CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer PORT ALLEN RESIDENTIAL LLC
Address 822 Bishop Street, Honolulu, Hawaii 96813

Project Name (*): Kai `Ōlino
Address Eleele, Koloa, Island and County of Kauai, State of Hawaii
(c/o 822 Bishop Street, Honolulu, Hawaii 96813)

Registration No. 5499 Effective date: November 19, 2004
Expiration date: December 19, 2005

Preparation of this Report:

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

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

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

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

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

Type of Report:

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

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

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

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

(*) Exactly as named in the Declaration

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

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[ ] Required and attached to this report [X] Not Required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

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

[ ] Changes made are as follows:

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: PORT ALLEN RESIDENTIAL LLC
Name*
822 Bishop Street
Business Address
Honolulu, Hawaii 96813
Phone: (808) 525-8461 (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):

The manager and sole member of PORT ALLEN RESIDENTIAL LLC is A&B PROPERTIES, INC., a Hawaii corporation. The officers and directors of A&B PROPERTIES, INC., are W.A. Doane (Chairman of the Board; Dir.); S.M. Kuriyama (Vice Chair., CEO; Dir.); R.K. Sasaki (Pres.; Dir.); N.M. Buelsing (Exec.V.P.; Dir.); G.Y.M. Chun (V.P.); P.W. Hallin (Senior V.P.); C.W. Loomis (V.P. Assist. Sec.); T.H. Shigemoto (V.P.); M.K. Vicens (V.P.); T.A. Wellman (V.P., Treas., Controller); M.G. Wright (Senior V.P.); A.J. Nakamura (Sec.); L.G. Rodolfich (Assist. Controller); J.S. Andrasick (Dir.); M.J. Ching (Dir.)

Real Estate Broker*: A&B PROPERTIES, INC. (Kauai Branch Office)
Name
P.O. Box 430
Business Address
Koloa, Hawaii 96756
Phone: (808) 742-2773 (Business)

Escrow: Title Guaranty Escrow Services, Inc.
Name
235 Queen Street
Business Address
Honolulu, Hawaii 96813
Phone: (808) 521-0211 (Business)

General Contractor*: TO BE DETERMINED
Name

Business Address
Phone: N/A (Business)

Condominium Managing Agent*: Hawaiiana Management Company, Ltd.
Name
711 Kapiolani Boulevard, Ste. 700
Business Address
Honolulu, Hawaii 96813
Phone: (808) 593-6896 (Business)

Attorney for Developer: Brooks Tom Porter & Quitiquit, LLP
Name
841 Bishop Street , Suite 2125
Business Address
Honolulu, Hawaii 96813
Attn: Edward R. Brooks, Esq., and Jeffrey D. Watts, Esq.
Phone: (808) 526-3011 (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:

[X] Proposed

[ ] Recorded - Bureau of Conveyances: Document No. _____

Book _____ Page _____

[ ] Filed - Land Court: Document No. _____

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

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

The Condominium Map for this condominium project is:

[X] Proposed

[ ] Recorded - Bureau of Conveyances Condo Map No. _____

[ ] Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

[X] Proposed

[ ] Recorded - Bureau of Conveyances: Document No. _____

Book _____ Page _____

[ ] Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

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

E. **Changes to Condominium Documents**

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

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

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

* The percentage 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.

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

Under section 23 of the Declaration, the Developer has reserved various rights, including the rights to amend the Declaration and the Condominium Map to withdraw land and/or unsold apartments from the Project, to change the common interests, to merge the Project with a new project subsequently developed on land withdrawn from the Project, and/or to reconfigure the Project. These reservations are more fully disclosed on page 20 of this public report and in Exhibit G attached hereto. Notwithstanding the lease, sale or conveyance of any of the Apartments, the Developer may amend the Declaration and the Condominium Map to file the "as-built" verified statement required by Section 514A-12 of the Act. For so long as the Developer retains any interest in an Apartment in the Project, the Developer shall have the right (but not the obligation) to amend the 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, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the U.S. Department of Housing and Urban Development or the Veterans Administration; provided, however, that no amendment which would change the common interest appurtenant to an Apartment or substantially change the design, location or size of an Apartment shall be made without the consent of all persons having an interest in such Apartment. Prior to the election of the first Board of Directors, the Developer may amend the Rules and Regulations in any manner without the joinder, consent or approval of any other party.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

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

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

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

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

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

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

For Subleaseholds:

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

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

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

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

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

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

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

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

[ ] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: Off of Waialo Road, Eleele, Koloa, Island and County of Kauai

Tax Map Key (TMK): (4) 2-1-003-005

[X] Address [X] TMK is expected to change because no street names or street addresses have yet been assigned, and the land is in the process of being consolidated and resubdivided.

Land Area: approx. 17.489* [ ] square feet [X] acre(s)

Zoning: R-10 (multiple family residential)

*Prior to issuance of a final public report for the Project, the area of the Project's land will be revised upon consolidation and resubdivision of the land.

*Fee Owner: A&B PROPERTIES, INC.
Name
822 Bishop Street
Address
Honolulu, Hawaii 96813

*NOTE: Prior to recordation of the Declaration and issuance of a final public report for the Project, and after final subdivision of the land, the Fee Owner intends to transfer fee simple title to the Project's land to the Developer, as evidenced by that certain Agreement of Purchase and Sale dated August 2, 2004, signed by the Fee Owner and the Developer and submitted to the Real Estate Commission as part of the application for this preliminary public report.

Lessor: N/A
Name

Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 3 residential; 1 management/maintenance, 1 pool-side cabana Floors Per Building 3 for each residential building; 1 for management/maint. bldg.
[ ] Exhibit _____ contains further explanations.

3. Principal Construction Material:

[X] Concrete [ ] Hollow Tile [ ] Wood

[X] Other steel framing, cementitious board, stone, asphalt shingles, glass and allied building materials

4. Uses Permitted by Zoning:

	No. of Apts.	Use Permitted By Zoning	
[X] Residential	75	[X] Yes	[ ] No
[ ] Commercial		[ ] Yes	[ ] No
[ ] Mix Res/Comm		[ ] Yes	[ ] No
[ ] Hotel		[ ] Yes	[ ] No
[ ] Timeshare		[ ] Yes	[ ] No
[ ] Ohana		[ ] Yes	[ ] No
[ ] Industrial		[ ] Yes	[ ] No
[ ] Agricultural		[ ] Yes	[ ] No
[ ] Recreational		[ ] Yes	[ ] No
[ ] Other		[ ] Yes	[ ] No

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

5. Special Use Restrictions:

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

[X] Pets: Dogs, cats and other generally recognized household pets permitted in reasonable numbers, with prior approval of the Board, excluding, however, parrots and other exotic birds that make sounds that can be easily heard from outside of the unit in which they are kept. See the House Rules.

[X] Number of Occupants: No more than 6 per two-bedroom Unit and no more than 8 per three-bedroom Unit See Section 10.1 of the Declaration

[ ] Other: _____

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 3 (1/res.bldg.) *Stairways: 9 (3/res.bldg.) Trash Chutes: 3
*Each type 4, 4-R, 5 and 5-R Unit also has one interior stairway leading to the unit's loft bedroom

Unit. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Lanai Area (sf)*	Net Combined Area (Living + Lanai) (sf)
1, 1-R (1st floor units)	6	2/2	1,074.69	199.17	1,273.86
1, 1-R (2nd & 3rd floor units)	12	2/2	1,074.69	146.38	1,221.07
2, 2-R (1st floor units)	17	2/2	1,034.02	186.32	1,220.34
2, 2-R (2nd & 3rd floor units)	17	2/2	1,034.02	140.99	1,175.01
3, 3-R (1st floor units)	2	2/2	1,150.52	186.32	1,336.84
3, 3-R (2nd & 3rd floor units)	2	2/2	1,150.52	140.99	1,291.51
4, 4-R	17	3/2	1,182.42	140.99	1,323.41
5, 5-R	2	3/2	1,298.92	140.99	1,439.91

Total Apartments: 75 SEE EXHIBIT "A"

***Net Living Area is the floor area of the unit measured from the interior surface of the unit's perimeter walls. The Net Lanai areas are the floor areas of the lanais measured from the interior surfaces of perimeter walls to a railing (for lanais with railings) or to the outer edge of flooring material (for lanais that do not have railings).**

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 "B"

Permitted Alterations to Apartments:

SEE EXHIBIT "C"

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

7. Parking Stalls:

Total Parking Stalls: 160

	Regular		Compact		Handicap		Tandem		
	covered	open	covered	open	covered	open	covered	open	TOTAL
Assigned (for each unit)*	53	53				6	22	22	156
Guest		4							4
Unassigned									
Extra for Purchase									
Other									
Total Covered & Open	110				6		44		160

*Each unit will initially have the exclusive use of at least 2 parking stalls.

[ ] Commercial parking garage permitted in condominium project.

[X] Exhibit "A" 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 [X] Recreation Area

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

[X] Other: The recreation area includes the swimming pool, a cabana, a barbeque area, a jacuzzi, cooking facilities, restrooms and outdoor shower(s). There is also an additional barbeque area located between buildings A & B.

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):

N/A

11. Conformance to Present Zoning Code

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

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

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

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

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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

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

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

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

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

[X] described in Exhibit "D".

[ ] as follows:

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

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

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

[X] described in Exhibit "E".

[ ] as follows:

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

[X] described in Exhibit "A".

[ ] as follows:

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

Exhibit "F" describes the encumbrances against the title contained in the title report dated October 15, 2004 and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

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

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

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

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

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed **Prior to Conveyance**
NONE	N/A

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:

The developer intends to require the general contractor to provide a one-year warranty, commencing upon the date of "Substantial Completion", or such other date as the architect specifies in the Certificate of Substantial Completion the architect delivers to the contractor and the Developer for the work that is under warranty, that (a) the materials and equipment furnished for construction of the project will be of good quality and new, unless the construction contract requires or permits that the materials and equipment be otherwise; and (b) the construction and services required by the construction contract (including all labor, materials and equipment to be provided by the general contractor) will be free from defects, except for defects inherent in the quality of the construction and services required or permitted by the construction contract. Without incurring any legal liability, the developer will agree to cooperate with the buyer to try to have the general contractor perform all of the general contractor's warranties. (See section F.7 of the Sales Contract.)

2. Appliances:

Appliance warranty information is not yet available because appliances have not yet been purchased. However, the developer intends to transfer to the buyer, without warranty, any manufacturer's or dealer's warranties that are transferable and cover appliances sold with the apartments.

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

The Project will be constructed in increments. The Developer estimates that construction of Building A will commence on or about June 1, 2005, and will be completed on or about August 1, 2006. The Developer estimates that construction of Building B will commence on or about July 1, 2005, and will be completed on or about September 1, 2006. The Developer estimates that construction of Building C will commence on or about August 1, 2005, and will be completed on or about October 1, 2006. The Developer estimates that construction of the entire project will be completed on or about October 1, 2006.

H. Project Phases:

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

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

SEE PAGE 20 BELOW.
SEE ALSO EXHIBIT "G" ATTACHED.

