New Legislation May Affect Your Business

The following legislation emerging from the 2007 Hawaii State Legislature may have an impact on your real estate practice. For the full text of the specified acts, which may be found at www.capitol.hawaii.gov, click on Bill Status and Documents.

Act 166 SLH 2007 SB600 HD2 CD1 (CCR 178) – Relating to Leasehold Conversion

Provides an income tax deduction of 100% of the income derived by a fee simple owner from the sale of a leased fee interest in units within a condominium project, cooperative project, or planned unit development to the association of apartment owners or the residential cooperative corporation of the leasehold units. This will commence after December 31, 2007 and is set to be repealed January 1, 2013.

Act 82 SLH 2007 SB 795 SD2 HD1 CD1 (CCR 46) – Relating to Building Codes

Establishes the State building code and design standards law. Establishes a state building code council within the Department of Accounting and General Services who shall adopt a state building code applicable to all construction in the state. Counties are authorized to amend the code. The uniform set of statewide building codes is applicable to one and two family dwellings, all other residential uses, and commercial and industrial buildings, and state buildings.

Act 21 SLH 2007 SB 923 – Relating to Condominiums – Assessments and Liens

Assists condominium associations in collecting delinquent maintenance fees by making permanent the law allowing condominium associations to assess delinquent maintenance fees against a person who, in a foreclosure proceeding, purchases an apartment to which the fees are attached. (Amends Act 164, session laws of 2004, as amended by Act 93, session laws of 2005, as amended by Act 273, session laws of 2006, relating to condominium association fiscal matters; lien for assessments by repealing the sunset date.)

Act 18 SLH 2007 SB 1006 SD1 (SSCR 863) – Relating to Mortgage Brokers and Solicitors

Amends provisions relating to exemptions from mortgage brokers and solicitors law. Adds exemption for operating subsidiaries of a bank and savings associations.

Existing exemptions related to real estate licensees include Section 454-2(4), “A person licensed as a real estate broker or salesperson in the State, not actively engaged in the business of negotiating loans secured by real property, when the person renders services in the course of the person’s practice as a real estate broker or salesperson: . . . “and Section 454-2(7), “A person licensed under chapter 467 as a real estate broker or salesperson selling time share interests on behalf of a time share plan developer that is licensed as a mortgage broker under this chapter; provided that: (A) The acts or conduct of a developer’s authorized representative shall be deemed to be the acts or conduct of the developer for the purpose of section 454-4; and (B) If the person engages in acts or conduct prohibited under section 454-4(a), the acts or conduct shall constitute grounds for disciplinary action under section 467-14.”

Act 22 SLH 2007 SB 1697 SD1 (SCR688) Relating to the Definition of “Contractor” under the Contractor Repair Act

Amends provisions relating to definitions, contractor repair act, Act 119, Session Laws of Hawaii 2004, in chapter 672E, Hawaii Revised Statutes. The original intent of the Contractor Repair Act was not to include real estate brokers and salespersons engaged in the business of “selling a dwelling” in the definition of “contractor.” The intent of the Contractor Repair Act was to include “owner-builders” as described in Chapter 444, HRS, who design, manufacture, supply products for, develop or construct, and then sell or lease a dwelling (including “owner-builders” who sell or lease to their employees) in the definition of “contractor.”

Act 243 SLH 2007 SB 920 SD1 HD1 Relating to Condominiums

Amends provisions relating to association records; records to be maintained. Prohibits managing agents, resident managers, and associations boards to use or distribute member lists without prior written consent of the board. Makes membership lists the property of the association; and prevents the managing agent, resident manager, or board from using the information contained in the list to create separate lists for the purposes of evading the provision of the statute.

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New Legislation May Affect Your Business

Act 241 SLH 2007 SB 921 SD1 HD1 Relating to Condominium Association Records
Limits the fee charged to a member to obtain copies of association records to not exceed one dollar per page, except the fee for pages exceeding 8½ inches by 14 inches may exceed one dollar per page.

Act 242 SLH 2007 SB 1654 SD1 HD1 Relating to Condominium Management Dispute Resolution
Re-establishes requirements for condominium management dispute resolution in 514A, Hawaii Revised Statutes.

Act 244 SLH 2007 SB 1704 SD1 HD1 CD1 Relating to Condominiums
Makes technical and conforming amendments that relate to the original condominium law (Chapter 514A, HRS), specifically to re-enact parts I, V, and VII of this chapter retroactive to July 1, 2006, that were repealed by section 26 of Act 154, Session Laws of Hawaii 2004.

Act 249 SLH 2007 HB487 HD1 SD1 CD1 Relating to Housing Programs
Makes technical amendments to a variety of state laws to implement the recommendations of the Legislative Reference Bureau to report to the legislature pursuant to section 14 of Act 180, Session Laws of Hawaii 2006 concerning references that should be substituted in place of references to the Housing and Community Development Corporation of Hawaii that was repealed. This specifically applies to Chapter 467, Real Estate Brokers and Salespersons, Section 467-2 where one of the exceptions to real estate licensing applies to a homeless facility or any other program for the homeless authorized under part VII of chapter 356D.

RESOLUTIONS ADOPTED
HR 228 SLH 2007 HCR 287
Requesting the Department of Commerce and Consumer Affairs to report on its experience with and to evaluate the current system for condominium dispute resolution.

SCR 160 SD1 SLH 2007
Requesting a sunrise review of the regulation of entities governed by Chapter 514A or 514B, HRS, and the enforcement of policies relating to condominiums in the state through a creation of a condominium commission.

Larry Reifurth Appointed to Head DCCA

Larry Reifurth, former Deputy Director, Department of Commerce and Consumer Affairs (DCCA), is the new Director of DCCA effective May 1, 2007.

He served as Deputy Director since January 2003. With Mark Recktenwald’s appointment to the Intermediate Court of Appeals, Reifurth was appointed by Governor Lingle and confirmed by the Senate to serve as Director of the department.

As Director, he manages the 375-person department responsible for administrative hearings, business registration, consumer advocacy, consumer protection, professional and vocational licensing, regulated industries complaints, and regulation of the cable television, financial services, insurance and securities industries.

As Deputy Director, he was specifically responsible for overseeing the department’s fiscal, budget, personnel and administrative services functions, and was primarily responsible for coordinating and implementing the department’s legislative efforts.

