

CONDOMINIUM PUBLIC REPORT

Prepared &
Issued by: Developer: CAROLE JEANNE MADSEN
Address: P.O. Box 672
Kilauea, Hawaii 96754

Project Name(*): ANAHOLA HOME
Address: Lot 13-A, Anahola Lots
Anahola, Hawaii 96703

Registration No. 5720 Effective date: July 25, 2005
Expiration date: August 25, 2006

Preparation of this Report:

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

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

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

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

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

Type of Report:

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

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

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

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

(*) Exactly as named in the Declaration

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

FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

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

Summary of Changes from Earlier Public Reports:

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

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

[] Changes made are as follows:

SPECIAL NOTICE:

This is a CONDOMINIUM PROJECT, not a subdivision. THERE ARE COUNTY RESTRICTIONS ON THE NUMBER OF DWELLING UNITS, OR OTHER STRUCTURES, WHICH MAY BE BUILT UPON THE PROPERTY. THEREFORE, UNLESS THE PURCHASER IS PURCHASING THE UNIT WITH THE 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 COUNTY AGENCIES TO DETERMINE WHETHER THE PURCHASER MAY BUILD A DWELLING UNIT, OR ANY OTHER TYPE OF STRUCTURE, UPON THE PROPERTY.

1. The only buildings on Units A and B are shade structures, each of which may be defined as an "apartment" under the Condominium Property Act.
2. 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.
3. This project does not involve the sale of subdivided lots. The land area beneath and 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.
4. Facilities and improvements normally associated with County approved subdivisions, such as 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 will not be available for interior driveways.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS, KAUAI COUNTY ORDINANCES AND STATE OF HAWAII LAWS REFERENCED IN THIS PUBLIC REPORT, AS WELL AS CONTACTING STATE AND LOCAL AGENCIES 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: CAROLE JEANNE MADSEN Phone: (808) 828-6797
Name*
P.O. BOX 672
Business Address
KILAUEA, HAWAII 96754

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

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
Business Address
HONOLULU, HAWAII 96813

General Contractor*: ANGELITO H. MARSHALL Phone: (808) 652-1068
Name *Lic. No. CT-24863
276 KAULANA ROAD
BUSINESS ADDRESS
KAPAA, HAWAII 96746

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

Attorney for Developer: STEVEN R. LEE, ESQ. 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:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded -	Bureau of Conveyances:	Document No.	2005-050032
		Book	Page
<input type="checkbox"/> 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:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded -	Bureau of Conveyances	Condo Map No.	3958
<input type="checkbox"/> 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:

<input type="checkbox"/> Proposed			
<input checked="" type="checkbox"/> Recorded -	Bureau of Conveyances:	Document No.	2005-050033
		Book	Page
<input type="checkbox"/> 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%*	
Bylaws	65%	
House Rules	-----	

*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:

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

For Sub-leaseholds:

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

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

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

[] 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: Lot 13-A, Anahola Lots Tax Map Key: (TMK): (4) 4-8-006:007
Anahola, Hawaii 96703

Address TMK is expected to change because each unit will have its own TMK designation; upon construction of a residence, each unit will receive a new physical address, as designated by the County of Kauai

Land Area: 0.75 [] square feet acre(s) Zoning: AGRICULTURAL

Fee Owner: CAROLE JEANNE MADSEN
 Name
P.O. BOX 672
 Address
KILAUEA, HAWAII 96754

Lessor: N/A
 Name
 Address

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 2 Floors Per Building 1
 Exhibit "C" contains further explanations.

3. **Principal Construction Material:**

Concrete Hollow Tile Wood

Other 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 Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Other: Shade Structure	<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:

- Pets: SEE BYLAWS SECTION 5.3(9)
- Number of Occupants: _____
- 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>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>Identify</u>
1	1	0 / 0		16	Shade Structure
2	1	0 / 0		16	Shade Structure

Total number of Apartments: 2

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

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

Boundaries of Each Apartment: 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: 4

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		TOTAL
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	0	4					4
Guest							
Unassigned							
Extra for Purchase							
Other:							
Total Covered & Open:		4					4

Each apartment will have the exclusive use of at least two (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):

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	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 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 C.

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 March 16, 2005, and issued by Fidelity National Title Insurance Company.

