

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer QEB III LLC
Address P.O. Box 223382, Princeville, Hawaii 96722

Project Name (*): KA'IULANI OF PRINCEVILLE
Address: 4100 Queen Emma Drive, Princeville, Hawaii 96722

Registration No. 5569 Effective date: September 19, 2006
Expiration date: October 19, 2007

Preparation of this Report:

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

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

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

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

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

Type of Report:

- PRELIMINARY: (yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report.
CONTINGENT FINAL: (green) The developer has legally created a condominium and has filed information with the Commission for this report which EXPIRES NINE (9) MONTHS after the above effective date.
X FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
SUPPLEMENTARY: (pink) This report updates information contained in the: Preliminary Public Report dated: Final Public Report dated: Supplementary Public Report dated:
And Supersedes all prior public reports. Must be read together with This report reactivates the public report(s) which expired on

(*) Exactly as named in the Declaration
This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.
FORM: RECO-30 1297 / 0298 / 0800 / 0203/ 0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

- Required and attached to this report Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

See Exhibit L

SPECIAL ATTENTION

This Contingent Final Public Report has been prepared by the Developer pursuant to §514A-39.5, HRS. The Real Estate Commission issued this report before the developer submitted certain documents and information as more fully set forth in the statutory notice below. Sales contract executed pursuant to this report **are binding on the buyer under those conditions specified immediately below** and in Part V. B. of this report found on pages 18 & 19 of this report. This report expires nine (9) months after the effective date of the report and may not be extended or renewed.

STATUTORY NOTICE

"The effective date for the Developer's Contingent Final Public Report was issued before the Developer submitted to the Real Estate Commission: the executed and recorded deed or master lease for the project site; the executed construction contract for the project; the building permit; satisfactory evidence of sufficient funds to cover the total project cost; or satisfactory evidence of a performance bond issued by a surety licensed in the State of not less than one hundred percent of the cost of construction, or such other substantially equivalent or similar instrument or security approved by the Commission. Until the Developer submits each of the foregoing items to the Commission, all Purchaser deposits will be held by the escrow agent in a federally-insured, interest-bearing account at a bank, savings and loan association, or trust company authorized to do business in the State. If the Developer does not submit each of the foregoing items to the Commission and the Commission does not issue an effective date for the Final Public Report before the expiration of the Contingent Final Public Report, then:

- (1) The Developer will notify the Purchaser thereof by certified mail; and
- (2) Either the Developer or the Purchaser shall thereafter have the right under Hawaii law to rescind the Purchaser's sales contract. In the event of a rescission, the Developer shall return all of the Purchaser's deposits together with all interest earned thereon, reimbursement of any required escrow fees, and, if the Developer required the Purchaser to secure a financing commitment, reimburse any fees the Purchaser incurred to secure that financing commitment." (§514A-64.5, HRS)

The developer is not required to submit but has for this registration submitted the following documents and information:

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General Information On Condominiums

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

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

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

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

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

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

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

Operation of the Condominium Project

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

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

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

I. PERSONS CONNECTED WITH THE PROJECT

Developer: QEB III LLC Phone: (808) 826-1704
Name* (Business)
P.O. Box 223382
Princeville, Hawaii 96722
Business Address

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

Members: See Page 5-A

Real Estate Broker*: ALL ISLANDS, INC. Phone: 808 826-7211
dba Century 21, All Islands (Business)
Name*
P.O. Box 3195
Princeville, Hawaii 96722
Business Address

Escrow: TITLE GUARANTY ESCROW SERVICES, INC. Phone: (808) 521-0211
Name* (Business)
235 Queen Street, 1st Floor
Honolulu, Hawaii 96813
Business Address

General Contractor*: SHIOI CONSTRUCTION, INC. Phone: 808 245-3975
Name* (Business)
4023 Halau Street
Lihue, Hawaii 96766
Business Address

Condominium Managing Agent*: HAWAIIANA MANAGEMENT COMPANY, LTD. Phone: (808) 593-9100
Name* (Business)
711 Kapiolani Boulevard, Suite 700
Honolulu, Hawaii 96813
Business Address

Attorney for Developer: McCORRISTON MILLER Phone: 808 529-7300
MUKAI MacKINNON LLP (Business)
Name*
Five Waterfront Plaza, Suite 400
500 Ala Moana Blvd.
Honolulu, Hawaii 96813
Business Address

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

**QEB III LLC
MEMBERS**

1. Danette K. Andrews
2. Michael R. Bebo
3. Betty J. Bell
4. Robert G. Chrisman
5. Cecilia (Trudy) Y. Comba, Trustee of The Trudy Comba Trust
6. Kenneth Dresner
7. Louis J. Dubuque, Trustee of the Louis J. Dubuque III, and Nancy T. Dubuque Trust
8. Brian J. Grossi and Marilyn Ann Woods, Trustees of the Woods Grossi Family Trust U/D/T dated August 17, 1990
9. Kenneth W. Kubiak, Trustee of the Kenneth W. Kubiak Trust dated May 15, 1997, and Laura L. Kubiak, Trustee of the Laura L. Kubiak Trust dated May 15, 1997
10. Donald E. Leutz, Jr. and Sylvia B. Leutz, Trustees of the Leutz 2002 Revocable Trust dated April 30, 2002
11. Tarek and Yumiko Louca
12. Shioi Construction, Inc.
13. Jared K. and Donna Murayama, as co-trustees of the Jared and Donna Murayama 1997 Trust, dated January 8, 1997
14. David Normington and Debra Bush Normington, Trustees of the Normington Family Trust
15. Gregory K. Pasco and Carolyn L. Pasco, Trustees of The Pasco Family Trust dated November 7, 2001
16. Suzanne E. Riley and Enrico Siewert
17. Colleen A. Romano, as Trustee, UDT dated May 12, 1994
18. Thomas J. Sanders, Trustee, and Linda S. Sanders, Trustee, of the Thomas J. Sanders and Linda S. Sanders Revocable Trust
19. Donald M. Schultz
20. Thomas M. Somoza
21. Michael D. Tom

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

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

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

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2005-223785
Book _____ Page _____
 Filed - Land Court: Document No. _____

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

Amendment to Declaration dated as of August 10, 2006, recorded as Document No. 2006-151048.

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

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. 4108
 Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2005-223786
Book _____ Page _____
 Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

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

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

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

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

** **The House Rules may be amended by action of the Board of Directors of the Association of Apartment Owners of Regency Hule'ia.**

2. Developer:

No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.

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

See Exhibit A

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

For Sub-leaseholds:

- Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is: Canceled Foreclosed
- As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.
- Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Sub-leasehold:

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

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

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: 4100 Queen Emma Drive Tax Map Key (TMK): (4) 5-3-006-022
Princeville, Hawaii 96722

Address TMK is expected to change in the event the Developer exercises its reserved rights under the Declaration to annex an Adjacent Parcel into the Project and the condominium property regime

Land Area: 17.396 square feet acre(s) Zoning: R-10 & R-4

Fee Owner: QEB III LLC
 Name
P.O. Box 223382
Princeville, Hawaii 96722
 Address

Lessor: N/A
 Name
 Address

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 5 Common Element Floors Per Building: 1
35 Residential 2
 Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other Aluminum, Glass

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>77</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No

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

5. Special Use Restrictions:

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

- Pets: See Exhibit B
- Number of Occupants: _____
- Other: See Exhibit B
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: N/A Stairways: 1 per Apt. Trash Chutes: N/A

<u>Type</u>	<u>Apt. Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
See Exhibit C					
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 77

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

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

Boundaries of Each Apartment:

Each apartment consists of the spaces within the perimeter and party walls, windows, doors, floors and ceiling(s) of the respective apartment.

Permitted Alterations to Apartments:

See Exhibit D

Apartments Designated for Owner-Occupants Only:

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

7. Parking Stalls:

Total Parking Stalls: 188

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	<u>154</u>						<u>154</u>
Guest		<u>32</u>					<u>32</u>
Unassigned							
Extra for Purchase							
Other: <u>Res. Man.</u>	<u>2</u>						<u>2</u>
Total Covered & Open:	<u>188</u>						<u>188</u>

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

- Commercial parking garage permitted in condominium project.
- Exhibit _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

- There are no recreational or common facilities.
- Swimming pool Storage Area Recreation Area
- Laundry Area Tennis Court Trash Chute/Enclosure(s)
- Other: See Exhibit D

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

- There are no violations. Violations will not be cured.
- Violations and cost to cure are listed below: Violations will be cured by _____
(Date)

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

Not Applicable

11. Conformance to Present Zoning Code

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

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

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

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

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

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

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

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

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

- described in Exhibit E.
 as follows:

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

There are no limited common elements in this project.

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

described in Exhibit **E** .

as follows:

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

described in Exhibit **F** .

as follows:

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

Exhibit **G** describes the encumbrances against the title contained in the title report dated **July 28, 2006** and issued by **Title Guaranty of Hawaii, Incorporated** .

Blanket Liens:

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

- There are no blanket liens affecting title to the individual apartments.
- There are blanket liens which may affect title to the individual apartments.

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage	If the Developer defaults before the apartment is conveyed to the Buyer, then the Mortgagee will have the right to decide whether to sell the apartment to the Buyer under the Sales Contract. If the Buyer's interest is terminated by the Mortgagee, then the Buyer's deposit will be refunded to the Buyer, less the escrow cancellation fee.

F. Construction Warranties:

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

1. Building and Other Improvements:
See Exhibit H
2. Appliances:
See Exhibit H

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

Construction commenced in October 2005, and is scheduled to be completed in August 2008. The actual date of completion of the Project may vary due to numerous factors, not all of which are within the Developer's control. In addition, the dates of completion of individual apartments in the Project may vary.

H. **Project Phases:**

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

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

The Developer has reserved rights under the Declaration to develop and construct New Improvements (as such term is defined in the Declaration), to subdivide and consolidate the Land, to delete portions of the Land, to annex Adjacent Parcels (as such term is defined in the Declaration) and improvements thereon to the Project, and to do anything necessary or convenient to exercise these reserved rights, including the right to amend the Declaration and/or the Condominium Map in connection therewith. The Developer may exercise these reserved rights, at its sole option and discretion, at any time and from time to time up to but not later than December 31, 2020.

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

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

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

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

Exhibit I contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. **Utility Charges for Apartments:**

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

- None
- Electricity (X Common Elements only _____ Common Elements & Apartments)
- Gas (X Common Elements only _____ Common Elements & Apartments)
- Water* Sewer* Television Cable *(X Common Elements only)
- Other Refuse Collection; Telephone (basic service only) for Common Elements only

V. MISCELLANEOUS

A. **Sales Documents Filed With the Real Estate Commission:**

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

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit J contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated January 14, 2005
Exhibit K contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. **Buyer's Right to Cancel Sales Contract:**

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

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

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

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

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

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

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

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

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

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

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

This Public Report is a part of Registration No. 5569 filed with the Real Estate Commission on January 18, 2005.

