

**DEVELOPER'S PUBLIC REPORT
FOR A CONDOMINIUM**

CONDOMINIUM PROJECT NAME	RAINBOW VALLEY CONDOMINIUM
Project Address	1051 Puuopae Road Kapaa, Kauai, Hawaii 96746
Registration Number	6758 (Conversion)
Effective Date of Report	March 27, 2009
Developer(s)	CAROL ANN BEARDMORE

Preparation of this Report

The Developer prepared this report to disclose relevant information, including "material facts", that are reasonably known to the Developer about the condominium project covered by this report. This report has been prepared pursuant to the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, as amended from time to time. The law defines "material facts" to mean "any fact, defect, or condition, past or present that to a reasonable person, would be expected to measurably affect the value of the project, unit, or property being offered or proposed to be offered for sale."

This report has not been prepared or issued by the Real Estate Commission or any other governmental agency. The issuance by the Commission of an effective date for this Developer's Public Report (1) does not mean that the Commission approves or disapproved of the project; (2) does not mean that the Commission thinks that either all material facts or all pertinent changes, or both, about the project have been fully or adequately disclosed; or (3) is not the Commission's judgment of the value or merits of the project.

This report may be used by the Developer for promotional purposes only if it is used in its entirety. No person shall advertise or represent that the Commission has approved or recommended the project, this report or any of the documents submitted with Developer's application for registration of this project.

This report will be amended if, after the effective date of this report, any changes, either material or pertinent changes, or both, occur regarding the information contained in or omitted from this report. In that case, the Developer is required to submit immediately to the Commission an amendment to this report or an amended Developer's Public Report, clearly reflecting the changes, including any omitted material facts, together with such supporting information as may be required by the Commission. In addition, the Developer may choose at any time to change or update the information in this report. Annually, at least thirty days prior to the anniversary date of the Effective Date of this report, the Developer shall file an annual report to update the material contained in this report. If there are no changes, the Developer is required to state that there are no changes. The Developer's obligation to amend this report or to file annual reports ends when the initial sales of all units in the project have been completed.

Purchasers are encouraged to read this report carefully and to seek professional advice before signing a sales contract for the purchase of a unit in the project.

Signing a sales contract may legally bind a purchaser to purchase a unit in the project, though a purchaser may have rights to cancel or rescind a sales contract under particularly circumstances that may arise.

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

SPECIAL ATTENTION

[Use this page for special or significant matters which should be brought to the purchaser's attention and that are not covered elsewhere in this report.]

This is a CONDOMINIUM PROJECT, **not** a subdivision. There are County restrictions on the number of residential dwelling units, farm dwellings, or other structures, which may be built on the property. Therefore, unless the Purchaser is buying an existing farm dwelling, THERE IS NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO BUILD A FARM DWELLING UNIT ON THE PROPERTY. THERE IS ALSO NO ASSURANCE THAT THE PURCHASER WILL BE ABLE TO CONVERT AN EXISTING NON-RESIDENTIAL STRUCTURE TO A RESIDENTIAL USE. PRIOR TO PURCHASE, THE PROSPECTIVE PURCHASER IS ADVISED TO REVIEW THIS CONDOMINIUM PROJECT WITH THE RESPECTIVE KAUAI COUNTY PLANNING OFFICES TO RECEIVE THE MOST RECENT DIRECTIVES CONCERNING DEVELOPMENT, REPLACEMENT, EXPANSION, OR CONSTRUCTION OF ANY TYPE OF STRUCTURE FOR THIS CONDOMINIUM PROJECT IN THE FUTURE.

1. There are presently one (1) residential farm dwelling structure and one (1) storage shed on the property, both of which may be defined as an "apartment" under the condominium property act.
2. This public report does **not** constitute an approval of the project by the Real Estate Commission or any other governmental agency, nor does it warrant that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.
3. The land area beneath and appurtenant to each unit is **not** a legally subdivided lot. The dotted lines on the Condominium Map bounding the designated number of square feet in each unit are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.
4. Facilities and improvements normally associated with County-approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owners and emergency traffic, drainage facilities, etc., may not be provided, and services such as County street maintenance and trash collection will not be available for interior roads and driveways.
5. All residential units to be built on each unit must comply with the Farm Dwelling Requirements set forth in Exhibit "H" attached hereto.
6. Since this is a 2 unit project and each unit has a 50% interest in the common element, all unit owners must attend the Association meetings in order to have a quorum to conduct business and all unit owners must agree in order for an action to be approved.

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 ownership of real property. To create a condominium in Hawaii after July 1, 2006, the Condominium Property Act, Chapter 514B, Hawaii Revised Statutes, must be followed. 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 and/or the building(s) and other improvements are leased to the purchaser. The lease for the land usually requires that at the end of the lease term, the lessees (unit owners) deliver their interest in the land to the lessor (fee property owner).

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

You will be entitled to exclusive ownership and possession of your unit. Subject to the documents governing them, condominium units may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift or operation of law.

Your unit will, however, be part of the group of units that comprise the condominium project. Study the project's Declaration of Condominium Property Regime, Bylaws of the Association of Unit Owners, Condominium Map and House Rules, if any, which are being concurrently delivered to you with this report. These documents contain important information on the use and occupancy of the units and the common elements of the project, as well as the rules and regulations of conduct for unit owners, tenants and guests.

Operation of the Condominium Project

The Association of Unit Owners is the entity through which unit owners may take action with regard to the administration, management and operation of the condominium project. Each unit 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 a unit owner. The Board and officers can take certain actions without the vote of the unit owners. For example, the Board may hire and fire employees, increase or decrease maintenance fees, adopt budgets for revenues, expenses and reserves and regulate the uses, maintenance, repair and replacement of common elements. Some of these actions may significantly impact the unit owners.

Until there is a sufficient number of purchasers of units to elect a majority of the Board, it is likely at first 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 purchasers should understand that it is important to all unit owners that the transition of control from the Developer to the unit owners be accomplished in an orderly manner and in a spirit of cooperation.

1. THE CONDOMINIUM PROJECT

1.1 The Underlying Land

Fee Simple or Leasehold Project	<input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (attach Leasehold Exhibit)
Developer is the Fee Owner	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Fee Owner's Name if Developer is not the Fee Owner	N/A
Address of Project	1051 Puuopae Road Kapaa, Kauai, Hawaii 96746
Address of Project is expected to change because	New addresses will be assigned by the County as houses are constructed.
Tax Map Key (TMK)	(4) 4-4-008-012
Tax Map Key is expected to change because	CPR numbers will be added to the current tax map key number.
Land Area	1.183 acres
Developer's right to acquire the Property if Developer is not the Fee Owner (describe)	N/A

1.2 Buildings and Other Improvements

Number of Buildings	2
Floors Per Building	1
Number of New Building(s)	
Number of Converted Building(s)	2
Principal Construction Materials (concrete, wood, hollow, tile, steel, glass, etc.)	Wood

1.3 Unit Types and Sizes of Units

Unit Type	Quantity	BR/Bath	Net Living Area	Net Other Areas	Other Areas (lanai, garage, etc.)	Total Area
1	1	2/2	1,042 sq. ft.		502 sq. ft.	1,544 sq. ft.
2	1			80 sq. ft.		80 sq. ft.
See Exhibit "A"						

2	Total Number of Units
---	------------------------------

Note: Net Living Area is the floor area of the unit measured from the interior surface of the perimeter walls of the unit. Other documents and maps may give floor area figures that differ from those above because a different method of determining floor area may have been used.

1.4 Parking Stalls

Total Parking Stalls in the Project:	4
Number of Guest Stalls in the Project:	0
Number of Parking Stalls Assigned to Each Unit:	2
Attach Exhibit "B" specifying the Parking Stall number(s) assigned to each unit and the type of parking stall(s) (regular, compact or tandem and indicate whether covered or open).	
If the Developer has reserved any rights to assign or re-assign parking stalls, describe such rights: N/A	

1.5 Boundaries of the Units

Boundaries of the unit: See Exhibit "A"
--

1.6 Permitted Alterations to the Units

Permitted alterations to the unit (if the unit is defined as a non-physical or spatial portion of the project, also describe what can be built within such portion of the project): See Exhibit "C"
--

1.7 Common Interest

<u>Common Interest</u> : Each unit will have a percentage interest in the common elements appurtenant to each unit. This interest is called the "common interest". It is used to determine each unit'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 unit owners. The common interest for each unit in this project, as described in Declaration, is:
Described in Exhibit _____ N/A
As follows: Each unit shall have appurtenant thereto an undivided one-half (1/2) interest in all common elements of the property, and the same proportionate share in all common profits and common expenses of the property (except as may be otherwise provided in the Bylaws) and for all other purposes, including voting. The common interest for each unit has been determined by assigning the interest set forth herein to each of the units irrespective of the actual land areas contained in each unit.

