

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer BALI HAI VILLAS LTD. PARTNERSHIP

Address 3970 Wylie Road, Princeville, Kauai, Hawaii 96722

Project Name(*): BALI HAI VILLAS, PHASE X (Buildings 6 & 7, Increments 6 & 7)

Address 4970 Pelelani Loop, Princeville, Kauai, Hawaii 96722

Registration No. 6045

Effective date: July 17, 2006

Expiration date: August 17, 2007

Preparation of this Report:

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

This report has not been prepared or issued by the Real Estate Commission or any other governmental 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.

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

SUPPLEMENTARY:
(pink) This report updates information contained in the:
[] Preliminary Public Report dated: _____
[] Final Public Report dated: _____
[] Supplementary Public Report dated: _____

And
[] Supersedes all prior public reports
[] Must be read together with _____
[] This report reactivates the _____
public report(s) which expire on _____

(*) Exactly as named in the Declaration

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report Not Required - disclosure 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:

SPECIAL NOTICE:

1. The Developer has completed the construction of all of the apartment units in Buildings 6 & 7 of the Project. The Affidavit of the Owner's Notice of Completion was filed on May 31, 2006 (ad published on April 28 and May 5, 2006) for Buildings 6 & 7, Increments 6 & 7 in the Circuit Court of the Fifth Circuit, State of Hawaii.

2. This Project is only one phase of a larger project that may be developed. Each project that is developed will be subsequently merged with the previously constructed projects and phases. This Project will be merged with an adjacent project known as Bali Hai Villas, which is a merger of Bali Hai Villas (Phase I, Phase II, Phase III, Phase IV, Phase V, Phase VI, Phase VII and Phase VIII). Phase I has one building identified as Building 3 containing 14 apartments (Increment 3). Phase II has two buildings identified as Building 4, containing 16 apartments (Increment 4) and Building 20 containing 1 apartment (Increment 20). Phase III has one building identified as Building 1, containing 16 apartments (Increment 1). Phase IV has one building identified as Building 2, containing 16 apartments (Increment 2). Phase V has one building identified as Building 8, containing 12 apartments (Increment 8). Phase VI has one building identified as Building 9, containing 15 apartments (Increment 9). Phase VII has one building identified as Building 10, containing 14 apartments (Increment 10). Phase VIII has one building identified as Building 11, containing 14 apartments (Increment 11). Phase IX has one building identified as Building 5 containing 16 apartments (Increment 5).

See Exhibit "A" for additional information. A Final Public Report for Bali Hai Villas, Phase I was issued under Registration No. 2399, Phase II under Registration No. 3699, Phase III was issued under Registration No. 4036, Phase IV was issued under Registration No. 4257, Phase V was issued under Registration No. 4539, and Phase VI was issued under Registration No. 4788, Phase VII was issued under Registration No. 5070, Phase VIII was issued under Registration No. 5611 and Phase IX was issued and Registration No. 5867. All Projects are subject to a Master Declaration for Phased and Incremental Development, as amended. See Exhibit "A" for additional disclosures concerning the Master Declaration, as amended.

3. A Declaration of Annexation submitting all of the residential units in Buildings 6 & 7 to a time share plan has or will be recorded at the Bureau of Conveyances. The time share plan was created by a Declaration of Covenants, Conditions and Restrictions for Pahio at Bali Hai Villas. See page 20 of this Public Report for additional disclosures.

TABLE OF CONTENTS

| | page |
|--|------|
| Preparation of this Report | 1 |
| Expiration Date of Reports | 1 |
| Type of Report | 1 |
| Disclosure Abstract | 2 |
| Summary of Changes from Earlier Public Reports | 2 |
| Table of Contents | 3 |
| General Information on Condominiums | 4 |
| Operation of the Condominium Project | 4 |
| | |
| I. PERSONS CONNECTED WITH THE PROJECT | 5 |
| Developer | |
| Attorney for Developer | |
| General Contractor | |
| Real Estate Broker | |
| Escrow Company | |
| Condominium Managing Agent | |
| | |
| II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS | |
| A. Declaration | 6 |
| B. Condominium Map (File Plan) | 6 |
| C. Bylaws | 6 |
| D. House Rules | 7 |
| E. Changes to Condominium Documents | 7 |
| | |
| III. THE CONDOMINIUM PROJECT | |
| A. Interest to be Conveyed to Buyer | 8 |
| B. Underlying Land | 9 |
| C. Buildings and Other Improvements | 10 |
| D. Common Elements, Limited Common Elements, Common Interest | 13 |
| E. Encumbrances Against Title | 14 |
| F. Construction Warranties | 15 |
| G. Status of Construction | 16 |
| H. Project Phases | 16 |
| | |
| IV. CONDOMINIUM MANAGEMENT | |
| A. Management of the Common Elements | 17 |
| B. Estimate of Initial Maintenance Fees | 17 |
| C. Utility Charges for Apartments | 17 |
| | |
| V. MISCELLANEOUS | |
| A. Sales Documents Filed with the Real Estate Commission | 18 |
| B. Buyer's Right to Cancel Sales Contract | 18 |
| C. Additional Information Not Covered Above | 20 |
| D. Signature of Developer | 21 |
| | |
| EXHIBIT A: Reservations in Favor of Developer | |
| EXHIBIT B: Description of Apartments | |
| EXHIBIT C: Common Elements and Limited Common Elements | |
| EXHIBIT D: Common Interest | |
| EXHIBIT E: Encumbrances Against Title | |
| EXHIBIT F: Estimate of Initial Maintenance Fees | |
| EXHIBIT G: Sales Contract Summary | |
| EXHIBIT H: Escrow Agreement Summary | |

