Canterbury Place

December 8, 2025

Aloha Canterbury Place Owners,

We'd like to begin with a brief background. Of Canterbury's 149 residential units, 64—along with the 5 commercial units—are leasehold properties. This means those owners do not own rights to the land; instead, they lease their land rights from the Kong family under the terms of a *Master Lease* dated March 2, 1970. Of the 64 residential leasehold units, 54 purchased their sandwich lease, while eight did not. Thus, those 64, plus commercial, lease their land directly from the Kong family.

The Master Lease sets the annual rent for each 10-year period beginning July 1, 1972, and running through June 30, 2025. Starting July 1, 2025, the annual rent for each new 10-year period must be redetermined and is set at 6% of the land's then-current fair-market value (excluding the building itself). If the parties cannot agree on that value, the Master Lease provides for arbitration to establish it.

In early 2025, the AOAO Board engaged Monarch Properties to assist with the negotiation and provide guidance. Monarch Properties previously represented the AOAO in negotiations with the Kong family during the 2019 rent adjustment for the units that had not purchased their sandwich lease. After an agreement was reached on land value, the Board retained Richard Ekimoto to prepare the formal written agreement. Through this process, the lease rent for the upcoming period—July 1, 2025, through June 30, 2035—was finalized.

The AOAO is aware of Mr. Rick Green's concerns about the lease-rent negotiation, his website and flyer, and his request that leasehold owners contribute $5,000 to "join" him in pursuing litigation to void the agreement with the Kongs. Before leasehold owners decide whether to contribute time and money, it is important to understand key facts that Mr. Green has not disclosed and the potential consequences of his proposed course of action. Mr. Green declined to allow this "counterpoint" be provided via his website, so we are sending it to all owners directly.

Why Is He Asking You to Join Him?

Nothing prevents Mr. Green from bringing his claim on his own. He does not need additional owners to do so. We believe he is asking leasehold owners to "join" primarily so that his legal fees are covered by others. That is why he is asking you to pay $5,000 to "join" his fight.

Before committing $5,000 (or more if that's not enough to cover the legal expenses) to what the Board believe to be a frivolous lawsuit, it is worth examining the legal and financial realities carefully so an informed decision can be made.

Mr. Green's Alleged 'Flaws' — and Why They Fail

1. No Independent Lessee Counsel in violation of HRS § 514B-151(c)

Mr. Green claims that the AOAO was required to hire independent counsel. However, the AOAO's attorney, **Mr. Richard Ekimoto—who helped write the law—confirmed that the law requiring independent counsel did *not* apply in this negotiation** because the AOAO is ***not*** a sublessor of any of the units whose rent is being negotiated. Independent counsel was used in 2019, and will be used again in 2029, because the AOAO is a sublessor of the 8 sandwich lease units affected by that negotiation.

In short: the statute does not apply. A leading expert in Hawaii law rejected Mr. Green's interpretation. Owners should consider whose opinion carries more weight.

2. "Mandatory Arbitration Was Skipped"

Mr. Green claims arbitration was required because no agreement was reached in time.
But **parties may mutually agree to continue negotiations and waive arbitration**, which is exactly what happened. Courts never force arbitration on parties when both sides are negotiating in good faith and wish to continue doing so. (In fact, arbitration is never required when both parties agree to forgo arbitration, even when a contract provides for mandatory binding arbitration. Mr. Green knows this but isn't telling you.)

This argument would not succeed in court.

3. "The Valuation Is Inflated Due to Minority Ownership"

Mr. Green's main argument is that because the Kongs own less than half of the total land a "minority discount" must be applied to substantially reduce the valuation of their interest.

However:

- Mr. Green is misleading you. **The Kong family owns 100% of the land rights in the leasehold units** and are not "minority owners" of the leasehold land or of any leasehold unit's land rights. **The entire concept that the Kong's have minority ownership is fundamentally wrong and reflects a basic misunderstanding by Mr. Green of how the leasehold interest works.** (Ask yourself—since the fee owners have no ownership interest in the leased land or leasehold units, if the Kong's are "minority" owners, who is the majority owner of the leasehold interests?)
- This concept applies to *corporate stock* valuations—not leasehold land valuations—when there are two or more owners and one owns less than half. But that is not the case here. The Kong's are the sole owners of the leased land. There is no "majority owner."
- The Master Lease sets the valuation method, and it does not consider ownership percentage as a restriction on the value. Per Richard Ekimoto, **HRS §519-1 only requires consideration of actual lease restrictions**—which do not include fractional ownership even if there were any.

