

**REAL ESTATE COMMISSION**

PROFESSIONAL & VOCATIONAL LICENSING DIVISION  
DEPARTMENT OF REGULATORY AGENCIES

STATE OF HAWAII

1010 RICHARDS STREET  
P. O. BOX 3469  
HONOLULU, HAWAII 96801

**PRELIMINARY  
HORIZONTAL PROPERTY REGIMES (CONDOMINIUM)  
PUBLIC REPORT**

ON

BALI KAI GARDENS  
Alii Drive, Kailua-Kona  
North Kona, Hawaii

Registration No. 1202

**IMPORTANT — Read This Report Before Buying**

**This Report Is Not an Approval or Disapproval of This Condominium Project**

It reflects information obtained by the Real Estate Commission in its investigation of the project. This report, based on a principle of disclosure, is issued by the Commission for the purpose of preventing fraud, misrepresentation or deceit.

The developer shall not enter into a binding contract or agreement for the sale of any unit in a Condominium Project but may only take reservations therefore after

- (1) A copy of this Report has been given to the prospective purchaser,
- (2) The latter has been given an opportunity to read same, and,
- (3) His receipt taken therefor.

Issued: December 10, 1979

Expires: January 10, 1981

SPECIAL ATTENTION

A comprehensive reading of this report is urged in order that personal requirements and expectations to be derived from the property can be ascertained. The attention of the purchaser or prospective purchaser is particularly directed to the following:

THIS REPORT REFLECTS INFORMATION DISCLOSED IN THE REQUIRED NOTICE OF INTENTION SUBMITTED November 14, 1979. THE DEVELOPER, BY NOTIFYING THE COMMISSION OF ITS INTENTION TO SELL, IS COMPLYING WITH THE REQUIREMENTS OF THE HORIZONTAL PROPERTY ACT, CHAPTER 514A, HAWAII REVISED STATUTES, AS AMENDED.

1. BALI KAI GARDENS is a leasehold (with option to purchase the fee simple interest), residential, condominium project consisting of one rectangular three-story building containing twelve (12) residential apartments plus associated improvements. The Developer intends to sell each of the twelve (12) apartments, together with an undivided interest in the common elements of the project to each purchaser.
2. The basic documents (Declaration of Horizontal Property Regime, By-Laws of the Asssocation of Apartment Owners, and a copy of the approved plans) have not been recorded in the Bureau of Conveyances of the State of Hawaii, although a copy is on file with the Real Estate Commission as part of this registration.
3. The Developer of the project has submitted to the Real Estate Commission for examination all documents deemed necessary for the issuance of this Preliminary Public Report.
4. This Preliminary Public Report is made a part of the registration of the BALI KAI GARDENS condominium project. The Developer is responsible for placing this Preliminary Public Report (yellow paper stock) and the Disclosure Abstract in the hands of all purchasers and prospective purchasers and securing a signed receipt therefor.
5. The purchaser or prospective purchaser is advised to acquaint himself with the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, and the condominium rules and regulations which relate to Horizontal Property Regimes.
6. Advertising and promotional matter has not yet been submitted pursuant to the rules and regulations promulgated by the Real Estate Commission.
7. This Preliminary Public Report automatically expires 13 months after the date of its issuance, December 10, 1979, unless a Supplementary or Final Public Report issues, or the Commission, upon review of registration, issues an order extending the effective period of this report.

NAME OF PROJECT: BALI KAI GARDENS

LOCATION: The Project will be situated on approximately 17,809 square feet of land on Alii Drive, approximately 2.5 miles south of Kailua-Kona, District of North Kona, Island, County, and State of Hawaii.

TAX MAP KEY: 7-6-15-16

ZONING: M-1250

DEVELOPER: MJM DEVELOPMENT CORP., a Hawaii corporation, whose principal place of business and mailing address is 76-6246 Alii Drive, Suite 230, Kailua-Kona, Hawaii 96740, telephone (808) 329-3331/3011. The officers are:

Michael J. MacFarland	President	76-6246 Alii Drive Suite 230 Kailua-Kona, Hawaii 96740
Walter S. Lentz	Vice President	76-6246 Alii Drive Suite 230 Kailua-Kona, Hawaii 96740
Lill W. Lentz	Secretary/Treasurer	76-6246 Alii Drive Suite 230 Kailua-Kona, Hawaii 96740

ATTORNEYS REPRESENTING DEVELOPER: The attorneys representing the Developer are Davis, Playdon & Gerson (Roy L. Anderson), Suite 1333, Pacific Trade Center, 190 South King Street, Honolulu, Hawaii 96813; telephone (808) 524-2466.