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. The 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 of 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 spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Bali Hai Villas Ltd. Partnership Phone: (808) 826-6549
Name (Business)
3970 Wyllye Road
Business Address
Princeville, Kauai, Hawaii 96722

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

Bali Hai Villas Inc., General Partner
David E. Walters, President
3970 Wyllye Road
Princeville, Kauai, Hawaii 96722

Real Estate Broker: Pahio Vacation Ownership, Inc. Phone: (808) 826-6549
Name (Business)
3970 Wyllye Road
Business Address
Princeville, Kauai, Hawaii 96722

Escrow: Hawaii Escrow & Title, Inc. Phone: (808) 532-2977
Name (Business)
700 Bishop Street, Suite 1600
Business Address
Honolulu, Hawaii 96813

General Contractor: Pahio Construction, Inc. Phone: (808) 826-6549
Name (Business)
3970 Wyllye Road
Business Address
Princeville, Kauai, Hawaii 96722

Condominium Managing Agent: Pahio Resorts, Inc. Phone: (808) 826-6549
Name (Business)
3970 Wyllye Road
Business Address
Princeville, Kauai, Hawaii 96722

Attorney for Developer: Michael H. Sakai, Esq. Phone: (808) 531-4171
Name (Business)
201 Merchant Street, Suite 902
Business Address
Honolulu, Hawaii 96813-2929

**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. 2006-105680
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
 Recorded - Bureau of Conveyances, Condo Map No. 4244
 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 manners which affect how the condominium project will be governed.

The Bylaws for this condominium re:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2006-105681
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>Majority of Board of Directors</u> |

*The percentage 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.

[] 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 period 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 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 Peipelani Loop, Princeville, Kauai, Hawaii 96722 Tax Map Key (TMK): (4) 5-4-05: 36 and 50

[] Address [X] TMK is expected to change because individual CPR numbers may be assigned to each apartment unit

Land Area: 23.297 [] square feet [X] acre(s) [X] Zoning: R-15

Fee Owner: Bali Hai Villas Ltd. Partnership
3970 Wyllye Road
Princeville, Kauai, Hawaii 96722

Lessor: N/A
 Name _____
 Address _____

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 2 Floors Per Building 2

Exhibit B contains further explanations.

3. **Principal Construction Material:**

Concrete Hollow Tile Wood

Other Allied building materials

4. **Permitted Uses by Zoning:**

| | <u>No of Apts.</u> | <u>Use Permitted By Zoning</u> | |
|---|------------------------|---|-----------------------------|
| <input type="checkbox"/> Residential | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Commercial | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Mix Res/Comm | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Hotel | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input checked="" type="checkbox"/> Timeshare | <u>28</u> | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Ohana | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Industrial | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Agricultural | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Recreational | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Other: _____ | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

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

Yes No

5. Special Use Restrictions:

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

Pets: 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: 0 Trash Chutes: 0

| <u>Apt. Type</u> | <u>Quantity</u> | <u>BR/Bath</u> | <u>Net Living Area (sf)*</u> | <u>Net Other Area (sf)</u> | <u>(Identify)</u> |
|------------------|-----------------|----------------|------------------------------|----------------------------|-------------------|
| <u>B</u> | <u>16</u> | <u>2/2</u> | <u>1003</u> | <u>110</u> | <u>lanai</u> |
| <u>C</u> | <u>8</u> | <u>2/2</u> | <u>997</u> | <u>110</u> | <u>lanai</u> |
| <u>D</u> | <u>4</u> | <u>3/3</u> | <u>1397</u> | <u>271</u> | <u>lanai</u> |

Total Apartments: 28

***Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls. The net living area includes the area of the lanais**

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.

Apartments Designated for Owner-Occupant Only: All apartments are designated for resort time sharing use. Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has N/A elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 43

| | <u>Regular</u> | | <u>Compact</u> | | <u>Tandem</u> | | <u>TOTAL</u> |
|--------------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|---------------|
| | <u>covered</u> | <u>open</u> | <u>covered</u> | <u>open</u> | <u>covered</u> | <u>open</u> | |
| Assigned* (total) (for each unit) | <u> </u> | <u>28</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u>28</u> |
| Guest | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Unassigned | <u> </u> | <u>15</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u>15</u> |
| Extra for Purchase | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Other: (Handicapped) | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u>0</u> |
| Total Covered & Open | <u> </u> | <u>43</u> | <u> </u> | <u>0</u> | <u> </u> | <u>0</u> | <u>43</u> |

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.

*Assignment, if any, will be made by the Association of Apartment Owners. There are additional parking stalls available for use by the owners in earlier developed increments of the Project.

Commercial parking garage permitted in condominium project.

Exhibit C contain additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

There are no recreational facilities in this Increments 6 & 7.

Swimming pool Storage Area Recreation Area

Laundry Area Tennis Court Trash Chute/Enclosure(s)

Other: _____

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

There are no violations. Violations will not be cured.

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

10. Conditions and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

(For conversions of residential apartments in existence for at least five years):

Not Applicable

1. Conformance to Present Zoning Code

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

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

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

| | <u>Conforming</u> | <u>Non-Conforming</u> | <u>Illegal</u> |
|------------|-------------------|-----------------------|----------------|
| Uses | <u> X </u> | <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 C .

as follows:

2. Limited Common Elements: 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 C.

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 D.

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 E describes the encumbrances against the title contained in the title report dated June 9, 2006 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 specific 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 | If the Developer defaults, the lender may foreclose on the property. If the lender forecloses, the purchaser's contract would be cancelled and he/she would receive a refund of all deposits previously made. |

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.

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 Date of Completion or Estimated Date of Completion:**

The construction of all of the units in Buildings 6 & 7 has been completed. The Affidavit of Publication of Owner's Notice of Completion for the improvements was filed on May 31, 2006 for Buildings 6 and 7.

