

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

August 13, 2021

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

Oahu

Rescind Prior Board Action of April 25, 1997, Item D-5, as Amended, *Request Board Approval, Extension of Time, Completion, Tenant Improvements, General Lease No. 5-5261, Sand Island Business Association, Sand Island Industrial Park, Honolulu, Oahu, TMK: 1-5-41.*

Issuance of Interim Revocable Permit to Sand Island Business Association (SIBA) for Office Trailer and Parking Purposes, Sand Island Industrial Park, Honolulu, Oahu, Tax Map Key: (1) 1-5-041:077 or portion.

Amendment of General Lease No. S-5261, SIBA, Lessee, Sand Island, Honolulu, Oahu. See Exhibit 1 for list of Tax Map Key parcel numbers.

The purpose of the amendment is to change SIBA's obligations with respect to the dedication of infrastructure improvements under the lease so that SIBA may retain control over such infrastructure until five years prior to lease termination on the condition that SIBA provide sufficient bonding to guarantee the dedication of the improvements to the City and County of Honolulu at lease expiration or earlier termination.

APPLICANT:

Sand Island Business Association (SIBA), a Hawaii nonprofit corporation and Internal Revenue Code Section 501(c)3 entity. SIBA is the master lessee of the premises under General Lease No. S-5261.

LEGAL REFERENCE:

Sections 171-6, -13, -14, -16, -17, -41, -55, and 131 through 144, Hawaii Revised Statutes (HRS), as amended.

LOCATION/AREA/ZONING:

Portion of the former Sand and Quarantine Islands Military Reservation transferred to the Territory of Hawaii by Presidential Executive Order 10,833 dated August 20, 1959

situated at Kaholaloa, Sand Island, Honolulu, Oahu, Hawaii, identified as Lots 1-74, 76-113, and 115-123 as shown on File Plan 2102 attached as Exhibit 2 and as listed on the attached table labeled Exhibit 1.<sup>1</sup> Additional property data is provided in the table below:

TMKs:	(1) 1-5-041: various (see Exhibit 1 attached for complete list).
Land Area	58.69 acres, subdivided into 112 leasable lots <sup>2</sup> served by County-standard infrastructure; 9 road lots covering an additional 9.98 acres; and Lot 113 covering 1.29 acres, which is in addition to the 58.69 acres of leasable lots and 9.98 acres of road lots.
SLU	Urban
County Zoning	With the exception of Lot 113, the entire industrial park is zoned I-2 Industrial Waterfront. Lot 113 is zoned B-2 Business. All lots are also located within the Special Management Area.

TRUST LAND STATUS:

Non-ceded, Section 5(a) lands of the Hawaii Admission Act, including "Real properties acquired by purchase or by condemnation by the Territory of Hawaii after August 12, 1898 and prior to August 21, 1959."

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO XX

CURRENT USE STATUS:

The property (with the exception of Lot 113) is leased to SIBA under General Lease No. S-5261. The property has been developed as an industrial park subdivision consisting of 112 leasable lots served by roadways and other infrastructure. The site has access to the Sand Island Parkway Road and the topography is flat.

TERM OF LEASE:

55 years commencing July 1, 1992 and ending June 30, 2047.

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<sup>1</sup> Because recorded File Plan 2102 exists for the industrial park, staff refers to the specific parcels discussed in this submittal by their lot number as shown on the File Plan instead of by tax map key numbers, which are cross-referenced in Exhibit 1.

<sup>2</sup> As discussed in more detail below, the lease originally covered 113 leasable lots, but one lot, Lot 75, was withdrawn from the lease and set aside to the City and County of Honolulu in 2009, leaving 112 leasable lots.

ANNUAL RENTAL:

Current rent is \$9,285,600, due in monthly installments of \$773,800 on the first of each month.

RENTAL REOPENINGS:

Reopenings are at the end of the 25th, 35th, and 45th years of the term, or on July 1, 2017, July 1, 2027, and July 1, 2037. The last rental reopening occurred on July 1, 2017.

At SIBA’s request, the Department conducted early reopenings for the entire 55-year lease term, with the ground rent being determined as follows for whole of the leased area with the exception of Lot 113 and the road lots:<sup>3</sup>

<b>Date</b>	<b>Annual Rent in Dollars</b>
July 1, 2017	9,285,600
July 1, 2022 <sup>4</sup>	11,374,860
July 1, 2027	13,628,400
July 1, 2032 <sup>4</sup>	16,694,790
July 1, 2037	18,314,800
July 1, 2042 <sup>4</sup>	22,435,630

ISSUANCE OF INTERIM REVOCABLE PERMIT TO SIBA:

CHARACTER OF USE:

Office trailer and parking purposes.

COMMENCEMENT DATE:

The first day of the month to be determined by the Chairperson.

MONTHLY RENTAL:

To be determined by independent appraisal establishing fair market rent for any area exceeding the 1,000 square feet of gratis office space provided for in the lease, subject to review and approval by the Chairperson.

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<sup>3</sup> The lease presently excludes Lot 113 from the definition of “Premises” as used in the lease. As a result, SIBA does not pay rent on Lot 113. However, SIBA pays real property taxes on the lot.

<sup>4</sup> The lease provides for a 22.5% rent increase at the end of the fifth year of each ten-year reopening period. The step-up was intended to compensate the State for discounted rent in the first 25 years of the lease.

COLLATERAL SECURITY DEPOSIT:

Twice the monthly rental.

DCCA VERIFICATION FOR SIBA:

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

JUSTIFICATION FOR REVOCABLE PERMIT:

Staff is recommending the issuance of an interim revocable permit to SIBA covering either the whole or a portion of Lot 113 depending on SIBA's needs until a plan for long-term disposition of the parcel can be presented to the Board for approval.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

The Final Environmental Assessment (FEA) for the Proposed Infrastructure Improvements – Sand Island Business Association was published in the Office of Environmental Quality Control's (OEQC) The Environmental Notice on May 23, 1990 with a finding of no significant impact (FONSI).

The FEA for the development of Lot 113 as the site of the SIBA office and parking lot was published in the OEQC's The Environmental Notice on February 8, 2019 with a FONSI. The 2019 FEA contemplated the replacement of SIBA's office trailer with a permanent office building and the pavement of the surrounding parking area.

APPLICANT REQUIREMENTS:

Pay for appraisal to determine the fair market rent payable for the use of any portion of Lot 113 exceeding 1,000 square feet of gratis office space provided for in the lease.

REMARKS:

The Sand Island Business Association (SIBA) is an Internal Revenue Code 501(c)3 non-profit entity that holds General Lease No. S-5261 covering 67.64 acres of State lands for the Sand Island Industrial Park. SIBA sublets almost all of the leased land to tenants operating 85 businesses with approximately 3,000 employees. Most of the businesses are land-intensive industrial uses with limited employee parking, resulting in employees parking illegally on-street, double parking in the subdivision, or parking on the last remaining undeveloped parcel in the industrial park, which is designated as Lot 113 on File Plan 2102 for the subdivision.

The purposes of the present submittal are to: (1) rescind a prior action of the Board of Land and Natural Resources (BLNR or Board) that required BLNR consent to any subleases under the master lease, (2) authorize the issuance of a revocable permit to

SIBA on Lot 113 for its office trailer and parking; and (3) amend the master lease provision that requires SIBA to dedicate infrastructure to the City and County of Honolulu.

- **Background:**

At its meeting of March 23, 1989, under agenda Item F-11, the BLNR approved the submission of a resolution to the Legislature designating land at Sand Island, Oahu, as an industrial park pursuant to Section 171-132, HRS. On April 5, 1989, the Legislature adopted House Concurrent Resolution No. 261 designating approximately 60 acres at Sand Island as the Sand Island Industrial Park.

At its meeting of June 8, 1990, under agenda Item H-8, the BLNR approved a Development Agreement with SIBA for the development of the Sand Island Industrial Park. On October 22, 1990, the BLNR and SIBA entered into the Development Agreement under which SIBA would develop the industrial park including its infrastructure, and thereafter manage the park under a long-term lease. At its meeting of December 20, 1991, Item F-21, the BLNR approved the issuance of a direct lease to SIBA, whose members consist of the individual tenants of the industrial park, pursuant to Section 171-141(a)(5), HRS. The BLNR and SIBA entered into a 55-year master lease with SIBA for the industrial park under General Lease No. S-5261 commencing on July 1, 1992.

At its meeting of April 25, 1997, Item D-5, the BLNR approved, as amended, an extension of time for SIBA's tenants to make improvements to their sublease premises. Staff additionally recommended an amendment of Section 6 of the lease that would have required BLNR consent to all subleases. But the minutes of the meeting show the BLNR may have only intended to require consent to the assignment of subleases. In any event and as discussed in more detail under the heading "Rescission of BLNR Action of April 25, 1997, Item D-5, as Amended" below, a lease amendment document for this particular item was never prepared.

At its meeting of October 9, 1998, under Item D-13, the BLNR approved, as amended, an amendment to Section 21.6 of the lease to incorporate an attornment provision. The purpose of the attornment provision was to give sublessees the right to remain in possession of their sublease premises in the event of a cancellation of the master lease for any reason. The provision was intended to facilitate financing of the construction of improvements on the sublease premises. Amendment of General Lease No. S-5621 was thereafter executed as of April 6, 1999 to document this action.

At its meeting of November 19, 1999, Item D-7, the BLNR approved, as amended, an amendment to Section 6.3 of the lease regarding the maintenance of a waitlist for the subleasing of lots in the subdivision. The lease as originally drafted gave the BLNR the authority to remove persons from the waitlist if they did not submit a bid in response to three consecutive notices of availability. The staff submittal explains that the process of maintaining the waitlist required considerable staff time and expense and was duplicative of SIBA's own efforts. The BLNR therefore approved a lease amendment that delegated

to SIBA the authority to remove persons from the waitlist. Second Amendment of General Lease No. S-5261 was thereafter entered into between the BLNR and SIBA as of December 1, 2000.

At its meeting of May 8, 2009, under Item D-8, the BLNR approved the withdrawal of Lot 75 comprising 7,802 square feet from the lease for use as wastewater pump station. Lot 75 was formally withdrawn from the lease by Partial Withdrawal from General Lease No. S-5261 dated October 13, 2009, and subsequently set aside to the City and County of Honolulu's Department of Environmental Services by Executive Order No. 4298 dated October 14, 2009.

At its meeting of January 25, 2013, under agenda Item D-11, staff reported to the BLNR on the concept of a land exchange between the BLNR and SIBA in which the BLNR would convey the Sand Island Industrial Park to SIBA in exchange for private industrial zoned property to be identified. The report was a result of Act 235, Session Laws of Hawaii 2011 (Act 235), which recited that SIBA members had expressed a strong interest in purchasing the fee interest of their leasehold parcels, and that as the lease period shortens, it becomes more difficult for the members to rely on the leasehold as an asset when attempting to secure bank loans for additional improvements. Act 235 required that the Department report to the Legislature on the Department's review and consideration of the sale or exchange of Sand Island parcels to tenants, and the Department's recommendations for further action. The staff submittal explained that the aggregate retail value of the industrial park was \$175,670,000.00 as of May 7, 2012 and that the rents derived from the SIBA lease accounted for about half of Land Division's revenues at the time. The staff report stated:

As such, staff does not recommend this proposed transaction unless the value of the exchange property substantially exceeds the value of, and revenues from, [General Lease No. S-5261], so that the Board is compensated for the loss of its single most important revenue asset and the imposition of greater financial risks. Staff does not believe a straight exchange (value for value) in this instance would serve a public purpose or be in the best interest of the Department.

SIBA thereafter stopped pursuing a land exchange.<sup>5</sup>

The lease is the only master lease in Land Division's inventory and bears little resemblance to other lease forms used by the Department of the Attorney General in the

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<sup>5</sup> One reason for this is that, at SIBA's request, the Department and SIBA agreed to determine the rents for the entire remaining term of the lease on October 12, 2015. This gave SIBA and its lessees certainty about rents through the end of the lease (set to expire on June 30, 2047). However, in the 2021 legislative session, SIBA has testified in support of Senate Bill 176, Senate Draft 1, that would authorize the Board to sell the fee simple interest in each parcel of industrial park land to the lessee of that parcel under an existing lease. The Department testified in strong opposition to the measure. The bill passed out of the Senate but was not set for hearing in any of the four House committees to which it was referred.

1990s.<sup>6</sup> It contains a number of specially negotiated and unique provisions. One provision reserved to the BLNR the right to develop a Commercial Center on a portion of the leased lands now designated as Lot 113, which the State did not exercise. SIBA has been using Lot 113 for its office (located in an office trailer) and as parking for tenants and their employees, as well as for SIBA's employees.

Section 4.5 of the lease provides as follows:

4.5. Commercial Center. BLNR shall commence or award the contract for the development of the Commercial Center at no cost to SIBA within six (6) months after completion of the Infrastructure Improvements, or the voluntary relocation of Tenants to be displaced by the Commercial Center, whichever is later. The development shall be completed within eighteen (18) months after the contract is awarded, excluding reasonable delays beyond the control of the contractor. If the BLNR fails to commence or award the contract for the development within said six-month period, SIBA shall have the option, but not the obligation, to develop the Commercial Center under such terms and conditions as may be negotiated by the parties, with consideration given to SIBA's right to office space under Section 3.6 of this Master Lease. In any event, the development of the Commercial Center (e.g., nature, design, size of facilities) shall be in consultation and coordination with SIBA. The BLNR shall utilize the Commercial Center area proposed by SIBA subject to the voluntary relocation of Tenants within that site. The BLNR or its appointed agent shall have full responsibility for the management, maintenance and operations of the Commercial Center, in consultation and coordination with SIBA's management of the Industrial Park, and SIBA shall have no other obligation with respect thereto except to provide original Infrastructure Improvements for the Commercial Center.

Emphasis added.

The infrastructure improvements referenced in section 4.5 were completed by the end of 1999. The State did not commence or award a contract for the development of the Commercial Center within six months after that date (or at any later time). Although SIBA had the option, but not the obligation, pursuant to this section to develop Lot 113 under such terms and conditions as may be negotiated by the parties (with consideration given to SIBA's right to office space under Section 3.6 of the lease), SIBA has not developed Lot 113 either.

Staff has been working with SIBA for several years on a plan for the disposition of Lot 113 so that it can be utilized more fully. SIBA Previously sought an amendment of the master lease to include Lot 113 as part of the lease premises. SIBA published its Final Environmental Assessment and received a Finding of No Significant Impact for the

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<sup>6</sup> A copy of the lease, less its Exhibits B-E and Schedules 1-3, is attached as Exhibit 3.

development of the land to allow SIBA to continue to be use Lot 113 as the site of the SIBA office and as a parking area. When an appraisal was procured, however, SIBA did not agree to the appraised rent for Lot 113.

On September 1, 2020, Land Division staff conducted a site visit of Lot 113 and observed unauthorized uses that included parking of numerous vehicles for purposes unrelated to the SIBA office, multiple abandoned or unattended vehicles, storing of construction materials, and an unauthorized structure.

On September 3, 2020, the Department issued SIBA a notice to stop all unauthorized use of Lot 113 by November 1, 2020. SIBA requested an additional 30 days to comply, which was granted. Based on an inspection by Land Division staff conducted on December 1, 2020, use of Lot 113 is now limited to the site of the SIBA temporary office trailer and SIBA staff parking. See inspection report attached as Exhibit 4.

