

PUBLIC REPORT

Prepared & Issued by:

Developer: JAMES E. BEYER and VAUGHN BEYER
Address: P.O. Box 580, Kalaheo, Hawaii 96741

Project Name(\*): KALAHEO HILLSIDE ESTATES
Address: 3080 Lauoho Road, Kalaheo, Kauai, Hawaii 96741

Registration No. 6037 (Partial Conversion)
Effective date: July 10, 2006
Expiration date: August 10, 2007

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.
X FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
[ X ] No prior reports have been issued.
[ ] This report supersedes all prior public reports.
[ ] This report must be read together with
SUPPLEMENTARY: (pink) This report updates information contained in the:
[ ] Preliminary Public Report dated:
[ ] Final Public Report dated:
[ ] Supplementary Public Report dated:
And [ ] Supersedes all prior public reports
[ ] Must be read together with
[ ] This report reactivates the public report(s) which expired on

(\*) Exactly as named in the Declaration
This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.
FORM: RECO-30 286/986/189/1190/892/0197/1098/0104

**Disclosure Abstract:** Separate Disclosure Abstract on this condominium project:

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.

No prior reports have been issued by the developer.

Changes made are as follows:

**SPECIAL NOTICE:**

1. Issuance of an effective date for this Public Report does not constitute an approval of the project by the Real Estate Commission, or any other governmental agency, nor does it imply that all County codes, ordinances and subdivision requirements have been complied with.
2. 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 Amended 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 Amended Condominium Map merely represent the location of the limited common element assigned to each unit.
3. 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 will 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: JAMES E. BEYER and VAUGHN BEYER Phone: (808) 332-6439  
Name\*  
P.O. Box 580  
Business Address  
Kalaheo, Hawaii 96741

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\*: ISLAND PACIFIC PROPERTIES, INC. Phone: (808) 742-9508  
Name (RB-17703)  
5488 Koloa Road (PO Box 1255)  
Business Address  
Koloa, Hawaii 96756

Escrow: FIDELITY NATIONAL TITLE INSURANCE COMPANY Phone: (808) 536-0404  
Name  
201 Merchant Street, Suite 2100  
Business Address  
Honolulu, Hawaii 96813

General Contractor\*: BEYER QUALITY BUILDERS, LTD. Phone: (808) 332-5959  
Name (BC-24142)  
PO Box 580  
Business Address  
Kalaheo, Hawaii 96741

Condominium Managing Agent\*: NONE, SELF-MANAGED BY THE ASSOCIATION OF Phone: \_\_\_\_\_  
Name  
APARTMENT OWNERS  
Business Address  
\_\_\_\_\_

Attorney for Developer: STEVEN R. LEE Phone: (808) 246-1101  
Name  
4334 Rice Street, Suite 204-C  
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.	2006-036188
			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]:

First Amendment to Declaration of Condominium Property Regime of Kalaheo Hillside Estates and Condominium Map No. 4169 dated April 27, 2006, recorded as Document No. 2006-081041.

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.	4169
<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]:

First Amendment to Declaration of Condominium Property Regime of Kalaheo Hillside Estates and Condominium Map No. 4169 dated April 27, 2006, recorded as Document No. 2006-081041.

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.	2006-037189
			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%*	75%
Bylaws	65%	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:

Developer has reserved the right to amend the House Rules up until sale of any unit, such as to create building pads for residential (not agricultural) improvements. The House Rules will govern the residential uses on the project and will not conflict with Hawaii State law which regulates uses on agricultural zoned land.



[ ] 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: 3080 Lauoho Road Tax Map Key: (TMK): (4) 2-3-002-010  
Kalaheo, Hawaii

[ X ] Address [ X ] TMK is expected to change because new numbers will be assigned at the time of  
Development of individual homes, and each unit will have a separate TMK designation.

Land Area: 11.716 [ ] square feet [ X ] acre(s) Zoning: Agricultural

Fee Owner: JAMES E. BEYER and VAUGHN BEYER  
 Name  
P.O. Box 580  
 Address  
Kalaheo, Hawaii 96741

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: 4 Floors Per Building: 1  
 Exhibit C contains further explanations.