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".

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 the Developer or the Developer's affiliate.
 self-managed by the Association of Apartment Owners other _____

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

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, 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 F 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 (_____ Common Elements only X Common Elements & Apartments)
 Gas (_____ Common Elements only X Common Elements & Apartments)
 Water Sewer Television Cable
 Other refuse collection_____

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

[X] Escrow Agreement dated June 5, 2006

Exhibit H contains a summary of the pertinent provisions of the escrow agreement.

[X] Other Master Declaration for Phased Development for Bali Hai Villas dated October 19, 1994, as amended.

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 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 a 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 as 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 Report 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, as amended.
 - D) House Rules, if any.
 - E) Condominium Map, as amended.
 - F) Escrow Agreement, as amended..
 - 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 or through the developer's sales agent, if any. The Condominium Property Regime law (Chapter 514A, HRS) and the Administrative Rules (Chapter 107) are available online. Please refer to the following sites:

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

Website to access unofficial copy of law: www.hawaii.gov/dcca/hrs

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

This Public Report is part of Registration No. 6045 filed with the Real Estate Commission on June 27, 2006

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

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C. **Additional Information Not Covered Above**

1. **Parking.** The 28 residential timeshare units each have the use of one parking stall. The condominium project will have the use of not less than 28 stalls which will not be assigned at this time. The Association of Apartments Owners or Managing Agent for the Project may assign parking stalls. See Exhibit "C". The parking stalls are located on Increments 6 and 7 or may be located in other increments or phases of the Bali Hai Villas development.
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 28 apartments in the Project are or will be annexed and committed to in the time share plan. The Developer has obtained a registration for the Interval Plan from the Department of Commerce and Consumer Affairs, State of Hawaii, in accordance with Chapter 514E, Hawaii Revised Statutes, under Reg. No. TD-125. For information relating to the Interval Plan, a purchaser should review the "Disclosure Statement" for the Plan.
3. **Managing Agent.** Pahio Resorts, Inc. will be the Managing Agent for the condominium project and also the plan manager of the Interval Plan. David E. Walters has a principal interest in both the Developer and Pahio Resorts, Inc.
4. **Real Estate Broker.** Pahio Vacation Ownership, Inc., is the real estate broker for both the condominium project and Interval Plan. Pahio Vacation Ownership, Inc. is a related entity to the Developer. Pursuant to sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that Pahio Vacation Ownership, Inc., is a current and active Hawaii-licensed real estate corporation. Further, that David E. Walters has a principal interest in both the Developer and Pahio Vacation Ownership, Inc. Pursuant to section 16-99-11(c), HAR, "(n)o licensee shall be allowed to advertise 'For Sale by Owner', 'For Rent by Owner', 'For Lease by Owner', 'For Exchange by Owner'."

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

BALI HAI VILLAS LTD. PARTNERSHIP

Name of Developer

BALI HAI VILLAS, INC., General Partner

By  _____
 David E. Walters, President

June 27, 2006

 Date

DAVID E. WALTERS, President of Bali Hai Villas, Inc., General Partner of Bali Hai Villas Ltd. Partnership
 print name & title of person signing above

Distribution:

Department of Finance, County of Kauai
 Planning Department, County of Kauai

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

EXHIBIT "A"

Reservation In Favor of Developer

REDESIGNATION OF COMMON INTEREST; FUTURE DEVELOPMENT. The Developer has reserved the right to redesignate the common interest appurtenant to an apartment in the event additional apartments are constructed and Increments are developed. If additional apartments are constructed, the undivided interest (with slight adjustments to bring the total to 100%) which is appurtenant to an apartment shall decrease.

OPTIONS TO DELETE UNDEVELOPED LAND. Notwithstanding the conveyance of any apartment or anything to the contrary in the Declaration, the Bylaws, the Condominium Map, any Sales Contract, conveyance document, or any other document or instrument, if the Developer does not exercise its right to complete the additional phases and Increments of the Project, then the Developer or its mortgagee (if any), as successor in interest to the Developer, either by foreclosure or deed in lieu of foreclosure, including any third party that is the successful purchaser at any foreclosure auction (the "Succeeding Mortgagee"), of the undeveloped land on which the remaining phases of the Project were to be situated and any of the common elements that were to be located (the "Undeveloped Land") shall have the right, at its option, to delete the Undeveloped Land and remove any common elements that was to be situated on or within the Undeveloped Land of the Project by withdrawing from the Project any or all of the Undeveloped Land and any common elements thereon (including but not limited to a swimming pool and landscaping) pursuant to Section 514A-11(12) of the Condominium Act (the "Withdrawn Land"). This option and right may be exercised by the Developer or the Succeeding Mortgagee, at any time during the ten-year period following the date of recordation of the Declaration. The Developer would withdraw the land on the following terms and conditions:

(a) The outer boundaries of the Withdrawn Land would conform to the boundaries of any surrounding developed Phases, as set forth on the Condominium Map, subject to adjustments where necessary to meet building setback requirements imposed as a condition to subdivision of the Withdrawn Land and other county or engineering requirements or adjustments;

(b) The Developer (but not the Succeeding Mortgagee unless it becomes the owner of the Withdrawn Land) would use its best efforts to cause the Withdrawn Land to be subdivided from the remainder of the Project at its sole cost and expense, and shall promptly execute and file any subdivision applications and other documents which are necessary or appropriate in connection with the subdivision of the Withdrawn Land from the remainder of the Project;

