

Canterbury Place Ground Lease Rent Packet

(Ekimoto – Hawaiiana – Monarch 11/24/25)

This packet brings together three documents that explain (1) what the Association of Apartment Owners (AOAO) and its professionals have done in renegotiating the Canterbury Place master ground lease effective July 1, 2025, and (2) how that decision affects the monthly and “back rent” payments now being demanded from leasehold owners.

1. Ekimoto & Morris Letter (AOAO Legal Counsel)

This letter, from the AOAO’s attorney, explains how the new master lease rent for the period July 1, 2025 through June 30, 2035 was set.

Key points:

- The 1970 Master Lease requires the parties to periodically renegotiate ground rent based on 6% of the “fair market value” of the land (excluding buildings) at its “highest and best use.”
- The AOAO hired outside “experts” (attorney, real estate broker and a jointly hired appraiser) to estimate that land value, while the leasehold owners (the Kongs) had their own professionals.
- Based on these advisors, the AOAO and the Kongs agreed to a much higher land value (described elsewhere as \$24 million) and then applied the 6% factor, resulting in a large increase in total annual and monthly rent.
- The letter acknowledges that the Master Lease mentions arbitration if the parties cannot agree by 90 days before the new term but states that, in this case, the AOAO and the Kongs reached agreement through negotiation and therefore did not go to arbitration.
- The letter frames this as a reasonable and lawful outcome and signals that owners will receive separate notices about their individual new rent amounts and back rent.

2. Hawaiiana Management Letter and Back Rent Chart

This notice, sent by Hawaiiana Management on behalf of the AOAO Board, translates the new master lease rent into specific dollar amounts for each leasehold unit and explains the immediate billing impact.

Key points:

- Because the new master lease rent is effective July 1, 2025, but was negotiated and approved later in the year, there is now a “back rent” charge for the period July–November 2025.
- The attached chart shows, for each unit, the new monthly ground rent, the total back rent owed for July–November, and the total amount due by the stated due date.
- For owners on automatic payment (e.g., SurePay), regular monthly charges will be adjusted going forward to reflect the new higher rent. Back rent will generally not be auto-deducted unless the owner authorizes it.
- Owners are instructed to review their amounts and contact the management executive with billing questions.

In plain terms, this document is the billing notice: it applies the AOAO’s new rent decision and tells each owner how much extra they owe now and what they will pay each month going forward.

3. Monarch Properties “Master Leased-Fee Interest Report” and Update

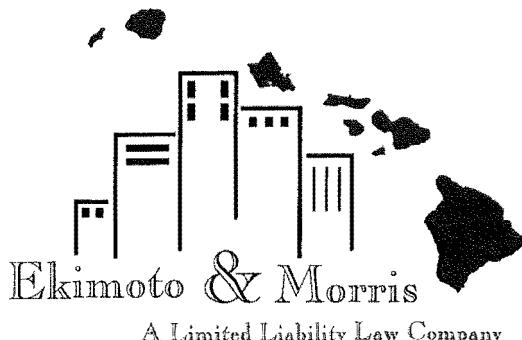
This report from Monarch Properties, prepared long before the final agreement, provides background on the ownership structure and the upcoming rent reset.

Key points:

- It explains that the Kongs own the master leased-fee interest on many residential and commercial units, while some unit owners have bought both their leasehold and leased-fee interests.
- It describes how the AOAO previously acquired and then resold most “sandwich” lease interests to individual owners and still holds several such interests itself.
- It outlines the schedule: the first master lease rent reset on July 1, 2025, with additional resets in 2035 and 2045, and lease expiration in 2051.
- It quotes the same 6%-of-fair-market-land-value formula and explains that the AOAO, under Hawai‘i law, will represent lessee owners in negotiations with the fee owners, with arbitration as a fallback if parties cannot agree.
- It uses illustrative tables to show how changes in land value and the 6% factor could affect rent, emphasizing that those numbers are examples rather than final figures.

