Wailana at Waikiki

#804

Summary of the Lease

January 4, 2011

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CER Order No: E.10-7312 **Expiration Date:** April 4, 2011

Seller: Henry Bachman **Escrow Company:** Title Guaranty

SUMMARY OF THE LEASE

Section One
Major Provisions of the Lease

PROPERTY

Project: Wailana at Waikiki Apartment No.: 804

Tax Map Key: 1-2-6-012-002 : 0038 Common Interest: .4300%

(Ref: ¶ 1, pg. 1 of the lease)

LESSOR

KDI Investments, Inc. [1]

(Ref: opening ¶, pg. 1 of the lease)

LENGTH OF LEASE TERM

August 1, 1970 to November 30, 2039

(Ref: ¶ 2, pg. 1 of the lease)

FIXED LEASE RENT

$ 316.56 per year through November 30, 1982
$ 414.96 per year through November 30, 1999

(Ref: ¶ 3(a) & (b), pg. 1 of the lease)

$ 4,128.00 per year through November 30, 2009

(Ref: See the document titled "Agreement Re: The Wailana at Waikiki Lease Rent for Term Beginning December 1, 1999 and Ending November 30, 2009" recorded as LCD No. 2610774)

$ 7,568.00 per year through November 30, 2019 [2]

LEASE RENT RENEGOTIATION DATES

December 1, 1999 December 1, 2009 December 1, 2019 December 1, 2029

(Ref: ¶ 3(c), pg. 1 of the lease)

Note 1: The lessor named in the lease and above may have transferred the lessor's interest to another party sometime after the date of the lease and may not be the current lessor.

Note 2: The lease rent was renegotiated as of December 1, 2009. CER is informed the renegotiated lease rent is the amount shown above. The Buyer is advised to confirm the lease rent and obtain additional information from the Lessor, Association, management company or other appropriate party.

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HOW RENEGOTIATED LEASE RENTS ARE TO BE CALCULATED

Lessor and Lessee, through the Association, will attempt to determine the renegotiated lease rent by agreement. If Lessor and the Association are unable to reach an agreement, the renegotiated lease rent will be determined by appraisal. The selection of the appraisers and determination of renegotiated lease rent are described below.

Selection of Appraisers

Lessor and the Association will each choose a qualified appraiser. If either party fails to choose an appraiser, the party who has chosen an appraiser may request that a judge of the Circuit Court choose an appraiser. The two appraisers will then choose the third appraiser. If the two appraisers do not choose a third appraiser, either party may request that a judge of the Circuit Court choose the third appraiser. The three appraisers will determine the renegotiated lease rent and a decision by a majority of the appraisers will be final and binding upon the parties.

Renegotiated Lease Rent for the Project

The annual renegotiated lease rent for the Project will be equal to the fair market rental value of the land as determined by the appraisers. However, the lease rent in any renegotiated rental period will not be less than the lease rent of the immediately preceding rental period.

Lessee's Renegotiated Lease Rent

Lessee's renegotiated lease rent will be equal to the total renegotiated lease rent for the Project multiplied by Lessee's proportionate share as established by the Declaration.

(Ref: ¶ 3(c), pp. 1-2 & ¶ 29, pg. 4 of the lease)

SURRENDER

Lessee will return the property with all improvements to Lessor at the end of the lease term or earlier termination of the lease. The property and the improvements must be returned to Lessor in good condition except for reasonable wear and tear. If Lessee is not then in default, Lessee, through the Association, may remove any trade fixtures installed on the property, provided that any damage caused by the removal is repaired.

(Ref: ¶ 22, pg.3 of the lease)

Section Two

Additional Provisions of the Lease

LESSEE'S AGREEMENTS

1. DEMISED PREMISES. This section of the lease is described above in Section One of this summary.

2. DEMISED TERM. This section of the lease is described above in Section One of this summary.

3. RENT. This section of the lease is described above in Section One of this summary.

4. QUIET ENJOYMENT. Lessee may use and occupy the property without interference from Lessor, or persons under Lessor, if Lessee pays the lease rent and performs Lessee's other obligations under the lease.