(c) The Developer (but not the Succeeding Mortgagee unless it becomes the owner of the Withdrawn Land) would add, delete, relocate, realign, reserve and grant all easements and rights-of-way over, under and on the common elements necessary or desirable to service the Withdrawn Land, including but not limited to, easements and/or rights-of-ways for pedestrian and vehicular access, utilities, cesspools, sanitary and storm sewers, cable television, refuse disposal, driveways, parking areas and roadways, provided that such easements and/or rights-of-way do not materially impair the use of any apartment or its appurtenant common interest in the common elements;

(d) The Developer (but not the Succeeding Mortgagee unless it becomes the owner of the Withdrawn Land) would give each apartment owner and lienholder at least thirty (30) days prior written notice of its intention to withdraw the Withdrawn Land;

(e) The Developer (but not the Succeeding Mortgagee unless it becomes the owner of the Withdrawn Land) would, at its own expense and without being required to obtain the consent or joinder of any apartment owner or lienholder, execute and file an amendment to the Declaration and the Condominium Map: (i) to delete the Withdrawn Land and any common elements situated within the Withdrawn Land from the Project, (ii) to add, delete, relocate, realign, reserve and grant all easements and rights-of-way over, under and on the common elements necessary or desirable to service the Withdrawn Land, including but not limited to, easements and/or rights-of-way for utilities, cesspools, sanitary and storm sewers, cable television, refuse disposal, driveways, parking areas and roadways provided that such easements and/or rights-of-way do not materially impair the use of any apartment or its appurtenant common interest in the common elements; (iii) to delete the apartments, common elements and limited common elements that were to be built on the Withdrawn Land from the project; (iv) to adjust the common interests appurtenant to the apartments of the Project to reflect the elimination of the apartments in the phases that were to be built on the Withdrawn Land from the Project; (v) to cancel all easements over the Withdrawn Land in favor of apartments in the Project; and (vi) to release all owners of any interest in the Withdrawn Land from any and all obligations and liabilities of the Project, including, without limitation, the obligation to pay common expenses and the lien securing the payment of such expenses.

(f) The withdrawal would become effective upon the approval of the subdivision by the County of Kauai Planning Department and the filing with the Bureau of Conveyances of the State of Hawaii of an amendment to the Declaration and Condominium Map noting such withdrawal and setting forth a description of the Withdrawn Land.

(g) No withdrawal would be permitted if it requires the alteration or destruction of any constructed apartment.

(h) All rights of apartment owners shall be subject to the Developer and Succeeding Mortgagee's rights to require withdrawal of the Withdrawn Land as set forth in the Declaration, and the acceptance of ownership of an apartment in the Project shall constitute an acceptance of such right.

POWER OF ATTORNEY - DELETION OF LAND. In furtherance of the rights and powers reserved to the Developer and its successor in interest, each apartment owner and the Association of Apartment Owners will by virtue of accepting a conveyance of an apartment designate the Developer and/or its successor in interest (including the Succeeding Mortgagee) as his attorney-in-fact, with power of substitution, to execute any and all applications for subdivision, amendments to the Declaration, the Bylaws, and the Condominium Map, deeds in lieu of foreclosure, easement agreements and any other documents of whatsoever nature necessary or appropriate to effect the withdrawal of any or all of the Undeveloped Land from the Project and any subsequent conveyance or transfer of such Withdrawn Land. The execution of this Declaration or acceptance of ownership of an apartment in the Project shall constitute a grant of such power, and such grant, being coupled with the interest of the Developer and/or its successor in interest as herein reserved, shall be irrevocable.

EXHIBIT "B"

Description of Apartments

The apartments in the Project consist of three types of apartments.

A. Two-bedroom Type B Apartments. There are sixteen (16) separately designated and described freehold estates. Each of the two-bedroom type B apartments consists of 2 bedrooms, 2 bathrooms, a kitchen, living room, dining area, and one lanai. The net living area of the two bedroom type B apartment is approximately 1,003 square feet (gross of 1,053 square feet) and the net area of the lanai is approximately 110 square feet (total of 1,113 square feet). The type B apartments are 610, 613-615 and 620, 623-625, 711-713, and 716, and 721-723, and 726.

B. Two-bedroom Type C Apartments. There are 8 separately designated and described freehold estates. Each of the two-bedroom type C apartments consists of 2 bedrooms, 2 bathrooms, a kitchen, living room, dining area, and one lanai. The net living area of the two bedroom type C apartment is approximately 997 square feet (gross of 1,047) and the net area of the lanai is approximately 110 square feet (total of 1,107 square feet). The type C apartments are 611, 612, 621, 622, 714, 715, 724, and 725.

C. Three-bedroom Type D Apartments. There are 4 separately designated and described freehold estates. Each of the three-bedroom type D apartments consists of 3 bedrooms, 3 bathrooms, a kitchen, living room, dining area and one lanai. The net living area of the three bedroom type D apartment is approximately 1,397 square feet (gross total of 1,459 square feet) and the net area of the lanai is approximately 271 square feet (total of 1,668 square feet). The type D apartments are 616, 626, 710, and 720.

D. Floor Area. The floor area of an apartment is the net living area and is measured from the interior surface of the apartment's perimeter walls.

E. Interior Improvements. Developer reserves the right to up-grade the interior features of a unit such as plumbing fixtures, cabinets, countertops, flooring and other features. None of these features will affect the basic floor plan of a unit. The Developer also reserves the right to name these type of up-graded units.

