

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

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

Summary of Changes from Earlier Public Reports:

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

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

[] Changes made are as follows:

SPECIAL NOTICE:

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

1. There are presently NO RESIDENTIAL STRUCTURES on Units A or C of the Project. The only buildings on these Units are shade structures, each of which may be defined as an "apartment" under the Condominium Property Act. In the future, it is contemplated that farm dwellings will replace the shade structures on Units A and C.
2. This final public report may be used in connection with the sale of Units A and C only. Unit B may be sold on or after March 17, 2006, provided the Developer first amends this public report with a supplementary report confirming that at least one year has elapsed since the completion of all structures on Unit B, thereby making Unit B eligible for sale under the owner-builder law, and noting such other changes, if any, that may have occurred since the effective date of this public report.
3. Issuance of an effective date for this Public Report does not constitute an approval of the project by the Real Estate Commission or other agency, nor does it imply that all County codes, ordinances or other requirements have been complied with.
4. This project does not involve the sale of individual subdivided lots. The land area beneath and immediately adjacent to each unit, as shown on the Condominium Map, is designated as a limited common element for that unit and does not represent a legally subdivided lot. The dotted lines on the Condominium Map merely represent the location of the limited common element assigned to each unit.
5. Facilities and improvements normally associated with County approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owner and emergency traffic, drainage facilities, etc., may not necessarily be provided for and services such as County street maintenance and trash collection may not be available for interior roads and driveways.

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

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: KEITH J. KARASIC, Trustee Phone: (808) 332-9293
Name*
P.O. Box 264
Business Address
Koloa, Hawaii 96756

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

N/A

Real Estate Broker*: NONE SELECTED (See page 20) Phone:
Name
Business Address

Escrow: TITLE GUARANTY ESCROW SERVICES, INC. Phone: (808) 521-0211
Name
235 Queen Street
Honolulu, Hawaii 96813
Business Address

General Contractor*: PEREZA CONSTRUCTION Phone: (808) 332-5848
Name
P.O. Box 1200
Lawai, Hawaii 96765
Business Address

Condominium Managing Agent*: SELF-MANAGED BY ASSOCIATION Phone:
Name
OF APARTMENT OWNERS
Business Address

Attorney for Developer: STEVEN R. LEE Phone: (808) 246-1101
Name
4473 Pahe'e Street, Suite L
Business Address
Lihue, Hawaii 96766

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

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

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

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

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2005-082405
Book Page
 Filed - Land Court: Document No.

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

First Amendment to Declaration of Condominium Property Regime of Karasic Park II and Condominium Map No. 3990, dated July 18, 2005 and recorded as Document No. 2005-142865.

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

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. 3990
 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]:

See First Amendment to Declaration noted above.

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

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2005-082406
Book Page
 Filed - Land Court: Document No.

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

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

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

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

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

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

2. **Developer:**

- No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

[] Other: _____

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: 4758 Lae Road Tax Map Key: (TMK): (4) 2-4-005-019
Kalaheo, Hawaii 96741

[X] Address [X] TMK is expected to change because each Unit is entitled to its own street
address and TMK number

Land Area: 5.442 [] square feet [X] acre(s) Zoning: Agricultural/Open

Fee Owner: KEITH J. KARASIC, Trustee of the Keith J. Karasic Trust dated April 13, 2005
 Name
P.O. Box 264
 Address
Koloa, Hawaii 96756

Lessor: N/A
 Name
 Address

C. **Buildings and Other Improvements:**

1. New Building(s)
 Conversion of Existing Building(s)
 Both New Building(s) and Conversion
2. Number of Buildings: 5 Floors Per Building: Each building has one floor
 Exhibit "C" contains further explanations.

3. Principal Construction Material:
 Concrete Hollow Tile Wood
 Other: Shade structures constructed principally of metal poles and shade cloth

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted by Zoning</u>	
<input type="checkbox"/> Residential	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Residential/Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Agricultural	<u>1</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Other: <u>Shade structures</u>	<u>2</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

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

5. Special Use Restrictions:

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

Household pets may be kept consistent with any applicable law and restrictive covenants applicable to the Project. Animals shall not include those defined as pests under 150-A-2 H.R.S. and prohibited from importation under 141-2, 150-5, or 150-6 H.R.S.