DESCRIPTION: The land will be improved according to the Developer's plans, as amended, and the proposed Declaration of Horizontal Property Regime, by constructing thereon one rectangular three-story apartment building consisting of twelve (12) exclusively residential apartments plus recreational facilities, a parking area containing fifteen (15) parking stalls, a swimming pool, and various associated improvements. The building will be constructed principally of wood and concrete block, with exterior and party walls between apartments constructed of concrete block, and with the roof constructed of wood trusses and sheathing and asphalt shingles. The building and the condominium apartments in the project are described in the proposed Declaration of Horizontal Property Regime as follows:

The three-story building has a total of twelve (12) residential apartments, each of which contains one bedroom, one bathroom, a living-room, dining area, kitchen, and lanai.

There are two stairways located at each end of the building which connect the parking level with each of the three residential floors of the building.

The first, second, and third floors are identical to each other; each floor has four (4) apartments of which two (2) are type "A" apartments and two (2) are type "A-R" apartments (identical to the type "A" apartments, but with the reverse floor plan).

Every apartment has immediate access to the covered walkways, which are common elements, on the mauka side of the building which lead to the two stairways, which lead to the parking area, the swimming pool area, the grounds around the building, and to the parking lot driveway which leads to Alii Drive.

The twelve (12) separate apartments in the project are described as follows: each of the twelve (12) separate apartments contains approximately 757 square feet of interior floor area which includes one bedroom, one bathroom, a living room, dining area, kitchen, and a lanai on the makai side of the building containing approximately 120 square feet. Six (6) of the apartments are designated type "A" apartments, numbered 102, 104, 202, 204, 302, 304, and six (6) apartments are designated type "A-R" apartments (identical to the type "A" apartments but with the reverse floor plan), numbered 101, 103, 201, 203, 301, and 303.

The Notice of Intention submitted by the Developer states that each of the apartments includes a refrigerator, oven/range, dishwasher, garbage disposal, washer/dryer, water heater, carpeting, drapes, and drapery hardware.

The respective apartments are not to be deemed to include the undecorated or unfinished surfaces of the perimeter walls, or the interior load-bearing walls, or the unfinished surfaces of the floors and ceilings which surround the apartments or any pipes, shafts, wires, ducts, conduits, or other utility or service lines, facilities, and appurtenances running through such units which are utilized or which serve more than one condominium apartment, are deemed common elements. Subject to the foregoing, each apartment shall include the adjacent lanai and each apartment shall include all the walls and partitions which are not load-bearing within its perimeter walls, the inner decorated or finished surfaces of all the walls, floors, and ceilings.

**COMMON ELEMENTS:** An estate will be created consisting of all remaining portions of the project being described and referred to in the proposed Declaration as "Common Elements", which definition includes, but is not limited to, the following:

- a. The land described in Exhibit "A" attached to the Declaration.
- b. The foundation, floor slabs, columns, girders, beams supports, bearing walls, roofs, corridors, stairways, fire escapes, entrances and exits of the building.
- c. The roof, the basement area, including, without limitation, the electrical, mechanical and maintenance rooms, and the storage areas.
- d. The trash receptacle area, swimming pool, swimming pool deck, and associated equipment.
- e. The driveways, sidewalks, loading areas, ramps, and the three (3) compact parking stalls which are situated along the easterly boundary of the parcel and which are not reserved for the exclusive use of a particular apartment.

f. All central and appurtenant installations for all services such as power, light, gas, hot and cold water, and all like utilities.

g. All of the parts of the project existing for the common area use and which are necessary to the existence, maintenance, and safety of the project.

LIMITED COMMON ELEMENTS: Certain parts of the Project, called "Limited Common Elements", will be set aside and reserved for the exclusive use of certain apartment units as follows:

(a) One (1) parking space shall be appurtenant to and for the exclusive use of each apartment. The proposed Declaration provides that each numbered parking stall is reserved for the exclusive use of the apartment whose number corresponds with the number of the parking stall as shown on the plans, as a limited common element, appurtenant to that apartment.

