

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer BALI HAI VILLAS LTD. PARTNERSHIP

Address P.O. Box 3099, Princeville, Kauai, Hawaii 96722

Project Name(*): BALI HAI VILLAS, PHASE I

Address: 4970 Peipelani Loop, Princeville, Kauai, Hawaii 96722

Registration No. 2399

Effective date: September 18, 1995

Expiration date: October 18, 1996

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

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

 SUPPLEMENTARY: This report updates information contained in the:
(pink)
[] 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

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:

1. All of the apartment units and Building 3 have been completed. The Affidavit of the Owner's Notice of Completion was filed on July 3, 1995 in the Circuit Court of the Fifth Circuit, State of Hawaii.
2. A First Amendment to the Declaration of Condominium Property Regime has been recorded in the Bureau of Conveyances. See page 20 of this Public Report for additional disclosures concerning the First Amendment.
3. A Second Amendment to the Master Declaration for Phased and Incremental Development dated October 19, 1994 has been recorded. See Exhibit "A" for additional disclosures concerning the Second Amendment.
4. A Declaration of Covenants, Conditions and Restrictions for Pahio Kauai Beach Villas has been recorded which established and created a time share ownership plan. See page 20 of this Public Report for additional disclosures.

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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: Bali Hai Villas Ltd. Partnership Phone: (808) 826-6549
Name (Business)
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

Names of officers or general partners of developers who are corporations or partnerships:

Bali Hai Villas Inc., General Partner
P. O. Box 3099
Princeville, Kauai, Hawaii 96722

Real Estate Broker: Pahio Vacation Ownership, Inc. Phone: (808) 826-6549
Name (Business)
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

Escrow: Hawaii Escrow and Title, Inc. Phone: (808) 532-2977
Name (Business)
700 Bishop Street, Suite 1020
Business Address
Honolulu, Hawaii 96813

General Contractor: Pahio Construction, Inc. Phone: (808) 826-6549
Name (Business)
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

Condominium Managing Agent: Owner's Management Corporation Phone: (808) 826-6549
Name (Business)
P. O. Box 3099
Business Address
Princeville, Kauai, Hawaii 96722

Attorney for Developer: Michael H. Sakai Phone: (808) 531-4171
Name (Business)
201 Merchant Street, Suite 902
Business Address
Honolulu, Hawaii 96813

**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. 94-209497
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]:

First Amendment dated August 10, 1995 , Document No. 95-107668

- 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. 2176
 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. 94-209498
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>N/A</u>

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

2. **Developer:**

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

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

See Exhibit "A" for the reservations in favor of Developer.

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 Subleasehold: 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 Subleaseholds:

- 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 Subleasehold:

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: 4970 Pepelani Loop Tax Map Key: (4) 5-4-05: 36 & 50
Princeville, Kauai, Hawaii 96722 (TMK)

[] Address [] TMK is expected to change because _____

Land Area: 23.298 [] square feet [X] acre(s) Zoning: R-15

Fee Owner: Bali Hai Villas Ltd. Partnership
 Name
P. O. Box 3099
 Address
Princeville, Kauai, Hawaii 96722

Sublessor:
 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: 1 Floors Per Building 2

Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other Allied building materials

4. Permitted Uses by Zoning:

	No. of <u>Apts.</u>	Use Permitted <u>By Zoning</u>		No. of <u>Apts.</u>	Use Determined <u>By Zoning</u>
<input type="checkbox"/> Residential	___	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Ohana	___	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Commercial	___	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Industrial	___	<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"/> Agricultural	___	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	___	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Recreational	___	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Timeshare	<u>14</u>	<input checked="" 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: none permitted unless approved by the Board of Directors

Number of Occupants: _____

Other: _____

There are no special use restrictions.