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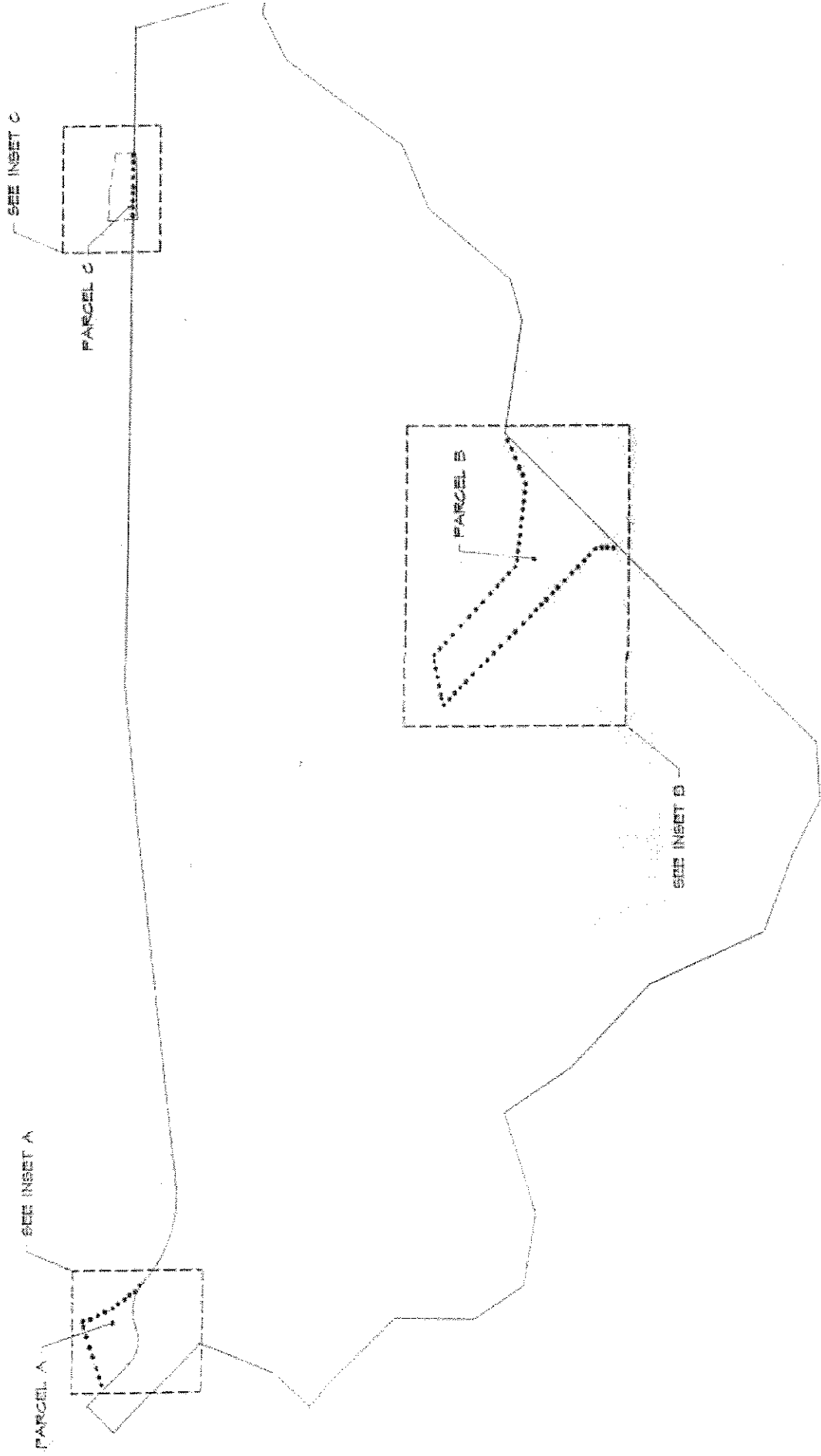
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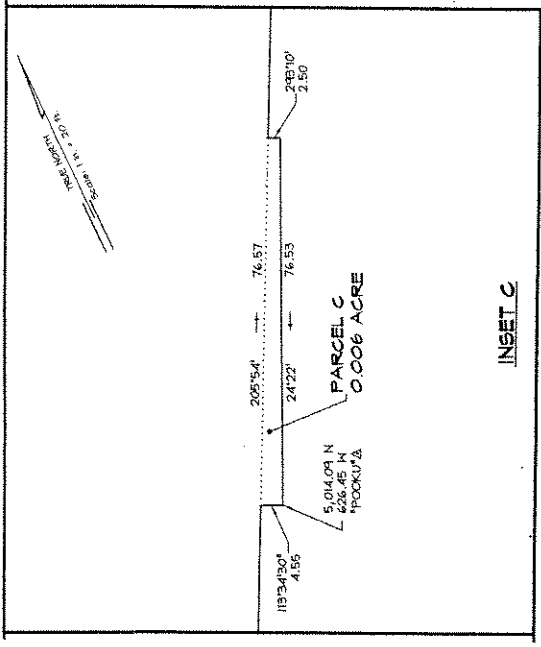
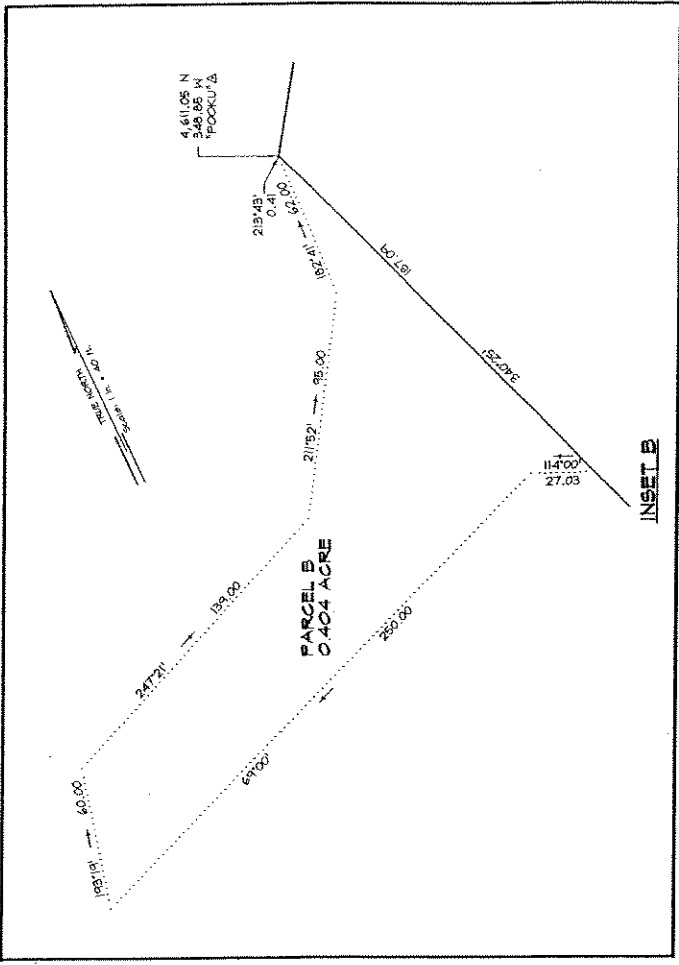
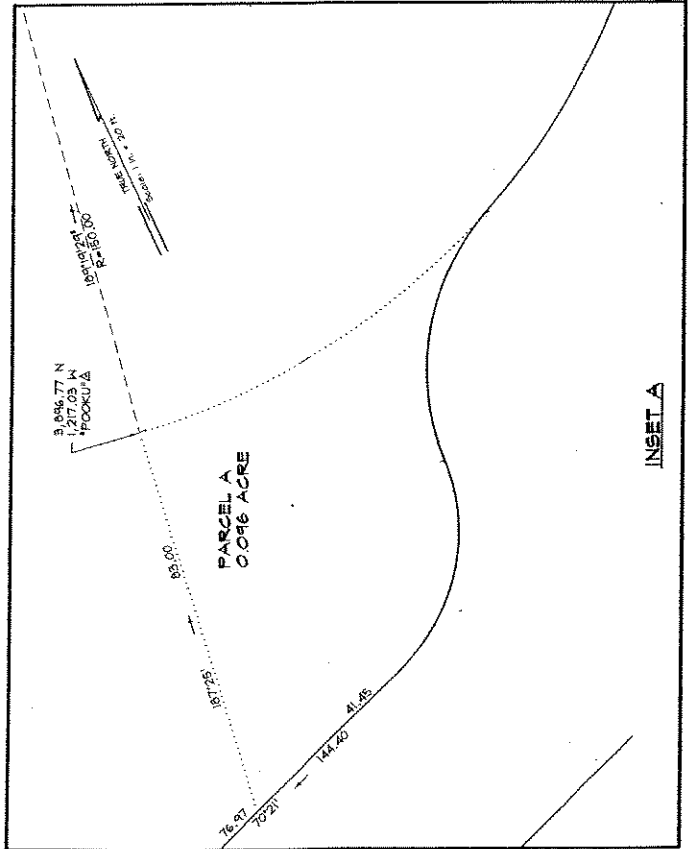
C. Additional Information Not Covered Above

1. Pursuant to sections 16-99-3(g) and 16-99-11(c), Hawaii Administrative Rules (“HAR”), prospective purchasers are hereby advised that (a) QEB III LLC member Kenneth Kubiak, RB 14431, is a current and active Hawaii-licensed real estate broker and the broker in charge for All Islands, Inc., the Developer’s Real Estate Broker for the Ka’iulani of Princeville condominium project; and (b) QEB III LLC members Danette Andrews, Betty J. Bell, Kenneth Dresner, Louis J. Dubuque, Nancy Dubuque, Laura Kubiak, Donald E. Leutz, Jr., Sylvia B. Leutz and Donald M. Schultz are current and active Hawaii-licensed real estate salespersons. Pursuant to section 16-99-11(b), HAR, “(n)o licensee shall advertise ‘For Sale by Owner’, ‘For Rent by Owner’, ‘For Lease by Owner’, or ‘For Exchange by Owner.’ Also, QEB III LLC member Shioi Construction, Inc. is a current and active Hawaii-licensed contractor, and is the General Contractor for the Ka’iulani of Princeville condominium project.

2. The Purchase and Sale Agreement entered into by and between Princeville Corporation, as the “Seller” therein, and Bow Street Properties, Inc., the Developer’s predecessor-in-interest, as the “Buyer” therein, states that certain restrictions and obligations affecting the land underlying the Project (the “Property”) set forth therein shall run with the land. That certain Short Form Memorandum of Restrictions dated as of March 27, 2001, executed by Princeville Corporation and Bow Street Properties, Inc. and recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2001-044208, provides that among the restrictions and obligations affecting the Property are the following:
 - “(a) A non-competition clause, prohibiting the Buyer from offering similar services and activities at the Buyer’s proposed spa facilities on the Subject Property, as those which may be available at the Seller’s Prince Golf Course Clubhouse at the Princeville, Kauai, Hawaii;
 - (b) A prohibition against non-onsite sales of timeshare or fractional share interests in the condominiums and villas intended to be developed on the Subject Property;
 - (c) Cost sharing, on a prorata basis, of the Ka Haku Entry, located in Phase II of the Princeville Resort Development, and right to place a lien on the Subject Property and enforce collection of any unpaid assessments on the cost sharing;
 - (d) The annexation of the Subject Property to the Princeville II Community Association, unless such annexation is not permitted by the Princeville II Community Association; and
 - (e) The approval from the Princeville II Community Association’s Architectural Design Commission for the design of any buildings to be constructed on the Subject Property.”

3. The Developer (utilizing its reserved rights under the Declaration of Condominium Property Regime) and Princeville Prince Golf Course LLC (“PGC”) intend to adjust certain portions of the boundaries between the Project land and the land owned by PGC (the “PGC Land”), so that (a) the portions of the Project land generally depicted as Parcels A and C on Exhibits 1 and 2 attached hereto shall be added to the PGC Land, and (b) the portion of the PGC Land generally depicted as Parcel B on said Exhibits 1 and 2 shall be added to the Project land. The Developer (utilizing its reserved rights under the Declaration) and PGC intend to consolidate and resubdivide the Project land and the PGC Land so as to legally effectuate these boundary adjustments.