5. TAXES AND ASSESSMENTS. Lessee will pay all real property taxes and assessments whether they are imposed on Lessor, Lessee or the property and improvements. If any property taxes are

imposed on Lessor which by statute or ordinance are prohibited to be paid by Lessee, the lease rent will be increased in an amount equal to the property taxes.

6. COMMON EXPENSES, CONDOMINIUM UNIT EXPENSE, RATES AND OTHER CHARGES. Lessee, individually or through the Association, will pay all expenses of the Project. These expenses include (a) Lessee's proportionate share of common expenses, (b) assessments made by the Association, (c) utilities, and (d) any charges against the Project made by governmental authorities.

   Lessee's failure to pay an assessment by the Association for common expenses will not be considered a default for which the lease may be canceled under paragraph 24 of the lease, provided that the Association diligently forecloses any lien the Association may have against Lessee's interests in the Project.

7. IMPROVEMENTS REQUIRED BY LAW. Lessee, through the Association, will build and maintain fences, sewers, drains, roads, curbs, sidewalks, parking areas and any other improvements required by law.

8. OBSERVANCE OF LAWS. Lessee will keep the apartment in a clean and sanitary condition. Lessee, through the Association, will keep the common elements in a clean and sanitary condition. Lessee will observe all laws, ordinances, rules and regulations made by any governmental authority that apply to the apartment or Project. Lessee will observe the bylaws, rules, regulations, agreements, decisions and determinations of the Association. Lessee will observe the provisions of the Declaration. Lessee will defend and protect Lessor against all claims resulting from the failure to observe the provisions of this section of the lease.

9. REPAIR AND MAINTENANCE. Except as provided in paragraph 10 of the lease, Lessee will maintain the apartment in good condition at Lessee's expense. Lessee, through the Association, will maintain the common elements in good condition. Any claims for faulty construction which Lessor may have against the developer of the Project will be assigned to Lessee.

10. UNINSURED CASUALTY. Lessee may terminate the lease if the improvements of the Project are substantially damaged or destroyed by a casualty which is not required to be covered by insurance, provided that the Association removes the remains of the improvements and restores the land and all other apartment owners terminate their leases.

11. INSPECTION. Lessor, or Lessor's agent, has the right to inspect the condition of the apartment or Project. If Lessor, or Lessor's agent, gives notice of any defect to Lessee or the Association, the defect must be repaired within fifteen (15) days.

12. APARTMENT USE. Lessee will use the apartment only for residential or hotel purposes. Lessee will not use the apartment for any trade or business purposes or in any manner which is not permitted by the Declaration and Bylaws.

13. CONSTRUCTION OF IMPROVEMENTS. Lessee, individually or through the Association, will not construct any building (including fences and walls), or alter any common elements of the Project, without complying with the provisions of this section of the lease.

14. BOND. Lessee must provide Lessor with a bond before any improvements may be constructed on the Project. The bond must name Lessor as obligee (party to whom the bonding company is liable). The bond protects Lessor against claims and insures that the construction will be properly completed.

15. WASTE AND UNLAWFUL USE. Lessee, individually or through the Association, will not misuse or destroy any part of the apartment or Project, or use the apartment or Project for any unlawful, improper or offensive purpose.

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16. FIRE INSURANCE. Lessee, through the Association, will obtain insurance which insures the Project against fire and other casualties. The insurance must be of the type and in the amount specified in this section of the lease. Any insurance proceeds received due to an insured casualty must be used by the Association to rebuild or repair the damaged improvements. Lessee must pay a proportionate share of any difference between the cost of rebuilding or repair and the amount of the insurance proceeds.

    If the casualty occurs during the last ten (10) years of the lease term, the improvements may not have to be replaced or repaired and Lessee may have the right to cancel the lease in accordance with the provisions of this section of the lease.