This contention by Mr. Green was rejected by:

- AOAO counsel, Richard Ekimoto, Esq.

- Monarch Properties (the AOAO real estate broker)
- CBRE Valuation & Advisory Services (the independent appraiser)
- Independent legal counsel that represented the units in 2019
- The neutral arbitrator/appraiser in 2019

There is **no Hawaii precedent** supporting Mr. Green's argument, and he admits it is "novel."

The 2019 Arbitration Is Proof

In 2019, when the Kongs held the same ownership interest, the lease-rent **was not reduced** due to "minority" ownership, even though the unit owners were represented by independent legal counsel and the value was determined by arbitration. The independent appraiser/arbitrator set the land value at **$19,460,000**, consistent with the legal process and industry standards—and calculated the new lease-rent without any "minority discount."

The 2025 valuation reflects a modest 3.5% annual appreciation—**well within market norms** and favorable to leaseholders. It is **lower than what arbitration could have produced**.

Legal Risk: Timing Matters

This process was open and ongoing for most of 2025. Mr. Green had the opportunity to raise objections **before** the agreement was signed. Courts rarely allow someone to "sit on their rights" and then demand that a completed agreement be undone. That makes success unlikely.

What Could Litigation Mean for ALL Canterbury Owners?

If a lawsuit is filed, the consequences may be significant:

- **Loss of opportunity to purchase the fee interest.** Mr. Green's argument is that the Kong family should be penalized for having sold some of their lease interests in the past. The Kongs are likely to view a lawsuit trying to reduce their rent as hostile and refuse future negotiations to sell the fee interest. Despite what Mr. Green tells you, the Kong's cannot be forced or required to sell their leasehold ownership.
- **Bank loans could be denied.** Lenders hesitate to loan to an entity involved in litigation. That could lead to **special assessments** for repairs—including the required plumbing project—because there would be no other way to pay for the work that must be done.
- **Arbitration could result in a *higher* valuation** than the current agreement. There is no guarantee that appraisers in arbitration would agree with Mr. Green, and it is quite unlikely any would. Arbitration could value the land at more than $24,000,000 and that would result in the leasehold rent being even higher. You may want to ask Mr. Green if he can promise that it will not or cannot happen.
- **If Mr. Green loses, fees and costs could be awarded against the plaintiffs.** You should ask Mr. Green who will have to pay that if the AOAO prevails in litigation.

These are real risks—not speculation.

Who Was Involved?

The AOAO Board and AOAO-82 subcommittee included **multiple leasehold owners**. Over many months, they consulted and relied upon **leading experts in real estate valuation and Hawaii law**. The current agreement reflects:

- Legal compliance
- Decades of industry practice
- Consistent methodology from 2019 and today
- Independent professional appraisals

This process was careful, transparent—and guided by experts.

Your Choice

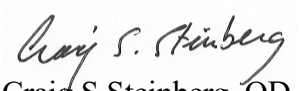
We encourage all leasehold owners to review the facts and consult their own independent legal counsel **before contributing $5,000, or any money, to Mr. Green for litigation**. We all want the lowest possible lease-rent—but this is a longshot at best and comes with the potential risk of higher rent, special assessments, and losing the opportunity to purchase the fee interest.

The current agreement was negotiated in good faith with professional guidance, consistent methodology, and compliance with Hawaii law.

Owners who wish to review Mr. Ekimoto's letter to Mr. Green explaining why Mr. Green is not correct may request a copy by emailing our General Manager at gm@canterburyplace.net.

Thank you for taking the time to review the facts and protect your investment.

Mahalo,



Craig S Steinberg, OD
On Behalf of the AOAO Board of Directors