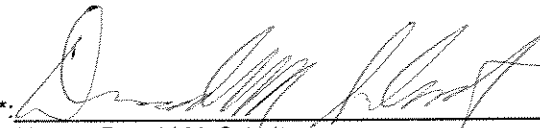
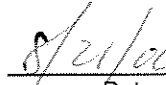
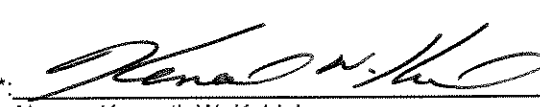
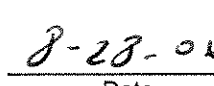
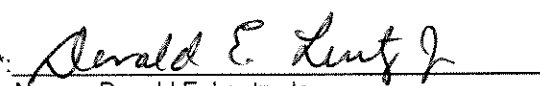
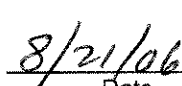




- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The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

QEB III LLC

Printed Name of Developer

By*:			
	Name: Donald M. Schultz Title: Managing Member	Date	
By*:			
	Name: Kenneth W. Kubiak Title: Managing Member	Date	
By*:			
	Name: Donald E. Leutz, Jr. Title: Managing Member	Date	

Distribution:

Department of Finance, County of Kauai

Planning Department, County of Kauai

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

**DEVELOPER'S RIGHTS
TO CHANGE THE DECLARATION,
CONDOMINIUM MAP, BYLAWS OR HOUSE RULES**

1. Prior to (i) the time that all apartments in the Project have been sold and recorded, and (ii) the filing by the Developer of the "as built" verified statement (with plans, if applicable) required by Section 514A-12 of the Hawaii Revised Statutes (but in no event later than December 31, 2020), the Developer has the right to amend the Declaration and the Condominium Map in connection with the Developer's rights:
 1. to make alterations in the Project which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and the limited common elements appurtenant thereto) in the Project which is not sold and recorded; or
 2. to make other alterations in the Project which make minor changes in any apartment in the Project or the common elements which do not affect the physical location, design or size of any apartment which has been sold and recorded.
2. The Developer has the right to amend the Declaration and the Condominium Map as necessary or convenient to describe any New Improvements constructed on the Land in accordance with Paragraph R of the Declaration.
3. In connection with the Developer's right, under Paragraph S of the Declaration, to subdivide the Land of the Project and/or to consolidate the Land of the Project with any Adjacent Parcel, the Developer has the right to amend the Declaration to change the description of the Land and the right to amend the Condominium Map if the Developer deems it necessary or useful to reflect the subdivision and/or consolidation.
4. In connection with the Developer's right, under Paragraph T of the Declaration, to withdraw and delete from the Project and from the condominium property regime portions of the common elements of the Project, the Developer has the right to amend the Declaration to change the description of the Land and the right to amend the Condominium Map if necessary or useful to reflect the deletion of any portion of the common elements.
5. In connection with the Developer's right, under Paragraph U of the Declaration, to annex into the Project and the condominium property regime any Adjacent Parcel and any Improvements located on the Adjacent Parcel, the Developer has the right to amend the Declaration to change the description of the Land to include the Adjacent Parcel annexed and to describe any improvements on the Adjacent Parcel, and to the right to amend the Condominium Map if the Developer deems it necessary or useful to reflect the annexation of the Adjacent Parcel or any Improvements on it.
6. The Developer has the right to change the Condominium Documents:
 1. In any way and for any purpose before the date when the Developer first records a deed transferring an Apartment to someone other than the Developer or its Lenders;
 2. To file the "as-built" statement (with plans, if necessary or convenient) required by Section 514A-12 of the Condominium Property Act. The Developer may do this each time a any New Improvement is completed. It may also do this at any other time required by law or permitted by this Declaration. The Developer does not need the consent of anyone else who owns an Apartment or any other Interested Person;

3. To comply with the real estate laws of any place or the requirements of any government agency in connection with the registration of the Project to permit the sale of Apartments;
4. To satisfy requests for changes made by any institutional lender loaning money to the Developer or by any title company licensed to do business in the State of Hawaii; or
5. To correct any misstatements of fact in the Condominium Documents.

SPECIAL USE RESTRICTIONS

1. The apartments shall not be used, leased, rented or any undivided interest therein transferred for time-sharing or fractional ownership purposes or under any time share or fractional ownership plan, agreement or arrangement.
2. No apartment owner or occupant shall lease or sublease an Apartment to any person or entity for a period of less than thirty (30) consecutive days.
3. All common elements of the Project shall be used only for their respective purposes as designed.
4. No apartment owner or occupant shall make or suffer any strip or waste or unlawful, improper, or offensive use of his/her apartment or the Project or alter or remove any furniture, furnishings, or equipment of the common elements.
5. Except as otherwise provided by the federal Fair Housing Act (42 U.S.C. §3601 et seq.), as amended by the Fair Housing Amendment Act of 1988, and the rules and regulations promulgated thereunder, as the same may be amended from time to time in the future, and except as otherwise permitted by the provisions of the Declaration, no apartment owner or occupant shall erect or place in the Project any building or structure including fences and walls, nor make any additions or alterations to any common elements of the Project, nor place or maintain thereon any signs, posters, or bills whatsoever, except in accordance with plans and specifications, including a detailed plot plan, prepared by a licensed architect if so required by the Board, and approved by the Board and all owners of apartments thereby directly affected, and except with respect to matters pertaining to limited common elements, a majority of apartment owners (or such larger percentage required by law or the Declaration), including all owners of apartments thereby directly affected.
6. No refuse, garbage, or trash of any kind shall be thrown, placed, or kept on any common elements of the Project outside of the disposal facilities provided for such purpose; provided that trash receptacles may be temporarily placed at curbside or in other appropriate locations as designated by the Board for refuse collection by County or private refuse collectors servicing the Project.
7. No livestock, poultry, or other animals whatsoever, including but not limited to pests as defined in HRS §150A-2 or animals prohibited from importation under HRS §§141-2, 150A-5 or 150A-6, shall be allowed or kept in any part of the Project, except that one (1) dog not exceeding forty (40) pounds in weight or one (1) other household pet as allowed by the Board of Directors, may be kept in an apartment subject to the conditions and restrictions contained in the Bylaws, but shall not be kept, bred, or used therein for any commercial, profit making or money generating purpose, or allowed on any common elements other than on the limited common elements appurtenant to the owner's respective apartment, except in transit when carried or on leash. Notwithstanding the foregoing, Owners, occupants, and guests may keep certified guide dogs, signal dogs or other animals upon which a person depends upon for assistance within the Project and shall be allowed to walk such animals throughout the common elements while on a leash; provided that such animals shall at all times be accompanied by the individual to whom such animal belongs while present upon the common elements.
8. Except as permitted under the Declaration, no apartment owner or occupant shall without the written approval of the Board install any wiring for electrical or telephone installations, television antenna, machines, or air-conditioning units, or other equipment or appurtenances whatsoever on the exterior of the Project or protruding through the walls, windows, or roof of the Apartment; provided, however, that antennae covered by the FCC Antenna Rule (47 C.F.R. Part 1, Subpart

S, Section 1.400 et seq.) may be installed in accordance such standards and/or guidelines as the Board may establish from time to time.

9. No awning, shades, window guards, towels, swimwear, wiring, radio or telephone antenna or other objects shall be attached to or hung from the exterior of any apartment's balconies, lanais, or windows, or protrude through the walls, windows or roof of any apartment, except as shall have been approved in writing by the Board of Directors or the Managing Agent, which approval may be granted or refused in the sole discretion of the Board of Directors or the Managing Agent.
10. No notice, advertisement, bill poster, illumination or other sign visible outside of the apartment shall be inscribed or posted on or about the apartment, except as shall have been approved in writing by the Board of Directors or the Managing Agent, which approval may be granted or refused in the sole discretion of the Board of Directors or the Managing Agent.
11. Address plates, names and nameplates shall be in the form approved by the Board of Directors and located only in the places designated by the Board of Directors.
12. Clotheslines or other similar objects shall not be hung in any outside area, including the lanais.
13. No occupant shall use or permit to be brought into any apartment or common areas anything deemed hazardous to life, limb or property, such as gasoline, kerosene, methanol or other combustibles of like nature, or any gunpowder, fireworks or other explosives. No activity shall be engaged in, nor shall any substance be introduced or manufactured within the apartments which may result in a violation of the law or in the increase of premium rates or cancellation of insurance for the Project.
14. Balconies and lanais shall not be used for storage of sports and play equipment, surplus cartons, boxes, or any other type of excess belongings. Any furniture, plants, or other articles which, in the opinion of the Board of Directors, are unsightly, shall be removed and kept from the balconies and lanais upon request by the Board of Directors.
15. No soliciting of goods and services, or religious or political activities shall be permitted on the common elements of the Project unless approved by the Board of Directors.
16. Surfboards, bicycles, skate boards, roller skates, etc., shall not be left or allowed to stand or used or operated on any part of the common elements of the Project.
17. Boats, canoes, rafts, jet skis or other navigable craft and automobiles, bicycles, motorcycles, mopeds and other transportation vehicles shall not be parked, stored, maintained or repaired on the roadway and other areas designated as common and limited common elements.
18. Owners, occupants and guests shall not be permitted to plant or place shrubs, trees, vines or other types of plants in any of the common elements.
19. No person shall place, store or maintain on any common element any object of any kind or otherwise obstruct transit through any common elements, or leave any personal belongings on any of the common elements.
20. Residents must obtain authorization from the Resident Manager for all parties or gatherings at or on the common elements of the Project, which authorization may be granted subject to the Resident's payment of a security deposit for contingent housekeeping costs incurred as a result of the subject party or gathering.
21. Container offloading on the premises is strictly prohibited without prior written authorization from the Resident Manager or Managing Agent, which authorization may be issued subject to the

provision of a bond in favor of the Association, in an amount to be determined by the Board of Directors in their sole discretion, to cover damage to the common elements incurred in connection with the container offloading.

22. Contractors, other than those employed to provide services to the AOA Ka'iulani of Princeville, will be permitted on the premises Monday through Saturday 8:00 a.m. to 5:00 p.m. except in emergencies.
23. Loud and/or disturbing noise that interferes with the rights, comforts, or convenience of others will not be tolerated. Special consideration for quietness shall be followed between the hours of 10:00 p.m. and 8:00 a.m.
24. No signs, signals, lettering or decorative items shall be attached or exposed on any part of the building, lanais or the exterior door of any apartment, except for a sign indicating the apartment number and name of the occupant, without the prior approval by the Board of Directors.
25. The total number of guests the Residents of an apartment may bring to the pool on any occasion may not exceed 4, except as otherwise approved in advance by the Resident Manager.
26. All persons under the age of 18 shall be accompanied at all times while at the pool and pool area by a Resident over the age of 21.
27. No repairs to automobile or any transportation vehicles shall be permitted on any common elements, except in the event of an emergency.
28. Residents may wash automobiles and motorcycles only on the driveway to their respective apartments. In order to prevent soap runoffs and damage to the surrounding foliage, detergent soap may not be used under any circumstances.
29. No vehicles may be parked along the main roadways, except as permitted under the guest parking provisions of the House Rules. Residents of any one apartment may not bring more than two (2) vehicles on the Project at any one time. Residents shall park their vehicles only in the garage attached to their respective apartment. No vehicle that does not fit wholly within the garage shall be parked in such garage. Residents shall not park or allow to be parked any vehicles in the driveway or auto court of any apartment except on a temporary basis. "Temporary" shall mean not on a daily basis.
30. Guests may park in designated guest stalls for not more than twelve (12) hours per day and not more than three (3) consecutive days without prior approval of the resident manager. Guests may park overnight in designated guest stalls only upon written authorization from the Resident Manager. Designated guest stalls may not be utilized for any activity except parking of guest vehicles. Residents may park in a designated guest stall only upon written approval of the resident manager. No vehicle that does not fit wholly within a guest parking stall shall be parked in such parking stall. "Stacking" of vehicles one behind another in guest stalls is not permitted.
31. There shall be no shooting or use of fireworks of any type at any time in, from or around any apartment or the common and limited common elements except by special permission in writing from the Board of Directors. There shall be no shooting or use of firearms of any type at any time in, from or around any apartment or the common and limited common elements.
32. An apartment shall be used only for family living accommodations and shall not be used for business or any other purposes; provided, however, this provision shall not affect such apartments from being rented or leased for residential or living accommodations in accordance with the Declaration and By-Laws.