3. **Principal Construction Material:**

Concrete  Hollow Tile  Wood (Unit D)  
 Other: Metal poles and shade cloth (Units A, B, and C)

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>3</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) and Declaration of Covenants, Conditions and Restrictions, Article VI, paragraph 14

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>Bed/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>Identify</u>
<u>A</u>	<u>1</u>	<u>---</u>	<u>---</u>	<u>16</u>	<u>Shade Structure</u>
<u>B</u>	<u>1</u>	<u>---</u>	<u>---</u>	<u>16</u>	<u>Shade Structure</u>
<u>C</u>	<u>1</u>	<u>---</u>	<u>---</u>	<u>16</u>	<u>Shade Structure</u>
<u>D</u>	<u>1</u>	<u>3 / 3</u>	<u>1,812</u>	<u>---</u>	<u>Residence</u>
				<u>162 / 31</u>	<u>Garage / Entry</u>

Total number of Apartments: 4

**\*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 not elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 9\*\*

	<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)	1 (Unit D)	2 (Units A B,C&D)					9
Guest							
Unassigned							
Extra for Purchase							
Other:							
Total Covered & Open:	9						9

\*\*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 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):

Condition Report by Architect Avery Youn dated November 9, 2005 state that Unit D has a probable expected useful life in excess of twenty years. No representation is made for the sheds on Units A, B, and C.

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 February 23, 2006 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.
- [ 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:**

The sheds on Units A, B, and C were constructed in April 2005 and the residence on Unit D was constructed in 1973.

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):

The Developer reserves the right to construct a water tank and distribution system and reserves the right to add one additional phase to the Project.

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 February 8, 2006  
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](http://www.capitol.hawaii.gov)

Website to access unofficial copy of laws: [www.hawaii.gov/dcca/hrs](http://www.hawaii.gov/dcca/hrs)

Website to access rules: [www.hawaii.gov/dcca/har](http://www.hawaii.gov/dcca/har)

This Public Report is a part of Registration No. 6037 filed with the Real Estate Commission on March 2, 2006

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, especially the Exhibit to this report, which is a summary of the recorded restrictive covenants for the subdivision within which this project is located. Among other things, the restrictive covenants govern land use, building type and materials, possession of animals, and cultivation of crops. You should also conduct your own investigations and ascertain the validity of information provided.

The prospective purchaser shall have the right to build such residence or 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 and the processing of a farm dwelling agreement, authorization from at least 75% of the legal and equitable ownership of the entire project, consistent with the Declaration and the Bylaws ("condominium documents"). In most cases a farm dwelling may not be constructed unless a unit owner demonstrates to the County his ability to derive income from his property, established and verified prior to any building permit approval.

Except as limited specifically by the condominium documents and subdivision restrictive covenants, all uses permitted in the respective residential, agricultural and open zones are permitted. Uses in one zone are not the same as in the other, and the prospective purchaser should consult the appropriate county agency for information on uses and construction in the respective zones in which purchase is considered.

A buyer 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.

Purchasers should be aware that Chapter 205, Hawaii Revised Statutes (RS), does not authorize residential dwellings as a permissible use in an agricultural use district, unless the dwelling is related to an agricultural activity or is a "farm dwelling". This applies to the open zone in this project, which is "ag" land in State of Hawaii use classifications.

The penalty for violation of agricultural restrictions in Chapter 205-4.5, HRS, is a fine of not more than \$5,000. If any person who is cited for a violation of the law fails to remove the violation within six months of such citation and the violation continues, such person is subject to a citation for a new and separate violation. There shall be a fine of not more than \$5,000 for any additional violation.

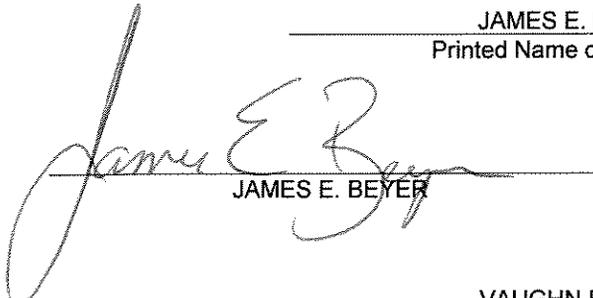
In order for any purchaser to obtain a building permit to construct a single family residential (farm dwelling), the County of Kauai will require the purchaser to sign a Farm Dwelling Agreement.