SIBA then proposed the concept of subdividing Lot 113 into two separate parcels, at least one of which SIBA would continue to use as the site of its office as contemplated under the master lease. However, negotiations regarding the use of Lot 113 are ongoing and staff is not prepared to present a proposal for a long-term disposition to the Board at this time. As an interim measure, and as discussed further below, staff is recommending the issuance of a revocable permit to SIBA over Lot 113.

Another provision of the lease requires SIBA to dedicate all infrastructure improvements of the industrial park to the City and County of Honolulu (City), but does not set forth a deadline for doing so. SIBA prefers to retain control over the internal roads of the industrial park so that it can secure the park at night. Staff views this as a reasonable request and is recommending a lease amendment to allow SIBA to complete dedication near the end of the lease term, on the condition that SIBA continue to maintain the infrastructure and provide a bond in favor of the State in an amount sufficient to complete dedication in the event SIBA fails to do so.

- **Rescission of BLNR Action of April 25, 1997, Item D-5, as Amended**

As mentioned above, the BLNR approved an amendment of General Lease No. S-5261 at its meeting of April 25, 1997, Item D-5, as amended,<sup>7</sup> but no formal lease amendment was ever drafted and executed. This appears to be the result of a disagreement between Land Division staff and SIBA over the intent of the BLNR action, and SIBA's ultimate withdrawal of its request for time extension on the completion of sublease improvements.

The approved Board minutes for meeting state with respect to the time extension and consent to sublease issues in part as follows:

The new sublessee entering into the Industrial Park will be allowed a three (3) year deadline in which to complete construction of the improvements.

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<sup>7</sup> A copy of the staff submittal for April 25, 1997, Item D-5, approved as amended, is attached as Exhibit 5.

However, this extension will not be made available to any assignees of recent sublessees, this foregoing provision will only be allowed on the condition that section six (6) of the Master Lease is amended to require that all tenant leases be consented to by the Board and that such consent will not be unreasonably withheld, and that further SIBA will be required to supply a compliance report to the Board in July of 1998, July of 1999 and July of 2000, with respect to the compliance of the tenants to meet (their deadlines of construction and completion) foregoing deadlines, providing the amending of the subject document meets the approval of the Attorney General. The time frame subject to the Board's consent which shall be granted within 45 days.

By letter dated May 6, 1997, Land Division staff wrote to SIBA about the results of the Board meeting, explaining in part:

The Tenant Improvement Completion Schedule was lengthened. The Land Board also approved amending Sections 6 and 9 of the Master Lease to require that all tenant subleases issued by SIBA and all assignments, sub-leases or other transfers of tenant subleases shall be subject to Consent by the Board of Land and Natural Resources. Such consent shall be acted upon within forty-five (45) days after receipt of the complete consent request by the Department of Land and Natural Resources, Land Division Oahu District Branch. We are processing the amendment documents to the Master Lease.

In a letter dated May 8, 1997, SIBA disagreed with the staff characterization of the Board's action, its executive director stating in part:

It was my understanding of discussions with yourself and Mr. Uchida (4/23/97) and at the BLNR meeting (4/25/97) that BLNR consent applied to assignments of issuances of Subleases only. We did not discuss any other transfers, including Sub-Sublease.

In a more detailed letter to the Chairperson dated June 27, 1997, SIBA gave a further explanation of its objection to the lease amendment. SIBA stated in part that, "[r]equiring BLNR's approval on all Sublease matters would substantially modify the Master agreement."<sup>8</sup> SIBA added that its Board of Directors reviewed the conditions

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8 Section 6.1 of the master lease provides:

6.1. Authority to Sublease. From time to time after the Effective Date, including the period of the development of the Infrastructure Improvements and subdivision of the premises as herein contemplated, SIBA shall sublease the lots within the Industrial Park to SIBA's members in good standing. The initial subleases and any subsequent subleases within the Industrial Park (hereinafter the "Tenant Leases") shall be issued by SIBA substantially in the form of Exhibit B hereto; provided, however, that the form of Tenant Lease issued by SIBA and approved by the BLNR from time to time shall not impair SIBA's ability to assess for and to pay when due all sums of principal and interest under

imposed by the BLNR at the April 25, 1997 meeting and determined the conditions were unacceptable. SIBA stated that it would “exercise its rights to grant individual tenants an extension of time under para. 28 of the Sublease and para. 24<sup>9</sup>] of the Master lease. Extensions will be granted based on ‘good cause shown.’” SIBA concluded the letter by “respectfully withdraw[ing] its request for a blanket extension of time and a common date for completion on behalf of its tenants.”

By letter dated August 6, 1997, Land Division staff acknowledged receipt of SIBA’s June 27, 1997 letter and stated:

We have requested an opinion from the Attorney General’s Office on the question if the Lessee under General Lease No. S-5261 can unilaterally extend the time period each original tenant has to complete the construction of tenant improvements as cited in paragraph 6.5 Tenant Improvement Costs of the Master lease. We will inform you of the response we receive from them.

A review of the file shows an opinion on the matter was requested from the Department of the Attorney General (ATG) on January 15, 1998. But there is no responsive memo from the ATG on file.

A lease amendment requires that both parties to the lease agree to the amendment. It is clear from the file that SIBA did not agree to the lease amendment pertaining to sublease consent, and no lease amendment was executed. Furthermore, over the course of 24 years that have elapsed since the date of the Board action on this item, SIBA has managed subleasing of the lots in the industrial park as originally provided for in the master lease. Finally, the tenant improvements have been completed for many years and the issue of a time extension is moot. For these reasons, staff is now recommending that the BLNR’s action of April 25, 1997, Item D-5, as amended, be rescinded so that any question about the need for SIBA to seek BLNR consent for tenant subleases can be resolved – BLNR consent is not required.

- **Issuance of Revocable Permit to SIBA for Lot 113**

Under Section 3.6 of the lease, if the Department had built the Commercial Center, SIBA would be entitled to occupy 1,000 sf of “loft office space” at no charge, and would have the right to occupy up to an additional 2,000 sf of “loft office space” at fair market rent. Because no Commercial Center was built, SIBA located a trailer on Lot 113 for its office

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the Infrastructure Improvement Loan.

9 Section 24 of the master lease provides:

EXTENSION OF TIME. Notwithstanding any provision contained herein to the contrary, wherever applicable, the BLNR and SIBA may, for good cause shown, allow additional time beyond the time or times specified herein, in which to comply, observe and perform any of the terms, conditions and covenants contained herein.

and used the remaining area as open parking for its staff and employees of its tenants. SIBA has not paid rent for its use of Lot 113. The rent that SIBA does pay the State is for the use of the area of the industrial park that excludes Lot 113 and the road lots.

To document SIBA’s use of a portion of Lot 113, staff is recommending the issuance of a revocable permit for the area of Lot 113 where SIBA’s office trailer is located. In view of the language of the master lease, staff is recommending that SIBA be allowed to use 1,000 square feet of the lot without charge. However, SIBA will be required to pay rent for any area over 1,000 square feet. The request is for SIBA to utilize up to the entire area of Lot 113, as long as it is willing to pay fair market rent (for the area over 1,000 square feet).

- **Amend Lease Provisions Relating to Dedication of Infrastructure**

As noted above, the lease requires SIBA to dedicate roads and other infrastructure to the City. However, SIBA desires to retain control of the internal roads of the industrial park to increase security for the area. With respect to dedication, the lease currently provides at section 4.1(h) as follows:

(h) SIBA shall, at its own expense, develop and manage the Industrial Park and shall maintain the Infrastructure Improvements until such time as the infrastructure Improvements, and any of them, are dedicated to the City & County of Honolulu.

The lease sets forth no deadline for the dedication of infrastructure improvements including roadways, sidewalks, storm drains, sewers and waterlines located in the road lots.<sup>10</sup> Some have argued that dedication should have been consummated within a reasonable time after completion of the improvements and delay in dedication will result in the roads and other infrastructure improvements being unable to meet the higher standards for dedication that the City has adopted over time. SIBA’s concern is that if the roads are dedicated to the City, the public will have access to the industrial park at all times of the day and night. SIBA currently limits access to the industrial park at night by cordoning off one of the two access points and posting a security guard at the other. Another security guard performs a roving patrol of the industrial park during the night to deter trespassing, theft and vandalism. This system has worked well and SIBA wants to be able to continue it.

In staff’s view, SIBA’s request is reasonable, as long as SIBA remains solely responsible for dedication and the cost thereof upon expiration of the lease. Staff is therefore recommending that the lease be amended to specify that SIBA can dedicate the roads and improvements therein at any time up to five years prior to the expiration of the lease. SIBA will be required to post a performance bond for dedication in an amount of \$2,485,000. If SIBA has not completed the dedication process prior to the last five years of the lease, the State will be entitled to call on the bond to ensure dedication is completed prior to lease expiration. Accordingly, staff recommends the following

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<sup>10</sup> The waterlines have already been dedicated to the Board of Water Supply by grant of easement.

amendment to subsection 4.1(h):

(h) SIBA shall, at its own expense, develop and manage the Industrial Park and shall maintain the Infrastructure Improvements until such time as the infrastructure Improvements, and any of them, are dedicated to the City & County of Honolulu. SIBA may dedicate the Infrastructure Improvements at any time up to five years prior to the expiration of the lease, provided that SIBA shall post with the BLNR a performance and completion bond in a good and sufficient amount to guarantee the dedication of the Infrastructure Improvements to the City in the event SIBA neglects to do so five years before the expiration of the lease. SIBA shall post a performance and completion bond with the BLNR in the initial amount of TWO MILLION FOUR HUNDRED EIGHTY-FIVE THOUSAND AND NO/100 DOLLARS (\$2,485,000.00). At its sole cost and expense, SIBA shall retain an engineering consultant to evaluate the sufficiency of the performance and completion bond amount and SIBA shall submit an updated engineer’s report to the BLNR every five (5) years. The BLNR may periodically decrease or increase the performance and completion bond amount based on the reports of SIBA’s engineers and on the advice of such other engineering professionals employed or procured by the BLNR, and SIBA shall post the adjusted performance and completion bond amount within thirty (30) days of the BLNR’s written demand therefor.

There are no outstanding rental reopening issues.

SIBA is current with rent, insurance and performance bond.

RECOMMENDATION: That the Board:

1. Rescind its prior action of April 25, 1997, under agenda Item D-5, as amended.
2. Authorize the issuance of an interim revocable permit to Sand Island Business Association covering the whole or such smaller portion of Lot 113 as SIBA may request for temporary office trailer and parking purposes 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 revocable permit form, as may be amended from time to time;
  - B. Review and approval by the Department of the Attorney General; and
  - C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

3. Authorize the amendment of General Lease No. S-5261 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 amendment form, as may be amended from time to time;
  - B. Review and approval by the Department of the Attorney General; and
  - C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

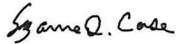


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Kevin E. Moore  
Assistant Administrator

APPROVED FOR SUBMITTAL:

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Suzanne D. Case, Chairperson

# EXHIBIT 1

SIBA LEASE LOTS  
(by Lot Nos.)

	A	B	C	D	E
1	File Plan 2102			Tax Map Info	
2	Tax Map Key	Lot No.	Area	New Lot No.	New Area
3	1-5-041:253	1	18,635		18,635
4	1-5-041:255	2	9,499		9,499
5	1-5-041:082	3	18,824		18,824
6	1-5-041:322	4	14,362		14,362
7	1-5-041:127	5	16,978		16,978
8	1-5-041:080	6	72,782		72,782
9	1-5-041:014	7	44,254		44,254
10	1-5-041:259	8	20,000		20,000
11	1-5-041:280	9	24,001		24,001
12	1-5-041:264	10	7,500		7,500
13	1-5-041:065	11	7,500		7,500
14	1-5-041:037	12	96,333		96,333
15	1-5-041:031	13	13,224		13,224
16	1-5-041:281	14	47,983		47,983
17	1-5-041:108	15	72,174		72,174
18	1-5-041:099	16	33,670	16-A	29,302
19	1-5-041:297	17	14,757	17-A	19,125
20	1-5-041:312	18	7,500		7,500
21	1-5-041:300	19	7,500		7,500
22	1-5-041:101	20	11,512		11,512
23	1-5-041:017	21	8,000		8,000
24	1-5-041:064	22	8,001		8,001
25	1-5-041:061	23	39,898		39,898
26	1-5-041:121	24	40,906		40,906
27	1-5-041:059	25	17,616		17,616
28	1-5-041:133	26	18,385		18,385
29	1-5-041:098	27	22,145	27-A	23,504
30	1-5-041:282	28	10,422		10,422
31	1-5-041:257	29	8,916		8,916
32	1-5-041:337	30	7,765		7,765
33	1-5-041:141	31	29,987	31-A	28,175
34	1-5-041:338	32	33,738	32-A	34,191
35	1-5-041:096	33	15,901		15,901
36	1-5-041:287	34	22,578		22,578
37	1-5-041:162	35	18,900		18,900
38	1-5-041:310	36	21,292		21,292
39	1-5-041:174	37	28,501		28,501
40	1-5-041:283	38	31,197		31,197
41	1-5-041:023	39	10,111		10,111
42	1-5-041:140	40	30,300		30,300
43	1-5-041:088	41	11,701		11,701
44	1-5-041:171	42	22,087		22,087

# EXHIBIT 1

SIBA LEASE LOTS  
(by Lot Nos.)

	A	B	C	D	E
1	File Plan 2102			Tax Map Info	
2	Tax Map Key	Lot No.	Area	New Lot No.	New Area
45	1-5-041:100	43	21,000		21,000
46	1-5-041:019	44	20,509		20,509
47	1-5-041:086	45	12,073		12,073
48	1-5-041:295	46	7,590		7,590
49	1-5-041:026	47	11,732		11,732
50	1-5-041:094	48	7,500		7,500
51	1-5-041:192	49	7,500		7,500
52	1-5-041:248	50	17,019		17,019
53	1-5-041:027	51	32,757		32,757
54	1-5-041:119	52	10,980		10,980
55	1-5-041:302	53	10,349		10,349
56	1-5-041:046	54	13,029		13,029
57	1-5-041:039	55	15,378		15,378
58	1-5-041:268	56	56,466		56,466
59	1-5-041:199	57	20,414		20,414
60	1-5-041:290	58	7,500		7,500
61	1-5-041:291	59	7,525		7,525
62	1-5-041:288	60	16,828		16,828
63	1-5-041:267	61	18,959		18,959
64	1-5-041:298	62	7,500		7,500
65	1-5-041:311	63	8,500		8,500
66	1-5-041:294	64	7,500		7,500
67	1-5-041:250	65	8,501		8,501
68	1-5-041:251	66	17,000		17,000
69	1-5-041:328	67	10,201		10,201
70	1-5-041:252	68	24,277		24,277
71	1-5-041:305	69	11,370		11,370
72	1-5-041:097	70	9,405	70-A	24,449
73	1-5-041:095	71	15,044	71-A	10,680
74	1-5-041:342	72	25,000	72-A	10,320
75	1-5-041:303	73	42,231	73-A	46,231
76	1-5-041:128	74	7,503		7,503
77	1-5-041:093	75	7802*	Pumphouse under EO to C&C	
78	1-5-041:301	76	10,521		10,521
79	1-5-041:198	77	23,373		23,373
80	1-5-041:285	78	16,140		16,140
81	1-5-041:091	79	12,701		12,701
82	1-5-041:103	80	117,559		117,559
83	1-5-041:025	81	21,771		21,771
84	1-5-041:040	82	20,601		20,601
85	1-5-041:262	83	40,059		40,059
86	1-5-041:269	84	26,973		26,973

SIBA LEASE LOTS  
(by Lot Nos.)