1.8 Recreational and Other Common Facilities (Check if applicable):

<input type="checkbox"/>	Swimming pool
<input type="checkbox"/>	Laundry Area
<input type="checkbox"/>	Storage Area
<input type="checkbox"/>	Tennis Court
<input type="checkbox"/>	Recreation Area
<input type="checkbox"/>	Trash Chute/Enclosure(s)
<input type="checkbox"/>	Exercise Room
<input type="checkbox"/>	Security Gate
<input type="checkbox"/>	Playground
<input checked="" type="checkbox"/>	Other (describe): Common element driveway

1.9 Common Elements

<p>Common Elements: Common elements are those parts of the condominium project other than the individual units and any other real estate for the benefit of unit owners. Although the common elements are owned jointly by all unit owners, those portions of the common elements that are designated as limited common elements (see Section 1.10 below) may be used only by those units to which they are assigned. In addition to the common facilities described in Section 1.8 above, the common elements for this project, as described in the Declaration, are set forth below.</p>									
<p>Described in Exhibit "D" .</p>									
<p>Described as follows:</p>									
<table border="1"> <thead> <tr> <th>Common Element</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Elevators</td> <td></td> </tr> <tr> <td>Stairways</td> <td></td> </tr> <tr> <td>Trash Chutes</td> <td></td> </tr> </tbody> </table>		Common Element	Number	Elevators		Stairways		Trash Chutes	
Common Element	Number								
Elevators									
Stairways									
Trash Chutes									

1.10 Limited Common Elements

<p>Limited Common Elements: A limited common element is a portion of the common elements that is reserved for the exclusive use of one or more but fewer than all units in the project.</p>
<p>Described in Exhibit "A" .</p>
<p>Described as follows:</p>

1.11 Special Use Restrictions

<p>The Declaration and Bylaws may contain restrictions on the use and occupancy of the units. Restrictions for this project include, but are not limited to, those described below.</p>	
<p><input checked="" type="checkbox"/></p>	<p>Pets: Animals and pets are regulated as provided in Section 13.1 of the Bylaws and Article IV, Section 2(i) of the House Rules.</p>
<p><input type="checkbox"/></p>	<p>Number of Occupants:</p>
<p><input checked="" type="checkbox"/></p>	<p>Other: Land coverage and zoning restrictions as provided in: Paragraph 16.7 and Article 15 of the Declaration; Exhibit "C" of the Declaration; and Exhibit "N" attached hereto.</p>
<p><input type="checkbox"/></p>	<p>There are no special use restrictions.</p>

1.12 Encumbrances Against Title

<p>An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of a unit in the project. Encumbrances shown may include blanket liens which will be released prior to conveyance of a unit (see Section 5.3 on Blanket Liens).</p>
<p>Exhibit "E" describes the encumbrances against title contained in the title report described below.</p>
<p>Date of the title report: December 22, 2008</p>
<p>Company that issued the title report: Title Guaranty of Hawaii, Inc.</p>

1.13 Uses Permitted by Zoning and Zoning Compliance Matters

Uses Permitted by Zoning					
	Type of Use	No. of Units	Use Permitted by Zoning		Zoning
<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 (farm dwelling)	One (1)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Ag/Open
<input type="checkbox"/>	Recreational		<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<input checked="" type="checkbox"/>	Other (specify) Storage Shed	One (1)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Ag/Open
Is/Are this/these use(s) specifically permitted by the project's Declarations or Bylaws?			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Variances to zoning code have been granted.			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Describe any variances that have been granted to zoning code.					

1.14 Other Zoning Compliance Matters

Conforming/Non-Conforming Uses, Structures and Lots
<p>In general, a non-conforming use, structure or lot is a use, structure or lot that was lawful at one time but that does not now conform to present zoning requirements. Under present zoning requirements, limitations may apply to extending, enlarging or continuing the non-conformity and to altering and repairing non-conforming structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.</p> <p>If a variance has been granted or if uses, structures or lots are either non-conforming or illegal, the purchaser should consult with county zoning authorities as to possible limitations that may apply in situations such as those described above.</p> <p>A purchaser may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure or lot.</p>

	Conforming	Non-Conforming	Illegal
Uses	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Structures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lot	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If a non-conforming use, structure or lot exists in this project, this is what will happen under existing laws or codes if the structure is damaged or destroyed:

1.15 Conversions

<p>Developer's statements regarding units that may be occupied for residential use and that have been in existence for five years or more.</p>	<p><input checked="" type="checkbox"/> Applicable</p> <p><input type="checkbox"/> Not Applicable</p>
<p>Developer's statement, based upon a report prepared by a Hawaii-licensed architect or engineer, describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the units:</p> <p>The Developer adopts the statement of the condition of all structural components and mechanical and electrical installations contained in the Architect's Statement Of Condition attached hereto as Exhibit "F".</p>	
<p>Developer's statement of the expected useful life of each item reported above:</p> <p>Pursuant to HRS Section 514B-84(a)(i)(8), the Developer makes no representations in regard to the useful life of the structural components and mechanical and electrical installations noted in Exhibit "F".</p>	
<p>List of any outstanding notices of uncured violations of any building code or other county regulations:</p> <p>N/A</p>	
<p>Estimated cost of curing any violations described above:</p> <p>N/A</p>	

<p>Verified Statement from a County official</p>
<p>Regarding any converted structures in the project, attached as Exhibit "<u>G</u>" is a verified statement signed by an appropriate county official which states that either:</p> <p>(A) The structures are in compliance with all zoning and building ordinances and codes applicable to the project at the time it was built, and specifying, if applicable:</p> <ul style="list-style-type: none"> (i) Any variances or other permits that have been granted to achieve compliance; (ii) Whether the project contains any legal non-conforming uses or structures as a result of the adoption or amendment of any ordinances or codes; and (iii) Any violations of current zoning or building ordinances or codes and the conditions required to bring the structure into compliance; <p style="text-align: center;">or</p> <p>(B) Based on the available information, the county official cannot make a determination with respect to the foregoing matters in (A) above.</p>
<p>Other disclosures and information:</p>

1.16 Project in Agricultural District

<p>Is the project in an agricultural district as designated by the land use laws of the State of Hawaii? If answer is "Yes", provide information below.</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable state and county land use laws? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation.</p>	
<p>Are the structures and uses anticipated by the Developer's promotional plan for the project in compliance with all applicable county real property tax laws? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If the answer is "No", provide explanation and state whether there are any penalties for noncompliance.</p>	
<p>Other disclosures and information:</p> <p>See Exhibit "H" regarding Farm Dwelling Requirements See Exhibit "I" regarding Farm Dwelling Agreement</p>	

1.17 Project with Assisted Living Facility

<p>Does the project contain any assisted living facility units subject to Section 321-11(10), HRS? If answer is "Yes", complete information below.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>Licensing requirements and the impact of the requirements on the costs, operations, management and governance of the project.</p>	
<p>The nature and the scope of services to be provided.</p>	
<p>Additional costs, directly attributable to the services, to be included in the association's common expenses.</p>	
<p>The duration of the provision of the services.</p>	
<p>Other impossible impacts on the project resulting from the provision of the services.</p>	
<p>Other disclosures and information:</p>	

2. PERSONS CONNECTED WITH THE PROJECT

2.1 Developer	Name: CAROL ANN BEARDMORE Business Address: 1051 Puuopae Road Kapaa, Kauai, Hawaii 96746 Business Phone Number: (808) 241-2030 Email address:
Names of officers and directors of developers that are corporations; general partners of a partnership; partners of a limited liability partnership (LLP); or a manager and members of a limited liability company (LLC) (attach separate sheet if necessary).	N/A
2.2 Real Estate Broker	Name: ALL ISLANDS, INC., dba Century 21 All Islands Business Address: P. O. Box 223700 Princeville, Kauai, Hawaii 96722 Business Phone Number: (808) 651-0220 Email address:
2.3 Escrow Depository	Name: OLD REPUBLIC TITLE & ESCROW OF HAWAII, LTD. Business Address: 733 Bishop Street, Suite 2700 Honolulu, Hawaii 96813 Business Phone Number: (808) 566-0100
2.4 General Contractor	Name: N/A Business Address: Business Phone Number:
2.5 Condominium Managing Agent	Name: Self-managed by the Association Business Address: Business Phone Number:
2.6 Attorney for Developer	Name: Jonathan J. Chun Business Address: Belles Graham Proudfoot & Wilson, LLP 4334 Rice Street, Suite 202 Lihue, Kauai, Hawaii 96766 Business Phone Number: (808) 246-4705

3. CREATION OF THE CONDOMINIUM AND CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances (Regular System) or filing in the Office of the Assistant Registrar of the Land Court, or both, a Declaration of Condominium Property Regime, a Condominium Map and the Bylaws of the Association of Unit Owners. The Condominium Property Act (Chapter 514B, HRS), the Declaration, Bylaws and House Rules control the rights and obligations of the unit owners with respect to the project and the common elements, to each other, and to their respective units.