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 (X Common Elements only ___ Common Elements & Apartments)
[X] Gas (X Common Elements only ___ Common Elements & Apartments)
[X] Water* (X Common Elements only ___ Common Elements & Apartments)
[X] Sewer (X Common Elements only ___ Common Elements & Apartments)
[ ] Television Cable (___ Common Elements only ___ Common Elements & Apartments)
[X] Telephone (X Common Elements only ___ Common Elements & Apartments)
[ ] Other:_____

*Water service to each unit will be separately sub-metered by the Association, and each unit will be separately billed for water based upon actual consumption.

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 October 21, 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 moneys paid, less any escrow cancellation fee up to $250.00.

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

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

A) The Developer delivers to the buyer a copy of:
   1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
   2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer is given an opportunity to read the report(s); **AND**

C) One of the following has occurred:
   1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
   2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
   3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**

B) The buyer has not waived the right to rescind.

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

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

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

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

This Public Report is part of Registration No. 5499 filed with the Real Estate Commission on October 21, 2004.

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

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

1. **Development in Increments.** The seventy-five (75) units in the Project will be constructed in increments. Following issuance of this Preliminary Public Report on the entire Project, the Developer will issue a Final Public Report covering the first construction increment. As the Developer meets the requirements for a final public report on the remaining units, the Developer will issue one or more subsequent Final Public Reports (or their equivalents) identifying the units for which final public report requirements have been met. Only those units covered by a Final Public Report (or its equivalent) will be sold to purchasers under binding sales contracts. However, the Developer will continue to market all of the units described in this Preliminary Public Report, and purchasers will be able to enter into nonbinding contracts for the units that have not yet been covered in a Final Public Report.

2. **Developer's Reserved Alteration, Withdrawal and Merger Rights.** Under section 23 of the Declaration, the Developer has reserved various rights, including (but not limited to) the rights to alter unbuilt and unsold units and the limited common elements appurtenant thereto, to withdraw from the Project portions of the Project's land, common elements and units, to change the common interests appurtenant to the remaining units in the Project, to sell or otherwise dispose of the withdrawn property, or to establish (or cooperate in the establishment of) a new condominium property regime on the withdrawn property and subsequently to merge (or cooperate in the merger of) such new project with the Project, all without being required to obtain the consent or joinder of any person or group of persons, including the Project's Association, any unit owner or any mortgagee, lien holder, unit purchaser, or any other person who may have an interest in the Project or in any unit. The foregoing rights are more fully disclosed in Exhibit "G" attached hereto, which reproduces section 23 of the Declaration. Also attached hereto as Exhibit "J" is the form of Declaration of Merger of Condominium Phases the Developer intends to record prior to recordation of the Declaration. THE BUYER IS ENCOURAGED TO READ EXHIBITS "G" AND "J" VERY CAREFULLY, AS THE EXERCISE OF THE DEVELOPER'S RIGHTS RESERVED IN SECTION 23 OF THE DECLARATION MAY HAVE A MATERIAL EFFECT ON THE BUYER'S INTEREST IN THE PROJECT.

3. **Property Conditions.** The Sales Contract discloses various conditions that affect the Project, and requires the Buyer to acknowledge and accept such conditions and waive various claims as follows:

(a) The Project will be constructed in several increments over an extended period of time. The Project is located in the vicinity of a larger residential development that will also be constructed over an extended period of time. Construction activity at the Project and in the general vicinity of the Project may continue after Buyer has occupied the Unit and this activity may result in noise, dust or other annoyances to Buyer and may temporarily limit Buyer's access to portions of the Project (collectively, the "Construction Effects").

(b) The Project is located in the vicinity of an airport used for helicopter and light aircraft operations. Aircraft may fly in the proximity of or directly over the Project and such overflights and other airport activities may result in noise, dust, vibration, and other nuisances, disturbances or hazards (collectively, the "Airport Effects") to persons and property on or within the Project.

(c) The Project is located in the general vicinity of lands used for or in connection with the cultivation of sugar cane, coffee and diversified agricultural operations, which may include, but are not limited to, open burning, trucking, plowing, hauling, fertilizing, grading, storing, herbicide and pesticide spraying, crop dusting, water diversion, irrigation, and other activities incidental to the planting, cultivating, harvesting and processing of crops. These activities may from time to time cause the Project to be affected by surface water runoff, noise, soot, smoke, dust, vapors, unpleasant odors, vibrations, insect pests, and other substances and phenomena incidental to such activities (collectively, the "Agricultural Effects") that may bother or be a nuisance to the Buyer and any person occupying or using the Unit or the Project. The Buyer expressly acknowledges that the Hawaii Right to Farm Act (Chapter 165 of the Hawaii Revised Statutes, as amended) and Hawaii law limit the circumstances under which farming operations may be deemed to be a nuisance.

(d) The Project is located in the vicinity of an electric power generating facility and high-powered electrical transmission lines that may result in nuisances, such as periodic noise and vibrations and other disturbances or hazards (collectively, the "Utility Effects") to persons and to property on or within the Project. The Seller is not insuring or guaranteeing the health or safety of the Buyer or other occupiers or users of the Project and disclaims liability for personal injury, illness or any other loss or damage caused by or arising from the Utility Effects, including, without limitation, the presence or malfunction of any electrical distribution systems that may be located adjacent to, near, or over any part of the Project.

(e) The Project is located in the vicinity of a wastewater treatment plant, a facility used for the mixing of fertilizers and a fuel storage facility, any one or all of which may result in nuisances or other disturbances to the Buyer or other

occupiers or users of the Project, including but not limited to periodic noise and the emission of unpleasant odors (collectively, the "Facility Effects").

(f) The Buyer represents and warrants to the Seller that the Buyer, in the Buyer's sole discretion, has determined that the benefits of owning and enjoying the Unit and an interest in the Project outweigh the risks of the Construction Effects, the Airport Effects, the Agricultural Effects, the Utility Effects and the Facility Effects (collectively, the "Property Conditions"). The Buyer hereby irrevocably agrees to suffer and permit all actions and consequences incidental to the Property Conditions and hereby covenants and agrees to assume all risks of impairment of the Buyer's use and enjoyment of the Unit or the Project, loss of market value of the Unit, and property damage or personal injury arising from the Property Conditions, and the Buyer, for the Buyer and the Buyer's tenants, lessees, family, servants, guests, invitees, licensees, agents, employees, and those who use the Unit or any part of the Project through the Buyer, hereby waives any claims or rights of action or suits against the Seller, the Seller's members, managers and all of their respective officers, directors, employees, agents, successors and assigns, arising from such impairment of the use and enjoyment of the Unit or the Project, loss of market value of the Unit, and property damage or personal injury arising from one or more of the Property Conditions. The Buyer shall indemnify, hold harmless and defend the Seller, the Seller's members, managers and all of their respective officers, directors, employees, agents, successors and assigns from any and all liability, claims, losses, damages, or expenses, including attorneys' fees, arising from such impairment of the use and enjoyment of the Unit or the Project, loss of market value of the Unit, or property damage or personal injury to the property or person of the Buyer, the Buyer's tenants, lessees, family, servants, guests, invitees, licensees, agents, employees, and those who use the Unit or any part of the Project through the Buyer, as a result of one or more of the Property Conditions. The Buyer further covenants that the Buyer will notify all occupants and transferees of the Property of the risks of the Property Conditions. The foregoing covenants shall be included in every subsequent conveyance of the Unit and shall be binding upon and inure to the benefit of the parties and their respective estates, heirs, devisees, personal representatives, successors, successors-in-trust and assigns; provided that the foregoing agreement to indemnify, hold harmless and defend shall not be applicable to, and shall not extend to obligate, any institutional lender or investor who holds a mortgage covering the Unit or who takes title to the Unit upon foreclosure or by way of deed in lieu of foreclosure or otherwise.

4. **Security.** By acquiring a unit and an interest in the Project, each buyer will be required to acknowledge and agree that neither the Project's Association of Unit Owners nor the Developer shall in any way be considered insurers or guarantors of security within the Project, and neither the Project's Association nor the Developer shall be held liable for any loss or damage by reason of failure to provide adequate security or the ineffectiveness of any security measures undertaken. All tenants, guests, and invitees of the buyer shall be deemed to acknowledge that the Project's Association, its Board of Directors, the Developer and any committees established by any of the foregoing entities, are not insurers and that each tenant, guest, and invitee assumes all risk of loss or damage to persons, to units, and to the contents of units, and further acknowledges that the Developer, the Developer's representatives, the Project's Association, the Board of Directors and the committees have made no representations or warranties relative to any security measures recommended or undertaken.

D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)

E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

PORT ALLEN RESIDENTIAL LLC, a Hawaii limited liability company
Printed Name of Developer

By A&B PROPERTIES, INC., a Hawaii corporation
Its Manager

By: _____ October 21, 2004
Duly Authorized Signatory* Date

PAUL W. HALLIN SENIOR VICE PRESIDENT
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.*

DESCRIPTION OF UNITS

The Project contains five (5) types of Units, designated in the Declaration and on the Condominium Map as types 1, 2, 3, 4 and 5 (and their reverses, designated by "-R" following the number of the type) in three Residential Buildings, designated as Buildings A, B and C. Each Residential Building has three floors. Buildings A and B each contain twenty-four (24) Units, and Building C contains twenty-seven (27) Units. Each Building contains three exterior stairways and an elevator connecting the floors.

The Units, by type, are more particularly described as follows:

Type 1 and 1-R Units: The Project contains nine (9) type 1 Units and nine (9) type 1-R Units. All type 1 and 1-R Units are end Units, and each Residential Building contains one type 1 and one type 1-R Unit on each of its three floors. Each type 1 and type 1-R Unit contains two bedrooms, two bathrooms, a kitchen and a living/dining area for a combined net living area of approximately 1,074.69 square feet. First floor type 1 and type 1-R Units include a lanai with an approximate net area of 199.17 square feet, giving each first floor type 1 and type 1-R Unit a combined net living and lanai area of approximately 1,273.86 square feet. Type 1 and type 1-R Units on the second and third floors include a lanai with an approximate net area of 146.38 square feet, giving each second and third floor type 1 and type 1-R Unit a combined net living and lanai area of approximately 1,221.07 square feet.

Type 2 and 2-R Units: The Project contains eighteen (18) type 2 Units and sixteen (16) type 2-R Units. All type 2 and 2-R Units are located on the first and second floors. Each type 2 and type 2-R Unit contains two bedrooms, two bathrooms, a kitchen, a living room and a dining room for a combined net living area of approximately 1,034.02 square feet. First floor type 2 and type 2-R Units include a lanai with an approximate net area of 186.32 square feet, giving each first floor type 2 and type 2-R Unit a combined net living and lanai area of approximately 1,220.34 square feet. Type 2 and type 2-R Units on the second floor include a lanai with an approximate net area of 140.99 square feet, giving each second floor type 2 and type 2-R Unit a combined net living and lanai area of approximately 1,175.01 square feet.