	A	B	C	D	E
1		File Plan 2102		Tax Map Info	
2	Tax Map Key	Lot No.	Area	New Lot No.	New Area
87	1-5-041:278	85	11,003		11,003
88	1-5-041:256	86	10,000		10,000
89	1-5-041:277	87	31,071		31,071
90	1-5-041:339	88	7,515		7,515
91	1-5-041:260	89	79,052		79,052
92	1-5-041:275	90	76,259		76,259
93	1-5-041:154	91	21,822		21,822
94	1-5-041:270	92	29,754		29,754
95	1-5-041:271	93	33,060		33,060
96	1-5-041:272	94	7,600		7,600
97	1-5-041:178	95	56,912		56,912
98	1-5-041:315	96	36,608		36,608
99	1-5-041:107	97	80,000		80,000
100	1-5-041:034	98	19,759	98-A	14,800
101	1-5-041:326	99	14,800	99-A	19,759
102	1-5-041:153	100	13,313		13,313
103	1-5-041:066	101	18,103		18,103
104	1-5-041:157	102	19,505		19,505
105	1-5-041:273	103	35,535		35,535
106	1-5-041:299	104	12,718		12,718
107	1-5-041:261	105	23,556		23,556
108	1-5-041:340	106	12,946		12,946
109	1-5-041:341	107	12,031		12,031
110	1-5-041:274	108	18,300		18,300
111	1-5-041:083	109	14,801		14,801
112	1-5-041:172	110	13,900		13,900
113	1-5-041:325	111	17,301		17,301
114	1-5-041:319	112	13,001		13,001
115	1-5-041:077	113	56,471*	vacant lot	
116	Sand Island Parkway Road	114	174,763*	Under DOT Highways	
117	Makepono Street	115	10,253*		
118	Makepono Street	116	40,949*		
119	Mookela Place	117	38,566*		
120	Mikole Street	118	157,873*		
121	Makepono Street	119	15,544*		
122	Kilua Place	120	10,099*		
123	Ulupono Street	121	32,871*		
124	Paapu Street	122	17,461*		
125	Puuwai Street	123	66,528*		
126	Total area sf:		3,003,013		2,556,398
127	Total area acres:		68. 94		58. 69
128	*Lots 75 and 113-123 are excluded from the total land area under lease.				

# EXHIBIT 2



**SAND ISLAND INDUSTRIAL PARK SUBDIVISION**

LAND SITUATED ON THE NORTHERN SIDE OF SAND ISLAND STATE RECREATION AREA, BEING PART OF THE SAND ISLAND STATE RECREATION AREA, AND THE SUBSTANTIAL SIZE OF UNITED STATES GOVERNMENT SIZE

AT KAUAI, ALA, SAND ISLAND INDUSTRIAL PARK, HAWAII  
 Known to a portion of the former Akaka Highway and to the Sand Island Recreation Area, which was previously owned and operated by the State of Hawaii, and is now owned and operated by the Department of Land and Natural Resources, State of Hawaii.

STATE OF HAWAII  
 DEPARTMENT OF LAND AND NATURAL RESOURCES  
 HONOLULU, HAWAII 96813

SUBDIVIDED INTO LOTS 1 TO 128 INCLUSIVE AND DESIGNATION OF PARCELS 1 TO 128 INCLUSIVE. RESERVATION OF RESTRICTION OF PARTICULAR ACCESS PARCELS 103, 104, 105, 107, 108, 109.

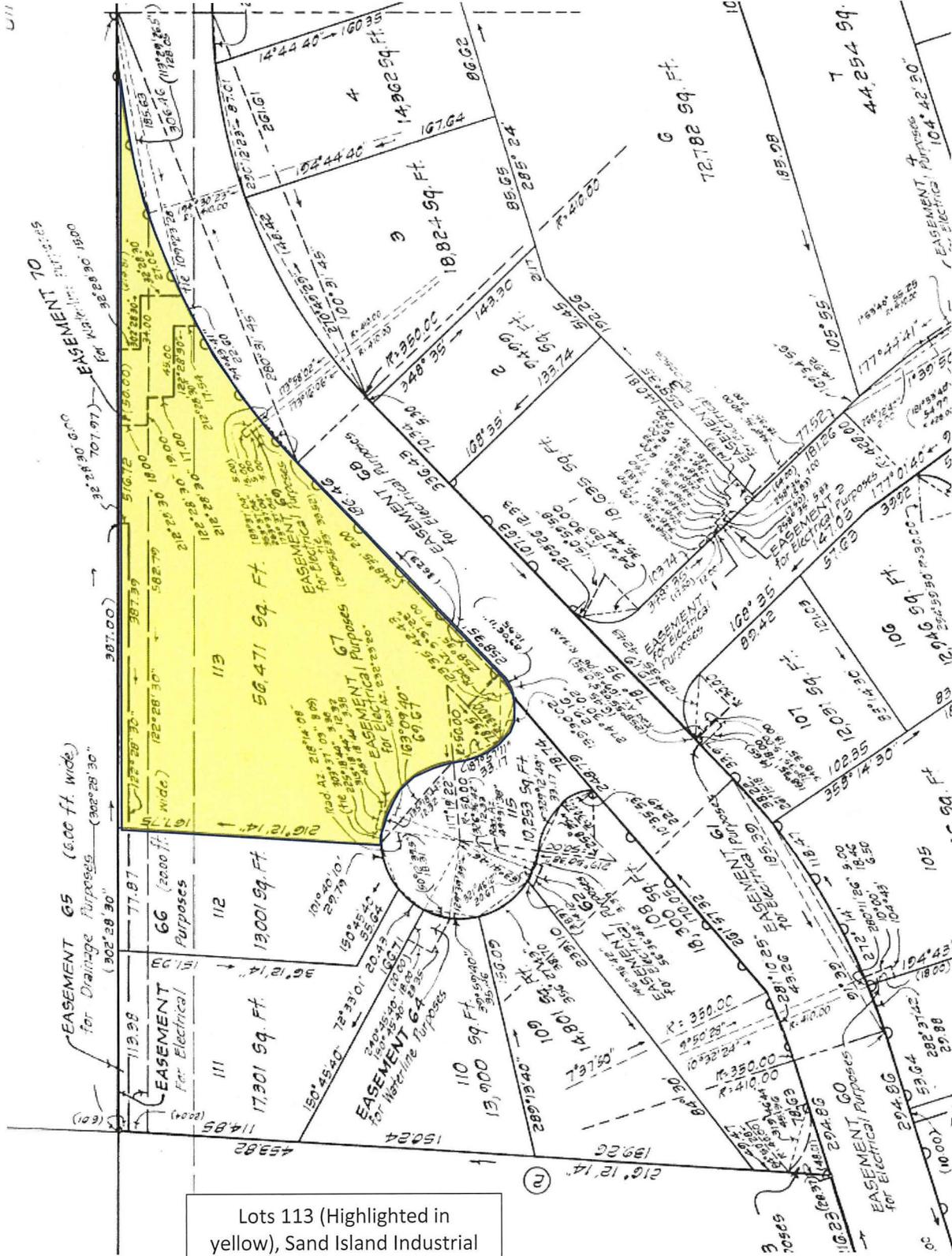
AREA 1.21 ACRES  
 SUBJECT HEREIN TO THE FOLLOWING RESTRICTIONS:  
 1. THE LOTS 1 TO 128 SHALL BE USED FOR INDUSTRIAL PURPOSES ONLY.  
 2. THE LOTS 1 TO 128 SHALL BE USED FOR INDUSTRIAL PURPOSES ONLY.  
 3. THE LOTS 1 TO 128 SHALL BE USED FOR INDUSTRIAL PURPOSES ONLY.

COMPANY: SAND ISLAND INDUSTRIAL PARK, INC.  
 128 SAND ISLAND INDUSTRIAL PARK, HAWAII

1. I hereby certify that this plat is a true and correct copy of the original plat as shown to me by the person who claims to be the owner of the land shown on this plat, and that the same is in accordance with the laws of the State of Hawaii.  
 2. I hereby certify that the land shown on this plat is not subject to any other liens or encumbrances, and that the same is in accordance with the laws of the State of Hawaii.  
 3. I hereby certify that the land shown on this plat is not subject to any other liens or encumbrances, and that the same is in accordance with the laws of the State of Hawaii.

File Plan 2102 For Sand Island Industrial Park Subdivision  
 Lot 113 (TMK: (1) 1-5-041:077) Shown in Yellow Highlight

AREA OF PARCELS	PARCEL NO.	AREA (ACRES)	REMARKS
AREA 1.21 ACRES	1	0.01	RESERVED
	2	0.01	RESERVED
	3	0.01	RESERVED
	4	0.01	RESERVED
	5	0.01	RESERVED
	6	0.01	RESERVED
	7	0.01	RESERVED
	8	0.01	RESERVED
	9	0.01	RESERVED
	10	0.01	RESERVED
	11	0.01	RESERVED
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	105	0.01	RESERVED
	106	0.01	RESERVED
	107	0.01	RESERVED
	108	0.01	RESERVED
	109	0.01	RESERVED
	110	0.01	RESERVED
	111	0.01	RESERVED
	112	0.01	RESERVED
	113	0.01	RESERVED
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	116	0.01	RESERVED
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	118	0.01	RESERVED
	119	0.01	RESERVED
	120	0.01	RESERVED
	121	0.01	RESERVED
	122	0.01	RESERVED
	123	0.01	RESERVED
	124	0.01	RESERVED
	125	0.01	RESERVED
	126	0.01	RESERVED
	127	0.01	RESERVED
	128	0.01	RESERVED



Lots 113 (Highlighted in yellow), Sand Island Industrial Park, Honolulu, Oahu

# EXHIBIT 3

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

GENERAL LEASE No. S-5261

MASTER LEASE

between

STATE OF HAWAII

and

SAND ISLAND BUSINESS ASSOCIATION

covering

SAND ISLAND INDUSTRIAL PARK

R-757

STATE OF HAWAII  
BUREAU OF CONVEYANCES  
RECORDED

APR 19, 1993 10:47 AM

Doc No(s) 0

**UNRECORDED**

/s/ S. FURUKAWA  
REGISTRAR OF CONVEYANCES

CONVEYANCE TAX: \$27881.27

BLNR/SIDA Master Lease  
SIBA-ML.FIN

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**EXHIBITS**

- A: Property Description
- B: Form of Tenant Lease
- C: Tenant Eligibility List
- E: Schedule of Processing Fees

**SCHEDULES**

- 1: Sublease Evaluation Policy for Sand Island
- 2: Assignment Evaluation Policy for Sand Island
- 3: Policy Regarding Waiting List of Eligible Persons

**MASTER LEASE**

THIS INDENTURE OF LEASE made and entered into the 14 day of July, 1992 (the "Effective Date"), by and between **STATE OF HAWAII**, through its **DEPARTMENT OF LAND AND NATURAL RESOURCES**, hereinafter referred to as the "**BLNR**", and **SAND ISLAND BUSINESS ASSOCIATION**, a Hawaii non-profit corporation, whose mailing address is P.O. Box 17603, Honolulu, Hawaii 96817, hereinafter referred to as "**SIBA**".

**WITNESSETH:**

**WHEREAS**, the BLNR is the owner of the fee interest in certain lands commonly known as the "Sand Island Industrial Park" (more particularly described hereinafter); and

**WHEREAS**, the BLNR and SIBA have previously entered into that certain Development Agreement dated October 22, 1990, for the improvement and management of the Sand Island Industrial Park (the "Development Agreement"), whereby it was contemplated that SIBA would manage the Sand Island Industrial Park; and

**WHEREAS**, pursuant to Hawaii Revised Statutes ("HRS") § 171-141(a)(5), as amended by Act 173 of the Sixteenth State Legislature of the State of Hawaii, 1991 Regular Session, the BLNR may issue a master lease to SIBA in lieu of direct leases between the BLNR and its permittees as provided under HRS § 171-141(a)(3); and

**WHEREAS**, SIBA is a non-profit organization whose membership consists of all eligible permittees of lots within the Sand Island Industrial Park, including those currently under revocable permits issued by the BLNR, and SIBA is ready, willing and able to develop the infrastructure for the Sand Island Industrial Park; and

**WHEREAS**, the BLNR and SIBA desire to enter into a Master Lease in conformance with the provisions of HRS Chapter 171, as amended, which Master Lease shall replace and supersede the Development Agreement;

**NOW, THEREFORE**, in consideration of the mutual covenants, agreements and promises as hereinafter set forth, the BLNR and SIBA hereby agree as follows:

1. **DEMISED PREMISES.** For the term, at the rental, and upon the conditions, covenants and agreements hereafter expressed, and subject thereto, the BLNR does herein demise and let unto SIBA, and SIBA does hereby lease and hire from the BLNR (i) the property described in Exhibit A hereto, and by reference made a part hereof (hereinafter the "Premises"); and (ii) 1,000 square feet of loft office space to be located in the Commercial Center, as hereinafter defined,

TO HAVE AND TO HOLD the same, together with all buildings, improvements, rights, easements, privileges and appurtenances thereon or thereunto belonging or appertaining or held and enjoyed therewith, unto SIBA,

**RESERVING UNTO THE BLNR THE FOLLOWING:**

1.1. **Minerals.** All minerals as hereinafter defined in, on or under the Premises and the right, on the BLNR's own behalf or through persons authorized by the BLNR, to prospect for, mine and remove the minerals and to occupy and use so much of the surface of the ground as may be required for all purposes reasonably extending to the mining and removal of the minerals by any means whatsoever, including strip mining. "Minerals," as used herein, shall mean any or all oil, gas, coal, phosphate, sodium, sulphur, iron, titanium, gold, silver, bauxite, bauxite clay, diaspore, boehmite, laterite, gibbsite, alumina, all ores of aluminum and, without limitation thereon, all other mineral substances and ore deposits, whether solid, gaseous or liquid, including all geothermal resources, in, on, or under the land, fast or submerged; PROVIDED, that "minerals" shall not include sand, gravel, rock, or other material suitable for use and used in general construction in furtherance of SIBA's permitted activities on the Premises and not for sale to others;

1.2. **Waters.** All surface and ground waters appurtenant to the Premises and the right on its own behalf or through persons authorized by the BLNR, to capture, divert or impound the same and to occupy and use so much of the Premises required in the exercise of this right reserved; PROVIDED, that as a condition precedent to the exercise by the BLNR of the rights reserved in this paragraph, just compensation shall be paid to SIBA for any of SIBA's improvements taken; and

1.3. **Prehistoric and Historic Remains.** All prehistoric and historic remains found in and on the Premises.

2. **DEMISED TERM.** This Lease shall be for a term of fifty-five (55) years, commencing on the Effective Date, unless sooner terminated as hereinafter provided (the "Demised Term").

3. **RENT.**

3.1. **Initial Base Rent.** SIBA shall collect all rents payable under the Tenant Leases (as that term is hereinafter defined) and pay over the same to the BLNR in legal tender of the United States of America, without any deduction, notice or demand, and net of all taxes, assessments, rates or other fees or charges, in the collective annual rental amount as provided hereinbelow, payable in advance, semi-annually, at the Office of the Department of Land and Natural Resources, Honolulu, Oahu, State of Hawaii, within ten (10) days after the commencement of the semi-annual period for each and every year during the Demised Term as follows:

(a) For the first five (5) years, the rent shall be four cents per square foot of leasable area of 2,556,398 square feet per month or the sum of       \* Dollars (\$ \*\*\* ) per annum.