[X] Pets: _____
 [] Number of Occupants: _____

The Units of the Project may only be occupied and used only for agricultural uses. Residential uses currently require the execution of a Farm Dwelling Agreement with the County of Kauai

[X] Other: _____
 [] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: _____ 0 _____ Stairways: _____ 0 _____ Trash Chutes: _____ 0 _____

<u>Apt. Type</u>	<u>Quantity</u>	<u>Bed/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>Identify</u>
A	1	0 / 0	0	16	Shade Structure
B	1	1 / 1	512		Residence
			0	94	Lanai
			0	302	Carport
			0	36	Utility Shed
			0	86	Storage Shed
C	1	0 / 0	0	16	Shade Structure

Total number of Apartments: _____ 3 _____

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

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

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

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

Apartments Designated for Owner-Occupants Only:

Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by Section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has N/A elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 6**

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	<u>2</u>	<u>4</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>6</u>
Guest	<u> </u>						
Unassigned	<u> </u>						
Extra for Purchase	<u> </u>						
Other: <u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Covered & Open:	<u>6</u>	<u> </u>	<u>6</u>				

**There is ample room for parking of two or more vehicles on each unit's limited common element.

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

Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

There are no recreational or common facilities.

Swimming pool Storage Area Recreation Area

Laundry Area Tennis Court Trash Chute/Enclosure(s)

Other:

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

There are no violations. Violations will not be cured.

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

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

The Developer hereby adopts the statement of architect Avery H. Youn dated July 12, 2004. The dwelling on Unit B of the Project and the the systems and components appear to be in satisfactory and sound condition with an expected useful life in excess of 20 years. There are no warranties on any structures.

11. Conformance to Present Zoning Code:

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

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

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

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

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

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

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

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

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

described in Exhibit E.

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit E.

as follows:

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

described in Exhibit C.

as follows:

E. Encumbrances Against Title:

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

Exhibit F describes the encumbrances against the title contained in the title report dated April 29, 2005
and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

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

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
MORTGAGE	LENDER HAS PRIORITY OVER A BUYER'S RIGHTS UNDER A SALES CONTRACT, AND HAS A RIGHT TO TERMINATE SALES CONTRACT UPON FORECLOSURE OF ITS MORTGAGE BEFORE AN APARTMENT SALE IS CLOSED. IN SUCH EVENT BUYER SHALL BE ENTITLED TO A REFUND OF ALL DEPOSITS, LESS ESCROW CANCELLATION FEES.

F. Construction Warranties:

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

1. Building and Other Improvements:

NONE

2. Appliances:

NONE

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

1. The shade structures on Units A and C were completed in 2004.
2. The main residence on Unit B was completed in 1922; the utility shed was constructed in 1921 or 1922; and the storage shed was constructed in 2004.

H. **Project Phases:**

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

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

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

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

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

Exhibit 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:

[X] None [] Electricity ___ Common Elements only ___ Common Elements & Apartments
[] Gas ___ Common Elements only ___ Common Elements & Apartments
[] Water [] Sewer [] Television Cable
[] Other: _____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit B contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated April 22, 2005
Exhibit D contains a summary of the pertinent provisions of the escrow agreement.
- Other: Specimen Apartment Deed

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

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

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

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

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

This Public Report is a part of Registration No. 5717 filed with the Real Estate Commission on May 13, 2005.

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

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

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

This is a condominium project, not a subdivision. Units purchased are not subdivided lots. To determine whether your expectations can be realized you should carefully review the contents of this Report. You should also conduct your own investigations and ascertain the validity of information provided.

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

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

This project is entitled to two farm dwellings, one each in Units A and C, and one guest house, which is intended to eventually replace the present temporary residence structure on Unit B. Refer to Exhibit "I", consisting of correspondence from Kauai County's Planning Department concerning the property's allowable density and other related matters.

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

The term "farm dwelling" is defined in Chapter 205-4.5(a)(4), HRS, as a "single family dwelling located on and used in connection with a farm, including clusters of single-family farm dwellings permitted within agricultural parks developed by the State or where agricultural activity provides income to the family occupying the dwelling." In contrast, a "guest house" may be occupied for residential use for no more than six months per year, with no agricultural requirements.

In order for any purchaser to obtain a building permit to construct a single family residential (farm dwelling), the County of Kauai will require the purchaser to sign a Farm Dwelling Agreement currently in the form attached hereto as Exhibit "J".

Slope and Drainage: The topography of this project has several sloping areas. Construction of a residence is subject to prior determination by the County of Kauai that all slope, drainage, water capacity and similar concerns have been met or determined prior to issuance of building permits. The condominium map for the project is not a representation of where a farm dwelling or other improvement may be constructed on the project.