EXHIBIT "C"

Common Elements

The common elements of the Project include:

- a. The land in fee simple.
- b. The foundations, floor slabs, columns, girders, beams, supports, bearing walls, interior walls, entry landings, entry and exit doors, unfinished surfaces of lanais and lanai railings, windows, 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 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 and the restrictions affecting them are as follows:

a. Building 6. The land area delineated as Increment 6 on the Condominium Map is a limited common element for the Apartments contained in Building 6 and is for the exclusive use of the apartments contained in Building 6.

b. Building 7. The land area delineated as Increment 7 on the Condominium Map is a limited common element for the Apartments contained in Building 7 and is for the exclusive use of the apartments contained in Building 7.

c. Redesignation of Limited Common Elements as Common Elements. Notwithstanding any term or provision contained herein to the contrary, upon the recording of an "As Built" architect's or engineer's certificate for the buildings in Increments 6 and 7 and the Project including any subsequent Increment, the land area contained in such Increments 6 and 7 shall be deemed to be common elements of the Project.

c. Parking. Each apartment in the Project shall have the use of at least one parking stall. Because there are 43 stalls (21 paved stalls and 22 grasscrete stalls) within Increments 6 and 7, some of the stalls may be assigned to apartments in earlier developed or future developed increments. 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 purpose of assigning parking stalls, which rules, if any, shall attempt to minimize the distance between an assigned parking stall and the apartment to which it is assigned. The Association of Apartment Owners may also number the parking stalls. The location of the parking stalls are set forth in the Condominium Map.

EXHIBIT "D"

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 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> |
|--------------|---------------------------|------------|----------|-----------------|
| X | 2-Bedroom Type B units | 16 | 3.3327% | 53.3232% |
| X | 2-Bedroom Type C units | 8 | 3.3327% | 26.6616% |
| X | 3-Bedroom Type D units | 4 | 5.0038% | <u>20.0152%</u> |
| | | | | 100.0000% |

The percentage undivided interest for the Type D units is calculated by dividing an apartment's net living area (including the lanai) by the sum of all the net living areas of all the apartments that have been or will be constructed for this Project and by allocating the same percentage interest to each of the 2 bedroom units (Type B and C) with minor adjustments to bring the total percentage to 100%. The percentage interest is subject to change. All 2 bedroom units in the Project will be treated the same for maintenance purposes although there may be slight variations in floor plans and living area.

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.

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 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.

EXHIBIT "E"

Encumbrances Against Title

1. Title to all minerals and metallic mines reserved to the State of Hawaii.
2. 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. (Affects Lot 2-D)

Said Declaration was amended by instrument dated September 11, 1979, recorded in said Bureau, in Book 14006, Page 695.
3. Easement "D-2" (10.00 feet wide) for drainage purposes over, under and across Lot 2-D.
4. 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. (Affects Lot 2-D)
5. Open District as shown on Survey Map of Wagner Engineering dated November 13, 1991. (Affects Lot 2-D)
6. An easement 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. (Affects Lot 2-D)
7. Easement "D-2" (10.00 feet wide) for drainage purposes over, under and across Lot 2-D, 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.
8. An easement in favor of Citizens Utilities Company, a Delaware corporation, for right of entry into the herein describe property, dated June 26, 1991, recorded in said Bureau, as Document No. 92-031765.
9. Covenants, conditions, restrictions, reservations, agreements, obligations and other provisions set forth in the Master Declaration for Phased and Incremental Development Bali Hai Villas dated October 19, 1994, made by Bali Hai Villas Ltd. Partnership, a Hawaii limited partnership, recorded in said Bureau, as Document No. 94-180535.

First Amendment to Master Declaration for Phased and Incremental Development Bali Hai Villas, dated March 20, 1995, recorded in said Bureau, as Document No. 95-040947.

Second Amendment to Master Declaration for Phased and Incremental Development Bali Hai Villas, dated August 10, 1995, recorded in said Bureau, as Document No. 95-107667.

Third Amendment to Master Declaration for Phased and Incremental Development Bali Hai Villas, dated May 26, 2004, recorded in said Bureau, as Document No. 2004-200786.

Fourth Amendment to Master Declaration for Phased and Incremental Development Bali Hai Villas, dated March 15, 2006, recorded in said Bureau, as Document No. 2006-054580.

10. Matters as shown on Condominium Map Nos. 2176, 2366, 2801, 2972, 3202, 3360, 3551, 3921, 4116 and 4244, filed in the Bureau of Conveyances.

11. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime dated October 19, 1994, recorded in said Bureau, as Document No. 94-209497 (Phase I, Increment 3).

First Amendment to the Declaration of Condominium Property Regime Bali Hai Villas, Phase I, dated August 10, 1995, recorded as Document No. 95-107668.

Amendment to Declaration of Condominium Property Regime Merger of Bali Hai Villas, Phases I and II (1st Merger), dated October 17, 1997, recorded as Document No. 97-165979 (now known as "Bali Hai Villas").

Second Amendment to the Declaration of Condominium Property Regime Bali Hai Villas, Phases I and II, dated July 27, 1998, recorded as Document No. 98-115874.

12. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase I, dated October 19, 1994, recorded as Document No. 94-209498.

First Amendment to By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phases I and II, dated July 27, 1998, recorded as Document No. 98-115875.

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

14. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of the Pahio at Bali Hai Villas Interval Ownership Plan dated August 10, 1995, recorded as Document No. 95-10-7669 (Phase I, Increment 3).

Declaration of Annexation and Notice of Time Share Plan Pahio at Bali Hai Villas, dated March 5, 1996, recorded as Document No. 96-030518 (Bali Hai Villas, Phase II, Increment 4).

Declaration of Removal Pahio at Bali Hai Villas (affecting portion of Increments 3 and 4), dated October 17, 1997, recorded as Document No. 97-165980 (Affects apartment nos. 313, 412, 422 and 426).

Declaration of Removal Pahio at Bali Hai Villas (affecting portion of Increments 3 and 4), dated February 19, 1998, recorded as Document No. 98-026963 (Affects apartment nos. 326 and 416).

Said Declaration was amended by instrument dated January 1, 1998, recorded as Document No. 98-29032.