Type 3 and 3-R Units: The Project contains two (2) type 3 Units and two (2) type 3-R Units. All type 3 and 3-R Units are located on the first and second floors of Building C. Each type 3 and type 3-R Unit contains two bedrooms, two bathrooms, a kitchen, a living room and a dining room for a combined net living area of approximately 1,150.52 square feet. First floor type 3 and type 3-R Units include a lanai with an approximate net area of 186.32 square feet, giving each first floor type 3 and type 3-R Unit a combined net living and lanai area of approximately 1,336.84 square feet. Type 3 and type 3-R Units on the second floor include a lanai with an approximate net area of 140.99 square feet, giving each second floor type 3 and type 3-R Unit a combined net living and lanai area of approximately 1,291.51 square feet. Each type 3 and 3-R Unit is designated as a Handicap Unit.

Type 4 and 4-R Units: The Project contains nine (9) type 4 Units and eight (8) type 4-R Units. All type 4 and 4-R Units are located on the third floor and each contains a loft. Each type 4 and

type 4-R Unit contains three bedrooms (one of which is in the loft), two bathrooms, a kitchen, a living room and a dining room for a combined net living area of approximately 1,182.42 square feet. Each type 4 and type 4-R Unit includes a lanai with an approximate net area of 140.99 square feet, giving each type 4 and type 4-R Unit a combined net living and lanai area of approximately 1,323.41 square feet.

Type 5 and 5-R Units: The Project contains one (1) type 5 Unit and one (1) type 5-R Unit. The type 5 and type 5-R Units are located on the third floor of Building C and each contains a loft. Each type 5 and type 5-R Unit contains three bedrooms (one of which is in the loft), two bathrooms, a kitchen, a living room and a dining room for a combined net living area of approximately 1,298.92 square feet. Each type 5 and type 5-R Unit includes a lanai with an approximate net area of 140.99 square feet, giving each type 5 and type 5-R Unit a combined net living and lanai area of approximately 1,439.91 square feet. Each type 5 and 5-R Unit is designated as a Handicap Unit.

The numbers, types, approximate net living areas, approximate net lanai areas, assigned parking stalls and common interests of the Units are as shown in the chart that begins on the next page. The initial letter of each Unit's number indicates the Unit's Building. The first digit in the number following the letter indicates whether the Unit is on the first, second or third floor. Units whose numbers are followed by "HC" are designated Handicap Units. As disclosed below, the lanais that are part of the first floor Units are larger than the lanais that are part of the Units of the same type on the upper two floors.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Apartment Number	Apartment Type	Bedrooms/ Bathrooms	*Approx. Net Living Area	*Approx Net Lanai Area	***Assigned Parking Covered/Open	**Common Interest
A-101	1	2/2	1,074.69	199.17	17 / 18	1.31376%
A-102	2	2/2	1,034.02	186.32	14 / 21	1.26404%
A-103	2-R	2/2	1,034.02	186.32	11 / 24	1.26404%
A-104	2	2/2	1,034.02	186.32	8 / 27	1.26404%
A-105	2-R	2/2	1,034.02	186.32	5 / 30	1.26404%
A-106	2	2/2	1,034.02	186.32	2 / 1	1.26404%
A-107	2-R	2/2	1,034.02	186.32	41 / 35	1.26404%
A-108	1-R	2/2	1,074.69	199.17	44 / 38	1.31376%
A-201	1	2/2	1,074.69	146.38	16 / 19	1.31376%
A-202	2	2/2	1,034.02	140.99	13 / 22	1.26404%
A-203	2-R	2/2	1,034.02	140.99	10 / 25	1.26404%
A-204	2	2/2	1,034.02	140.99	7 / 28	1.26404%
A-205	2-R	2/2	1,034.02	140.99	4 / 31	1.26404%
A-206	2	2/2	1,034.02	140.99	39 / 33	1.26404%
A-207	2-R	2/2	1,034.02	140.99	42 / 36	1.26404%
A-208	1-R	2/2	1,074.69	146.38	45 / 54	1.31376%
A-301	1	2/2	1,074.69	146.38	15 / 20	1.31376%
A-302	4	3/2	1,182.42	140.99	12 / 23	1.44548%
A-303	4-R	3/2	1,182.42	140.99	9 / 26	1.44548%
A-304	4	3/2	1,182.42	140.99	6 / 29	1.44548%
A-305	4-R	3/2	1,182.42	140.99	3 / 32	1.44548%
A-306	4	3/2	1,182.42	140.99	40 / 34	1.44548%
A-307	4-R	3/2	1,182.42	140.99	43 / 37	1.44548%
A-308	1-R	2/2	1,074.69	146.38	46 / 55	1.31376%
B-101	1	2/2	1,074.69	199.17	65T / 64T	1.31376%
B-102	2	2/2	1,034.02	186.32	47 / 56	1.26404%
B-103	2-R	2/2	1,034.02	186.32	69 / 62	1.26404%
B-104	2	2/2	1,034.02	186.32	80T / 79T	1.26404%
B-105	2-R	2/2	1,034.02	186.32	61 / 98	1.26404%
B-106	2	2/2	1,034.02	186.32	87 / 102	1.26404%
B-107	2-R	2/2	1,034.02	186.32	78 / 105	1.26404%
B-108	1-R	2/2	1,074.69	199.17	89T / 88T	1.31376%
B-201	1	2/2	1,074.69	146.38	68T / 67T	1.31376%
B-202	2	2/2	1,034.02	140.99	48 / 57	1.26404%
B-203	2-R	2/2	1,034.02	140.99	74T / 73T	1.26404%
B-204	2	2/2	1,034.02	140.99	83T / 82T	1.26404%
B-205	2-R	2/2	1,034.02	140.99	63 / 100	1.26404%
B-206	2	2/2	1,034.02	140.99	72 / 103	1.26404%

Apt. Number	Apt. Type	Bedrooms/ Bathrooms	*Approx. Net Living Area	*Approx Net Lanai Area	***Assigned Parking Covered/Open	**Common Interest
B-207	2-R	2/2	1,034.02	140.99	81 / 106	1.26404%
B-208	1-R	2/2	1,074.69	146.38	92T / 91T	1.31376%
B-301	1	2/2	1,074.69	146.38	71T / 70T	1.31376%
B-302	4	3/2	1,182.42	140.99	49 / 59	1.44548%
B-303	4-R	3/2	1,182.42	140.99	77T / 76T	1.44548%
B-304	4	3/2	1,182.42	140.99	86T /85T	1.44548%
B-305	4-R	3/2	1,182.42	140.99	66 / 101	1.44548%
B-306	4	3/2	1,182.42	140.99	75 / 104	1.44548%
B-307	4-R	3/2	1,182.42	140.99	84 / 97	1.44548%
B-308	1-R	2/2	1,074.69	146.38	95T / 94T	1.31376%
C-101	1-R	2/2	1,074.69	199.17	90 / 107	1.31376%
C-102	2-R	2/2	1,034.02	186.32	112 / 110	1.26404%
C-103	2	2/2	1,034.02	186.32	119T / 118T	1.26404%
C-104 HC	3-R	2/2HC	1,150.52	186.32	128T / 127T -- / 58HC	1.40646%
C-105 HC	3	2/2HC	1,150.52	186.32	137T / 136T -- / 60HC	1.40646%
C-106	2	2/2	1,034.02	186.32	146T / 145T	1.26404%
C-107	2-R	2/2	1,034.02	186.32	123 / 152	1.26404%
C-108	2	2/2	1,034.02	186.32	132 / 151	1.26404%
C-109	1	2/2	1,074.69	199.17	141 / 158	1.31376%
C-201	1-R	2/2	1,074.69	146.38	93 / 108	1.31376%
C-202	2-R	2/2	1,034.02	140.99	114 / 113	1.26404%
C-203	2	2/2	1,034.02	140.99	122T / 121T	1.26404%
C-204 HC	3-R	2/2HC	1,150.52	140.99	131T / 130T -- / 99HC	1.40646%
C-205 HC	3	2/2HC	1,150.52	140.99	140T / 139T -- / 111HC	1.40646%
C-206	2	2/2	1,034.02	140.99	117 / 148	1.26404%
C-207	2-R	2/2	1,034.02	140.99	126 / 154	1.26404%
C-208	2	2/2	1,034.02	140.99	135 / 153	1.26404%
C-209	1	2/2	1,074.69	146.38	144 / 159	1.31376%
C-301	1-R	2/2	1,074.69	146.38	96 / 109	1.31376%
C-302	4-R	3/2	1,182.42	140.99	116T / 115T	1.44548%
C-303	4	3/2	1,182.42	140.99	125T / 124T	1.44548%
C-304 HC	5-R	3/2HC	1,298.92	140.99	134T / 133T -- / 155HC	1.58798%

Apt. Number	Apt. Type	Bedrooms/ Bathrooms	*Approx. Net Living Area	*Approx Net Lanai Area	***Assigned Parking Covered/Open	**Common Interest
C-305 HC	5	3/2HC	1,298.92	140.99	143T / 142T -- / 156HC	1.58798%
C-306	4	3/2	1,182.42	140.99	120 / 150	1.44548%
C-307	4-R	3/2	1,182.42	140.99	129 / 149	1.44548%
C-308	4	3/2	1,182.42	140.99	138 / 157	1.44548%
C-309	1	2/2	1,074.69	146.38	147 / 160	1.31376%

Total Common Interests = 100.00000%

*NET AREAS

The approximate net areas shown above are in square feet.

**COMMON INTERESTS

The common interest for each Unit was determined by (i) dividing the Unit's net living area (excluding lanai areas) by the aggregate net living areas of all of the Units, (ii) converting the resulting fractions to percentages, and (iii) rounding the percentages so that the aggregate common interest appurtenant to all of the Units equals 100%.

***PARKING

In the foregoing chart, stalls with numbers followed by "T" are tandem stalls and stalls with numbers followed by "HC" are handicap stalls. All other stalls are regular stalls. Each stall with a number shown to the left of a slash mark ("/") is a covered stall located in a carport. Each stall with a number shown to the right of a slash mark is uncovered. All handicap ("HC") stalls are uncovered.

Owners may transfer assigned limited common element parking stalls pursuant to the Declaration. Under certain circumstances described in paragraph 9.2 of the Declaration, the Owner of a Unit to which a handicap parking stall is assigned may be required to transfer such stall to another Unit in exchange for a non-handicap stall.

In addition to the covered and uncovered limited common element parking stalls assigned to the Units as shown above, the Project also contains four (4) unassigned, uncovered common element guest stalls. The guest stalls are numbered on the Condominium Map as 50, 51, 52 and 53.

BOUNDARIES OF UNITS

Each Unit shall be deemed to include: (i) all the walls and partitions which are not load-bearing within its perimeter walls, (ii) the interior decorated or finished surfaces of all walls, floors and ceilings, including floor coverings, (iii) any doors and door frames, windows or panels along the perimeters, window frames, (iv) all fixtures originally installed therein, (v) the decorated or finished surface of the floor, walls (if any) and ceiling of the lanai(s) appurtenant to the Unit, the railing (if any) of such lanai(s) and the lanai air space. The respective Units shall not be deemed to include: (a) the undecorated or unfinished surfaces of the perimeter walls, the interior load-bearing walls, or the party walls, (b) the undecorated or unfinished surfaces of the floors and ceilings surrounding each Unit, and (c) any pipes, shafts, wires, conduits or other utility or service lines running through such Unit which are utilized for or serve more than one Unit, the same being deemed common elements as provided in the Declaration.