(b) Each apartment shall have reserved for its exclusive use, as a limited common element appurtenant to that apartment, one (1) mailbox.

INTEREST TO BE CONVEYED TO PURCHASER: Each apartment will have appurtenant an undivided common interest in the common elements. The type of apartment to which each apartment corresponds, the approximate interior and lanai area in square feet of each apartment and the percentage of undivided interest in the common elements appertaining to each apartment are as follows:

<u>Apt. Unit No.</u>	<u>Type</u>	<u>Interior Area Square Feet</u>	<u>Lanai Area Sq. Ft.</u>	<u>Total Area Sq. Ft. (Including Lanai)</u>	<u>Percentage of Undivided Interest</u>
101	A-R	637	120	757	8.33333
102	A	637	120	757	8.33333
103	A-R	637	120	757	8.33333
104	A	637	120	757	8.33333
201	A-R	637	120	757	8.33333
202	A	637	120	757	8.33333
203	A-R	637	120	757	8.33333
204	A	637	120	757	8.33333
301	A-R	637	120	757	8.33334
302	A	637	120	757	8.33334
303	A-R	637	120	757	8.33334
304	A	637	120	757	8.33334
					100.00000*

The above percentages of undivided interest in the common elements shall apply for all purposes, including the amount of maintenance of the common elements required to be paid by each apartment owner and the extent of voting of each apartment owner as a member of the Association of Owners.

PURPOSE OF BUILDING AND RESTRICTIONS AS TO USE: The proposed Declaration of Horizontal Property Regime states the purposes for which the building and other improvements and each of the condominium apartments are intended and the uses to which they are restricted as follows:

(a) Each apartment is designated exclusively residential. The apartments shall be occupied and used as living accommodations for permanent or transitory use and may be leased or rented from time to time for transient occupancy by the respective owners thereof, their tenants, families, domestic servants, and social guests.

(b) All apartments shall be subject to and used only in accordance with the allowable uses according to the zoning ordinances of the County of Hawaii.

(c) The House Rules state that no pets are allowed on the premises and barbecuing is prohibited.

OWNERSHIP TO TITLE: A Policy of Title Insurance dated October 1, 1979, prepared by Title Insurance and Trust Company, reports that title to the land is vested in Ruth Beaseman, also known as Ruth I. Grimes, unmarried.

ENCUMBRANCES AGAINST TITLE: Said Policy of Title Insurance dated October 1, 1979, shows the following encumbrances:

1. For any taxes that may be due and owing, reference is made to the Office of the Tax Assessor, Third Division.

2. That certain Agreement of Sale by and between Ruth Beaseman, also known as Ruth I. Grimes, unmarried, as "Vendor", and MJM Development Corp., as "Vendee", dated August 2, 1979, and recorded in the Bureau of Conveyances of the State of Hawaii in Liber 14032, at Page 86.

3. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

4. An easement 20 feet wide, for roadway purposes, along the northerly boundary as set forth by instrument dated June 21, 1952, and recorded in Liber 2624, at Page 404.

PURCHASE MONEY HANDLING: An Escrow Agreement dated November 1, 1979, has been executed by the Developer and Title Guaranty Escrow Services, Inc. as the escrow, and a copy of same has been filed with the Real Estate Commission. On

examination, the specimen form of Sales Contract and the executed Escrow Agreement are consonant with the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, particularly Sections 514A-39, 514A-63, 514A-64, and 514A-66.

Among other provisions, the specimen Sales Contract provides the following:

(1) That in the event development and construction of the project is delayed for any of various reasons, the non-occurrence of which was a basic assumption on which the agreement was made, the seller may require an increase in the sale price, terminate the agreement, and offer to the buyer a first right to execute a new agreement at the increased price; if the buyer does not accept such increase within fifteen (15) days of notice thereof, and upon refund of all deposits to the buyer, the parties are completely discharged from any further obligation under the contract.

(2) The Developer intends to undertake a construction loan for a portion of the costs of construction of the project and will mortgage the land and the seller's interest in the project to the construction lender. The purchaser should be aware that the seller's mortgage loan used for the construction of the project shall be and remain at all times a superior lien on the project, and purchasers intentionally waive and subordinate the priority of any claim under their sales contracts in favor of such mortgage loan. The purchasers are advised that paragraph 20 of the Sales Contract prohibits assignment of the Sales Contract and any assignment or attempted assignment shall constitute a material breach, giving the seller the right to terminate the contract and retain all sums theretofore paid.