Taken together, these three documents show:

1. how the AOAO and its professionals approached the 2025 master lease rent renegotiation,
2. the new rent amounts and back rent now being charged to each unit, and
3. the background and expectations that were communicated to owners and Kong Lessors before the final agreement was reached



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Dardecs N. Villanueva
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CURRENT VALUATION: \$24,000,000
ATTACHED MONARCH 2019 CCD RENT SETTING VALUE: \$19,461,051
CURRENT MONTHLY RENT: \$55,410.48
MONTHLY RENT 2019-2025: \$3,500.00

November 21, 2025

Leasehold Owners at Canterbury Place
c/o Lisa Bortle, Management Executive
Hawaiiana Management Company, Ltd.
Pacific Park Plaza Suite 700
711 Kapiolani Boulevard
Honolulu, HI 96813

Re: AOAO Canterbury Place – Lease Rent Setting

Dear Association Members:

Our office represents the Association of Apartment Owners of Canterbury Place regarding the lease rent setting. The Association has been in negotiations with the Fee Owner about the lease rent under the Master Lease. The Fee Owners and the Association have reached an agreement for the lease rent for ten-year period from July 1, 2025, through June 30, 2035 in accordance with the terms of the Master Lease. The total monthly rent under the Master Lease will be **\$55,410.48** and is based on experts engaged by the Association. You will receive further communications from Monarch Properties, Inc. soon with the amount of the lease rent for your unit. In addition, the same communication will notify you about the back lease rent that you will be charged for your unit. This is for the difference between the new lease rent and the lease rent you paid for the period July 1, 2025 to present.

Background THE LEASE DOES NOT SAY ANYWHERE I HAVE TO PAY RETROACTIVE RENT IF LESSOR CHOOSES NOT TO AGREE.

The Master Lease effective as of March 2, 1970, and filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document Number 503648 and also recorded in the Bureau of Conveyances of the State of Hawaii in Liber 7053, Page 166, as amended (hereafter the "Master Lease") sets forth the lease rent for the ten-year period from July 1, 2025, through June 30, 2035. It states in relevant part:

The annual rent for and during each of the periods of the lease term which must be renegotiated shall be 6% of the fair market value of the parcel, exclusive of improvements, at its highest and best use (the highest and best use of the premises, for all purposes herein, shall be deemed to be the design and size of the improvements constructed by Lessees), as shall be determined for each of said periods by written agreement of Lessors and Lessees, and if they fail to reach agreement as to the fair market value of the parcel at least ninety (90) days before the commencement of any such period, the said fair market value for the property, exclusive of improvements, at its highest and best use shall be determined by arbitration set forth in paragraph 23 of this lease.

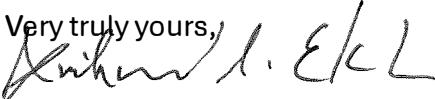
"SHALL" IS MANDATORY!

The Association engaged experts to assist it with the valuation of the fair market value of the parcel exclusive of improvements at its highest and best use. The Association's experts included a Hawaii real estate broker experienced with lease rent renegotiations in Hawaii as well as a licensed Hawaii appraiser that was jointly hired by the Fee Owner and the Association. In addition, our office assisted the Association with legal issues with the rent setting. The Association negotiated the lease rent based on those experts' advice. **WE SHOULD HAVE HAD OUR OWN APPRAISER FOR AN INDEPENDENT OPINION TO PROTECT OUR INTERESTS!**

Cost of Lease Rent Setting

The condominium statute provides that if less than all the lessees are affected, the cost of the renegotiation of the lease rent will be borne by the remaining lessees. The expenses will be tallied up in the coming month after the expenses are known.

If you have any questions, we suggest that you wait until after Monarch Properties, Inc. has contacted you. They will be providing some information to you which may answer your questions.

Very truly yours,


RICHARD S. EKIMOTO

FOR
EKIMOTO & MORRIS, LLLC
RSE:smtw:G:\CLIENT\IC\CANTERBURY PLACE\5-FEE PURCHASE\Lease Rent\Draft ltr to lessees re new rent.docx

cc: AAOO Canterbury Place



Hawaiiana Management Company, Ltd.
Pacific Park Plaza, Suite 700
711 Kapiolani Boulevard
Honolulu, Hawaii 96813
Website: www.hmcmgt.com

November 24, 2025

To: All Leasehold Owners of Canterbury Place AOAO
Re: Renegotiated Lease Rent Back Rent Due

Dear Leasehold Owner,

I am writing to you on the behalf of the Board of Directors of Canterbury Place to inform you of back lease rent payments that are due for the period from July 2025 to November 2025.