\*One million two hundred twenty\*\*\$1,227,071.00  
seven thousand seventy one  
and no/100\*\*\*\*\*

(b) For the second five years (6th through 10th year), the rent shall be ten cents per square foot per month or the sum of \* \_\_\_\_\_ Dollars (\$ \*\* ) per annum.

\* Three million sixty seven thousand six hundred seventy seven and 60/100\*\*\* \*\*\$3,067,677.60

(c) For the next ten years (11th through 20th year), the rent shall be twelve and one-half cents per square foot per month or the sum of \* \_\_\_\_\_ Dollars (\$ \*\* ) per annum.

\* Three million eight hundred thirty four thousand five hundred ninety seven and no/100\*\*\* \*\* \$3,834,597.00

(d) For the five years thereafter (21st through 25th year), the rent shall be sixteen cents per square foot per month or the sum of \* \_\_\_\_\_ Dollars (\$ \*\* ) per annum.

\* Four million nine hundred eighty eight thousand two hundred eighty four and 16/100\*\*\* \*\*\$4,908,284.16

**3.2. Redetermination of Base Rent.** The annual base rent shall be redetermined at the expiration of the 25th year and at intervals thereafter for the remainder of the Demised Term as follows:

(a) The annual base rent shall be redetermined effective as of the beginning of twenty-sixth, thirty-sixth and forty-sixth years of the term hereof (the "Redetermination Dates"). Each ten-year period between Redetermination Dates shall be known as a Redetermination Period. The annual base rent for the first through fifth years of each Redetermination Period shall be the fair market rental, as of the applicable Redetermination Date, of the land as improved by the Infrastructure Improvements (as hereinafter defined) and free and clear of this Master Lease and its encumbrances. Except as expressly provided in Sections 3.2(b) and 3.2(c) below to the contrary, the provisions in Hawaii Revised Statutes, Chapter 658, shall govern the rental redetermination procedure.

(b) At least six (6) months prior to the time of each base rent redetermination, the fair market rental shall be determined by an appraiser appointed and paid by the BLNR, and SIBA shall be promptly notified by certified mail of the fair market rental as determined by the BLNR's appraiser; provided, that should SIBA fail to notify the BLNR in writing within thirty (30) days after receipt thereof (i) that SIBA disagrees with the fair market rental as determined by the BLNR's appraiser, and (ii) that SIBA has appointed its own appraiser to prepare an independent appraisal report, then the fair market rental as determined by the BLNR's appraiser shall be deemed to have been accepted by SIBA. If SIBA has timely notified the BLNR and appointed its appraiser as provided hereinabove, SIBA's appraiser shall complete SIBA's appraisal and provide a copy to the BLNR not less than sixty (60) days following the date of SIBA's notice to the BLNR.

(c) In the event of a second appraisal as provided in subsection 3.2(b) above, SIBA's appraiser and the BLNR's appraiser shall review each other's reports and make every effort to resolve all differences and discrepancies as may exist between the two reports. Should any such differences remain unresolved after the expiration of thirty (30) days after the BLNR's receipt of SIBA's appraisal, the two appraisers shall, within fifteen days thereafter, appoint a third appraiser who shall also prepare an independent appraisal report. The third appraiser may rely upon the information provided in the two prior appraisals, together with any other relevant data. The third appraiser's report shall be completed and furnished to SIBA's appraiser and the BLNR's appraiser within forty-five days of the third appraiser's appointment. Within twenty (20) days after receiving the third appraisal report, all three appraisers shall meet and determine the fair market rental in issue. The fair market rental as determined by a majority of the appraisers shall be final and binding upon both the BLNR and SIBA, subject to vacation,

modification or correction in accordance with the provisions of Sections 658-8 and 658-9, Hawaii Revised Statutes. SIBA shall pay all fees and costs of its appraiser; the BLNR shall pay all fees and costs of its appraiser; the fees and costs of the third appraiser shall be borne equally by the BLNR and SIBA. All appraisal reports shall become part of the public record of the BLNR.

(d) After each rental reopening, the annual rent for each of the sixth through tenth years of each Redetermination Period shall be the fair market value determined as hereinabove provided for the immediately preceding Redetermination Date plus 22.5%. The effective rental during the second half of each Redetermination Period shall not be considered evidence of the fair market value or rental of the Premises for purposes of any of the appraisals conducted pursuant to this Section 3.2.

**3.3. Hold-over Base Rent.** In the event that, for any reason, a final appraisal has not been made as provided in Section 3.2 above before the start of any redetermination period, SIBA shall pay the fair market rental as determined by the BLNR's appraiser until the new base rent is finally determined, and the rental thus paid by SIBA shall be subject to retroactive adjustment as appropriate to reflect the fair market rental determined as set forth hereinabove, provided that SIBA or SIBA's appraiser's failure to comply with the procedures set forth in Section 3.2 above shall constitute a waiver of SIBA's right to contest the new base rent as determined by the BLNR's appraisal, and SIBA shall pay said new rent, including any retroactive adjustments.

**3.4. Additional Rent.** Subject to the provisions of Section 4.4 below, this Master Lease is a completely net lease, and in addition to the Base Rent set forth above, the holder of each Tenant Lease shall be required to pay as "Additional Rent" under each such Tenant Lease all rates, charges, taxes and assessments applicable to each Tenant Lease, including, but not limited to, the following:

(a) The payment of all taxes, rates, assessments, impositions, duties, charges and other outgoings of every kind and nature whatsoever, which shall during the Demised Term be lawfully charged, assessed, imposed, become a lien upon or grow due and payable upon or on account of each and every part and parcel of the land demised under the Tenant Leases, including all assessments and charges for any permanent benefit or improvement of the Premises or any part thereof made under any betterment law or otherwise, and all assessments and charges for sewage or street improvement or municipal or other charges which may be legally imposed upon the Premises or any part thereof or to which the Premises or any part thereof the BLNR or SIBA in respect thereof are now or may during the Demised Term become liable.

(b) The payment, when due and without any notice or demand, of all charges, duties and rates, and other outgoings of every description for electricity, gas, telephone, refuse collection, sewage disposal, water or any other utilities or services to which the Tenant Leases or any part thereof, or improvements thereon, or the BLNR or SIBA in respect thereof, may during the Demised Term be assessed or become liable, whether assessed to or payable by the BLNR or SIBA, including without limitation all late charges and applicable penalties relating thereto.

(c) Interest on any and all unpaid or delinquent rentals under Sections 3.1, 3.2, 3.3 or 3.4 at the rate of one percent (1%) per month, plus a service charge of FIFTY AND NO/100 DOLLARS (\$50.00) per month for each month in which such delinquency occurs or continues.

(d) It is expressly understood and agreed (i) that, except as conditioned in Section 3.5, SIBA shall be responsible to the BLNR for the collection and remittance of Tenant Lease rents pursuant to Sections 3.1, 3.2 and 3.3 only, (ii) that SIBA itself shall not be obligated under the terms of this Master Lease to pay the base rent or any Additional Rent or other taxes, rates, assessments, impositions, duties, charges or outgoings; and (iii) that the holder(s) of each Tenant Lease (collectively, the "Tenants") shall pay any and all Additional Rents directly to the respective assessing persons or authorities (provided that such payments, including late charges and interest thereon shall be paid to SIBA in the event that SIBA elects to cure any default on the part of a Tenant with respect to the payment of any Additional Rent).

3.5. **Vacancies.** Any other provision of this Master Lease notwithstanding, the parties hereby agree that SIBA's obligation to pay Base Rent shall be conditioned as follows:

(a) SIBA shall have no obligation to pay Base Rent as to any Tenant Lots for periods of time during such which Tenant Lot is vacant (*i.e.*, not subject to a Tenant Lease), and SIBA shall account to the BLNR for and receive prorated credit against its next due semi-annual payment of Base Rent for all such periods of vacancy;

(b) After such time as the Infrastructure Improvement Loan (as hereinafter defined) has been paid in full, then with regard to Tenant Lots that are not vacant, but for which the Tenant thereof is delinquent in the payment of Tenant Lease rents to SIBA, SIBA shall be responsible to pay Base Rent to the BLNR for such Tenant Lot beginning as of the 91st day of the Tenant's delinquency and continuing until such time as the Tenant voluntarily vacates or is removed from the Tenant Lot, provided that the premises are otherwise available for sublease by SIBA; and further provided that SIBA shall receive prorated credit against its next due semi-annual payment of Base Rent for all other rents and charges not recovered from the defaulting Tenant or otherwise.

3.6. **Commercial Center Office.** SIBA shall have the right to occupy 1,000 square feet of loft office space in the Commercial Center at no cost. SIBA shall also have the right to occupy up to an additional 2,000 square feet of office space in the Commercial Center at fair market rental value; provided that SIBA shall elect to exercise this option not more than 90 days after receipt from the BLNR of notice of the availability and rental amount for such additional office space. The BLNR shall issue or cause to be issued a lease to SIBA in recordable form for such office space.

3.7. **Quiet Enjoyment.** The BLNR hereby covenants with SIBA that upon payment by SIBA of the rental as aforesaid, and upon observance and performance of all the terms, covenants and agreements herein contained on the part of SIBA to be observed and performed, SIBA shall peaceably hold and enjoy the Premises during the Demised Term without hindrance or interruption by the BLNR or anyone lawfully or equitably claiming by, through or under the BLNR, except as aforesaid.

#### 4. PLANNED DEVELOPMENT.

4.1. **Development of Industrial Subdivision.** SIBA shall develop the Premises into an industrial subdivision to be called the "Sand Island Industrial Park" (hereinafter sometimes the "Industrial Park") and shall undertake the development of the infrastructure for the Industrial Park (hereinafter collectively referred to as the "Infrastructure Improvements").

(a) The plans and specifications for the Infrastructure Improvements shall be subject to prior approval of the BLNR or its Chairperson. Any costs not so approved may be disallowed by the Chairperson.

(b) The Infrastructure Improvements shall consist of the roads, utilities, storm and sewer drains, water system, underground electric, telephone and streetlight system, and other direct off-site and on-site improvements (excluding driveways within Tenant Lots and Tenant improvements required by Section 6.5 or otherwise not funded by the Infrastructure Improvement Loan) necessary for the use of the Tenant lots within the Industrial Park.

(c) The plans for the Infrastructure Improvements shall be completed within 180 days after the BLNR has approved the concept of the preliminary subdivision plan. Upon approval of the plans by the Chairperson, construction of the Infrastructure Improvements shall commence within 180 days thereof, and shall be completed within sixty (60) months from the date of commencement. Said deadline shall be extended by the BLNR for a reasonable period of time for delay(s) beyond the control of SIBA.

(d) SIBA shall provide to BLNR a certified financial report of the total cost of the project within 180 days of the completion of the Infrastructure Improvements.

(e) All Infrastructure Improvements shall be subject to prior approval of and dedicated to the City & County of Honolulu, and the subdivision shall comply with all applicable federal, state and county laws and requirements. SIBA shall be responsible for obtaining all necessary permits and approvals.

(f) SIBA shall also be responsible for providing the Infrastructure Improvements for the proposed Commercial Center adjacent to the Industrial Park as designated on the subdivision map dated August 3, 1989, prepared by PBR Hawaii and approved by the BLNR.

(g) SIBA shall pay, at its sole cost, for removal of asbestos within the Industrial Park (1989 estimate: \$350,000.00).

(h) SIBA shall, at its own expense, develop and manage the Industrial Park and shall maintain the Infrastructure Improvements until such time as the Infrastructure Improvements, and any of them, are dedicated to the City & County of Honolulu.

(i) Except as may be specifically reserved herein, this Master Lease supersedes the Development Agreement in its entirety.

4.2. Assessments. SIBA is hereby authorized and obligated to impose and collect assessments from its members as more particularly set forth hereinbelow. Said assessments, including SIBA's Management Fee, shall be subject initially to the prior approval of the BLNR before the closing of the Infrastructure Improvement Loan (as hereinafter defined) and thereafter shall not be decreased without the approval of the lending institution. SIBA agrees and shall be obligated to impose the assessment until the Infrastructure Improvement Loan has been paid in full. SIBA, its agents and assigns shall have full power and authority with respect to the management and operations of the Industrial Park to assess and collect from its members:

(a) all costs of development, including, without limitation, design, planning, engineering and architectural work and construction of the Infrastructure Improvements for the Industrial Park and for the Commercial Center, and any mortgage loan or other financing therefor (the "Infrastructure Improvement Loan");

(b) membership dues as may be provided in SIBA's bylaws;

(c) SIBA's Management Fee, provided that:

(i) such Management Fee shall be collected and paid solely through assessment and shall not otherwise be paid from State funds;

(ii) after the first calendar year of this Master Lease, SIBA's Management Fee may be increased by five percent (5%) or less annually without approval by the BLNR;

(iii) SIBA shall annually report its Management Fee, as a component of total assessments, to the BLNR;

(iv) the management fee, together with interest thereon and the cost of collection thereof, shall be the obligation of the Tenant at the time that such management fees become due and payable;

(v) such management fee shall also be a charge on the Tenant Lease constituting a lien upon the Tenant Lease; and

(vi) if any management fee is not paid on the date when due, such management fee shall become delinquent, and SIBA shall be entitled to its remedies at law and in equity as provided in Section 4.3;

(d) such other administrative costs and reimbursable expenses as SIBA may incur or advance from time to time in the ordinary course of SIBA's business;

(e) SIBA, its agents and assigns, shall have full power and authority to collect from its associate members any and all membership dues as may be provided in SIBA's bylaws.

#### 4.3. Charge on Tenant Leases.

(a) Each assessment, together with interest thereon, and the cost of collection thereof, shall be the obligation of the Tenant at the time the assessment becomes due and payable, and each assessment shall also be a charge on the lease constituting a lien upon the lease against which such assessment was made.

(b) If any assessment is not paid on the date when due, such assessment shall become delinquent and SIBA may then record in the Bureau of Conveyances a notice of such delinquency, naming the Tenant and identifying the Lots. Such assessment shall then, together with interest thereon and the cost of collection thereof, become a continuing lien on the lease which shall be binding upon the Tenants, their heirs, devisees, personal representatives, successors and assigns. During any period of delinquency, the Tenant involved in the delinquency shall have its voting rights and other rights of membership hereunder suspended, but it shall continue to be obligated to pay any assessments of SIBA. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum. SIBA may bring an action for payment and/or for summary possession, and/or SIBA may foreclose the lien of the assessments against the Tenant Lease in any manner provided by law. There shall be added to the amount of such assessment the cost of preparing and filing the complaint in any such action, and in the event a judgment is obtained, said judgment shall include interest on the assessment as above provided and reasonable attorney's fees together with all the costs of action.

(c) The assessment for the infrastructure shall constitute a property lien, to the extent permitted by law, over all other liens and encumbrances upon the leasehold except the lien of the Infrastructure Improvement Loan.

(d) SIBA shall have the rights of assessment, foreclosure and collection of rental and other assessment deficiencies in addition to any other remedies provided by law.

(e) In the event a Tenant Lease is terminated for any reason prior to the expiration of its stated term, SIBA shall, as a condition to the issuance of a new lease, require the payment of all delinquent rents and assessments from the new Tenant. If a prospective Tenant from the BLNR's waiting list (as defined in Section 6.3 below) is unwilling or unable to pay such delinquencies, SIBA may issue a Tenant Lease pursuant to public auction, which shall have an upset bid price that includes all such delinquencies. Although the new Tenant Lease shall have the same terms, conditions and rents, the amount collected at auction shall be deemed a premium (after payment of all delinquencies) and shall be applied to the BLNR's Industrial Park revolving fund. \*

4.4. **Priority of Payments by SIBA.** The sums collected by SIBA from its Tenants, whether by assessment or otherwise, shall be applied by SIBA first to pay principal and interest due on

the Infrastructure Improvement Loan, then to pay SIBA's management fees, then to pay other reimbursable expenses of SIBA, then to pay SIBA's membership dues; then to pay such Tenant's Lease rent.