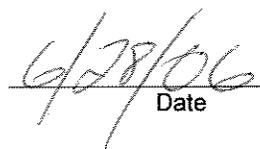
Purchasers should be aware that there is no public sewer system available, which requires the project to comply with the requirements of Chapter 11-62, HAR, "Wastewater Systems". Purchasers of each apartment of unit would bear the cost of designing and installing the wastewater system as part of their construction costs. The County of Kauai may allow the first apartment/unit applying for such a permit to use a cesspool; the second would require a septic system. Any prospective purchaser should verify requirements with the County of Kauai and seek design and installation estimates prior to proceeding with the wastewater system.

This Project is entitled to one guest house. The right to construct guest houses is reserved to Developer, to be assigned to such unit(s) as Developer may determine. This right may be assigned to any other unit in the Project by written agreement which is recorded in the Bureau of Conveyances, State of Hawaii.

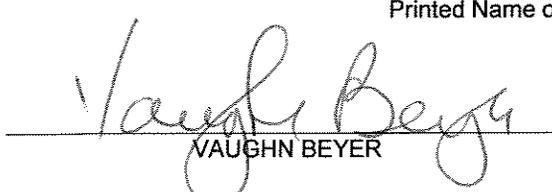
- D. The developer declares subject to the penalties set forth in Section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The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