3.1 Declaration of Condominium Property Regime

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

Land Court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	November 25, 2008	2008-180841

Amendments to Declaration of Condominium Property Regime		
Land Court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	March 10, 2009	2009-039257

3.2 Bylaws of the Association of Unit Owners

The Bylaws of the Association of Unit Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Unit 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 that affect how the condominium project will be governed.

Land Court or Bureau of Conveyances	Date of Document	Document Number
Bureau of Conveyances	November 25, 2008	2008-180842

Amendments to Bylaws of the Association of Unit Owners.		
Land Court or Bureau of Conveyances	Date of Document	Document Number

3.3 Condominium Map

The Condominium Map contains a site plan and floor plans, elevations and layout of the condominium project. It also shows the floor plan, unit number and dimensions of each unit.

Land Court Map Number	
Bureau of Conveyances Map Number	4744
Dates of Recordation of Amendments to the Condominium Map: First Amendment to Declaration of Condominium Property Regime of Rainbow Valley Condominium, recorded on March 16, 2009 as Document No. 2009-039257	

3.4 House Rules

The Board of Directors may adopt rules and regulations (commonly called "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. Changes to House Rules do not need to be recorded to be effective.		
The House Rules for this project:		
Are Proposed		<input type="checkbox"/>
Have Been Adopted and Date of Adoption	November 25, 2008	<input checked="" type="checkbox"/>
Developer does not plan to adopt House Rules		<input type="checkbox"/>

3.5 Changes to the Condominium Documents

Changes to the Condominium Documents: Changes to the Declaration, Bylaws and Condominium Map are effective only if they are duly adopted and recorded. Where permitted, the minimum percentages of the common interest that must vote for or give written consent to changes to the Declaration, Bylaws and Condominium Map are set forth below. The percentages for any individual condominium project may be more than the minimum set by law if the Declaration or Bylaws for the project so provide.		
Document	Minimum Set by Law	This Condominium
Declaration	67%	67%
Bylaws	67%	67%

3.6 Rights Reserved by the Developer to Make Changes to the Condominium Project or Condominium Documents

[X]	No rights have been reserved to the Developer to change the Declaration, Bylaws, Condominium Map or House Rules (if any).
[]	Developer has reserved the right to change the Declaration, Bylaws, Condominium Map and House rules (if any) and to add to or merge the project or to develop the project in one or more phases, and such rights are summarized as follows:

4. CONDOMINIUM MANAGEMENT

4.1 Management of the Common Elements

Management of the Common Elements: The Association of Unit 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.

The Initial Condominium Managing Agent for this project is (check one)

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> | Not affiliated with the Developer |
| <input checked="" type="checkbox"/> | None (self-managed by the Association) |
| <input type="checkbox"/> | The Developer or an affiliate of the Developer |
| <input type="checkbox"/> | Other (explain) |

4.2 Estimate of the Initial Maintenance Fees

Estimate of the Initial Maintenance Fees: The Association will make assessments against your unit 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 unit and the unit 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 "J" contains a breakdown of the estimated annual maintenance fees and the monthly estimated maintenance fee for each unit, certified to have been based on generally accepted accounting principles, with the Developer's statement as to when a unit owner shall become obligated to start paying the unit owner's share of the common expenses.

4.3 Utility Charges to be Included in the Maintenance Fees

If checked, the following utilities are included in the maintenance fees:

- | | |
|--------------------------|-------------------------------------|
| <input type="checkbox"/> | Electricity for the common elements |
| <input type="checkbox"/> | Gas for the common elements |
| <input type="checkbox"/> | Water |
| <input type="checkbox"/> | Sewer |
| <input type="checkbox"/> | TV cable |
| <input type="checkbox"/> | Other (specify) |

4.4 Utilities to be Separately Billed to Unit Owner

If checked, the following utilities will be billed to each unit owner and are not included in the maintenance fees:

- | | |
|-------------------------------------|-------------------------------------|
| <input checked="" type="checkbox"/> | Electricity for the Unit only |
| <input checked="" type="checkbox"/> | Gas for the Unit only |
| <input checked="" type="checkbox"/> | Water |
| <input checked="" type="checkbox"/> | Sewer |
| <input checked="" type="checkbox"/> | TV cable |
| <input checked="" type="checkbox"/> | Other (specify) All other utilities |

5. SALES DOCUMENTS

5.1 Sales Documents Filed with the Real Estate Commission

Sales Documents on file with the Commission include, but are not limited to, the following:	
<input checked="" type="checkbox"/>	Specimen Sales Contract Exhibit "K" contains a summary of the pertinent provisions of the sales contract, including but not limited to any rights reserved by the Developer.
<input checked="" type="checkbox"/>	Escrow Agreement dated: November 25, 2008 Name of Escrow Company: Old Republic Title & Escrow of Hawaii, Ltd. Exhibit "L" contains a summary of the pertinent provisions of the escrow agreement.
<input type="checkbox"/>	Other:

5.2 Sales to Owner-Occupants

If this project contains three or more residential units, the Developer shall designate at least fifty percent (50%) of the units for sale to Owner-Occupants.

<input type="checkbox"/>	The sales of units in this project are subject to the Owner-Occupant requirements of Chapter 514B.
<input type="checkbox"/>	Developer has designated the units for sale to Owner-Occupants in this report. See Exhibit _____.
<input type="checkbox"/>	Developer has or will designate the units for sale to Owner-Occupants by publication.

5.3 Blanket Liens

Blanket Liens: A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project or more than one unit that secures some type of monetary debt (such as a loan) or other obligation. Blanket liens (except for improvement district or utility assessments) must be released as to a unit before the developer conveys the unit to a purchaser. The purchaser's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the unit to the purchaser.

<input type="checkbox"/>	There are <u>no blanket liens</u> affecting title to the individual units.
<input checked="" type="checkbox"/>	There are <u>blanket liens</u> that may affect title to the individual units.

<u>Type of Lien</u>	<u>Effect on Purchaser's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage (See Exhibit "E" for description of Mortgage.)	Lender has priority over Buyer's rights under a sales contract, and has a right to terminate sales contracts upon foreclosure of its mortgage before an apartment sale is closed. Should the lender terminate Buyer's sales contract, Buyer shall be entitled to a refund of all deposits, less escrow cancellation fee.

5.4 Construction Warranties

Construction Warranties: Warranties for individual units and the common elements, including the beginning and ending dates for each warranty (or the method of calculating them), are as set forth below:

Building and Other Improvements: N/A

Appliances: N/A

5.5 Status of Construction, Date of Completion or Estimated Date of Completion

<p>Status of Construction:</p> <p>Unit 1 was completed in 1999. Unit 2 was completed in 2003.</p>
<p>Completion Deadline: If a sales contract for a unit is signed before the construction of the unit has been completed, or, in the case of a conversion, completion of any repairs, does not occur by the completion deadline set forth below, one of the remedies available to a purchaser is a cancellation of the purchaser's sales contract. The sales contract may include a right of the Developer to extend the completion deadline for force majeure as defined in the sales contract. The sales contract may also provide additional remedies for the purchaser.</p>
<p>Completion Deadline for any unit not yet constructed, as set forth in the sales contract:</p>
<p>Completion Deadline for any repairs required for a unit being converted, as set forth in the sales contract:</p>

5.6 Developer's Use of Purchaser Deposits to Pay for Project Construction Costs Before Closing or Conveyance

The Developer is required to deposit all moneys paid by purchasers in trust under a written escrow agreement with a Hawaii licensed escrow depository. Escrow shall not disburse purchaser deposits to the Developer or on behalf of the Developer prior to closing, except if a sales contract is canceled or if Developer has met certain requirements, which are described below.

