This document presents communications about the new lease rent agreement. It includes emails and letters with owner Richard Green (Unit 24A) to the AOAO's attorney, reacting to his November 19, 2025 letter and to recent communications from the AOAO President and Monarch. In some places it also quotes or attaches portions of the Association's lawyer's letter for context.

Where We Are is the package being forwarded to independent counsel to obtain representation. In plain language, "Where We Are" explains:

- Why the owner believes the new lease rent agreement is invalid ("void"),
- Why the process used by the AOAO was improper, and
- Why independent Hawai‘i counsel and arbitration are necessary to correct the situation.

The main arguments are:

1. **No independent lessee counsel, even though the AOAO is a sublessor.**
   The letter points out that Hawai‘i law (HRS § 514B-151(c)) requires an association that is a lessor or sublessor to appoint independent legal counsel to represent the lessees in a rent renegotiation. Here, the AOAO has been acting as a sublessor on eight "sandwich lease" units since 2019 and has been keeping a monthly profit on those units (estimated around $6,500 per month and over $500,000 total through July 2025). The letter says this is self-dealing, and because no independent lessee counsel was appointed, the negotiation was conducted illegally and the Board had no authority to bind all lessees to the agreement.
2. **The AOAO had no power to waive mandatory arbitration on behalf of lessees.**
   The Master Lease says that if the fee owners and lessees do not reach a written agreement on fair market value at least 90 days before the new period begins (April 2, 2025), the value "shall be determined by arbitration." The letter says no written agreement existed by that deadline, so arbitration was required. It argues that the AOAO could not waive this right for all lessees—especially without independent lessee counsel and without owners' informed consent—so any continued negotiation after the deadline was "ultra vires" (beyond the Board's legal authority).
3. **The land valuation and rent calculation are fundamentally wrong.**
   The owner's analysis criticizes the use of a $24 million land value at 6% to produce an annual rent of $1,440,000. It explains that:
   - The fee owners only hold a 46.1754% undivided minority interest in the parcel,
   - That minority interest is already encumbered by the existing condominium and cannot be freely developed or sold, and
   - Standard appraisal principles and the city's tax assessment (which imply a much lower land value) suggest the true economic value is much less than $24 million.
     Using his own fractional land interest and its tax-assessed value, the owner shows that a six-fold rent increase might be arguable, but the roughly fifteen-fold increase now imposed is not.
4. **Financial impact and proposed path forward.**
   The letter estimates that if a legal and appraisal challenge cost around $200,000 total and achieved only a 10% rent reduction, owners would break even in less than three years and enjoy pure savings for the remaining years of the 10-year term. The owner believes potential savings are likely higher, with little downside risk. He calls for:
   - Hiring independent Hawai‘i counsel (as the law requires),
   - Taking the matter to arbitration under the Master Lease, and
   - Obtaining AOAO records, appraisals, and contact information for all lessees so owners can coordinate.

In short: "Where We Are" is the owner-side explanation of why the new lease rent deal is believed to be unfair and illegal, why the AOAO's process violated both the statute and the lease, and why organized action by owners—through independent counsel and arbitration—is urgently needed to obtain a fair, properly-determined ground rent.

From: RG hawaiianbeachrealty.com
Sent: Thursday, November 20, 2025 10:25 PM
To: Richard Ekimoto
Cc: Lisa Bortle; Stacey Wada; rg@flpropertylawyers.com
Subject: RE: Canterbury Place: lease rent setting

Dear Mr. Ekimoto:

Thank you for your letter dated November 19, 2025. I also have the benefit of recent communications from the AOAO President and Monarch announcing the “successful” conclusion of negotiations.

1. The "Agreement" is Void for Violation of HRS § 514B-151(c)
Your letter dismisses applicability of HRS § 514B-151(c) to lessees, by asserting the lessor Association is not self-dealing. Neither contention is correct – the statute is written in the disjunctive to encompass lessors and ***SUBLESSORS***. The statute is unambiguous: *"In any project where the association is a lessor or **SUBLESSOR**, the association shall fulfill its obligations under this section by appointing independent counsel to represent the lessees in the negotiations and proceedings related to the rent renegotiation...."*

The AOAO is a ***SUBLESSOR*** of eight unpurchased sandwich leases. I have found no case law supporting your interpretation, which means we are left with the clear and unambiguous language of the statute. Application of rules of statutory construction leads to the inevitable conclusion that your interpretation is incorrect.

The AOAO, as ***SUBLESSOR***, has been collecting lease rent from 8 sublessee unit owners since 2019 but paying the Master Lessor (the Kongs) the old 2010 rate. The ***SUBLESSOR*** is most certainly self-dealing.

- **The Differential:** The ***SUBLESSOR*** has been retaining the profit between the rent collected from these units and the rent paid to the Master Lessor.
- **The Amount:** I estimate this profit has been ~$6,500/month.
- **The Total:** From Jan 2019 to July 2025, the AOAO retained over **$500,000** in profit.
- **The AOAO will continue to profit as *SUBLESSOR*** after reset by several hundred dollars monthly.

In addition, there appears to have been a unit owned by the Association less than nine months prior to the July 1, 2025 lease reset date. I believe this was the same issue which triggered independent counsel in the Sandwich Lease renegotiation. Because the Association failed to appoint independent counsel despite being an owner or ***SUBLESSOR***, the entire negotiation process was conducted illegally. The Board lacked the authority to bind the lessees to any agreement without the safeguards mandated by the Legislature and the lease itself.

2. The AOAO Lacked Authority to Waive Mandatory Arbitration

You state that arbitration is "routinely waived" when parties agree. That may be true when all parties consent *before* a mandatory deadline. It is not true here. The lessees are a party, and we certainly did not consent. With the ***SUBLESSOR*** required to appoint independent counsel, the threshold question is by what authority did the Board waive anything? Even assuming arguendo the AOAO had such authority, the Master Lease is unequivocal in directive terms: if the Lessors and Lessees fail to reach a written agreement as to the fair market value at least **ninety (90) days before** the commencement of the renegotiation period (i.e., by April 2, 2025), the value *"shall be determined by arbitration set forth in paragraph 23 of this lease."*

That deadline has passed. A written agreement was not reached by April 2, 2025. I justifiably relied on HRS, the public record and the protections published in the lease when I purchased my unit. The protections of arbitration and independent counsel exist precisely to prevent minority lessees from being sacrificed in a bad deal for the "greater good." The AOAO has specifically avoided arbitration in the interests of expediting the AOAO repair agenda, to the detriment of the lessees.

Any continued negotiation by the AOAO after the deadline is *ultra vires* activity that violates the Lease. Once that date passed without an agreement, any arguable Board authority to negotiate **expired**, and the authority to determine rent shifted exclusively to the arbitration panel. For several reasons, the Board has no power to unilaterally waive the protection of lessees' contractual right to arbitration after the specific performance deadline has passed. I relied on these protections which have been stripped from all the lessees without independent counsel, due process, consent or vote which have resulted in agreement to raise lessee rent by a factor of 15.

3. The Valuation Methodology Violates the Lease and Statute
The Monarch Report cites a "New Master Lease Rent based on Agreement" of **$1,440,000**. This agreement is not only legally void, but it reveals a fundamental misapplication of the Lease terms regarding valuation and disturbing financial issues involving the Association's own subleases. The "Agreement" cited in the Monarch Report relies on a valuation process that is mathematically flawed and violates the Master Lease.
A. The Calculation Error: Paying 100% Rent to a Minority Owner
The figures reveal the following methodology was used:

- **Fee Simple Value (100%):** $24,000,000
- **Lease Rent Factor:** x 0.06
- **Stated Lease Rent: $1,440,000**
- **Lease Rent prorated based on ownership interest.**

What a landowner might obtain for a fair market $24 million sale is where the value computation begins. The Canterbury Master Lease at execution described a fee simple PARCEL totaling 35,365 square feet. Since execution, the definition of the leasehold PARCEL has been voluntarily altered by the lessor and reduced from 100% fee simple to a minority multiparty undivided interest totaling 46.1754%. When the lease was signed, the leasehold was for unimproved land which could be developed, and in fact was developed. The remainder minority interest may not be further developed or financed, with limited liquidity and marketability. The lease provides,

"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.…" The leasehold PARCEL at renegotiation is the fair market value of the minority leasehold interest created by the lessor, not the original fee interest. Such is the danger of appraisal founded on hypotheticals and assumptions. The Undivided Fee Rule makes the fee simple interest value as encumbered relevant as a starting point to derive the value of the 46.1754% minority leasehold interest portion encumbering the fee simple.

