

NEIL ABERCROMBIE
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
FAX: (808) 587-0600

IN REPLY REFER TO:
11:AM/223

October 17, 2011

Robert Faleafine, President
Realty Laua LLC
1505 Dillingham Blvd, Suite 215
Honolulu, Hawaii 96819

Subject: NOTICE OF CONTRACT TERMINATION
Honokowai Kauhale
Contract No. PPMS 10-01

Dear Mr. Faleafine,

Pursuant to 13(a) of the General Conditions to the Contract No. PPMS 10-01, the Hawaii Housing Finance and Development Corporation (HHFDC) is hereby terminating the Contract between Realty Laua LLC and HHFDC effective immediately. The reasons for termination are as follows:

- Despite verbal assurances by Robert Faleafine to HHFDC staff that Realty Laua LLC would replace the current resident manager, its written response to HHFDC's requirement for immediate removal and replacement of the resident manager instead asks for "clarification." HHFDC finds this response insufficient. HHFDC required the immediate removal and replacement of [REDACTED] as Resident Manager of the Honokowai Kauhale rental project based on the various and serious allegations documented and Realty Laua LLC has failed to act as not only required by HHFDC, but also notably in direct contrast to what Realty Laua LLC represented to be an action it was willing to take.
- Realty Laua LLC's existing management and maintenance staff has failed to maintain the property in accordance with Contract requirements. Furthermore, Realty Laua LLC's existing maintenance staff does not include a maintenance foreman, as required by the Contract; and
- Realty Laua LLC failed to provide an acceptable Corrective Action Plan, as required by the Notice to Cure dated September 28, 2011, in that it fails to adequately and/or timely respond to:

- ▶ The finding that there exists an atmosphere of intimidation and fear of reprisals at the project;
- ▶ The inadequate regular maintenance of physical conditions enumerated;
- ▶ The lack of enforcement or consistent enforcement of rules regarding the parking of vehicles in the common elements and in parking stalls and the repair and maintenance of vehicles;
- ▶ The enforcement of unwritten rules, some of which appear to be discriminatory;
- ▶ The lack of a complaint log and a complaint processing policy;
- ▶ The inadequate marketing activity; and
- ▶ Changing the Tenant Selection Plan.

In contracting for property management services, HHFDC relies on the professionalism of the contracted manager to know the property and its tenants, to be able to communicate appropriately with staff, tenants and prospective tenants, to appropriately manage the leasing of vacant units, and to maintain the property at an acceptable standard. The terms of the Contract are constructed to meet these goals. Generally speaking, and as the above deficiencies highlight, Realty Laua LLC has failed to meet HHFDC's standards in this regard.

Termination of your contract is not an act that HHFDC takes lightly. Unfortunately, it is an action that HHFDC is compelled to take based on the foregoing and in the best interest of the Honokowai Kauhale community.

If you have any questions about this contract termination notice, please contact me at (808) 587-0641 or Asset Manager Stuart Kritzer at (808) 587-0500.

Sincerely,



Karen Seddon
Executive Director