4.5. **Commercial Center.** BLNR shall commence or award the contract for the development of the Commercial Center at no cost to SIBA within six (6) months after completion of the Infrastructure Improvements, or the voluntary relocation of Tenants to be displaced by the Commercial Center, whichever is later. The development shall be completed within eighteen (18) months after the contract is awarded, excluding reasonable delays beyond the control of the contractor. If the BLNR fails to commence or award the contract for the development within said six-month period, SIBA shall have the option, but not the obligation, to develop the Commercial Center under such terms and conditions as may be negotiated by the parties, with consideration given to SIBA's right to office space under Section 3.6 of this Master Lease. In any event, the development of the Commercial Center (e.g., nature, design, size of facilities) shall be in consultation and coordination with SIBA. The BLNR shall utilize the Commercial Center area proposed by SIBA subject to the voluntary relocation of Tenants within that site. The BLNR or its appointed agent shall have full responsibility for the management, maintenance and operations of the Commercial Center, in consultation and coordination with SIBA's management of the Industrial Park, and SIBA shall have no other obligation with respect thereto except to provide original Infrastructure Improvements for the Commercial Center.

## 5. INDUSTRIAL PARK MANAGEMENT.

5.1. **SIBA's Authority.** Pursuant to this Master Lease and for the Demised Term SIBA shall have responsibility to manage the Premises (as "Lessee"), including the properties demised by all Tenant Leases.

5.2. **Maintenance.** SIBA may, but shall not be obligated to, provide, administer and/or delegate to the Tenants the following services for the maintenance of the Industrial Park, the costs of which shall be assessable either generally among SIBA's membership or against the Tenants directly benefitted by the services:

(a) Garbage and refuse collection (whether operated by the City and County of Honolulu or privately), assuring that all refuse areas, enclosures and receptacles are maintained in a clean condition and in accordance with applicable fire, safety and health codes.

(b) Security, landscape maintenance, accounting, secretarial and similar services requested by or for the benefit of Tenants, and not otherwise reserved to the BLNR in the Tenant Leases.

5.3. **Personnel and Employment.** All regular staff personnel required by SIBA shall be employees of SIBA, and SIBA shall pay its employees not less than the minimum established by law. SIBA shall comply with all applicable employment laws and shall not discriminate against any employees or applicants for employment on the basis of age, sex, race, color, creed or national origin. SIBA shall take affirmative action to ensure that applicants are employed without such discrimination and that during

employment employees are not discriminated against on the basis of age, sex, race, color, creed or national origin. Such action shall include but not be limited to: employment, promotion, demotion, transfer, recruitment or recruitment advertising, layoff and termination, rates of compensation, and selection for training. SIBA shall include provisions similar to the foregoing in all vendor service contracts, excluding contracts for standard commercial supplies or raw materials. Neither SIBA, nor any contractor hired or retained to provide any part of the work required to be performed pursuant to this Master Lease that may require or involve the employment of laborers or maintenance workers, shall require or recruit any laborer or maintenance worker in any work week in which he or she is employed, on such work, to work in excess of eight (8) hours in any calendar day, or in excess of forty (40) hours in such work week for the same employer, unless such laborer or maintenance worker receives compensation at a rate of pay of not less than one and one-half times his or her basic rate of pay for all hours or portions thereof worked in excess of eight (8) hours in any calendar day or forty (40) hours in any such calendar work week, as the case may be. In the case of any violation of the foregoing provisions, SIBA and/or any contractor responsible for such violation shall be liable to the affected employee(s) for unpaid wages.

**5.4. Workers' Compensation.** SIBA shall carry workers' compensation insurance in such form and amount as to satisfy applicable State of Hawaii workers' compensation laws and regulations, at no expense to BLNR.

**5.5. Fidelity Bond.** SIBA shall, at its cost, obtain and maintain fidelity bond coverage for its officers, agents and/or employees handling cash and/or property.

## **6. TENANT LEASES.**

**6.1. Authority to Sublease.** From time to time after the Effective Date, including the period of the development of the Infrastructure Improvements and subdivision of the Premises as herein contemplated, SIBA shall sublease the lots within the Industrial Park to SIBA's members in good standing. The initial subleases and any subsequent subleases within the Industrial Park (hereinafter the "Tenant Leases") shall be issued by SIBA substantially in the form of Exhibit B hereto; provided, however, that the form of Tenant Lease issued by SIBA and approved by the BLNR from time to time shall not impair SIBA's ability to assess for and to pay when due all sums of principal and interest under the Infrastructure Improvement Loan.

**6.2. Existing Permittees.** SIBA shall offer original Tenant Leases to all eligible permittees within the Industrial Park, provided that

(a) all other requirements under the revocable permit have been fulfilled;

(b) ownership has not been changed or expanded. (Prior to the issuance of the Tenant Lease, a request to change the name of the permittee, pursuant to the purchase of the permittee's stocks will not be allowed. After the issuance of the Tenant Lease, such a request to change the name shall be

subject to the payment of a fee similar to the premium clause in the assignment provision of the Tenant Lease and the Tenant shall be liable for the payment of said fee.);

(c) the Tenant is not in arrears in the payment of taxes, rents or other obligations owing the State or any of its political subdivisions; and

(d) the eligible permittee must be in good standing with SIBA at the time of issuance of the Tenant Lease, and upon issuance of the Tenant Lease, SIBA will be solely responsible to ensure membership in good standing.

(e) Prior to the issuance of the initial Tenant Leases, but not thereafter, SIBA may relocate existing permittees, adjust lot sizes, and permit the expansion of existing permittees' lots into presently vacant lots.

**6.3. New Tenants.** After the initial issuance of Tenant Leases as provided in Section 6.2, SIBA shall give preference in issuing new Tenant Leases to persons on the list of eligible persons maintained by the BLNR (except as may be otherwise provided by law, and subject to administrative policies and guidelines developed by the BLNR and SIBA) and further subject, during the term of the Infrastructure Improvement Loan, to the consent of the holder of the lien therefor, a copy of which list, current as of the Effective Date, is attached hereto as Exhibit C and incorporated herein by reference.

**6.4. Membership in SIBA.** Each Tenant shall, as a specific requirement of each Tenant Lease, be a member of SIBA in good standing and shall pay such Tenant's pro-rata share of SIBA's assessments, including all rents due hereunder. No Tenant Lease shall be issued to any person who is not a member of SIBA. All tenants or sublessees of the Commercial Center shall be associate members of SIBA and shall pay appropriate membership dues as may be established from time to time by SIBA in consultation with the BLNR and/or its managing agent or master lessee for the Commercial Center.

**6.5. Tenant Improvement Costs.** SIBA shall require each original Tenant, as a provision of each initial Tenant Lease (which provision may be in the form of a rider or attachment incorporated in the form of Tenant Lease attached hereto as Exhibit B) and at such Tenant's sole cost and expense, within five (5) years after the start of each such Tenant Lease, to complete the construction of tenant improvements on the subleased premises at a cost of not less than Two Hundred Thousand Dollars (\$200,000.00), in accordance with plans and specifications submitted by the Tenant to and approved by the board of directors of SIBA or a committee appointed by such board, and in full compliance with all applicable laws, ordinances, rules and regulations.

**6.6. Observance of Laws.** SIBA shall require each Tenant, as a provision of each Tenant Lease and at the Tenant's sole cost and expense, to observe and perform all laws, ordinances, rules and regulations now or hereafter imposed by any governmental authority, and to keep the Premises real property and improvements subject to such Tenant Lease in a strictly clean, orderly and sanitary condition, and to indemnify the BLNR and SIBA against all loss or damage and all actions, suits and

claims by whomsoever brought or made, by reason of the nonobservance or nonperformance of said laws, ordinances, rules, regulations or of these covenants.

**6.7. Repair and Maintenance.** SIBA shall require each Tenant, as a provision of each Tenant Lease and at the Tenant's sole cost and expense, to keep the real property and improvements subject to such Tenant Lease well and substantially repaired, maintained, and kept both structurally and otherwise, including all buildings, and other improvements now or hereafter built or made thereon, including all plumbing and electrical fixtures therein, with all necessary reparations and amendments thereto, reasonable wear and tear excepted.

**6.8. Inspection.** Each Tenant Lease shall provide that SIBA and its agents may at all reasonable times during the Demised Term to enter any portion of the Tenant Lease premises and examine the state of repair and condition thereof. The Tenant will cause to be repaired and made good at the Tenant's expense all defects within thirty (30) days after having received notice such defects from SIBA, or such other reasonable time as may be specified in such notice. If the subject Tenant shall refuse or neglect to commence such repairs and complete the same within said period, SIBA may make such repairs and complete the same or cause the same to be made and shall not be responsible to such Tenant for any loss or damage that may be caused to the property or business of such Tenant by the reason thereof, and if SIBA shall make such repairs or cause the same to be made, SIBA shall collect forthwith from the Tenant the cost thereof, with interest at the rate of twelve percent (12%) per annum.

**7. HAZARD INSURANCE.** SIBA shall provide, and shall require that each Tenant provide, as a provision of each Tenant Lease and at the Tenant's sole cost and expense, to the BLNR on or before the commencement date of this Master Lease and any such Tenant Lease, respectively, duly executed certificates showing that hazard insurance policies covering the real property and improvements demised, including, as to the Tenants, their respective Tenant Lots, and as to SIBA, SIBA's Commercial center leasehold space and the Infrastructure Improvements (until dedicated), are in full force and effect and in amounts sufficient to meet the replacement value of all buildings and improvements thereon, and shall furnish certificates upon each renewal of each such policy. Each certificate shall contain or be accompanied by an assurance of the Insurer not to cancel the insurance, limit the scope of the coverage, or fail or refuse to renew the policy until after thirty (30) days written notice has been given to SIBA and the BLNR.

## **8. LIABILITY INSURANCE.**

**8.1. Coverage.** SIBA shall provide, and shall require each Tenant, as a provision of each Tenant Lease and at the Tenant's sole cost and expense, to provide to the BLNR on or before the commencement date of this Master Lease and each such Tenant Lease, respectively, a duly executed certificate showing that a commercial liability insurance policy covering personal injury and real property damage affecting third parties and/or the improvements demised to SIBA (SIBA's Commercial Center leasehold space) and to each Tenant (the Tenant Leases), respectively, is in full force and effect and in the amount of Five Hundred Thousand Dollars (\$500,000) per occurrence and One Million Dollars (\$1,000,000) in the aggregate, and shall furnish certificates upon each renewal of each such policy. Each certificate shall contain or be accompanied by an assurance of the Insurer not to cancel the insurance,

limit the scope of the coverage, or fail or refuse to renew the policy until after thirty (30) days written notice has been given to SIBA and the BLNR.

8.2. **Review.** The BLNR shall retain the right at any time to review the coverage, form and amount of any insurance required by this Section. If, in the opinion of the BLNR, the insurance provisions in this Section do not provide adequate protection for the BLNR, the BLNR may require procurement of insurance sufficient in coverage to provide adequate protection. The BLNR's requirements shall be reasonable and shall be designed to assure protection for and against the kind and extent of the risks which exist at the time a change in insurance is required. The BLNR shall notify SIBA in writing of changes in the insurance requirements and thereafter each Tenant shall deposit copies of acceptable insurance policies or certificates thereof with SIBA and the BLNR within thirty (30) days of receipt of such notice.

## 9. ASSIGNMENT AND SUBLETTING.

9.1. **Transfer of Master Lease.** Except as herein expressly or otherwise provided or with the prior written consent of the BLNR, SIBA will not assign, sublet or part with possession of the whole or any part of the real property and improvements subject to this Master Lease in any manner whatsoever, whether by concession, sublease, permit, license or otherwise; provided, that the BLNR shall not unreasonably or capriciously withhold said consent or require the payment of any moneys except a reasonable service charge for the giving of such consent, and the premium described in Section 9.3 below.

9.2. **Transfer of Tenant Leases.** Except as herein expressly or otherwise provided or with the prior written consent of SIBA, no Tenant shall assign, sublet or part with possession of the whole or any part of the real property interest and improvements pertaining to any Tenant Lease, in any manner whatsoever, whether by concession, sublease, permit, license or assignment (collectively, a "transfer"), either voluntarily or by operation of law, nor shall there be any subsequent transfer of any lesser interest in the Tenant Lease, except by way of devise, bequest or intestate succession, and any such unapproved transfer shall be null and void; provided, however, that with the prior written approval of SIBA a transfer of a Tenant Lease may be made by the Tenant if:

- (a) the Tenant was required to and did in fact construct substantial building improvements to the leased premises;
- (b) the Tenant (if an individual) becomes mentally or physically disabled;
- (c) the Tenant demonstrates extreme economic hardship to the satisfaction of SIBA;
- (d) such transfer represents a change only in the legal name or status of the Tenant and does not effect or refer to a change in the ownership of the Tenant or the Tenant's business for consideration paid to or for the benefit of the Tenant, except as conditioned in Section 9.5 below; or

(e) such transfer is made in connection with the purchase of stock by the Tenant's existing employees under an Employee Stock Option Plan.

**9.3. Premium Assessed on Transfer.** Prior to the approval of any transfer of a Tenant Lease or any lesser interest therein, SIBA shall review and shall condition any approval on an examination of the consideration paid by the transferee and any such transfer so approved shall be made subject to the following:

(a) if a sublease, implementation by SIBA of the BLNR's Sublease Evaluation Policy for Sand Island, attached hereto and incorporated herein by reference as Schedule 1, as it may be amended from time to time with the concurrence of SIBA and, during the term of the Infrastructure Improvement Loan, the lienor of the Infrastructure Improvement Loan; or

(b) if an assignment, the implementation by SIBA of the BLNR's Assignment Evaluation Policy for Sand Island, attached hereto and incorporated herein by reference as Schedule 2, as it may be amended from time to time with the concurrence of SIBA and, during the term of the Infrastructure Improvement Loan, the lienor of the Infrastructure Improvement Loan.

**9.4. Term and Covenants Upon Transfer.** Any transfer of a Tenant Lease, including without limitation any transfers as provided in subsection (b) above, shall not be for a term or terms exceeding the term of the existing Tenant Lease and shall not release the Tenant from any of its obligations under such Tenant Lease, and any such permitted transfer shall be specifically made and therein stated to be made subject to the terms, conditions and covenants of the subject Tenant Lease and this Master Lease.

**9.5. Change of Ownership of Tenant.** From and after the Effective Date, if any Tenant, whether by original grant of a Tenant Lease as provided herein or by assignment (including any partnership, joint venture or corporation), sells or transfers more than 49%, in the aggregate, of the ownership interest in the Tenant Lease and/or the Tenant's business, whether by sale of stock or any partnership interest, dissolution, merger or any other means not specifically excepted in Section 9.2 above, such sale or transfer shall be deemed an assignment for purposes of this Section 9 and SIBA shall impose and collect the premium due thereon, if any, on a pro-rata basis pursuant to Section 9.3 above, it being the intent that any substantial profit resulting from the sale or transfer of ownership interest shall be subject to the payment of such premium.

**9.6. Misrepresentation.** All Tenant Leases issued by SIBA shall provide that any intentional misrepresentation of fact concerning the assignment or subletting of the premises subject to any such Tenant Lease or any change in ownership of the Tenant or the Tenant's business conducted on such premises, shall be cause for immediate and automatic termination of such Tenant Lease, in addition to all other remedies which SIBA and/or the BLNR may have against such tenant at law and/or in equity.