HRS 519-1(a) provides that when a lease renegotiation rental amount is based in whole or in part on highest and best use language such as appears in the Canterbury Master Lease, the rent "shall be calculated upon the use to which the land is restricted by the lease document." The Canterbury fee simple parcel of 35,365 square feet is restricted by an existing condominium structure, the land lessors' minority interest of 46.1754%, the majority fee interests, individual and commercial leasehold interests of the condominium owners and AOAO.

The tax assessor has already completed and incorporated the land discount computation. While the tax assessed land valuation is not dispositive, it is certainly highly probative of highest and best use land value as currently restricted. The tax assessor established the fair market value of my 0.736% land interest at $59,400. $59,400/0.736 results in a fee simple land value as encumbered of $8,070,652. Six percent of my $59,400 fully encumbered assessor valuation would result in an annual rent of no more than $3564, resulting in a monthly rent of no more than $297. Given the passage of time, a six-fold increase since the last adjustment might even be defensible; a fifteen-fold increase is not.

We are actively seeking the independent counsel we should have had all along to protect the interests of the lessees. We will pursue injunctive, equitable and legal relief required to get this matter to arbitration where it belongs. If counsel and arbitration costs $200K with only a 10% reduction achieved, cost breakeven is less than three years with seven years of reduced payments as clear profit to each and every one of my fellow lessees. My analysis, current fair market value tax assessment, and conversations with experts indicate potential outcomes significantly better than 10%, with little downside risk.

I have made previous requests to the AOAO for the various appraisals and contact information for my fellow lessees. It would be helpful to have this information to expedite the resolution of the matter. I am again requesting this information be provided by the AOAO.

Sincerely,

Richard Green
1910 Ala Moana Blvd. Apt. 24A
Honolulu, HI 96815
954-298-2771

808-753-6336

From: Stacey Wada <swada@hawaiicondolaw.com>
Sent: Wednesday, November 19, 2025 3:56 PM
To: rg@flpropertylawyers.com; RG hawaiianbeachrealty.com <rg@hawaiianbeachrealty.com>
Cc: Lisa Bortle <lisab@hmcmgt.com>; Richard Ekimoto <rekimoto@hawaiicondolaw.com>
Subject: Canterbury Place: lease rent setting

Dear Mr. Green,

The original letter will be mailed to you.

Thank you.

Stacey M. T. Wada
Legal Assistant to Richard S. Ekimoto and Gwen Bratton
Ekimoto & Morris, LLLC
888 Mililani Street, Second Floor
Honolulu, Hawaii 96813
Phone: (808) 523-0702
Facsimile: (808) 538-1927

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Richard S. Ekimoto
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Erik D. Olson
Joshua E. Smith
Kevin T.H. Lam
Dardecs N. Villanueva
Tammy T. Kim

November 19, 2025

Via Email rg@flpropertylawyers.com; rg@hawaiianbeachrealty.com
and First Class Mail

Mr. Richard Green
1910 Ala Moana Blvd. Apt. 24A
Honolulu, HI 96815

Re: AOAO Canterbury Place – Lease Rent Setting

Dear Mr. Green:

As you know, our office represents the Association of Apartment Owners of Canterbury Place regarding the lease rent setting. We have been asked to address the issues raised in your emails to Craig Steinberg dated October 27 and 15, 2025.

The Master Lease

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 or 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.

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.

Minority Interest

I believe that your contention is that the fair market value of the parcel should be reduced more than the Fee Owners' 46.1754% interest in the parcel because the fair market value of 46.1754% interest is worth less than 46.1754% of the whole parcel. Unfortunately, it hasn't been my experience that licensed appraisers in Hawaii share that opinion. Since the lease rent would be arbitrated if the parties could not agree and the arbitrators would be licensed appraisers, that argument would likely fail. In fact, all but one of the five comparables reviewed by the Association's experts included land values extrapolated from rent renegotiations for partially converted leasehold condominiums. So, these comparables negate the opinion that the Fee Owner's interest should be reduced more than their percentage share.

HRS §519-1

I am familiar with HRS §519-1 and its impact on rent renegotiations. The lease rent under the Master Lease must be calculated in accordance with HRS §519-1. The restrictions on use that must be considered for lease rent purposes must be stated in the lease. The Master Lease has a provision contemplating that the parcel would be used for a condominium project. Even if the provision constitutes a "restriction" under HRS §519-1, the Association's experts determined that the highest and best use was for the parcel for a multi-family residential condominium development with a commercial component. All but one of the comparables reviewed by the Association's experts included land values extrapolated from rent renegotiations of

multi-family condominiums. I know that you would like the provisions of HRS §519-1 to also require that the lease rent be set considering a restriction that the Fee Owner only owns 46.1754% of the parcel. However, HRS §519-1 only requires that restrictions in the lease be considered in setting the lease rent. The 46.1754% interest is not a restriction in the Master Lease – it does not state that the property can only be owned in that fractional amount. Therefore, it is not considered other than in reducing the total rent due to the Fee Owner by 46.1754%. Moreover, as noted above, all but one of the comparables reviewed by the Association's experts were partially converted condominium projects.

Arbitration

Although the Master Lease provides for arbitration of the lease rent if the parties are unable to agree within ninety (90) days before the commencement of the new lease rent, that provision can be waived. It is our experience that the arbitration provision is routinely waived when parties are able to agree on the rent.

HRS §514B-151(c)

I was involved in the drafting of this statute. This statute does not require the Association to appoint lessee counsel under the circumstances present in this case. HRS §514B-151(c) was included in the law to address the situation where the Association had acquired the leased fee interest and was the lessor. Obviously, you would not want the Association to set the rent with itself where it was both the Fee Owner and the representative of the lessees. In this negotiation, however, the Association was negotiating with the Fee Owner, so there was no self-dealing. For that reason, the provisions of HRS §514B-151(c) do not apply.

Very truly yours,

Richard S. Ekimoto

RICHARD S. EKIMOTO
FOR
EKIMOTO & MORRIS, LLLC
RSE:smtw:G:\CLIENT\C\CANTERBURY PLACE\5-FEE PURCHASE\Lease Rent\ltr to R Green re lease rent.docx

cc: AOAO Canterbury Place

ASSOCIATION OF APARTMENT OWNERS OF CANTERBURY PLACE.
PRESIDENT: CRAIG STEINBURG
ASSOCIATION COUNSEL: RICHARD EKIMOTO

LESSORS FOR 46.1754% PARTIAL LEASEHOLD INTEREST IN FEE SIMPLE LAND:
CONSULTANT MEDUSKY & CO.
VIVIEN PUANANT KONG HO (a.k.a. Vivien Puanani Ho, a.k.a. Vivien P.K. Ho, a.k.a. Vivien Ho), as Trustee for the Walter and Vivien Ho Revocable Living Trust dated July 23, 1991, with full powers to sell, mortgage, lease or otherwise deal with the land, as to an undivided 7.0010% interest, and KONG SISTERS FAMILY LIMITED PARTNERSHIP, a Hawaii limited partnership, as to an undivided 92.9990% interest.
151 Units, 146 Residential , 5 Commercial.
62 residential leasehold units
5 commercial leasehold units
54 residential units purchased sandwich lease from the AOAO
8 residential units that did NOT purchase their sandwich lease from the AOAO are tenants of the AOAO, not of the Lessors, renegotiated in 2029.

COMMERCIAL LESSEE 8.0% Interest:
CANTERBURY HOLDINGS LLC
Wholly-owned subsidiary of GEN Restaurant Group, Inc. (Nasdaq: GENK), a publicly traded casual dining restaurant company that owns and operates GEN Korean BBQ restaurants.
CEO authorized me to seek independent counsel, and confer with local counsel Terrence O'Toole (currently representing in ongoing garage litigation with AOAO).

The AOAO is currently pursuing a course of action which does not comply with the master lease as amended or Hawaii statutes. Negotiations and theories of valuation are being utilized which do not protect the interests of the land lessees. Independent counsel is urgently required to protect the interests of the lessees and the entire building.

HRS 514B-151(c) provides: "In any project where the association is a lessor or sublessor, the association shall fulfill its obligations under this section by appointing independent counsel to represent the lessees in the negotiations and proceedings related to the rent renegotiation." The AOAO is a sublessor of the eight unpurchased sandwich leases.