17. LIABILITY INSURANCE. Lessee, through the Association, must obtain comprehensive general liability insurance of the type and in the amount specified in this section of the lease. Liability insurance insures against claims resulting from the use or occupancy of the apartments or the Project.

18. INDEMNITY. Lessee, individually or through the Association, will defend and protect Lessor against all claims for loss or damage resulting from (a) the use or occupancy of the apartment or Project by Lessee or persons invited or allowed in the apartment or Project by Lessee, or (b) any fire, accident, nuisance, or unsafe condition in the apartment or Project. Lessee assumes the sole risk of loss or damage to Lessee's personal property kept in the apartment or Project. Lessor will remain liable for loss or damage resulting from the negligence or misconduct of Lessor or Lessor's agents.

19. LESSOR'S COSTS AND EXPENSES. Lessee will pay all costs and expenses, including reasonable attorneys' fees, which Lessor incurs by (a) enforcing Lessee's agreements in the lease, or (b) remedying any failure of Lessee to perform Lessee's agreements in the lease, or (c) recovering possession of the apartment, or (d) collecting lease rent or other payments from Lessee, or (e) being made a party to any litigation involving Lessee (except condemnation) in which Lessor is not at fault.

20. LIENS. Lessee, individually or through the Association, will not do anything or fail to do anything that will result in any claims (except permitted mortgages) against the apartment or Project and will defend and protect Lessor against all claims.

21. MANAGING AGENT. Lessee, through the Association, will appoint a corporation to act as managing agent for the Project. The managing agent will be responsible for the management of the Project and the maintenance and repair of the common elements. Lessee will remain directly liable to Lessor for any payments or other obligations under the lease even though a managing agent is involved.

22. SURRENDER. This section of the lease is described above in Section One of this summary.

23. HOLDOVER. If Lessee remains in possession of the apartment after the expiration of the lease term, Lessee will be considered a month-to-month tenant.

24. DEFEASANCE. Lessee is in default under the lease if (a) Lessee fails to pay lease rent within 15 days after it is due, or (b) Lessee fails to keep any agreements in the lease for a period of 30 days after Lessor gives written notice of the failure to Lessee, or (c) Lessee is bankrupt, makes an assignment for the benefit of creditors or abandons the apartment, or (d) the lease is taken by a court to satisfy a judgement against Lessee.

    If Lessee is in default, Lessor may take possession of the apartment and have the right to terminate the lease subject to the provisions of paragraphs 6 and 28 of the lease. If the lease is terminated, Lessee's rights in the lease will belong to Lessor.

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A default by the Association will not be considered a default by Lessee so long as Lessee uses best efforts to cause the Association to perform its obligations and Lessee has paid Lessee's proportionate share of common expenses.

25. CONDEMNATION. Taking of property by a governmental authority for a public purpose is known as a "condemnation." The governmental authority must pay compensation to the owner of any property that is condemned and taken. If the whole or any part of the apartment or Project is condemned, or is sold to the authority because the authority threatens to condemn the apartment or Project, Lessee's interests in the condemned land, apartment or other improvements will be terminated. Lessee will not have a claim against Lessor or others for the loss of Lessee's leasehold interest. The compensation for the taking of the land will be paid to Lessor. The compensation for the taking of the improvements will be paid to Lessor, Lessee and the other apartment owners and their mortgage lenders, if any, in accordance with the provisions of this section of the lease. In addition the following may occur:

    a. Partial Condemnation and Termination of the Project. The Association may terminate the Project if the governmental authority takes a portion of the Project such that the remaining portion is unsuitable for the purposes of the Project. If the Association terminates the Project it must (a) remove the remains of the improvements and restore the land to a level condition, and (b) surrender all leases in the Project to Lessor. Lessee and Lessee's mortgage lender, if any, will be paid the compensation for the taking of Lessee's improvements after deduction for Lessee's proportionate share of the Association's costs of removal and restoration.

