

## **LOAN AGREEMENT**

**This LOAN AGREEMENT** (hereinafter referred to as the “Agreement”), is made as of October 12, 2022, between the **HONUAKAHA LIMITED PARTNERSHIP, LLP** (hereinafter referred to as the “Borrower” or “HLP”), a Hawaii limited liability partnership, whose mailing address is 545 Queen Street, Honolulu, Hawaii 96813, and the **HAWAII COMMUNITY DEVELOPMENT AUTHORITY** (hereinafter referred to as the “Lender” or “HCDA”), a body corporate and a public instrumentality of the State of Hawaii, whose mailing address is 547 Queen Street, Honolulu, Hawaii 96813, as follows:

The Lender and Borrower intend that the following recitals shall constitute a material part of this Agreement:

**WHEREAS**, HCDA is a body corporate and a public instrumentality of the State of Hawaii pursuant to Chapter 206E, Hawaii Revised Statutes;

**WHEREAS**, HCDA is a General Partner in the Honuakaha Limited Partnership, LLP, a Hawaii limited liability partnership (“HLP”);

**WHEREAS**, as a General Partner in HLP, HCDA owns the Honuakaha Senior Rental Housing Project completed in 1995 and located at 545 Queen Street, Honolulu, Hawaii in the Kakaako Community Development District, Tax Map Key Number: (1)2-1-031-021 (hereinafter referred to as the “Project”);

**WHEREAS**, pursuant to the recorded Honuakaha Declaration of Condominium Property Regime and the Honuakaha Bylaws, the Honuakaha Association of Apartment Owners (hereinafter referred to as the “Honuakaha AOA”) is responsible for establishing and monitoring the annual operating budget, including necessary assessments, and maintenance reserves;

**WHEREAS**, at the September 1, 2021, regular monthly meeting of the HCDA Kakaako Authority, HCDA staff informed HCDA Kakaako Authority Members that HLP had ceased payment of HLP’s allocable share of maintenance fees for the Project due to an operating deficit as HLP’s annual revenue was insufficient to cover the annual operating costs, including HLP’s allocable share of the maintenance costs for the Project;

**WHEREAS**, at the October 6, 2021, regular monthly meeting of the HCDA Kakaako Authority, the HCDA Kakaako Authority voted to approve HCDA staff’s request to approve an unsecured, no interest, no prepayment penalty, 20-year maturity period loan of \$1,000,000.00 to HLP from the Hawaii Community Development Special Fund - Reserved Housing Subaccount for the purpose of paying off HLP’s allocable share of outstanding maintenance fees;

**WHEREAS**, at the September 7, 2022, regular monthly meeting of the HCDA Kakaako Authority, the HCDA Kakaako Authority voted to adopt the findings of the Permitted Interaction Group (“PIG”) and accept the recommendations of the PIG established at the November 3, 2021, regular monthly meeting of the HCDA Kakaako Authority, pursuant to Hawaii Revised Statutes 92-2.5(b), to examine the operations and management of the HLP relating to the Project;

**WHEREAS**, at the September 7, 2022, regular monthly meeting of the HCDA Kakaako Authority, the HCDA Kakaako Authority voted to approve HCDA staff's request to authorize the Executive Director to make an additional loan of \$500,000.00 from the Hawaii Community Development Special Fund, Reserved Housing Subaccount, to the Honuakaha Limited Partnership, to cover continuing operating losses for the 12-month period July 2022 to June 2023.

**NOW, THEREFORE, FOR VALUE RECEIVED**, HLP promises to pay to the order of HCDA, the Principal Amount as defined below and provided in this Agreement.

1. **Definitions.** The following terms shall have the meaning ascribed thereto:

“Borrower” means HLP as provided in the introductory paragraph in this Agreement;

“Event of Default” shall have the meaning provided in Paragraph 6 of this Agreement;

“Lender” means HCDA as provided in the introductory paragraph of this Agreement;

“Maturity Date” shall have the meaning as provided in Paragraph 4 of this Agreement;

“Prepayments” shall have the meaning provided in Paragraph 5 of this Agreement;

“Principal Amount” means Five Hundred Thousand Dollars (\$500,000.00), or the balance thereof as shall be outstanding from time to time;

“Project” means the Honuakaha Senior Rental Housing Project completed in 1995 and located at 545 Queen Street, Honolulu, Hawaii in the Kakaako Community Development District, Tax Map Key Number: (1)2-1-031-021;

2. **HLP's Promise to Pay.** For value received, HLP promises to pay to the order of HCDA the Principal Amount of FIVE HUNDRED THOUSAND AND NO/100 U.S. DOLLARS (\$500,000.00). The Lender is a body corporate and public instrumentality of the State of Hawaii pursuant to Chapter 206E, Hawaii Revised Statutes. The Lender or anyone who takes this Agreement by transfer and who is entitled to receive payments under this Agreement is called the HCDA.