Blanket Liens:

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

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
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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:**

The shade structures located on Units 1 and 2 were constructed in December 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):

Pursuant to the Road Widening Reserve Agreement dated August 9, 2004, recorded with the Bureau of Conveyances on September 13, 2004 as Document No. 2004-186991, this project is subject to an eight (8) foot wide Road Widening Reserve along Anahola Road, affecting Unit A and Unit B. Construction is prohibited or restricted within the setback.

IV. CONDOMINIUM MANAGEMENT

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

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

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

- not affiliated with the Developer the Developer or the Developer's affiliate.
- self-managed by the Association of Apartment Owners Other

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

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

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

There are no maintenance fees for this project.

C. **Utility Charges for Apartments:**

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

- None Electricity _____ Common Elements only _____ Common Elements & Apartments)
- Gas (_____ Common Elements only _____ Common Elements & Apartments)
- Water Sewer Television Cable
- Other _____

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 October 8, 2004.
Exhibit D 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 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: Road Widening Reserve Agreement dated August 9, 2004, recorded with the Bureau of Conveyances on September 13, 2004 as Document No. 2004-186991

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 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. 5720 filed with the Real Estate Commission on April 27, 2005.

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

YELLOW paper stock

WHITE paper stock

PINK paper stock

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

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 all units 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 requires in order to process the necessary permits for the construction of a farm dwelling, 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 and one guest house. Which units shall have the right to construct the guest house shall be designated by the Developer at a later date.

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, becomes 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.

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."

There are civil penalties for violation of Chapter 205-4.5, HRS.

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 "I".

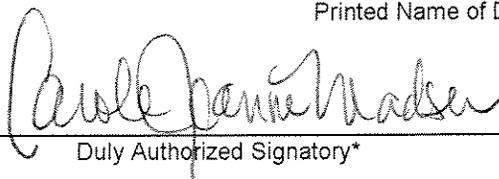
This project is located within the Special Management Area (SMA), and is therefore subject to special regulation of use by the County of Kauai. The Developer has reviewed the exact nature of this Project with the appropriate representatives of the County of Kauai and has been advised that the Project is not located in a sensitive area and that it does meet all requirements for development within the SMA. Potential purchasers should make their own investigation with the Planning Department of the County of Kauai in order to verify that their plans are consistent with the SMA permitting requirements.

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.

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 submit to the Real Estate Commission a duly executed copy of a broker listing agreement with a Hawaii-licensed real estate broker, together with a duly executed disclosure abstract identifying the designated broker, and (2) provide a copy of the disclosure abstract to the purchaser together with a copy of 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.

CAROLE JEANNE MADSEN
Printed Name of Developer

By: 
Duly Authorized Signatory*

4/21/05
Date

CAROLE JEANNE MADSEN, DEVELOPER
Printed Name & Title of Person Signing Above

Distribution:

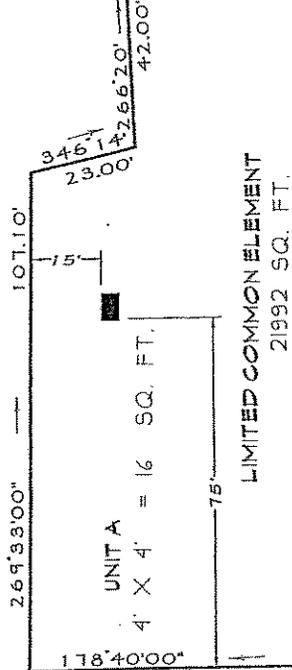
Department of Finance, COUNTY OF KAUAI

Planning Department, COUNTY OF KAUAI

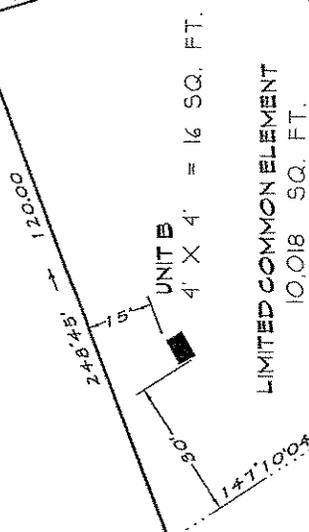
***Must be signed for a: corporation by an officer; partnership or Limited Liability Partnership (LLP) by the general partner, Limited Liability Company (LLC) by the manager or member; and for an individual by the individual.**

TRUE NORTH
SCALE 1" = 30'