5.6.1 Purchaser Deposits Will Not Be Disbursed Before Closing or Conveyance

<input checked="" type="checkbox"/>	<p>The Developer hereby declares by checking the box to the left that it shall use its own funds to complete the construction of the condominium project by the date indicated in Section 5.5 of this report, and the Developer, pursuant to its own analysis and calculations, certifies that it has sufficient funds to complete the construction of the condominium project.</p> <p><i>If this box is checked, Section 5.6.2, which follows below, will not be applicable to the project.</i></p>
-------------------------------------	--

5.6.2 Purchaser Deposits Will Be Disbursed Before Closing

<p>Hawaii law provides that, if certain statutory requirements are met, purchaser deposits in escrow under a binding sales contract may be used before closing to pay for certain project costs. For this project, the Developer indicates that purchaser deposits may be used for the following purposes (check applicable box):</p>	
<input type="checkbox"/>	<p>For new construction: to pay for project construction costs described in the Developer's budget and approved by the Developer's lender or an otherwise qualified, financially disinterested person; or</p>
<input type="checkbox"/>	<p>For conversions: to pay for repairs necessary to cure violations of county zoning and building ordinances and codes, for architectural, engineering, finance and legal fees, and for other incidental expenses.</p>

In connection with the use of purchaser deposits (check Box A or Box B):

<p>Box A <input type="checkbox"/></p>	<p>The Developer has submitted all information and documents required by law and the Commission prior to the disbursement of purchaser deposits before closing. This means that the Developer may use such deposits before closing. If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report.</p> <p>If Box A is checked, you should read and carefully consider the following notice, which is required by law:</p> <p><u>Important Notice Regarding Your Deposits:</u> Deposits that you make under your sales contract for the purchase of the unit may be disbursed before closing of your purchase to pay for project costs, construction costs, project architectural, engineering, finance, and legal fees, and other incidental expenses of the project. While the developer has submitted satisfactory evidence that the project should be completed, it is possible that the project may not be completed. If your deposits are disbursed to pay project costs and the project is not completed, there is a risk that your deposits will not be refunded to you. You should carefully consider this risk in deciding whether to proceed with your purchase.</p>
<p>Box B <input type="checkbox"/></p>	<p>The Developer has not submitted all information and documents required by law the the Commission, and, until all such information and documents are submitted, thus, the Developer cannot use purchaser deposits.</p> <p>If the Developer later submits all information and documents required by law and the Commission for the use of purchaser deposits, then the Developer must provide an amendment to this report or an amended developer's public report to each purchaser who has signed a sales contract. At such time, the <u>Important Notice Regarding Your Deposits</u> set forth immediately above will apply to all purchasers and will be restated in the amendment to this report or an amended developer's public report. When an effective date for such an amendment or an amended developer's public report is issued, <u>you will not have the right to rescind or cancel the sales contract by reason of such submission and amendment.</u> (This, however, does not affect your right to rescind for material changes or any other right you may have to rescind or cancel the sales contract, as described in Section 5.8 below.) If the Developer decides not to use purchaser deposits before closing, the Developer does not need to amend this report.</p> <p>You should understand that, although the <u>Important Notice Regarding Your Deposits</u> set forth above does not currently apply to you, it might apply to you in the future, and, therefore, you should read and carefully consider it now to ensure that you understand the risk involved in deciding whether to proceed with your purchase.</p>

Material House Bond. If the Developer has submitted to the Commission a completion or performance bond issued by a material house instead of a surety as part of the information provided prior to the use of purchaser deposits prior to closing or conveyance of a unit, the Developer shall disclose the same below and disclose the impact of any restrictions on the Developer's use of purchaser deposits.

5.7 Rights Under the Sales Contract

Before signing the sales contract, prospective purchasers should carefully review all documents relating to the project. These include but are not limited to the documents listed below. Items 2, 3 and 4 are made a part of this public report, as well as item 5, if any, and are being delivered to you with this report.	
1.	Developer's Public Report
2.	Declaration of Condominium Property Regime (and any amendments)
3.	Bylaws of the Association of Unit Owners (and any amendments)
4.	Condominium Map (and any amendments)
5.	House Rules, if any
6.	Escrow Agreement
7.	Hawaii's Condominium Property Act (Chapter 514B, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended), provided that rules and regulations under Chapter 514B have not yet been adopted.
8.	Other: Declaration of Restrictive Covenants recorded in Liber 15291 at Page 185. Farm Dwelling Agreement recorded as Document No. 98-105264.

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 514B, HRS) and the Administrative Rules (Chapter 107, HAR), are available online. Please refer to the following sites:

Website to access official copy of laws: www.capitol.hawaii.gov

Website to access rules: www.hawaii.gov/dcca/har

5.8 Purchaser's Right to Cancel or Rescind a Sales Contract

A purchaser's right to cancel a sales contract or to rescind a sales contract may arise under varying circumstances. In the sections below, some circumstances that will give rise to a purchaser's right to cancel or rescind are described, together with what a purchaser must do if the purchaser wishes to exercise any of the rights.

5.8.1 When a Sales Contract becomes Binding and Purchaser's 30-Day Right to Cancel a Sales Contract

A sales contract signed by a purchaser and the developer will not become binding on a purchaser or the Developer until the following events have taken place:

(1) The purchaser has signed the sales contract.

(2) The Developer has delivered to the purchaser a true copy of the developer's public report with an effective date issued by the Commission, together with all amendments to the report as of the date of delivery, and the project's recorded Declaration and Bylaws, House Rules (if any), the Condominium Map and any amendments to them to date (all of which are a part of the developer's public report). If it is impracticable to include a letter-sized Condominium Map, the Developer must provide written notice of an opportunity to examine the Condominium Map.

(3) The Developer has delivered to the purchaser a notice of the purchaser's 30-day cancellation right on a form prescribed by the Commission.

(4) The purchaser does at least one of the following:

(a) Waives the purchaser's right to cancel the sales contract within 30 days from receipt of the notice of the purchaser's 30-day cancellation right; or

- (b) Allows the 30-day cancellation period to expire without exercising the right to cancel; or
- (c) Closes the purchase of the unit before the 30-day cancellation period expires.

The purchaser or the Developer may cancel the sales contract at any time during the 30-day cancellation period, and the sales contract will be canceled and the purchaser's deposits returned to the purchaser, less any escrow cancellation fee and other costs associated with the purchase, up to a maximum of \$250.

5.8.2 Right to Cancel a Sales Contract If Completion Deadline Is Missed

In addition to the purchaser's 30-day cancellation right described in Section 5.8.1 above, when a sales contract is signed before completion of construction of a project, the purchaser will have the right to cancel if the unit is not completed by certain deadlines. In conversion projects, there must be a deadline for completion of any required repairs. Every sales contract shall contain an agreement of the Developer that the completion of construction shall occur on or before the completion deadline, and that completion deadline is set forth in this report in Section 5.5. The sales contract shall provide that the purchaser may cancel the sales contract at any time after the specified completion deadline, if completion of construction does not occur on or before the completion deadline, as the same may have been extended. Upon a cancellation, the purchaser's deposits shall be refunded, less any escrow cancellation fee and other costs associated with the purchaser, up to a maximum of \$250.00.

5.8.3 Purchaser's Right to Rescind a Binding Sales Contract After a Material Change

If a "material change" in a project occurs after a purchaser has signed a sales contract that has become binding, the purchaser will have a 30-day right to rescind after notification and description of the material change. A material change is defined in the Condominium Property Act to be any change that "directly", substantially and adversely affects the use or value of (1) a purchaser's unit, or appurtenant limited common elements; or (2) those amenities of the project available for the purchaser's use."

The purchaser will be informed of the material change by the developer on a form prescribed by the Commission containing a description of the material change.

After notice of the material change, the purchaser may waive the right to rescind by:

- (1) Checking the waiver box on the rescission form; or
- (2) Letting the 30-day rescission period expire, without taking any action to rescind; or
- (3) Closing the purchase of the unit before the 30-day rescission period expires.

The rescission form must be signed by all purchasers of the affected unit and delivered to the developer no later than midnight of the 30th calendar day after the purchaser's received the rescission form from the developer. Purchasers who validly exercise the right of rescission shall be entitled to a prompt and full refund of any moneys paid.

A rescission right shall not apply in the event of any additions, deletions, modifications and reservations including, without limitation, the merger or addition or phasing of a project, made pursuant to the terms of the project's Declaration.

These provisions shall not preclude a purchaser from exercising any rescission rights pursuant to a contract for the sale of a unit or any applicable common law remedies.

6. MISCELLANEOUS INFORMATION NOT COVERED ELSEWHERE IN THIS REPORT

1. The use of hazardous material is restricted except as provided under Article H of the Declaration and all hazardous materials laws.
2. For the purpose of Exhibit "J" of the Developer's Public Report the Developer has not conducted a reserve study in accordance with § 514B-148, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.
3. Current County of Kauai ordinances allow the construction of one single family dwelling on Unit 1 and one "additional dwelling unit" ("ADU") on Unit 2. As long as there is an Additional Dwelling Unit ("ADU") ordinance in effect in the County of Kauai, each of the Units shall be entitled to construct a single Condominium House (whether it is considered as the main residence or the ADU allowed to be constructed on the Property). The Developer makes no warranties or representations regarding the future of County of Kauai ordinances regarding ADUs on the ability at anytime in the future of an ADU to be constructed on the property. A County of Kauai Additional Dwelling Unit Facilities Clearance form for the ADU to be located on Unit 2 was approved, a copy of which is attached hereto as Exhibit "M". Ordinance No. 843 amending CZO Section 8-26.1 requires the building permit for the ADU on Unit 2 to be issued on or before December 15, 2009. Any ADU to be built on Unit 2 must also comply with the Farm Dwelling Requirements set forth in Exhibit "H".
4. Purchasers should be aware of the following zoning restrictions:
 - (a) The available land coverage and developable area shall be allocated to each Unit as set forth in Exhibit "N".
 - (b) Purchaser's should be aware of the matters concerning the Project's compliance with zoning requirements as set forth in the Developer's Zoning Compliance Declaration attached hereto as Exhibit "O".
5. No Rottweiler or Rottweiler mix dogs, Pit bull or Pit bull mix dogs, Doberman Pincher or Doberman Pincher mixed dogs as set forth in the House Rules.