Agricultural Taxes: Some or all of the land in the Project enjoys Agricultural tax rates. This status may be lost upon sale or change of use or implementation of new rules by the County of Kauai. In such case "rollback" or penalty taxes may be assessed against units in the Project. Interested purchasers should contact the Real Property Assessor's office or other County of Kauai agencies for further information.

Use of Broker: When the Developer begins selling or offers to sell, the Developer will use a real estate broker for the sale of an apartment. Prior to entering into a binding contract for such sale, the Developer shall (1) submit to the Real Estate Commission a duly executed copy of a broker listing agreement with a Hawaii-licensed real estate broker, together with a duly executed amended disclosure abstract identifying the designated broker, and (2) provide a copy of the amended disclosure abstract to the purchaser together with a copy of the public report.

- D. The developer declares subject to the penalties set forth in Section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

KEITH J. KARASIC, Trustee of the
Keith J. Karasic Trust dated April 13, 2005
Printed Name of Developer

By:  _____ April 13, 2005
Duly Authorized Signatory* Date

KEITH J. KARASIC, Trustee, DEVELOPER
Printed Name & Title of Person Signing Above

Distribution:

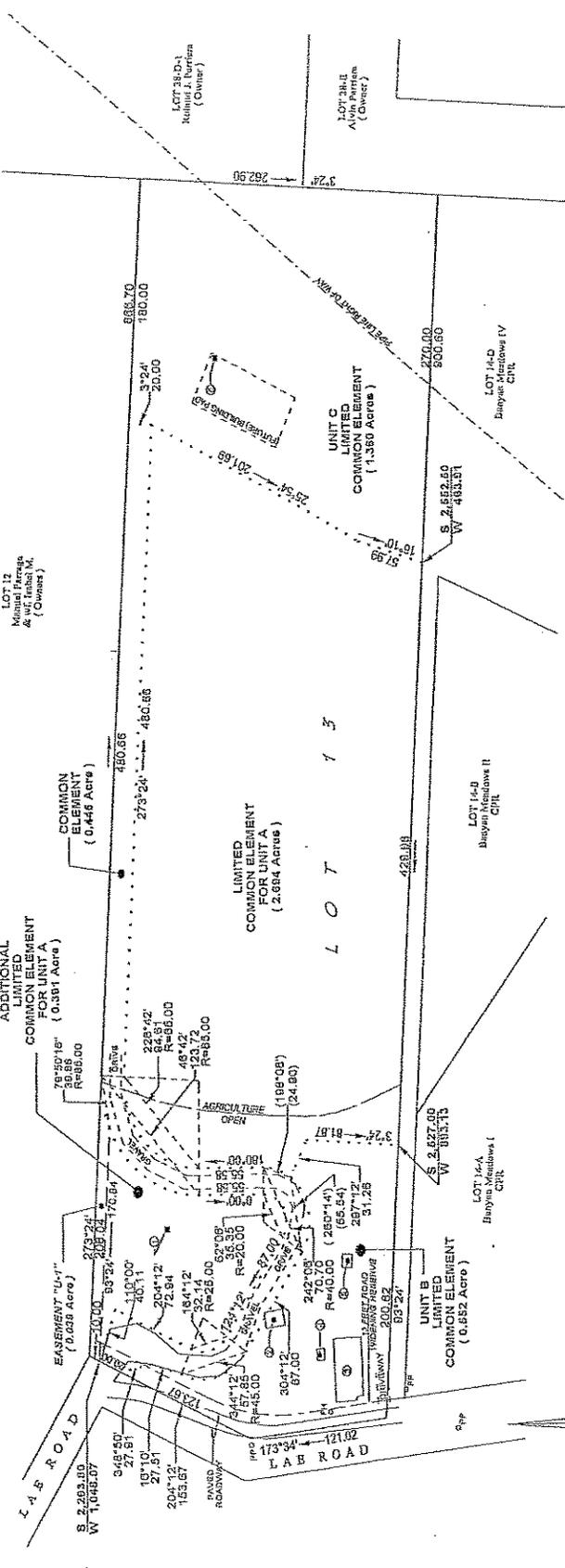
Department of Finance, COUNTY OF KAUAI

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.**

- STRUCTURE LIST:**
1. 4' X 4' Shade Structure on Unit A.
 2. 4' X 4' Shade Structure on Unit B.
 3. Residential Dwelling on Unit B.
 4. 6' X 8' Farm Dwelling Utility Shed on Unit B.
 5. 9' X 10' Storage Shed on Unit D.
 6. 4' X 4' Shade Structure on Unit C.