The Canterbury Master Lease dated March 2, 1970 in Exhibit A described a fee simple parcel totaling 35,365 square feet. Since execution, the definition of the leasehold parcel has been voluntarily altered by the lessor and reduced from 100% fee simple to a minority undivided interest of 46.1754%, which is further encumbered by a high-rise condominium building. The minority interest may not be further developed, financed, and suffers from limited liquidity and marketability. The lease provides, "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.…" The defined parcel at renegotiation is the fair market value of the minority leasehold interest created by the lessor, not the original fee interest. The Undivided Fee Rule makes the fee simple interest value as encumbered relevant as a starting point to derive the value of the 46.1754% leasehold interest portion encumbering the fee simple.

HRS 519-1(a) provides that when a lease renegotiation rental amount is based in whole or in part on highest and best use language such as appears in the Canterbury Master Lease, the rent “shall be calculated upon the use to which the land is restricted by the lease document.” The Canterbury fee simple parcel of 35,365 square feet is encumbered by an existing condominium structure, the land lessors’ minority interest of 46.1754%, the majority fee interests, individual and commercial leasehold interests of the condominium owners and AOAO. The question of highest and best valuation of the lessors’ minority land interest must be established by appraisal which reflects all the restrictions. Such an appraisal will be a complex task because the limited marketability, lack of liquidity, discount factors and use restrictions must all be incorporated in a highest and best use analysis of the minority interest parcel.

The tax assessor has already completed this computation. While the tax assessed land valuation is not dispositive, it is certainly highly probative of highest and best use land value as currently restricted. The tax assessor established the fair market value of my 0.736% land interest at $59,400. $59,400/0.736 results in a fee simple land value as encumbered of $8,070,652. Six percent of my $59,400 fully encumbered assessor valuation would result in an annual rent of no more than $3564, resulting in a monthly rent of no more than $297. I further contend that additional discount factors must be applied to further reduce the value of the minority leasehold interest, before applying the 6.0% rent multiplier.

The lease is clear and unequivocal in directive terms that the Lessors and Lessees were required to reach a written agreement before April 2, 2025. Written agreement did not occur 90 days prior to July 1, 2025 lease renegotiation date, and indeed did not occur within 90 days after the July 1, 2025 renegotiation date, and in fact could not occur without arbitration. Lessors and Lessees are directed and obligated by the plain lease language, “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." The AOAO is no longer authorized to pursue negotiations; such ultra vires activity violates the lease and exposes the Board to liability.

The Lessors have retained highly capable consultants at Medusky & Co. - it is critical that the Lessees retain the services of the appropriate professionals to proceed with required arbitration. HRS 514B-151(c) further provides that majority approval by the remaining lessees is required. The AOAO must cease negotiations, obtain a valid appraisal of the minority interest parcel, initiate arbitration proceedings as provided in paragraph 23 of the Master Lease, and appoint independent counsel to represent the interests of the lessees in compliance with statute.

> "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 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."

Canterbury Place

November 18, 2025

Aloha Leasehold Owners,

After months of back-and-forth negotiations with the Kong family (the lessors of your land lease) and their counsel, and with the exceptional assistance and advice of both our real estate representative Monarch Properties and our legal counsel Richard Ekimoto, I am pleased to let you know that the AOAO has completed the renegotiation process mandated by the Master Lease. There is now a signed agreement with the Kong family establishing the land-lease rent for July 1 2025 – June 30-2035. The AOAO Board and the leasehold subcommittee believe the new rent is a fair value and are happy the parties could come to this agreement amicably and without either side incurring the substantial costs and delay of an arbitration process.

The effective date of the new rent is July 1, 2025. In the coming days you will receive an invoice from our property management company for the "catch-up" amount that will be due December 1 ***in addition to (not instead of)*** your December 1 rent payment. Please remember that this applies only to those units that purchased their sandwich lease and the five commercial units. The rent adjustment for remaining eight leasehold units that have not yet purchased their sandwich lease will be addressed in 2029.

On the next page you will find a table showing the new lease rent amounts for all impacted residential units and answers to some questions you may have. Please direct all other questions to our property manager, Lisa Bortle via email: lisab@hmcmgt.com.

Mahalo,

Craig S Steinberg, OD
AOAO President, for the Board of Directors

Canterbury Place

LEASE HOLD RENT TABLE:

UNIT Number	Ground Lease Rent
34E, 36E, 37E, 38E, 39E, 41E	$452.64
14D, 16D, 17D, 21D, 22D, 24D, 25D, 26D	$579.60
32D, 33D, 34D	$607.20
7C, 9B, 11B, 12B, 12C, 14B, 16B, 17C, 18C	$772.80
20B, 21C, 22C, 24C, 25C, 26C, 29B, 29C	$772.80
7A, 9A, 10A, 11A, 17A, 19A, 21A, 24A, 25A	$883.20
26A, 30A, 31A, 33B, 37B, 37C, 38B, 38C	$883.20
33A, 37A, 40A	$993.60

QUESTIONS/ANSWERS:

What if I already made my Dec 1, 2025, rent payment?

You will need to make an additional payment on or before December 1 to cover the shortfall between what you already paid and the new rent amount.

Do/will standard late fees apply?

Yes. Payment of the new rent amount (shown above) is due December 1.

What about my lease rent payments back to July 1, 2025?

Our property management will send out invoices for the "catch-up" amount owed for July 1, 2025, through November 30, 2025, based on the amount paid and the new rental amount. This must be paid on or before December 1, 2025, *along with your December rent*.

Is this increase in my rent payment on top of the increase in maintenance fees?

Yes. Rent is entirely independent of maintenance fees. This is rent paid to the owner of the land for your ground lease. Your ground lease contract provided that the rent would increase July 1, 2025, to the current fair-market value of the land. Maintenance fees are paid to the AOAO, not the landowner, and pay for the operating expenses of the building such as security, insurance, utilities (electric, water, cable, etc.), maintenance, etc.

When are the maintenance fees going up?

Maintenance fees go up effective January 1, 2026.

Aloha Owners,

I wanted to give a brief update to everyone on happenings at Canterbury Place.

Leasehold Rent

We've been on the edge of an agreement for a couple weeks. Our respective lawyers are trying to resolve one final point, so we do not yet have a signed agreement. Nonetheless, we agreed to the fair market value of the land and the lease rent flows from that value. The new rent will be effective as of July 1. Once the agreement is signed, you'll receive a statement for the "catch-up" rent: the difference between what you have paid and what you owe under the new agreement as of July 1. Unless something changes, the new rents will range from about $450 for some "E" units to about $995 for some "A" units. If you have specific questions, please contact Peter Anast and he can probably help you.

GM Search

We are in the process of interviewing candidates and hope to have a new GM soon. We have three more interviews scheduled for next week. But it's an important decision and we want to take as much time as needed to try and get it right.

Status of Projects

Security System – we signed the contract and anticipate installation in January.

Elevators – we signed the contract and anticipate installation of new motors and cables in about March.

Alarm System – Engineering is done and we are awaiting permits. Once permitted we'll get installation quotes and begin the process. Not sure how long permitting will take.

Low Zone Hot Water – we are choosing the engineer to design a new system. Given the roughly 6-month lead time to build a system we anticipate it'll be in the fall before a new system goes in. In the meantime, we have most or all the parts needed to make quick repairs and flex hoses have been installed in place of the copper on both systems, which should hopefully eliminate leaks as a cause of system failure.

Drain/Waste/Vent – we have engineering done and hired a construction manager to seek funding in order to avoid the need for an assessment to fund this major project. We should know more about the funding options by the end of the year.

New Business

We are looking at ring doorbells and issues concerning recording. But all residents should be aware that they cannot expect privacy in common areas and should conduct themselves with that in mind. It's "1984" and it's a fact that there are cameras recording us everywhere.

Remember that the annual meeting is February 9. If you are interested in running for the two available spots on the Board and have questions, please contact me (cp@csteinberglaw.com).

Mahalo,

Craig

Aloha Owners,

I know that there are many questions concerning the leasehold rent and renegotiation. Let me try and clear up a few points.

First, **please do NOT bring your questions to Jesi or to Mami**. They are not involved in the lease-rent renegotiations at all. All they can do is pass your questions or comments on to the Board. Harassing or bombarding them with questions only prevents them from doing their important work for the building. **Repeat: do not bother our GM or Mami with questions about your lease rent!**

Second, we do not have a signed agreement yet. We are working through final details with the lessors. When we have a signed agreement we will check the math twice and send every leasehold owner the exact calculation for their new rent. Until then, any dollar amounts are estimates.