Prior to his appointment as deputy director, Reifurth practiced law for approximately eight years with the law firm of Oshima Chun Fong & Chung.

Reifurth also served as Hawaii State Insurance Commissioner within the DCCA in 1994, and was a deputy attorney general from 1989-1994. From 1989-1992, Reifurth represented the DCCA’s Division of Consumer Advocacy before the Hawaii Public Utilities Commission and various other regulatory bodies.

Reifurth moved to Hawaii from California, where he had worked as a lawyer from 1983-1989. He received his Juris Doctor degree from Northwestern University School of Law in 1983, and his B.S. degree from Marquette University in 1979.

State of Hawaii Real Estate Commission
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This material can be made available to individuals with special needs. Please call the Senior Real Estate Specialist at 586-2643 to submit your request.
The Chair’s Message

What is the Real Estate Commission doing? Is the Commission only concerned about laws to protect the consumer? How is the Commission working to improve the real estate industry? These are questions commonly asked as business models change and globalization is the order of the day . . . and night. The Commission has many responsibilities including administering the real estate licensing laws and rules, which may or may not be relevant to the changing times, reviewing license applications and questioning those applicants with background issues, implementing new laws and rules, evaluating and measuring new business models and their intent against the Hawaii Revised Statutes and the Hawaii Administrative Rules, while maintaining an education platform that is current for continuing education, new licensees, new brokers, condo associations, and condo owners, and keeping an open door policy for consumers with questions and concerns.

On top of all this, the Commission must be cognizant of trends and changes in the industry, such as discount brokerages, limited service brokerages, fractional deeding, designated agency, technology changes in fingerprinting and background checks for new licensees, on-line licensee management for education, complaints, renewals, and developing trends that may impact the consumer such as predatory lending, reverse mortgages, and website advertising. The Commission and its three standing committees each have its challenges to accomplish its duties and responsibilities to the consumer.

The Laws and Rules Review Committee, chaired by second-term Kauai Commissioner Louis Abrams, created the Consumer Broker Relationships Ad Hoc Committee (CBRAHC). This committee is made up of volunteers from the real estate industry and the Hawaii Bar Association. CBRAHC has undertaken the challenge of bringing current the meaning, definition, and practice of “agency” as used by different business models, and the expected service for each type of agency. For example, a principal broker may designate one agent in his company to solely represent the buyer and designate another agent to solely represent the seller, while the PB and his brokerage is the dual agent for the transaction. What services can the buyer or seller expect from their agent? Some changes may require legislative action, which can only be achieved through individual brokers and salespeople lobbying for these changes at the Legislature.

Trudy Nishihara

Laws and Rules Review Committee Vice Chair Michelle Loudermilk researched the possibility of fingerprinting and background checks for new licensees. The Commission, in the last several years, has seen an increase of applicants with background issues who are seeking to enter the real estate industry. Across the country, license agreements are being structured to make it easier for a licensee to have another state’s license by removing certain educational requirements. Recently, here in Hawaii, an applicant with real estate licenses in nine states requested an educational waiver for the prelicense course. As this trend builds, fingerprinting and FBI background checks will become a necessity to protect the consumer and our standards in the profession.

Carol Ball, Maui Commissioner and Chair of the Education Review Committee (ERC), with the assistance of Vice Chair Annette Aiona, Big Island Commissioner, heads the ERC’s Education Evaluation Task Force (EETF). The EETF receives direction from the ERC and has been given the responsibility of formulating the Commission’s mandatory core course, reviewing and successfully revising the broker’s and salesperson’s curricula for pre-license education, and reviewing prelicense school and instructor evaluations. Hawaii falls short in continuing education, as we sit in the bottom 10% in the nation for CE requirements.

Education is the impetus that drives standards to change and brings awareness to these changes. The EETF is realizing that 10 hours of CE every two years is not enough, especially when the role of agency is not understood by most of our licensees, as was discovered by a survey conducted by the Hawaii Association of Realtors in 2006. The role of agency is being tested daily on the Internet. A seller’s property is displayed on the web and a buyer browsing the web discovers this property and emails the seller’s agent that he is interested in purchasing the property. Who represents the buyer? When does the seller’s agent discuss agency? The topic of agency can be a four-hour course by itself.

Starting this year, the mandatory four-hour core course will be split into two parts, Part A and Part B. Each part will consist of two hours including, in 2007, the topic of agency, and a legislative update of the 2007 legislative session, and in 2008, the two hours will include the topic of disclosure, and a legislative update of the 2008 legislative session. This is a new format, never tried before. Will two hours be adequate to cover the topics of choice? Should testing be included to ensure learning? Any increase to Hawaii’s CE requirements will mean legislative action. This also means that legislative changes will only occur if the Hawaii real estate community supports the change and takes the time to talk to his or her legislative representatives. Nationally, there is trend to increase CE hours demanded by changes in business models, how consumers buy real estate, and the rise of the

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global market (out of state buyers and sellers).

The Condominium Review Committee, chaired by William Chee and Vice Chair Mark Suiso, is busy implementing the additional changes to the new condo law, Chapter 514B, Hawaii Revised Statutes, and working out the kinks that come with anything new. Educating licensees who deal with condominium sales and management, as well as the condo associations and condominium owners, is a major task. New condo living brochures are being produced to help owners and the potential buyer in understanding the experience of condo buying as well as ownership, and interpreting the voluminous information associated with condo purchases. Twenty-five percent of Hawaii’s home-owners live in condos. Understanding this, a new Condominium Education Task Force was formed this year to address the educational needs of condo associations and owners.

Change is part of progress and as our real estate industry evolves, the Commission is tasked with trying to preserve what is working and balancing what is working well with what is new and innovative. In addition to the above Commissioners who serve as the chairs and vice-chairs of the Commission’s standing committees, Commission Vice Chair, Stan Kuriyama, broker, Oahu, and member Frances Gendrano, Oahu, who recently became a broker, participate in all committee meetings. The Commissioners each, voluntarily, dedicate many hours to maintain the standards of the profession while protecting the consumer. It is a hard-working group of people, and entails more work and time than most people realize.

The Commission encourages written suggestions and comments. Please forward your thoughts and concerns to the Real Estate Commission at hirec@dcca.hawaii.gov.

Trudy Nishihara is the principal broker of Hawaii Home Bids.com, and owner of Realty Group. She is serving her second term as a Commissioner, Oahu, and is the current Chair of the Real Estate Commission.