3. **Interest Rate.** No interest will accrue on the amount advanced by HCDA to HLP.

4. **Maturity Date.** HLP is obligated to repay HCDA the Principal Amount advanced hereunder no later than December 8, 2041.

**THIS AGREEMENT SHALL BE PAYABLE IN FULL ON THE MATURITY DATE. AT THAT TIME, HLP SHALL REPAY THE ENTIRE PRINCIPAL BALANCE OF THE LOAN THEN DUE. HCDA IS UNDER NO OBLIGATION TO REFINANCE THE LOAN AT THAT TIME.**

5. **Defeasance and Prepayments; Notice.** HLP may prepay, in whole or in part, the Principal Amount due hereunder at any time before the Maturity Date without penalty. HLP shall notify HCDA in writing in accordance with the Notice requirements provided in Paragraph 6.1 of this Agreement when making any prepayment to HCDA.

6. **Default by HLP; Remedies.**

6.1. **Default.** HLP shall be in default if HLP fails to make payment to HCDA of any amounts required to be paid under this Agreement, subject to all applicable notice and cure periods contained herein. In the event of such default, HCDA may require HLP to immediately make payment in full of all amounts due under this Agreement if HLP is in default.

6.2. **Notice of Default.** If HLP is in default, as provided in Paragraph 6.1 of this Agreement, HCDA may issue a written Notice of Default to HLP stating that if HLP does not cure the default within sixty (60) days from the date of HCDA's issuance of written notice, HCDA may require HLP to immediately pay the full amount of principal due at the time. The Notice of Default shall be sent to HLP's General Partner and Limited Partner at the following addresses:

**Attention:** Executive Director  
HLP General Partner  
545 Queen Street  
Honolulu, Hawaii 96813

**Attention:** Commercial Real Estate Division  
HLP Limited Partner, First Hawaiian Bank  
999 Bishop Street  
Honolulu, Hawaii 96813.

6.3. **No Waiver by HCDA.** The rights and remedies provided in this Agreement may be exercised by HCDA independently or concurrently and are not exclusive of any other right or remedy provided at law or in equity. In the event that HLP is in default, and HCDA does not require HLP to immediately remit payment in full as described above, this shall not constitute a waiver of HCDA's right to require HLP to immediately remit payment to HCDA.

7. **Sale, Transfer, or Assignment of the Project.** In the event HLP sells, transfers, or assigns the Project to a new entity, the new entity and HCDA may renegotiate the terms and conditions of this Agreement.

8. **Headings/Captions.** The headings and captions of paragraphs or other parts hereof are for convenience of reference only and are not to be used to construe, interpret,

define, or limit the paragraphs to which the respective headings and captions may pertain.

9. **Representation on Authority of Parties/Signatories.** The person signing this Agreement represents and warrants that he is duly authorized and has the legal capacity to execute and deliver this agreement, that the performance of such party's obligations hereunder have been duly authorized, and that the Agreement is a valid and legal agreement binding on such party and enforceable in accordance with its terms.
10. **Counterparts.** This Agreement may be executed in several duplicate counterparts and such counterparts, which, when executed, shall constitute a single agreement.
11. **Entire Agreement.** This Agreement and the exhibit constitute the entire Agreement and understanding between the Parties and shall supersede any and all prior communications, representations, or agreements, both verbal and written, between the Parties and cannot be modified except by a written instrument signed by both Parties.
12. **Severability.** In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto.
13. **Governing Law.** This Agreement and the rights and obligations hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Hawaii.

*[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.  
SIGNATURES FOLLOW ON THE NEXT PAGE]*

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date first written above.

**APPROVED AS TO FORM:**



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Deputy Attorney General  
State of Hawaii

**HAWAII COMMUNITY DEVELOPMENT AUTHORITY**  
A body corporate and public instrumentality of the State of Hawaii

**“Lender”**



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Craig Nakamoto  
Its Executive Director

**HONUAKAHA LIMITED PARTNERSHIP, LLP**  
By its General Partner,  
Hawaii Community Development Authority

**“Borrower”**



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Craig Nakamoto  
Its Executive Director