The Developer declares subject to the penalties set forth in Section 514B-69, HRS, that this project conforms to the existing underlying county zoning for the project, zoning and building ordinances and codes and all applicable permitting requirements adopted by the county in which the project is located, all in accordance with Sections 514B-5 and 32(a)(13), HRS.

For any conversion, if any variances have been granted, they are specified in Section 1.14 of this report, and, if purchaser deposits are to be used by the Developer to cure any violations of zoning, permitting requirements or rules of the county in which the project is located, the violation is specified in Section 1.15 of this report, along with the requirements to cure any violation, and Section 5.5 specifies the date by which the cure will be completed.

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 purchasers 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. The Developer hereby agrees promptly to amend this report to report and include either or all material facts, material or pertinent changes to any information contained in or omitted from this report and to file annually a report to update the material contained in this report at least 30 days prior to the anniversary date of the effective date of this report.

CAROL ANN BEARDMORE
Printed Name of Developer

By Carol Ann Beardmore
CAROL ANN BEARDMORE

December 31, 2008
Date

Distribution:

Department of Finance, County of Kauai

Planning Department, County of Kauai

***Must be signed for a corporation by an officer; for a partnership or limited liability partnership (LLP) by the general partner; for a limited liability company (LLC) by the manager or an authorized member; and for an individual by the individual.**

370610.04

EXHIBIT "A"

A. UNIT DESCRIPTIONS:

The Project contains two (2) units described as follows:

Unit 1, located as shown on the Condominium Map, is a one-story farm dwelling residence consisting of two (2) bedrooms, two (2) bathrooms, a living room, kitchen and dining room. Unit 1 has a net living area of approximately 1,042 square feet, a lanai porch area of approximately 348 square feet, and an open deck area of approximately 154 square feet, for a total area of approximately 1,544 square feet.

Unit 2, located as shown on the Condominium Map, is a storage shed consisting of a total area of 80 square feet.

The approximate net floor areas of the Improvements as set forth above are measured from the interior surface of the Improvements' perimeter walls and include all of the walls and partitions, if any, within such perimeter walls.

NOTE: THE FLOOR AREAS SHOWN ARE APPROXIMATE ONLY. THE DECLARANT MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER AS TO THE FLOOR AREA OF ANY PARTICULAR IMPROVEMENT.

B. UNIT LOCATION AND ACCESS TO COMMON ELEMENTS:

Units 1 and 2 are located as shown on the Condominium Map. Each unit has direct access to: the common elements of the project; any limited common element appurtenant to a unit; and the common elements and/or limited common elements which provide access to a public or private road serving the Property.

C. UNIT ACCESS TO PUBLIC ROAD:

Units 1 and 2 have direct access across its respective appurtenant limited common elements to a public road to-wit: Puuopae Road.

D. COMMON ELEMENTS:

The common elements of the project shall specifically include, but are not limited to, the following:

1. The land described in Exhibit "A" attached to the Declaration in fee simple.
2. All central and appurtenant installations for common services, including power, light, water, telephone and sewer.

3. Any and all apparatus and installations of common use and all other parts of the project necessary or convenient to its existence, maintenance and safety, or normally in common use.

4. The 903 sq. ft. common element for access and utility purposes, as shown on the Condominium Map.

E. LIMITED COMMON ELEMENTS:

Units 1 and 2 shall have appurtenant thereto easement for the exclusive use of certain limited common elements as follows:

1. Unit 1. Unit 1 shall have appurtenant to it a limited common element which consists of the land area, which contains approximately 17,509 square feet as designated on the Condominium Map and described in Exhibit 1 attached to the Declaration, and is reserved for the exclusive use of Unit 1 for the purposes described in the Project Documents.

2. Unit 2. Unit 2 shall have appurtenant to it a limited common element which consists of the land area, which contains approximately 33,110 square feet as designated on the Condominium Map and described in Exhibit 2 attached to the Declaration, and is reserved for the exclusive use of Unit 2 for the purposes described in the Project Documents.

EXHIBIT "B"

PARKING PLAN

Unit 1 has two (2) designated open parking stalls within the limited common element appurtenant to Unit 1 for the use of the owner of Unit 1. There are no parking stalls designated for Unit 2. When a dwelling unit is constructed on Unit 2 or its appurtenant limited common element, the owner of Unit 2 shall designate and provide at least two (2) parking stalls within the limited common element appurtenant to said unit or within an attached or detached garage of the unit.

EXHIBIT "C"

ALTERATIONS TO UNITS

1 Alteration of Units. Provided that a Unit Owner satisfies the applicable terms and conditions of the Project Documents and obtains all of the necessary governmental permits, such Unit Owner shall have the right at such Owner's sole option at any time and from time to time, as hereinafter set forth, without the consent and/or approval of the Owner of any other Unit or any other persons or entity (unless such consent is required by any governmental agency, in which case it shall be promptly given), to construct, reconstruct, repair, maintain, improve, renovate, remodel, make additions to, enlarge, remove, replace, alter or restore the improvements to or in such Owner's Unit or portions thereof or upon or within the Limited Common Elements or easements appurtenant to such Owner's Unit (collectively, the "Alterations").

2. Alterations.

(a) Authorized Scope. Each Unit Owner shall have the right and power to change the size, location and/or configuration of their respective Units or easements appurtenant only to such Units; provided, however, that the Owner undertaking such change shall obtain the prior written consent of all of the other Owners, if any, affected by such change. The Owners requesting such change shall be solely liable for paying all fees and expenses necessary to accomplish such change (including the filing of an amendment to this Declaration and an amended Condominium Map).

(b) Amendment of Declaration and Condominium Map. Except as provided in this Section 2(a) above, the Owners undertaking or affected by any Alterations shall have the right, without the consent or joinder of any other person, to amend this Declaration and the Condominium Map to accomplish any such Alterations. Notwithstanding anything contained in this Section 2(b) hereinbefore, the Board of Directors, or its designee, shall review and approve such amendments to verify that such Alterations and amendments comply with the requirements of this Declaration and of the Act (including the requirement that such amendments be certified by a registered architect and/or by a professional engineer). Upon approval, the Board or its designee shall duly record such amendment to this Declaration in the Bureau of Conveyances of the State of Hawaii, together with an amended Condominium Map as so altered, certified by a registered architect or professional engineer to fully and accurately depict the altered portions of the Property.

(c) Acceptance of Alterations. Each Owner and such Owner's mortgagees, by accepting any interest in a Unit, consent to all such Alterations and agree to give, and shall be deemed to have given, the affected Owners a power of attorney to execute an amendment to this Declaration solely for the purpose of describing the Alterations in this Declaration so that the Owner of the altered Unit shall hereafter have a power of attorney from all the other Owners, if any, to execute such amendment to this Declaration. This power of attorney shall be deemed coupled with each Owner's interest in such Owner's Unit (including such Owner's Common Interest) and shall be irrevocable.

3 General Provisions Applicable to All Units. In addition to the provisions of Section 2 above and to the extent this Section 3 does not conflict with said Section 2, which Section 2 shall control in the event of any such conflict, the following shall apply to the Units and their respective Owner:

(a) Amendments of Declaration and Condominium Map. Each Unit Owner who undertakes any Alteration of such Owner's Unit (each an "Altering Owner") shall amend this Declaration and the Condominium Map to describe and depict any such Alterations, which amendments shall not require the consent or joinder of any other person. If required by the Act, promptly upon completion of such Alterations the Altering Owner shall duly record such amendment to this Declaration in the Bureau of Conveyances, together with a complete set of the floor plans of such Unit as so altered, certified by a registered architect or professional engineer to fully and accurately depict the altered portions of the property as built.

(b) Consent to Alterations. All existing Unit Owners and all future Unit Owners and their mortgagees, by accepting an interest in any Unit, consent to all such Alterations and agree to give and shall be deemed to have given the Altering Owner a power of attorney to execute an amendment to this Declaration solely for the purpose of describing the Alterations to such Unit so that such Altering Owner shall hereafter have a power of attorney from all other Unit Owners to execute such amendment to this Declaration. This power of attorney shall be deemed coupled with each Owner's interest in such Owner's Unit (including such Owner's Common Interest) and shall be irrevocable.