Oahu County Surcharge on Real Property

Submitted by the State Department of Taxation

The Oahu County Surcharge tax is a tax recently added to the General Excise tax to pay for the Oahu Mass Transit System. The tax rate is one-half percent (0.5%) and has been effective as of January 1, 2007.

This tax will affect many business activities including real estate licensees and their earned commissions. According to Hawaii Administrative Rules (HAR) §18-237-8.6-04, “In the case of commissions earned from real estate sales or from financing transactions secured by real estate, commission income received by a taxpayer shall be allocated to the taxation district in which the real property is located.” Therefore, you are responsible to pay the County Surcharge tax on all commissions in which the property is located on Oahu.

The County Surcharge tax is included and paid on the same form as the General Excise tax. The G-45 (Periodic General Excise/Use Tax Return) and G-49 (Annual Return and Reconciliation) have two new sections, Part IV, City and County of Honolulu Surcharge and Part V, Schedule of Assignment of Taxes By District. If you have earned commissions on properties located on more than one island, you will need to separate your income by taxation district so the amounts can be properly reported. Form G-75 (Assignment of General Excise/Use Tax By District Worksheet) may be used as a supplement to calculate your commissions and tax by district.

When filing your General Excise tax return, remember to complete the following:

- Both pages 1 and 2
- Part IV if you had commissions from property located on Oahu
- Part V (all taxpayers must complete Part V)
- Report total taxes, not total taxable income, in Part V
- Sign the return

For your convenience, General Excise tax return filings and payments may be submitted via Internet. Register by logging onto www.ehawaiigov.org/efile. There is no cost to register or file. A $2.50 service fee is assessed when making payments and an additional charge when using a credit card.

For more information on the County Surcharge tax and a video to help you properly complete the General Excise tax forms, go to the Department’s website at www.hawaii.gov/tax/surcharge. You may also visit any district office or call Taxpayer Services Branch at 587-4242 (toll free 1-800-222-3229), Monday through Friday from 7:45 a.m. to 4:30 p.m. except State holidays.
Two Wahines on the Beach, LLC and Susan B. Osborne—REC 2006-115-L

RICO alleged that Respondents were the property managers for a Kailua, Oahu, property whose owners received a City and County of Honolulu notice of violation of an ordinance (Transient vacation use on residential zoned property without a nonconforming use certificate). On February 13, 2006, the City and County imposed a $1,000 fine and ordered the owners to correct the violation by March 15, 2006. Respondents were informed of the notice of violation and notice of order by RICO on June 19, 2006. However, Respondents continued to manage and advertise the property for transient vacation use on residential zoned property without a nonconforming use certificate. The allegations, if proven, would constitute violation of the following statutes: HRS §467-14(8)(violation of the chapter, applicable licensing laws, or any rule or order of the licensing authority), HRS §467-14(17) (violating the chapter, applicable licensing laws, or any rule or order of the licensing authority), HRS §467-14(1)(violating any misrepresentation concerning any real estate transaction), HRS §467-14(13) (violating the chapter), HRS §467-14(18) (failing to ascertain and disclose all material facts concerning every property for which the licensee accepts the agency, so that the licensee may fulfill the licensee’s obligation to avoid error, misrepresentation, or concealment of material facts), HAR §16-99-3(b) (licensure shall protect the public against misrepresentation, HAR §16-99-5(a)(1) and (i) (licensure subject to discipline for failure to submit address notifications to the Commission within ten days of the change).

Respondents entered into a Settlement Agreement after Filing of Petition for Disciplinary Action. Respondent Anderson denied he violated any law or rule but entered into the Settlement Agreement to avoid the expense of proceeding with an administrative hearing. Under terms of the Settlement Agreement, Respondent Anderson agreed to the revocation of his broker’s license for five years. If he desires to become licensed again, he must apply for a new license as a real estate salesperson.

The Commission accepted the Settlement Agreement on April 20, 2007.

Harold Meltzer dba Real Estate Consultants of Kona, Principal Broker, and Burt Anderson—REC 2004-51-L

On September 25, 2006, RICO filed a Petition for Disciplinary Action against Respondent Anderson. RICO alleged that Respondent Anderson worked as a real estate salesperson for Respondent Harold Meltzer dba Real Estate Consultants of Kona. His salesperson’s license was upgraded to a broker’s license on August 5, 2004. On October 10, 2003, Respondent Anderson met with the owner of an ocean-front property at Miloli Beach Lots Subdivision, South Kona, to prepare a listing for the sale of the property. During the visit, Respondent Anderson became suspicious that the house was larger than represented on the tax map key sheet. He left a Real Property Disclosure Statement with the owner to fill out and return to him. On October 15, Respondent advertised the property for sale via the Multiple Listing Service. Part of the information on the MLS said, “Owner claims entire house is permitted.” It also said there was a Real Property Disclosure Statement for the property. However, the entire house was not permitted, and there was no Real Property Disclosure Statement on file. On October 19, 2003, and in reliance on the MLS information he saw via the Internet, an out-of-state consumer made an offer to purchase the property, sight unseen. On October 21, 2003, the property was under contract for sale between the seller and the out-of-state consumer. Soon thereafter, the out-of-state consumer retained a surveyor and a real estate consultant to conduct due diligence, including investigating the status of permits for the property. On October 27, 2003, Respondent Anderson amended the MLS information by adding, “NOTE: House does not have final permit and may encroach on present-day setback requirement.” On October 29, 2003, Respondent Anderson amended the MLS information again to reflect that no Real Property Disclosure form existed. Sometime thereafter, the sale of the property fell through. Respondent also misplaced, or failed to keep track of, the original, executed Deposit Receipt Offer and Acceptance form for the transaction. Respondent also failed to timely inform the Commission of address changes. RICO asserted that its allegations, if proven at an administrative hearing, would constitute violations of at least the following statutes: HRS §436B-19(2) (making untruthful or improbable statements), HRS §436B-19(17) (violating the chapter, applicable licensing laws, or any rule or order of the licensing authority), HRS §467-14(1)(making any misrepresentation concerning any real estate transaction), HRS §467-14(13) (violating the chapter), HRS §467-14(18) (failing to ascertain and disclose all material facts concerning every property for which the licensee accepts the agency, so that the licensee may fulfill the licensee’s obligation to avoid error, misrepresentation, or concealment of material facts), HAR §16-99-3(b) (licensure shall protect the public against misrepresentation, HAR §16-99-5(a)(1) and (i) (licensure subject to discipline for failure to submit address notifications to the Commission within ten days of the change).