6. **Interior** (fill in appropriate numbers):

Elevators: 0 Stairways: 6 Trash Chutes: 0

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
2BII	10	2/2	990	140
1BII	4	1/1	750	100
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 14

***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:

The apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls, interior walls including all load bearing walls, ceilings, entry and exit doors, lanais, lanai railings, lanai walls, entry deck, or floors. The wires, conduits or other utility lines running through them which are utilized for or serve more than one unit are deemed common elements as herein provided. Each apartment shall be deemed to include the finished surfaces of all walls and partitions within the apartment, including paint, wallpaper, or the like, carpeting, floor covering and built-in fixtures. Additionally, the boundary lines of each apartment are the interior unfinished surfaces of doors, windows, and glass walls and the frames thereof.

Permitted Alterations to Apartments:

The common interest and easements appurtenant to each apartment shall have a permanent character and shall not be altered without the consent of all of the apartment owners affected, expressed in an amendment to the Declaration of Condominium Property Regime.

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:

The Developer has obtained a Use Permit (U-91-10) from the Planning Department, County of Kauai. The Permit allows the Developer to construct a clubhouse within Increment 21 of the Project, therefore, this Use Permit does not directly affect the construction and development of Increment 3.

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>	<u> </u>	<u> </u>
Structures	<u> X </u>	<u> </u>	<u> </u>
Lot	<u> X </u>	<u> </u>	<u> </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 B .

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 B .

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 C .

as follows:

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

Exhibit D describes the encumbrances against the title contained in the title report dated August 25, 1995 and issued by Hawaii Escrow & Title, Inc. .

Blanket Liens:

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage (3)	If Developer defaults, the lenders may foreclose and terminate the interest of a purchaser under a sales contract. Purchaser's fund in Escrow to be refunded, less 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:

One year after substantial completion of an apartment unit.

2. Appliances:

The Developer is not giving any express or implied warranties for the Appliances. However, the Developer will assign its rights under any warranties from the Appliance manufacturer.

G. Status of Construction and Estimated Completion Date:

The construction of all of the units in Building 3 have been completed. The Affidavit of Publication of Owner's Notice of Completion for the improvements was filed on July 3, 1995.

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):

See Exhibit "A".

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 F contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated February 1, 1991

Exhibit G 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 given an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended
- C) Bylaws of the Association of Apartment Owners.
- D) House Rules.
- E) Condominium Map.
- 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 Master Declaration for Phased and Incremental Development, as amended.

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107, are available at the Cashier's Office, Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P. O. Box 541, Honolulu, HI 96809, at a nominal cost.

This Public Report is a part of Registration No. 2399 filed with the Real Estate Commission on 3/1/91.

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

yellow paper stock white paper stock pink paper stock

C. Additional Information Not Covered Above

1. Parking. Parking stalls will not be assigned at this time. There are 28 open parking stalls available for the 14 apartment units which should provide more than sufficient. The Association of Apartment Owners or Managing Agent for the Project may assign parking stalls. See Exhibit "B".

2. Time Share Plan. The Developer of the Project has established a time share plan ("Interval Plan") by a Declaration of Covenants, Conditions and Restrictions for Pahio at Bali Hai Villas. All 14 apartments in the Project are in the time share plan. The Developer has also submitted a developer registration for the Interval Plan with the Department of Commerce and Consumer Affairs, State of Hawaii, in accordance with Chapter 514E, Hawaii Revised Statutes, as amended. For information relating to the Interval Plan, a purchaser should review the "Disclosure Statement" for the Interval Plan. The Developer believes that the Disclosure Statement will be approved by the Department of Commerce and Consumer Affairs within the next several months.

3. Managing Agent. Owner's Management Corporation will be the Managing Agent for the condominium project and also the plan manager of the Interval Plan.