- NOTES:**
1. Subject does not involve the sale of individual subdivided lots. The dotted lines on the Condominium Map are for illustration purposes only. They represent either a limited common element or common element.
 2. Underground utilities, torrid tanks, etc. were not field located except as shown.
 3. The location, dimensions, size, depth, condition, capacity, etc. of any drainage system, sewerage system, telephone lines, electric lines, or any other lines are shown as shown, are not a part of this map. The appropriate governmental agency should be contacted for this information.
 4. Information on existing ownership was obtained at the Real Property Mapping Branch.
 5. All coincident based on Government Survey " triangulation Station " PAPAHAOLAHOLA ".
 6. Easement "U-1" (10 feet Wide) affecting Unit A (1) in favor of Unit A (2) is C for Utility easement. (0.039 Acre)
 7. AS / Open Zoning that affects the subject property is shown as shown. (0.039 Acre)



**CONDOMINIUM MAP
FOR
" KARASIC PARK II "
UNITS A, B, C, AND COMMON ELEMENT
AND DESIGNATION OF EASEMENT "U-1"
BEING LOT 13
BEING A PORTION OF GRANT 6317
TO DOMINGO PENA
KALAHEO, KOLOA, KAUAI, HAWAII**

Tax Map Key: (4) 2 - 4 - 006: 019
Owner: Karasic Park II, LLC
Date: April 12, 2005



THIS WORKING DRAWING PREPARED BY ME
OR UNDER MY SUPERVISION

Robert W. O'Neil

ROBERT W. O'NEIL
LICENSED PROFESSIONAL SURVEYOR
NO. 7919
State of Hawaii

SCOTT K. CAIRNS
LICENSED PROFESSIONAL SURVEYOR
NO. 7510
State of Hawaii

CAIRNS LAND SURVEYING
1000 Kalia Road, Suite 100
Honolulu, Hawaii 96813

EXHIBIT "A"

EXHIBIT "B"

SUMMARY OF SALES CONTRACT

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

1. The fact that the Act controls over any portion of a contract to sell a condominium unit.
2. That an effective date for a final or supplementary public report must be in place and a receipt for the same signed by the buyer to have an effective date.
3. That all purchaser funds must be held in escrow until the law allows closing and disbursement of the funds. The conditions precedent to release of the funds are enumerated, including in part:
 - a. That Purchaser will receive a copy of the final public report for the project.
 - b. That the Purchaser will be deemed to have had an opportunity to read the Final Public Report(s) within forty-eight (48) hours after receiving them, unless specifically indicated otherwise. Both Seller and Purchaser have the right to cancel the Contract at any time prior to the date when the Contract becomes effective. Seller and Purchaser also have the right to cancel the Contract at any other time explicitly stated by the Act.
 - c. Purchaser agrees that all payments made will be placed on deposit with escrow pursuant to the terms of the Escrow agreement, and Purchaser is subject to all of the terms of the Escrow Agreement.
 - d. If there is a dual agency by a single broker, it will be disclosed in the contract.
 - e. If the Purchaser shall default:
 - i. The contract may, at the Seller's option, be terminated by written notice to the Purchaser; and
 - ii. Any sums paid by the Purchaser shall belong to the Seller as liquidated damages (up to a maximum of 20% of the total purchaser price); and
 - iii. The Seller may pursue any other remedy, including specific performance, permitted by law or equity. All costs, including reasonable attorney's fees, incurred by reason of default by the Purchaser shall be borne by the Purchaser.

Further, if the Purchaser shall default in making any payment when due, a late charge of one percent (1%) per month shall accrue from the due date until such payment, together with such late charge, is paid, or at any time prior to the time that such payment and late charge is paid in full, the Seller may, at its option, terminate this contract as provided above.

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

EXHIBIT "C"

SCHEDULE OF APARTMENTS AND COMMON INTERESTS

Qty.	Unit No.	Area of Limited Common Element*	No. of Br./Bath	Approx. Net Living Area (Sq. Ft.)	Approx. Other Area (Sq. Ft.)	Percentage of Common Int.
1	A	3.085 acre	0 / 0	0	16 Shade Structure	45%
1	B	0.552	1 / 1	512 Residence		10%
1					94 Lanai	
1					302 Carport	
1					36 Utility Shed	
1					86 Storage Shed	
1	C	1.360	0 / 0		16 Shade Structure	45%

Pursuant to Section 16-107-5, Hawaii Administrative Rules, reference is hereby made to the method by which common interest has been computed. The units with residential density will burden the common elements equally, so their percentages are equal, and since only periodic use of the guest house unit is allowed by law, and because it sits fronting the public roadway, a 10% interest is provided to reflect the relatively minor impact on the common elements and common expenses. Therefore, the assessment of undivided interest both for common expense and for voting is 45% for Unit A; 10% for Unit B; and 45% for Unit C.

