

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

August 12, 2016

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

MAUI

Consent to Mortgage and Extension of Lease Term, General
Lease No. S-4531, Kaupo Ranch, Ltd., Lessee, Kaupo, Hana,
Maui, Tax Map Key: (2) 1-7-003: 024 & 027.

APPLICANT AND REQUEST:

Consent to Mortgage from Farm Credit Services of Hawaii,
Mortgagee, to Kaupo Ranch, Ltd., in an amount not to exceed one
hundred thousand dollars (\$100,000); and

For Mortgagor to qualify for this mortgage, Mortgagee requires
extension of General Lease S-4531 to a minimum of 15 additional
years, for a 10 year capital improvement loan, commencing on
September 01, 2016 and expiring on August 31, 2031. Aggregate
term of GL S-4531 is 55 years.

LEGAL REFERENCE:

Sections 171-22 and 36(b), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Kakio, Lole, Pohoula, Alaa
situated at Kaupo, Hana, Maui; identified by Tax Map Key: (2) 1-
7-003: 024 & 027, as shown on the attached map labeled Exhibit A.

AREA:

78.89 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act
DHHL 30% entitlement lands pursuant to the Hawaii State

Constitution: YES _____ NO X

CHARACTER OF USE:

Pasture purposes.

TERM OF LEASE:

Original term of 25 years, commencing on September 1, 1976 and expiring on August 31, 2001;

Granted extension of 15 years commencing on September 1, 2001 and expiring on August 31, 2016;

Requesting extension of 15 years commencing on September 1, 2016 and expiring on August 31, 2031 for a total of 55 years.

ANNUAL RENTAL:

Current rent is \$324, due in quarterly installments of \$81 on September 1, December 1, March 1, and June 1 of each year.

RENTAL REOPENINGS:

Reopenings in the current lease term were on March 25, 2001 and September 01, 2011. The last rental reopening occurred on September 01, 2011.

Reopenings for the extended lease term shall be immediate, September 01, 2016, and again on September 01, 2021.

USE OF LOAN PROCEEDS:

Water System Improvements:	\$25,000
Installation of Stock Proof Fencing:	\$50,000
Boundary Survey and Removal of Encroachments:	<u>\$25,000</u>
Estimated Total:	\$100,000

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u> X </u>	NO _____
Registered business name confirmed:	YES <u> X </u>	NO _____
Applicant in good standing confirmed:	YES <u> X </u>	NO _____

APPLICANT REQUIREMENTS:

Tenant applicant shall demonstrate that mortgage proceeds are used solely for the operations and/or improvements on the subject premises. For instance, tenant applicant shall provide the department with a map, plan and description of proposed water system and fencing improvements as well scope of work for boundary surveys;

Pursuant to condition #40 of GL S-4531, tenant applicant shall submit to the department, an updated Conservation Plan;

Tenant applicant shall install boundary fencing and water system improvements within one-year from the date of an executed mortgage;

Tenant applicant shall remove unauthorized structures within one-year from Board approval. For any structures that remain, tenant applicant shall demonstrate compliance with lease terms and County of Maui building code requirements;

For leased areas within the State conservation district situate along the shoreline, tenant applicant shall comply with all conservation district use permit requirements. If tenant applicant chooses not to use area within the conservation district, then measures shall be taken to identify and prevent unauthorized uses within the conservation district.

REMARKS:

In 1976, the subject lease was sold at public auction to Kaupo Ranch, Ltd. with an annual rent of \$1,650. To date, the leased premises have experienced several rent re-openings. Current per annum rent is \$324. The current lease is set to expire August 31, 2016.

By letter dated June 9, 2016, Mr. Robert Ferreira, Ranch Manager for Kaupo Ranch, Ltd. requested a lease extension for General Lease No. S-4531 (Exhibit B). The tenant plans to obtain and expend funds on the premises by installing water system and fencing improvements (Exhibit D). Furthermore, the tenant is proposing to conduct boundary surveys and to rectify potential unauthorized structural improvements that emerged along the boundary of the leased premises and adjacent private property. The boundary survey shall clarify jurisdiction and responsibility for the structures. If they are confirmed to be on State leased lands, then tenant shall remove all unauthorized improvements. For any structures that the tenant may want to retain, then Kaupo Ranch, Ltd. shall demonstrate compliance with lease terms and

County of Maui building code requirements.

The department is also in receipt of a letter dated June 16, 2016 from the Farm Credit Services of Hawaii to Kaupo Ranch, Ltd. (Exhibit C). The letter stipulates that because the current lease term is set to expire on August 31, 2016, the prospective mortgagee requires that the term of the lease be extended for an additional 15 years in order for the tenant to be eligible for a 10-year capital improvement loan. The proposed lease extension should satisfy mortgagee's requirements.

