applicant.
Declarant may appoint architects as the "Architectural Advisory Review Committee" to advise Declarant.
If property does not currently comply it need not be brought into compliance until alterations are made.
Unapproved improvements made after the date of the Declaration must be removed at Owner's expense.

Enforceability: Declarant can enforce the Declaration. Owners or the Association can enforce submission of plans to Declarant or enjoin Work that has not been approved but only Declarant can approve or disapprove.

Restrictions on Use: The Property shall not be used in whole or part for any purpose or in any manner other than (a) as a hotel, including a condominium hotel, or (b) as a time share plan or fractional use plan, or (c) as a Condominium Project, or (d) as another facility or use approved by the Declarant; and in all of the foregoing cases shall include all facilities and related commercial operations ordinarily included in a quality resort operation. Declarant acknowledges that the current use of the property including one hundred ninety-eight (198) lodging units, two (2) dwelling units, one free standing restaurant, one free standing pool bar/kiosk, an activity desk, and accessory commercial uses conforms to the use restriction set forth in the preceding sentence. Any current or future use that is not permitted under applicable zoning or is inconsistent with the use or maintenance of the Properties as a quality destination resort is prohibited and may be enjoined and removed at the cost and expense of the Owner suffering such use.

Maintenance: Property must be maintained in accordance with the Community Wide Standard and in accordance with all laws.

Binding: The provisions will be personal covenants of the Owners and run with the land.

Protection of Encumbrancer: Protections are provided for mortgages recorded prior to a recorded notice of violation and mortgagees holding title for prompt resale are not required to correct past violations but other purchasers at foreclosure must remedy defaults (except money defaults discharged by foreclosure) within a reasonable time.