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

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

EXHIBIT "D"

SUMMARY OF PORTIONS OF ESCROW AGREEMENT KARASIC PARK II

The Escrow Agreement ("Agreement") between TITLE GUARANTY ESCROW SERVICES, INC. (the "Escrow"), and KEITH J. KARASIC, Trustee of the Keith J. Karasic Trust dated April 13, 2005, (the "Seller"), contains, among other provisions, the following (which may be modified or otherwise limited by provisions not summarized):

1. Whenever Seller enters into a sales contract for the sale of an apartment, Seller will require that payments due under the sales contract be made to Escrow and will deliver an executed copy of the sales contract to Escrow.
2. Escrow will receive payments under the sales contract and sums received from any other source with respect to the project. Funds held under the Agreement will initially be deposited in an account for the project. Interest on all funds will be paid to Seller.
3. Escrow will release from the trust fund and disburse Buyer's funds at closing, unless: (a) Buyer has elected to cancel the contract as provided by HRS Section 514-A: 62 or 63 and receive all funds paid, with an Escrow cancellation fee of \$25.00 to \$250.00; or (b) the Real Estate Commission has not issued an effective date for a Final Public Report on the project or the Seller's requirements of the sales contract have not been met; or (c) Seller has not satisfied Escrow that all other requirements of Hawaii Revised Statutes have been met, in which case there shall be no escrow cancellation fee. Provisions of Hawaii's Owner-Occupant law to not apply to this project.
4. Escrow will return deposited sums to the Buyer without interest, if Seller and Buyer give Escrow written notice to return the funds to Buyer, if there is a right to cancellation and refund of monies under the sales contract or otherwise. If there is a cancellation under the seven-day right, no fees will be charged Buyer. Thereafter, in the event of a cancellation as a matter of agreement or right, Buyer's funds shall be returned to Buyer less Escrow's cancellation fee, if any, and all other costs incurred in connection with the Escrow, not less than \$25.00 nor more than \$250.00. If Buyer defaults for more than ten days in performing the purchase contract, Buyer will forfeit all deposits as liquidated damages.
5. Escrow will arrange for and supervise the signing of all documents, which are to be signed subsequent to and contemplated by the sales contract.
6. As Escrow's compensation for its performance under this Agreement, Escrow will receive its schedule rate for each apartment for which an apartment deed of the project is handled by Escrow and recorded in the Bureau of Conveyances of the State of Hawaii. Escrow will record all applicable documents. The cost of title insurance will be an additional amount, based upon schedule rate.

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

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

END OF EXHIBIT "D"

EXHIBIT “E”

COMMON ELEMENTS OF THE PROJECT

The common elements of the project are:

- (a) the land in fee simple;
- (b) the common element driveway consisting of 0.445 acre, as shown and designated on the Condominium Map.
- (c) Easement U-1 (10 feet wide) affecting Unit A in favor of Unit C, for utility purposes, consisting of 0.039 acre as shown and designated on the Condominium Map.
- (d) all commonly used present or future ducts, electrical equipment, wiring and other central and appurtenant installations for common services, if any, including power, light, sewage, irrigation and telephone; any and all other future elements and facilities in common use or necessary to the Project;

The common elements shall remain undivided and no right shall exist to partition or divide any part thereof, except as provided in the Condominium Property Act. Any such partition or division shall be subject to the prior consent thereto by the holder(s) of all mortgage(s) of any condominium unit(s) which are filed of record.

LIMITED COMMON ELEMENTS OF THE PROJECT

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

<u>Unit Number</u>	<u>Area of Limited Common Element</u>
A	3.085
B	0.552
C	1.360

*Land areas as referenced herein are not legally subdivided lots.

EXHIBIT "F"

ENCUMBRANCES AGAINST TITLE

The following encumbrances apply to all Units:

1. Real property taxes that may be due and owing.
2. The terms and provision, including the failure to comply with any covenants, conditions and reservations, contained in LAND PATENT GRANT NO. 6317, dated February 15, 1915. The foregoing includes, but is not limited to, matters relating to the following:

“Excepting and reserving there from a right-of-way across this lot for the pipe line, as shown on map made a part hereof.”