Finally, for leased areas within the State conservation district situate along the shoreline, Kaupo Ranch, Ltd. shall comply with all conservation district use permit requirements. If tenant chooses not to use area within the conservation district, then measures shall be taken to identify and prevent unauthorized uses within the conservation district.

RECOMMENDATION:

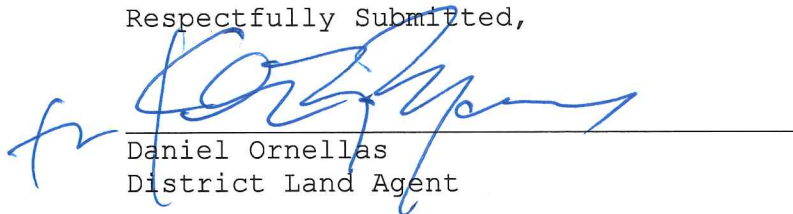
That the Board, subject to the Applicant fulfilling the Applicant requirement listed above:

1. Consent to the mortgage between Farm Credit Services of Hawaii, Mortgagee, and Kaupo Ranch, Ltd., Mortgagor, subject to the following:
 - A. The loan proceeds shall be used solely for the operations or improvements of the leased premises as identified in the "Use of Loan Proceeds" section above. The Lessee shall maintain records of loan expenditures which may be inspected by the Department;
 - B. The standard terms and conditions of the most current consent to mortgage form, as may be amended from time to time;
 - C. Review and approval by the Department of the Attorney General; and
 - D. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
2. Authorize the extension of General Lease No. S-4531 under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - A. The standard terms and conditions of the most current

lease extension form, as may be amended from time to time;

- B. Review and approval by the Department of the Attorney General; and
- C. Such other conditions as may be prescribed by the Chairperson which are in the best interests of the State.

Respectfully Submitted,



Daniel Ornellas
District Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson



SECOND DIVISION	PLAT
ZONE SEC.	1703
CONTAINING PARCELS	
Scale: 1 in. = 500 ft.	

PRINTED

SUBJECT AREA

PLAT OF KAHUA - WAIPOULI, KAUPU, MAHA, MAUI.

EXHIBIT A

Kaupo Ranch, Ltd.
P.O. Box 4036 Lihue, Hawaii 96766
Phone (808) 639-6872
olumauangus@msn.com



State of Hawaii
Department of Land and Natural Resources
Land Division
54 High Street, Room 101
Wailuku, Hawaii 96793
Attn: Mr. Daniel Ornellas, District Land Agent

Mr. Ornellas,

June 9, 2016

In regards to our General Lease S-4531 Kaupo Ranch, Ltd we wish to extend our lease term for another fifteen years. At the owner's request, we have applied for a loan of \$100,000 with Farm Credit Services of Hawaii for the purpose of improvements such as boundary stakeout surveying, boundary fencing and dealing with an encroachment problem and rectification or removal of such. Find attached the owners request to Farm Credit Services of Hawaii to start the process of approval for a long term loan. Please let me know if you need anything else at this time and what would be the next step.

Thank you & Aloha,

A handwritten signature in cursive script that reads "Robert H. Ferreira".

Robert H. Ferreira
Ranch Manager

Exhibit B



Farm Credit Services of Hawaii, ACA
Federal Land Bank Association of Hawaii, FLCA
Hawaii Production Credit Association

Hilo Branch
988 Kinooles Street
P.O. Box 5059
Hilo, Hawaii 96720
(808) 961-3708 Fax: (808) 961-5494
The Farm Credit System

6/16/16

Kaupo Ranch, Ltd.
P.O. box 4036
Lihue, HI 96766

Dear Directors of Kaupo Ranch, Ltd.,

We received your letter dated May 20, 2016, which indicated that you were interested in obtaining a loan of \$100,000 to make ranch improvements to General Lease No. S-4531. After further review of General Lease No. S-4531, it was determined that the lease expires on August 31, 2016. In order for us to consider making you a 10 year capital improvement loan, the term of this lease must, at a minimum, be extended out another 15 years.