D. 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.

BALI HAI VILLAS LTD. PARTNERSHIP

Name of Developer

Bali Hai Villas, Inc.
General Partner

By: 
Duly Authorized Signatory

9/1/95
Date

David E. Walters, President of Bali Hai Villas, Inc.

print name & title of person signing above

General Partner of Bali Hai Villas Ltd. Partnership

Distribution:

Department of Finance, County of Kauai
Planning Department, County of Kauai
Federal Housing Administration

EXHIBIT "A"

Reservation In Favor of Developer

1. DECLARANT RESERVATIONS. The Declarant's rights as contained in the Master Declaration for Phased and Incremental Development Bali Hai Villas dated October 19, 1994, recorded in the Bureau of Conveyances, State of Hawaii, as Document No. 94-18053, permits the Declarant to develop additional Increments for a period of ten years from the date of the initial recording of the Master Declaration. The Master Declaration was recorded on November 2, 1994. On March 28, 1995, the Master Declaration was amended by a First Amendment recorded as Document No. 95-040947 and on August 10, 1995 by a Second Amendment recorded as Document No. 95-107667 (the "Second Amendment"). In connection with the Declarant's rights, each owner shall:

a) Grant to the Declarant and its successor in interest (including any succeeding mortgagee) an irrevocable power of attorney, coupled with an interest, to act on behalf of apartment owners to sign any joinder or other agreements and amendments and to execute, acknowledge and deliver such further instruments as may from time to time be required under any rights granted to, accruing to, or reserved by the Declarant under the Declaration of Condominium Property Regime ("Declaration"), the Master Declaration or by the provisions of Chapter 514A, Hawaii Revised Statutes, as amended, including the reallocation of percentage interests and voting rights appurtenant to each of the apartment owners in Building 3 in the Project and execute such amendments to the Declaration, By-laws of the Association of Unit Owners, and apartment deeds as may be required from time to time for the purpose of carrying out and exercising its rights under the Master Declaration.

b) Acknowledge and consent to Declarant's reservation and right to construct and complete the construction of condominium units, buildings, drives, lanes, roads, common amenities or recreational facilities and all other improvements on said surrounding land areas of one or more Increments and in connection therewith reserves the right to use and excavate the surface and subsurface of the ground for the erection, construction and installation of said improvements and foundations, footings, floorings and basements, easements and rights of way.

c) The Declarant merging this Project with one or more Increments which merger shall be effective upon the recording of a Certificate of Merger as described in the Master Declaration and upon such merger, all the apartments described in the Certificate of Merger shall be deemed to be merged with the Project and the apartments so built or to be constructed shall be a part of the Project.

d) Consent and grant to the Declarant the right to locate, install, maintain, repair all utilities and utility lines and sewers necessary for such construction, reconstruction, maintenance and operation of one or more Increments. Declarant reserves the right to grant to the County of Kauai or any other utility provider easements or rights of way for ingress and egress to permit furnishing of municipal services and the right to convey or relinquish control to proper municipal authorities of all sewer mains, water mains and pipelines together with suitable easements or rights of way over the common driveway and Increments for the continued maintenance, repair, replacement and operation thereof and to enter into such agreements, filings or plattings with the County of Kauai in the nature of a planned-unit development project, cluster development, or otherwise as the County may require or amendments or changes therein in connection with the construction of this Condominium Project.

2. DELETION OF UNDEVELOPED INCREMENTS. In the event that no further Increments are undertaken by the Declarant, the Declarant and/or its mortgagee, as successor in interest to the Declarant, may delete the undeveloped Increments pursuant to Section 514A-11(12) of the Act in accordance with the limited common area lines or Incremental boundaries as set forth in the Condominium Map subject to boundary adjustments where necessary to meet building setback requirements and where a phase is not located with direct access to the roadway a perpetual easement shall be granted in favor of the inner phase for ingress and egress over the walkways, driveways, and grounds over the Project.

3. DEVELOPER'S OBLIGATION FOR REAL PROPERTY TAXES, ASSESSMENT AND CHARGES ON THE UNDEVELOPED AREA. During the term of the Master Declaration, as amended, the Developer shall be responsible for the real property taxes, assessments and like charges and expenses directly imposed or related to the land areas reserved for future developments. Developer shall use reasonable efforts to allocate its fair share of the expenses, and where applicable, to allocated its costs based on the ratio of the undeveloped land to the total land area of the Project.

