CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer BALI HAI VILLAS LTD. PARTNERSHIP
Address Pepelani Loop, Princeville, Kauai, Hawaii 96722

Project Name(*): BALI HAI VILLAS, PHASE I
Address: Pepelani Loop, Princeville, Kauai, Hawaii 96722

Registration No. 2399

Effective date: April 11, 1995
Expiration date: April 11, 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:** (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. A Final Public Report will be issued by the developer when complete information is filed.

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

X **SUPPLEMENTARY:** (pink) This report updates information contained in the:
- [X] Preliminary Public Report dated: April 29, 1991
- [ ] Final Public Report dated: _____
- [ ] Supplementary Public Report dated: _____

And
- [X] 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 [x] 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.

[x] Changes made are as follows:

1. The Developer, Bali Hai Villas Ltd. Partnership, has acquired the property.

2. Construction on the property of Building 3, Increment 3, has commenced.

3. A Master Declaration for Phased and Incremental Development Bali Hai Villas dated October 19, 1994 has been recorded by the Developer which sets out a scheme for the future development of additional projects and condominium units on the property. See Exhibit "A" for further disclosures.

4. The broker for the project has been changed to Pahio Vacation Ownership, Inc. which is related by common ownership with the general partner of the Developer.

5. The Declaration of Condominium Property Regime, Bylaws of the Association of Apartment Owners, and Condominium Map for the Project has been recorded at the Bureau of Conveyances.

6. The property where the Project is located is identified by Tax Map Key Nos. (4) 5-4-05: 36 & 50 consisting of approximately 23, 297 acres. It previously included parcel 37.

SPECIAL NOTICE: This Supplementary Public Report has the same effect as a Preliminary Public Report. Any contracts entered into by a purchaser will serve as a reservation only and will not be binding on a purchaser.

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EXHIBIT A: Reservations in Favor of Developer
EXHIBIT B: Common Elements and Limited Common Elements
EXHIBIT C: Common Interest
EXHIBIT D: Encumbrances Against Title
EXHIBIT E: Estimate of Initial Maintenance Fees
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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
Name

Phone: (808) 826-6549 **(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.
Name

Phone: (808) 826-6549 **(Business)**

P. O. Box 3099
Business Address

Princeville, Kauai, Hawaii 96722

Escrow:

Hawaii Escrow and Title, Inc.
Name

Phone: (808) 532-2977 **(Business)**

700 Bishop Street, Suite 1020
Business Address

Honolulu, Hawaii 96813

General Contractor:

Pahio Construction, Inc.
Name

Phone: (808) 826-6549 **(Business)**

P. O. Box 3099
Business Address

Princeville, Kauai, Hawaii 96722

Condominium Managing Agent:

To be determined and selected
Name

Phone: _____ **(Business)**

Business Address

Attorney for Developer:

Michael H. Sakai
Name

Phone: (808) 531-4171 **(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
[x] 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]:

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
[x] 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
[x] 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 [x] 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:

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

* 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.

[x] 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:

[x] 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: Pepelani Loop and Kaui Road
Princeville, Kauai, Hawaii 96722

Tax Map Key: (4) 5-4-05: 36 & 50
(TMK)

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

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

Lessor
(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. [x] 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:

[x] Concrete [x] Hollow Tile [x] Wood

[x] Other Allied building materials

4. Permitted Uses by Zoning:

	No. of Apts.	Use Permitted By Zoning		No. of Apts.	Use Determined By Zoning
[ ] Residential	____	[ ] Yes [ ] No	[ ] Ohana	____	[ ] Yes [ ] No
[ ] Commercial	____	[ ] Yes [ ] No	[ ] Industrial	____	[ ] Yes [ ] No
[ ] Mix Res/Comm	____	[ ] Yes [ ] No	[ ] Agricultural	____	[ ] Yes [ ] No
[ ] Hotel	____	[ ] Yes [ ] No	[ ] Recreational	____	[ ] Yes [ ] No
[x] Timeshare	14	[x] Yes [ ] No	[ ] Other: _____	____	[ ] Yes [ ] No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?
[x] 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:

[x] **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

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Patio (sf)
2BII	10	2/2	990	159
1BII	4	1/1	750	121

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 respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls, ceilings, front entry door and entry deck, or floors, lanai railings, unfinished surfaces of the lanais floors and walls, stairways, or the interior load bearing walls. The floors, walls and ceilings surrounding each of them or any pipes, 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 all the walls and partitions, which are not load bearing within its perimeter walls including paint, wallpaper, or the like, carpeting, floor covering and built-in fixtures. Additionally, the boundary lines of each apartment are the exteriors of doors, windows, and glass walls and the frames thereof and the handrail of the lanai.