APARTMENT TYPES

UNIT TYPE	NO. OF APTS.	BED/BATH	NET LIVING	ENTRY	LANAI	GARAGE	MECH COURT	COURT-YARD	NICHE	NET TOTAL	% COMMON INTEREST
A	13	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
AR	13	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
B	7	2/2/5	1,892	49	113	448	32			2,534	0.9447
BR	7	2/2/5	1,892	49	113	448	32			2,534	0.9447
C	7	2/2/5	1,738	43	105	450	48			2,384	0.8888
D	5	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
DR	5	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
E	5	3/3	2,479	65	183	445	156			3,328	1.2407
ER	4	3/3	2,479	65	183	445	156			3,328	1.2407
F	5	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
FR	4	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
G	1	3/3.5	3,327	89	936	536	107	141	7	5,143	1.9173
H	1	3/3.5	3,671	89	764	536	62	141	7	5,270	1.9646

1. There are thirteen (13) Type A apartments. Each apartment is a two-story apartment containing eleven (11) rooms/areas. The upper level contains a niche, the entry, a living area, a dining area, a kitchen, a bedroom, a full bathroom, a half-bathroom/powder room, a laundry/utility room, and a two-car garage, and is connected by an interior stairway to the lower level, which contains two (2) bedrooms, two (2) full bathrooms, a living area, a lanai, a courtyard, and a mechanical court/tool storage area. Each apartment has a net living area of approximately 2,864 square feet, an entry area of approximately 87 square feet, a lanai area of approximately 167 square feet, a garage area of approximately 477 square feet, a mechanical court area of approximately 304 square feet, a courtyard area of approximately 155 square feet, and a niche area of approximately 10 feet.
2. There are thirteen (13) Type AR apartments. Each apartment is a two-story apartment containing eleven (11) rooms/areas. The upper level contains a niche, the entry, a living area, a dining area, a kitchen, a bedroom, a full bathroom, a half-bathroom/powder room, a laundry/utility room, and a two-car garage, and is connected by an interior stairway to the lower level, which contains two (2) bedrooms, two (2) full bathrooms, a living area, a lanai, a courtyard, and a mechanical court/tool storage area. Each apartment has a net living area of approximately 2,864 square feet, an entry area of approximately 87 square feet, a lanai area of approximately 167 square feet, a garage area of approximately 477 square feet, a mechanical court area of approximately 304 square feet, a courtyard area of approximately 155 square feet, and a niche area of approximately 10 feet.
3. There are seven (7) Type B apartments. Each apartment is a two-story apartment containing nine (9) rooms/areas. The lower level contains the entry, a living area, a dining area, a kitchen, a half-bathroom/powder room, a lanai, a mechanical court, and a two-car garage, and is connected by an interior stairway to the upper level, which contains two (2) bedrooms, two (2) full bathrooms, and a laundry/utility room. Each apartment has a net living area of approximately 1,892 square feet, an entry area of approximately 49 square feet, a lanai area of approximately 113 square feet, a garage area of approximately 448 square feet, and a mechanical court area of approximately 32 feet.
4. There are seven (7) Type BR apartments. Each apartment is a two-story apartment containing nine (9) rooms/areas. The lower level contains the entry, a living area, a dining area, a kitchen, a half-bathroom/powder room, a lanai, a mechanical court, and a two-car garage, and is connected by an interior stairway to the upper level, which contains two (2) bedrooms, two (2) full bathrooms, and a laundry/utility room. Each apartment has a net living area of approximately 1,892 square feet, an entry area of approximately 49 square feet, a lanai area of approximately 113 square feet, a garage area of approximately 448 square feet, and a mechanical court area of approximately 32 feet.
5. There are seven (7) Type C apartments. Each apartment is a two-story apartment containing nine (9) rooms/areas. The lower level contains the entry, a bedroom, a full bathroom, a laundry/utility room, a mechanical court, and a two-car garage, and is connected by an interior stairway to the upper level, which contains a living area, a dining area, a kitchen, a bedroom, a full bathroom, and a half-bathroom/powder room. Each apartment has a net living area of approximately 1,738 square feet, an entry area of approximately 43 square feet, a lanai area of approximately 105 square feet, a garage area of approximately 450 square feet, and a mechanical court area of approximately 48 square feet].
6. There are five (5) Type D apartments. Each apartment is a two-story apartment containing twelve (12) rooms/areas. The upper level contains a niche, the entry, a living area, a dining area, a kitchen, a bedroom, a full bathroom, a half-bathroom/powder room, a laundry/utility room, and a two-car garage, and is connected by an interior stairway to the lower level, which contains two (2) bedrooms, two (2) full bathrooms, a living area, a lanai, a courtyard and a mechanical court. Each apartment has a net living area of approximately 2,843 square feet, an entry area of approximately 82 square feet, a lanai area of approximately 167 square feet, a garage area of

approximately 477 square feet, a mechanical court area of approximately 93 square feet, a courtyard area of approximately 153 square feet, and a niche area of approximately 7 square feet.

7. There are five (5) Type DR apartments. Each apartment is a two-story apartment containing twelve (12) rooms/areas. The upper level contains a niche, the entry, a living area, a dining area, a kitchen, a bedroom, a full bathroom, a half-bathroom/powder room, a laundry/utility room, and a two-car garage, and is connected by an interior stairway to the lower level, which contains two (2) bedrooms, two (2) full bathrooms, a living area, a lanai, a courtyard and a mechanical court. Each apartment has a net living area of approximately 2,843 square feet, an entry area of approximately 82 square feet, a lanai area of approximately 167 square feet, a garage area of approximately 477 square feet, a mechanical court area of approximately 93 square feet, a courtyard area of approximately 153 square feet, and a niche area of approximately 7 square feet.
8. There are five (5) Type E apartments. Each apartment is a two-story apartment containing ten (10) rooms/areas. The lower level contains the entry, a living area, a dining area, a kitchen, a bedroom, a full bathroom, a lanai, a mechanical court, and a two-car garage, and is connected by an interior stairway to the upper level, which contains two (2) bedrooms, two (2) full bathrooms, and a laundry/utility room. Each apartment has a net living area of approximately 2,479 square feet, an entry area of approximately 65 square feet, a lanai area of approximately 183 square feet, a garage area of approximately 445 square feet, and a mechanical court area of approximately 156 square feet.
9. There are four (4) Type ER apartments. Each apartment is a two-story apartment containing ten (10) rooms/areas. The lower level contains the entry, a living area, a dining area, a kitchen, a bedroom, a full bathroom, a lanai, a mechanical court, and a two-car garage, and is connected by an interior stairway to the upper level, which contains two (2) bedrooms, two (2) full bathrooms, and a laundry/utility room. Each apartment has a net living area of approximately 2,479 square feet, an entry area of approximately 65 square feet, a lanai area of approximately 183 square feet, a garage area of approximately 445 square feet, and a mechanical court area of approximately 156 square feet.
10. There are five (5) Type F apartments. Each apartment is a two-story apartment containing eleven (11) rooms/areas. The lower level contains the entry, a living area, a dining area, a kitchen, a bedroom, a full bathroom, a half-bathroom/powder room, a laundry/utility room, a lanai, a courtyard, a mechanical court, and a two-car garage, and is connected by an interior stairway to the upper level, which contains two (2) bedrooms and two (2) full bathrooms. Each apartment has a net living area of approximately 2,443 square feet, an entry area of approximately 52 square feet, a lanai area of approximately 409 square feet, a garage area of approximately 481 square feet, a mechanical court area of approximately 129 square feet, and a courtyard area of approximately 22 square feet.
11. There are four (4) Type FR apartments. Each apartment is a two-story apartment containing eleven (11) rooms/areas. The lower level contains the entry, a living area, a dining area, a kitchen, a bedroom, a full bathroom, a half-bathroom/powder room, a laundry/utility room, a lanai, a courtyard, a mechanical court, and a two-car garage, and is connected by an interior stairway to the upper level, which contains two (2) bedrooms and two (2) full bathrooms. Each apartment has a net living area of approximately 2,443 square feet, an entry area of approximately 52 square feet, a lanai area of approximately 409 square feet, a garage area of approximately 481 square feet, a mechanical court area of approximately 129 square feet, and a courtyard area of approximately 22 square feet.

12. There is one (1) Type G apartment. The apartment is a two-story apartment containing eleven (11) rooms/areas. The lower level contains a niche, the entry, a living area, a dining area, a kitchen, a bedroom, a full bathroom, a half-bathroom/powder room, a laundry/utility room, a lanai, a courtyard, a mechanical court, and a two-car garage, and is connected by an interior stairway to the upper level, which contains two (2) bedrooms, two (2) full bathrooms, and a lanai. The apartment has a net living area of approximately 3,327 square feet, an entry area of approximately 89 square feet, a lanai area of approximately 936 square feet, a garage area of approximately 536 square feet, a mechanical court area of approximately 107 square feet, a courtyard area of approximately 141 square feet, an a niche area of approximately 7 square feet.

13. There is one (1) Type H apartment. The apartment is a two-story apartment containing twelve (12) rooms/areas. The lower level contains a niche, the entry, a living area, a dining area, a sitting area, a kitchen, a bedroom, a full bathroom, a half-bathroom/powder room, a laundry/utility room, a lanai, a courtyard, a mechanical court, and a two-car garage, and is connected by an interior stairway to the upper level, which contains two (2) bedrooms, two (2) full bathrooms and a lanai. The apartment has a net living area of approximately 3,671 square feet, an entry area of approximately 89 square feet, a lanai area of approximately 764 square feet, a garage area of approximately 536 square feet, a mechanical court area of approximately 62 square feet, a courtyard area of approximately 141 square feet and a niche area of approximately 7 square feet.

PERMITTED ALTERATIONS TO APARTMENTS

1. The owner of any apartment may make any alterations or additions within the owner's apartment, except for enclosing the niche (if any), entry, exterior lanai(s) (if any), courtyard (if any) and mechanical court(s).
2. The owner of any two (2) adjacent apartments which are separated by a common element that is a wall, with only the approval required hereinbelow, may alter or remove all or portions of the intervening wall, if the structural integrity of the building is not thereby adversely affected and if the finish of the common element then remaining is then restored to a condition substantially comparable to that of the common element prior to such alterations. The owner of any two (2) such adjacent apartments may install a door or doors to such opening or openings in the intervening common element. Alterations or additions within any such adjacent apartments shall require only the written approval thereof, including the apartment owner's plans therefor, by the holders of first mortgage liens affecting such apartments (if the lien holders require such approval), by the appropriate agencies of the State of Hawaii and the County of Kauai (if such agencies so require), by the Board of Directors (which approval shall not be unreasonably or arbitrarily withheld or delayed), and by all other apartment owners thereby directly affected (as determined in a reasonable manner by the Board of Directors), and such alterations or additions may be undertaken without an amendment to the Declaration or filing of a complete set of floor plans of the Project as so altered; provided, however, if the alterations or additions are substantial in nature, as reasonably determined by the Board of Directors, the Board of Directors may require that the owner of the apartment provide evidence satisfactory to the Board of Directors of sufficient financing to complete such alterations or additions or, in lieu thereof, require that the owner obtain a performance and labor and materials payment bond, naming as obligees the Board of Directors, the Association and collectively all apartment owners and their respective mortgagees of record, as their interests may appear, for a penal sum of not less than one hundred percent (100%) of the estimated cost of such construction. Prior to the termination of the common ownership of any such adjacent apartments, if the intervening wall shall have been altered or removed pursuant to the foregoing provisions and/or any entry to hallways sealed, the owner of such apartments shall be obligated to restore such intervening wall and/or hallway entries to substantially the same condition in which the same existed prior to such alteration or removal.
3. Prior to (i) the time that all apartments in the Project have been sold and recorded, and (ii) the filing by the Developer of the "as built" verified statement (with plans, if applicable) required by Section 514A-12 of the Hawaii Revised Statutes (but in no event later than December 31, 2020) the Developer shall have the right, without the consent, approval or joinder of any apartment owner, to (a) to make alterations in the Project (and/or to amend the Declaration and the Condominium Map accordingly) which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and the limited common elements appurtenant thereto) in the Project which is not sold and recorded; or (b) make other alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) which make minor changes in any apartment in the Project or the common elements which do not affect the physical location, design or size of any apartment which has been sold and recorded; PROVIDED, HOWEVER, that as to (a) and (b) hereinabove, any such changes shall be reflected in an amendment to the Declaration as provided in Section 2 of Paragraph R of the Declaration. As used herein the term "sold and recorded" shall mean and refer to the sale of apartments in the Project, and the recording in the Bureau of Conveyances of the State of Hawaii of the apartment deeds transferring said apartments from the Developer to parties not signatory to the Declaration.

THE COMMON ELEMENTS

Common Elements. One freehold estate is hereby designated in all remaining portions of the Project, herein called the "common elements", including specifically, but not limited to:

1. The Land in fee simple;
2. All roads, driveways, access lanes, paved areas, ramps and loading areas;
3. All parking stalls and parking areas except for the parking garages, which comprise a portion of the Apartments;
4. All yards, grounds, gardens, walkways, walkway railings, landscaping and refuse facilities not located within an Apartment;
5. The swimming pools and appurtenant deck area and barbecue areas;
6. All restroom facilities not located within an Apartment;
7. The management residence/office building;
8. The community building;
9. The active pool shelter building;
10. The swimming pool pavilion;
11. The pool equipment building;
12. All foundations, floor slabs, columns, girders, beams, supports, perimeter, party and load-bearing walls and partitions (excluding the finishes thereon), roofs and stairways (excluding any private stairway located within and serving only an Apartment);
13. All vents, shafts, sewer lines, pipes, cables, conduits, ducts, electrical equipment, wiring and other central and appurtenant transmission facilities and installations on, above, over, under and across the Project to the point of their respective connections to Improvements comprising a part of the Apartments or the Limited Common Elements appurtenant thereto, including, without limitation, those providing electricity, light, gas (if any), water, air conditioning, sewer, refuse, telephone, and radio and television signal distribution (if any) to more than one Apartment;
14. Any and all other apparatus and installations existing for common use by more than one (1) Apartment, and any and all other parts of the Project necessary or convenient to its existence, maintenance or safety, or normally in common use; and
15. All mailboxes.