    b. Partial Condemnation and the Project Not Terminated. If the Project is not terminated, the Association will use the compensation paid by the governmental authority to rebuild or repair the remaining improvements in accordance with the provisions of this section of the lease. The lease rent for the Project will be reduced in proportion to the amount of land taken.

    c. Partial Condemnation and Termination of the Lease. Lessee may terminate the lease if Lessee's entire apartment is taken or a portion of Lessee's apartment is taken which renders the apartment unsuitable for its purposes. Lessee may terminate the lease only if (a) the Association removes the remains of the apartment and restores the common elements, (b) the Association amends the Declaration so that a new Project is created without Lessee's apartment, and (c) Lessee pays lease rent and taxes for the then current year. Lessee and Lessee's mortgage lender, if any, will be paid the compensation for the taking of Lessee's improvements after deduction for Lessee's proportionate share of the Association's costs of removal and restoration.

    d. Condemnation of Lessee's Leasehold Interest. The condemnation of Lessee's leasehold interest does not excuse Lessee from any obligations under the lease that Lessee is able to perform after the condemnation, including the obligation to pay lease rent. Lessee may make a claim against the governmental authority for compensation.

26. CONSENT TO ASSIGNMENT AND SUBLETTING. Lessee may assign or mortgage the lease or sublet the apartment without Lessor's further consent. Every assignment, except mortgages, must contain the written promise of the party receiving the assignment to perform Lessee's obligations under the lease. Lessor must receive a true copy of any assignment.

27. CONSENT TO MORTGAGE. Lessee may mortgage the lease, without Lessor's consent, to any bank, insurance company or other established lending institution. A true copy of the mortgage must be delivered to Lessor. No provision in a mortgage will release Lessee from any obligations under the lease.

28. PROTECTION OF MORTGAGE. Mortgage lenders are given certain rights specified in this section of the lease. These rights include:

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a. Lessor will not terminate the lease if Lessee is in default without first giving notice of the default to the lender, and allowing the lender a specified time period to cure the default or promise to cure the default.

b. If the lender diligently commences foreclosure proceedings and pays Lessee's rent, Lessor will allow additional time for the lender to cure certain defaults by Lessee.

29. APPRAISAL. This section of the lease is described above in Section One of this summary.

30. INCIDENTS OF APARTMENT OWNERSHIP. Lessee has the rights and obligations of an apartment owner as described in the Declaration and Bylaws. Lessee's vote on certain matters of the Project specified in this section of the lease will not be effective without Lessor's written consent.

31. NONWAIVER. If Lessee is in default, Lessor may accept lease rent without giving up any rights to terminate the lease. Lessee must still cure any defaults. Lessee must continue to perform Lessee's obligations even if Lessor overlooks a default by Lessee.

32. NOTICES. Notice to Lessor or Lessee is sufficient if it is in writing and delivered in person or by registered or certified mail. Notice is effective upon the date of mailing or personal delivery.

33. COVENANTS AND CONDITIONS. Each provision of the lease that is an obligation is also a promise to perform that obligation. The time periods for the performance of the obligations under the lease must be strictly observed.

34. GENERAL PROVISIONS.

(a) The paragraph headings in the lease are inserted for convenience only and are not to be used in the interpretation of the provisions of the lease.

(b) The lease is the entire agreement between Lessor and Lessee. No implied promise or prior oral agreements will vary the provisions of the lease.

(c) When Lessor's consent or approval is required under the lease, Lessor may not withhold consent or approval unreasonably. Lessor may charge a reasonable fee to cover the costs incurred in providing consent or approval. If Lessor fails to give written approval or disapproval within 30 days after receiving a written request from Lessee, Lessor's approval will be considered to have been given.

(d) The provisions of the lease will be binding upon the successors of Lessor and Lessee. Terms used in the lease are defined in this section of the lease. If Lessee consists of more than one person, all persons together and each such person individually will be responsible for Lessee's obligations under the lease.

(e) The term "apartment" used in the lease includes both residential and commercial units of the Project.

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