\_\_\_\_\_  
JAMES E. BEYER  
Printed Name of Developer

  
\_\_\_\_\_  
JAMES E. BEYER

  
\_\_\_\_\_  
Date

\_\_\_\_\_  
VAUGHN BEYER  
Printed Name of Developer

  
\_\_\_\_\_  
VAUGHN BEYER

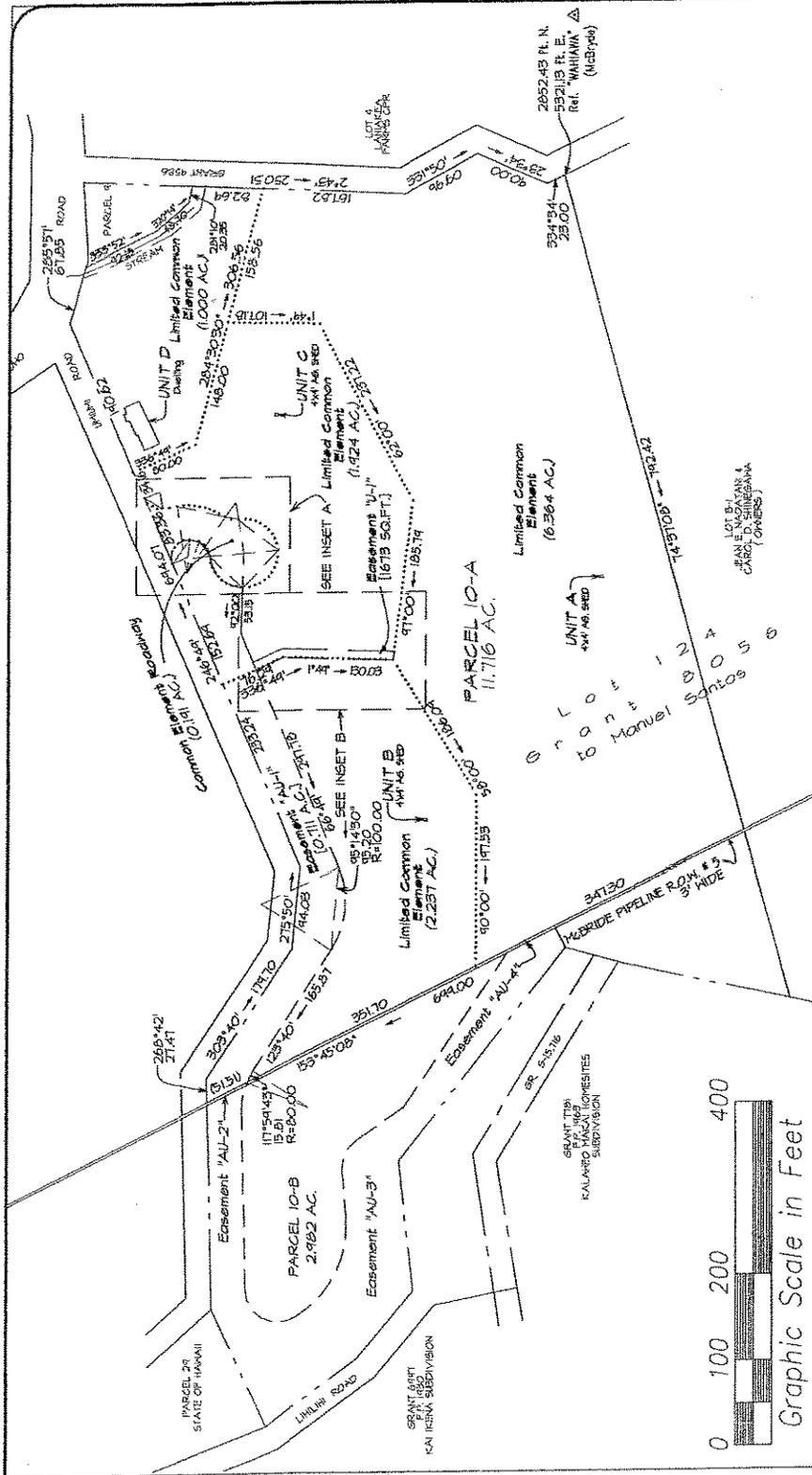
  
\_\_\_\_\_  
Date

Distribution:

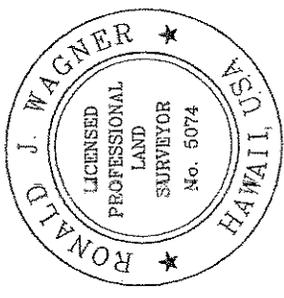
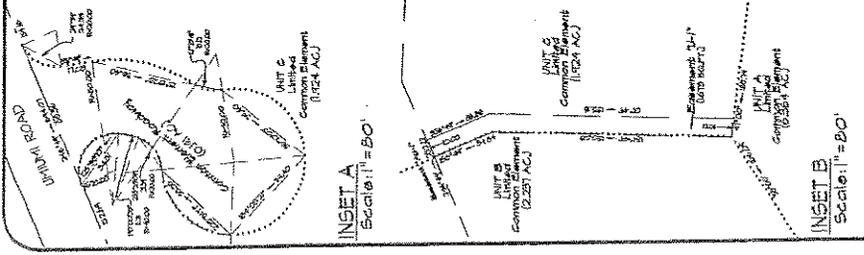
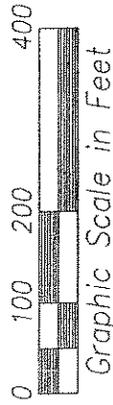
Department of Finance, COUNTY OF KAUAI

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 INCH = 200 FEET



THIS MAP WAS PREPARED BY ME OR UNDER MY SUPERVISION  
*Ronald J. Wagner*  
 RONALD J. WAGNER  
 Licensed Professional Land Surveyor  
 Certificate No. 5074  
 Expires 04/30/08

Amended Condominium Map No. 4169  
 of  
 "KALAHEO HILLSIDE ESTATES"  
 showing  
 Units A thru D  
 and designating  
 Easements "AU-1" and "U-1"  
 being portions of  
 PARCEL 10-A  
 Portion of Grant 8056  
 Lot 124  
 Kalaheo Homesteads  
 Kalaheo, Kauai, Hawaii

EXHIBIT "A"

NOTE:  
 1. THIS PROJECT DOES NOT INVOLVE THE SALE OF INDIVIDUAL LOTS. THE DOTTED LINES ON THE CONDOMINIUM MAP ARE FOR ILLUSTRATION PURPOSES ONLY. THEY REPRESENT EITHER A LIMITED COMMON ELEMENT OR COMMON ELEMENT.

PREPARED FOR:  
 JIM BEYER  
 P.O. BOX 580  
 KALAHEO, HI 96741

JANUARY 27, 2006  
 REVISED APRIL 07, 2006

Wagner Engineering Services, Inc.  
 P.O. Box 851 Hanalei, HI 96714 (808) 826-7256



## 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 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 a contract.
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.

f. If the Seller shall default:

Except as limited by law and the sales contract, in the event of default by the Developer, the Purchaser may cancel the contract, may bring an action for damages for breach of contract or seek specific performance under the contract and hold the Developer responsible for costs incurred (see paragraph C-29 of the Standard Form Deposit Receipt and Offer and Acceptance). Further, the Purchaser may resort to mediation and arbitration in the even of a dispute over the contract or a claimed default, as does the Developer.

**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	6.364	0 / 0	---	16 shade structure	40%
1	B	2.237	0 / 0	---	16 shade structure	25%
1	C	1.925	0 / 0	---	16 shade structure	25%
1	D	1.000	3 / 3	1,812	162 garage	10%
	D				31 entry	

Pursuant to Section 16-107-5, Hawaii Administrative Rules, reference is hereby made to the method by which common interest has been computed. Units A, B, C and D will each burden the common elements equally. Therefore, the assessment of undivided interest both for common expense and for voting is as follows: Unit A – 40%; Units B - 25%; Unit C – 25%; Unit D – 10%.