(3) The Developer contemplates and reserves the right, without further notice to the Buyer, and the Buyer agrees to be fully bound by, entry into one or more joint or common maintenance or usage agreements with, or grants of perpetual easements to or from, adjacent property owners, including adjacent condominium developments in, over, and to such common elements as may be appropriate for joint or common usage of, ingress to, egress from, and access to the sewage treatment plant and/or common swimming pool for the project, and without further notice to the Buyer, Buyer agrees to be fully bound to such encumbrances on the common elements as the Developer, in the Developer's sole discretion, finds appropriate therefor.

CONVEYANCE DOCUMENTS: The specimen Apartment Ground Lease and Option to Purchase provides that under certain conditions, each purchaser can convert his Ground Lease for the land on which the Project is built to a Warranty Deed. The provision giving purchaser the right to acquire the fee is as follows:

Notwithstanding any other provision contained herein, provided the Lessee is not in default under any of the terms, covenants, conditions, and provisions contained in this Apartment Ground Lease, and provided the Lessee has timely complied with all obligations on the part of the Lessee to be performed, the Lessee shall have an option to purchase the Lessor's residual interest in the premises described herein, subject to all easements and encumbrances and provisions contained in the Declaration or By-Laws or referred to therein, upon the expiration of the period of the term described in paragraph 1(c) above. The aforesaid option to purchase shall be exercised by the Lessee by delivering written notice of the Lessee's intent to so exercise and tendering to the Lessor, the sum of One Thousand Dollars (\$1,000.00) within ninety (90) days before, and no less than thirty (30) days before the expiration of the period of the term described in paragraph 1(C) above. Upon receipt of said notice and upon receipt of the said sum of \$1,000.00, and provided the Lessee has complied with each and every obligation contained herein which calls for performance of any obligation by the Lessee, and upon the cancellation by the Lessee and Lessor of the terms of this lease as of the expiration of said period of the term, the Lessor shall deliver to the Lessee a Warranty Deed conveying to the Lessee the premises as described herein.

It is incumbent upon the purchaser and prospective purchaser that he read with care the Sales Contract and the executed Escrow Agreement. The latter Agreement establishes how the proceeds from the sale of condominium units are placed in trust, as well as the retention and disbursement of those funds.

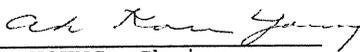
MANAGEMENT OF THE PROJECT: The By-Laws of the Association Of Apartment Owners vest in the Board of Directors the powers and duties necessary for the administration of the affairs of the Association of Apartment Owners of the Project. The Board of Directors of the Association of Apartment Owners may employ necessary personnel to carry out management and operation functions of the Project. The Declaration of Horizontal Property Regime submitted to the Real Estate Commission permits the Developer to appoint the initial managing agent. The Developer has appointed Aaron M. Chaney, Inc. the initial managing agent and has submitted to the Commission a copy of the Agreement dated November 1, 1979.

STATUS OF PROJECT: The Notice of Intention indicates that the Developer has not yet entered into a General Construction Contract to undertake construction of the project. However, the Developer advises that construction of the project is expected to commence on or about March 1, 1980. The Developer estimates that construction of the project will be substantially completed on or about October 30, 1980. The Developer advises that the cost of the project will be paid from (1) funds available through a construction loan, and (2) authorized disbursements by the escrow agent pursuant to Section 514A-67, Hawaii Revised Statutes, as amended.

The purchaser or prospective purchaser should be cognizant of the fact that this published report represents information disclosed by the Developer in the required Notice of Intention submitted on November 14, 1979.

This PRELIMINARY HORIZONTAL PROPERTY REGIMES (CONDOMINIUM) PUBLIC REPORT is made a part of REGISTRATION NO. 1202 filed with the Real Estate Commission on November 14, 1979.

This report, when reproduced, shall be a true copy of the Real Estate Commission's public report. The paper stock used in making facsimilies must be yellow.

  
AH KAU YOUNG, Chairman  
Real Estate Commission  
State of Hawaii

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Registration No. 1202

December 10, 1979