**9.7. Right to Verification and Audit.** Upon the reasonable request of the BLNR, SIBA shall:

(a) provide the BLNR with verification of its calculation of any premium calculated and/or collected pursuant to Section 9.3; and

(b) permit the BLNR to inspect and audit SIBA's books, records, documents and other materials pertaining to the computation of any premium calculated and/or collected pursuant to Section 9.3, such inspection to be made at the BLNR's sole expense.

**10. EXPENSES OF THE BLNR.** SIBA and/or its Tenants, respectively, will pay to the BLNR on demand all costs and expenses, including reasonable attorneys' fees, incurred by the BLNR in enforcing any of SIBA's covenants, terms and conditions herein contained, in remedying any breach thereof, in collecting any delinquent rent, taxes or other charges hereunder payable by SIBA or its Tenants, and in connection with any litigation (other than condemnation proceedings as provided herein) commenced by or against SIBA or its Tenants to which the BLNR shall without fault be made a party.

**11. LIENS.** SIBA will not commit or suffer or permit to be committed any act or neglect whereby the Premises or any Improvement thereon or the estate of the BLNR or SIBA therein shall at any time during the Demised Term become subject to any attachment, judgment, lien, tax lien, charge or encumbrances or other claim whatsoever, other than any mortgages and rents authorized hereunder; and SIBA will indemnify and hold the BLNR harmless for any loss, cost and expense, including attorneys' fees, with respect thereto.

**12. WASTE AND UNLAWFUL USE.** SIBA shall use or allow the Premises or parts thereof to be used solely for purposes consistent with the management and operation of the Industrial Park in accordance with the terms and conditions of this Master Lease. SIBA shall not commit, suffer or permit to be committed any waste, nuisance, stripping or unlawful, improper or offensive use of the Premises or any part thereof.

**13. SURRENDER.** SIBA and its Tenants shall, at the end of the Demised Term or upon any sooner termination of this Master Lease, peaceably deliver unto the BLNR possession of the Premises, together with all improvements existing or constructed thereon. Furthermore, upon the expiration, termination, and/or revocation of this Master Lease, should SIBA or any Tenant fail to remove any and all of its personal property from the Premises, after notice thereof, the BLNR may remove any and all personal property from the Premises and either deem the property abandoned and dispose of the property or place the property in storage at the cost and expense of SIBA or such Tenant, respectively. SIBA shall be entitled to collect such of its assessments as provided in Section 4.2 above as may be due at the time of such termination; provided that no termination of this Master Lease prior to the natural expiration of the Demised Term shall impair SIBA's right and ability to repay the balance and interest due under the Infrastructure Improvement Loan.

**14. OBSERVANCE OF LAWS.** SIBA shall, and it shall be a requirement of each Tenant Lease that each Tenant shall, observe and perform all laws, ordinances, rules and regulations now or hereafter imposed by any governmental authority. SIBA shall require each Tenant, as a provision of each Tenant Lease and at the Tenant's sole cost and expense, to keep the Premises real property and improvements

subject to such Tenant Lease in a strictly clean, orderly and sanitary condition, and to indemnify the BLNR against all loss or damage and all actions, suits and claims by whomsoever brought or made, by reason of the nonobservance or nonperformance of said laws, ordinances, rules, regulations or of these covenants.

**15. RIGHT TO ENTER.** BLNR or the County and their respective agents or representatives shall have the right to enter and cross any portion of the Premises for the purposes of performing any public or official duties; provided, in the exercise of these rights, the BLNR or the County shall not interfere unreasonably with SIBA's and/or the respective Tenant's use and enjoyment of the Premises.

**16. HAZARDOUS MATERIALS.**

**16.1. Remediation.** Notwithstanding the provisions of this Master Lease with regard to the payment of Annual Base Rent, in the event of the discovery of any hazardous material (other than asbestos as provided separately herein) on or within the land area of the Infrastructure Improvements which requires environmental remediation, including removal of hazardous material from such area and/or disposition of the same (collectively, "Remediation"), the BLNR's and SIBA's respective obligations shall be as follows:

(a) With respect to the first One Million Dollars in costs attributable to the Remediation, funding for the same will be determined by mutual agreement, except that SIBA may, on behalf of its Tenants and upon SIBA's determination that immediate action is warranted, proceed with initial funding of such Remediation upon 48 hour's written notification to the BLNR or its Chairperson, and SIBA shall be entitled to increase its assessments as needed to pay for said Remediation.

(b) With respect to any costs of remediation exceeding One Million Dollars in the aggregate for the area of the Infrastructure Improvements, or any portion thereof, SIBA's obligation to and pay the Base Rent collected from its Tenants shall be reduced for the period of time and in the actual amount necessary (but not less than zero) for SIBA to complete the Remediation, provided that SIBA shall responsibly, diligently and economically pursue its Remediation efforts and shall properly account to the BLNR for all costs and expenses associated therewith;

(c) With respect to any costs of remediation exceeding One Million Dollars (\$1,000,000) in the aggregate for the Premises or any portion thereof, the BLNR shall use its best efforts to obtain legislative relief for such costs, any such relief to go to the BLNR; and

(d) SIBA shall not be responsible for Remediation for areas of the Premises outside the Infrastructure Improvements area; provided that SIBA and its membership may elect to undertake such Remediation of individual Tenant lots on a case-by-case basis as provided in Section 16.4.

**16.2. Indemnity.** Notwithstanding any other provision of this Master Lease, the BLNR agrees to indemnify, defend and hold SIBA and its officers and directors harmless to the extent provided by law from and against any claims for damages or injuries resulting from the existence, use or release

of any hazardous material on or within the Premises (collectively, the "Environmental Hazard") prior to the start of the Demised Term. This section does not alter any obligations of SIBA or Tenants may have under section 16.4. Nor shall this section be interpreted to limit any rights the BLNR may wish to assert against any occupants and/or users of the Premises for any Environmental Hazard prior to the start of the Demised Term.

**16.3. Safety; Testing.** During the term of this Master Lease, SIBA (with respect to its Commercial Center leasehold space) and its Tenants (with respect to each Tenant Lease) shall not cause or permit the escape, disposal or release of any hazardous materials in any manner not permitted by law, nor allow to be brought into the premises any such materials except for use in the ordinary course of SIBA and/or its Tenants' respective businesses, and then only after written notice is given to BLNR by SIBA or such Tenants, as the case may be, identifying such materials. In addition, SIBA and its Tenants, respectively, shall execute affidavits or similar representations from time to time at the BLNR's request concerning SIBA and/or its Tenants' best knowledge and belief regarding the presence of hazardous materials on the Demised Premises and whether the same were placed or released thereon by SIBA and/or its Tenants, respectively. SIBA, and its Tenants as a condition of the issuance of each Tenant Lease, shall indemnify, defend and hold the BLNR harmless from and against any claim for damages or injuries resulting from the use or release of any hazardous materials on the Demised Premises.

**16.4. Environmental Inspection.** It shall be a requirement of each Tenant Lease that the Tenant thereof shall cause to be performed upon such Tenant Lot during the first 12 months of such Tenant Lease term a "Level-1" environmental inspection in the manner and by a qualified inspection company approved by SIBA. If, in the opinion of the inspecting company and/or SIBA, a more detailed inspection of the Tenant Lot is warranted based upon the findings of the "Level-1" inspection, additional inspection(s) of the premises shall be conducted to determine the existence of hazardous materials, if any, on the premises and the anticipated costs for remediation thereof in compliance with all applicable environmental laws. In the event that any hazardous materials or other condition is found to exist on a Tenant Lot (including, for purposes of this Section 16, SIBA's Commercial Center leasehold space) the Tenant, in consultation with SIBA (or SIBA, with respect to its Commercial Center leasehold space) shall elect one of the following options:

(a) To remain upon the Tenant Lot, in which case the Tenant shall, at the Tenant's sole expense, cause any and all remediation of the environmental hazard as may be necessary to bring the Tenant Lot into compliance with all applicable environmental laws; or

(b) To reject the Tenant Lease and vacate the Tenant Lot, in which case the subject Tenant Lease shall be terminated, and SIBA shall use its best efforts to find a suitable alternative leasehold premises for the Tenant within the Demised Premises.

In the event of an election under Section 16.4(b) above, SIBA shall surrender quitclaim the subject Tenant Lot to the BLNR, and such Tenant Lot shall be released and removed from the Demised Premises for all purposes under this Master Lease, including, but limited to, the payment of rents from and after the date of rejection of the Tenant Lease; provided, however, that SIBA shall also pay to the lending institution under the Infrastructure Improvement Loan in a lump sum that portion of the remaining

principal balance of the Infrastructure Improvement Loan allocable to such Tenant Lot, and SIBA shall receive a credit against its next semi-annual payment of Base rent in an amount equal to the amount so paid to the lender.

**16.5. Reletting of Rejected Tenant Lots.** In the event that the BLNR elects to relet directly any portion of the lands the subject of a rejected Tenant Lease as provided in Section 16.4, it shall be a requirement of the new lease for such premises that the new lessee, including any successors or assigns, shall be obligated to comply with all applicable covenants and restrictions applicable to the Sand Island Industrial Park as administered by SIBA, including any management fees assessed by SIBA for maintenance or other services provided for the benefit of lessees or sublessees within the Sand Island Industrial Park, regardless of whether such direct lessee of the BLNR shall become a member of SIBA.

**17. HOLDING OVER.** If SIBA remains in possession of the Premises after the expiration of this Lease, SIBA shall occupy the Premises as tenant from month to month only, subject to all the terms, covenants and conditions of this Master Lease, including rent, insofar as the same are applicable to a month-to-month tenancy.

**18. COVENANT AGAINST DISCRIMINATION.** The use and enjoyment of the Premises shall not be in support of any policy which discriminates against anyone based upon race, creed, gender, color, national origin, or a physical handicap.

**19. CONDEMNATION.** If at any time, during the Demised Term, any portion of the Premises should be condemned, or required for public purposes by the City and County of Honolulu, or any governmental agency, the Base Rent shall be reduced in proportion to the value of the portion of the Premises condemned. SIBA shall be entitled to receive from the condemning authority, in addition to any compensation payable to its Tenants in respect of condemned Tenant Lease properties, the value of (i) the balance of principal and interest due under the Infrastructure Improvement Loan, and (ii) SIBA's management fees and other reimbursable expenses through the date of condemnation; provided that in the event of a partial taking (where the Industrial Park remains economically viable), SIBA's compensation as provided under subsections (i) and (ii) above shall be adjusted in the same ratio as the square footage of the Premises condemned bears to the total square footage of the Premises demised by this Master Lease; provided, however, that neither SIBA nor any Tenant shall be entitled to any condemnation award for its leasehold interest with respect to the right to occupy the Demised Premises (or any Tenant Lease premises) for less than the fair market value thereof during the first twenty-five years of the Demised Term.

**20. CONSENT TO MORTGAGE.**

**20.1. Encumbrance of Industrial Park.** Except as provided in this Master Lease, SIBA shall not mortgage, hypothecate, or pledge the Premises, any portion thereof, or any interest in this Master Lease without the prior written approval of the Chairperson and any mortgage, hypothecation, or pledge without such approval shall be null and void; provided, however, that the BLNR hereby consents to SIBA's intended mortgage of SIBA's right, title and interest in the Premises subject to this

Master Lease in connection with any loans referenced in sections 4.1 and 6.5 above or any refinancings thereof, provided that not less than eighty percent (80%) of the proceeds of the Infrastructure Improvement Loan shall be expended for the enhancement of the Demised Premises, including expenses for professional services and governmental fees incident thereto, all as may be more particularly provided in the borrowing agreement between SIBA and the lender. If the mortgage or security interest is granted to a recognized lending institution in either the State of Hawaii or elsewhere in the United States, this consent shall extend to foreclosure and sale of all of SIBA's interest at the foreclosure to any purchaser, including the mortgagee, without regard to whether or not the purchaser is qualified to lease, own, or otherwise acquire and hold the land or any interest therein. The interest of the mortgagee or holder shall be freely assignable. The term "holder" shall include an insurer or guarantor of the obligation or condition of the mortgage, including, without limitation, any federal agency and any lending institution authorized to do business in the State of Hawaii or elsewhere in the United States; provided, that the consent to mortgage to a non-governmental holder shall not confer any greater rights or powers in the holder than those which would be required by any such federal agency.

**20.2. Consent to Transfer/Encumbrance of Master Lease in Favor of Surety.** The BLNR acknowledges that SIBA has submitted a request for a bond to a Surety, which bond provides for the completion of the Infrastructure Improvements (excluding any asbestos removal) under the circumstances and conditions stated in the bond. In partial consideration for the execution of this Bond, if approved, the Surety will request from SIBA, unless subsequently waived, a mortgage, assignment, security interest, and/or other form of encumbrance of this Master Lease and/or any part of the real property and improvements subject to the Master Lease, and SIBA's rights, title and interest therein. In order to facilitate the Surety's approval of SIBA's bond request, the BLNR hereby consents to SIBA's mortgaging, assigning, granting of a security interest, and/or other form of encumbrance in favor of the Surety, which secured interest shall be subordinate to the interest of the lender of the Infrastructure Improvement Loan. The BLNR also agrees that it will not charge SIBA a premium or fee of any nature in exchange for this consent.

**20.3. Encumbrance of Tenant Leases.** Except as may be specifically provided in this Master Lease or in any Tenant Lease issued by SIBA, Tenants shall not be permitted to mortgage, hypothecate, or pledge the land and improvements subject to such Tenant Leases, any portion thereof, or any interest therein, without the prior written approval of SIBA and any mortgage, hypothecation, or pledge without the approval shall be null and void.

**20.4. Subordination to Infrastructure Improvement Loan.** Any mortgage on the subleasehold interest of any Tenant shall be junior and subordinate to the lien of the Infrastructure Improvement Loan and to the mortgage lien, security interest, assignment or encumbrance of any surety which has executed a bond that provides for the completion of the Infrastructure Improvements.

## 21. PROTECTION OF MORTGAGE.

**21.1. Right of Holder of Record of a Security Interest.** During the continuance in effect of any authorized mortgage of SIBA's interest under this Master Lease, including, without limitation, the mortgage of the Infrastructure Improvement Loan, the BLNR will not terminate this Master Lease because of any default on the part of SIBA to observe and perform all of the covenants or conditions herein contained if the mortgagee or its assigns, within sixty (60) days after the BLNR has mailed to the mortgagee or its assigns at the last known address thereof a written notice of intention to terminate the interest of SIBA under this Master Lease for such cause, shall cure such default, if the same can be cured by the payment of money, or, if such is not the case, shall undertake in writing to perform and shall thereafter perform all the covenants of this Master Lease capable of performance by the mortgagee or its assigns or nominees until such time as this Master Lease shall be sold upon foreclosure of such mortgage and such mortgagee may add the costs of such cure to the mortgage debt and the lien of the mortgage. In case of such undertaking, the BLNR will not terminate this Master lease within such further time as may be required by the mortgagee to complete foreclosure of such mortgage or other remedy thereunder provided (i) that such remedy is pursued promptly and completed with due diligence, and (ii) that such mortgagee has paid all rent and other charges accruing hereunder as the same become due, and upon foreclosure sale of this Master Lease the time for performance of any obligation of SIBA then in default hereunder, other than payment of money, shall be extended by the time reasonably necessary to complete such performance by due diligence. Any default consisting of SIBA's failure promptly to discharge any lien, charge or encumbrance against the Premises junior in priority to such mortgage shall be deemed to be duly cured if such mortgage shall be foreclosed by appropriate action instituted within said sixty-day period and thereafter prosecuted in diligent and timely manner. Ownership of the BLNR's interest and SIBA's interest by or for the same person shall not effect the merger thereof without the prior written consent of any mortgagee to such merger. The lender, to whom SIBA shall have assigned its right to make, collect and enforce the assessments for the Infrastructure Improvements, shall have a priority lien, to the extent permitted by law, over all other liens and encumbrances upon the leasehold, and said lender shall have all of the rights and obligations of a security holder as set forth above, in addition to having priority over the rights of other security holders. Subject to the aforesaid lender's rights, the surety which provides the bond for the completion of the Infrastructure Improvements, subject to the conditions therein, shall have all the rights of the aforementioned lender or others, including, but not limited to, any mortgagee, under Sections 20 and 21 of this Master Lease, provided that the surety has secured a mortgage lien, security interest, assignment, or other encumbrance of the Master Lease and/or any part of the real estate and improvements subject to this Master Lease, and SIBA's right, title and interest therein.