4. LIMITED CONSENT OF OWNERS. Although the Developer has reserved various rights under the Master Declaration, prior to constructing additional buildings and apartments, the Developer will have to comply with the requirements of paragraph 4.0(1.1) of the Master Declaration. The text of paragraph 4.0(1.1) is contained in the Second Amendment.

EXHIBIT "B"

Common Elements and Limited Common Elements

COMMON ELEMENTS. The common elements, which are subject to change as provided by the Master Declaration, include:

- a. The land in fee simple.
- b. The foundations, floor slabs, columns, girders, beams, supports, bearing walls, interior walls, roofs, entry landings, entry and exit doors, unfinished surfaces of lanais and lanai railings, and stairways of the apartments and building.
- c. The yards, landscaping, trash area, including the open parking stalls which are not appurtenant or assigned to an apartment, and all of the landscaped yards and lawns.
- d. The central and appurtenant installations for utility services used or necessary to the existence, maintenance and safety of the Project.
- e. All licenses, leases, or contractual arrangements that the Association enters into for the purpose of providing parking, recreational amenities, including but not limited to swimming pools, tennis courts, meeting rooms, clubhouses, and management facilities for the use or benefit of the apartment owners, their tenants and/or guest.
- f. Any limited common elements that by the terms hereof shall become common elements.
- g. Any improvements placed on the grounds pursuant to a reservation in favor of the Declarant such as swimming pools, tennis courts, landscaping and parking.
- h. Any and all other structures, apparatus and installations of common use, and all other parts of the Project necessary or convenient to the existence, maintenance and safety of the Project, or normally in common use.

LIMITED COMMON ELEMENTS. The limited common elements of the Project are as follows:

- a. Building 3. The land area delineated as Increment 3 on the Condominium Map is a limited common element for the Apartments contained in Building 3 and is for the exclusive use of the apartments contained in Building 3.

b. Redesignation of Limited Common Elements as Common Elements. Upon the recording of an "As Built" architect's or engineer's certificate for the building in Increment 3 and the Project including any subsequent Increment, the land area contained in such Increment 3 shall be deemed to be common elements of the Project.

c. Parking. Each apartment in the Project shall have the use of at least 1 parking stall. Parking stall assignments may be made by the Managing Agent for the Project or by the Association of Apartment Owners. The Association of Apartment Owners or Managing Agent for the Project may adopt rules for the purposes of assigning parking stalls however such rules, if any, shall attempt to minimize the distance between the stall and the apartment to which it is assigned. At present, there are no assignments because there are 28 parking stalls available for 14 apartments.

EXHIBIT "C"

Common Interest

COMMON INTEREST. The common interest for each apartment is subject to change as described in the Master Declaration. The common interest is dependent upon whether additional phases are developed and merged with this Project. Each apartment shall have appurtenant thereto the following undivided interest in all the common elements of the Project (based solely on Increment 3) for determination of the common profits, expenses, voting and for all other purposes:

<u>Phase</u>	<u>Apartment Type</u>	<u>No.</u>	<u>%</u>	<u>Total</u>
3	Two-bedroom units	10	7.6744%	76.744%
	One-bedroom units	4	5.8140%	<u>23.256%</u>
				100.000%

The percentage undivided interest is calculated by dividing an apartment's net living area (excluding the lanai) by the sum of all the net living areas of all the apartments that have been constructed with minor adjustments to bring the total percentage to 100%.

The Declarant at its sole option when developing an Increment may obtain financing and separately encumber the apartments and appurtenant interest in the common elements for each Increment.

EXHIBIT "D"

Encumbrances

1. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions set forth in the Declaration, dated March 1, 1971, recorded in the Bureau of Conveyances, State of Hawaii, in Book 7444, Page 93.

Said Declaration was amended by instrument dated September 11, 1979, recorded in said Bureau, in Book 14006, Page 695.

2. Easement "D-2" (10.00 feet wide) for drainage purposes over, under and across Lot 2-D.

3. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions set forth in the Declaration, dated December 11, 1981, recorded in said Bureau, in Book 16048, Page 276.