Should the descriptions and divisions set forth in the Declaration conflict with the depictions and divisions shown on the Condominium Map, the Condominium Map shall control. The Condominium Map, however, is intended to show only the layout, location, Unit numbers and dimensions of the Units and elevations of the buildings and is not intended and shall not be deemed to contain or make any other representation or warranty.

The approximate areas of the Units are set forth in Exhibit "A" attached to this Public Report and are based on measurements taken from the interior surface of all perimeter walls, except that no reduction is made to account for interior walls, ducts, vents, shafts, and the like located within the perimeter walls. The areas set forth in Exhibit "A" are not exact but are approximations based on the floor plans of each type of Unit. The measurements set forth in Exhibit "A" may not follow the designation of the limits of the Units (the legally designated areas of the Units) set forth above and the net living areas set forth in Exhibit "A" may be greater than the floor areas of the Units as so designated and described above.

PERMITTED ALTERATIONS

Section 8.3 of Article VIII of the Bylaws provides as follows:

(a) Subject to the provisions of the Declaration and the Act, and except as otherwise provided herein, no Owner of a Unit shall, without the prior written approval of the Board, make any structural alterations in or additions to his Unit or make any alterations in or additions or improvements to his Unit (including the Unit's lanai(s)) or make any changes to his Unit and/or its lanai(s) or any limited common elements appurtenant to the Unit (including any roof-top deck) that would change the exterior appearance of the Project.

(b) Except as otherwise provided herein, an Owner may make non-structural alterations and additions solely within his Unit, or solely within a limited common element appurtenant to and for the exclusive use of his Unit, at the Owner's sole cost and expense, provided that such alterations or additions do not affect any other Unit or common elements or change the exterior or appearance of the Project, and provided, further, that any building permit or other governmental permit or authorization required for such alterations or additions is first duly obtained and filed with the Board and the proposed alteration or addition will not adversely affect the Project's insurance rating or premiums.

(c) No Unit Owner shall, without the prior written approval of the Board, install any wiring for electrical or telephone installations, television antenna, machines or air-conditioning units, or other equipment, fixtures, appliances or appurtenances whatsoever on the exterior of the Building or protruding through the walls, windows or roofs thereof.

(d) No Unit Owner shall, without the prior written approval of the Board, make any modifications, changes, additions or alterations to his lanai(s) (including, but not limited to, enclosing the lanai(s) in any way) or add any awnings, sunscreens, louvers, exhaust vents, wind baffles, or drain.

(e) No Owner of a type 4, 4-R, 5 or 5-R Unit shall, without the prior written approval of the Board, make any modifications, changes, additions or alterations to the limited common element roof-top deck adjacent to the Unit, or to any improvements, machinery or equipment (including air-conditioning units and related equipment) located thereon.

(f) No Owner of a second or third floor Unit shall alter or replace any of the surface floor coverings provided with the Unit unless the Owner shall ensure either that the original acoustical underlayment provided with the Unit remains undamaged and in tact, or, if the original underlayment is damaged or removed or the floor was originally carpeted, the Owner shall install an acoustical underlayment providing protection against sound and vibration transmission equal or superior to the protection provided by the acoustical underlayment originally installed beneath the Unit's floor surfaces.

(g) All interior window and glass lanai door coverings (including curtains, drapes and screens of any kind) visible from outside of the Unit shall include a backing of a type,

color and appearance approved by the Board. In addition, Owners may not, without the prior written approval of the Board, apply any substance, material or process to the exterior or interior surfaces of the Unit's windows or lanai doors which may alter the exterior color, appearance or reflectivity of the windows or doors.

(h) It is intended that the exterior of the Project present a uniform and attractive appearance. Accordingly, whenever Board approval is required for any proposed modification, change, addition to or alteration of any Unit or limited common element, the Board shall base its decision to grant or deny approval at least in part upon considerations of whether (and to what extent) the proposed modification, change, addition or alteration will adversely affect the appearance of the Project. Except as otherwise provided in Section 8.5 below in connection with proposed modifications to accommodate Owners with disabilities, if the Board determines that the proposed modification, change, addition or alteration will materially adversely affect the appearance of the Project, the Board shall deny its approval. It is acknowledged that the Board's determination will unavoidably involve an element of subjective taste. Therefore, the Board's determination that a proposed modification, change, addition or alteration will materially adversely affect the appearance of the Project shall not be challengeable by any Unit Owner or group of Unit Owners on the grounds that the determination is to any extent based upon subjective criteria.

(i) Whenever Board approval is required for any proposed modification, change, addition to or alteration of any Unit or limited common element, if the Board determines that the proposed modification, change, addition or alteration will not materially adversely affect the appearance of the Project, the Board shall not unreasonably withhold its approval, provided that it shall not be deemed unreasonable for the Board to withhold its approval if the proposed modification, change, addition or alteration may, in the Board's best estimate, adversely affect any of the Project's common elements or any Unit or other part of the Project in any way, or increase the Project's hazard or liability insurance premiums or other common expenses, or otherwise violate any applicable law, any provision of these Bylaws, the House Rules, the Declaration or the Act.

Section 8.4(e) of Article VIII of the Bylaws provides as follows:

(e) The Owner of any two or more adjacent Units separated by a common element wall may alter or remove all or portions of such wall if the structural integrity of the building in which the Units are located is not thereby affected and if the finish of the remaining common element(s) is restored to a condition substantially comparable to that of the common element prior to such alterations. Such alteration shall require only the written approval of the Board, including the Board's approval of the Owner's plans for such alteration, together with the approval of the holders of first mortgages on all Units affected by such alteration, and the approval of the appropriate agencies of the State of Hawaii and/or the County of Hawaii if such agencies so require. The Board's approval may be conditioned upon the Board having first received a certified written statement of a registered Hawaii architect or engineer that the proposed alterations shall not adversely affect the structural integrity of any part of the Project or jeopardize the soundness or safety of the Project in any way. Notwithstanding subsection 8.4(d)

above, such alteration may be undertaken without an amendment to the Declaration or the Condominium Map. If, in the reasonable judgment of the Board, the alterations or additions are substantial in nature, the Board may require that the Owner of the Units affected provide evidence satisfactory to the Board of sufficient financing to complete such alterations or additions or, in lieu thereof, require that the Owner obtain a performance and lien payment bond, naming as obligees the Board, the Association and all Unit Owners and their mortgagees of record, as their interests may appear, for a penal sum of not less than one hundred percent (100%) of the estimated cost of such construction. Prior to the termination of the common ownership of any such adjacent Units, the Owner of such Units shall be obligated to restore the intervening wall between the Units to substantially the same condition in which the wall existed prior to its alteration or removal.

Section 8.5 of Article VIII of the Bylaws provides as follows:

Subject to Section 8.6 below, Owners with disabilities shall be permitted to make reasonable modifications to their Units and/or the common elements, at their sole expense (including the cost of obtaining any bonds required by the Declaration, these Bylaws or the Act), if such modifications are necessary to enable them to use and enjoy their Units and/or the common elements, and when permitted under the Master Declaration and related documents, rules and guidelines, provided that any Owner with a disability desiring to make such modifications shall make such request, in writing, to the Board of Directors. That request shall set forth, with specificity and in detail, the nature of the request and the reason that the requesting party needs to make such modifications. If the proposed modification will change the exterior appearance of the Project or any part thereof, the Board's approval of the request may be conditioned upon evidence satisfactory to the Board that the needs of the disabled Owner cannot adequately be met at reasonable cost without causing such change in appearance, and that the proposed modification shall cause the least change in appearance reasonably possible under all of the circumstances. The Board of Directors shall not unreasonably withhold or delay their consent to such request, and any such request shall be deemed to be granted if not denied in writing, within forty-five (45) days of the Board's receipt thereof, or within forty-five (45) days of the Board's receipt of additional information reasonably required in order to consider such request, whichever shall last occur. Nothing contained in this Section 8.5 shall exempt an Owner, at such Owner's sole cost and expense, from making all amendments to these Bylaws, the Declaration or the Condominium Map necessitated by any changes permitted under this Section. Such amendments need only be approved and executed by the Board and the Owner making such modifications.

Section 8.6 of Article VIII of the Bylaws provides as follows:

Anything herein to the contrary notwithstanding, no Unit Owner shall do any work which could jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement or hereditament, nor may any Unit Owner add any material structure or excavate any basement or cellar without in every such case the consent of seventy-five percent (75%) of the Unit Owners being first obtained, together with the consent of all Unit Owners whose Units or limited common elements appurtenant thereto are directly affected; provided that

"nonmaterial structural additions to the common elements" (as defined in Section 514A-89 of the Act), including, without limitation, the installation of solar energy devices (as defined in Section 514A-89 of the Act), or additions to or alterations of a Unit made within such Unit or within a limited common element appurtenant to and for the exclusive use of the Unit, shall require approval only by the Board of Directors and such percentage, number, or group of Unit Owners as may be required by the Declaration or these Bylaws.

Article VIII of the Bylaws contains additional information regarding alterations to the Units, the common elements and the limited common elements.

COMMON ELEMENTS

The common elements consist of all portions of the Project other than the Units, including (but not limited to) those parts of the Project described in section 4 of the Declaration as follows:

(a) The Land, in fee simple, together with all rights, entitlements and easements appurtenant thereto, including (but not limited to) easements for roadway, utility and other purposes as the case may be;

(b) The limited common elements described in section 5 of the Declaration and in Exhibit "E" attached to this public report;

(c) All slabs, foundations, columns, girders, beams, supports, perimeter walls, load-bearing walls, roofs, exterior stairs and stairways, elevators and related equipment and equipment areas, pumps, ducts, pipes, wires, conduits, or other utility or service lines located outside of the Units and which are utilized for or serve more than one Unit, and generally all equipment, apparatus, installations (including, but not limited to, all air-conditioning facilities, machinery and equipment, wherever located, serving more than one Unit) and personal property existing for common use in any of the buildings or located on the Land;

(d) All pipes, wires, ducts, conduits or other utility or service lines running through a Unit which are utilized by or serve more than one Unit;

(e) All recreational facilities and other amenities of the Project, including, but not limited to, the swimming pool, the jacuzzi and the cabana located in the vicinity of the swimming pool, and all other facilities, structures and equipment related thereto or comprising a part thereof;

(f) The Manager/Maintenance Building situated near the entrance to the Project closest to Building A and containing storage, maintenance, and office space, and a restroom, as shown on the Condominium Map;

(g) All driveways and other common ways, all covered and uncovered parking spaces, the Carports, all gates and kiosks or gatehouses (if any) at the entryways to the Project, all perimeter fences, walls and gates surrounding all or any portion of the Project, all storage areas not located within a Unit, all landscaping, courtyards, retaining walls, mailboxes, trash areas, maintenance structures and facilities and accessory equipment areas, including electrical and mechanical rooms or facilities located on the Land or within any of the buildings and serving more than one Unit;

(h) All other improvements on the Land that are not part of any Unit.

LIMITED COMMON ELEMENTS

The limited common elements set aside and reserved for the exclusive use of the Units to which they are assigned are described in section 5 of the Declaration as follows:

5.1 Each Unit shall have appurtenant thereto as limited common elements all pipes, wires, ducts, conduits or other utility or service lines located within or running through the Unit and utilized by or serving only that Unit.