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 KALAHEO HILLSIDE ESTATES**

The Escrow Agreement ("Agreement") between FIDELITY NATIONAL TITLE INSURANCE COMPANY, INC. (the "Escrow"), and JAMES E. BEYER and VAUGHN BEYER, husband and wife (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 0.190 acre common element roadway;
- (b) the land in fee simple;
- (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; and
- (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, B, C and D 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	6.364 acres
B	2.237 acres
C	1.925 acres
D	1.000 acre

\*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. For more information contact the Director of Finance, County of Kauai.
2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
3. A 5 feet wide McBryde Sugar Co. pipeline right of way as shown on Tax Map.
4. Agreement Regarding Loan and Security

Dated: July 31, 2986  
Recorded: in the Bureau of Conveyances of the State of Hawaii, Book 21291,  
Page 595

5. A Mortgage to secure an indebtedness as shown below, and any other obligations secured thereby:

Amount: \$484,000.00  
Dated: June 6, 2003  
Loan No.: none shown  
Mortgagor: James E. Beyer and Vaughn Beyer, husband and wife  
Mortgagee: Bank of Hawaii, a Hawaii corporation organized and existing  
under the laws of Hawaii  
Recorded: June 12, 2003, in the Bureau of Conveyances of the State of  
Hawaii, Document No. 2003-117235

The foregoing instrument was amended by the following:

Amendment

Dated: October 27, 2004  
Recorded: December 8, 2004, in the Bureau of Conveyances of the State of  
Hawaii, Document No. 2003-117235

6. A Mortgage to secure an indebtedness as shown below, and any other obligations secured thereby:

Amount: \$200,000.00  
Dated: December 3, 2004  
Loan No.: none shown  
Mortgagor: James E. Beyer and Vaughn Beyer, husband and wife  
Mortgagee: Bank of Hawaii, a Hawaii corporation  
Recorded: December 9, 2004, in the Bureau of Conveyances of the State of Hawaii, Document No. 2004-248282

The foregoing instrument was amended by the following:

Amendment

Dated: January 20, 2005  
Recorded: January 25, 2005, in the Bureau of Conveyances of the State of Hawaii, Document No. 2005-014275

7. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document;

In favor of: James E. Beyer and Vaughn Beyer, husband and wife  
Purpose: access and utility  
Recorded: February 23, 2006, in the Bureau of Conveyances of the State of Hawaii, Document No. 2006-036187

8. Condominium Map No. 4169, recorded in the Bureau of Conveyances of the State of Hawaii.

The foregoing was amended by First Amendment to Declaration of Condominium Property Regime of Kalaheo Hillside Estates dated April 27, 2006, recorded as Document No. 2006-081041

9. 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 for "Kalaheo Hillside Estates"  
Condominium Project

Dated: February 2, 2006  
Recorded: Document No. 2006-036188

The foregoing was amended by First Amendment to Declaration of Condominium Property Regime of Kalaheo Hillside Estates dated April 27, 2006, recorded as Document No. 2006-081041

10. Bylaws of The Association of Apartment Owners of "Kalaheo Hillside Estates", dated February 2, 2005, recorded February 23, 2006, in the bureau of Conveyances of the State of Hawaii, Document No. 2006-036189

**END OF EXHIBIT "F"**

**EXHIBIT "G"**

**DISCLOSURE ABSTRACT**

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

1. The Developers of the project are JAMES E. BEYER and VAUGHN BEYER, P.O. Box 580, Kalaheo, Hawaii 96741, telephone (808) 332-6439.

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

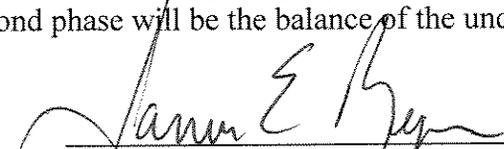
4. All of the apartments of the project are to be used for agricultural and permitted residential purposes only. No apartments shall be used for hotel or timeshare purposes. There will be no commercial use except those activities permitted by county ordinance.