4. Open District as shown on Survey Map of Wagner Engineering dated November 13, 1991.

5. An easement affecting a portion of said land and for the purposes stated herein, in favor of Princeville at Hanalei Community Association, dated November 12, 1987, for drainage purposes over easement D-2, recorded in said Bureau, in Book 21516, Page 321.

6. Easement "D-2" (10 feet wide) for drainage purposes over, under and across Lot 2D, besides other land, containing an area of 22,284 square feet, more or less, more particularly described in instrument recorded in said Bureau, in Book 14006, Page 699.

7. An easement affecting a portion of said land in favor of Citizens Utilities Company, a Delaware corporation, dated June 26, 1991, for right of entry into the property, recorded in said Bureau, as Document No. 92-031765.

8. Master Declaration for Phased and Incremental Development Bali Hai Villas, dated October 19, 1994, recorded in said Bureau, as Document No. 94-180535 (For development of 21 increments within Lot 2D), as amended by a First Amendment dated March 20, 1995, recorded in said Bureau, as Document No. 95-040947, and as further amended by a Second Amendment dated August 10, 1995, recorded in said Bureau as Document No. 95-107667.

9. Mortgage in favor of Territorial Savings and Loan Association, a Hawaii corporation, dated October 27, 1994, recorded in said Bureau, as Document No. 94-180536. (Affects Lots 2D and 3)

Subordination Agreement dated October 18, 1994, executed by Territorial Savings and Loan Association, a Hawaii corporation, recorded in said Bureau, as Document No. 94-180542. Subordinated to Mortgage No. 94-180540, as to Increments 1, 2, 3, 4 and 5 Only.

Partial Release of Mortgage by Territorial Savings and Loan Association a Hawaii corporation, dated October 27, 1994, recorded in said Bureau, as Document No. 94-180544. (As to Increment 20)

10. A Financing Statement by and between Bali Hai Villas Ltd. Partnership, as Debtor, and Territorial Savings and Loan Association, as Secured party, recorded in said Bureau, as Document NO. 94-180537. (Lots 2D and 3)

11. Mortgage dated November 1, 1994, in favor of First Capital Investment Fund, an Indiana Trust, recorded in said Bureau, as Document No. 94-180538. (Affects Lots 2D and 3)

Subordination Agreement dated November 1, 1994, recorded in said Bureau, as Document No. 94-180543. Subordinated to Mortgage 94-180540, as to Increments 1, 2, 3, 4, and 5 Only.

Partial Release of Mortgage by First Capital Investment Fund, an Indiana Trust, dated November 1, 1994, recorded in said Bureau, as Document No. 94-180545. (As to Increment 20)

12. A Financing Statement by and between Bali Hai Villas Ltd. Partnership, a Hawaii limited partnership, as Debtor, and First Capital Investment Fund, as Secured Party, recorded in said Bureau, as Document No. 94-180539. (Lots 2D and 3)

13. Mortgage dated October 11, 1994, in favor of Bennett Funding International, Ltd., a Delaware corporation, recorded in said Bureau, as Document No. 94-180540. (Affects Lot 2D Only)

14. A Financing Statement by and between Bali Hai Villas Ltd. Partnership, as Debtor and Bennett Funding International, Ltd., as Secured Party, recorded in said Bureau, as Document No. 94-180541. (Affects Lot 2D Only)

15. Provisions and conditions of the "Pari Passu" paragraphs as set forth in the Territorial Savings and Loan Association and First Capital Investment Funding Mortgages noted hereinabove.

16. Matters as shown on Condominium File Plan No. 2176, filed in the Bureau of Conveyances.

17. Covenants, conditions, restrictions, reservations, agreements, obligations, provisions and easements set forth in the Declaration of Condominium Property Regime, Bali Hai Villas, Phase I, dated October 19, 1994, recorded in said Document No. 94-209497 as amended by First Amendment dated August 10, 1995, recorded in said Bureau as Document No. 95-107668.

18. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase I, dated October 19, 1994, filed in said Bureau, as Document No. 94-209498.

18. Declaration of Covenants, Conditions and Restrictions Pahio at Bali Hai Villas dated August 10, 1995, recorded in said Bureau as Document No. 95-107669.

19. Notice of Time Share Plan dated August 10, 1995 recorded in said Bureau as Document No. 95-107670.

20. Waiver and Release dated February 23, 1995, recorded in said Bureau, as Document No. 95-026634. (re: Water Service)

21. For information regarding real property taxes, your attention is directed to the Director of Finance, County of Kauai.

EXHIBIT "E"

**ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS**

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee</u>	x	12 months	= <u>Yearly Total</u>
310	671.96	x	12 =	\$ 8,063.52
311	509.06	x	12 =	6,108.70
312	509.06	x	12 =	6,108.70
313	671.96	x	12 =	8,063.52
314	671.96	x	12 =	8,063.52
315	671.96	x	12 =	8,063.52
316	671.96	x	12 =	8,063.52
320	671.96	x	12 =	8,063.52
321	509.06	x	12 =	6,108.70
322	509.06	x	12 =	6,108.70
323	671.96	x	12 =	8,063.52
324	671.96	x	12 =	8,063.52
325	671.96	x	12 =	8,063.52
326	671.96	x	12 =	8,063.52

Real Property Taxes:

Estimated real property taxes for a two bedroom unit is \$874.00 per year.

Estimated real property taxes for a one bedroom unit is \$663.00 per year.

The foregoing are estimates and are subject to determination by the Director of Finance, County of Kauai.

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

Estimate of Maintenance Fee Disbursements:

	<u>Monthly</u>	x	12 months	=	<u>Yearly Total</u>
Accounting & Administration	190.00	x	12 =		2,280.00
Building Maintenance	2,311.92	x	12 =		27,743.00
Insurance - Property	2,216.92	x	12 =		26,603.00
Landscape	158.33	x	12 =		1,900.00
Pest Control	96.00	x	12 =		1,152.00
Pool				Reserved	
Property Management	912.08	x	12 =		10,945.00
Trash Removal	258.42	x	12 =		3,101.00
Television Cable	342.00	x	12 =		4,104.00
Utilities (Common Elements and Apartments)	608.08	x	12 =		7,297.00
Property Taxes	722.08	x	12 =		8,665.00
Princeville Community Association Dues	35.50	x	12 =		426.00
Reserves	904.50	x	12 =		10,854.00
Condominium Annual Budget	8,755.83				105,070.00

I, LYNN McCRORY, as agent and employed by OWNER'S MANAGEMENT CORPORATION, the condominium managing agent for the condominium project BALI HAI VILLAS, PHASE I, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

The foregoing was prepared based on information available as of the date identified below.

OWNER'S MANAGEMENT CORPORATION

By *Lynn P. McCrory*
Its _____
Date: *August 10, 1995*

EXHIBIT "F"

Summary of Sales Contract

The Sales Contract contains the price and other terms and conditions under which a purchaser will agree to buy an apartment in the Project. Among other things, the Sales Contract says:

(a) A buyer must obtain his own financing. Buyer acknowledges that this Sales Contract is contingent on any financing after the issuance of the final public report.

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

(c) That interest on deposits shall belong to the buyer so long as said funds are held in escrow.

(d) That the unit will be subject to various other legal documents which the buyer certifies that he has examined.

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

The Sales Contract contains various other provisions with which the purchaser should become acquainted.

EXHIBIT "G"

Summary of Escrow Agreement

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

- (a) Escrow will let purchasers know when payments are due.
- (b) Escrow will arrange for purchasers to sign all necessary documents.
- (c) The Escrow Agreement says under what conditions a refund will be made to a purchaser.
- (d) The Escrow Agreement says what will happen to a purchaser's funds upon a default under the Sales Contract.

The Escrow Agreement contains various other provisions and establishes certain charges with which the purchaser should become acquainted.