Please be advised that, in addition to the new lease rent amount, the back lease rent will be charged to your account and is due December 1, 2025. If you are currently enrolled in our SurePay program, the new monthly rent amount will automatically adjust beginning with the January 2026 payment, however, the back rent assessment will not automatically be deducted for Owners utilizing Surepay. Contact Hawaiiana's payment inquiry team at paymentinquiry@hmcmgt.com no later than December 2nd, 2025 if you want your assessment deducted via Surepay.

The figures on the enclosed chart show the back lease rent amounts that you will be charged. Please review the attached and contact me at 808-792-0510 or via email at Lisab@hmcmgt.com.

Sincerely,

FOR THE BOARD OF DIRECTORS
CANTERBURY PLACE AOAO

A handwritten signature in black ink, appearing to read "Lisa Bortle".

Lisa Bortle
Management Executive

Canterbury Place Back Lease Rent

7/1/2025 through 11/30/2035

ADD ANOTHER 4.5% GET TAX

Apartment Number	Current Monthly Master Lease Rent	New Monthly Master Lease Rent	7/1/25 - 11/30/25 Back Rent Due 12/1/25
34E 36E 37E 38E	\$28.45	\$452.64	\$2,263.20
39E 41E		RENT DUE 12/1/2025: \$2715.84	
14D 16D 17D 21D	\$36.43	\$579.60	\$2,898.00
22D 24D 25D 26D		RENT DUE 12/1/2025: \$3477.60	
32D 33D 34D	\$38.16	\$607.20	\$3,036.00
7C 9B 11B 12B		RENT DUE 12/1/2025: \$3643.20	
12C 14B 16B 17C			
18C 20B 21C 22C	\$48.57	\$772.80	\$3,864.00
24C 25C 26C 29B		RENT DUE 12/1/2025: \$4636.80	
29C			
7A 9A 10A 11A			
17A 19A 21A 24A			
25A 26A 30A 31A	\$55.51	\$883.20	\$4,146.00
33B 37B 37C 38B		RENT DUE 12/1/2025: \$5029.20	
38C			
33A 37A 40A	\$62.45	\$993.60	\$4,968.00

RENT DUE 12/1/2025: \$5961.60

MONARCH PROPERTIES, INC.
LEASED-FEE REPRESENTATION PROGRAM

CANTERBURY PLACE

Master Leased-Fee Interest Report

October 24, 2024

This report is being sent to the 53 residential units who have purchased their master lessees' (sandwich) interest but do not own their master leased-fee interest and the 5 commercial units at Canterbury Place, as it pertains only to them.

The first lease rent renegotiation under the Master Lease at Canterbury Place is scheduled for July 1, 2025

RECAP

In 2014, over 67% of the owners of the remaining leasehold units at Canterbury Place authorized a Declaration Amendment empowering a fee conversion effort by the Association of Apartment Owners of Canterbury Place (“AOAO-82”). Of the remaining leasehold units at that time, some owners had already purchased their master leased-fee interest, while others had not, and none of the residential units affected had purchased their sandwich interest.

In December of 2016, the AOAO successfully acquired all the remaining sandwich interests at Canterbury Place (82 residential units' sandwich interests were remaining by that time). Of the 82 units, 20 unit owners already owned their master leased-fee interest. For the remaining 62 leasehold units, the master leased-fee interest is jointly owned by VIVIEN PUANANI KONG HO, Trustee of the Walter and Vivien Ho Revocable Trust and KONG SISTERS FAMILY LIMITED PARTNERSHIP, a Hawaii limited partnership, (“Kongs”).

The sandwich interests have been available to their respective leasehold unit owners for purchase, and to date, 73 of the 82 sandwich interests have been sold. The AOAO currently owns 9 sandwich interests, all are for units whose master lease interest is owned by the Kongs.