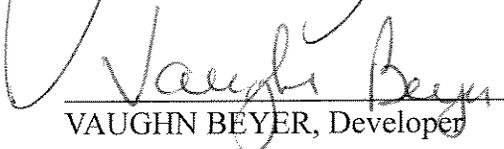
5. The developer has selected Island Pacific Properties, Inc. (RB-17703), P.O. Box 1255, Koloa, Hawaii 96756, telephone (808) 742-9508, as real estate broker for the sales of the apartments in the Project.

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. Should depreciable common elements be added, the appropriate replacement reserve will be established.

7. The Developer discloses Common Interest has been divided equally as shown: Unit A – 40%, Unit B – 25%, Unit C – 25% and Unit D – 10%, reflecting the burden on common elements by the three units.

9. The Developer intends to develop the property in phases, with the current report being the first phase and the second phase will be the balance of the undeveloped land.

  
\_\_\_\_\_  
JAMES E. BEYER, Developer

  
\_\_\_\_\_  
VAUGHN BEYER, Developer

2-02-06  
Date

2-2-06  
Date

---

RECEIPT

The undersigned has received a copy of the foregoing Disclosure Abstract this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

Purchaser(s):

\_\_\_\_\_

EXHIBIT "H"

ESTIMATE OF INITIAL MAINTENANCE FEES  
AND  
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

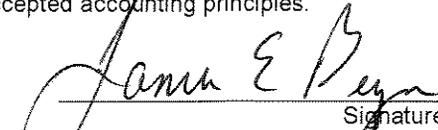
<u>Apartment</u>	<u>Monthly Fee</u>	x	12 months	=	<u>Yearly Total</u>
<u>A</u>	<u>50.00</u>				<u>600.00</u>
<u>B</u>	<u>50.00</u>				<u>600.00</u>
<u>C</u>	<u>50.00</u>				<u>600.00</u>
<u>D</u>	<u>50.00</u>				<u>600.00</u>

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

**Estimate of Maintenance Fee Disbursements:**

	<u>Monthly Fee</u>	x	12 months	=	<u>Yearly Total</u>
<b>Utilities and Services</b>					
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	_____				_____
<b>Maintenance, Repairs and Supplies</b>					
Building	_____				_____
Grounds	_____				_____
Unpaved accessway	200.00				2,400.00
<b>Management</b>					
Management Fee	_____				_____
Payroll and Payroll Taxes	_____				_____
Office Expenses	_____				_____
<b>Insurance</b>					
Insurance	_____				_____
<b>Reserves(*)</b>					
Reserves(*)	_____				_____
<b>Taxes and Government Assessments</b>					
Taxes and Government Assessments	_____				_____
<b>Audit Fees</b>					
Audit Fees	_____				_____
<b>Other</b>					
Other	_____				_____
<b>TOTAL</b>	<u>200.00</u>				<u>2,400.00</u>

I, JAMES E. BEYER and VAUGHN BEYER, the condominium managing agent or the developer, for the KALAHEO HILLSIDE ESTATES condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

  
 \_\_\_\_\_  
 Signature

  
 \_\_\_\_\_  
 Signature

2-02-06  
 \_\_\_\_\_  
 Date

2-2-06  
 \_\_\_\_\_  
 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 KAUAI**  
PLANNING DEPARTMENT  
4444 RICE STREET  
KAPULE BUILDING, SUITE A473  
LIHU'E, KAUAI, HAWAII 96766-1326

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

DATE: June 14, 2006

TO: Cynthia M.L. Yee, Esq.  
Senior Condominium Specialist  
Real Estate Commission - P & VLD/DCCA  
335 Merchant Street, Suite 333  
Honolulu, Hawaii 96813

FROM: Ian K. Costa, Director of Planning 

SUBJECT: Recertification of Inspection of Existing Buildings

Project Name: **KALAHEO HILLSIDE ESTATES  
Condominium Project (335)**  
Tax Map Key: (4) 2-3-002: 010

The developer of the above-mentioned condominium project has rectified the zoning violations as indicated in our letter dated April 10, 2005. 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 developer has contracted architect Avery Youn to certify that the existing buildings on the proposed project referred to as Kalaheo Hillside Estates Condominium Unit A through Unit D 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

**EXHIBIT "I"**

AN EQUAL OPPORTUNITY EMPLOYER

Cynthia M.L. Yee, Esq.  
Senior Condominium Specialist  
Kalaheo Hillside Estates Condominium  
TMK: (4) 2-3-002: 010  
June 14, 2006  
Page two

adopts that certification as it pertains to the rules and regulations administered solely by the Department.