Now let me try and answer some questions. First you must understand that the renegotiation is for the Master Lease with the Kongs only. There are no changes to the sandwich lease until 2029.

- There are currently 62 residential leasehold units and 5 commercial units.

- 54 residential units purchased their sandwich lease from the AOAO. That ended their sandwich lease obligations, including rent. These units are subject to the Master Lease. Per the Master Lease, the rent for these units is being adjusted to the current value of the land.

- There are 5 commercial units. They are also subject only to the Master Lease. The rent for these 5 commercial units s also being adjusted to the current value of the land.

- That leaves 8 residential units that did NOT purchase their sandwich lease from the AOAO. They are subject to the sandwich lease and pay sandwich lease rent to the AOAO. The AOAO pays the Master Lease rent for these units to the Kongs. Basically, these units are tenants of the AOAO, not of the Lessors. Their sandwich lease rent will be renegotiated in 2029.

When that is understood, everything else is just simple math. Every unit has a % of the building ownership associated with it based on the floor (regular or penthouse) and stack (referred to as the unit Type). That percentage is the unit's "PCI." For instance, I own 35B. My PCI is .736% (Type II, Penthouse). This is on page 25 of the Declaration of Horizontal Property Regime (the apartment types are described on pages 21 – 22).

Per the terms of the Master Lease, the ANNUAL rent for each leasehold unit subject to the Master Lease (not the sandwich lease) is the new 2025 land value times 6% times its PCI. Divide by 12 and you have the monthly rent. The 6% comes straight from the Master Lease. For my unit (if it was a leasehold unit), if the land value is $24,000,000: $24,000,000 x .06 x .00736 = $10,598.40/year, or $883.20/month. That would be my new leasehold rent. It's that simple.

If you still have questions reach out to **Peter** directly and ask him or I have an EMAIL ADDRESS just for questions about the leasehold rent renegotiation: **LEASE@CSTEINBERGLAW.ORG**. You can email me there. But please do NOT ask Jesi or Mami to explain any of this to you.

MONARCH PROPERTIES, INC.

LEASED-FEE REPRESENTATION PROGRAM

CANTERBURY PLACE

Master Leased-Fee Interest Report

November 20, 2025

This report is being sent to the 54 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.

RECAP

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 8 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.

The first lease rent renegotiation under the Master Lease at Canterbury Place was scheduled for July 1, 2025. 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 54 residential units and 5 commercial units under the master lease. There are another 8 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.

200 N. Vineyard Blvd., #B267 • Honolulu, HI 96817 • Telephone: (808) 735-0000
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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.

UPDATE

As this is the first rent setting with the Kongs, the process of establishing and understanding of the AOAO's role, engaging in settlement discussions and negotiations, and reaching agreement continued with the Kongs' attorney for over a year. We are happy to report that the AOAO has reached a mutual agreement with the Kongs on the new master lease rent.

AGREEMENT

Attached you will find a list of the 54 residential units and 5 commercial units with the new Master Lease rent amounts. Please note that the new master lease rent amount is retroactive to the effective date of 7/1/25.

While the effort to establish the rent was quite lengthy, we believe the result achieved is in line with current market conditions and the terms of the master lease. Further, our ability to resolve the matter by mutual agreement avoided the need for a costly, risky and time-consuming, and typically adversarial arbitration process.

WHAT'S NEXT

Hawaiiana Management Co., Ltd. will begin billing you the new lease rent amount plus the retroactive accumulated increased amount of the new lease rent (the difference in the new lease rent which should have started 7/1/25 and the previous amount paid to date).

The AOAO will also continue its efforts to purchase the fee owners' interest in the residential units now that rent renegotiation has been concluded.

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

7/1/2025 through 6/30/2035

Apartment Number	Percentage of Common Interest	Current Monthly Master Lease Rent ($90,500/yr)	New Monthly Master Lease Rent based on Agreement $1,440,000 / yr
34E 36E 37E 38E 39E 41E	0.3772%	$28.45	$452.64
14D 16D 17D 21D 22D 24D 25D 26D	0.4830%	$36.43	$579.60
32D 33D 34D	0.5060%	$38.16	$607.20
7C 9B 11B 12B 12C 14B 16B 17C 18C 20B 21C 22C 24C 25C 26C 29B 29C	0.6440%	$48.57	$772.80
7A 9A 10A 11A 17A 19A 21A 24A 25A 26A 30A 31A 33B 37B 37C 38B 38C	0.7360%	$55.51	$883.20
33A 37A 40A	0.8280%	$62.45	$993.60
54 Units	33.5892%		

Above rent amounts DO NOT include Hawaii State General Excise Tax.

Canterbury Place Master Lease Rent

7/1/2025 through 6/30/35

Apartment Number	Percentage of Common Interest	Current Monthly Master Lease Rent ($90,500/yr)	New Master Lease Rent based on Agreement $1,440,000 / yr
Commercial 1	1.0400%	$78.43	$1,209.00
Commercial 2	0.6400%	$48.27	$744.00
Commercial 3	1.1200%	$84.27	$1,302.00
Commercial 4	1.0400%	$78.43	$1,209.00
Commercial 5	4.1600%	$313.73	$4,836.00
5 Units	8.0000%		

Above rent amounts DO NOT included Hawaii State General Excise Tax.

Minority Interest Discount for Fractional Ownership in Leasehold Estates: Analysis and Supporting Evidence

The contention that a land lessor's 46.1754% ownership interest should **not** be valued on a linear, proportionate basis is well-supported by established valuation principles, extensive case law, and industry standards. A minority interest that lacks control should be discounted to reflect the economic realities of fractional ownership, including lack of control, limited marketability, and restricted decision-making authority.

Fundamental Valuation Principles

Fair Market Value Standard

The fundamental principle underlying fractional interest valuation is that fractional interests are worth less than their proportionate share of the total property value. This concept is grounded in the definition of fair market value: "the price at which property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts".[1][2]

A hypothetical buyer would not pay full proportionate value for a 46.1754% interest because such an interest lacks control over critical property decisions. The minority owner cannot unilaterally control the sale of the property, force distributions, determine management policies, or make other significant decisions that affect property value.[3][4]

Minority Interest and Lack of Control

The 50% Threshold

Ownership interests of less than 50% are consistently recognized as minority interests subject to valuation discounts. The 46.1754% interest clearly falls below this critical threshold. As one valuation authority notes, "minority shareholders who hold less than 50% of the company's shares or voting rights" have "limited voting rights, which restrict their ability to influence the company's strategic decisions".[4][5][6]

The IRS Training Manual for Appeals Officers recognizes several factors that influence the size of fractional interest discounts, including:[7][8][9][10]

- The number of owners

- The size of the fractional interest
- The size of the tract
- The use of the land
- The availability of financing for undivided interests
- The cost of partitioning (dividing) the land

Characteristics of Minority Interests

Minority interests in real estate typically exhibit the following characteristics that reduce their value:[8][9][7]

- **Lack of marketability**: Fractional interests have very limited market appeal to the general marketplace
- **Longer than typical marketing time**: Finding buyers for partial interests takes significantly longer
- **Lack of control**: Cannot unilaterally make decisions about property management, sale, or disposition
- **Limited or no ability to refinance the property**: Conventional financing is generally unavailable for partial interests[2]
- **Limited ability to influence decision-making policies**: Cannot control distributions, management compensation, or strategic direction

Court-Accepted Discount Ranges

Courts have consistently recognized that fractional interest discounts are appropriate and necessary when valuing partial interests in real estate. The discounts vary based on specific circumstances, but established case law provides clear precedent:

Relevant Court Cases

Estate of Cervin v. Commissioner: The Tax Court allowed a **20% discount** for a **50% undivided interest** in a homestead and farm, citing legal costs, time delays, and discounts required by prospective buyers.[11][7][8]

Williams v. Commissioner: The court found a **44% discount** reasonable for a **50% interest** in 2,360 acres of rural land and timber. The discount factored in the cost of partitioning, longer than typical anticipated marketing time, and lack of control.[12][7][8]

Estate of Baird v. Commissioner: For minority interests in timberland (14/65 interest and 17/65 interest), the court allowed substantial discounts, with experts supporting discounts up to **60%** for a **26% interest**.[10][7][8]

Estate of Barge: A **26% discount** was allowed for a **25% interest** in timberland.[10]