Limited Common Elements. Certain parts of the common elements, herein called the "limited common elements", are hereby designated and set aside for the exclusive use of certain apartments, and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements as follows:

1. Each apartment shall have for its exclusive use one (1) mailbox located in the mail bank in the community building; and
2. The apartments in a building shall have for their exclusive use the driveway to, and auto court adjacent to, the garages of the building.

THE APARTMENTS

BLDG NO.	UNIT NO	UNIT TYPE	BED/BATH	NET LIVING	ENTRY	LANAI	GARAGE	MECH COURT	COURT-YARD	NICHE	NET TOTAL	% COMMON INTEREST
1	1	DR	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
	2	D	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
2	3	DR	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
	4	D	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
3	5	DR	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
	6	D	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
4	7	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	8	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
5	9	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	10	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
6	11	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	12	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
7	13	DR	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
	14	D	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
8	15	DR	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
	16	D	3/3.5	2,843	82	167	477	93	153	7	3,822	1.4248
9	17	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	18	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
10	19	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	20	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
11	21	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	22	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
12	23	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	24	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
13	25	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	26	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
14	27	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	28	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
15	29	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	30	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
16	31	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	32	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
17	33	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	34	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
18	35	AR	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
	36	A	3/3.5	2,864	87	167	477	304	155	10	4,064	1.5151
19	37	H	3/3.5	3,671	89	764	536	62	141	7	5,270	1.9646
	38	G	3/3.5	3,327	89	936	536	107	141	7	5,143	1.9173
20	39	ER	3/3	2,479	65	183	445	156			3,328	1.2407
	40	FR	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
21	41	ER	3/3	2,479	65	183	445	156			3,328	1.2407
	42	FR	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
22	43	F	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
	44	E	3/3	2,479	65	183	445	156			3,328	1.2407
23	45	F	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
	46	E	3/3	2,479	65	183	445	156			3,328	1.2407
24	47	F	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
	48	E	3/3	2,479	65	183	445	156			3,328	1.2407
25	49	ER	3/3	2,479	65	183	445	156			3,328	1.2407
	50	FR	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
26	51	F	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
	52	E	3/3	2,479	65	183	445	156			3,328	1.2407
27	53	F	3/3.5	2,443	52	409	481	129	22		3,536	1.3182
	54	E	3/3	2,479	65	183	445	156			3,328	1.2407
28	55	ER	3/3	2,479	65	183	445	156			3,328	1.2407
	56	FR	3/3.5	2,443	52	409	481	129	22		3,536	1.3182

BLDG NO.	UNIT NO	UNIT TYPE	BR/ BATH	NET LIVING	ENTRY	LANAI	GARAGE	MECH COURT	COURT-YARD	NICHE	NET TOTAL	% COMMON INTEREST
29	57	B	2/2.5	1,892	49	113	448	32			2,534	0.9447
	58	C	2/2.5	1,738	43	105	450	48			2,384	0.8888
	59	BR	2/2.5	1,892	49	113	448	32			2,534	0.9447
30	60	B	2/2.5	1,892	49	113	448	32			2,534	0.9447
	61	C	2/2.5	1,738	43	105	450	48			2,384	0.8888
	62	BR	2/2.5	1,892	49	113	448	32			2,534	0.9447
31	63	B	2/2.5	1,892	49	113	448	32			2,534	0.9447
	64	C	2/2.5	1,738	43	105	450	48			2,384	0.8888
	65	BR	2/2.5	1,892	49	113	448	32			2,534	0.9447
32	66	B	2/2.5	1,892	49	113	448	32			2,534	0.9447
	67	C	2/2.5	1,738	43	105	450	48			2,384	0.8888
	68	BR	2/2.5	1,892	49	113	448	32			2,534	0.9447
33	69	B	2/2.5	1,892	49	113	448	32			2,534	0.9447
	70	C	2/2.5	1,738	43	105	450	48			2,384	0.8888
	71	BR	2/2.5	1,892	49	113	448	32			2,534	0.9447
34	72	B	2/2.5	1,892	49	113	448	32			2,534	0.9447
	73	C	2/2.5	1,738	43	105	450	48			2,384	0.8888
	74	BR	2/2.5	1,892	49	113	448	32			2,534	0.9447
35	75	B	2/2.5	1,892	49	113	448	32			2,534	0.9447
	76	C	2/2.5	1,738	43	105	450	48			2,384	0.8888
	77	BR	2/2.5	1,892	49	113	448	32			2,534	0.9447
TOTAL	77										268,237	100.0000

ENCUMBRANCES AGAINST TITLE

1. The terms and provisions contained in the following:

INSTRUMENT : DECLARATION OF CONDITIONS

DATED : May 28, 1985

RECORDED : Liber 18695 Page 771

Said Declaration was amended by instruments dated July 26, 1989, recorded as Document No. 90-004224, dated July 9, 1991, recorded as Document No. 91-097955, and dated October 14, 1991, recorded as Document No. 91-146187.

2. Right-of-Entry in favor of CITIZENS UTILITIES COMPANY (now known as Kauai Island Utility Cooperative) and HAWAIIAN TELEPHONE COMPANY (now known as Verizon Hawaii Inc.), dated December 12, 1991, recorded as Document No. 92-035345; granting a right-of-entry for the purpose of building, constructing, repairing, maintaining and operating pole and wire lines, and/or underground lines, etc., for the transmission and distribution of electricity and for communications and control circuits.
3. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in unrecorded PURCHASE AND SALE AGREEMENT, 17.396 ACRES, MORE OR LESS, AT PRINCEVILLE, KAUAI, HAWAII, KAUAI TAX MAP KEY: (4TH) 5-3-06-22 dated March 27, 2001.

A SHORT FORM MEMORANDUM OF RESTRICTIONS dated March 27, 2001, recorded as Document No. 2001-044208.

4. -AS TO ACCESS OVER QUEEN EMMA'S DRIVE (LOT 92, FILE PLAN 2063):-

The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in unrecorded PURCHASE AND SALE AGREEMENT, 17.396 ACRES, MORE OR LESS, AT PRINCEVILLE, KAUAI, HAWAII, KAUAI TAX MAP KEY: (4TH) 5-3-06-22 dated March 27, 2001.

A SHORT FORM MEMORANDUM OF RESTRICTIONS dated March 27, 2001, recorded as Document No. 2001-044208.

The foregoing includes, but is not limited to, provisions pertaining to annexation of the subject property to the Princeville II Community Association.

5. The terms and provisions contained in the following:

INSTRUMENT : WAIVER AND RELEASE AGREEMENT

DATED : August 31, 2005

RECORDED : Document No. 2005-186859

PARTIES : QEB III LLC

6. REAL PROPERTY MORTGAGE; SECURITY AGREEMENT; ASSIGNMENT OF RENTS; FIXTURE FILING; AND FINANCING STATEMENT

MORTGAGOR : QEB III LLC, a Hawaii limited liability company
MORTGAGEE : HOMESTREET BANK, a Washington corporation and Washington state chartered savings bank
DATED : October 5, 2005
RECORDED : Document No. 2005-221588
AMOUNT : \$24,000,000.00

7. FINANCING STATEMENT

DEBTOR : QEB III LLC
SECURED PARTY : HOMESTREET BANK
RECORDED : Document No. 2005-221589
RECORDED ON: October 31, 2005

8. The terms and provisions contained in the following:

INSTRUMENT : DECLARATION OF CONDOMINIUM PROPERTY REGIME OF KA'IULANI OF PRINCEVILLE
DATED : as of September 28, 2005
FILED : Document No. 2005-223785
MAP : 4108 and any amendments thereto

Said Declaration was amended by instrument dated August 10, 2006, recorded as Document No. 2006-151048.

9. The terms and provisions contained in the following:

INSTRUMENT : BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS OF KA'IULANI OF PRINCEVILLE
DATED : as of September 28, 2005
FILED : Document No. 2005-223786

10. Claims arising out of customary and traditional rights and practices, including without limitation those exercised for subsistence, cultural, religious, access or gathering purposes, as provided for in the Hawaii Constitution or the Hawaii Revised Statutes.

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

CONSTRUCTION WARRANTIES

1. Building and Other Improvements. The construction contracts for the Project (the "Construction Contracts") contain a clause which provides in pertinent part that:

"...if, within one year after the date of Substantial Completion of the Work or designated portion thereof or after the date for commencement of warranties established under Section 14.4.2, or by terms of an applicable special warranty required by the Contract Documents, any of the Work is found to be not in accordance with the requirements of the Contract Documents, the Contractor shall correct it promptly after receipt of written notice from the Owner to do so unless the Owner has previously given the Contractor a written acceptance of such condition."

The Developer makes no warranties itself, but the Developer agrees that the closing of the sale of the Apartment shall constitute an assignment by the Developer to the purchaser of any and all warranties given to the Developer by the contractor(s) for the Project in connection with the Apartment, including any contractor's agreement to promptly correct any of its work found to be not in conformance with the Construction Contracts following the date of "Substantial Completion" of the Work, as defined in the Construction Contracts. The benefit of such an agreement shall accrue to the purchaser on the Date of Closing without further instruments or documents. The Developer shall cooperate with the purchaser during the effective period of such agreement in asserting any claims based on any such warranty. The Developer is not adopting the contractor's warranty or acting as co-warrantor, but is merely attempting to pass through to the purchaser the benefit of such contractor's warranty, if any.

2. Chapter 672E Requirements for Filing a Lawsuit or Other Action for Defective Construction Against the Contractor. CHAPTER 672E OF THE HAWAII REVISED STATUTES CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY FILE A LAWSUIT OR OTHER ACTION FOR DEFECTIVE CONSTRUCTION AGAINST THE CONTRACTOR WHO DESIGNED, REPAIRED, OR CONSTRUCTED YOUR HOME OR FACILITY. NINETY DAYS BEFORE YOU FILE YOUR LAWSUIT OR OTHER ACTION, YOU MUST SERVE ON THE CONTRACTOR A WRITTEN NOTICE OF ANY CONSTRUCTION CONDITIONS YOU ALLEGE ARE DEFECTIVE. UNDER THE LAW, A CONTRACTOR HAS THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR AND/OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY A CONTRACTOR. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER THE LAW, AND FAILURE TO FOLLOW THEM MAY NEGATIVELY AFFECT YOUR ABILITY TO FILE A LAWSUIT OR OTHER ACTION.
3. Assignment of Warranties on Appliances. The closing of the sale of the Apartment shall also constitute the assignment by the Developer to the purchaser, for the unexpired term, if any, of any manufacturer's or dealer's warranties covering any furnishings, fixtures and appliances that are part of the Apartment. The Developer is merely attempting to pass through to the purchaser any such manufacturer's or dealer's warranties; the Developer is not adopting any such warranties or acting as co-warrantor with respect to any furnishings, fixtures or appliances. The terms of the manufacturer's or dealer's written warranties shall be available for the purchaser's examination at the Developer's sales office.

4. No Other Warranties, Express or Implied, are Given. Except for the agreements expressly set forth in Paragraphs 1 and 3 hereinabove, THE DEVELOPER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE APARTMENT, THE PROJECT, ANY CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN THE APARTMENT OR IN THE PROJECT, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS OF THE APARTMENT FOR A PARTICULAR PURPOSE.