3. Encroachment(s) as shown in DEED dated February 23, 1999, recorded as Document No. 99-035138, as disclosed in the boundary survey of Ronald J. Wagner, Licensed Professional Land Surveyor, dated February 2, 1999, to wit:

(a) The pavement of the County’s Lae Road intrudes into the subject property along a portion of the frontage by 11 feet.

(b) The County water meter and fire hydrant are inside the subject property by 11.5 and 12 feet, respectively.

4. MORTGAGE

LOAN/ACCOUNT NO. 0190028061

MORTGAGOR : KEITH JAY KARASIC, unmarried

MORTGAGEE : MORTGAGE ELECTRONIC REGISTRATION
SYSTEMS, INC., as nominee for US FINANCIAL
MORTGAGE CORP., a Hawaii corporation

DATED : June 27, 2003
RECORDED : Document No. 2003-142190
AMOUNT : \$304,000.00

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

INSTRUMENT : DECLARATION OF CONDOMINIUM PROPERTY
REGIME FOR
"KARASIC PARK II" CONDOMINIUM
PROJECT

DATED : April 13, 2005
RECORDED : Document No. 2005-082405
MAP : 3990 and any amendments thereto

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

INSTRUMENT : BY-LAWS OF THE ASSOCIATION OF
APARTMENT OWNERS

DATED : April 13, 2005
RECORDED : Document No. 2005-082406

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

INSTRUMENT : FIRST AMENDMENT TO DECLARATION OF
CONDOMINIUM PROPERTY REGIME FOR
"KARASIC PARK II" CONDOMINIUM
PROJECT

DATED : July 18, 2005
RECORDED : Document No. 2005-_____

EXHIBIT "G"

DISCLOSURE ABSTRACT

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

1. The Developer of the project is KEITH J. KARASIC, Trustee of the Keith J. Karasic Trust dated April 13, 2005, whose mailing address is PO Box 264, Kalaheo, Hawaii 96714, telephone (808) 332-9293.

2. See Exhibit "H" to the Final Public Report for the projected annual maintenance fees. The Developer hereby certifies that the estimations have been based on generally accepted accounting principles.

3. There are no warranties against defects of material and workmanship in individual apartments, common elements or exclusive use areas, and the purchaser buys his/her unit in an "as is" condition

4. All of the apartments of the project are to be used for agricultural and permitted residential purposes only. No apartments shall be used for hotel or timeshare purposes. There will be no commercial use except those activities permitted by county ordinance.

5. Currently there is no real estate broker for this project. When the Developer elects to sell it will select a real estate broker licensed in the State of Hawaii and file a Listing Agreement with the Real Estate Commission along with an amended disclosure abstract to be provided to all purchasers.

6. The Developer has not conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended. There are no depreciable common elements in the Project.

7. The Developer discloses Common Interest has been divided as shown: Units A and C sustain a permanent residence (farm dwelling) and have a 45% common interest. Unit B has a temporary residence and will only have a guest house permanently. Unit B is near the roadway and has little impact on common elements. It is given a 10% common interest.

Developer:


Keith J. Karasic, Trustee
of the Keith J. Karasic

April 13, 2005
Date

RECEIPT

The undersigned has received a copy of the foregoing Disclosure Abstract this ____ day
of _____, _____.

Purchaser(s): _____

EXHIBIT "H"

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

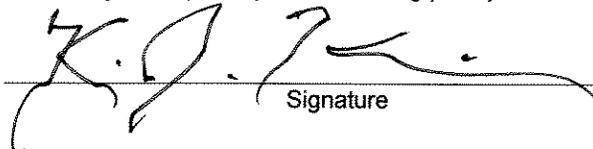
<u>Apartment</u>	<u>Monthly Fee</u>	x	12 months	=	<u>Yearly Total</u>
<u>A</u>	<u>\$56.25</u>				<u>\$675.00</u>
<u>B</u>	<u>\$12.50</u>				<u>\$150.00</u>
<u>C</u>	<u>\$56.25</u>				<u>\$675.00</u>

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

Estimate of Maintenance Fee Disbursements:

	<u>Monthly Fee</u>	x	12 months	=	<u>Yearly Total</u>
Utilities and Services					
Air Conditioning	_____				_____
Electricity	_____				_____
[] common elements only					
[] common elements and apartments					
Elevator	_____				_____
Gas	_____				_____
[] common elements only					
[] common elements and apartments					
Refuse Collection	_____				_____
Telephone	_____				_____
Water and Sewer	_____				_____
Maintenance, Repairs and Supplies					
Roadway	\$50.00				\$600.00
Building	_____				_____
Grounds	_____				_____
Management					
Management Fee	_____				_____
Payroll and Payroll Taxes	_____				_____
Office Expenses	_____				_____
Insurance	\$75.00				\$900.00
Reserves(*)	_____				_____
Taxes and Government Assessments	_____				_____
Audit Fees	_____				_____
Other	_____				_____
TOTAL	\$125.00				\$1,500.00

I, KEITH J. KARASIC, Trustee, the developer for the KARASIC PARK II condominium project, hereby certifies that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



 Signature

7/15/05

 Date

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

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

BRYAN J. BAPTISTE
MAYOR



IAN K. COSTA
DIRECTOR OF PLANNING

GARY K. HEU
ADMINISTRATIVE ASSISTANT

MYLES S. HIRONAKA
DEPUTY DIRECTOR OF PLANNING

COUNTY OF KAUA'I
PLANNING DEPARTMENT
4444 RICE STREET
KAPULE BUILDING, SUITE A473
LIHU'E, KAUA'I, HAWAII 96766-1326

TELEPHONE: (808) 241-6677 FAX: (808) 241-6699

DATE: July 1, 2005

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

FROM: Ian K. Costa, Director of Planning

SUBJECT: Recertification of Inspection of Existing Buildings

Project Name: **KARASIC PARK II**
Condominium Project (259)
Tax Map Key: (4) 2-4-005: 019

RECEIVED
PVL
REAL ESTATE BRANCH
05 JUL -6 08:01
DEPT OF CONSUMER AFFAIRS
STATE OF HAWAII

The attorney of the above-mentioned condominium project has submitted documents (Zoning Refinement ZR-2003-04) wherein the requested ADU Clearance Facilities form as indicated in our letter dated June 14, 2005 is invalid. Based on the attached letter from the Planning Director dated June 11, 2003 the property qualifies for two (2) farm dwellings and one (1) guest house. Thus an ADU Clearance Form is not required. Therefore, this office as an agency of the County of Kauai having reviewed the project for compliance with all ordinances, codes, rules, regulations and other requirements of the County of Kauai, (Section 514 A-40 (b), (1), Hawaii Revised Statutes, subject to the disclosures and waivers (item "5" below) specified herein, we certify the following:

1. The developers have contracted architect Avery Youn to certify that the existing buildings on the proposed project referred to as Karasic

EXHIBIT "I"

AN EQUAL OPPORTUNITY EMPLOYER

Senior Condominium Specialist
Karasic Park II Condominium
TMK: (4) 2-4-005: 019
July 1, 2005
Page two

Park II Condominium Unit 1 through Unit 3 inclusive are in compliance with all ordinances, codes, rules, regulations and other requirements in force at the time of its construction, and to that extent, and subject to the conditions of waiver herein, the Planning Department adopts that certification as it pertains to the rules and regulations administered solely by the Department.

2. The parcel does not contain any outstanding nonconforming uses or structures as a result of the adoption or amendments of any ordinances or codes and regulations.
3. There are no variances approved for the subject property.
4. The subject property is being CPR'ed into three units. According to the Kauai County Comprehensive Zoning Ordinance (CZO) and the Director's approval of the Zoning Refinement Request ZR-2003-04, the allowable density for the parcel is two (2) farm dwelling units and one (1) guest house.
5. **WAIVER**
The foregoing certification is not a warranty to any compliance with applicable County and State rules and regulations. The sole reason for the execution hereof is to comply with statutory requirements relating to the regulations of condominiums under subsection 514 A-40, (b), and (1), Hawaii Revised Statutes.