Estate of Stevens: A **25% discount** was applied to a **50% interest** in commercial property.[10]

Ludwick v. Commissioner: The court determined discounts ranging from **16.2% to 26.5%** for **50% undivided interests** in a Hawaiian vacation home, recognizing marketability and illiquidity risks beyond just partition costs.[13]

Estate of Mitchell: The Tax Court applied a **19% discount** for a **95% majority interest** and a **35% discount** for beachfront property with undivided interests.[14][15]

Industry Standards and Empirical Data

Typical Discount Ranges

Valuation professionals and industry sources consistently document significant discounts for fractional interests:

According to Valbridge Property Advisors, one of the largest independent commercial real estate valuation firms, fractional interest discounts "can vary depending upon the particular ownership entity to be valued, the percentage of ownership, the rate of return on the investment, the amount of debt and the market time and conditions." They report discounts "as low as 15% and as high as 67%, with the majority of these transactions ranging from a discount of **25% to 35%**".[16][1]

Academic and professional research indicates that discounts for partial interests "can typically range from **20% to 60%** of the proportionate value of the interest as it relates to the entire property".[7][8]

Studies of real estate limited partnerships in the secondary market show average discounts of **44% to 46%**. Research on restricted corporate securities as proxies for real estate partial interests shows discounts ranging from **20% to 46%**.[17]

Components of the Discount

The total discount for a fractional interest typically consists of two components that may be applied sequentially:[6][16]

1. **Discount for Lack of Control (DLOC)**: Accounts for the inability to make unilateral decisions regarding property management, disposition, and operation. Minority interest discounts typically range from **20% to 40%**, with applications commonly in the **30% to 35%** range.[18][6]

2. **Discount for Lack of Marketability (DLOM)**: Reflects the difficulty in selling an interest that is not publicly traded and is not easily financeable. These discounts typically range from **10% to 33%**, with applications commonly in the **20% to 25%** range.[19][1][6]

Application to the 46.1754% Interest

Given that the land lessor holds a **46.1754% interest**—clearly a minority position below the 50% control threshold—a discount is not only appropriate but economically necessary. The specific discount percentage should be determined based on:

1. **Lack of Control**: With only 46.1754% ownership, the lessor cannot unilaterally control decisions about lease terms, property disposition, management policies, or distributions. The other owners (holding 53.8246%) have majority control.

2. **Limited Marketability**: A prospective buyer of the 46.1754% interest would face significant challenges in finding financing, would have limited ability to realize returns on the investment, and would be subject to the decisions of the majority interest holders.

3. **Property Type and Use**: The fact that this involves leasehold interests adds complexity, as the income stream is already encumbered by lease arrangements, further limiting the minority owner's control and flexibility.

4. **Right of Partition**: While co-owners typically have the right to force partition, this process involves substantial legal costs, time delays (often 12-24 months), and uncertainty, all of which reduce the value a willing buyer would pay.[13][7][10]

Valuation Methodology

The proper methodology for valuing the minority interest follows established appraisal practice:[8][16][7]

1. **Determine the total land value** (100% interest on a fee simple basis)
2. **Calculate the proportionate share**: Total value × 46.1754%
3. **Apply appropriate discount** for lack of control and lack of marketability
4. **Calculate the discounted value**: Proportionate share × (1 - discount rate)

For a 46.1754% minority interest, based on court precedents and industry standards, an appropriate combined discount would likely fall in the range of **20% to 35%**, depending on specific property characteristics, market conditions, and other factors cited by the IRS Training Manual.[9][1][16][7][8][10]

IRS Position and Court Response

While the IRS has historically attempted to limit fractional interest discounts to merely the cost of partition, courts have consistently rejected this narrow interpretation. In **Williams v. Commissioner**, the court expressly stated that "strict adherence to the cost-to-partition method does not adequately consider the lack of control and lack of marketability encountered by the undivided interest holder".[12][7][8]

The courts have recognized that discounts must reflect the actual economic burdens of fractional ownership, not simply mechanical costs. As one court noted, the IRS position that discounts should be limited to partition costs is "both unreasonable and illogical".[8]

Conclusion

The valuation of a 46.1754% minority interest in land should incorporate a substantial discount from its linear proportionate value. This discount is justified by:

- **Well-established legal precedent** from numerous Tax Court and appellate decisions
- **Recognized valuation principles** including lack of control and lack of marketability
- **Industry standards** documented by professional appraisal organizations
- **Economic reality** that minority interests lack the rights and flexibility of controlling interests
- **IRS guidelines** (when properly applied) that recognize multiple factors beyond partition costs

Courts have consistently held that fractional interests merit discounts ranging from 15% to 67%, with most falling in the 20% to 35% range for interests of this size. The specific discount applicable to the 46.1754% interest should be determined by a qualified appraiser considering all relevant factors, but a linear valuation without any discount would be inconsistent with established valuation theory, case law, and market evidence.[1][16][7][8][10]

For purposes of recomputing lease rent based on 6.0% of land value, the land lessor's interest should first be discounted to reflect its minority nature, and only then should the 6.0% rent factor be applied to the discounted value. This approach properly reflects the economic reality that a willing buyer would pay less for a non-controlling interest that lacks the attributes of full ownership.

RG hawaiianbeachrealty.com

From: Craig Steinberg (AOAO President) <cp@csteinberglaw.com>
Sent: Friday, October 31, 2025 5:52 PM
To: RG hawaiianbeachrealty.com
Cc: 'Richard Ekimoto'
Subject: RE: Leasehold status 24A

Rick,

For some reason my several attempts to forward your emails to our attorney resulted in his system rejecting/bouncing the emails. Something about them was causing them to get blocked. I ended up having to PDF the email string and send it that way, so there has been some delay in his getting them and being able to respond. He assures me now that he will review and provide his formal opinion.

That said, I'm not going to argue with you about this. You have some incorrect information and assumptions. But as you know, I'm a volunteer member of the Board. I am not an expert on leaseholds or Hawaii law, much less Hawaii real estate law as it pertains to leaseholds and leasehold interests. Nobody on the Board – people that are merely owners at Canterbury that volunteer their time – is an expert in any of this. So, we have hired two of the best in the state. An experienced property management/real estate company that has done these renegotiations a lot, and one of the, if not the top attorney in the state in this area.

There was an appraisal done in 2019 for negotiations impacting the units that had not purchased their sandwich lease. The AOAO could not represent those units because the AOAO had a direct interest in the outcome (as owner of the sandwich lease), so they had outside counsel. In this negotiation the AOAO has no sandwich lease interest and the law says that the AOAO will represent the leaseholders because it affects only units that are lessees of the Master Lease holder. We have a legal opinion on this from Mr. Ekimoto stating unequivocally that the AOAO is required to represent the lessees that are no longer subject to the CCD/sandwich lease – "The Association is obligated to renegotiate the lease rent for the Master Lease because Hawaii Revised Statutes ("HRS") § 514 B-151 mandates that the Association set the lease rent with the Fee Owner on behalf of all the lessees. The statute requires this regardless of any provision in the Declaration, Bylaws, any lease or any sublease. … Therefore, for the current lease rent setting, the Association is not required to hire lessee counsel. The Association will be required to appoint lessee counsel for the rent renegotiation of the Group 3 units for the rent to commence on January 1, 2029."

It is not for the Board to review your legal analysis. We all lack any expertise. The Board refers that analysis to our legal expert and will rely upon his analysis. I would imagine you would expect nothing less and would likely threaten to sue the Board if we did NOT follow the advice of our expert. Yet you seem to be suggesting that a group of six non-expert volunteer Board members that happen to own in the building should disregard the opinion of one of the foremost experts in the state and you threaten to sue the Board if we DO follow the advice of our expert? I'm confused. Which one is it?

Your emails are being forwarded to Mr. Ekimoto and his opinion will guide us going forward.

Craig

From: RG hawaiianbeachrealty.com <rg@hawaiianbeachrealty.com>
Sent: Friday, October 31, 2025 7:15 PM

To: Craig S Steinberg, OD, JD <craig@csteinberglaw.com>
Subject: RE: Leasehold status 24A

I gave it a week to see if anything had been heard regarding a response from AOAO counsel. Approach to appraisal value is only one of many issues with the lease renegotiation. I am going to continue sounding the alarm and try to persuade the Board to put a stop to the grievous errors being committed, before any more damage is done.