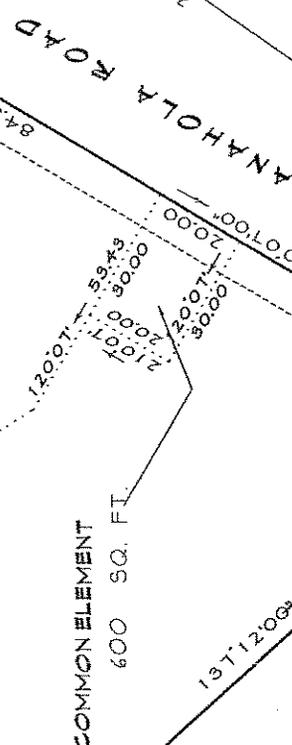
H. L. 27



LOT 12A



LOT 11B



LOT 15A

Map showing
"ANAHOLA HOME"
Agricultural Condominium
Units A & B
AND
Common Element
being portions of
LOT 15-A
OF
ANAHOLA LOTS
ANAHOLA, KAWAIHAI (KOOLAU), KAUAI, HAWAII

TMK# (4) 4-8-006:007

Date: AUGUST 2004

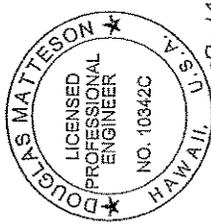
NOTE:

This project 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.

LOT 6

1097.00 FEET SOUTH
1058.90 FEET WEST
△ REF. "SOUTH BASE"

8' FUTURE ROAD
WIDENING RESERVE



09-14-04

THIS MAP WAS PREPARED BY ME
OR UNDER MY DIRECT SUPERVISION.

Douglas Matteson
DOUGLAS MATTESON KP 04/20/06
REGISTERED PROFESSIONAL ENGINEER
CERTIFICATE NUMBER 10342C

EXHIBIT "B"

SUMMARY OF SALES CONTRACT

This Project Utilized a Condominium Addendum to Sales Contract (the "Addendum") to be utilized 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) 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.
 - (c) If there is a dual agency by a single broker, it will be disclosed in the contract.

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	Appx. Net Living Area (Sq. Ft.)	Appx. Other Area (Sq. Ft.)	Percentage of Common Int.
1	A	0.52	0 / 0	0	16 shade structure	50%
1	B	0.23	0 / 0	0	16 shade structure	50%

Pursuant to Section 16-107-5, Hawaii Administrative Rules, reference is hereby made to the method by which common interest has been computed. Units 1 and 2 will each burden the common elements equally. Therefore, the assessment of undivided interest both for common expense and for voting is 50% for each unit.

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 Law and the Declaration of Protective Covenants and House Rules, if any permit desirable, so long as it. 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 ANAHOLA HOME

The Escrow Agreement ("Agreement") between TITLE GUARANTY ESCROW SERVICES, INC. (the "Escrow"), and CAROLE JEANNE MADSEN, unmarried, (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) A common easement area which is defined as the rectangular area beginning at a point where the dividing line between Unit A and Unit B, if extended, would intersect with Anahola Road, and running 10' along Anahola Road to the Northeast and 10' along Anahola Road to the Southwest (a total of 20' wide), and 30' deep into Unit A and Unit B, containing an area of approximately 600 square feet, as shown on the condominium map, and which is more particularly described in the metes and bounds description, filed simultaneously herewith, which area shall be reserved for joint access and utilities purposes for the benefit of both Unit A and Unit B. However if the County of Kauai ever requires that the common driveway shall be a larger area, then both Unit A and Unit B do agree to make the common driveway larger as shall be required by the County of Kauai. However, this common access and utilities area shall only be used if the County of Kauai shall require that Unit A and Unit B must have one common access to Anahola Road to be shared by Unit A and Unit B. In the event that the County of Kauai does permit Unit A and Unit B to each have their own separate access to Anahola Road within the described area, or otherwise, then the Units shall not make use of areas which would not have been on their Unit. Such area shall remain a common element easement which may only be used by both units if required by law at a future date.
- (c) 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;
- (d) any and all other future elements and facilities in common use or necessary to the Project;

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 and B 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	0.52 acres
B	0.23 acres

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

END OF EXHIBIT “E”

EXHIBIT "F"

ENCUMBRANCES AGAINST TITLE

The following encumbrances apply to all Units:

1. Real property taxes that may be due and owing.
2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. Claims arising out of rights customarily and traditionally exercised for subsistence, cultural, religious, access or gathering purposes s provided for in the Hawaii Constitution or the Hawaii Revised Statutes.
4. Road Widening Reserve Agreement

Dated: August 9, 204

Recorded: September 13, 2004, in the Bureau of Conveyances of the State of Hawaii,
Document No. 2004-186991

5. Condominium Map No. 3958, recorded in the Bureau of Conveyances of the State of Hawaii
6. Covenants, conditions and restrictions (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as contained in the following:

Declaration of Condominium Property Regime of "ANAHOLA HOME"

Dated: October 8, 2004

Recorded: March 14, 2005, in the Bureau of Conveyances of the State of Hawaii,
Document No. 2005-050032

7. By-Laws of the Association of Apartment Owners of "ANAHOLA HOME", dated October 8, 2004, recorded March 14, 2005, in the Bureau of Conveyances of the State of Hawaii, Document No. 2005-050033.

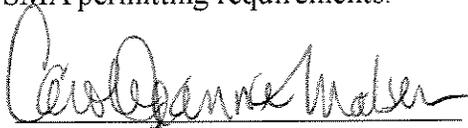
END OF EXHIBIT "F"

EXHIBIT "G"

DISCLOSURE ABSTRACT

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

1. The Developer of the project is CAROLE JEANNE MADSEN, PO Box 672, Kilauea, Hawaii 96754, telephone (808) 828-6797.
2. There are no maintenance fees for this Project.
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 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. The developer has not selected a real estate broker for the sales of the apartments in the Project. In the event the Developer chooses to use a real estate broker for the sale of an apartment prior to entering into a binding contract for such sale the Developer shall (1) submit to the Real Estate Commission a duly executed copy of a broker listing agreement with a Hawaii-licensed real estate broker, together with a duly executed disclosure abstract identifying the designated broker, and (2) provide a copy of the disclosure abstract to the purchaser together with a copy of this public report.
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 equally as shown: Unit A – 50% and Unit B – 50%, reflecting the burden on common elements by the two units.
8. This project is located within the Special Management Area (SMA), and is therefore subject to special regulation of use by the County of Kauai. The Developer has reviewed the exact nature of this Project with the appropriate representatives of the County of Kauai and has been advised that the Project is not located in a sensitive area and that it does meet all requirements for development within the SMA. Potential purchasers should make their own investigation with the Planning Department of the County of Kauai in order to verify that their plans are consistent with the SMA permitting requirements.


CAROLE JEANNE MADSEN
4/21/05
Date

RECEIPT

The undersigned has received a copy of the foregoing Disclosure Abstract this ____ day
of _____, 200__.

Purchaser(s): _____

BRYAN J. BAPTISTE
MAYOR

GARY K. HEU
ADMINISTRATIVE ASSISTANT



IAN K. COSTA
DIRECTOR OF PLANNING

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: June 1, 2005

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

FROM: Ian K. Costa, Director of Planning 

SUBJECT: Certification of Inspection of Existing Buildings

Project Name: ANAHOLA HOME
Condominium Project (258)
Tax Map Key: (4) 4-8-006: 007

The developer for the above-mentioned condominium project has requested that this office, as an agency of the County of Kauai, review the project for compliance with all ordinances, codes, rules, regulations and other requirements of the County of Kauai, (Section 514 A-40 (b), (1), Hawaii Revised Statutes, subject to the disclosures and waivers (item "5" below) specified herein, we certify the following:

1. The developer has contract architect Avery Youn to certify that the buildings on the proposed project referred to as Anahola Home Condominium Unit A and Unit B are in compliance with all ordinances, codes, rules, regulations and other requirements in force at the time of its construction, and to that extent, and subject to the conditions of waiver herein, the Planning Department adopts that certification as it pertains to the rules and regulations administered solely by the Department.

EXHIBIT "H"

AN EQUAL OPPORTUNITY EMPLOYER

Senior Condominium Specialist
Anahola Home Condominium
TMK: (4) 4-8-006: 007
June 1, 2005
Page two

2. There are no variances approved for the subject property.
3. The parcel does not contain any outstanding nonconforming uses or structures as a result of the adoption or amendments of any ordinances or codes and regulations.
4. There are no notices of violations of county building or zoning codes outstanding according to our records.
5. **WAIVER**
The foregoing certification is not a warranty to any compliance with applicable County and State rules and regulations. The sole reason for the execution hereof is to comply with statutory requirements relating to the regulations of condominiums under subsection 514 A-40, (b), and (1), Hawaii Revised Statutes.