ESTIMATED INITIAL MONTHLY MAINTENANCE FEES

BLDG NO.	UNIT NO	UNIT TYPE	BED/BATH	% COMMON INTEREST	ESTIMATED MONTHLY MAIN. FEES
1	1	DR	3/3.5	1.4248	\$ 942.06
	2	D	3/3.5	1.4248	\$ 942.06
2	3	DR	3/3.5	1.4248	\$ 942.06
	4	D	3/3.5	1.4248	\$ 942.06
3	5	DR	3/3.5	1.4248	\$ 942.06
	6	D	3/3.5	1.4248	\$ 942.06
4	7	AR	3/3.5	1.5151	\$ 1,001.77
	8	A	3/3.5	1.5151	\$ 1,001.77
5	9	AR	3/3.5	1.5151	\$ 1,001.77
	10	A	3/3.5	1.5151	\$ 1,001.77
6	11	AR	3/3.5	1.5151	\$ 1,001.77
	12	A	3/3.5	1.5151	\$ 1,001.77
7	13	DR	3/3.5	1.4248	\$ 942.06
	14	D	3/3.5	1.4248	\$ 942.06
8	15	DR	3/3.5	1.4248	\$ 942.06
	16	D	3/3.5	1.4248	\$ 942.06
9	17	AR	3/3.5	1.5151	\$ 1,001.77
	18	A	3/3.5	1.5151	\$ 1,001.77
10	19	AR	3/3.5	1.5151	\$ 1,001.77
	20	A	3/3.5	1.5151	\$ 1,001.77
11	21	AR	3/3.5	1.5151	\$ 1,001.77
	22	A	3/3.5	1.5151	\$ 1,001.77
12	23	AR	3/3.5	1.5151	\$ 1,001.77
	24	A	3/3.5	1.5151	\$ 1,001.77
13	25	AR	3/3.5	1.5151	\$ 1,001.77
	26	A	3/3.5	1.5151	\$ 1,001.77
14	27	AR	3/3.5	1.5151	\$ 1,001.77
	28	A	3/3.5	1.5151	\$ 1,001.77
15	29	AR	3/3.5	1.5151	\$ 1,001.77
	30	A	3/3.5	1.5151	\$ 1,001.77
16	31	AR	3/3.5	1.5151	\$ 1,001.77
	32	A	3/3.5	1.5151	\$ 1,001.77
17	33	AR	3/3.5	1.5151	\$ 1,001.77
	34	A	3/3.5	1.5151	\$ 1,001.77
18	35	AR	3/3.5	1.5151	\$ 1,001.77
	36	A	3/3.5	1.5151	\$ 1,001.77
19	37	H	3/3.5	1.9646	\$ 1,298.97
	38	G	3/3.5	1.9173	\$ 1,267.70
20	39	ER	3/3	1.2407	\$ 820.34
	40	FR	3/3.5	1.3182	\$ 871.58
21	41	ER	3/3	1.2407	\$ 820.34
	42	FR	3/3.5	1.3182	\$ 871.58
22	43	F	3/3.5	1.3182	\$ 871.58
	44	E	3/3	1.2407	\$ 820.34
23	45	F	3/3.5	1.3182	\$ 871.58
	46	E	3/3	1.2407	\$ 820.34
24	47	F	3/3.5	1.3182	\$ 871.58
	48	E	3/3	1.2407	\$ 820.34
25	49	ER	3/3	1.2407	\$ 820.34
	50	FR	3/3.5	1.3182	\$ 871.58
26	51	F	3/3.5	1.3182	\$ 871.58
	52	E	3/3	1.2407	\$ 820.34
27	53	F	3/3.5	1.3182	\$ 871.58
	54	E	3/3	1.2407	\$ 820.34
28	55	ER	3/3	1.2407	\$ 820.34
	56	FR	3/3.5	1.3182	\$ 871.58

BLDG NO.	UNIT NO	UNIT TYPE	BR/ BATH	% COMMON INTEREST	ESTIMATED MONTHLY MAIN. FEES
29	57	B	2/2/5	0.9447	\$ 624.63
	58	C	2/2/5	0.8888	\$ 587.67
	59	BR	2/2/5	0.9447	\$ 624.63
30	60	B	2/2/5	0.9447	\$ 624.63
	61	C	2/2/5	0.8888	\$ 587.67
	62	BR	2/2/5	0.9447	\$ 624.63
31	63	B	2/2/5	0.9447	\$ 624.63
	64	C	2/2/5	0.8888	\$ 587.67
	65	BR	2/2/5	0.9447	\$ 624.63
32	66	B	2/2/5	0.9447	\$ 624.63
	67	C	2/2/5	0.8888	\$ 587.67
	68	BR	2/2/5	0.9447	\$ 624.63
33	69	B	2/2/5	0.9447	\$ 624.63
	70	C	2/2/5	0.8888	\$ 587.67
	71	BR	2/2/5	0.9447	\$ 624.63
34	72	B	2/2/5	0.9447	\$ 624.63
	73	C	2/2/5	0.8888	\$ 587.67
	74	BR	2/2/5	0.9447	\$ 624.63
35	75	B	2/2/5	0.9447	\$ 624.63
	76	C	2/2/5	0.8888	\$ 587.67
	77	BR	2/2/5	0.9447	\$ 624.63
TOTAL	77			100.0000	\$66,119.08

Apartment owners shall not be obligated to pay their respective shares of the common expenses until the date specified in a disclosure abstract (the "Commencement Date"), which disclosure abstract shall be filed by the Developer with the Real Estate Commission of the State of Hawaii at least 30 days in advance of the Commencement Date, and a copy of which disclosure abstract shall be delivered to each apartment owner. Until the Commencement Date, the Developer shall pay all of the actual common expenses of the Project.

**Estimate of Operating Expenses
for the One-Year Period Commencing 01/01/07
Ka'iulani of Princeville
(77 units)**

08-31-06

	Monthly	Yearly
Utilities and Services		
Electricity - Common	\$1,000	\$12,000
Electricity - Pools	\$5,000	\$60,000
Electricity - Bldgs 75/8/9	\$1,800	\$21,600
Water	\$2,500	\$30,000
Sewer	\$4,000	\$48,000
Telephone	\$100	\$1,200
Cable	\$20	\$240
Gas	\$300	\$3,600
Refuse	\$0	\$0
Maintenance		
Grounds	\$15,000	\$180,000
Four Water Features	\$0	\$0
Recreation Facility	\$0	\$0
Pool/Spa/Chemicals/Equipment	\$500	\$6,000
Supplies per Building	\$500	\$6,000
Equipment	\$900	\$10,800
Tree Trimming	\$1,000	\$12,000
Landscape Extras	\$0	\$0
Pest Control	\$600	\$7,200
Fences/Gates	\$0	\$0
Road Repairs	\$0	\$0
Entryway/Fountain Maintenance	\$3,333	\$39,996
Management/Administration		
GM/Concierge	\$2,400	\$28,800
Housing Allowance	\$0	\$0
Maintenance	\$2,000	\$24,000
Security	\$0	\$0
Office Supplies	\$500	\$6,000
Car Allowance	\$150	\$1,800
Management Fees	\$1,927	\$23,124
Consulting Fees	\$0	\$0
Audit and Tax	\$350	\$4,200
PCA Dues	\$2,500	\$30,000
Legal Fees	\$250	\$3,000

EXHIBIT I

**Estimate of Operating Expenses
for the One-Year Period Commencing 01/01/07
Ka'iulani of Princeville
(77 units)**

08-31-06

	Monthly	Yearly
Insurance		
Property	\$15,330	\$183,960
Liability	\$250	\$3,000
D & O	\$115	\$1,380
Flood	\$0	\$0
Bond	\$40	\$480
Workers' Comp	\$220	\$2,640
TDI	\$44	\$528
Medical	\$600	\$7,200
Umbrella	\$265	\$3,180
Taxes and Government Fees		
RPT	\$0	\$0
Payroll Taxes	\$350	\$4,200
Payroll Preparation	\$125	\$1,500
Condo Registration	\$25	\$300
GET	\$25	\$300
Miscellaneous Expense	\$0	\$0
Contingency	\$0	\$0
Reserves	\$2,100	\$25,200
TOTAL	\$66,119	\$793,428

Hawaiiana Management Company, Ltd. hereby certifies that the annual operating budget and the estimates of the initial monthly maintenance fees assessable against the owner(s) of each of the apartments in the Ka'ilulani of Princeville condominium project (the "Project") set forth in this Exhibit I to the Final Condominium Public Report for the Project are reasonable estimates for the one-year period commencing January 1, 2007, and were prepared in accordance with generally accepted accounting principles.

HAWAIIANA MANAGEMENT COMPANY, LTD.

By Phyllis Kacher
Name: Phyllis Kacher
Title: Senior Vice President

Date: August 31, 2006

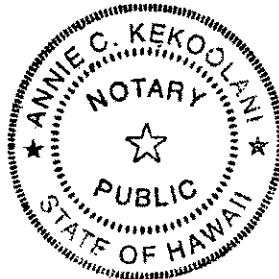
Subscribed and sworn to before me
this 31st day of August, 2006.

Annie C. Kekoolani

Notary Public, State of Hawaii

Name: Annie C. Kekoolani

My Commission expires: 02-16-2010



SUMMARY OF SALES CONTRACT

The specimen Condominium Purchase Agreement, Deposit Receipt and Contract ("Purchase Agreement") contains, among others, the following terms and provisions (which may be modified or otherwise limited by provisions not summarized):

1. The Purchase Price shall be paid in three (3) payments, the last of which shall be paid to Escrow, subject to other terms, on the earlier of (a) the Date of Preclosing, or (b) three (3) days prior to the Scheduled Closing Date, except that mortgage proceeds from Buyer's Permanent Loan may be paid one (1) day prior to the Scheduled Closing Date.
2. The Purchase Price does not include the Project start-up fee, closing costs, prorations, and additional costs payable by Buyer under the Purchase Agreement.
3. Until (i) the Real Estate Commission of the State of Hawaii ("Commission") has issued an effective date for the Contingent Final Public Report for the Project, (ii) Buyer has received for or is deemed to have received for the Contingent Final Public Report, and (iii) Buyer has waived or is deemed to have waived Buyer's right to cancel under Hawaii Revised Statutes §514A-62, the Purchase Agreement will not become a binding sales contract and may be terminated by either Buyer or Seller by written notice of such termination delivered to the other party.
4. When the Commission has issued an effective date for the Contingent Final Condominium Public Report for the Project, a copy thereof will be delivered to Buyer along with a receipt for the report and a notice of right to cancel. If Buyer fails to execute and return the receipt and notice of right to cancel within thirty (30) calendar days after the delivery to Buyer of a copy of the Contingent Final Condominium Public Report, then Seller may at its sole option terminate this Agreement. Upon such termination, Seller shall cause Escrow to refund to Buyer all payments previously made by Buyer, with interest as and to the extent described in summary item 11 hereinbelow and less Escrow's cancellation fee, and Seller shall have no further liability under this Agreement. If Seller does not exercise this option to terminate the Purchase Agreement and Buyer does not sign and return the receipt and waiver of the and notice of right to cancel within said thirty (30) calendar day period, or if the Apartment is conveyed to Buyer prior to expiration of such thirty (30) calendar day period, then Buyer shall be deemed to have received for the Contingent Final Condominium Public Report and to have waived Buyer's right to cancel, and the Purchase Agreement shall continue as a binding obligation on both parties.
5. Buyer has received a copy of the Declaration, By-Laws, House Rules, public report(s) for the Project, form of Apartment Deed, and Escrow Agreement, and Buyer acknowledges that Buyer has had an adequate opportunity to read those documents and to examine the Project plans, and Buyer accepts such documents and plans with such changes and modifications as the Project architect may deem necessary.
6. Within thirty (30) days after the date Seller accepts the Purchase Agreement, Buyer must submit to Seller a Pre-Qualification Letter in form and content acceptable to Seller from the Pre-Qualification Agent, confirming Buyer's ability to pay the Purchase Price.
7. If Buyer shall have applied for a Pre-Qualification Letter and diligently pursued such application as herein provided, and Buyer does not obtain a Pre-Qualification Letter in form and content acceptable to Seller (in Seller's sole discretion) within thirty (30) calendar days of Seller's acceptance of this Agreement, then Seller or Buyer shall have the right and option to terminate the Purchase Agreement and cause Escrow to refund to Buyer all monies previously paid by Buyer, with interest to the extent provided in the Purchase Agreement, less Escrow's cancellation