**21.2. Termination of Master Lease.** Upon failure of the holder to exercise its option, the BLNR may: (i) pay to the holder from any moneys at its disposal, including the State's special land and development fund, the amount of the mortgage debt, together with interest and penalties, and secure an assignment of the debt and mortgage from the holder or if ownership of the privilege, interest, or estate shall have vested in the holder by way of foreclosure, or action in lieu thereof, the BLNR shall be entitled to the conveyance of the privilege, interest, or estate upon payment to the holder of the amount of the mortgage debt, including interest and penalties, and all reasonable expenses incurred by the holder in connection with the foreclosure and preservation of its security interest, less appropriate credits,

including income received from the privilege, interest, or estate subsequent to the foreclosure; or (ii) if the property cannot be reasonably reassigned without loss to the BLNR, then terminate the outstanding privilege, interest, or estate without prejudice to any other right or remedy for arrears of rent or for any preceding or other breach or default and use its best efforts to redispense of the affected land to a qualified and responsible person free and clear of the mortgage and the debt secured; provided that a reasonable delay by the BLNR in instituting or prosecuting its rights or remedies shall not operate as a waiver of these rights or to deprive it of a remedy when it may still otherwise hope to resolve the problems created by the breach or default. The proceeds of any redispense shall be applied, first, to reimburse the BLNR for costs and expenses in connection with the redispense; second, to discharge in full any unpaid purchase price or other indebtedness owing the BLNR in connection with the privilege, interest, or estate terminated; third, to the mortgagee to the extent of the value received by the BLNR upon redispense which exceeds the fair market lease value of the land as previously determined by the BLNR's appraiser; and fourth, to the owner of the privilege, interest, or estate.

**21.3. Amendment; Cancellation; Surrender.** As long as an authorized mortgage is a lien on the Premises, the BLNR will not (i) accept a voluntary surrender of the Premises or a cancellation of this Master Lease from SIBA, or (ii) agree to modify or terminate this Master Lease, without the written consent of the mortgagee except as expressly provided otherwise herein. During the continuance of an authorized mortgage, a surrender of all or part of the Premises or an amendment of all or any part of the Master Lease without the mortgagee's prior written consent shall be ineffective with respect to the mortgagee.

**21.4. Foreclosure.** The mortgagee under an authorized mortgage may, but shall not be required to, enforce such mortgage and acquire title to the leasehold estate in any lawful way, and pending foreclosure of such mortgage, may take possession of, and rent the Premises. Upon foreclosure or assignment in lieu of foreclosure the mortgagee, without further consent of the BLNR, may sell and assign the leasehold estate by an instrument in which the assignee shall expressly assume and agree to observe and perform all the covenants and conditions of SIBA, and the assignee may make a purchase money mortgage of this lease to any established lending institution provided that a true copy of the executed assignment and any mortgage shall be delivered promptly to the BLNR. No other assignment or mortgage of this lease which requires the written consent of the BLNR shall be made without such consent. The mortgagee or any tenant of the mortgage pending foreclosure shall be liable to perform SIBA's obligations only while such person has possession or ownership of the leasehold estate.

**21.5. Bankruptcy.** If a bankruptcy proceeding is commenced by or against SIBA, the mortgagee shall have the option and the BLNR shall recognize the mortgagee's right, within the statutory period, to obtain or cause SIBA or the trustee in bankruptcy to obtain (i) an abandonment of the leasehold estate pursuant to the provisions of the Bankruptcy Code, or any successor law having similar effect, or (ii) an assumption of the Master Lease pursuant to the provisions of the Bankruptcy Code, or any successor law having similar effect. The BLNR agrees to extend the limitation period for the trustee to assume or reject the lease for a period of sixty days and for such additional periods as are reasonably necessary. All such extensions are on the continuing conditions that all rent and other charges under the Master Lease are paid when due, all obligations on the part of SIBA which are reasonably capable of being performed by the mortgagee to be performed under the Master Lease and are satisfied or waived,

and the mortgagee is diligently and in good faith pursuing its remedies under the mortgage and the Bankruptcy Code.

**21.6. Rejection of Master Lease.** If, prior to the satisfaction of the mortgage, a federal bankruptcy court of competent jurisdiction should enter an order rejecting or terminating the Master Lease under any provision of the Bankruptcy Code or any successor law having similar effect, the mortgagee shall have an option to obtain from the BLNR (i) an instrument recognizing, confirming, and giving legal effect to the continued existence of the Master Lease (the "lease confirmation"), or (ii) a new lease of the Premises demised by the Master Lease in favor of the mortgagee or its designee (the "new lease") upon the following terms and conditions:

(a) Within thirty days after the mortgagee receives written notice from the BLNR of the actual or deemed rejection of the Master Lease, the mortgagee shall make a written request to the BLNR for a lease confirmation or a new lease, and the mortgagee or its designee shall enter into the applicable document within thirty days after receipt of the document from the BLNR; provided, however that if a written request for a lease confirmation or a new lease is not received by the BLNR within such thirty-day period or if the lease confirmation or new lease is not executed and delivered by the mortgagee or its designee within thirty days after being tendered to the mortgagee, the mortgagee's rights under this Section 21.6 shall automatically terminate, time being of the essence.

(b) As a condition to and upon the execution and delivery of the lease confirmation or the new lease, the mortgagee shall pay to the BLNR (i) any and all sums which are then due under the Master Lease (whether or not terminated), (ii) all expenses, including advances made under the Master Lease to protect the Premises and reasonable attorneys' fees incurred by the BLNR in connection with SIBA's default, the actual or deemed rejection of this Master Lease and the recovery of possession of the Premises, and (iii) all expenses incurred in the preparation, execution and delivery of the lease confirmation or the new lease. The mortgagee shall also remedy any other default under the Master Lease to the extent the defaults are then reasonably susceptible of cure by the mortgagee. Any default which cannot be cured without having the right to possession of the Premises shall be cured within a reasonable time after the mortgagee or its designee obtains possession.

(c) The new lease shall have a term commencing as of the date of termination of the Master Lease and expiring on the last day of the term of the Master Lease, and be at the same rent and upon the same terms, covenants and conditions as contained in the lease, as it may have been amended prior to the date of termination.

(d) Concurrently with execution of the new lease, the BLNR shall assign its interest in and to any existing subleases, the subtenants of which have attorned to and been recognized by the BLNR. During the period between the receipt of the mortgagee's request for a confirmation of lease or a new lease and the execution of the confirmation or new lease, the BLNR shall not modify the subleases or take any action with respect to the Premises which will impair the property which is the security for the mortgage.

(e) The lease confirmation or the new lease shall have the same priority with respect to any mortgage, lien, charge or encumbrance on the fee of the Premises as the Master Lease had immediately prior to its termination, and the lessee under the new lease shall have the same right, title and interest in and to the Premises as SIBA had under the Master Lease immediately prior to its termination; provided, however, that the BLNR makes no representations, warranties or covenants with respect to encumbrances, liens or other matters not within the control of the BLNR that impair or may impair the lessee's right, title and interest under the new lease; and further provided that the BLNR will use reasonable efforts to obtain the cooperation of all parties in interest such that the new lease shall be prior to any lien or encumbrance on the fee of the Premises which was junior to the mortgage.

(f) The mortgagee, if it is the initial lessee under the new lease, may assign the new lease without the BLNR's consent by an assignment in which the assignee shall expressly assume and agree to observe and perform all the covenants of the lessee under the new lease, and such assignee may make a purchase money mortgage of the new lease to the mortgagee provided that a true copy of the executed assignment and any mortgage shall be delivered promptly to the BLNR. No other or further assignment or mortgage of the new lease for which the written consent of the BLNR is required shall be made without such consent.

(g) If the mortgagee shall demand a new lease, the BLNR agrees, at the request of, on behalf of, and at the sole expense of the mortgagee to join in any proceedings (and if required by law, to permit any such action to be brought in its name) to oust or remove SIBA from the Premises, but not any subtenants actually occupying the Premises who have attorned to and been recognized by the BLNR.

(h) This Section 21.6 is intended for the exclusive benefit of the mortgagee or any person acquiring the Master Lease upon or in lieu of foreclosure of the mortgage and is not intended to and shall not be deemed to, confer any rights or benefits upon SIBA or SIBA's trustee in bankruptcy.

(i) This instrument may be placed of record, and any and all mortgages or other liens, charges or encumbrances on the BLNR's interest in the Premises arising after the date of recordation or filing shall be subordinate to the provisions of this instrument. Any new lease issued pursuant to the provisions of this instrument shall be prior to any such mortgage or other lien, charge, or encumbrance to the fullest extent permitted by law.

**21.7. No Assignment on Foreclosure.** No holder of an authorized mortgage shall be or become liable to the BLNR as an assignee of this Master Lease or otherwise for the payment or performance of any obligation of SIBA until the holder expressly assumes by written agreement the payment or performance of such obligation. No assumption of liability shall be inferred from or result from foreclosure or other appropriate proceedings in the nature of foreclosure or as a result of any other action or remedy contained in an authorized mortgage, or from a conveyance or assignment pursuant to which any purchaser at foreclosure shall acquire the rights and interests of SIBA under the terms of this Master Lease.

21.8. **Cure by Master Lessor.** SIBA shall provide in every mortgage of its interest in the Premises or any part of the Premises the right of the BLNR at its option, and the BLNR is granted the right to the extent allowed in such mortgage, upon any default by SIBA under such mortgage continuing beyond any applicable grace provided for remedying such default and the acceleration by the mortgagee of the debt secured by the mortgage, to acquire by assignment all right, title and interest of the mortgagee in and to the mortgaged property upon payment by the BLNR of the principal amount of indebtedness and all interest, advances, costs and other sums secured by the mortgage.

## 22. DEFEASANCE.

22.1. **Events and Consequences of Default.** This demise is upon the express condition that if any one or more of the following events of default shall occur; to wit: if SIBA shall fail to collect and pay the rent herein reserved or any part thereof within five (5) days of delivery by the BLNR of a written notice of breach or default, or if SIBA shall become bankrupt, or shall abandon the premises, or if this Master Lease and premises shall be attached or taken by operation of law, or if any assignment is made of SIBA's property for the benefit of creditors, or if SIBA shall fail to observe and perform any of the covenants, terms, and conditions contained in this lease and on its part to be observed and performed, and this failure shall continue for a period of more than ten (10) days for nonpayment of rent or sixty (60) days for other breaches after delivery by the BLNR of a written notice of breach or default, by personal service, registered mail or certified mail to SIBA at its last known address and to each mortgagee or holder of record having a security interest in the Premises, the BLNR may, subject to the provisions of Section 171-21, Hawaii Revised Statutes, administratively and without recourse to judicial proceedings reenter the Premises, or any part, and upon or without the entry, at its option, terminate this Master Lease without prejudice to any other remedy or right of action for arrears of rent or for any preceding or other breach of contract; and in the event of termination, all buildings and improvements shall remain and become the property of the BLNR; and furthermore, the BLNR shall retain all rent paid in advance as damages. In the event of a termination for reasons other than the nonpayment of rent, the operation of this section shall not affect SIBA's rights and obligations with respect to the collection and disbursement of assessments as provided in Section 4 of this Master Lease, including payment of SIBA's Management Fee, through the date of such termination.

22.2. **Acceptance of Rent Not a Waiver.** Acceptance of rent by the BLNR shall not be deemed to be waiver by the BLNR of any breach by SIBA of any term, covenant or condition of this Master Lease herein contained, nor of the BLNR's right to declare and enforce a forfeiture of any such breach, and that the failure of the BLNR to insist upon strict performance of any of the terms, covenants and conditions of this Master Lease shall not be construed as a waiver or relinquishment for the future of any such terms, covenants and conditions, but the same shall be and remain in full force and effect. The acceptance of any surrender shall be only by agreement in writing signed by the BLNR.

23. **NOTICE.** Any notice or demand to the BLNR or SIBA provided for or permitted by this Master Lease may be given sufficiently for all purposes in writing mailed as registered or certified mail, addressed to such party at the BLNR's or SIBA's post office address herein specified or the last such address designated by such party in writing to the other, or delivered personally within the State of

Hawaii to the BLNR or SIBA, as the case may be, and shall be deemed conclusively to have been given to such party on the date of such mailing or personal delivery.

24. **EXTENSION OF TIME.** Notwithstanding any provision contained herein to the contrary, wherever applicable, the BLNR and SIBA may, for good cause shown, allow additional time beyond the time or times specified herein, in which to comply, observe and perform any of the terms, conditions and covenants contained herein.

25. **APPROVALS.** No approval or consent of the BLNR required by any provision hereof shall be capriciously or unreasonably withheld or delayed, and the BLNR will not require the payment of any money therefor except for the BLNR's standard processing fees, currently established as shown on Exhibit E attached hereto and incorporated herein by reference and as otherwise provided in this Master Lease.

26. **GENDER AND USAGE.** The use of any gender shall include all genders and all words used in the singular shall extend to and include the plural.

27. **HEADINGS.** The paragraph headings throughout this Master Lease are for the convenience of the BLNR and SIBA and are not intended to construe the intent or meaning of any of the provisions.

28. **DEFINITIONS.** As used in this Master Lease, unless clearly repugnant to the context;

(a) "Chairperson" means the Chairman of the Board of Land and Natural Resources of the State of Hawaii or his successor.

(b) "SIBA" means and includes Sand Island Business Association, a Hawaii corporation, and its successors or permitted assigns.

(c) "Tenant" means and includes the person(s) or entity holding under a sublease from SIBA and such sublessee's heirs, executors, administrators, successors or permitted assigns.

(d) "Holder of a record of a security interest" means a person who is the owner or possessor of a security interest in the leased Premises and who has filed with the Department of Land and Natural Resources and with the Bureau of Conveyances of the State of Hawaii a copy of an instrument evidencing such interest.

(e) "Premises" means the land leased and all buildings and improvements now or hereinafter constructed and installed on the land leased, but excluding the Commercial Center and any land and improvements formerly part of the land leased that have been or may be dedicated to the City & County of Honolulu or other governmental authority.

29. **NON-WARRANTY AND WAIVER.** Subject to the BLNR's covenants in Section 16 of this Master Lease, the BLNR does not warrant the condition of the Premises, and the same is being leased

as is, with all faults. SIBA waives any claims for damages resulting from the operation of existing and future over-head aircraft to and from the Honolulu International Airport and agrees to hold the State, its officers and employees, harmless against any such claim.