5.2 Each Unit located on a third floor shall have appurtenant thereto as a limited common element the air space (if any) between the Unit's ceiling and that portion of the Building's roof immediately above the Unit.

5.3 Each Unit shall have appurtenant thereto as limited common element(s) the parking stall(s) assigned to the Unit and identified on Exhibit "C" attached hereto and made a part hereof.

5.4 Each Unit shall have appurtenant thereto as a limited common element the mailbox located in the Unit's Residential Building (as shown on the Condominium Map) bearing the same number as the Unit.

5.5 Each type 4, 4-R, 5 and 5-R Unit shall have appurtenant thereto as a limited common element the finished surfaces of the floor and surrounding walls or partial walls of the open roof-top deck area adjacent to and accessible through a door from the Unit's loft-level bedroom, excluding, however, any and all air-conditioning facilities, equipment and machinery located in or on the deck area, all of such facilities, equipment and machinery being common elements, and provided that the Association shall have a perpetual right and easement to enter the Unit and the roof-top deck area from time to time for the purpose of accessing and servicing such air-conditioning facilities, equipment and machinery as more particularly provided in section 8.3 of the Declaration.

5.6 Any other common element of the Project which is rationally related to a single Unit to the exclusion of all other Units shall be deemed a limited common element appurtenant to and for the exclusive use of the Unit to which such common element is rationally related.

ENCUMBRANCES AGAINST TITLE

That certain Preliminary Report dated **October 15, 2004**, issued by Title Guaranty of Hawaii, Inc., discloses that the land of the Project is subject to the following encumbrances:

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

2. Location of the seaward boundary in accordance with the laws of the State of Hawaii and shoreline setback line in accordance with County regulation and/or ordinance and the effect, if any, upon the area of the land described herein.

3. GRANT

TO	:	KAUAI ELECTRIC COMPANY, LIMITED, whose interest is now held by KAUAI ISLAND UTILITY CO-OP
DATED	:	January 30, 1973
RECORDED	:	Liber 8937, Page 103
GRANTING	:	an easement to build, construct, reconstruct, rebuild, repair, maintain, and operate pole and wire lines, etc., for the transmission and distribution of electricity, etc.

4. DESIGNATION OF EASEMENT "S-1" (PORTION)

PURPOSE	:	sewer purposes
SHOWN	:	Survey map dated December 4, 1995, prepared by Wayne T. Wada, Licensed Professional Land Surveyor, with Esaki Surveying & Mapping, Inc. and Subdivision Map of Dennis M. Esaki, Licensed Professional Surveyor, dated May 6, 1999

5. DESIGNATION OF EASEMENT "E-1"

PURPOSE	:	electrical purposes
SHOWN	:	Survey map dated December 4, 1995, prepared by Wayne T. Wada, Licensed Professional Land Surveyor, with Esaki Surveying & Mapping, Inc. and Subdivision Map of Dennis M. Esaki, Licensed Professional Surveyor, dated May 6, 1999

6. DESIGNATION OF EASEMENT "S-2-A" (PORTION)

PURPOSE	:	sewer purposes
SHOWN	:	on Consolidation Map of Dennis M. Esaki, Land Surveyor, with Esaki Surveying & Mapping, Inc., dated June 28, 2001

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

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

9. Real Property taxes as may be due and owing. Refer to the County of Kauai Director of Finances for further information.

DEVELOPER'S RESERVED ALTERATION, WITHDRAWAL AND MERGER RIGHTS

Section 23 of the Declaration provides as follows:

23. **Reservation to Change Units, Withdraw Land and/or Units and Reconfigure the Project**.

23.1 **Rights Generally**. Any other provision in this Declaration to the contrary notwithstanding, the Developer shall have the right (but shall not be obligated) in its sole discretion under this section 23, without being required to obtain the consent or joinder of any person or group of persons, including the Association, any Unit Owner or any mortgagee, lien holder, Unit purchaser, or any other person who may have an interest in the Project or in any Unit, to change the type, layout and dimensions of any unbuilt and unsold Unit and/or the limited common elements appurtenant thereto, and/or to remove and delete from the Project and from the effect of this Declaration and the Act portions of the Land, all or any unsold Units and any related common elements and limited common elements; provided, however, that the right to withdraw shall not apply to the recreational amenities described in section 4 above, nor to any common element driveways, walkways, parking areas, landscaped areas, easements or any other part of or interest in the Project actually utilized by or serving any Unit owned by any person (an "Affected Person") other than the Developer at the time of such withdrawal, without first obtaining such Affected Person's consent. For purposes of this section 23, "unsold Unit" shall mean a Unit owned by the Developer and for which no sales contract for the purchase and sale of the Unit has become binding upon both the seller and the buyer under the contract. Those parts of the Project withdrawn pursuant to the rights reserved to the Developer in this section 23 are sometimes hereinafter called the "Withdrawn Property."

23.2 **Effect of Withdrawal**. Upon such removal and deletion of the Withdrawn Property as set forth in this section 23, and with no further action required, no Unit Owner, mortgagee, lien holder, Unit purchaser or any other person (other than the Developer and the holder of any blanket mortgage covering the Withdrawn Property) who may have an interest in the Project or any Unit shall have any legal or equitable interest in the Withdrawn Property (it being the intent hereof that upon such removal and deletion, fee simple title to the Withdrawn Property, including the Land, common elements and Units so removed and deleted and any interests appurtenant thereto, will be vested solely in the Developer). If deemed necessary to effect the intent of this section 23, each Unit Owner, mortgagee, lien holder and any other person who may have an interest in the Project or any Unit shall, if requested by the Developer, unconditionally quitclaim and/or release its interest (if any) in the Withdrawn Property to the Developer.

23.3 **Rights to Subdivide, Amend, Etc.** In the exercise of the rights reserved in this section 23, the Developer may (but shall not be obligated to) at any time (i) file and process to final approval an application with the County of Kauai for the legal subdivision of that portion of the Project to be withdrawn, (ii) file or record supporting file plans, maps or other instruments in the Bureau, (iii) record one or more amendments to this Declaration in the Bureau containing an amended description of the Land, common elements and/or Units covered by this

Declaration and deleting therefrom the Withdrawn Property, and amending the common interests appurtenant to the remaining Units by increasing such common interests so that the aggregate common interest appurtenant to all remaining Units equals 100%, (iv) file in the Bureau an amended Condominium Map reflecting the changes to the Units, common elements and/or limited common elements, and/or the removal and deletion of the Withdrawn Property, and (v) if deemed necessary or appropriate, apply for and obtain from the Real Estate Commission of the State of Hawaii an effective date for a Supplementary Public Report describing the changes made to the Project pursuant to the terms of this section 23. Any changes to the Project made pursuant to this section 23 shall be deemed effective for all purposes upon the recordation in the Bureau of the amendment(s) to this Declaration and Condominium Map referenced herein. If Units are withdrawn from the Project pursuant to this section 23 and the common interests of the remaining Units are recalculated, the new common interests shall be determined by (i) dividing each remaining Unit's net living area (excluding lanai areas) by the aggregate net living areas of all of the remaining Units, (ii) converting the resulting fractions to percentages, and (iii) rounding the percentages and making minor adjustments if necessary so that the aggregate common interest appurtenant to all of the remaining Units equals 100%.

23.4 **Rights to Deal With Withdrawn Property; Easements; Costs**. Upon the deletion and removal from the Project of the Withdrawn Property pursuant to the rights reserved to the Developer in this section 23, the Developer shall have the absolute right, without the joinder or consent of any other party except the holder of any blanket lien encumbering the Withdrawn Property, to convey, sell, lease, pledge or otherwise transfer to any third party (whether or not related to the Developer) some or all of the Developer's interest in and/or title to some or all of the Withdrawn Property, or to develop, improve (or cooperate with any subsequent owner of the Withdrawn Property in such development or improvement) or otherwise deal with or dispose of the Withdrawn Property or any portions thereof in such manner as the Developer, in its sole discretion, sees fit, including developing or improving the Withdrawn Property for uses and with designs, materials and plans materially different from those of the Project. This right shall expressly include the unilateral right of the Developer to grant easements over, on or beneath portions of the Project in favor of and for the benefit of the Withdrawn Property for such purposes as may be necessary or convenient for the subdivision, subsequent development and use of the Withdrawn Property, including (but not limited to) easements for access and utilities. In the event that the development and use of the Withdrawn Property or any portion thereof (including, but not limited to, the use of any easement benefiting and serving all or any part of the Withdrawn Property) shall increase the common expenses of the Project (including but not limited to common expenses for roadway maintenance and repair and liability or other insurance), the owners from time to time of the Withdrawn Property so benefited shall be required to contribute to the Association an equitable portion of such costs and expenses as determined by the Developer. In the event that all or a portion of the Withdrawn Property is developed as a "New Project" (as defined in section 23.5 below) and subsequently merged with the Project in accordance with the Declaration of Merger (described in section 23.5 below), costs and expenses pertaining to the Project and the New Project will be apportioned and allocated between the Project and the New Project in accordance with the terms of the Declaration of Merger.

23.5 **Rights Regarding New Project and Merger**. Without limiting the generality of the foregoing, the Developer (or the Developer's successor in interest in and to the Withdrawn Property) may (but shall not be obligated to) submit all or portions of the Withdrawn Property to a separate condominium property regime by executing and recording in the Bureau a separate declaration of condominium property regime, bylaws and condominium map and such other documents as may be required. At any time following the establishment of all or a portion of the Withdrawn Property as a separate condominium property regime (the "New Project"), the Developer shall have the right (but shall not be obligated), without the joinder or consent of any person or group of persons, including the Association, any Unit Owner or any mortgagee, lien holder, Unit purchaser, or any other person who may have an interest in the Project or in any Unit, to cause a merger of the Project with such New Project (and/or to cooperate with any subsequent owner of the New Project in causing such merger) in accordance with the provisions and requirements of that certain Declaration of Merger of Condominium Phases (the "Declaration of Merger") pertaining to the Project and recorded in the Bureau immediately prior to recordation of this Declaration. This Declaration is expressly made subject to the Declaration of Merger, and all of the terms and provisions of the Declaration of Merger, including all reservations of rights in favor of the Developer as "Declarant" therein, are hereby incorporated into this Declaration by reference as if stated herein in their entirety.

23.6 **Developer's Successor in Interest**. Except as otherwise provided in this section 23.6, the Developer may transfer its rights reserved under this section 23 (and all other rights specifically reserved to the Developer in this Declaration, in the Bylaws, in the Declaration of Merger and under the Unit Deeds) in whole or in part to any person who acquires all or a portion of the Developer's interest in the Project, including but not limited to the Withdrawn Property. Such reserved rights shall be transferred by express reference and assignment in the instrument conveying title to all or a portion of the Project to such person. The term "Developer's successor in interest" or "successor in interest of the Developer," as used in this Declaration, shall mean any person who acquires title to the Developer's interest in and to all or a portion of the Project by an instrument that also expressly assigns some or all of the rights reserved to the Developer in this section 23 and/or elsewhere in this Declaration, the Bylaws, the Declaration of Merger and the Unit Deeds. No deed or lease of a Unit or Units in the Project shall transfer any of the Developer's reserved rights under this Declaration, the Bylaws, the Declaration of Merger or the Unit Deeds unless the deed or lease expressly refers to and assigns said rights. Absent an express assignment of such reserved rights, each deed or lease or other transfer of a Unit or Units shall only transfer title to such Unit or Units, the common interest in the common elements appurtenant to such Unit or Units, and the rights (and obligations) of a Unit Owner as set forth herein, in the Bylaws and in the Act. Once all or a portion of the Developer's reserved rights are transferred to a successor in interest of the Developer, the transferee may have and exercise all of the rights of the Developer to the extent transferred, but only to such extent.