2. There are no variances approved for the subject property.
3. The parcel does not contain any outstanding nonconforming uses or structures as a result of the adoption or amendments of any ordinances or codes and regulations.
4. There are no notices of 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 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  
James Beyer, Project Developer

## EXHIBIT J

### SUMMARY OF DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR KALAHEO HILLSIDE ESTATES CONDOMINIUM

The Kalaheo Hillside Estates Condominium (herein "Project") is affected by a "Declaration of Covenants, Conditions and Restrictions" (herein called the "Protective Covenants") dated February 2, 2006, which has not been recorded. The Developer has reserved the right to further amend the Protective Covenants prior to sale and thereafter as provided by the Protective Covenants.

This is a summary of some of the restrictions applicable to the Project. This is not meant to completely recite the actual provisions of the Protective Covenants or to cover every issue in which a purchaser might have interest. The prospective purchaser is urged to obtain a full copy of the Protective Covenants from the Developer prior to entering into an agreement to purchase a unit in this Project.

1. The Protective Covenants identify the property of the Project as being the subject matter of the restrictions. It identifies the Project as being subject to agricultural restrictions.
2. The restrictions require that the property be maintained in good repair and condition and that all laws will be obeyed. Offensive and annoying activities are limited. Bona fide agricultural activities are permitted. Unsightly structures are prohibited, hunting and firearm discharge are prohibited and other non-agricultural activities are limited.
3. There are restrictions on the residential density applicable to each unit; the establishment of residential construction setbacks and building envelopes is reserved.
4. There are provisions regarding the provision of utilities, obtaining building permits and the permitted residential uses in the Project.
5. A Design Review Committee is established and the means of approval for various development plans are designated.
6. Limitations and controls are established for grading, flooding, drainage and maintenance of improvements. Temporary structures are limited. Use of signs is limited.
7. The means by which the Protective Covenants can be enforced or amended are established. Persons entitled to enforce the Protective Covenants, including the County of Kauai under certain circumstances. So long as the Developer owns any interest in a unit in the Project the Developer must approve any changes to the Protective Covenants.

8. Owners are made responsible for their actions and the actions of their guests, contractors and others. All other owners will protect each other from the respective actions of individual owners.

9. An arbitration provision is established whereby disputes among the owners and the Association are resolved.

10. Miscellaneous provisions regarding notice, liability, availability of Project to the Association, duration of the effectiveness of the covenants and means of enforcement are established.

The foregoing is not deemed to be exhaustive exposition of the Protective Covenants but reflective of the types of information that will apply to the use and ownership of the Project.

**END OF EXHIBIT J**

AVERY H. YOUN, ARCHITECT  
2980 EWALU STREET  
LIHUE, HI 96766  
PH. (808) 245-9414  
FAX (808) 245-5238

**ARCHITECT'S CONDITION REPORT**  
**"KALAHEO HILLSIDE ESTATES"**

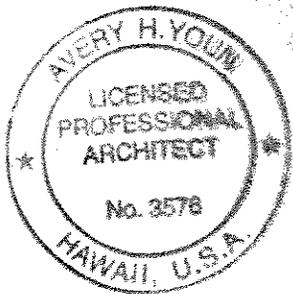
The undersigned, being a licensed architect within the State of Hawaii and bearing Registration Number 3576, has inspected the Unit D dwelling, of the "KALAHEO HILLSIDE ESTATES" project and declares as follows:

Unit D dwelling constructed in 1973

The structures are situated at Kalaheo, Kauai, Hawaii and identified as Tax Map Key No. (4) 2-3-02: 10

The inspection included the exterior roof, foundation, visible electrical and plumbing systems, and I find that the systems and components of the structure, including visible structural, electrical and plumbing, appear to be in satisfactory and sound condition for the stated age thereof. The structures and related systems and components have an expected useful life in excess of twenty (20) years for Unit D dwelling.

DATED: Lihue, Kauai, Hawaii Nov. 9, 2005.



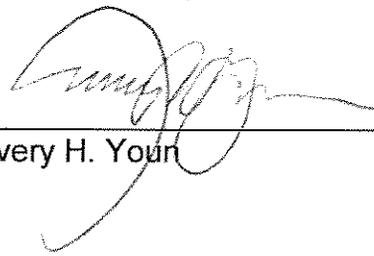
  
Avery H. Young

EXHIBIT "K"