4. Execution of Documents. If, despite the provisions of this Exhibit "C", any governmental agency shall require some or all of the Owners of Units in the Project (other than the Altering Owner) to sign the necessary governmental permit application or related documents, then all of the other Unit Owners shall be required to sign any such permit applications or related documents (including authorizations allowing the Altering Owner to sign such governmental permits on behalf of such other Owners) as may be necessary to allow an Altering Owner to obtain the governmental permit authorized by this Section 4. Any such Unit Owner who wrongfully refuses to sign such permits or provide the Altering Owner with the necessary authorizations shall be liable to the Altering Owner for all such damages (including costs and attorneys' fees) incurred by the Altering Owner as a result of such refusal, and shall be subject to such other legal and/or equitable remedies as may be available to the Altering Owner.

5. Farm Dwellings. H.R.S. Chapter 205 may require that the Condominium Houses located within the Project qualify and be used as Farm Dwellings. If such shall be the case, the Unit 1 Owner and the Unit 2 Owner will be required to enter into an agreement with the County of Kauai certifying that the Farm Dwelling on their respective Units will be used in connection with a farm or where agricultural activity provides income to the family occupying the Farm Dwelling. The Planning Department of the County of Kauai may not allow any Farm Dwelling on a Unit to be constructed unless the Planning Department inspects such Unit to confirm whether agricultural activities are being conducted in accordance with H.R.S. Chapter 205. In such a case, the affected Unit Owner will be required to bear the cost of maintaining agricultural activities on the affected Owner's Unit that are satisfactory to the Planning Department of the County of Kauai and that will allow the issuance of a Farm Dwelling Agreement and corresponding building permit to such Unit.

6. Conditions to Alterations. Any Alterations of a Unit pursuant to this Exhibit "C" shall be subject to the following conditions:

(a) Compliance with Laws. All Alterations shall comply with all applicable governmental regulations, laws and ordinances.

(b) Scope of Improvements. Such Alterations may decrease or increase the size of improvements located on or within the affected Unit or its appurtenant limited common element, provided that no Alteration shall extend or place such improvements outside the limits of such Unit or its appurtenant limited common element.

(c) Cost. All such Alterations shall be at the sole expense of the Altering Owner making the change and shall be completed promptly following issuance of all necessary governmental permits for the commencement thereof and in a manner that will not unreasonably interfere with any other Unit Owner's use or quiet enjoyment of such Owner's Unit.

7. Guest Houses. No guest house, as defined in the Declaration, is allowed to be constructed on either Unit.

8. When applying for or submitting Farm Dwelling Agreements, building permits, use permits, zoning permits or any other land use permits with governmental agencies, the governmental agency may require some or all of the owners of the Project to sign the permit forms. In such case, all unit owners shall be required to sign such permit applications and related documents as may be necessary for any unit owner to obtain such permits, so long as the requesting unit owner has complied with the Condominium Documents.

9. The issuance of an effective date for the Condominium Public Report should not be construed to mean that all governmental laws, ordinances and regulations have been complied with and all subsequent development and use shall comply with applicable governmental laws, ordinances and regulations. Additionally, the creation of the Condominium Property Regime does not mean that the land has met the subdivision requirements of the County. As such, certain facilities and improvements normally associated with County approved subdivisions may not be necessarily included as part of this Project.

10. Subject to the Farm Dwelling Requirements set forth in Exhibit "H", the owner of each unit shall be allowed to construct, place and/or maintain the following improvements within the owner's unit or its appurtenant limited common element: one Condominium House; Agricultural Buildings; garages; fences; walls; landscaping; roads; walkways; recreational facilities; underground utilities; wells; water tanks; parking areas; patios; and other improvements allowed by the Board.

Provided further that all uses on all Units shall be further restricted by the provisions contained in the Restrictive Covenants, if any.

EXHIBIT "D"

COMMON ELEMENTS

The common elements of the project shall specifically include, but are not limited to, the following:

1. The land described in Exhibit "A" attached to the Declaration in fee simple.
2. All central and appurtenant installations for common services, including utilities.
3. Any and all apparatus and installations of common use and all other parts of the project necessary or convenient to its existence, use, maintenance or safety, or normally in common use.
4. The 903 sq. ft. common element, for access and utility purposes, as shown on the Condominium Map.

EXHIBIT "E"

ENCUMBRANCES AGAINST TITLE

1. Real Property taxes, if any, due and owing.
2. The terms and provisions contained in the DECLARATION OF RESTRICTIVE COVENANTS dated January 16, 1981, recorded in Liber 15291 at Page 185.

The foregoing includes, but is not limited to, matters relating to the following:

"That the subdivided lots shall not be further resubdivided without the prior written consent of the Planning Commission of the County of Kauai."

3. The terms and provisions contained in the AGREEMENT dated October 29, 1982, recorded in Liber 16670 at Page 622, by and between LEROY K. A. AGUIAR and THE COUNTY OF KAUAI PLANNING COMMISSION.
4. The terms and provisions contained in the FARM DWELLING AGREEMENT dated July 15, 1998, recorded as Document No. 98-105264, by and between CAROL A. BEARDMORE, "Applicant", and COUNTY OF KAUAI PLANNING DEPARTMENT, "Department".
5. MORTGAGE in favor of KAUAI COMMUNITY FEDERAL CREDIT UNION, a federally chartered organization, dated ---- (acknowledged October 16, 2003), and recorded as Document No. 2003-230978.
6. MORTGAGE in favor of BANK OF HAWAII, a Hawaii corporation, dated August 25, 2008, and recorded as Document No. 2008-136937.
7. The terms and provisions contained in the following:

DECLARATION OF THE CONDOMINIUM PROPERTY REGIME OF RAINBOW VALLEY CONDOMINIUM dated November 25, 2008, and recorded as Document No. 2008-180841.

Condominium Map No. 4744 and any amendments thereto.

FIRST AMENDMENT TO DECLARATION OF THE CONDOMINIUM PROPERTY REGIME OF RAINBOW VALLEY CONDOMINIUM dated March 10, 2009, recorded as Document No. 2009-039257.
8. The terms and provisions contained in the BY-LAWS OF THE ASSOCIATION OF UNIT OWNERS OF RAINBOW VALLEY CONDOMINIUM dated November 25, 2008, recorded as Document No. 2008-180842.

EXHIBIT "F"

**ENGINEER'S CONDITION REPORT
"RAINBOW VALLEY" CONDOMINIUM
TMK: (4) 4-4-08:Parcel 12 (Lot 157-A)
SOUTH OLOHENA, DISTRICT OF KAWAIHAU, KAUA'I, HAWAII**

The undersigned, being a licensed engineer within the state of Hawaii and bearing Registration No 2586, has inspected the buildings comprising the condominium project known as "Rainbow Valley" Condominium, located at South Olohena, District of Kawaihau, Kaua'i, Hawaii, and identified by Tax Map Key No (4) 4-4-08:Parcel 12 (Lot 157-A).

1. Without conducting invasive examinations of covered plumbing, electrical and structural components, the improvements appear to be in sound condition.
2. No representations are made to the expected useful life of the improvements.

This is not a warranty of compliance with all rules and regulations but is only a warranty that inspection was made. No right shall accrue to any third party for subsequent discovery of any problems.

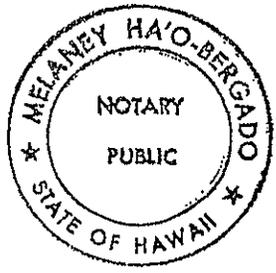
PETER TAYLOR ENGINEER & LAND SURVEYOR, INC.

Peter Neil Taylor

 PETER NEIL TAYLOR
 Hawaii License No. 2586 | 09/12/08.

STATE OF HAWAII)
) SS:
 COUNTY OF KAUA'I)

On this 12th day of SEPTEMBER, 2008, before me appeared Peter Neil Taylor, to me personally known, who, being by me duly sworn or affirmed, did say that such person(s) executed the foregoing Engineer's Condition Report dated 09/12, 2008, which document consists of ONE page(s), as the free act and deed of such person(s), and if applicable, in the capacities shown, having been duly authorized to execute such instrument in such capacities.