23.7 **Special Power of Attorney**. The Developer shall have the absolute right, notwithstanding the lease, sale or conveyance of any Unit, and without being required to obtain the consent or joinder of the Association, any Unit Owner or purchaser, any eligible mortgage holder (as defined in section 18.3), lien holder or other persons, to effect the changes to the

unsold Units, the common elements and/or limited common elements and/or the removal and deletion of portions of the Project, and/or the subsequent development or submission to a new condominium property regime of all or portions of the Withdrawn Property, and/or the merger of the Project with any New Project, all in accordance with this section 23, and to execute, record and/or file the herein described application, amendments, quitclaims, declarations, bylaws, maps, releases and any and all other instruments necessary or appropriate for the purpose of effecting the changes to and/or removal and deletion and/or subsequent development and merger of portions of the Project as contemplated hereby. Any such action shall be deemed taken by the Developer as the true and lawful attorney-in-fact of the respective Unit Owners, eligible mortgage holders, lien holders and others who may have an interest in the Project. Each and every person acquiring an interest in any Unit, the Project or the Land covered by this Declaration, by such acquisition, consents to all such changes, deletion and/or removal (including an increase in the common interest appurtenant to any Unit owned by such person and a concomitant increase in such person's ownership interest in the Project's remaining common elements), and to the recordation of such documents as may be necessary to effect the same; agrees to execute such documents and do such other things as may be necessary or convenient to effect the same; and appoints the Developer his, her or its attorney-in-fact with full power of substitution to execute such documents and do all such other things on his, her or its behalf, as are contemplated in this section 23, which grant of such power, being coupled with an interest, is irrevocable and shall not be affected by the disability of any such person.

23.8 **Association Bound**. Without limiting the generality of the foregoing, if the Developer or the Developer's successor in interest exercises or wishes to exercise any of the rights reserved to the Developer in this section 23 after the first meeting of the Association and the election of the Association's first Board of Directors, the Board, acting on behalf of the Association, upon the request of the Developer or the Developer's successor in interest, and without requiring the vote or consent of any Unit Owner, Board member or other person, shall execute such instruments (including but not limited to grants of easements) and do all such other things as may be necessary or convenient to enable the Developer or the Developer's successor in interest to exercise the rights reserved in this section 23, and accomplish the purposes contemplated by the reservation of such rights.

23.9 **Amendment of this Section 23**. Notwithstanding any provision herein to the contrary, this section 23 may not be amended without the written consent and joinder of the Developer for so long as the Developer retains an ownership interest in any Unit.

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS
FOR
KAI `ŌLINO

Estimate of Initial Maintenance Fees:

Unit Type	Monthly Fee	X 12 Months	= Yearly Total
1 and 1-R	$453.16		$5,437.92
2 and 2-R	$436.01		$5,232.12
3 and 3-R	$485.12		$5,821.44
4 and 4-R	$498.58		$5,982.96
5 and 5-R	$547.72		$6,572.64

Unit owners shall not be obligated for the payment of their respective shares of the common expenses until such time as the Developer files with the Real Estate Commission an amended abstract providing that, commencing upon a date certain stated in the amended abstract, each unit owner shall become obligated to pay his respective share of the common expenses.

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

Estimate of Maintenance Fee Disbursements:

	Monthly Fee	X 12 Months	= Yearly Total
Utilities and Services (common elements)			
Electricity	$2,420		$29,040
Water	$1,000		$12,000
Sewer	$3,375		$40,500
Telephone	$150		$1,800
Gas	$100		$1,200
Maintenance, Repairs and Supplies			
Buildings	$650		$7,800
Grounds Maintenance/Tree Trimming	$3,000		$36,000
Pathway Maintenance	$500		$6,000
Janitorial	$2,000		$24,000
Pool (chemicals & repairs)	$500		$6,000
Elevator Maintenance	$1,200		$14,400
Pest Control	$500		$6,000
Misc. Maint. (Pool pump, irrigation equipment, pothole repair)	$300		$3,600
Supplies	$300		$3,600
Trash Collection	$1,200		$14,400
Recycling	$1,000		$12,000
Lighting (repairs, maintenance)	$500		$6,000
Plumbing	$600		$7,200

	Monthly Fee	X 12 Months	= Yearly Total
Management			
Site Manager/Maintenance	$2,500		$30,000
Management Housing	$1,200		$14,400
Watchman/Security Patrol	$600		$7,200
Management Fee	$1,250		$15,000
Design Review Services	$500		$6,000
Office Supplies/Education Expenses	$450		$5,400
Payroll Preparation	$130		$1,560
Insurance			
Hazard and Liability	$3,333		$39,996
Umbrella	$500		$6,000
Directors and Officers	$150		$1,800
Bond	$50		$600
Medical	$300		$3,600
Worker's Comp.	$125		$1,500
TDI	$10		$120
Taxes and Government Assessments	$200		$2,400
Professional Services, Legal, Other	$50		$600
Audit and Tax Preparation	$100		$1,200
Reserves (*)	$3,750		$45,000
TOTAL	$34,493		$413,916

I, Emory Bush, as agent and employed by Hawaiiana Management Company, Ltd., the condominium managing agent for the Kai ʻŌlino condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Emory Bush Dated: 10-15-04

Emory Bush, President
Hawaiiana Management Company, Ltd.

(*) 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. **The developer has not conducted a reserve study for the Project. The Budget amount for reserves is an estimate only based on similar properties.**

SUMMARY OF SALES CONTRACT AND ESCROW AGREEMENT

The Sales Contract provides for the sale of a condominium unit (the "Unit") by the Developer to a Buyer. The Escrow Agreement provides how the funds paid by the 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.

The Sales Contract provides for the number, amount and timing of payments the Buyer is to make to Escrow. The Escrow Agreement provides that Escrow is to collect these payments and hold them in accounts with banks or savings institutions that are federally insured. The Sales Contract and Escrow Agreement provide who gets to keep interest that may be earned on the funds with Escrow. If the Sales Contract is signed before the Real Estate Commission has issued an effective date for a Final Public Report covering the Unit and before certain other things have happened (as described in the Sales Contract), the Sales Contract shall not be binding on the Buyer or the Seller, and either of them may cancel it at any time before it becomes binding. After the Sales Contract becomes binding, it may be cancelled by the Developer, among other reasons, if the Buyer is obtaining financing and fails to obtain a lender commitment within a certain time period specified in the Sales Contract, or if the Buyer is a cash buyer and fails to furnish satisfactory evidence of ability to pay within other time periods. In certain cases, the Buyer may be responsible for cancellation fees.

The Sales Contract provides that commencing upon the date the Sales Contract becomes binding between Buyer and Seller in accordance with Section F.1 of the Sales Contract, Escrow may disburse to Seller, prior to closing and completion of construction of Buyer's Unit, all or portions of Buyer's funds deposited with Escrow to pay construction costs of the building(s) and other improvements of the Project, in accordance with and subject to the requirements of Hawaii's condominium law (Chapter 514A of the Hawaii Revised Statutes, as amended) and the Escrow Agreement. The Sales Contract provides that no interest will be earned or paid on Buyer's funds that are used to pay construction costs in accordance with the Sales Contract and the Escrow Agreement and the condominium law.

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 the Buyer as set forth in the Sales Contract.

If the Buyer defaults under the Sales Contract after an effective date is issued for a Final Public Report for the Project and the Final Public Report is "accepted" by the Buyer, the Buyer may lose all of the deposits with Escrow and the Developer, at its option, may pursue other legal remedies. If the Developer defaults under the Sales Contract, the Buyer shall be entitled to specific performance of the Sales Contract, or shall have the right to cancel and terminate the Sales Contract. Under the Sales Contract, the Developer promises to complete construction of the Unit within two (2) years from the effective date of the Sales Contract, provided that the two (2) year period may be extended under certain circumstances specified in Section F.6 of the Sales Contract.

If the Buyer cancels and terminates the Sales Contract because of the Developer's default, the Developer shall repay to the Buyer all sums the Buyer has paid to the Developer or to Escrow under the Sales Contract, and the Buyer may pursue other legal or equitable remedies.

The Sales Contract confirms that the Buyer has had the opportunity to read and approve certain important legal documents for the Project, including the Declaration, Bylaws, and Rules and Regulations. The Sales Contract also provides that the rights of any construction lender with a mortgage against the Project will be superior to the rights of the Buyer under the Sales Contract.

The Sales Contract provides that prior to the Effective Date of the Sales Contract, the Seller shall have the right to change the Project and modify the Project's documents in any way, including (but not limited to) the right to increase the purchase price under the Sales Contract or to terminate the Project, in which case the Buyer will be entitled to a refund of all sums paid by Buyer under the Sales Contract. The Sales Contract also provides that the Seller has the right to change the Project and the Project's documents in certain ways after the Effective Date of the Sales Contract, including changes that reduce the Project's common elements and the number of units and increase the common interest appurtenant to the Buyer's unit, all without the Buyer's joinder or consent, and all as more particularly disclosed in the Sales Contract and on page 20 of the Public Report to which this exhibit is attached, and also in Exhibits "G" and "J" attached to the Public Report.

The Sales Contract limits the Buyer's right to assign the Sales Contract and provides that the Seller may require a consent fee for any transfer. The Sales Contract provides for "pre-closing." "Pre-closing" means that Escrow may set a time for the Buyer to sign all of the documents Escrow asks the Buyer to sign, including the Unit Deed and other closing documents, and the Buyer will pay the Buyer's share of the closing costs, as estimated by Escrow, even though the Buyer's Unit may not be ready for occupancy. Buyer's share of closing costs include one-half of Escrow's fee, all recording fees, real property taxes and other prorations, Buyer's notary fees, up to four (4) months' maintenance start-up fees, title report and title insurance fees, conveyance tax, and fees charged by a lender if the Buyer is financing the purchase of his Unit with a loan. Escrow then handles the closing, the transfer of title in accordance with the Escrow Agreement. The Unit must be conveyed to the Buyer free and clear of any blanket liens, such as mortgages covering more than one unit.

By signing the Sales Contract, the Buyer acknowledges that sales and construction activity at the Project by the Developer may continue after closing of the Buyer's purchase. The Buyer also acknowledges several rights reserved to the Seller as "Developer" under the Project's Declaration and the Unit Deed that will convey title to the Buyer, and also several conditions that affect or may affect the Project and the Buyer's Unit.

The Escrow Agreement provides certain protections to Escrow in the event of a dispute between the Buyer and the Developer. These protections include the right to file 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. The Escrow Agreement sets out escrow fees, escrow cancellation fees and the fees for certain policies of title insurance.