Declaration of Removal Pahio at Bali Hai Villas (affecting portion of Increments 3 and 4), dated April 24, 1998, recorded as Document No. 98-061690 (Affects apartment nos. 411 and 421).

Declaration of Removal Pahio at Bali Hai Villas (affecting portion of Increments 3 and 4), dated June 16, 1998, recorded as Document No. 98-091644 (Affects apartment nos. 410 and 420).

First Amendment of Bylaws of Pahio at Bali Hai Villas Interval Owners Association, dated July 27, 1998, recorded as Document No. 98-111922.

Said Declaration was amended by instrument dated July 27, 1998, recorded as Document No. 98-111923.

Declaration of Annexation dated September 22, 1998, recorded as Document No. 98-145896 (Phase III, Increment I).

Declaration of Annexation and Notice of Time Share Plan Pahio at Bali Hai Villas, dated August 19, 1999, recorded as Document No. 99-155928 (Phase IV, Increment 2).

Declaration of Annexation and Notice of Time Share Plan Pahio at Bali Hai Villas, dated

December 21, 2000, recorded as Document No. 2001-000370 (Phase V, Increment 8).

Amendment to Declaration of Annexation Pahio at Bali Hai Villas Interval Ownership Plan, dated January 12, 2001, recorded as Document no. 2001-009841.

Declaration of Annexation and Notice of Time Share Plan Pahio at Bali Hai Villas, dated October 21, 20001, recorded as Document No. 2001-173566 (Phase VI, Increment 9).

Amendment to Declaration of Annexation Notice of Time Share Plan Pahio at Bali Hai Villas Interval Ownership Plan (Increment 9) dated February 7, 2002, recorded as Document No. 2002-028266.

Declaration of Annexation and Notice of Time Share Plan Pahio at Bali Hai Villas dated March 15, 2003, recorded as Document No. 2003-062587 (Phase VII, Increment 10).

Amendment to Declaration of Annexation Pahio at Bali Hai Villas Interval Ownership Plan, dated December 23, 2003, recorded as Document No. 2004-000357 (Adds apts. 1010-1016 and 1020-1026).

Declaration of Annexation and Notice of Time Share Plan Pahio at Bali Hai Villas dated December 1, 2004, recorded as Document No. 2005-026541 (Phase VIII, Increment 11).

Amendment to Declaration of Annexation Pahio at Bali Hai Villas Interval Ownership Plan, dated March 22, 2005, recorded as Document No. 2005-069647 (Adds apts. 1110-1116 and 1120-1126).

Declaration of Annexation and Notice of Time Share Plan Pahio at Bali Hai Villas dated October 24, 2005, recorded as Document No. 2005-234164 (Phase IX, Increment 5).

15. Notice of Time Share Plan Pahio at Bali Hai Villas, dated August 10, 1995, recorded as Document No. 95-107670 (Phase I, Increment 3).

16. Waiver and Release dated October 19, 1995, recorded as Document No. 95-143502 (Re: Water Services).

17. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime dated March 2, 1996, recorded as Document No. 96-30516 (Phase II, Increment 4 and 20).

Said Declaration was amended by instrument dated November 5, 1996, recorded as Document No. 97-005820.

Amendment to Declaration of Condominium Property Regime Merger of Bali Hai Villas, Phase I and II (1st Merger), dated October 17, 1997, recorded as Document No. 97-165979 (now known as "Bali Hai Villas")

18. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase II, dated March 1, 1996, recorded as Document No. 96-30517.

19. Waiver and Release dated May 3, 1996, recorded as Document No. 96-069817 (affects Increment 4).

20. Waiver and Release dated June 14, 1996, recorded as Document No. 96-092600 (re: Water Services - Cabana for Swimming Pool).

21. Waiver and Release dated July 5, 1996, recorded as Document No. 96-101381 (re: Water Services - affects Bldgs. 1, 2 and 5).

22. Release and Waiver of Lien, Covenant Not to Sue and Indemnity (Sub-Contractor dated June 3, 1996, recorded as Document No. 96-120601 (affects Increment 4).

23. Release and Waiver of Lien, Covenant Not to Sue and Indemnity (Sub-Contractor dated June 5, 1996, recorded as Document No. 96-120602 (affects Increment 4).

24. Release and Waiver of Lien, Covenant Not to Sue and Indemnity (Sub-Contractor dated August 22, 1996, recorded as Document No. 96-120603 (affects Increment 4).

25. Release and Waiver of Lien, Covenant Not to Sue and Indemnity (Sub-Contractor dated June 14, 1996, recorded as Document No. 96-120604 (affects Increment 4).

26. Release and Waiver of Lien, Covenant Not to Sue and Indemnity (Sub-Contractor dated August 9, 1996, recorded as Document No. 96-140773.

27. Declaration of Covenants, Conditions and Restrictions (New Clubhouse and Housekeeping) dated November 20, 1997, recorded as Document No. 97-165985.

28. Grant of Easement (Clubhouse and Housekeeping), dated November 20, 1997, recorded as Document No. 97-165987 (affects Commercial Apartment No. 20).

29. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime, dated September 23, 1998, recorded as Document No. 98-145894 (Phase III, Increment I).

Said Declaration was amended by instrument dated October 13, 1998, recorded as Document No. 98-156843.

Amendment to Declaration of Condominium Property Regime Merger of Bali Hai Villas, with Phases I, II and III (2nd Merger) dated January 8, 1999, recorded as Document No. 99-007124.

30. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase II, dated September 23, 1998, recorded as Document No. 98-145895.

31. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime, dated September 7, 1999, recorded as Document No. 99-152058 (Phase IV, Increment 2, Building 2).