If you have any questions, please contact Sheilah Miyake at (808) 241- 6677.

cc: Steven Lee, Attorney at Law
Carole Madsen, Project Developer

EXHIBIT "I"

*****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 CAROLE JEANNE MADSEN, unmarried, whose post office address is P.O. Box 372, Kilauea, Hawaii 96754, hereinafter called the "APPLICANT", 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 warrant and represent that she is the Fee Owner and Developer of that certain parcel of land, Tax Map Key No. (4) 4-8-006:007, more particularly described in Exhibit "A" attached hereto and made a part hereof; and

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

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

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

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

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

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

WHEREAS, a “family” as used in the definition of “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 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 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 wish to construct a dwelling unit on that certain parcel of land describe in Exhibit A; and

WHEREAS, the APPLICANT 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 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, and all present and future owners, lessees and occupants of said land and anyone claiming under said APPLICANT, 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 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; and

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

9. The APPLICANT, 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 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 and all present and future owners and occupants of said portion of land and any one claiming under APPLICANT, their successors and

assigns, as owners or occupants thereof. The APPLICANT 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

PLANNING DIRECTOR

CAROLE JEANNE MADSEN

APPROVED AS TO FORM AND LEGALITY:

COUNTY ATTORNEY

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

On this ____ day of _____, 20__, before me personally appeared CAROLE JEANNE MADSEN, 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 "I"

EXHIBIT "J"

ANAHOLA HOME HOUSE RULES

THESE HOUSE RULES are made this ____ day of April, 2005, by CAROLE JEANNE MADSEN, unmarried, hereinafter referred to as the "Declarant."

WITNESSETH:

That the Declarant, to protect and preserve the condominium project known as Anahola Home (herein the "Project"), does hereby adopt the following agreements, restrictions and covenants for the ownership, operation and enjoyment of the Project, hereby designated to be the "House Rules."

1. Undergrounding of Utilities in Common Easement and Driveways. No aboveground utilities shall be place in any driveway or in the reserved easement between the units for possible future use as access and utility common element for the Project.

2. Common Areas to be Kept Clear. An apartment owner or occupant shall not place, store or maintain in the driveways, grounds and other common elements of the Project nor in the portions of any unit facing the public street any items of personal property or objects of any kind other than those used in the normal use and occupancy of land. Common elements shall not be obstructed at any time and shall be used for no other purpose than for normal transit through them and any other purpose for which the common elements were dedicated or designed.

3. Unsightliness. No refuse, garbage or trash of any kind shall be thrown, placed or kept on any common elements outside of the disposal facilities, if any, provided for such purpose. There shall be no unsightliness, no trash dumping or indefinite storage of construction or other materials and no storage or repair of inoperable vehicles other than a single vehicle owned by the unit owner. Such activities shall never occur in or on any common element or on the limited common elements, unless the same is completely screened from the view of the other apartment owners.

Every apartment owner and occupant shall at all times keep such owner's apartment and all limited common elements appurtenant thereto in a strictly clean and sanitary condition which is pleasant to look at and enhances the appearance of the project and the neighborhood. Each owner and occupant shall observe and perform all terms and conditions of the Declaration and the Bylaws and all laws, ordinances, rules and regulations now or hereafter made by any governmental authority or the Association of the Project that are applicable hereto.

4. External Lighting Limits. No apartment owner or occupant shall erect or install any outdoor lighting fixtures which causes light to interfere unreasonably with the other unit or apartment owner's use and enjoyment of their unit.

5. Noise and Nuisance Uses. No apartment owner or occupant shall use or operate any equipment, machine, vehicle or other item which generates an unreasonable amount of noise in the Project, except as may temporarily be necessary to make repairs to, to maintain or to construct buildings on apartments in the Project and not after 8 pm or before 7am. Each apartment owner or occupant shall exercise extreme care about making noises and in the use of musical instruments, radios, television sets and amplifiers that may disturb other occupants. Any loud or repetitive noise heard inside a residence on the Project that comes from activities on another unit shall be cause for correction by the other unit. This shall not apply to normal grass and tree cutting, bona fide crop harvesting or normal repair and maintenance activities undertaken in daylight hours or in the event of bona fide emergencies.