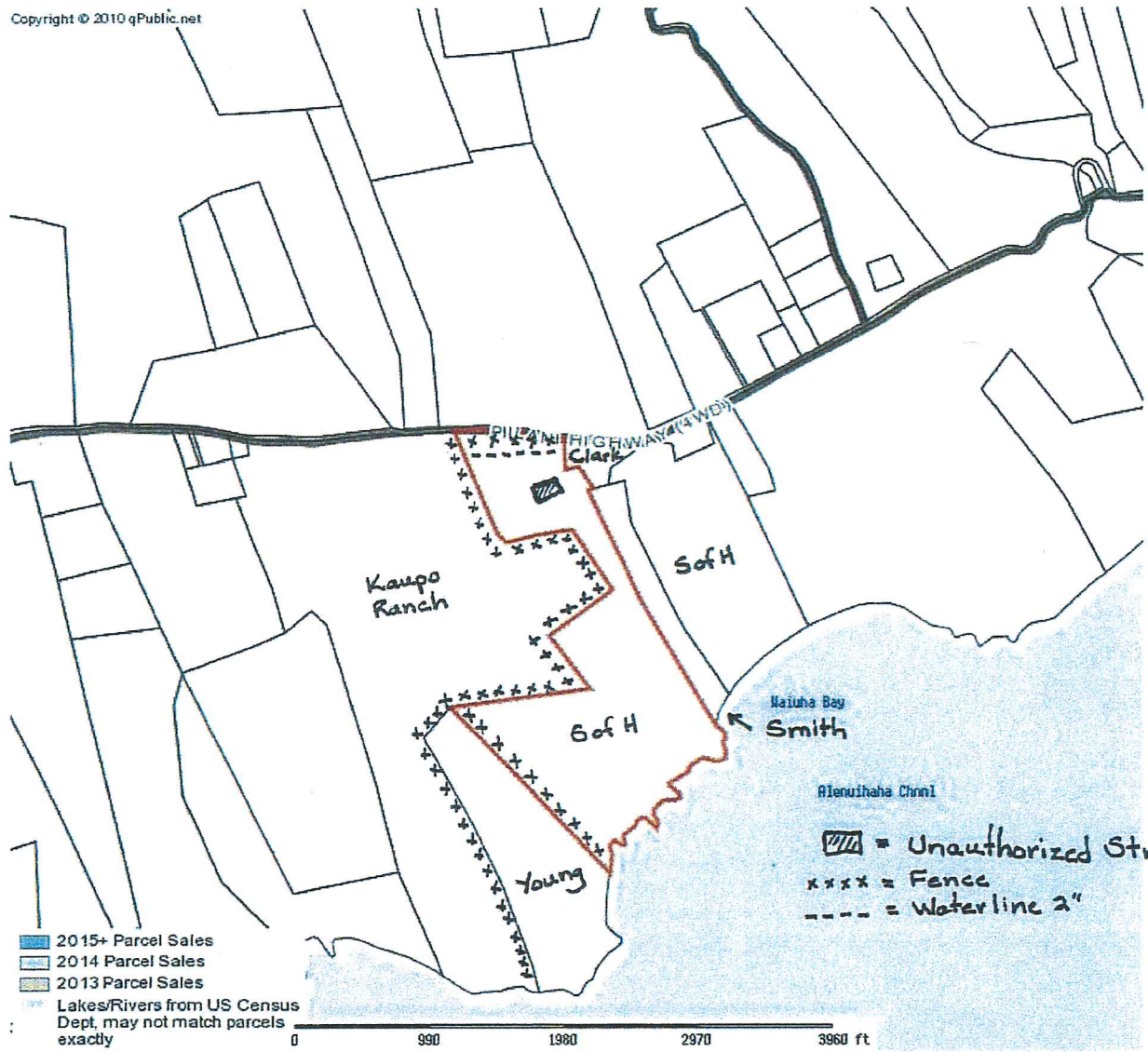
In addition to the extension of the lease, all other credit and title factors will also have to meet our satisfaction. This letter is in no way to be considered as a preliminary loan approval. It is just providing information that will help you in submitting a complete application in the future.

Please let me know if you have any further questions.

Sincerely,

Linus Tavares
Executive Vice President
Farm Credit Services of Hawaii, ACA

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- 2015+ Parcel Sales
- 2014 Parcel Sales
- 2013 Parcel Sales
- Lakes/Rivers from US Census Dept. may not match parcels exactly

[Hatched Box] = Unauthorized Structure
 xxxx = Fence
 ---- = Waterline 2"

Maui County Assessor			
Parcel: 170030270000 Acres: 50.5			
Name:	STATE OF HAWAII	Land Value	\$1,600.00
Site:	0 PIILANI HWY	Building Value	\$30,700.00
Sale:		Misc Value	\$0.00
		Just Value	\$0.00
		Assessed Value	\$32,300.00
Mail:		Exempt Value	\$0.00
		Taxable Value	\$32,300.00



The Maui County Assessor's Office makes every effort to produce the most accurate information possible. No warranties, expressed or implied, are provided for the data herein, its use or interpretation. The assessment information is from the last certified taxroll. All data is subject to change before the next certified taxroll. PLEASE NOTE THAT THE PROPERTY APPRAISER MAPS ARE FOR ASSESSMENT PURPOSES ONLY NEITHER MAUI COUNTY NOR ITS EMPLOYEES ASSUME RESPONSIBILITY FOR ERRORS OR OMISSIONS —THIS IS NOT A SURVEY—
 Date printed: 07/22/16 : 18:54:41

EXHIBIT "D"