Respondents entered into a Settlement Agreement after Filing of Petition for Disciplinary Action. Respondent Anderson denied he violated any law or rule but entered into the Settlement Agreement to avoid the expense of proceeding with an administrative hearing. Under terms of the Settlement Agreement, Respondent Anderson agreed to the revocation of his broker’s license for five years. If he desires to become licensed again, he must apply for a new license as a real estate salesperson.

The Commission accepted the Settlement Agreement on April 20, 2007.

Thomas E. Caprio—REC 2005-59-L

RICO filed a petition for disciplinary action against Respondent’s broker’s license on September 29, 2005. A hearing was held on June 30, 2006, and the Hearings Officer filed findings of fact. On December 15, 2006, the Commission accepted the findings of fact but modified the Hearings Officer’s recommendation for a $5,000 fine and instead ordered a $15,000 fine. On January 29, 2007, RICO filed a Petitioner’s Motion for Reconsideration of the Commission’s Final Order. On May 25, 2007, the Commission, after much deliberation, required Respondent to pay a $5,000 fine.

Ty Edward Harding—REC 2005-163-L

RICO filed a Petition for Disciplinary Action against Respondent on March 2, 2006, alleging that he violated HRS §§436B-19(5), (8), 467-14(3), (8), (20), and 467-20. Under terms of a First Amended Settlement Agreement after Filing of Petition for Disciplinary Action, Respondent stated his failure to disclose his prior misdemeanor convictions on his application for his real estate license was based on incorrect information provided to him regarding what the Commission required to be disclosed. He further stated that his failure to disclose was in no way intended to deceive the Commission. Under terms of the Settlement, Respondent agreed to suspension of his real estate salesperson’s license. Respondent is to submit an application for license to the Commission for consideration. This application shall contain full disclosure of Respondent’s criminal history, with the Commission to either reinstate Respondent’s license or impose an appropriate sanction for his unintentional failure to disclose his past misdemeanor convictions.

The Commission accepted the Settlement Agreement on May 25, 2007.

Stephanie K. Coblé—REC 2006-223-L

Respondent is licensed as a real estate broker. Prior to the issuance of the broker’s license, Respondent was licensed as a real estate salesperson. At some time during 2006 while Respondent was licensed as a salesperson, the State of Hawaii Department of Taxation informed
RICO alleged that in 2006 the Respondents renewed their licenses electronically and responded “no” to the question, “in the past 2 years has your license...been formally disciplined by way of a fine, suspension, restriction, or revocation?” However, licensing records reflect that by an April 29, 2005 Settlement Agreement Prior to Filing of Petition for Disciplinary Action, Respondents were fined $500. This information was not disclosed by Respondents’ response to the question cited here. RICO asserted that if proved at an administrative hearing, RICO’s allegations would constitute a violation of the following statutes: HRS §436B-19(5) (procuring a license through misrepresentation), (17) (violating the chapter), HRS §467-14(20) (failure to maintain a reputation of financial integrity) and (13) (violating the chapter). Respondents asserted that their mistake was inadvertent and without intent to defraud or deceive. Respondents entered into the Settlement Agreement before Filing of Petition for Disciplinary Action as a voluntary compromise of the matter and to conserve on the expense of an administrative hearing. Respondents agreed to pay a $1,000 administrative fine.

The Commission accepted the Settlement Agreement on May 25, 2007.

Ron Nakatsu Realty, Inc., and Ronald I. Nakatsu, Real Estate Brokers—REC 2007-64-L

RICO alleged that in 2006 the Respondents renewed their licenses electronically and responded “no” to the question, “in the past 2 years has your license...been formally disciplined by way of a fine, suspension, restriction, or revocation?” However, licensing records reflect that by an April 29, 2005 Settlement Agreement Prior to Filing of Petition for Disciplinary Action, Respondents were fined $500. This information was not disclosed by Respondents’ response to the question cited here. RICO asserted that if proved at an administrative hearing, RICO’s allegations would constitute a violation of the following statutes: HRS §436B-19(5) (procuring a license through misrepresentation), (17) (violating the chapter), HRS §467-14(20) (failure to maintain a reputation of financial integrity) and (13) (violating the chapter). Respondents asserted that their mistake was inadvertent and without intent to defraud or deceive. Respondents entered into the Settlement Agreement before Filing of Petition for Disciplinary Action as a voluntary compromise of the matter and to conserve on the expense of an administrative hearing. Respondents agreed to pay a $1,000 administrative fine.

The Commission accepted the Settlement Agreement on May 25, 2007.

All Islands, Inc., dba Century 21 All Islands, F. Lee Morey and Ken Kubiak, Real Estate Brokers—REC 2006-89-L

RICO alleged that in 2004, Respondent F. Lee Morey represented a buyer in a transaction involving the sale of a home in Kauai County. The transaction involved the execution of a leaseback rental agreement between the buyer and the seller. The agreement allowed the seller to rent the house back from the buyer for about three months after the sale closed. The rental agreement read, “Since there is no security deposit for the three month rent back the Seller’s agent agrees to be responsible for making sure the house is properly cleaned upon Seller’s departure and no harm has come to the property.” The Seller is believed to have crossed out the words “and no harm has come to the property” before initialling and signing the rental agreement. The change was not acknowledged thereafter in any writing. The buyer asserts she was unaware of the seller’s modification of the rental agreement until about six months later, when the seller’s agent produced the modified version in mediation over the condition in which the home was left when the seller vacated it. The buyer asserted she was surprised to see the modified rental agreement and that she never saw, reviewed, or approved the modified version at closing or at any other time. RICO asserted that part of the stress and harm complained of by the buyer could have been prevented if, assuming the buyer was aware of and acknowledged the modification, the Respondent obtained the buyer’s acknowledgment in writing. This would have made the contractual obligations very clear. RICO further asserted that its allegations as set forth in the Settlement Agreement, if proven at an administrative hearing before the Commission, would constitute a violation of at least the following statutes: HAR §16-99-3(f) (the licensee, for the protection of all parties with whom the licensee deals, shall see that financial obligations and commitments regarding real estate transactions...are in writing, express the exact agreements of the parties, and set forth essential terms and conditions), and HRS §467-14(13) (violating the chapter). Respondent asserted that she verbally informed the buyer of the modified rental agreement and that the buyer acknowledged the information prior to the closing date. Respondent further asserted that, because of her health at that time and the rapidly approaching closing date, there was no opportunity to have the buyer acknowledge the modification in writing before the transaction closed. Respondent did not admit to violating any law or rule but entered in the Settlement Agreement as a voluntary compromise of the matter and in order to conserve on the expense of an administrative hearing. Respondents agreed to pay a $1,000 fine.