6. Protection from Liens and Violations of Law. Any improvements made, or activities engaged in, by an owner or occupant on his or her apartment shall be at the sole cost and expense of that owner or occupant, and no other owner or occupant shall bear any liability or responsibility of any nature whatsoever for such cost and expense, except as otherwise stated herein or agreed to in advance by the party sought to be charged for any expense related to the Project.

7. Animals/Nuisance. Except as otherwise provided herein, animals shall be permitted so long as the presence and ownership of such animals does not create or result in any unreasonable noise, smell or other nuisance or unreasonable inconvenience to any other apartment owners or occupants. No pigs, peafowl or pit bull dogs shall be allowed. No vicious dogs or dogs which have previously attacked or bitten people or domestic pets shall be allowed on the Project without written agreement of both units. Any prior permission may be revoked should an otherwise permitted animal become vicious or creates unreasonable noise or smells or engages in other objectionable actions on the Project.

8. Traditional Ag Uses. To the limit the law allows, the following uses and activities are prohibited within the Project, unless the owners of all units shall have first given written authorization to commence such use or activity. Such owner(s) shall also have obtained all necessary governmental authority or permission:

- (a) Animal hospitals;
- (b) The raising of pigs, hogs or boars;
- (c) The keeping of roosters;
- (d) Communications facilities;
- (e) Slaughter houses;
- (f) Shooting of firearms for target practice or hunting or anything other than self-defense.
- (g) Any generators used on the Project must be quiet gas generators and must be enclosed, if necessary, to contain excessive noise

9. Setbacks. There are multiple setbacks applicable to the Project. The setback for the Unit B septic systems is 500 feet from the Unit A homesite. The ADU and all permitted outbuildings on Unit B shall be set back at least 25 feet from the boundary with Unit A.

10. Utility Installations. Each unit owner shall be responsible for any and all costs to develop the utilities, water and other infrastructure to facilitate the use of any owner's land, unit and limited common element.

11. Property is zoned Ag and is in an agricultural district and qualifies for 1 farm dwelling (home) site(s) and a guest house or ADU. The buyer is buying the rights to develop the ADU as allowed on this property. Buyer may at his or her option verify with county if an additional dwelling unit may be allowed on the property, which must be approved by county. Buyer assumes responsibility for permitting any construction for his/her property and indemnifies and holds harmless the seller and all brokers from any repercussions from his/her inaction on it.

12. Approval of Staking. There has been a recent survey of the property. Buyer hereby approves existing staking and shall at Buyer's own cost provide any stakes that are not visible and any map and/or metes and bounds necessary for the sale of this property. The staking is approved.

11. Respecting Reserved Easement Between Units. No use on either unit shall impair the 30-foot wide easement between Units A & B, for future ingress and egress should the county or other agencies require a common entrance at some time in the future.

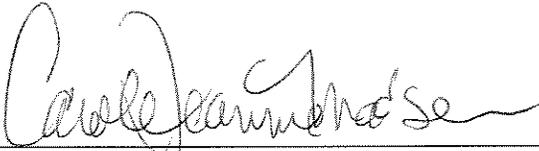
The House Rules are subordinate to and subject to all contrary provisions of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, and the Declaration of Condominium Property Regime (the "declaration") for the Project, but only to the extent they are more restrictive than the provisions of these House Rules.

By accepting the title to individual interests in a unit of the Project the owners thereof and thereby covenant and agree, for the benefit of the owners from time to time of all other units in said Project, to at all times observe, perform comply with and abide by all of the covenants, agreements, obligations, conditions and other provisions set forth in these House Rules, as the same exist or may hereafter be amended in accordance with law and does hereby accept and approve them. The covenants of the Individual unit owner(s) herein contained shall run with the land and title to the ownership of all units in the Project.

The term "Declarant" and "Individual unit owner(s)", or any pronoun used in place thereof, shall mean and include the masculine, feminine or neuter, the singular or plural number, individuals, trustees, partnerships or corporations, and their and each of their respective successors, heirs, personal representatives, successors in trust and assigns.

IN WITNESS WHEREOF, the Declarant has executed these presents to be effective on the day and year first above written.

DECLARANT:



CAROLE JEANNE MADSEN