I have notified the Board of noncompliance with HRS § 514B-151(c) requiring separate counsel for lease renegotiation. Because of the AOAO status, the same lessee separate counsel process used in the Canterbury Sandwich Lease renegotiation in 2018 is mandatory. For similar conflict reasons, the statute requires appointment of separate counsel for the Kong renegotiation. The Sandwich lease negotiations were concluded several years before you arrived, so it is understandable that you don't have any firsthand knowledge. In addition to my disregarded notices, remind the Board this is not the first luau. If you don't want to listen to me, take a look in AOAO files. I have attached correspondence from Sandwich lessee counsel for ready reference, which contains detailed legal opinions explaining legal justification and process for mandatory separate leasehold counsel for lease renegotiation.

I encourage the Board to review the attached legal analysis, conclusions, and recommendations in the correspondence from Sandwich lessee counsel. The Board does not have legal authority to negotiate anything on behalf of lessees. As further directed by the clear statutory language of HRS § 514B-151(c), the AOAO has direct authorized involvement only to the extent of lessee/sublessor interests. I also want to share the following statutory nugget: "The association shall not instruct or direct the lessees' counsel or other professional advisors." While I understand this throws a significant monkey wrench into many plans, please don't shoot the messenger. I am trying to help the AOAO pivot from a disaster that could cost us all much more than it already has.

The attached Canterbury Sandwich lease legal material may be summarized as follows:
Lyons, Brandt, Cook & Hiramatsu (LBC&H) was appointed independent counsel for the lessees of Canterbury Place to handle lease rent renegotiation under HRS § 514B-151(c). The May 21, 2018, letter established the firm's role, noting the Association's conflicting dual status as lessor/lessee and setting terms for representation, billing, and termination. Lessees were informed in August 2018 about the process, financial responsibilities, and the need for majority consent for decision-making. An October update noted the need for a commercial appraisal to evaluate the Association's expected proposal. The firm reported on January 8, 2019, that the lease rent proposal was approved by the statutory majority (3 yes votes received). LBC&H closed the file in June 2019, confirming their role as lessee counsel was complete. I think it is safe to say that this time, there will be a lot more than three votes received. In short, we had to do it before, and we must follow the same process again.

Lack of AOAO authority is further compounded by lessee majority approval voting requirements of HRS § 514B-151(c). Commercial was not part of the 2018 Sandwich renegotiation, but Commercial's 8.0% of 46.1754% common interest turns into a 17.33% voting interest because only lessees vote in the lease renegotiation. AOAO is prohibited from voting, except for sublessor/lessee interest. I have attached a copy of the voting computation apportioning votes among the lessees in accordance with statute. The statute provides lessees must also be afforded the opportunity to retain other counsel or additional professional advisors as may be reasonably necessary or appropriate to complete the negotiations and proceedings. I would hope to avoid such additional expense by helping to get the right team together. Furthermore, black and white lease language that the time to negotiate was required to be

concluded by reaching agreement 90 days prior to the July 1, 2025 reset date, or parcel FMV "SHALL be determined by arbitration set forth in paragraph 23 of this lease."

My inquiries have indicated that this area of law in Hawaii is very much a good ole boys' network. The small group of people representing old line families and lessees are used to doing things in a way that seems to leave lessees holding the bag. As a result of my Hawaii real estate activities here over 11 years, I have some access to the network. Appraisers, arbitrators and counsel with whom I have spoken who are not conflicted by the current situation have been receptive to evaluating and advocating partial interests. This underscores the importance of having the right appraiser and arbitrator.

It is not clear if Richard Ekimoto represents the AOAO, which has no vote, or the Sandwich Lessors. In any case, they are conflicted out of representing the lessees. I would encourage the AOAO to be sure there is a written opinion which should have addressed these concerns, especially if for some unfathomable reason the AOAO is advised to continue the current unlawful course. Likewise, Monarch Properties efforts for the AOAO which were communicated in advance to lessors and which set the unrealistic expectations before negotiations began are conflicted out from representing the lessees as well. The AOAO lease status is exactly the conflict that HRS § 514B-151(c) was designed to address. It is frightening that all the supposed expert players involved in the ongoing unlawful renegotiations have failed or neglected to point out clear conflicts, failure to appoint statutory lessee counsel and other deficiencies I have also raised.

Lease Arbitration paragraph 23 says arbitration costs are split and each party pays own attorney fees. Kong has as much at stake as we do. We have the luxury of spreading costs over 62 residential plus commercial, and the lessors do not. If half the arbitration cost plus legal fees comprise the $200k you mentioned, that comes out to roughly $3000 per Canterbury lessee unit. Expending funds for this effort is not a burden, it is opportunity knocking. If the arbitration reduces lease payment by even $50/mo/unit, breakeven would be only halfway through ten years with enormous upside from there. The current land tax valuation is highly probative of the encumbered value of the leasehold interest. Eight million dollars should have been the negotiating starting point, which presents the opportunity to save our neighbors $500 monthly or more over ten years from current estimates. Also note that when the Sandwich lease renegotiations became too convoluted, the Sandwich lessors sold out. Buyout discussions with Kong lessors were avoided because the AOAO was threatened by the Kong lessors with withdrawal and forced arbitration. That ship has sailed by the explicit terms of the lease. Mandatory arbitration removes any teeth from the threat. It might possibly cause the same reconsideration as with the Sandwich lessors to motivate a fee buyout for finality, particularly if the arbitration result does not produce the windfall anticipated by the Kong lessors.

This trek down the wrong path is going to continue to waste money and time on ultra vires action by the Board and delay final resolution, with domino effects on other necessary AOAO actions. The Board is on notice of multiple reasons it has no authority to proceed. There is clear precedent and well settled Canterbury prior practice to follow. Potential counsel for lessees at LBC&H are experienced with Canterbury Place and hopefully have developed no intervening conflict in the matter. I have another potential well-regarded nominee to offer as an alternative lessee counsel appointment choice as well. Fortunately, the problem was identified in time before any negotiations were concluded. I shudder to think about the repercussions if an unauthorized settlement had been reached. The sooner the lease renegotiation is reset, the sooner resolution may begin.

Not only is a timely result desired, such a result must not be subject to challenge. Perhaps this latest communication will help to convince you that I may have something to contribute, not only comprehension of Hawaii condo law but also as someone who knows something about real estate. The materials and information provided are not legal advice - submitted for informational and educational purposes only. At this point, I am nothing more than a concerned, educated, and motivated individual owner who is trying desperately to be heard by the AOAO before the situation gets worse. I am as willing to help now as I was when we met at the beginning of the year when it was still possible to negotiate. I remain willing to take lead as a point of contact committee of one for the lessees and help get this back on the correct track to find the right professionals to participate in arbitration supervised by lessee counsel.

It would be very helpful if you would provide me with a copy of the three appraisals. I am trying to make sure the Board has the necessary information to make an informed decision. It is my fervent wish that the attached materials will open some eyes. I hope we can all work together, because any internal rift can only result in additional cost, delay and negotiating weakness. I implore the Board to cease the current ill-advised unlawful course of action before any more damage is done.

Sincerely,

Rick Green
1910 Ala Moana Blvd. Apt. 24A
Honolulu, HI 96815
954-298-2771
808-753-6336

From: Craig S Steinberg, OD, JD <craig@csteinberglaw.com>
Sent: Tuesday, October 28, 2025 4:00 AM
To: RG hawaiianbeachrealty.com <rg@hawaiianbeachrealty.com>
Subject: Re: Leasehold status 24A

We're certainly on the same side. But here is what we (the Board) has on the table in front of us.

First, if we assert to the Kong's that their rental value must be reduced due to their minority ownership in the land, without being able to cite a single Hawaii case that is on point and holds that, much less a compelling case, it means there will be no deal and the matter will head to arbitration. That means about a 1-year delay (more about that below) and a cost to the leasehold owners roughly $200,000 for legal and arbitration fees. The land value will then be determined by three appraisers, none of whom are likely to agree with your view and with no right to judicial review or appeal, and with a real risk that they will come back with a valuation higher than the agreed compromise we have right now. (We've had three appraisals, one in 2019, and two in connection with this renegotiation) and none of those appraisers, including the one we hired and the one that was jointly hired have suggested a discounted value due to minority ownership.)

Second, we will have injected a poison pill into any chance whatsoever of ever being able to buy the fee from the Kongs, and that's our ultimate goal here. We have approached this process keeping that goal in mind at all times.