The Sales Contract gives notice to the Buyer that Hawaii law contains important requirements that the Buyer must follow before the Buyer may file a lawsuit or other action for defective construction against the contractor who designed or constructed the Buyer's Unit.

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.

Return by Mail ( ) Pickup ( ) To:

Tax Map Key No. (4) 2-1-003-005
Total No. of Pages:

DECLARATION OF MERGER OF CONDOMINIUM PHASES

WHEREAS, PORT ALLEN RESIDENTIAL LLC, a Hawaii limited liability company (hereinafter called the "Declarant"), is the owner in fee simple of the land described in Exhibit "A" attached hereto and made a part hereof (the "Property"); and

WHEREAS, the Declarant currently intends to develop the Property as a single condominium property regime with a total of 75 residential units, to be constructed in multiple increments; and

WHEREAS, the Declarant also intends to reserve the right to withdraw portions of the Property from the condominium property regime initially established, to further subdivide the Property if necessary, to develop one or more of the withdrawn portions of the Property as separate condominium property regimes, or to sell withdrawn portions of the Property to persons who may elect to develop such land as separate condominium property regimes; and

WHEREAS, in the event that multiple condominium property regimes are established on the Property (each such condominium property regime being hereinafter called a "phase"), the Declarant wishes to reserve the right to merge the phases subsequently, either for management and administrative purposes only, or for ownership purposes as provided herein; and

WHEREAS, to effectuate the foregoing purpose the Declarant desires to establish covenants, restrictions and easements as part of a general and incremental plan of development of the Property so that, in the event that the phases are established as separate condominium

property regimes, upon completion of the development of the separate phases and the decision of the Declarant to merge such phases, the phases so merged shall be treated for administrative purposes (and possibly for ownership purposes) as integral parts of a single merged condominium project (the "Merged Project");

NOW, THEREFORE, the Declarant hereby declares that the Property is held and shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied and improved subject to the following limitations, restrictions, easements, covenants and conditions, all of which are declared and agreed to be in furtherance of a plan for the subdivision, improvement and sale of the Property and for the merger of phases in accordance with Section 514A-19 of the Hawaii Revised Statutes, as amended, and are established and agreed upon for the purpose of enhancing and perfecting the value, desirability and attractiveness of the Property and every part thereof. All of the limitations, covenants, easements, restrictions and conditions set forth herein shall run with the Property and shall be binding on all parties having or acquiring any right, title or interest in the Property or any part thereof, and shall inure to the benefit of and be binding upon each owner and such owner's heirs, devisees, personal representatives, successors, successors in trust and assigns.

1. **Definition of Merger.** Except as provided in paragraph 7 below where the definition of "merger" is expanded to include the merger of ownership interests, for the purposes hereof, "merger" shall mean and refer to the unification of the management and use of any phase with the management and use of any other phase or phases in accordance with the provisions hereof. Merger may occur with respect to any two or more phases at the same or at different times, and merger with respect to any two of such phases shall not affect the right of the Declarant to merge separately or together the other phases at a later date, subject to all of the terms, covenants and conditions herein contained.

2. **Merger.** The Declarant shall have the absolute right, notwithstanding the lease, sale or conveyance of any or all of the units in any of the phases being merged, and without being required to obtain the consent or joinder of any unit owner, lien holder or other persons, to effect any merger in accordance with the provisions hereof, and to execute and file the below-described certificate and any and all other instruments necessary or appropriate for the purpose of effecting the merger of phases as contemplated hereby. Except with respect to merger in accordance with the provisions of paragraph 7 below, where additional amendments must be recorded, merger shall take effect upon completion of all of the following:

(a) **Declaration and Condominium Map.** The Declarant shall have recorded with respect to each phase to be merged a Declaration of Condominium Property Regime and Condominium Map. Each such Declaration of Condominium Property Regime, other than the Declaration of Condominium Property Regime being recorded concurrently herewith, shall be in form substantially similar to the Declaration of Condominium Property Regime being recorded concurrently herewith (with modifications for the physical description of the phase, the units and common elements, and the percentage of common interest appurtenant to units therein).

(b) Development. The units and common elements described in the respective Declarations of Condominium Property Regime for the phases to be merged shall have been constructed and a Certificate of Substantial Completion issued therefor.

(c) Certificate of Compliance. The Declarant shall have recorded in the Bureau of Conveyances a certificate stating that the requirements of subparagraphs 2(a) and 2(b) hereof have been satisfied, that merger of the phases has become effective, and that the merger has not resulted in a breach of any of the conditions set out in paragraph 3 hereof.

3. Limitations on Merger. All mergers shall take place prior to the twentieth (20th) anniversary date hereof (the "Expiration Date"), and no merger shall take place after the Expiration Date unless and until approved by the vote or written consent of unit owners owning not less than sixty-five percent (65%) of the total common interest of the phases to be merged.

4. Effect of Merger. From and after the effective date of a merger in accordance with the provisions of paragraph 2 hereof, the following consequences shall ensue:

(a) Use of Common Elements. Each unit in the Merged Project shall have appurtenant thereto nonexclusive easements and rights to use the common elements in each of the merged phases to the same extent as, and subject to the same limitations as are imposed upon, units in each of such phases as though the merged phases had been developed as a single project.

(b) Common Expenses. The merged phases will each bear a share of the total common expenses of the Merged Project, as the term "common expenses" is defined in the respective Declarations of Condominium Property Regime for the merged phases, treating all merged phases as one project for this purpose. The share for each phase shall be a fraction, the numerator of which shall be the aggregate net living area (exclusive of garages and lanais, if any, and whether or not the same are considered to be part of the units) in such phase, and the denominator of which shall be the aggregate net living area (exclusive of garages and lanais, if any, and whether or not the same are considered to be part of the units) of all of the units in the Merged Project. Each unit's share of the common expenses of the Merged Project shall be the product of the common interest appurtenant to the unit multiplied by the share of the common expenses allocated to the phase in which said unit is located.

(c) Accumulated Funds. Any long-term funds accumulated for the purpose of major repairs and replacements in any pre-existing phase or phases prior to the merger of phases shall remain intact in a separate account for such pre-existing phase or phases, or shall be isolated and identified as pertaining only to the pre-existing phase or phases, and shall be expended solely for the contemplated purposes before funds from any other source are so expended, and the interest in such funds of each unit owner in that phase or in those phases shall be equal to his share of the vote prior to merger, and such interest shall not be separated from the unit to which it appertains, and shall be deemed to be conveyed with such unit even though not expressly mentioned or described in the instrument of conveyance. Other reserve funds shall be consolidated and maintained as a single fund for the Merged Project; and if necessary so that the

interest in such other reserve funds attributable to each unit in the Merged Project shall be equal to that unit's share of the vote in the Merged Project, the Board shall make adjustments to the account of each unit owner by (i) refund in whole or in part; and/or (ii) credit in whole or in part against future assessments; and/or (iii) special assessments or series of assessments; and/or (iv) any other means consistent with generally accepted accounting principles; provided, however, that the Board shall make such adjustments without charging any unit owner a special assessment for reserves in any one month which exceeds more than twenty percent (20%) of the monthly assessment for other common expenses, after excluding any assessment for reserves. Except as provided above, there shall be only one common fund for the Merged Project.

(d) Association of Unit Owners/Managing Agent. The Association of Unit Owners provided for in each phase shall be merged into a single Association governing the entire Merged Project. There shall be only one Managing Agent.

(e) Voting. Each of the merged phases shall have the same share of the total votes of the Merged Project as the share set forth above for the sharing of common expenses. Thus, each unit owner's total vote will be the product of the common interest appurtenant to his unit multiplied by the fractional share of the common expenses allocated to the phase in which said unit is located.

(f) Election of Board. Within sixty (60) days following any merger of phases a special meeting of the Association of Unit Owners of the Merged Project shall be called to elect a new Board of Directors to replace any existing Board of Directors and to govern the Merged Project. The procedure for calling and holding such meeting and all other meetings of such Association shall be the procedure for calling and holding special meetings of the Association of Unit Owners set forth in the applicable Bylaws of the Association of Unit Owners.

Notwithstanding anything provided to the contrary in the Bylaws of any of the phases, the Board of Directors of the Association of Unit Owners of the Merged Project shall consist of at least nine members unless unit owners having not less than sixty-five percent (65%) of the total vote in the Merged Project vote by mail ballot, or at an annual or special meeting of the Association, to reduce the minimum number of directors. In the event that nine directors are required, the term of office of the three (3) members of the Board receiving the greatest number of votes shall be fixed at three (3) years, the term of office of the three (3) members of the Board receiving the next greatest numbers of votes shall be fixed at two (2) years, and the term of office of the three (3) members of the Board receiving the next greatest numbers of votes shall be fixed at one (1) year. After the expiration of the term of office of each of the initial members, each successor member of the Board shall be elected to serve for a term of three (3) years. Each member of the Board shall continue to exercise the powers and duties of the office until his successor shall have been elected by the unit owners.

(g) Interpretation. For the purpose of administration and use of the Merged Project, the phases after merger shall be treated as part of a single project developed as a whole from the beginning; and for such purpose the applicable Declarations of Condominium Property

Regime and Bylaws thereafter shall be construed as one document applicable to the entire Merged Project, provided that in the event of any conflict between such instruments, the Declaration and Bylaws recorded simultaneously herewith shall control. From and after the date of any merger, all of the phases so merged shall be treated for purposes of administration, use and sharing of common expenses as though they had been developed as a single project.

(h) Ownership. Except as otherwise provided herein, the merger shall affect the administration and use of the phases and the sharing of common expenses only, and shall not affect the ownership of units and common elements in the respective phases. Except as otherwise provided herein, each unit owner owning a unit in a particular phase shall not own any part of another phase unless said unit owner shall also own a unit in that other phase.

5. Amendment. Any amendment to this Declaration of Merger shall require the consent of the Declarant and the approval of unit owners (other than the Declarant) in each phase that is subject to this Declaration of Merger who own at least 65 % of the common interest not owned by Declarant in that phase.

6. Declarant's Right to Deal with Phases Prior to Merger. Nothing in this Declaration of Merger shall be construed to require the Declarant (or any subsequent owner of any part of the Property) to develop any phase or merge any phase, once developed, with any other phase or to prohibit the Declarant (or any subsequent owner of any part of the Property) from dealing freely with any phase not merged into the Merged Project, including, without limitation, developing the whole or any part of such phase for a purpose inconsistent with a merger of such phase into the Merged Project.

7. Merger of Ownership Interests. The provisions of this paragraph shall only apply in the event that Declarant shall elect to merge ownership of the phases in addition to effecting the administrative merger of phases. The filing of the below-described amendments to effect the merger of ownership interests shall be conclusive evidence that Declarant has elected to merge ownership of the phases. In the event that Declarant shall elect to merge ownership of the phases, the provisions of this paragraph shall control in any event of conflict with the other provisions hereof. Notwithstanding anything herein provided to the contrary, "merger" for purposes of this paragraph shall mean and refer to, in addition to any other definition provided herein, the allocation of ownership interests in one phase to unit owners in another phase and vice versa. Each such merger shall take effect upon the filing in the Bureau of Conveyances of the State of Hawaii of the certificate of compliance referred to above plus an amendment to the respective Declarations of Condominium Property Regime of the phases being merged merging the projects and setting forth at least the undivided percentage interest appurtenant to each unit in the merged projects, and such other matters as the Declarant deems necessary or appropriate.