Melaney Ha'O-Bergado

 Name of Notary: **MELANEY HA'O-BERGADO**
 Commission Expires January 20, 2010
 Notary Public, State of Hawaii
 Notary Public, Fifth Judicial Circuit,
 State of Hawaii.
 My commission expires: 01/20/2010
 Commission No.: 86-18

EXHIBIT "G"

BERNARD P. CARVALHO, JR.
MAYOR



IAN K. COSTA
DIRECTOR OF PLANNING

GARY K. HEU
ADMINISTRATIVE ASSISTANT

IMAICALANI P. AIU
DEPUTY DIRECTOR OF PLANNING

COUNTY OF KAUAI
PLANNING DEPARTMENT

4444 RICE STREET
KAPULE BUILDING, SUITE A473
LIHU'E, KAUAI, HAWAII 96766-1326

TEL (808) 241-6677 FAX (808) 241-6699

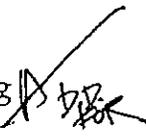
RECEIVED

DEC 22 2008

BELLES GRAHAM PROUDFOOT
WILSON & CHUN, LLP

DATE: December 12, 2008

TO: Cynthia M.L. Yee, Esq.
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: RAINBOW VALLEY
Condominium Project (569)
Tax Map Key: (4) 4-4-008: 012

The attorney for the above-mentioned condominium project has requested that this office, as an agency of the County of Kauai, review the project for compliance with all ordinances, codes, rules, regulations and other requirements of the County of Kauai, Section 514 B-5 & B-6, Hawaii Revised Statutes, subject to the disclosures and waivers (item "5" below) specified herein, we certify the following:

1. The developer have contracted engineer Peter Taylor to certify that the buildings on the proposed project referred to as Rainbow Valley Condominium Unit 1 and Unit 2 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.

Senior Condominium Specialist
Rainbow Valley Condominium
TMK: (4) 4-4-008: 012
December 12, 2008
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 B-84, (a), and (2), Hawaii Revised Statutes.

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

cc: Jonathan Chun, Attorney at Law
Carol Ann Beardmore, Project Developer

EXHIBIT "H"

FARM DWELLING REQUIREMENTS

Purchasers should be aware that Chapter 205, Hawaii Revised Statutes ("H.R.S."), generally 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".

The term "farm dwelling" is defined in H.R.S. Chapter 205-4.5(a)(4) as a "single family dwelling located on and used in connection with a farm, including clusters of single-family farm dwelling permitted within agricultural parks developed by the State or where agricultural activity provides income to the family occupying the dwelling."

The penalty for violation of H.R.S. Section 205-4.5, 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 farm dwelling, the County of Kauai will require the purchaser to sign a Farm Dwelling Agreement in the form attached hereto as Exhibit "I".

In addition, Section K.2. of the Declaration imposes a duty of each unit owner to bear the cost of maintaining agricultural activities on the affected Owner's Unit that are satisfactory to the Planning Department of the County of Kauai and that will allow the issuance of a Farm Dwelling Agreement and corresponding building permit to all of the units with the Project. See Section 5 of Exhibit "C", Alteration of Project.

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 _____,
_____, whose residence and post office address
is _____,
_____, hereinafter called the "APPLICANT(S)", and the COUNTY OF
KAUAI, Planning Department, its business and mailing address being 4444 Rice street, Building
A, Suite 473, Lihue, Hawaii 96766, hereinafter called the "DEPARTMENT".

WITNESSETH:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPROVED:

APPLICANT(S)

Planning Director

APPROVED AS TO FORM AND LEGALITY:

County Attorney

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

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

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

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

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

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

STATE OF HAWAII)
) SS:
COUNTY OF KAUAI)

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

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

EXHIBIT "J"

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee x 12 months = Yearly Total</u>
Unit 1	\$55.00 x 12 = \$660.00
Unit 2	\$55.00 x 12 = \$660.00

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

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months =

Yearly Total

Utilities and Services

- Air Conditioning
- Electricity
 - [] common elements only
 - [] common elements and apartments
- Elevator
- Gas
 - [] common elements only
 - [] common elements and apartments
- Refuse Collection
- Telephone
- Water and Sewer

Maintenance, Repairs and Supplies

- Building
- Grounds/Roads
- Entrance and Gate

\$ 30.00 x 12 = \$ 360.00

Management

- Management Fee
- Payroll and Payroll Taxes
- Office Expenses

\$ 50.00 x 12 = \$ 600.00

Insurance

\$ 30.00 x 12 = \$ 360.00

Reserves(*)

\$ 30.00 x 12 = \$ 360.00

Taxes and Government Assessments

- Audit Fees
- Legal Fees
- Other

TOTAL

\$ 110.00 x 12 = \$1,320.00

CAROL ANN BEARDMORE, the developer for the RAINBOW VALLEY CONDOMINIUM, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Carol Ann Beardmore
CAROL ANN BEARDMORE

December 31, 2008
Date

Pursuant to §514B-144, HRS, the association will be required to adopt an annual budget. Pursuant to §514B-148, HRS, the annual budget shall include both total replacement reserves as of the date of the budget, and estimated replacement reserves. The association shall assess the unit owners to either fund a minimum of fifty percent of the estimated replacement reserves or fund one hundred percent of the estimated replacement reserves when using a cash flow plan; provided that a new association need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting. For each fiscal year, the association shall collect the amount assessed to fund the estimated replacement for that fiscal year reserves, as determined by the association's plan.

The association shall compute the estimated replacement reserves by a formula that is based on the estimated life and the estimated capital expenditure or major maintenance required for each part of the property. The estimated replacement reserves shall include:

(1) Adjustments for revenues which will be received and expenditures which will be made before the beginning of the fiscal year to which the budget relates; and

(2) Separate, designated reserves for each part of the property for which capital expenditures or major maintenance will exceed \$10,000. Parts of the property for which capital expenditures or major maintenance will not exceed \$10,000 may be aggregated in a single designated reserve.

"Capital expenditure" means an expense that results from the purchase or replacement of an asset whose life is greater than one year, or the addition of an asset that extends the life of an existing asset for a period greater than one year.

"Cash flow plan" means a minimum twenty-year projection of an association's future income and expense requirements to fund fully its replacement reserves requirements each year during that twenty-year period, except in an emergency; provided that it does not include a projection of special assessments or loans during that twenty-year period, except in an emergency.

"Major maintenance" means an expenditure for maintenance or repair that will result in extending the life of an asset for a period greater than one year.

"Replacement reserves" means funds for the upkeep, repair, or replacement of those parts of the property, including but not limited to roofs, walls, decks, paving, and equipment, that the association is obligated to maintain.

NOTE: Developer discloses that Developer has not conducted a reserve study in accordance with §514B-148, HRS, and the replacement reserve rules, if any, adopted by the Real Estate Commission.

EXHIBIT "K"

SUMMARY OF PURCHASE CONTRACT

The Purchase Contract, including the terms and conditions attached thereto as the CPR Addendum (hereinafter collectively called the "Sales Contract") contain the price and other terms and conditions under which a purchaser will agree to buy a unit in the Project. Among other things, the Sales Contract states:

(a) The total purchase price, method of payment and additional sums which must be paid in connection with the purchase of a unit.

(b) That the purchaser acknowledges having received and read, prior to signing the Sales Contract, the following: The Developer's Public Report and any amendments; the recorded project Declaration and Bylaws and any amendments; the project House Rules, if any, with amendments; a letter sized Condominium Project Map and amendments; and the Notice of Buyer's Right to Cancel.

(c) That the Developer makes no representations concerning rental of a unit, income or profit from a unit, or any other economic benefit to be derived from the purchase of a unit.

(d) That the purchaser's money will be held in escrow, under the terms of the Escrow Agreement.

(e) Requirements relating to the purchaser's financing of the purchase of a unit.

(f) That the unit and the Project will be subject to various other legal documents which the purchaser should examine, and that the Developer may change these documents under certain circumstances.

(g) That the Developer makes no warranties regarding the unit, the Project or anything installed or contained in the unit or the Project.

(h) That the purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.

(i) That, unless requested, the purchaser will not receive interest on deposits made under the Sales Contract.

(j) If the buyer shall default:

(1) The contract may, at the seller's option, be terminated by written notice to the buyer; and

(2) Any sums paid by the buyer shall belong to the seller as liquidated damages (up to a maximum of 20% of the total purchase price); and

(3) The seller may pursue any other remedy, including specific performance, permitted by law or equity. All costs, including reasonable attorneys' fees, incurred by reason of default by the buyer shall be borne by the buyer.

The Sales Contract contains various other important provisions relating to the purchase of a unit in the Project. It is incumbent upon purchasers and prospective purchasers to read with care the specimen sales Contract on file with the Real Estate Commission.

EXHIBIT "L"

SUMMARY OF ESCROW AGREEMENT

The Escrow Agreement sets up an arrangement under which the deposits a purchaser makes pursuant to a Sales Contract will be held by a neutral party ("Escrow"). Under the Escrow Agreement, these things will or may happen:

- (a) Escrow will let the purchaser know when payments are due.
- (b) Escrow will arrange for the purchaser to sign all necessary documents.

(c) The purchaser is entitled to a refund if the purchaser or seller cancels the Sales Contract in accordance with its cancellation provisions, or if the purchaser terminates its reservation before the Sales Contract is binding. However, Escrow may deduct from the refund cancellation fees in accordance with the Sales Contract in an amount not to exceed \$250.00.