Third, the delay will be disastrous to our ability to obtain funding for the plumbing project resulting in a roughly $3M assessment of the owners on top of three consecutive 18% increases in Maintenance Fees in order to pay the full cost of the project (about $7M) and delaying completion for about 2 years. This is because the banks will not consider lending until the lease rent is established, and any loan must be repaid prior to the next renegotiation in 2035.

So, by advancing a position that is not supported by the terms of the contract and which has little or dubious legal support, to a group of appraisers that are likely to disagree with this novel theory inasmuch as no appraiser yet has taken that into account in their appraisal, there will be irreparable collateral damage. Even if we prevail, it would likely be an example of winning a battle and losing the war.

If there was a citable Hawaii appellate or Supreme Court decision that clearly supported this theory in the context of a leasehold land-value renegotiation that might change the calculus. But there does not appear to be, and you acknowledge that this may be an issue of first impression. The risk -far- outweighs the benefits of this route.

Let's see what Richard Ekimoto has to say.

Craig

Craig S Steinberg, OD, JD
craig@CSteinbergLaw.com
http://www.csteinberglaw.com
(818) 879-7919
Sent from my iPad

> On Oct 27, 2025, at 6:51 PM, RG hawaiianbeachrealty.com <rg@hawaiianbeachrealty.com> wrote:
>
> I think we are both coming from the same place – the best interests of our neighbors. I would rather we are on the same side, rather than adversarial. It is entirely possible we are dealing with what could be a case of first impression. With the huge impact on a substantial number of us, I think it is important to examine everything. Although I am not a lawyer here either, I was Real Estate Director for all Navy real estate acquisition, management and disposal in Hawaii. I have also held senior real estate positions at the FDIC, US Army Corp of Engineers and Veterans Administration. Before entering government service, much of my multi state private law practice beginning in DC in 1992 included real estate. I have been continuously licensed as a real estate broker for over 40 years, including 11 years here in Hawaii. Looking forward to hearing what counsel has to say, and if there are any questions I would be happy to chat.
>
> Mahalo!
>
> **Richard Green**
> **1910 Ala Moana Blvd. Apt. 24A**

Honolulu, HI 96815
954-298-2771
808-753-6336

From: Craig S Steinberg, O.D., J.D. <craig@csteinberglaw.com>
Sent: Monday, October 27, 2025 3:31 PM
To: RG hawaiianbeachrealty.com <rg@hawaiianbeachrealty.com>; rg@flpropertylawyers.com
Subject: RE: Leasehold status 24A

Richard – I've forwarded your emails to our attorney for his opinion. Let's see what he says. The Board will likely follow his legal advice on this. I don't personally agree with you, but it is not my area of expertise and I'm not a lawyer in Hawaii.

Craig

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From: RG hawaiianbeachrealty.com <rg@hawaiianbeachrealty.com>
Sent: Monday, October 27, 2025 6:23 PM
To: Craig S Steinberg, O.D., J.D. <craig@csteinberglaw.com>; rg@flpropertylawyers.com
Subject: RE: Leasehold status 24A

I wanted to get back to you in response.

The AOAO is currently pursuing a course of action which does not comply with the master lease as amended or Hawaii statutes. Negotiations and theories of valuation are being utilized which do not protect the interests of the land lessees. I should not have to argue with my representatives to protect my interests and those of the many others similarly situated. You may have heard I have been working on locating potential nominees to represent the lessees.

The Canterbury Master Lease dated March 2, 1970 in Exhibit A described a fee simple parcel totaling 35,365 square feet. Since execution, the definition of the leasehold parcel

has been voluntarily altered by the lessor and reduced from 100% fee simple to a minority undivided interest of 46.1754%, which is further encumbered by a high-rise condominium building. The minority interest may not be further developed, financed, and suffers from limited liquidity and marketability. The lease provides, "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…." The defined parcel at renegotiation is the fair market value of the minority leasehold interest created by the lessor, not the original fee interest. The fee simple interest value is only relevant as a starting point to derive the value of the 46.1754% leasehold interest encumbering the fee simple.

HRS 519-1(a) provides that when a lease renegotiation rental amount is based in whole or in part on highest and best use language such as appears in the Canterbury Master Lease, the rent "shall be calculated upon the use to which the land is restricted by the lease document." The Canterbury fee simple parcel of 35,365 square feet is encumbered by an existing condominium structure, the land lessors' minority interest of 46.1754%, the majority fee interests, individual and commercial leasehold interests of the condominium owners and AOAO. The question of highest and best valuation of the lessors' minority land interest must be established by appraisal which reflects all the restrictions. Such an appraisal will be a complex task because the limited marketability, lack of liquidity, discount factors and use restrictions must all be incorporated in a highest and best use analysis of the minority interest parcel.

The tax assessor has already completed this computation. While the tax assessed land valuation is not dispositive, it is certainly highly probative of highest and best use land value as currently restricted. The tax assessor established the fair market value of my 0.736% land interest at $59,400, the same as yours. $59,400/0.736 results in a fee simple land value as encumbered of $8,070,652. Six percent of my $59,400 fully encumbered assessor valuation would result in an annual rent of no more than $3564, resulting in a monthly rent of no more than $297. I further contend that additional discount factors must be applied to further reduce the value of the minority leasehold interest, before applying the 6.0% rent multiplier.

The lease is clear and unequivocal in directive terms that the Lessors and Lessees were required to reach a written agreement before April 2, 2025. Written agreement did not occur 90 days prior to July 1, 2025 lease renegotiation date, and indeed did not occur within 90 days after the July 1, 2025 renegotiation date, and in fact could not occur without arbitration. Lessors and Lessees are directed and obligated by the plain lease language, "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." The AOAO is no longer authorized to pursue negotiations; such ultra vires activity violates the lease and exposes the Board to liability.

Furthermore, HRS 514B-151(c) states: "In any project where the association is a lessor or sublessor, the association shall fulfill its obligations under this section by appointing independent counsel to represent the lessees in the negotiations and proceedings related

to the rent renegotiation." The AOAO is a sublessor of the eight unpurchased sandwich leases.

The Lessors have retained highly capable consultants at Medusky & Co. - it is critical that the Lessees retain the services of the appropriate professionals to proceed with required arbitration. HRS 514B-151(c) further provides that majority approval by the remaining lessees is required. The AOAO must cease negotiations, obtain a valid appraisal of the minority interest parcel, initiate arbitration proceedings as provided in paragraph 23 of the Master Lease, and appoint independent counsel to represent the interests of the lessees in compliance with statute.

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Sent: Wednesday, October 15, 2025 10:30 AM
To: rg@flpropertylawyers.com; RG hawaiianbeachrealty.com <rg@hawaiianbeachrealty.com>
Subject: RE: Leasehold status 24A

Rick,

I am told that this concept is a non-starter and would not prevail in an arbitration, it would just cause delay and a huge expense for nothing. First, it is not allowed for under the contract (see below). Second, Hawaii does not adjust for a minority interest in leasehold renegotiations. Third, The Kong's own 100% of the land that each leasehold unit is on and they are redetermining the rent of each such unit. Their minority interest of the whole is just not relevant.
The concept was rejected by both our agent and our attorney and (to my knowledge) is not followed anywhere. The certain outcome of making that demand on the Kong's was arbitration, incurring a cost of several hundred thousand dollars, and I am told, a near 100% chance of losing.

I think there are many distinctions here. First, while the Kong's own < 50% of the total land, they own FAR more than anyone else and they own 100% of the land subject to a lease. This is not a case of two owners, one with more and one with less than 50%. Second, marketability is irrelevant. Not a factor here. Third, lack of control is irrelevant. Whether they have 60% or 40%, they exercise no "control" over the management of the property. There is a Horizontal Property Regime and control is governed by that document.

The situations and cases in your paper deal with IRS valuation/taxation issues and shareholders that own less than half a company. Those are entirely different than a Lease Agreement with a formula for establishing the value of the lease rent every 10 years. None of the citations appear even remotely akin to that. If you have a published Hawaii case that is similar to our situation, where the issue is determining if a Master Lease that has a formula for revaluation of the lease rent at fixed intervals impliedly allows (or requires) a "minority" discount if the Master lease holder owns less than 100% of the TOTAL real estate, I'll certainly look at it. But the people that do this all the time say that is not a thing.

Here is a cut/paste of the Master Lease language that we are working with. The key point is that there is no place in there for inferring that any of the numbers can be reduced for “minority interest” or anything else. The land is valued as a whole. Then 6% of that. Then 46.1754% of that.