Each unit in the Merged Project shall have appurtenant thereto an undivided percentage interest in the common elements of all of the merged phases in the same proportion that such unit's net living area (exclusive of garages and lanais, if any, and whether or not the same are considered to be part of the units) bears to the total aggregate net living area (exclusive of garages and lanais, if any, and whether or not the same are considered to be part of the units) of

all of the units in the Merged Project, as shown on the Condominium Map or Maps and/or as set forth in the respective Declarations of Condominium Property Regime for the phases. The percentage interest appurtenant to each unit shall be calculated and rounded off in such a manner that each percentage interest will be reflected as a number having no more than five digits following the decimal point. Adjustments to the common interest for each unit may be made in Declarant's discretion in order that the total common interest equals 100%.

Notwithstanding anything herein provided to the contrary, each unit's undivided percentage interest, upon merger and when calculated in accordance with the provisions of this paragraph, shall constitute such unit's proportionate share in the common elements, profits and common expenses of the Merged Project, and such unit's proportionate representation for all other purposes, including voting in the Merged Project; provided, however, that the unit in any new phase being merged into an existing and completed phase shall not be assessed nor shall it have any obligation with respect to debts or obligations for such completed phase incurred prior to the issuance of a temporary or permanent certificate of occupancy for that unit in the new phase. Upon the filing of any such certificate and amendment, the deeds for the units of the Merged Project which have been recorded in the Bureau of Conveyances shall be deemed automatically amended to reflect the newly assigned undivided percentage interest appurtenant to the respective units.

Declarant shall have the absolute right, notwithstanding the lease, sale or conveyance of any or all of the units in any of the phases being merged, and without being required to obtain the consent or joinder of any unit owner, lien holder or other persons, to effect a merger in accordance with the provisions hereof, and to execute and record the above-described amendments and any and all other instruments necessary or appropriate for the purpose of effecting the merger of phases as contemplated hereby. Any such action shall be deemed taken by Declarant as the true and lawful attorney-in-fact of the respective unit owners. Each and every party acquiring an interest in the property, by such acquisition, consents to all such mergers of phases and to the filing or recording of such documents as may be necessary to effect the same; agrees to execute such documents and do such other things as may be necessary or convenient to effect the same, and appoints the Declarant and its assigns as his, her or its attorney-in-fact with full power of substitution to execute such documents and to do such things on his, her or its behalf, which grant of such power, being coupled with an interest, is irrevocable for the term of said reserved rights and shall not be affected by the disability of any such party.

The Declarant may transfer its rights under this Declaration of Merger, in whole or in part, to any person who subsequently acquires all or a portion of the Property. Such rights shall be transferred by express reference and assignment in the instrument conveying title to all or a portion of the Property to such person. No deed or lease of a unit or units in any phase shall transfer any of the Declarant's rights under this Declaration of Merger unless the deed or lease expressly refers to and assigns said rights. Absent an express assignment of such rights, each deed or lease or other transfer of a unit or units in any phase shall only transfer title to such unit or units, the common interest in the common elements appurtenant to such unit or units, and the rights (and obligations) of a unit owner as set forth in such phase's Declaration of Condominium Property Regime, Bylaws and in Chapter 514A of the Hawaii Revised Statutes, as amended.

Once all or a portion of the Declarant's rights are transferred to a successor in interest of the Declarant, the transferee may have and exercise all of the rights of the Declarant under this Declaration of Merger to the extent transferred, but only to such extent.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Declarant has executed this instrument this ___ day of _____, 200_

PORT ALLEN RESIDENTIAL LLC, a Hawaii limited liability company

By: A & B PROPERTIES, INC., a Hawaii corporation
Its Manager

By_____
_____
Its

By_____
_____
Its

STATE OF HAWAII)
) SS
CITY AND COUNTY OF HONOLULU)

On this _____day of _____, 2004, before me personally appeared _____, to me personally known, who, being by me duly sworn or affirmed, did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

_____

Notary Public, State of Hawaii

My commission expires:

STATE OF HAWAII)
) SS
CITY AND COUNTY OF HONOLULU)

On this _____day of _____, 2004, before me personally appeared _____, to me personally known, who, being by me duly sworn or affirmed, did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

_____

Notary Public, State of Hawaii

My commission expires:

EXHIBIT "A"

All of that certain parcel of land (being portion of the land(s) described in and covered by Land Commission Award Number 7712, Apana 5, Ili of Eleele) situate, lying and being at Eleele, Koloa, Island and County of Kauai, State of Hawaii, being LOT 1-A, and thus bounded and described as per survey of Dennis M. Esaki, Land Surveyor, dated October 19, 2001:

Beginning at the northeast corner of this parcel of land on the west side of Waialo Road, the coordinates of said point of beginning referred to Government Survey Triangulation Station "PUOLO" being 3,828.56 feet north and 6,396.82 feet east, thence running by azimuths measured clockwise from true South:

1.	34°	53'		62.86	feet along the west side of Waialo Road;
2.	124°	53'		215.30	feet along Lot 5-A;
3.	34°	53'		448.00	feet along Lot 5-A;
					thence along Lot 5 on a curve to the left with a radius of 20.00 feet, the chord azimuth and distance being:
4.	349°	53'		28.28	feet;
5.	304°	53'		27.89	feet along Lot 5-A;
6.	34°	53'		377.62	feet along the remainder of L.C. Award 7712, Apana 5 (Lots 2 and 3);
7.	124°	53'		125.59	feet along Lot 5-C;
8.	214°	53'		26.96	feet along the remainder of L.C. Award 7712, Apana 5 (Executive Order 2039);
9.	125°	16'	07"	300.03	feet along the remainder of L.C. Award 7712, Apana 5 (Executive Order 2039);
					thence along the remainder of L.C. Award 7712, Apana 5 (Executive Order 2039) on a curve to the right with a radius of 691.30 feet, the chord azimuth and distance being:

10.	133°	00'	186.00	feet;
11.	66°	00'	172.08	feet along Port Allen Small Boat Harbor (Executive Order 2039 and 3010);
12.	158°	25'	100.16	feet along the highwater mark at seashore;
13.	156°	30'	89.60	feet along the highwater mark at seashore;
14.	147°	00'	74.90	feet along the highwater mark at seashore;
15.	130°	00'	92.50	feet along the highwater mark at seashore;
16.	247°	33'	100.61	feet along the remainder of L.C. Award 7712, Apana 5;
17.	222°	39'	444.20	feet along the remainder of L.C. Award 7712, Apana 5;
18.	284°	52'	236.23	feet along the remainder of L.C. Award 7712, Apana 5;
19.	245°	48'	375.18	feet along the remainder of L.C. Award 7712, Apana 5;
20.	249°	42'	172.96	feet along the remainder of L.C. Award 7712, Apana 5;
21.	13°	15'	223.48	feet along Lot 1-B;
22.	304°	53'	477.19	feet along Lot 1-B to the point of beginning and containing an area of 17.489 acres, more or less.

Together with portions of EASEMENT S-1 for sewer purposes as per survey of Dennis M. Esaki, Land Surveyor, dated October 19, 2001; and EASEMENT S-2-A as per survey of Dennis M. Esaki, Land Surveyor, dated June 28, 2001.

BEING THE PREMISES ACQUIRED BY DEED

GRANTOR	:	A&B PROPERTIES, INC., a Hawaii corporation
GRANTEE	:	PORT ALLEN RESIDENTIAL LLC, a Hawaii limited liability company
DATED	:	_____
RECORDED	:	Document No. _____

-- END OF EXHIBIT "A" –

DESCRIPTION OF THE LAND

NOTE: The land described herein (and also described in that certain Preliminary Report dated **October 15, 2004**, issued by Title Guaranty of Hawaii, Inc., and in Exhibit "A" attached to the Declaration) is, as of the date of this Preliminary Public Report, in the process of being consolidated and resubdivided. Accordingly, the area and description of the land described herein and in Exhibit "A" attached to the Declaration may change prior to recordation of the Declaration. Also, title to the land that will become part of the Project upon recordation of the Declaration will be transferred to the Developer prior to such recordation.

All of that certain parcel of land (being portion of the land(s) described in and covered by Land Commission Award Number 7712, Apana 5, Ili of Eleele) situate, lying and being at Eleele, Koloa, Island and County of Kauai, State of Hawaii, being LOT 1-A, and thus bounded and described as per survey of Dennis M. Esaki, Land Surveyor, dated October 19, 2001:

Beginning at the northeast corner of this parcel of land on the west side of Waialo Road, the coordinates of said point of beginning referred to Government Survey Triangulation Station "PUOLO" being 3,828.56 feet north and 6,396.82 feet east, thence running by azimuths measured clockwise from true South:

1.	34°	53'	62.86	feet along the west side of Waialo Road;
2.	124°	53'	215.30	feet along Lot 5-A;
3.	34°	53'	448.00	feet along Lot 5-A;
				thence along Lot 5 on a curve to the left with a radius of 20.00 feet, the chord azimuth and distance being:
4.	349°	53'	28.28	feet;
5.	304°	53'	27.89	feet along Lot 5-A;
6.	34°	53'	377.62	feet along the remainder of L.C. Award 7712, Apana 5 (Lots 2 and 3);
7.	124°	53'	125.59	feet along Lot 5-C;
8.	214°	53'	26.96	feet along the remainder of L.C. Award 7712, Apana 5 (Executive Order 2039);

9.	125°	16'	07"	300.03	feet along the remainder of L.C. Award 7712, Apana 5 (Executive Order 2039); thence along the remainder of L.C. Award 7712, Apana 5 (Executive Order 2039) on a curve to the right with a radius of 691.30 feet, the chord azimuth and distance being:
10.	133°	00'		186.00	feet;
11.	66°	00'		172.08	feet along Port Allen Small Boat Harbor (Executive Order 2039 and 3010);
12.	158°	25'		100.16	feet along the highwater mark at seashore;
13.	156°	30'		89.60	feet along the highwater mark at seashore;
14.	147°	00'		74.90	feet along the highwater mark at seashore;
15.	130°	00'		92.50	feet along the highwater mark at seashore;
16.	247°	33'		100.61	feet along the remainder of L.C. Award 7712, Apana 5;
17.	222°	39'		444.20	feet along the remainder of L.C. Award 7712, Apana 5;
18.	284°	52'		236.23	feet along the remainder of L.C. Award 7712, Apana 5;
19.	245°	48'		375.18	feet along the remainder of L.C. Award 7712, Apana 5;
20.	249°	42'		172.96	feet along the remainder of L.C. Award 7712, Apana 5;
21.	13°	15'		223.48	feet along Lot 1-B;

22.	304°	53'	477.19	feet along Lot 1-B to the point of beginning and containing an area of 17.489 acres, more or less.

Together with portions of EASEMENT S-1 for sewer purposes as per survey of Dennis M. Esaki, Land Surveyor, dated October 19, 2001; and EASEMENT S-2-A as per survey of Dennis M. Esaki, Land Surveyor, dated June 28, 2001.