- fee and any other actual expenses incurred by reason of Buyer having signed the Purchase Agreement.
8. If Buyer will be utilizing mortgage financing to pay a portion of the Purchase Price, then Buyer shall be solely responsible for applying for and obtaining the Buyer's Permanent Loan from the Pre-Qualification Agent or Buyer's Permanent Lender. All financing and the terms and conditions thereof, shall be a matter of concern solely between Buyer and the Pre-Qualification Agent or Buyer's Permanent Lender and shall not affect the rights or obligations of Seller or Buyer. The sale and purchase of the Apartment shall not be contingent upon Buyer's ability to retain the interest rate quoted at the time of approval of the pre-qualification letter or Buyer's Permanent Loan. Buyer shall be solely responsible for any loan fees or other charges payable to Buyer's Permanent Lender in processing, issuing or canceling Buyer's Permanent Loan.
 9. If Buyer will be paying the entire Purchase Price in cash and Seller so requires, then no later than sixty (60) days, and no earlier than ninety (90) days prior to the Scheduled Closing Date, Buyer must submit to Seller written evidence from Buyer's bankers or accountants or other persons reconfirming Buyer's ability to pay the Purchase Price in cash on the Date of Closing. If Seller, in its sole discretion, and/or is not satisfied as to Buyer's continued ability to make such cash payments, then Buyer shall be in default under the Purchase Agreement.
 10. All payments made by Buyer under the Purchase Agreement will be deposited with Escrow under the terms of the Escrow Agreement.
 11. If Buyer so elects, all funds received by Escrow from or at the direction of Buyer may be deposited into an interest bearing account or accounts in a federally insured bank or savings and loan institution selected by Seller. Buyer shall pay all costs and expenses incurred or charged by Escrow for the purpose of setting up, maintaining and closing such interest bearing account(s). Except in the event of a default by Buyer (in which case the default provisions summarized hereinbelow shall govern), all interest earned from such account(s) from the date of Seller's acceptance of this Agreement shall be credited to Buyer's account; provided that no interest shall be credited to Buyer (i) for the period prior to Seller's acceptance of this Agreement; or (ii) on funds held by Escrow for less than sixty (60) calendar days after Seller's acceptance of this Agreement. Any interest earned on funds in escrow which is not required by the terms of the Purchase Agreement to be credited to the account of Buyer shall be paid to Seller.
 12. After the Commission's issuance of an effective date for the Final Condominium Public Report, Payments A and B under the Purchase Agreement may be disbursed by Escrow subject to the terms of the Escrow Agreement prior to the date of completion of the Project as permitted by §514A-40(a) (6) and §514A-67, Hawaii Revised Statutes, as amended, to pay for the costs of constructing the Project.
 13. Seller has reserved the right to make certain modifications to the Declaration, By-Laws, House Rules, Apartment Deed, and other documents as may be required by law, any title insurance company, any institutional mortgagee, or any governmental agency, or as Seller otherwise deems appropriate; provided that no such modification shall (i) materially increase Buyer's share of common expenses without Buyer's consent; or (ii) reduce the obligations of Seller for common expenses on unsold apartments; or (iii) require a substantial physical change of the Apartment or of the building in which the Apartment is located.
 14. Seller has reserved the right to require alterations of the Project (and to modify any of such documents accordingly) to change the configuration of, to alter the number of rooms of, to decrease or increase the size of, or to change the location of any other apartment and/or parking area, and to make other minor changes in the Apartment, any of the other apartments or the common elements of the Project.

15. Any model shown to Buyer is displayed only for illustration and Seller shall not thereby be required to deliver the Apartment in exact accordance therewith. None of the appurtenances and furnishings shown in any model is included in the Purchase Agreement, unless Seller agrees in writing to deliver the same for part of the Purchase Price. The usable or living area, location and configuration of the Apartment and all improvements of the Project may fluctuate from that shown or displayed to Buyer in any drawings, plans or models when Seller finally places final improvements, in Seller's sole and absolute discretion. The location, size, height and composition of all improvements to be constructed as a part of the Project or adjacent thereto shall be determined by Seller in its sole and absolute discretion. Despite models or drawings displayed to Buyer, Seller has made no representations, warranties or assurances to Buyer regarding the size, height, location or composition of any improvement to be constructed on or adjacent to the Project. Seller may substitute the materials, appliances and other items in the Apartment and the Project with materials, appliances and other items of substantially equal quality and utility (and acceptable to Buyer's Permanent Lender).
16. Seller has reserved rights under the Declaration to develop and construct New Improvements, subdivide and consolidate the Land, delete portions of the Land and annex Adjacent Parcels and Improvements thereon to the Project as Seller deems appropriate and as may permitted or otherwise approved by any appropriate governmental authorities, all as set forth in Paragraphs R through U of the Declaration. Seller has also expressly reserved rights to do anything necessary or convenient to exercise its reserved rights under Paragraphs R through U of the Declaration, including the right to amend the Declaration and/or the Condominium Map in connection therewith. Seller may exercise these reserved rights, at its sole option and discretion, at any time and from time to time up to but not later than December 31, 2020.
17. Seller has reserved the right to designate, grant, convey, transfer, cancel, relocate and otherwise deal with any easements over, under across or through the common elements for any reasonable purpose.
18. BUYER INTENTIONALLY WAIVES, RELINQUISHES AND SUBORDINATES THE PRIORITY OR SUPERIORITY OF ANY LIEN OR OTHER LEGAL OR EQUITABLE INTEREST ARISING UNDER THE PURCHASE AGREEMENT IN FAVOR OF THE LIEN OR CHARGE ON THE PROJECT OR THE SECURITY INTERESTS OF SELLER'S LENDER, INCLUDING BUT NOT LIMITED TO ANY LIEN, MORTGAGE OR OTHER CHARGE SECURING A LOAN MADE TO FINANCE THE ACQUISITION OF THE LAND AND THE COSTS OF CONSTRUCTION AND OTHER COSTS DURING SUCH CONSTRUCTION AND ANY AND ALL ADVANCES THEREFOR, WHETHER CONTRACTUAL OR VOLUNTARY, UNTIL THE FINAL CLOSING AND DELIVERY BY SELLER OF AN APARTMENT DEED TO BUYER. Buyer consents to Seller's assignment to Lender, as security, of Seller's interests in the Purchase Agreement and Buyer's deposits with Escrow. In the event Lender acquires Seller's interest in the Purchase Agreement pursuant to said assignment, Buyer shall, at Lender's option, perform to, attorn to, and recognize Lender as the Seller under the Purchase Agreement.
19. Issuance by Seller's architect of inspecting engineer for the Project of a certification that the Apartment is ready for occupancy (the "Occupancy Certification") shall constitute conclusive evidence of Seller's completion of the Apartment. If Seller is unable to complete or install in the Apartment any optional item, decorator item, fixture, furnishing or other improvement, and such failure is caused by circumstances beyond Seller's reasonable control, the Close of Escrow shall not be delayed so long as Seller's architect or inspecting engineer has issued an Occupancy Certification with respect to the Apartment.

20. Buyer acknowledges that construction may continue on the site after Buyer has occupied the Apartment, and sales activities will continue until the last unsold apartment in the Project has been sold.
21. Seller reserves the right to exercise all of the powers as a member of the Association as to all unsold apartments in the Project. Until the election of the Board of Directors and officers of the Association of Apartment Owners, Seller may exercise all of the powers of the Board of Directors and officers.
22. The estimate of monthly maintenance charges and assessments for the Apartment as shown in the condominium public report(s) for the Project are only estimates, and are subject to change for various reasons.
23. No apartment owner or occupant shall lease or sublease an Apartment to any person or entity for a period of less than thirty (30) consecutive days.
24. Until Seller has closed out the sale of all the apartments in the Project or until December 31, 2010, whichever shall first occur, that Buyer will not enter into any "rental pool" or similar agreement with any purchaser, lessee or owner of another apartment in the Project and/or any third party under which Buyer agrees to share expenses and/or rentals of apartments in the Project unless specifically agreed to in writing by Seller.
25. After the Purchase Agreement has become binding, Buyer shall have the right to rescind the Purchase Agreement only if there is a material change in the Project which directly, substantially and adversely affects the use or value of (i) the Apartment or appurtenant limited common elements, or (ii) amenities of the Project available for Buyer's use.
26. The closing of the sale of the Apartment shall constitute an assignment by Seller to Buyer of any and all warranties given to Seller by the contractor for the Project in connection with the Apartment, including any contractor's agreement to promptly correct any of its work found to be defective or not in conformance with the construction contract following the date of substantial completion of the work. The benefit of such an agreement shall accrue to Buyer on the Date of closing without further instruments or documents. Seller shall cooperate with Buyer in asserting any claims based on any such warranty.
27. Chapter 672E of the Hawaii Revised Statutes contains important requirements Buyer must follow before Buyer can file a lawsuit or other action for defective construction against the contractor who designed, repaired, or constructed the Apartment or Project. Ninety days before Buyer can file a lawsuit or other action against the contractor, Buyer must serve on the contractor a written notice of any construction conditions Buyer alleges are defective. Under the law, a contractor has the opportunity to make an offer to repair and/or pay for the defects. Buyer is not obligated to accept any offer made by a contractor. There are strict deadlines and procedures under the law, and failure to follow them may negatively affect Buyer's ability to file a lawsuit or other action.
28. Seller makes no warranties with respect to the Apartment, the Project, any consumer products or anything else installed in the Apartment or in the Project, including but not limited to any implied warranty of merchantability, habitability, workmanlike construction or fitness of the Apartment for a particular purpose.
29. If Buyer is purchasing the apartment pursuant to Part VI of the Condominium Property Regime Act, Hawaii Revised Statutes § 514A-101 et seq., governing sales to prospective owner-occupants, then Buyer may not sell or offer to sell, lease or offer to lease, rent or offer to rent, assign or offer to assign, convey or otherwise transfer any interest in the Apartment until at least

three hundred sixty five (365) consecutive calendar days have elapsed since the recordation of the Apartment Deed. At any time after obtaining Buyer's Permanent Loan, or a firm written commitment for Buyer's Permanent Loan, up until the expiration of the Owner-Occupant Affidavit executed by Buyer pursuant to § 514A-104.5, Hawaii Revised Statutes, Buyer shall notify the Commission immediately upon any decision to cease being an owner-occupant of the Apartment.

30. The Date of Occupancy shall be the date upon which Seller's inspecting architect or engineer certifies that the Apartment is ready for occupancy. If the Purchase Agreement is accepted by Seller more than forty-five (45) calendar days prior to the Date of Occupancy, then the Scheduled Date of Closing shall be a date within sixty (60) calendar days after the Date of Occupancy as specified by Seller in a written notice to Buyer; otherwise, the Scheduled Closing Date shall be a date mutually acceptable to Buyer and Seller, but in no event more than ninety (90) calendar days after Seller has accepted the Purchase Agreement.
31. The Date of Preclosing shall be the date on or about sixty (60) calendar days prior to the Scheduled Closing Date, as specified by Seller in a written notice to Buyer. On the earlier of the Date of Preclosing or three (3) calendar days prior to the Scheduled Closing Date, Buyer shall pay into Escrow all sums due from Buyer at closing, including, without limitation, the title insurance premium, the escrow fee, recording fees and applicable conveyance taxes, but excluding only Buyer's Permanent Loan proceeds, if applicable.
32. Buyer shall inspect the Apartment and will sign an inspection sheet to be furnished by Seller or the contractor, or Buyer will appoint the inspecting architect or engineer for the Project, or Seller or any agent of Seller to inspect the Apartment and execute the inspection sheet on behalf of Buyer. Buyer agrees to accept possession of the Apartment despite the existence of damages and defects as long as Seller agrees to repair such defects or damage within a reasonable time. Buyer agrees to indemnify Seller for any damages resulting from any wrongful refusal to accept possession of the Apartment.
33. Time is of the essence of the obligations of Buyer under the Purchase Agreement.
34. Buyer shall be in default under the Purchase Agreement if (i) Buyer fails to make a payment when due; or (ii) Buyer fails to furnish Seller the pre-qualification letter within thirty (30) days after the date Seller accepts the Purchase Agreement; or (iii) Buyer fails to execute and return the receipt and notice of right to cancel in connection within thirty (30) calendar days after the delivery to Buyer of a copy of the Contingent Final Condominium Public Report; or (iv) Buyer does not act in good faith or otherwise comply with any of the requirements for mortgage financing; or (v) if Buyer will be paying the entire Purchase Price in cash and Buyer fails to submit to Seller written evidence from Buyer's bankers or accountants or other persons reconfirming Buyer's ability to pay the Purchase Price in cash on the Date of Closing no later than sixty (60) days, and no earlier than ninety (90) days prior to the Scheduled Closing Date; or (vi) or Buyer assigns its rights or obligations under this Agreement, or prior to the Close of Escrow, Buyer advertises, offers or accepts an offer for the resale of the Apartment.; or (vii) Buyer fails to perform any other obligation required under this Agreement and such failure continues for fifteen (15) days after Seller gives written notice to Buyer of such failure.
35. In the event of any default by Buyer which occurs before the Purchase Agreement becomes a binding contract, Seller can terminate this Agreement by written notice to Buyer, and (a) all moneys paid under the Purchase Agreement shall be refunded or the check returned to Buyer, with interest to as and to the extent provided and described in summary item 11 hereinabove, less any cancellation fee imposed by Escrow and any other actual expenses incurred by reason of Buyer having signed this Agreement; and (b) all costs, including reasonable attorneys' fees, incurred by reason of the default by Buyer shall be paid by Buyer promptly upon Seller's demand

therefor. In the event of any default by Buyer which occurs after the Purchase Agreement becomes a legally binding contract, the sums previously paid by Buyer under the Purchase Agreement, together with all accrued interest thereon, shall at Seller's option belong to Seller as liquidated damages. If Seller does not elect to retain as liquidated damages the sums previously paid by Buyer under the Purchase Agreement, then Seller may pursue any other remedies permitted at law or in equity, including, but not limited to, specific performance.