Amendment to Declaration of Condominium Property Regime Merger of Bali Hai Villas, with Phases IV (3rd Merger) dated November 30, 1999, recorded as Document No. 99-192751.

32. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase IV, dated September 7, 1999, recorded as Document No. 99-152059.

33. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime, dated December 4, 2000, recorded as Document No. 2000-181959 (Phase V, Increment 8, Building 8).

Amendment to Declaration of Condominium Property Regime Merger of Bali Hai Villas, with Phases V (4th Merger) dated December 22, 2000, recorded as Document No. 2000-000369.

34. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase V, dated December 4, 2000, recorded as Document No. 2000-181960.

35. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime,

dated October 8, 2001, recorded as Document No. 2001-173564 (Phase VI, Increment 9, Building 9).

Amendment to Declaration of Condominium Property Regime Merger of Bali Hai Villas, with Phases VI (5th Merger) dated January 28, 2002, recorded as Document No. 2002-018908.

36. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase VI, dated October 8, 2001, recorded as Document No. 2001-173565.

37. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime, dated March 15, 2003, recorded as Document No. 2003-062585 (Phase VII, Increment 10, Building 10).

Amendment to Declaration of Condominium Property Regime Merger of Bali Hai Villas, with Phases VII (6th Merger) dated January 6, 2004, recorded as Document No. 2004-008426.

38. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase VII, dated March 15, 2003, recorded as Document No. 2003-062586.

39. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime, dated November 3, 2004, recorded as Document No. 2005-012302 (Phase VIII, Increment 11, Building 11).

Amendment to Declaration of Condominium Property Regime Merger of Bali Hai Villas, with Phases VIII (7th Merger) dated April 11, 2005, recorded as Document No. 2005-075135.

40. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase VIII, dated November 3, 2004, recorded as Document No. 2005-012303.

41. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime, dated October 24, 2005, recorded as Document No. 2005-234162 (Phase IX, Increment 5, Building 5).

Amendment to Declaration of Condominium Property Regime Merger of Bali Hai Villas, with Phases IX (8th Merger) dated October 24, 2005, recorded as Document No. 2006-011893.

42. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase VIII, dated October 24, 2005, recorded as Document No. 2005-234163.

43. The covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in the Declaration of Condominium Property Regime, dated April 21, 2006, recorded as Document No. 2006-1056880 (Phase X, Increments 6 and 7, Buildings 6 and 7).

44. By-Laws of the Association of Apartment Owners of Bali Hai Villas, Phase VIII, dated April 21, 2006, recorded as Document No. 2006-2006-105681.

45. Any and all easements encumbering the apartment herein mentioned, and/or the common interest appurtenant thereto, as created by or mentioned in said Declaration and/or in said Apartment Deed, and/or as delineated on said Condominium Map.

46. Mortgage dated August 28, 2003, in favor of BanCentre Corp., a Washington corporation, recorded as Document No. 2003-196106 (affects increments 5, 6, 7 and 10-19).

47. For Real Property Taxes that may be due and owing reference is made to the Department of Taxation, County of Kauai.

EXHIBIT "F"

Estimate of Initial Maintenance Fees

NOTE: Because all units will be sold on a timeshare basis, there is no maintenance fee breakdown on a per condominium unit basis.

PAHIO AT BALI HAI VILLAS
AOAO AND IOA MAINTENANCE FEE BUDGET
for the year ending December 31, 2006
FINAL

| | |
|---|----------------------------|
| Units = 4-3/3, 24-2/2 | 28 Units |
| Fees Exclude the Clubhouse Fees | 2006 |
| | Budget |
| <u>AOAO - 28 UNITS</u> | <u>Total Annual</u> |
| ACCOUNTING AND ADMINISTRATION | 13,852 |
| POOLS, PONDS AND MAINTENANCE | 9,533 |
| LANDSCAPE AND GROUNDS | 56,210 |
| PEST CONTROL | 3,798 |
| REFUSE COLLECTION | 16,816 |
| UTILITIES: | |
| ELECTRIC | 23,825 |
| GAS | 2,611 |
| WATER/SEWER | 24,698 |
| CABLE/TELEVISION | 9,865 |
| SECURITY | 11,712 |
| PRINCEVILLE COMMUNITY ASSOCIATION DUES | 4,459 |
| INTERIOR/EXTERIOR MAINTENANCE: | |
| APPLIANCE MAINTENANCE | 2,013 |
| BUILDING REPAIRS AND SUPPLIES | 24,517 |
| CLUBHOUSE RENT | 9,309 |
| MAINTENANCE SALARIES/BENEFITS | 65,443 |
| OTHER MAINTENANCE COSTS | 13,154 |
| WINDOW WASHING | 1,232 |
| ADA ISSUES | 8,019 |
| INSURANCE | 42,248 |
| RESORT MANAGERS | 5,163 |
| BOARD MEETINGS | 632 |
| PROPERTY MANAGEMENT FEE | 39,021 |
| INTEREST INCOME | (526) |
| RESERVES FOR REPLACEMENT | 27,173 |
| DEFICIT REDUCTION | 12,942 |
| TOTAL AOAO BUDGET | 427,719 |
| <u>IOA/TIME SHARE - 28 UNITS</u> | |
| VIP SERVICES | 36,928 |
| GUEST INTERNET ACCESS | 21,806 |
| FRONT DESK | 60,647 |
| HOUSEKEEPING AND SUPPLIES | 215,793 |
| CLUBHOUSE EXPENSE | 3,629 |
| ACCOUNTING AND ADMINISTRATION | 43,397 |
| BANK CHARGES | 7,183 |
| BOARD MEETINGS | 685 |
| PROPERTY TAXES | 111,865 |
| TELEPHONE | 19,992 |
| UTILITIES | 71,102 |
| RESORT MANAGERS | 10,961 |
| PROPERTY MANAGEMENT FEE | 65,502 |
| MISCELLANEOUS INCOME | (26,618) |
| INTEREST INCOME | (8,450) |
| INSURANCE | 1,452 |
| BAD DEBT | 13,866 |
| ADA ISSUES | 7,668 |
| RESERVES FOR REPLACEMENT | 89,128 |
| GENERAL EXCISE TAX | 32,173 |
| DEFICIT REDUCTION | 5,940 |
| TOTAL IOA BUDGET | 784,649 |
| TOTAL BUDGET | 1,212,368 |

EXHIBIT "G"

Summary of Sales Contract

The Sales Contract (Deposit, Receipt Sales Contract) contains the purchase price, description and location of the apartment and other terms and conditions under which a Purchaser will agree to buy an apartment in the Project.