In the event of a default by the purchaser, the funds paid by the purchaser shall belong to the seller as liquidated damages (up to a maximum of twenty percent (20%) of the total purchase price).

The Escrow Agreement contains various other important provisions and establishes certain charges with which a purchaser should be familiar. It is incumbent upon purchasers and prospective purchasers to read with care the executed Escrow Agreement on file with the Real Estate Commission.

(d) The purchaser's funds that are placed in trust prior to closing may be used by the seller after:

(1) the purchaser has (i) been provided with a developer's public report; and any amendments thereto, recorded copies of the project Declaration and Bylaws, with any amendments, the project House rules (if any), with any amendments, a letter sized Condominium Project Map, with any amendments, and a Notice of Buyer's Right to Cancel; (ii) executed a receipt and notice and has waived his right to cancel or thirty (30) days have elapsed since the purchaser has been provided with the final public report and receipt and notice of right to cancel;

(2) the seller notifies escrow in writing that since (i) and (ii) have happened, the Sales Contract is binding; and

(3) the seller's attorney advises escrow that the Sales Contract is binding and the requirements of Hawaii Revised Statutes, Sections 514B-87 and -91 have been met.

(e) Escrow may not disburse any buyer's funds in the construction of the project until completion of the project and the expiration of the mechanic's and materialmen's lien period. Escrow may disburse prior to completion of the project and expiration of the applicable lien period if the Developers would furnish each purchaser an Owners Title Insurance with an endorsement against any future liens placed on the apartments or project as a result of the development, plus providing the Real Estate Commission a release of the General Contractor's lien rights.

EXHIBIT "M"

COUNTY OF KAUAI
ADDITIONAL DWELLING UNIT FACILITIES CLEARANCE FORM

OWNER: Print CAROL A. BEARDMORE Sign [Signature]
 Print _____ Sign _____
 TMK: 4-4-08-12 LOT SIZE: 1.18 ac STREET FRONTING ADU: Puuo Pae Rd.
 PHONE NO. 822-0169 MAILING ADDRESS: 1051 Puuopae Rd, KAPAA, HI 96746
 PROPOSED: One additional unit Two new units Convert guest house Other: _____

PLANNING DEPARTMENT USE ONLY
 ZONING: A-1 (open) SLUD: A-1 FEES: EIA \$ 200- PARK \$ 150- ZONING PERMIT \$ 10-
 COMMENTS: _____ SMA: yes no
 _____ 11/5/04
 Planning Department Date

REVIEW AGENCIES ONLY
PUBLIC WORKS
 Street Name: Puuopae Road Paved: Yes No Pavement Width: 18 ft.
 Pavement continuous to major thoroughfare: Yes No Pavement Condition: Good Fair Poor
 If road is not paved, or pavement is not continuous to a major thoroughfare, refer applicant to the Planning Department.
 Flood Zone: Yes No FIRE 1300 9/20/95
X-UNSHAVED
5-262 Marie J. Costello 11/5/04
 Engineering Division Date
 Public Sewer Service Available: Yes No Public Sewer Service: Adequate Inadequate
 Comments: _____ [Signature] 8-8-06
 Wastewater Division Date

STATE DEPARTMENT OF HEALTH
 Sanitary Sewer System: Private Individual Wastewater
 Adequate Inadequate
 Comments: Wastewater disposal requirements
for ADD must comply w/applicable
portions of Chap. 11-62, UMC Joseph Tategama NOV - 8 2004
 Department of Health Date

FIRE DEPARTMENT
 Fire Protection: Yes No If yes, fire protection is: Adequate Inadequate
 Comments: Nearest hydrant 400' away
sprinkler or move hydrant within 250' R. Mardovich 4/14/07
 Fire Department Date

DEPARTMENT OF WATER
 Water System: Private Public
 Applicable charges must be paid prior to building permit approval. At the present time, these charges are:
 \$ 4,600 Facilities Reserve Charge \$ _____ Meter Installation (Upon request)
 Requirements/conditions for approval are subject to change.
 Comments: A formal request for water service
is required if a second water meter is needed. Edward Dr. 8/9/06
 Department of Water Date

PLANNING DEPARTMENT
 Street name: Puuopae Rd Existing Width: 46 ft. Required Width: 56 ft.
 Dedication: Vary ft. Reserve: _____ ft. N/A.
 Roadwidening provisions: Yes No If yes, specify: _____
Dedication 5-79-125
 Road Improvements required: Yes No No If yes, specify: _____

ADU APPROVAL PENDING FIRE CLEARANCE
 Qualify Does not qualify 8/8/06
 Planning Department Date
 Requirements complied with: Yes No
 Qualify Does not qualify
 Planning Department Date

PLANNING DEPARTMENT

Street name: Puuopae Road Existing Width: 46 ft. Required Width: 56 ft.

Dedication: Vary ft. Reserve: _____ ft. [] N/A

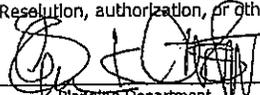
Roadwidening requirements: [] Yes [] No If yes, specify:

Dedication 8-79-125

Road Improvements required prior to Building Permit Approval: [] Yes [] No If yes, specify: _____

Clearance Form Is Certified Complete as the following has been completed:

1. Every signature blank on this form has been signed by each respective Agency or Department Yes [] No
2. Applicant has signed attached Affidavit Yes [] No
3. Resolution, authorization, or other consent if applicable Yes [] No



Planning Department Date

* Pursuant to Ordinance No. 843 which was adopted by the County of Kauai on November 22, 2006, subject to compliance with all applicable legal requirements and conditions, a building permit for an Additional Dwelling Unit shall be granted only to a lot in existence as of December 31, 2006 which, up to December 31, 2006, was eligible to apply for any additional dwelling unit under Section 8-26.1 (a) of the Kauai County Code, 1987, as amended.

EXHIBIT "N"

LAND COVERAGE

Land coverage shall be allocated to the Units as follows:

<u>Unit</u>	<u>SLUC CZO Open District Land Coverage</u>
1	50% of the area of the limited common element appurtenant to Unit 1 in the CZO Agricultural District
2	10% of the area of the limited common element appurtenant to Unit 2 in the CZO Open District or if the unit is constructed wholly within the limited common element area that is within the CZO Agricultural District, then the lot coverage shall be 50% of the area within the CZO Agricultural District plus whatever additional unused lot coverage from the Open District as may be allowed by the CZO.

EXHIBIT "O"

DEVELOPER'S ZONING COMPLIANCE DECLARATION

CAROL ANN BEARDMORE, the Developer of the RAINBOW VALLEY CONDOMINIUM project ("Project"), hereby certifies pursuant to Hawaii Revised Statutes ("HRS"), Sections 514B-32(a)(13) and 514B-54(a)(8), and subject to the penalties contained in HRS Section 514B-69(b), as follows:

1. That the Project is in compliance with all zoning and building ordinances and codes and all other permitting requirements of the County of Kauai ("County").

2. That the Project conforms to the existing underlying zoning of the County for the Project property and all other County permitting requirements.

3. That the Project contains existing structures being converted to condominium regime status; that except as noted herein such structures are in compliance with all zoning and building ordinances and codes, and all other permitting requirements; that no variances have been granted to achieve such compliance; and that none of the conditions, uses or the structures on the Project are legal non-conforming conditions, uses or structures.

4. That the Project is located in the State Land Use Commission Agricultural District and:

(a) All structures and uses anticipated by the Developer's promotional plan for the Project are in compliance with all applicable State and County land use laws.

(b) All structures and uses anticipated by the Developer's promotional plan for the Project are in compliance with all applicable County real property tax laws.

(c) The Project Property is not currently dedicated to the County's Agricultural Dedication Program pursuant to Chapter 5A-9.1 of the Kauai County Code, 1987 ("KCC").

(d) Any future dedication to the Ag Dedication Program will be subject to the restrictions contained in KCC Section 5A-9.1(c), which provides in relevant part as follows:

"(c) A special agricultural dedication area is established to enable the owner of any parcel of land within an agricultural district, a rural district, a conservation district, or an urban district to dedicate the land for a specific ranching or other agricultural use and to have his land assessed as its value in such use, provided that if the land is located within an urban district, or within an agricultural district, a dedication must have been substantially and continuously used for the cultivation of crops such as sugar cane, pineapple, truck crops, orchard crops, ornamental crops, or the like for the five-year period immediately preceding the dedication application, and; (3) the dedication shall be recorded either with the Assistant Registrar of the Land Court or with the Bureau of conveyances, as the case may be; and provided further that land situated within an agricultural district, which may be further subdivided, may be dedicated for a period of twenty (20) years and shall be taxed at fifty percent (50%) of its

assessed value in such use, provided that such dedication is recorded with the Assistant Registrar of the Land Court or the Bureau of Conveyances, as the case may be."

Carol Ann Beardmore
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