3. RENT. Lessees shall pay to Lessors in legal tender of the United States, in equal monthly installments, in advance, and without deduction or demand, the following rentals:

From date of commencement until June 30, 1972, $33,600
July 1, 1972-June 30, 1985, 54,000
July 1, 1985-June 30, 1995, 62,100
July 1, 1995-June 30, 2010, 75,400
July 1, 2010-June 30, 2025, 90,500
July 1, 2025-June 30, 2035, renegotiated
July 1, 2035-June 30, 2045, renegotiated
July 1, 2045-.June 30, 2055, renegotiated
July 1, 2055-end of lease renegotiated

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.

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From: rg flpropertylawyers.com <rg@flpropertylawyers.com>
Sent: Wednesday, October 15, 2025 12:48 PM
To: Craig S Steinberg, O.D., J.D. <craig@csteinberglaw.com>; 'RG hawaiianbeachrealty.com' <rg@hawaiianbeachrealty.com>
Subject: RE: Leasehold status 24A

Thanks for the President's update yesterday. I have several concerns about the computation methodology described. My most significant issue is that it does not appear that the land value discount concept we discussed a few months ago has been utilized. The discounted land value of the minority interest must be determined and agreed before applying the 6.0% lease rate. The methodology described in your update appears to result in an inflated leasehold payment which further acts as a disincentive to the land lessor to part with the fee. I have attached a more detailed analysis, description, and lengthy citations regarding this discount concept, which may be summarized as follows:

The attached document analyzes the valuation of a 46.1754% minority ownership interest in leasehold estates, emphasizing the necessity of applying a discount due to lack of control and marketability. It draws on valuation principles, court cases, industry standards, and IRS guidelines to support the use of a discount range when valuing such fractional interests.

- **Minority interests require discounts:** Interests below 50% ownership lack control and must be discounted to reflect economic realities such as limited decision-making and marketability. [1] [2]
- **Fair market value definition:** Fractional interests are worth less than their proportional share since buyers would not pay full value for non-controlling interests. [3] [4]
- **Factors influencing discounts:** Number of owners, size of interest, tract size, land use, financing availability, and partition costs affect discount magnitude. [5] [6]
- **Characteristics reducing value:** Lack of marketability, longer marketing time, lack of control, limited refinancing ability, and restricted influence on management decrease fractional interest value. [7] [8]
- **Court-recognized discount ranges:** Courts have approved discounts from about 20% to 60% for minority interests, with specific cases illustrating discounts for interests near 25% to 50%. [9] [10]
- **Industry standards and empirical data:** Valuation firms report discounts ranging from 15% to 67%, commonly 20%-35%, reflecting lack of control and marketability components. [11] [12]
- **Discount components:** Discounts generally combine a Discount for Lack of Control (20%-40%) and a Discount for Lack of Marketability (10%-33%), applied sequentially. [13] [14]
- **Valuation methodology for 46.1754% interest:** The minority interest should be valued by applying a minimum 20%-35% combined discount to the proportional share of total land value, accounting for leasehold complexities and partition costs, BEFORE applying the 6.0% lease rate. [15] [16]

If you have any questions, feel free to give me a call.

Mahalo!

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Sent: Wednesday, September 24, 2025 11:47 AM
To: rg flpropertylawyers.com <rg@flpropertylawyers.com>; 'RG hawaiianbeachrealty.com' <rg@hawaiianbeachrealty.com>
Subject: RE: Leasehold status 24A

Assuming it finalizes, we're pretty happy with the outcome. Without having to incur the substantial costs of an arbitration we have a valuation that's quite reasonable given the 2019 starting position. I don't have the exact %, but its about a 3% per year increase, which is well below what our agent said it could be (he estimated it could appraise as much as 4% or even 4.5% annual increase).

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From: rg flpropertylawyers.com <rg@flpropertylawyers.com>
Sent: Wednesday, September 24, 2025 2:37 PM
To: Craig S Steinberg, O.D., J.D. <craig@csteinberglaw.com>; 'RG hawaiianbeachrealty.com' <rg@hawaiianbeachrealty.com>
Subject: Re: Leasehold status 24A

Gulp....Mahalo!

Sent via the Samsung Galaxy S24 Ultra, an AT&T 5G smartphone
Get Outlook for Android

From: Craig S Steinberg, O.D., J.D. <craig@csteinberglaw.com>
Sent: Wednesday, September 24, 2025 11:23:22 AM
To: 'RG hawaiianbeachrealty.com' <rg@hawaiianbeachrealty.com>
Cc: rg flpropertylawyers.com <rg@flpropertylawyers.com>
Subject: RE: Leasehold status 24A

Aloha Rick,

We have an agreement in principle with the Lessor's on the land value and are awaiting their attorney's draft of the agreement. There is nothing written for the Board to approve or vote on yet, right now the agreement is only verbal. We were supposed to have the draft by last Friday with a goal of execution by Sept. 26, but their attorney has not drafted it yet. We reminded him that we're not paying interest so the longer he takes the more it's costing his clients.

Once we have it fully signed we'll have a specific plan in place for the "catch up" payments. Our calculation is that your ground lease will be about $883 under the agreement (don't hold me to that because that's not official or final yet) so you can work off of that to estimate pretty closely what you'll owe once everything is finalized and what your ongoing lease will be.

Its moved slowly largely because the other side is VERY slow to respond to anything.

Craig

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Sent: Wednesday, September 24, 2025 1:12 PM
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Cc: rg@flpropertylawyers.com
Subject: Leasehold status 24A

Can you provide any kind of progress update on the overdue leasehold renewal? If there is any kind of committee work needed, let me know and I would be happy to help.

Mahalo!

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	A	B	C	D	E	F	G	H	I	J	K	L	M
1	**Unit Type NO UNIT 13**	**Beds/ Baths**	**Total Units**	**Fee Units**	**Kong Lessees**	**Sandwich Lessees**	**Undivided Ownership Percentage**	**Lessee Total Percentage**	**Sandwich Total Percentage**	**Total Land Interest**	**Vote Percentage by Type**	**Lessee Vote Percentage**	**Sandwich Vote Percentage**
2	**RESIDENTIAL APARTMENTS (Total: 146 Units)**												
3	**Type I 7A-31A**	**2/2**	**24**	**11**	**12**	**1**	**0.7360%**	**8.8320%**	**0.7360%**	**9.5680%**	**1.5939%**	**19.13%**	**1.5939%**
4	**Type I-Penthouse 32A-41A**	**2/2**	**10**	**7**	**3**	**0**	**0.8280%**	**2.4840%**	**0.0000%**	**2.4840%**	**1.7932%**	**5.38%**	**0.0000%**
5	**Type II 7BC-31BC**	**2/2**	**48**	**29**	**17**	**2**	**0.6440%**	**10.9480%**	**1.2880%**	**12.2360%**	**1.3947%**	**23.71%**	**2.7894%**
6	**Type II-Penthouse 32BC-41BC**	**2/2**	**20**	**14**	**5**	**1**	**0.7360%**	**3.6800%**	**0.7360%**	**4.4160%**	**1.5939%**	**7.97%**	**1.5939%**
7	**Type III 7D-31D**	**1/1**	**24**	**13**	**8**	**3**	**0.4830%**	**3.8640%**	**1.4490%**	**5.3130%**	**1.0460%**	**8.37%**	**3.1380%**
8	**Type III-Penthouse 32D-41D**	**1/1**	**10**	**7**	**3**	**0**	**0.5060%**	**1.5180%**	**0.0000%**	**1.5180%**	**1.0958%**	**3.29%**	**0.0000%**
9	**Type IV-Penthouse 32E-41E**	**1/1**	**10**	**3**	**6**	**1**	**0.3772%**	**2.2632%**	**0.3772%**	**2.6404%**	**0.8169%**	**4.90%**	**0.8169%**
10	**Subtotal Residential**		**146**	**84**	**54**	**8**		**33.5892%**	**4.5862%**	**38.1754%**		**72.74%**	**9.9321%**
11	**COMMERCIAL UNITS**		**5**		**5**		**8.0000%**	**8.0000%**		**8.0000%**	**17.3252%**		
12	**TOTAL**		**151**	**84**	**59**	**8**		**41.5892%**	**4.5862%**	**46.1754%**	**17.3252%**	**72.74%**	**9.9321%**
13											**Total Vote Percentage:**		**100.0000%**