The second lease rent setting under the condominium conveyance documents (“CCDs”) was scheduled to become effective on January 1, 2019. Since the lessor under the CCDs was the AOAO, to resolve the conflict of representing both sides in the rent renegotiation, Hawaii law required the AOAO to retain Lessee Counsel to represent the leasehold units. The new lease rents were subsequently set with the AOAO and Lessee Counsel for the 10-year period through December 31, 2028.

UPDATE

There are three lease rent renegotiation dates under the master lease: 7/1/25, 7/1/35 and 7/1/45. The Lease expires on June 30, 2051. The Kongs now have direct master lessor to master lessee relationship with 53 residential units and 5 commercial units under the master lease. There are another 9 residential units where the AOAO-82 is also the master lessee to the Kongs. The AOAO is obligated under Hawaii law to represent all the remaining leasehold residential and commercial units in the upcoming master lease rent renegotiation.

There is a formula in the master lease to guide the parties in lease rent renegotiation; it is basically: "... 6% of the fair market value of the parcel, exclusive of improvements, at its highest and best use (the highest and best use of the premises, for all purposes herein, shall be deemed to be the design and size of the improvements constructed by Lessees), ..." .

The basic process contemplated in the master lease is to make a good faith effort to negotiate a new lease rent and only if the parties cannot agree, then binding arbitration by appraiser-arbitrator(s) will determine the issue(s) in dispute.

The current lease rent under the master lease has been a fixed amount (\$90,500/year) since 7/1/2010. It is anticipated that the new master lease rent effective for 7/1/25 will increase to the current value as explained above.

ILLUSTRATIVE CALCULATION

For leasehold units at Canterbury, there are two primary documents that impact the amount of rent paid and to whom, the CCD and the Master Lease. When and how those amounts change are described in the respective documents, but because the interaction between the documents can sometimes be hard to follow, attached are tables for the 53 residential units and 5 commercial units which illustrates the various amounts using a **purely illustrative** calculation of the change in Master Lease rent using the January 1, 2019 CCD rent setting land value as the **hypothetical** July 1, 2025 land value for calculation of the new Master Lease rent.

WHAT'S NEXT

The Board of Directors of the AOAO is obligated to act on behalf of all remaining master lessees (residential and commercial units) in setting the new master lease rent. Your Board has hired Monarch Properties to assist in this and we will begin the process of working out a procedure on how to establish the new master lease rent with the Kongs. There is no way to accurately predict the outcome of the renegotiation process.

The AOAO will also continue its efforts to purchase the fee owners' interest in the residential units concurrently with rent renegotiations with the Kongs if they are receptive to discussions.

We will update you as soon as there is more to report. Meanwhile, if you have any questions, please feel free to contact me at keslie@mpi-hi.com or (808) 735-0000.

Canterbury Place Master Lease Rent

Illustrative Purpose Only

Apartment Number	Percentage of Common Interest	Current Monthly Master Lease Rent (\$90,500/yr)	Calculated Master Lease Rent based on 2019 CCD Rent Setting Land Value
34E 36E 37E 38E	0.3772%	\$28.45	\$367.02
39E 41E			
14D 16D 17D 21D	0.4830%	\$36.43	\$469.96
22D 24D 25D 26D			
32D 33D 34D	0.5060%	\$38.16	\$492.34
7C 9B 11B 12B			
12C 14B 16B 17C			
18C 20B 21C 22C	0.6440%	\$48.57	\$626.61
24C 25C 26C 29B			
29C			
7A 9A 10A 11A			
17A 21A 24A 25A	0.7360%	\$55.51	\$716.13
26A 30A 31A 33B			
37B 37C 38B 38C			
33A 37A 40A	0.8280%	\$62.45	\$805.64

53 Units

32.8532%

Canterbury Place Master Lease Rent

Illustrative Purpose Only

Apartment Number	Percentage of Common Interest	Current Monthly Master Lease Rent (\$90,500/yr)	Calculated Master Lease Rent based on 2019 CCD Rent Setting Land Value
Commercial 1	1.0400%	\$78.43	\$1,011.92
Commercial 2	0.6400%	\$48.27	\$622.72
Commercial 3	1.1200%	\$84.27	\$1,089.76
Commercial 4	1.0400%	\$78.43	\$1,011.92
Commercial 5	4.1600%	\$313.73	\$4,047.68

5 Units

8.0000%