Permitted Alterations to Apartments:

No alterations are permitted to be made to an apartment.

7. Parking Stalls:

Total Parking Stalls: 28

	Regular		Compact		Tandem		
	covered	open	covered	open	covered	open	TOTAL
Assigned (for each unit)	____	14	____	____	____	____	14
Guest	____	14	____	____	____	____	14
Unassigned	____	____	____	____	____	____	____
Extra for Purchase	____	____	____	____	____	____	____
Other:	____	____	____	____	____	____	____
Total Covered & Open	28		____		____		

Each apartment will have the exclusive use of at least 1 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:

[x] There are no recreational or common facilities.

[ ] Swimming pool [ ] Storage Area [ ] Recreation Area

[ ] Laundry Area [ ] Tennis Court [ ] Trash Chute

[ ] Other: _____

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

[x] There are no violations. [ ] Violations will not be cured.

[ ] Violations and cost to cure are listed below. [ ] Violations will be cured by _____

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):

11. Conformance to Present Zoning Code

a. [ ] No variances to zoning code have been granted.

[x] 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.

	Conforming	Non-Conforming	Illegal
Uses	x		
Structures	x		
Lot	x		

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:

[x] 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.

[x] 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:

[x] 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 December 22, 1994 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.

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance
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:

On 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 Developer has estimated that Increment 3 will be completed on or before June/July, 1995. This is subject to change.

H. **Project Phases:**

The developer [x] 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".

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 the Developer's affiliate.
[X] other to be selected

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, your apartment may be liened and 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 E 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 [ ] Gas [X] Water

[X] Sewer [X] Television Cable [ ] Other_____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

[ ] Notice to Owner Occupants

[x] Specimen Sales Contract
Exhibit F contains a summary of the pertinent provisions of the sales contract.

[x] 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.
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 March 1, 1995.

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

[ ] yellow paper stock [ ] white paper stock [x] pink paper stock

C. Additional Information Not Covered Above

NONE

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: _____ 2/3/95
Duly Authorized Signatory — Date
Its President

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 and recorded as Document No. 95-040947. 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.

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.

DEVELOPER'S OBLIGATION FOR REAL PROPERTY TAXES, ASSESSMENT AND CHARGES ON THE UNDEVELOPED AREA. During the term of the Master Declaration, as amended, the Develop[er 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 ration of the undeveloped land to the total land area of the Project.

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, roofs, entry landings, and stairways in the building not within any of the apartments.

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 exclusive use of at least 1 parking stall. The parking stall appurtenant to an apartment shall have the same numbering, as delineated on the Condominium Map. The Association of Apartment Owners or managing agent for the Project may adopt rules for the purposes of permitting apartments to have the use of more than one parking stall. The location of the parking stalls are set forth in the Condominium Map.

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:

Phase	Apartment Type	No.	%	Total
3	Two-bedroom units	10	7.6744%	76.744%
	One-bedroom units	4	5.8140%	23.256%
				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.

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 dated October 19, 1994, recorded in said Document No. 94-209497.

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.

19. 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:

Apartment	Monthly Fee	x 12 months	= Yearly Total
310	811.16	x 12 =	$ 9,733.92
311	614.52	x 12 =	7,374.24
312	614.52	x 12 =	7,374.24
313	811.16	x 12 =	9,733.92
314	811.16	x 12 =	9,733.92
315	811.16	x 12 =	9,733.92
316	811.16	x 12 =	9,733.92
320	811.16	x 12 =	9,733.92
321	614.52	x 12 =	7,374.24
322	614.52	x 12 =	7,374.24
323	811.16	x 12 =	9,733.92
324	811.16	x 12 =	9,733.92
325	811.16	x 12 =	9,733.92
326	811.16	x 12 =	9,733.92

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:

	Monthly	x	12 months	=	Yearly Total
Accounting & Administration	250.00	x	12	=	3,000.00
Building Maintenance	3,041.67	x	12	=	36,500.00
Insurance - Property	2,916.67	x	12	=	35,000.00
Landscape	208.33	x	12	=	2,500.00
Pest Control	126.33	x	12	=	1,516.00
Pool			Reserved		
Property Management	1,200.00	x	12	=	14,400.00
Trash Removal	340.00	x	12	=	4,080.00
Television Cable	450.00	x	12	=	5,400.00
Utilities (Common Elements and Apartments)	800.00	x	12	=	9,600.00
Princeville Community Association Dues	46.67	x	12	=	560.00
Reserves	1,190.00	x	12	=	14,280.00
Condominium Annual Budget	10,569.67				126,836.00

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 L. L. McCrory
Its PRESIDENT
Date: March 02, 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.

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