The Commission accepted the Settlement Agreement on May 25, 2007.

David J. Hibbitt—REC 2006-72-L

Respondent is a licensed real estate salesperson. RICO alleged that on March 2, 2006, he was convicted of one count of promoting a detrimental drug and that his sentence included probation, a fine, and community service. RICO asserted that its allegations, if proven, could constitute a violation of the following statute governing the conduct of real estate salespersons: HRS §436B-19(12) (failure to comply with any law in a matter that the licensing authority deems the applicant or holder to be an unfit person to hold a license). Respondent did not admit that he has violated any law or rule but enters into a First Amended Settlement Agreement Prior to Filing of Petition for Disciplinary Action as a compromise of the claims and to conserve on the expenses of proceeding with an administrative hearing. Under terms of the agreement, Respondent agreed to suspension of his license for one year; however, such suspension is stayed for one year. The stay on the suspension shall be lifted and Respondent’s license suspended if he is convicted of a crime which bears a significant relation to his fitness as a real estate licensee and/or engages in any violation of HRS Chapter 467 and/or HAR Chapter 16-99 or a violation of the terms of his probation. If his license is suspended, he must apply to the Commission for reinstatement. Respondent agreed to pay a $1,000 fine.

The Commission accepted the Settlement Agreement on May 25, 2007.

Burton T. Shimoda dba Burt Shimoda Realty, LLC, a Real Estate Broker—REC 2006-346-L

RICO alleges that on August 10, 2006, Respondent was found guilty of driving under the influence. He reported the judgment in writing to the Commission by letter dated October 2, 2006, and apologized for not reporting the judgment within 30 days. Respondent paid all fines mandated by the judgment, completed the substance abuse assessment, and was not ordered to undergo further treatment. RICO asserted that its allegations, if proven at an administrative hearing, would constitute a violation of the following statutes governing the conduct of real estate licensees: HRS §436B-19(12) (failure to adhere
to any law in a manner such that the licensing authority deems the holder to be unfit to hold a license), (14) (criminal conviction of a penal crime directly related to the functions of the licensed profession), and (17) (violating the chapter).

Respondent admitted to the veracity of RICO’s allegations but asserted that the incident was isolated and he has no prior arrests or convictions. Respondent agreed to dispose of the case in accordance with the terms and conditions of this Settlement Agreement Prior to Filing of Petition for Disciplinary Action. Respondent agreed to pay an administrative fine of $3,500.

The Commission accepted the Settlement Agreement on May 25, 2007.

Seaside Properties, LLC, a Real Estate Broker, Wilfred H.F. Lau, its Principal Broker, and Michele Eheler-Chen, a Real Estate Salesperson—REC 2007-24-L

RICO alleged that Respondent Eheler-Chen’s salesperson’s license expired on December 31, 2004 and was in forfeit/delinquent status from January 1, 2005 through December 27, 2006. RICO further alleged that Respondent Eheler-Chen participated in a single real estate transaction in September 2005 while her license was forfeited/delinquent.

RICO asserts that if these allegations were proven at an administrative hearing, they would constitute violations of the following statutes governing the conduct of real estate licensees: HRS §435B-19(1) (failure to maintain the conditions and requirements necessary to qualify for the granting of a license), HRS §467-1.6(b)(7) (principal broker shall be responsible for ensuring that the licenses of all associated real estate licensees and the brokerage firm are current and active), §467-7 (no person shall act as a real estate broker or salesperson without a license), and §467-14(13) (violating the chapter). Respondents contended that Respondent Eheler-Chen relied upon representations made to her that the license would expire in December of 2006, at which time she would need to complete 10 hours of continuing education.

Upon learning of the forfeit/delinquent status of her license, she followed all the instructions for restoring the license to active status. She also completed five credit hours of instruction and paid all late fees. Respondents did not admit to violating any law or rules but entered into a Settlement Agreement Prior to Filing of Petition for Disciplinary Action as a voluntary compromise of the matter and to conserve on the expense of proceeding with an administrative hearing. Respondents agreed to pay a $2,000 fine, with $1,000 to be assessed jointly and severally against brokers Seaside and Lau and $1,000 to be assessed against salesperson Eheler-Chen.

The Commission accepted the Settlement Agreement on May 25, 2007.

Robert A. Melnikoff, a Real Estate Salesperson—REC 2006-174-L

RICO alleges that on June 10, 2005, Respondent entered into a real estate sales contract, in his personal capacity, as the seller of property owned by him in Kauai County. The property consisted of a single family residence and a barn. Respondent was renting out both property owned by him in Kauai County. The property consisted of a real estate sales contract, in his personal capacity, as the seller of 174-L


RICO asserted that by entering into the sales contract for the property consisting of multiple rental units, and which was in the process of being converted to a CPR, Respondent violated HRS §514A-62(a), which forbids a developer from entering into a sales contract for an apartment in a condominium project before the effective date for the contingent final public report or a final public report that has been issued by the Commission.

Immediately after learning about HRS §514A-62(a), Respondent took corrective action by cancelling escrow for the transaction and advised the buyers that they would be first on a reservation list to purchase the property once the CPR process ended.

RICO asserted that if its allegations were proven at an administrative hearing, they would constitute a violation of the following statutes governing the conduct of real estate licensees: HRS §436B-19(12) (failure to comply, observe, or adhere to any law in a manner such that the licensing authority deems the applicant or holder to be an unfit or improper person to hold a license), §467-14(2) (making a false promise likely to mislead another), and §467-14(13) (violating the licensing laws/chapter). Respondent admitted to violating HRS §514A but denied violating other laws or rules.

Respondent entered into this Settlement Agreement Prior to Filing of Petition for Disciplinary Action as a compromise of this matter and in order to conserve on the expense of proceeding with an administrative hearing. Respondent agreed to pay a $1,500 fine.