Among other things, the Sales Contract:

1. Provides a section for financing to be completed and agreed to by the parties which will set forth how Purchaser will pay the purchase price.
2. Identifies the escrow agent and states that purchaser's deposit will be held in escrow until the Sales Contract is closed or canceled.
3. Requires that Purchaser must close the purchase at a certain date and pay closing costs, in addition to the purchase price.
4. Permits the Developer without the consent or approval of a purchaser to modify the Declaration, By-Laws Condominium Map or other documents provided that purchaser may cancel the Sales Contract and obtain a refund if such modification:
 - a. substantially and materially impairs the use and enjoyment of the apartment;
 - b. substantially and materially alters the arrangement of the rooms or usable space of an apartment or building;
 - c. renders unenforceable a purchasers' loan commitment;
 - d. increases the purchaser's share of common expenses or maintenance fees;
 - e. reduces the obligations of Developer of common expenses on unsold apartments.
5. If purchaser dies (any one of them) prior to closing, Developer has the right to return purchaser's funds, less any escrow cancellation fees and cost, and cancel the Sales Contract.

6. Provides that the closing cost shall be paid as follows:

a. By Purchaser: title insurance, drafting of any note and mortgage, purchaser notary fees, recording fees, pro-rated real property taxes, all escrow fees, drafting of apartment deed, conveyance taxes, and also a start fee for common expenses. and cost of any upgrades.

b. By Developer: Developer notary fees.

7. Provides the following remedies, in the event of default under the Sales Contract:

by Purchaser:

- a. Developer may bring an action against purchaser for breach of contract;
- b. Developer may retain initial deposit;
- c. Purchaser shall be responsible for expenses incurred.

by Developer:

- a. Purchaser may bring an action against Developer for breach of Contract;
- b. Purchaser may bring an action to terminate contract and obtain refund of deposits;
- c. Developer shall be responsible for expenses incurred.

Any awards to the prevailing party in any action are subordinate to escrow's expenses.

8. Provides that purchaser may not assign his/her interest in the Sales Contract without the prior written consent of Developer.

9. Contains provisions relating to the reserved rights in favor of the Developer which are also outlined in Exhibit "A" attached hereto.

10. Provides that purchaser accepts the following regarding claims involving the general contract:

Chapter 672E of the Hawaii Revised Statutes contains important requirements you must follow before you may file a lawsuit or other action for defective construction against the contractor who designed, repaired, or constructed your home or facility. Ninety days before you file your lawsuit or other action, you must serve on the contractor a written notice of any construction conditions you

allege are defective. Under the law, a contractor has the opportunity to make an offer to repair and/or pay for the defects. You are not obligated to accept any offer made by a contractor. There are strict deadlines and procedures under the law, and failure to follow them may negatively affect your ability to file a lawsuit or other action.

The Sales Contract contains various other provisions which purchaser should become acquainted with. If there is a conflict between the terms of this Summary and the Sales Contract, the latter shall control.

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EXHIBIT "H"

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"). Escrow is HAWAII ESCROW AND TITLE CORP. Under the Escrow Agreement dated June 5, 2006, these things will or may happen:

(a) Developer or Escrow will let purchasers know when payments are due and all monies received from a purchaser will be deposited in Escrow. Any interest earned on the deposits will belong to Developer.

(b) Escrow will arrange for purchasers to sign all necessary documents.

(c) The Escrow Agreement specifies when purchaser funds may be disbursed upon closing of a sale. The conditions include:

i) Escrow receives the purchasers' signed "Receipt for Public Report(s) and Notice of Right to Cancel";

ii) Escrow receives a certification from the Developer that the Sales Contract is effective and that the rescission right requirements in favor of purchasers have been complied with by the Developer; and

iii) The apartment deed conveying the unit to the purchaser has been recorded in the Bureau of Conveyances.

(d) The Escrow Agreement says under what conditions a refund will be made to a purchaser. Refunds can occur under the following situations:

i) If Purchaser elects to cancel the transaction in accordance with the "Receipt for the Final Public Report and Notice of Right to Cancel". The Receipt provides that purchasers may cancel the Sales Contract and purchaser is the Receipt is mailed or sent by telegram to Developer before (1) the apartment unit is conveyed to purchaser or (2) midnight of the 30th day after delivery of the Public Report(s) to me, whichever is earlier.

ii) The Developer and purchaser agree to terminate the Sales Contract;

iii) if the Developer exercises any right to cancel the transaction which it may have reserved.

NOTE: If a transaction is canceled, the purchaser must return all documents to the Developer.

(e) The Escrow Agreement says what will happen to a purchaser's funds upon a default under the Sales Contract. If a purchaser defaults, all deposits previously placed into Escrow will be forfeited by purchaser and Escrow may release such funds to Developer. See paragraph 11 of Escrow Agreement.

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

If there is a conflict between the terms of this Summary and the Escrow Agreement, the latter shall control.