36. Seller shall be in default under the Purchase Agreement if (i) Seller fails to complete or cause completion of construction of the Apartment within two (2) years of the date that the Purchase Agreement becomes a legally binding contract (provided that said two (2) year period shall be extended for any period of time during which Seller is actually and necessarily delayed in completing construction of the Apartment due to fire, earthquake, acts of God, the elements, war or civil disturbance, strikes or other disturbances, government legislation or controls, economic controls making it impossible to obtain the necessary labor or materials, or other matters or conditions legally supportable under Hawaii law as being beyond the control of Seller); or (ii) Seller fails to perform any other obligation required under the Purchase Agreement and such failure continues for fifteen (15) days after Buyer gives written notice to Seller of such failure.
37. In the event of any default by Seller which occurs before the Purchase Agreement becomes a binding contract, Buyer can terminate this Agreement by written notice to Seller, and (i) all moneys paid under this Agreement by Buyer shall be refunded or the check returned to Buyer, with interest as and to the extent described provided in summary item 11 hereinabove, less any cancellation fee imposed by Escrow and any other actual expenses incurred by reason of Buyer having signed this Agreement; and (ii) all costs, including reasonable attorneys' fees, incurred by reason of the default by Seller shall be paid by Seller promptly upon Buyer's demand therefor. In the event of any default by Seller which occurs after this Agreement becomes a binding contract, Buyer can (i) cancel and terminate this Agreement by written notice to Seller, and receive (x) a full refund of all moneys paid under this Agreement by Buyer from Escrow, together with interest as and to the extent described summary item 11 hereinabove (less any cancellation fee imposed by Escrow), and (y) all costs incurred by Buyer by reason of the default by Seller, including reasonable attorneys' fees, or (ii) file suit against Seller for the actual damages suffered by Buyer as a result of Seller's default under this Agreement, or (iii) pursue any other remedies permitted at law or in equity, including, but not limited to, seeking specific performance of this Agreement.

Unless otherwise defined herein, all capitalized terms used herein shall have the same meanings given them under the Purchase Agreement.

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

SUMMARY OF CONDOMINIUM ESCROW AGREEMENT

The Condominium Escrow Agreement ("Escrow Agreement") dated as of January 14, 2005, made by and between Title Guaranty Escrow Services, Inc. ("Escrow Agent"), and QEB III LLC ("Developer"), contains among other provisions the following (which may be modified or otherwise limited by provisions not summarized herein):

1. Sales Contracts Deposited in Escrow. Whenever Developer enters into a sales contract with a purchaser for the sale of an apartment in Ka'iulani of Princeville (the "Project"), Developer shall deliver an executed copy of the sales contract to Escrow Agent. The sales contract shall require that all payments due thereunder be made directly to Escrow Agent to be held and disbursed in accordance with the Escrow Agreement. If the purchaser intends to purchase the apartment as an "owner-occupant" pursuant to Chapter 514A, Part VI, Hawaii Revised Statutes ("H.R.S."), said purchaser shall deliver an owner-occupant affidavit to Escrow Agent in the form and content required by H.R.S. §514A-104.5.
2. Receipt of Funds by Escrow Agent. Escrow Agent shall receive and hold in escrow and disburse in accordance with the Escrow Agreement all payments under sales contracts for apartments in the Project and all sums of money from any other source relating to the Project. Within a reasonable time after receiving any such funds, Escrow Agent will deposit the same in an interest-bearing account or accounts at a federally insured bank, savings and loan association, or trust company authorized to do business in the State of Hawaii. Any interest earned on such deposits shall accrue as specified in the sales contract.
3. Conditions to be Met Prior to Disbursement. Escrow Agent shall make no disbursement of funds deposited with it unless: (a) the Real Estate Commission has issued a Final Public Report on the Project; (b) Developer or Developer's attorney has notified Escrow Agent that the requirements of H.R.S. §514A-62, §514A-63 and §514A-64.5 have been met; (c) Developer has given Escrow Agent a written waiver of any reserved option to cancel the sales; and (d) Developer has delivered to Escrow Agent a statement from Developer's architect that the Project is in compliance with the Federal Fair Housing Amendments Act of 1988.
4. Return of Funds and Documents. Escrow Agent shall return deposited sums, with interest to the extent provided in the sales contract, less Agent's cancellation fee and other costs up to a maximum of \$250.00, to a purchaser if:

Developer and such purchaser instruct Escrow Agent in writing to return such funds to such purchaser; or

Developer notifies Escrow Agent of Developer's exercise of the option to cancel or rescind the sales contract entered into by such purchaser pursuant to any right of cancellation or rescission provided for therein or otherwise available to Developer with respect to which, in accordance with the sales contract, the purchaser is entitled to a return of funds deposited by it with Escrow Agent; or

With respect to any purchaser whose funds were obtained prior to the issuance of the Final Condominium Public Report, the purchaser exercises its right to cancel the sales contract pursuant to HRS Section 514A-62; or

Such purchaser exercises its right to rescind the sales contract pursuant to HRS Section 514A-63.

5. Unclaimed Funds. Escrow Agent shall notify each purchaser entitled to a return of funds by registered, certified mail or regular . If any purchaser does not claim the refund within sixty (60) days, Escrow Agent shall deposit the funds with a bank or depository selected by Escrow Agent in the name of Developer as trustee for the purchaser. Thereafter, Escrow Agent shall have no further obligation or liability with respect to such funds and purchaser.
6. Closing. Except for the sales contract and any note and mortgage, Escrow Agent shall arrange for and supervise the execution, recording, and delivery of all documents, as necessary, related to the Project.
7. Partial Closings. In the event Developer desires partial closings (i.e. closings for some but not all of the apartments), Escrow Agent agrees to cooperate with Developer and facilitate such partial closings.
8. Defects in Documents. Within five (5) business days of the date of closing, Escrow Agent shall record all documents necessary to effect the transfer of legal title to the purchaser, provided said documents are not defective in any way. If any documents are defective, Escrow Agent will notify Developer thereof and correct such defects if they are within Escrow Agent's capacity to correct.
9. Purchaser's Default. Developer shall notify Escrow Agent when payments are due from a purchaser, who shall then be notified by Escrow Agent. Escrow Agent shall notify Developer of any defaults by a purchaser. If Developer certifies to Escrow Agent in writing that Developer has terminated the sales contract, Escrow Agent shall thereafter treat all funds of the purchaser paid on account of the subject sales contract in accordance with the terms thereof as funds of Developer. Upon the written request of Developer, Escrow Agent shall pay such funds to Developer, less any cancellation fee. Thereafter, Escrow Agent shall have no further obligation or liability with respect to such funds or purchaser.
10. Protection of Escrow Agent. Escrow Agent shall have no liability for acting in accordance with the terms of the Escrow Agreement, notwithstanding a notice to the contrary from Developer, any purchaser, or any third person. Escrow Agent shall not be responsible for the validity or sufficiency of any documents received by it, shall be entitled to assume that said documents have been properly executed and that any written certification or instrument from Developer is true and accurate. In the event of any dispute, difference, or conflicting demand upon Escrow Agent, Escrow Agent shall not be required to determine the same or take any action in the premises, but may await settlement of the controversy by appropriate legal proceedings or otherwise, including the resolution of an interpleader action initiated by Escrow Agent. Developer and each purchaser shall pay Escrow Agent on demand and indemnify and hold harmless Escrow Agent against all costs and damages arising out of this Agreement, except for any act or omission of Escrow Agent that is not generally accepted as a reasonable business practice. Escrow Agent shall not be required to mail any notice or keep any records required under the owner/occupant provisions of H.R.S. Chapter 514A.
11. Miscellaneous. The Escrow Agreement is binding upon and inures to the benefit of the parties thereto and their respective successors and assigns. The Escrow Agreement may be terminated on fifteen (15) days' written notice to either party. In the event of any conflict between the Escrow Agreement and H.R.S. Chapter 514A, the statutory provisions shall control. Escrow Agent shall furnish Developer with semi-monthly reports that cover the status of each sales contract in escrow.
12. Compensation. For the closing by Escrow Agent of each sale of an apartment having a sales price at or below \$1,250,000.00, Escrow Agent shall be paid a fee in the amount of \$1,150.00. For the closing by Escrow Agent of each sale of an apartment having a sales price greater than \$1,250,000.00, Escrow Agent shall be paid a fee in the amount of \$1,500.00. The premium for

the standard owner's title insurance policy and ALTA lender's title insurance policy issued with respect to each Apartment having a sales price at or below \$1,250,000.00 shall be \$1,800.00. The premium for the standard owner's title insurance policy and ALTA lender's title insurance policy issued with respect to each Apartment having a sales price greater than \$1,250,000.00 shall be \$2,250.00. An additional fee of \$250.00 shall be charged to the purchaser for each mortgage loan obtained by the purchaser from a lender not designated by Developer. Should the purchaser obtain a mortgage loan from any out-of-state lender, a fee of \$500.00 shall be charged to the purchaser for such mortgage. Developer shall pay an additional charge for any changes to any closing statement or other document that are necessary after the commencement of preclosing or closing proceedings, unless said changes are necessary due to the fault of Escrow Agent. The compensation to Escrow Agent with respect to the closing of the sale of any apartment shall be due and payable upon the earlier of: (i) transfer to a purchaser of legal title to such apartment; and (ii) final disbursement of the purchase price of such apartment and other sums held by Escrow Agent with respect hereto.

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

EXHIBIT L

CHANGES TO CONDOMINIUM PUBLIC REPORT

1. An Amendment to the Declaration of Condominium Property Regime for the Project has been recorded in the Bureau of Conveyances of the State of Hawaii, and the filing information for such document has been inserted. [See Page 6, Section II.A.]
2. An updated title report for the Project property has been obtained from Title Guaranty of Hawaii, Incorporated. [See Page 14, Section III.E.]
3. The estimated date of completion of construction of the Project has been updated and qualified. [See Page 16, Section III.G.]
4. A disclosure regarding the intent of the Developer (utilizing its reserved rights under the Declaration of Condominium Property Regime) and Princeville Prince Golf Course LLC ("PGC") to adjust certain portions of the boundaries between the Project property and the land owned by PGC has been inserted. [See Page 20, Section V.C.]
5. The list of encumbrances against title has been updated in accordance with the updated title report for the Project property prepared by Title Guaranty of Hawaii, Incorporated. [See Exhibit G.]
6. The description of construction warranties regarding the building and other improvements has been revised to reflect the actual warranty provision set forth in the construction contracts for the Project. [See Exhibit H.]
7. Certain line item amounts in the estimate of the initial operating expenses for the Project have been updated; however, the estimated total initial operating expenses for the Project has not changed. The one-year period with respect to which the estimate of initial operating expenses applies has been designated. [See Exhibit I.]
8. A statement that (a) apartment owners shall not be obligated to pay their respective shares of the common expenses until the date specified in a disclosure abstract (the "Commencement Date"), which disclosure abstract shall be filed by the Developer with the Real Estate Commission of the State of Hawaii at least 30 days in advance of the Commencement Date, and a copy of which disclosure abstract shall be delivered to each apartment owner, and (b) until the Commencement Date, the Developer shall pay all of the actual common expenses of the Project, has been inserted. [See Exhibit I.]