The Commission accepted the Settlement Agreement on May 25, 2007.

REMAX Kauai.Com LLC, and James G. Pycha, Real Estate Brokers—REC 2007-58-L

RICO alleged that in late 2006 the Respondents electronically renewed their licenses through December 31, 2008. However, Respondents responded “no” to the question, “In the past 2 years has your license in this state or any other jurisdiction been formally disciplined by way of a fine, suspension, restriction, or revocation?”

RICO asserts that records reflect that by a March 24, 2006 Settlement Agreement Prior to Filing of Petition for Disciplinary Action in case REC 2005-106-L, Respondents were fined $1,000. This information was not disclosed by Respondents in response to the question cited above.

RICO asserted that its allegations, if proven at an administrative hearing, would constitute a violation of the following statutes governing the conduct of real estate licensees: HRS §436B-19(5) (procuring a license through misrepresentation), §436B-19(17) (violating the chapter, licensing laws or rules), §467-14(20) (failure to maintain a reputation of or record for honesty), and §467-14(13) (violating the chapter).

Respondents asserted that they mistakenly overlooked the word “fine” in the question asked and that the error occurred during a busy time when they were also assisting numerous other agents with the license renewal process. Respondents entered into this Settlement Agreement Prior to Filing Petition for Disciplinary Action as a voluntary compromise of this matter and in order to conserve on the expense of proceeding with an administrative hearing. Respondents agreed to pay a $1,000 administrative fine.

The Commission accepted the Settlement Agreement on May 25, 2007.

Ralph Gray, a Real Estate Salesperson—REC 2007-62-L

RICO alleged that in late 2006 Respondent electronically renewed his license through December 31, 2008. However, Respondent responded “no” to the question, “In the past 2 years has your license in this state or any other jurisdiction been formally disciplined by way of a fine, suspension, restriction, or revocation?”

RICO asserted that by
neglected to disclose the three judgments to the Commission within Respondent. Credible evidence also established that Respondent the plaintiffs in both actions initiated collection proceedings against Respondent. Both judgments were eventually satisfied, but only after sums of $3,578.69 and $1,098.08, respectively, were entered against Respondent. According to credible
between 2003 and 2006. On November 19, 2003, a judgment in the against Respondent. Three civil judgments were entered against him.
the required 30 days.

RICO charged Respondent with violating the following provisions of the Hawaii Revised Statutes: §467-14 (the Commission may suspend or revoke any license or fine any person holding a license for any cause authorized by law, including the following: (7) (failing to account for any moneys belonging to others which may be in the possession or under the control of the licensee), (8) (any other conduct constituting fraudulent or dishonest dealings, (20) (failure to maintain a reputation for competency, honesty, truthfulness, financial integrity, and fair dealing), §467-14 (each licensee shall provide written notice within 30 days to the licensing authority of any judgment, award, disciplinary sanction, order, or other determination which finds that the licensee is civilly, criminally, or otherwise liable for any personal injury, property damage, or loss caused by the licensee’s conduct in the practice of his profession or vocation).

RICO also charged Respondent with violation of HRS §467-14(8), asserting that by the conclusion of the hearing it was clear that Respondent had attempted to mislead the Hearings Officer by producing a copy of a check (Check No. 5025) dated December 18, 2003, and drawn on an account maintained at the American Savings Bank as proof that he had satisfied a third judgment. The copy, however, did not include any indication that the check had been received and/or negotiated by the payee.

Moreover, according to the bank’s records, the prior check, Check No. 5024, was dated March 29, 2004, some three months after the date on Check No. 5025.

It would have been a simple matter for Respondent to prove, through his bank’s records, that the check he allegedly used to satisfy the third judgment was actually received and negotiated by the plaintiff. However, Respondent never obtained or produced such evidence. On the other hand, RICO submitted evidence establishing that the bank was unable to locate Check No. 5025.

On this basis, the Hearings Officer concluded that this conduct rose to the level of dishonesty, in violation of HRS §467-14(8). The Hearings Officer recommended (1) that Respondent’s real estate broker’s license be suspended for six months, (2) that Respondent be ordered to pay a $2,000 fine, and (3) that Respondent be ordered to satisfy the $1,364 judgment within 60 days of the Commission’s Final Order. If Respondent should fail to satisfy this judgment within 60 days, his real estate broker’s license would be revoked upon RICO’s filing of an affidavit as to Respondent’s non-compliance.

On May 23, 2007, Respondent Lloyd J. Iwasaki submitted a letter that was construed as written exceptions to the recommendation. Upon review the entire record of this proceeding, the Commission on June 29, 2007, adopted the Hearings Officer’s recommended decision as the Commission’s Final Order.

Amended Edition

Lloyd J. Iwasaki, individually and doing business as Kahala Real Estate—REC 2005-207-L

On June 28, 2006, RICO filed a petition for disciplinary action against Respondent. Three civil judgments were entered against him between 2003 and 2006. On November 19, 2003, a judgment in the sum of $1,364.00 was entered against Respondent. According to credible evidence, that judgment remains outstanding.

On December 14, 2005 and March 14, 2006, judgments in the sums of $3,578.69 and $1,098.08, respectively, were entered against Respondent. Both judgments were eventually satisfied, but only after the plaintiffs in both actions initiated collection proceedings against Respondent. Credible evidence also established that Respondent neglected to disclose the three judgments to the Commission within the required 30 days.

RICO charged Respondent with violating the following provisions of the Hawaii Revised Statutes: §467-14 (the Commission may suspend or revoke any license or fine any person holding a license for any cause authorized by law, including the following: (7) (failing to account for any moneys belonging to others which may be in the possession or under the control of the licensee), (8) (any other conduct constituting fraudulent or dishonest dealings, (20) (failure to maintain a reputation for competency, honesty, truthfulness, financial integrity, and fair dealing), §467-14 (each licensee shall provide written notice within 30 days to the licensing authority of any judgment, award, disciplinary sanction, order, or other determination which finds that the licensee is civilly, criminally, or otherwise liable for any personal injury, property damage, or loss caused by the licensee’s conduct in the practice of his profession or vocation).

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Amy Endo Joins REB

Amy Endo is the new Real Estate Specialist with the Real Estate Branch, replacing Lorene Kimura, who left REB to be a “stay-at-home-Mom.” Amy brings with her years of experience in the escrow industry and the mortgage industry.