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

cc: Keith Karasic, Project Developer
Steven Lee, Attorney at Law

BRYAN J. BAPTISTE
Mayor



IAN K. COSTA
Planning Director

SHEILAH N. MIYAKE
Deputy Planning Director

**COUNTY OF KAUAI
PLANNING DEPARTMENT**

Kapule Building
4444 Rice Street Suite A473
Lihue, Hawaii, 96766-1326
T 808.241.6677
F 808.241.6699

June 11, 2003

Mr. Clyde T. Kodani
Kodani & Associates, Inc.
3145 Akahi Street
Lihue, Hawaii 96766

Subject: Zoning Refinement Request ZR-2003-04
Tax Map Key: (4) 2-4-05:19
Kalaheo, Kauai

The Department has reviewed your request for zoning refinement for the subject property that is approximately 5.40 acres in size and zoned Agriculture District (A) and Open District (O). Based on the department's letter dated 12.04.98, we have determined that approximately 1.72 acres is situated within the Open District (O), while the remaining area (3.68 acres) is zoned Agriculture District (A). It should be noted that the Open zone is situated within the Soils Constraint District (S-SO) and under our current zoning interpretation, the subject property qualifies for a farm dwelling and a guest house (not exceeding 500 square feet in size and does not contain a kitchen).

The topographic survey map that you've submitted clarifies the zoning in a more precise manner by identifying the steep (areas with >20% slope) and flat portions of the lot. The purpose of the refinement, as previously discussed with staff, is to have the zoning be more accurately defined based on the actual topography of the property.

Based on the information transmitted on your map, you are proposing to refine the zoning boundaries so that approximately 4.05 acres of the property would be zoned Agriculture District and the remaining 1.35 acres zoned Open District. As you have mentioned in your letter, the Department's zoning map allows for some leeway in determining the actual zoning boundaries since it is not precisely defined. When scaled, the Ag/Open boundary line measures approximately 50 feet wide.

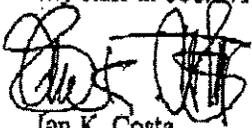
Mr. Clyde T. Kodani
Kodani & Associates, Inc.
June 10, 2003
Page 2

After assessing the given information and re-evaluating the Department's maps, we have concluded the following:

1. The data provided does help clarify the boundaries of the Agriculture/Open zoning districts by identifying the areas that exceed the 20% slope.
2. The use of such information to refine the zoning is permitted under Section 8-2.2(e)(5) of the Comprehensive Zoning Ordinance (CZO), Kauai County Code (1987).
3. The proposed refinement is a more accurate representation of the Agriculture and Open zoning districts. The flat portion of the property is now situated within the Agriculture District (A) and the steeper sections are within the Open District (O).

Therefore, we concur with your proposal and are refining the zoning boundaries to be as shown on the map you have provided. Based on the refinement, the property now qualifies for two (2) farm dwellings or a total of four (4) lots if subdivision is desired. However, please note that when subdividing, all of the lots must have a minimum of one (1) acre of Agriculture zoning and the roadway pavement along the frontage of the property should be improved to a 16 feet width (minimum).

Thank you for bringing this matter to the Department's attention and for the opportunity to review the proposed refinement. Should you have any questions, please contact Dale A. Cua of my staff at 808.241.6677.



Ian K. Costa
Planning Director

Encl.

EXHIBIT "J"

FOR ILLUSTRATION ONLY



AFTER RECORDATION RETURN BY MAIL TO:

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

Document contains _____ pages

FARM DWELLING AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____,
20 ____, by and between _____,
_____, whose residence and post office address
is _____,
_____, hereinafter called the "APPLICANT(S)", and the COUNTY OF
KAUAI, Planning Department, its business and mailing address being 4444 Rice street, Building
A, Suite 473, Lihue, Hawaii 96766, hereinafter called the "DEPARTMENT".

WITNESSETH:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. That the dwelling permitted to be constructed on the parcel of land described in Exhibit "A" classified Agriculture by the State Land Use Commission shall be a "farm dwelling"

as defined by Chapter 205, Hawaii Revised Statutes, and the State Land Use District regulations, as recited herein; and

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

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

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

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

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

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

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

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

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

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

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

APPROVED:

APPLICANT(S)

Planning Director

APPROVED AS TO FORM AND LEGALITY:

County Attorney

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

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

NOTARY PUBLIC, State of Hawaii
Print Name: _____
My commission expires: _____

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

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

NOTARY PUBLIC, State of Hawaii
Print Name: _____
My commission expires: _____

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

On this day of _____, 20___, before me appeared _____ to me personally known, who being by me duly sworn, did say that (s)he is the _____ of the PLANNING DEPARTMENT of the COUNTY OF KAUAI; and that said instrument was executed on behalf of said PLANNING DEPARTMENT; and that said _____ acknowledged that (s)he executed the same as his/her free act and deed of the PLANNING DEPARTMENT of the COUNTY OF KAUAI. Said Department has no seal.

NOTARY PUBLIC, State of Hawaii
Print Name: _____
My commission expires: _____

END OF EXHIBIT "J"