Amy joined REB on June 18, 2007, and looks forward to her work with licensee applicants, licensees, and the Real Estate Commission. She is a graduate of the University of Hawaii at Manoa, majoring in Asian Studies.
The New Condominium Law, Part II

Chapter 514B, HRS: Building on the Past

(Note: Part I of Chapter 514B, HRS: Building on the Past appeared in the April, 2007 issue of the Bulletin.)

There are some listing and sale challenges that emerge because of the pre-recodification developer’s public report versus the new, recodified developer’s public report.

Developers with existing projects can elect to use the current form or register the project under the new chapter, and if so, the new, recodified law will apply.

Pre-recodified law requires developers through their real estate brokers, to stop sales of the project when there are changes to the project and information in the public report.

The new, recodified law allows developers through their real estate brokers, to continue to sell the project when there are changes subject to certain requirements.

Condominium documents referenced on resales may differ. The pre-recodified condominium project versus the new, recodified condominium project requirements may impact disclosure of material facts. For example, 75% and 65% owner approval is needed to amend declarations and bylaws versus a minimum of 67% required for the new, recodified condominium projects.

The new condominium law impacts the timing of a binding sales contract. The binding contract may be delayed by electing to deliver the developer’s public report separate from the delivery of the purchaser’s 30-day right to cancel notice and the signing of the sales contract. A binding contract may be rescinded by the purchaser upon delivery of a description of a material change on a form prescribed by the Real Estate Commission.

The purchaser may cancel a sales contract up to midnight on the 30th day after the latest date when all of the following are completed:

- The date the sales contract was signed;
- The date the developer delivered to the purchaser the Developer’s Public Report including any amendments, with an effective date issued by the Real Estate Commission on or before the receipt date; and
- The date the developer delivered to the purchaser the Notice of Right to Cancel Sales Contract.

Condominiums Created Before and After July 1, 2006 – Some Differences

Under the old condominium law, Chapter 514A, HRS, condominiums consist of apartments, and a parking stall(s) specifically belongs to the residential apartment (constructed after April 29, 1986). Parking stalls may be transferred between owners.

Under the new condominium law, Chapter 514B, HRS, condominiums consist of units (and can now just be “airspace”). A parking stall may not specifically belong to a specific residential apartment. The new law expands on the ability to transfer limited common elements between owners to more than just parking stalls.

Under the old condominium law, Chapter 514A, HRS, limited common expenses may be separately assessed to the owner. The condo’s declarations and by-laws may be amended by 75% and 65% of the owners, respectively. The house rules generally regulate the use and operation of common elements.

Under the new condominium law, Chapter 514B, HRS, limited common expenses may be assessed to all owners if the extra cost to separately assess owners is not justified. Declarations and by-laws must be amended by a 67% of the owners. House rules may regulate use of and behavior inside units, if the behavior impacts on the declarations, by-laws, other units, and insurance underwriting.

Under the old condominium law, Chapter 514A, HRS, mailboxes are specifically provided for each dwelling unit built or converted after May 18, 1984. The old law also provides for separate metering of utilities in mixed use condominiums.

The new condominium law, Chapter 514B, HRS, is silent on the subject of mailboxes and county requirements would apply. The new law appears to allow all condominiums to meter utilities as provided in the declarations and by-laws.

Under the old condominium law, Chapter 514A, HRS, a change to limited common elements required approval of the board and affected owners. The declarations and by-laws are silent on addressing “Aging in Place” issues and costs for functional assessment of and recommended services for an elderly apartment owner.

The new condominium law, Chapter 514B, HRS, requires board approval for some limited common element changes, i.e. changing open spaces to other uses; minor additions to or alterations of limited common elements. The new law addresses “Aging in Place” issues (62 years old and older); provides for a “Good Samaritan” limit on liability and requires provisions of scope and costs for assessment by declarations and by-laws.

The old condominium law, Chapter 514A, HRS, contains no statutory provisions forcing the placement of insurance and payment of premiums by owners.

The new condominium law, Chapter 514B, HRS, allows the board to require unit owners to obtain certain insurance and charge the owner for the premium of the owner does not obtain insurance. (This action requires board action with a vote or written consent of 51% or more of the owners.)

The old condominium law, Chapter 514A, HRS, does not generally address “high risk components” in the condominium’s declarations or by-laws.

The new condominium law, Chapter 514B, HRS, allows the board to identify “high risk components” inside a unit, i.e. washing machine hoses, water heaters, etc; the board may require the owner to repair, replace these “high risk components.” If the repairs or replacement do not take place, after notice is given, the association may enter unit to perform repairs.

As with any law change, there will be a “break-in” period, or transition, from the old law to the new law. There will be more than likely be legislative amendments and rule-making that will occur. Each condominium association will also go through a period of fine-tuning their internal policies and procedures. Also, the condominium registration process will go through a period of adjustment and fine-tuning.

For the latest developments, please visit the Commission’s website at http://www.hawaii.gov/hirec. You may also contact any Condominium Specialist with questions regarding Chapters 514B and 514A, HRS. You may also email your questions or concerns to hrie@dcca.hawaii.gov.
Scheduled Continuing Education

An updated schedule is available at [http://www.hawaii.gov/hirec](http://www.hawaii.gov/hirec). Courses are subject to change or cancellation; please check directly with the provider to confirm date, time and location.

Courses with a (CORE) are approved 2007-2008 core courses and receive 4 hours credit after completion of Part A and Part B, which are 2 hours each. The core course is currently not available. All other courses are electives and receive 3 hours credit.

If you are taking courses to reactivate an inactive license this year, you must first satisfy the prescribed continuing education hours of one prior renewal period. If you are restoring a real estate license, telephone the Licensing Branch at (808) 586-3000 for specific instructions and information.

### HILO

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### MAUI

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<td>8/7/2007</td>
<td>1:00pm</td>
<td>SURVEYS, TERMITE &amp; HOME INSPECTIONS</td>
<td>ABE LEE SEMINARS</td>
<td>1585 KAPIOLANI #1518</td>
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<td>LEE</td>
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<td>8/22/2007</td>
<td>8:30am</td>
<td>THE CONDOMINIUM DEVELOPMENT PROCESS</td>
<td>ABE LEE SEMINARS</td>
<td>1585 KAPIOLANI #15218</td>
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<td>LEE</td>
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<td>8/23/2007</td>
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<td>CI 102: MARKET ANALYSIS FOR COMMERCIAL REAL ESTATE</td>
<td>HAWAI I CCIM CHAPTER</td>
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<td>8/23/2007</td>
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<td>CI 104: INVESTMENT ANALYSIS FOR COMMERCIAL REAL ESTATE</td>
<td>HAWAI I CCIM CHAPTER</td>
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<td>8/28/2007</td>
<td>9:00am</td>
<td>UNDERSTANDING THE LAND USE ORDINANCE: C&amp;C OF HONOLULU</td>
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<td>9/13/2007</td>
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<td>9/17/2007</td>
<td>8:00am</td>
<td>INTRODUCTION TO COMMERCIAL INVESTMENT REAL ESTATE ANALYSIS</td>
<td>HAWAI I CCIM CHAPTER</td>
<td>UNIVERSITY OF PHOENIX</td>
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<td>9/17/2007</td>
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<td>INTRODUCTION TO COMMERCIAL INVESTMENT REAL ESTATE ANALYSIS</td>
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<td>CI 101: FINANCIAL ANALYSIS FOR COMMERCIAL REAL ESTATE</td>
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<td>9/22/2007</td>
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<td>HOW TO INVEST IN REAL ESTATE</td>
<td>EDDIE FLORES REAL ESTATE</td>
<td>THE UNIVERSITY PLAZA</td>
<td>HONOLULU</td>
<td>ANDAYA</td>
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<td>9/22/2007</td>
<td>4:00pm</td>
<td>RESIDENTIAL &amp; COMM. EVICTION</td>
<td>SEDDIE FLORES REAL ESTATE</td>
<td>THE UNIVERSITY PLAZA</td>
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<td>10/3/2007</td>
<td>9:00am</td>
<td>1031 EXCHANGES &amp; OTHER TAX ISSUES</td>
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<td>11/2/2007</td>
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<td>11/14/2007</td>
<td>9:00am</td>
<td>COMPUTERS, INTERNET &amp; THE LICENSEE</td>
<td>ABE LEE SEMINARS</td>
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<td>HONOLULU</td>
<td>BOLOSAN</td>
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<td>11/17/2007</td>
<td>1:00pm</td>
<td>FEDERAL LAWS THAT AFFECT LICENSEES</td>
<td>EDDIE FLORES REAL ESTATE</td>
<td>THE UNIVERSITY PLAZA</td>
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<td>11/17/2007</td>
<td>4:00pm</td>
<td>HOT REAL ESTATE ISSUES</td>
<td>EDDIE FLORES REAL ESTATE</td>
<td>THE UNIVERSITY PLAZA</td>
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<td>11/19/2007</td>
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<td>12/5/2007</td>
<td>9:00am</td>
<td>HAWAI I LANDS, HISTORICAL REVIEW</td>
<td>HONOLULU BD OF REALTORS</td>
<td>JAPANESE CULTURAL CTR</td>
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<td>NASSER</td>
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**OTHER**

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<tr>
<th>Date</th>
<th>Time</th>
<th>Course</th>
<th>Provider</th>
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<tr>
<td>12/31/2007</td>
<td>9:00am</td>
<td>UNDERSTANDING 1031 TAX FREE EXCHANGES (INTERNET)</td>
<td>REMI SCHOOL OF REAL ESTATE</td>
<td>INTERNET COURSE</td>
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Continuing Education Providers

Abe Lee Seminars 942-4472
Akahi Real Estate Network, LLC 331-2008
America’s Best 360-683-6640
Brian R. Thomas dba Edventures 885-2117
Career Webschool 1-800-532-7649
Character Training Inc. 425-485-9774
Coldwell Banker Pacific Properties 597-5542
Dower School of Real Estate 735-8838
Ecobroker International 1-800-706-4321
Eddie Flores Real Estate 951-9888
ERA School of Real Estate 877-6565
Fleet Realty Inc. 639-4123
Hawaii Association of Realtors 733-7060
Hawaii CCIM Chapter 528-2246
Hawaii Island Board of Realtors, Inc. 935-0827
Hogan School of Real Estate 1-800-794-1390
Honolulu Board of Realtors 732-3000
Kauai Board of Realtors 245-4049
Kona Board of Realtors 329-4874
Lorman Education Services 715-833-3940
Lynn W. Carlson 874-4064
Pacific Real Estate Institute 524-1505
Premier Realty 2000, Inc. 955-7653
ProSchools, Inc. 1-800-452-4879
Real estate Association of Maui Inc. 873-8585
Remi School of Real Estate 263-9500
Russ Goode Seminars 597-1111
Seiler School of Real Estate 874-3100
Servpro Industries, Inc. 615-451-0600
Shari S. Motooka-Higa 537-8520
The Seminar Group 206-463-4400
University of Hawaii at Manoa 956-8244
Vitousek Real Estate Schools, Inc. 946-0505

2007 Real Estate Commission Meeting Schedule

<table>
<thead>
<tr>
<th>Committee</th>
<th>Date</th>
<th>Time</th>
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<tbody>
<tr>
<td>Laws &amp; Rules Review Committee</td>
<td>Wednesday, August 8</td>
<td>9 a.m.</td>
</tr>
<tr>
<td>Education Review Committee</td>
<td>Monday, September 10</td>
<td>9 a.m.</td>
</tr>
<tr>
<td>Condominium Review Committee</td>
<td>Wednesday, October 10</td>
<td>9 a.m.</td>
</tr>
<tr>
<td>Real Estate Commission, 9 a.m.</td>
<td>Friday, August 24</td>
<td>9 a.m.</td>
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<tr>
<td></td>
<td>Friday, September 28</td>
<td>9 a.m.</td>
</tr>
<tr>
<td></td>
<td>Friday, October 26</td>
<td>9 a.m.</td>
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All meetings will be held in the Queen Liliuokalani Conference Room of the King Kalakaua Building, 335 Merchant Street, First Floor. Meeting dates, locations, and times are subject to change without notice. Please visit the Commission’s website at www.hawaii.gov/hirec or call the Real Estate Commission Office at 586-2643 to confirm the dates, times, and locations of the meetings. This material can be made available to individuals with special needs. Please contact the Executive Officer at 586-2643 to submit your request.