**30. RIGHT OF WITHDRAWAL.** The BLNR reserves the right to withdraw a portion or the whole of the Premises for some other public purpose, in which case SIBA will be entitled (a) to have the rent reduced in proportion to the value of the portion of the Premises withdrawn, or (b) to surrender the Master Lease should the remainder of the Premises be found an uneconomic unit by the BLNR and in either case, SIBA shall be compensated for the improvements withdrawn, based on its initial cost of construction as adjusted by the Construction Cost Index for Apartments, Hotels, Office Buildings published by the U.S. Department of Labor, Bureau of Labor Statistics, minus straight-line depreciation according to the ratio that the unexpired term of the Master Lease as of the date of withdrawal bears to the unexpired term of the Master Lease as of the date of the completion of the construction of the improvement. SIBA may, in the alternative, remove and relocate its improvements to the remainder of the lands occupied by SIBA. No compensation shall be paid for any leasehold interest. Any assessment due and owing to SIBA will be paid by such government agency utilizing the Premises withdrawn to include any accrued management fees up to the date of withdrawal. In the event of any withdrawal of a portion or the whole of the Premises as provided hereinabove or otherwise, it shall be a condition precedent to such transaction that the balance of principal and interest due under the Infrastructure Improvement Loan shall be repaid in full, provided that in the event of a withdrawal of less than all of the Premises (and where the Industrial Park remains economically viable) such payment of principal and interest may be adjusted in the same ratio as the square footage of the Premises withdrawn bears to the total square footage of the Premises demised under this Master Lease; and further provided that all sums received by SIBA or otherwise payable on account of such withdrawal shall be applied first to pay the principal and interest due as aforesaid, then to pay for SIBA's improvements as aforesaid, together with any other reimbursable expenses of SIBA.

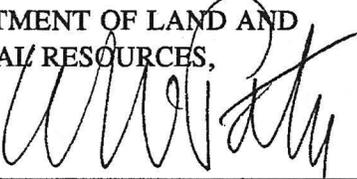
**31. COUNTERPARTS.** This instrument may be executed in two or more counterparts, each of which shall be deemed an original, and said counterparts together shall constitute one and the same instrument, binding the parties hereto, notwithstanding that all of the parties are not signatory to the original or the same counterparts. For all purposes, including without limitation recordation, filing and delivery of this instrument, duplicate unexecuted and unacknowledged pages of the counterparts may be discarded and the remaining pages assembled as one document. This Master Lease may be amended or supplemented only by written instrument duly executed by both the BLNR and SIBA.

**32. CONSTRUCTION.** In the event a court or other tribunal of competent jurisdiction at any time holds that any provision of this Master Lease is invalid, the remainder of this Master Lease shall not be affected thereby and shall continue in full force and effect.

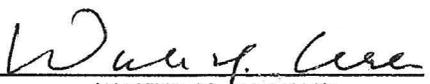
**33. NO PARTY DEEMED DRAFTER.** The parties agree that neither party shall be deemed to be the drafter of this Master Lease, and that in the event this Master Lease is construed by a court of law, such court shall not construe this Master Lease or any provision hereof against either party as the drafter of this Master Lease.

IN WITNESS WHEREOF, the BLNR and SIBA have executed this Master Lease the day and year first above written.

THE STATE OF HAWAII,  
DEPARTMENT OF LAND AND  
NATURAL RESOURCES,

By   
Its Chairperson

SAND ISLAND BUSINESS ASSOCIATION,  
a Hawaii non-profit corporation,

By   
Its WALTER Y. ARAKAWA  
PRESIDENT

APPROVED AS TO FORM

  
Deputy Attorney General, State of Hawaii

STATE OF HAWAII

)  
)  
)

SS.

COUNTY OF

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_,  
before me personally appeared \_\_\_\_\_,  
to me known to  
be the person(s) described in and who executed the foregoing  
instrument and acknowledged to me that \_\_\_\_\_ executed the same  
as \_\_\_\_\_ free act and deed.

\_\_\_\_\_  
Notary Public, State of Hawaii

My commission expires: \_\_\_\_\_

STATE OF HAWAII

)  
)  
)

SS.

City and COUNTY OF

On this 10th day of December, 1992, before  
me appeared Walter Y. Arakaki \_\_\_\_\_ and  
\_\_\_\_\_, to me personally  
known, who, being by me duly sworn, did say that they are the  
President \_\_\_\_\_ and \_\_\_\_\_ he is \_\_\_\_\_,  
respectively of Sand Island Business Association,  
a Hawaii corporation, and that the seal affixed to the  
foregoing instrument is the corporate seal of said corporation  
and that said instrument was signed and sealed in behalf of  
said corporation by authority of its Board of Directors, and  
the said Walter Y. Arakaki \_\_\_\_\_ and \_\_\_\_\_  
acknowledged said instrument to be the free act and deed of  
said corporation.

Rebecca Y. Hamamura  
Notary Public, State of Hawaii

My commission expires: 10-16-95

ls.



STATE OF HAWAII

SURVEY DIVISION

DEPT. OF ACCOUNTING AND GENERAL SERVICES

HONOLULU

C.S.F. No. 21,840

January 4, 1993

(REVISED JANUARY 1993)  
SAND ISLAND INDUSTRIAL PARK

PARTS 1 AND 2

Kaholaloa, Sand Island, Honolulu, Oahu, Hawaii

Being portions of the Former Sand and Quarantine Islands Military Reservation transferred to the Territory of Hawaii by Presidential Executive Order 10833 dated August 20, 1959.

PART 1:

Beginning at the northwest corner of this parcel of land, at the northeast corner of Sand Island Sewage Treatment Plant Site and on the south side of Sand Island Parkway, the coordinates of said point of beginning referred to Government Survey Triangulation Station "U.S.E. NORTH BASE" being 1040.30 feet North and 2342.42 feet West, thence running by azimuths measured clockwise from True South:-

1. 284° 43'                      294.86 feet along the south side of Sand Island Parkway;
2. Thence along the south side of Sand Island Parkway on a curve to the left with a radius of 410.00 feet, the chord azimuth and distance being:  
271° 39'                      185.39 feet;
3. 258° 35'                      33.97 feet along the south side of Sand Island Parkway;
4. 258° 35'                      119.19 feet along the south side of Sand Island Parkway;
5. 258° 35'                      107.63 feet along the south side of Sand Island Parkway;

6. 258° 35' 75.64 feet along the south side of Sand Island Parkway;
7. Thence along the south side of Sand Island Parkway on a curve to the right with a radius of 350.00 feet, the chord azimuth and distance being:  
280° 31' 45" 261.61 feet;
8. 302° 28' 30" 526.69 feet along the south side of Sand Island Parkway;
9. 302° 28' 30" 119.30 feet along the south side of Sand Island Parkway;
10. 302° 28' 30" 116.37 feet along the south side of Sand Island Parkway;
11. 302° 28' 30" 109.59 feet along the south side of Sand Island Parkway;
12. 302° 28' 30" 366.02 feet along the south side of Sand Island Parkway;
13. Thence along the south side of Sand Island Parkway on a curve to the right with a radius of 365.00 feet, the chord azimuth and distance being:  
316° 44' 15" 179.85 feet;
14. 331° 00' 146.73 feet along the south side of Sand Island Parkway;
15. 331° 00' 198.32 feet along the south side of Sand Island Parkway;
16. 241° 00' 5.00 feet along the south side of Sand Island Parkway;
17. 331° 00' 640.00 feet along Sand Island State Recreational Area, Governor's Executive Order 2704;
18. Thence along Sand Island State Recreational Area, Governor's Executive Order 2704 on a curve to the right with a radius of 120.00 feet, the chord azimuth and distance being:  
16° 00' 169.71 feet;
19. 61° 00' 102.00 feet along Sand Island State Recreational Area, Governor's Executive Order 2704;

20. Thence along Sand Island State Recreational Area, Governor's Executive Order 2704 on a curve to the right with a radius of 140.00 feet, the chord azimuth and distance being:  
88° 45' 130.37 feet;
21. 116° 30' 1880.33 feet along Sand Island State Recreational Area, Governor's Executive Order 2704;
22. 90° 00' 1044.95 feet along Sand Island State Recreational Area, Governor's Executive Order 2704;
23. 194° 43' 1129.74 feet along Sand Island Sewage Treatment Plant Site to the point of beginning and containing an AREA OF 65.813 ACRES.

Vehicle access shall not be permitted into and from Sand Island Parkway over and across Courses 1, 2, 3, 5, 9, 11 and 15 of the above-described Part 1 of Sand Island Industrial Park.

Subject, however, to the Ala Moana Force Main as shown on plan attached hereto and made a part hereof.

PART 2:

Beginning at the southwest corner of this parcel of land, at the southeast corner of Container Yard, Governor's Executive Order 2931 and on the north side of Sand Island Parkway, the coordinates of said point of beginning referred to Government Survey Triangulation Station "U.S.E. NORTH BASE" being 1043.40 feet North and 2118.04 feet West, thence running by azimuths measured clockwise from True South:-

1. 216° 12' 14" 453.82 feet along Container Yard, Governor's Executive Order 2931;
2. 302° 28' 30" 707.97 feet along United States Coast Guard Site;
3. Thence along the north side of Sand Island Parkway on a curve to the left with a radius of 410.00 feet, the chord azimuth and distance being:  
100° 31' 45" 306.45 feet;

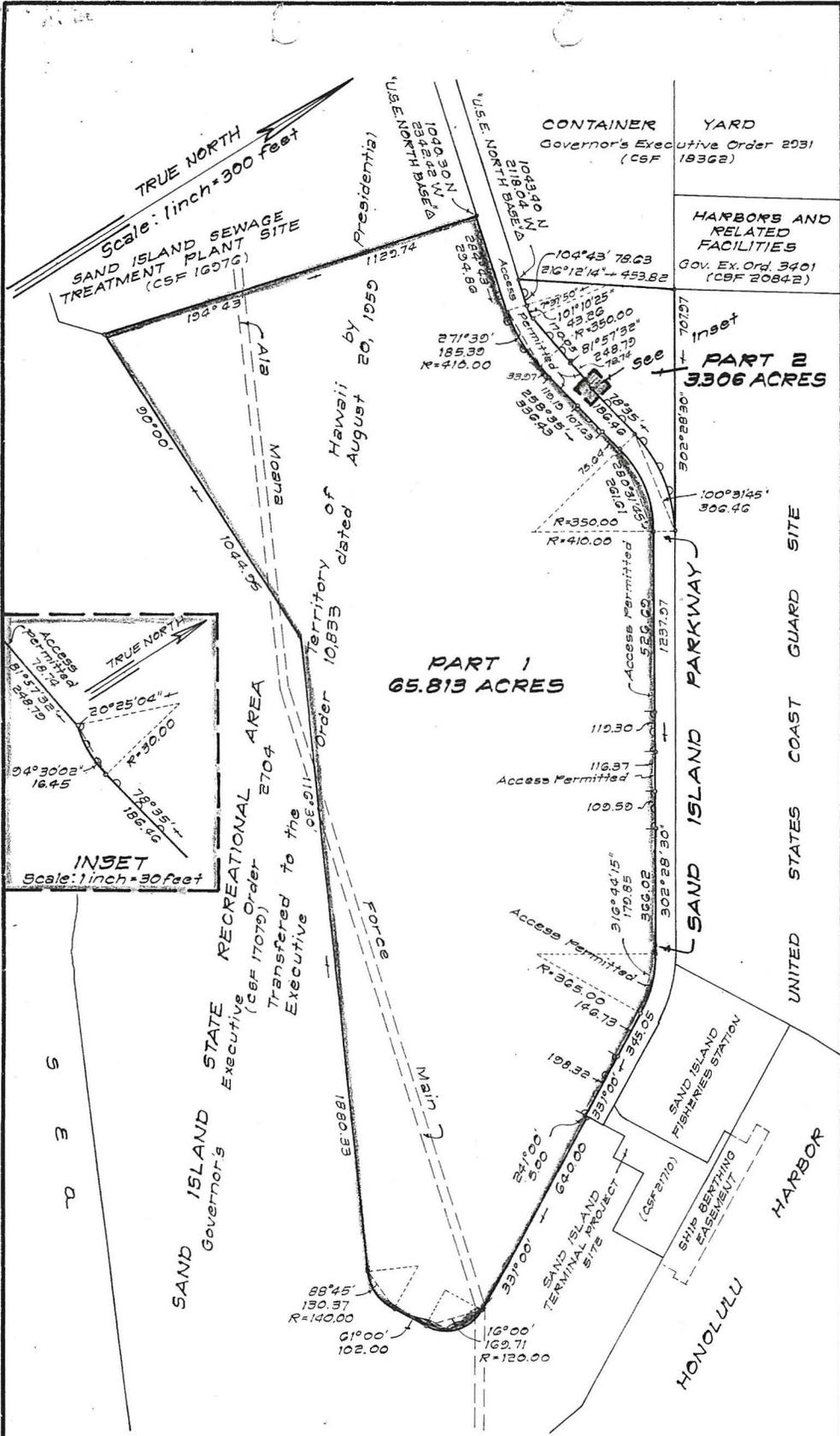
4. 78° 35' 186.46 feet along the north side of Sand Island Parkway;
5. Thence along the north side of Sand Island Parkway on a curve to the right with a radius of 30.00 feet, the chord azimuth and distance being:  
94° 30' 02" 16.45 feet;
6. 81° 57' 32" 78.74 feet along the north side of Sand Island Parkway;
7. 81° 57' 32" 170.05 feet along the north side of Sand Island Parkway;
8. Thence along the north side of Sand Island Parkway on a curve to the right with a radius of 350.00 feet, the chord azimuth and distance being:  
101° 10' 25" 43.26 feet;
9. 104° 43' 78.63 feet along the north side of Sand Island Parkway, to the point of beginning and containing an AREA OF 3.306 ACRES.

Vehicle access shall not be permitted into and from Sand Island Parkway over and across Courses 3, 4, 5, 7, 8 and 9 of the above-described Part 2 of Sand Island Industrial Park.

SURVEY DIVISION  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
STATE OF HAWAII

By: Joseph M. Matsuno  
Joseph M. Matsuno  
Land Surveyor gm

Compiled from map furn. by  
Community Planning, Inc.,  
CSFs 17079, 21065 and other  
Govt. Survey Records.



(REVISED JANUARY 1993)  
**SAND ISLAND INDUSTRIAL PARK**  
**PARTS 1 AND 2**  
 Kaholaloa, Sand Island, Honolulu, Oahu, Hawaii  
 Scale: 1 inch = 300 feet

JB 0-374(92)  
 D. W. IBM C.F. 1-C, Oahu

--- Denotes no vehicle access permitted  
 -d- Denotes access permitted

TAX MAP 1-5-41  
 C.S.F. NO. 21840

SURVEY DIVISION  
 DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
 STATE OF HAWAII

JMM Jan. 4, 1993  
 8.5" x 11" = 1.0 in. = 1.0 ft.

# EXHIBIT 4

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
LAND DIVISION

INSPECTION REPORT FOR VACANT PROPERTY

TAX MAP KEY: (1) 1-5-041:077

Inspection date: 12/1/2020 Inspection time: 10:10 am

1. Explain the physical condition including any improvements (ie grass overgrown, wiliwili trees, abandon vehicles, clogged concrete lined ditch, broken chain link fence, etc.): \_\_\_\_\_  
The inspection was done pursuant to the letter sent to Sand Island Business Association requesting them to remove all the vehicles parked there and construction material [gravel] stored over there.

Other than the SIBA office and its carport, the site is cleared. See photos attached.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

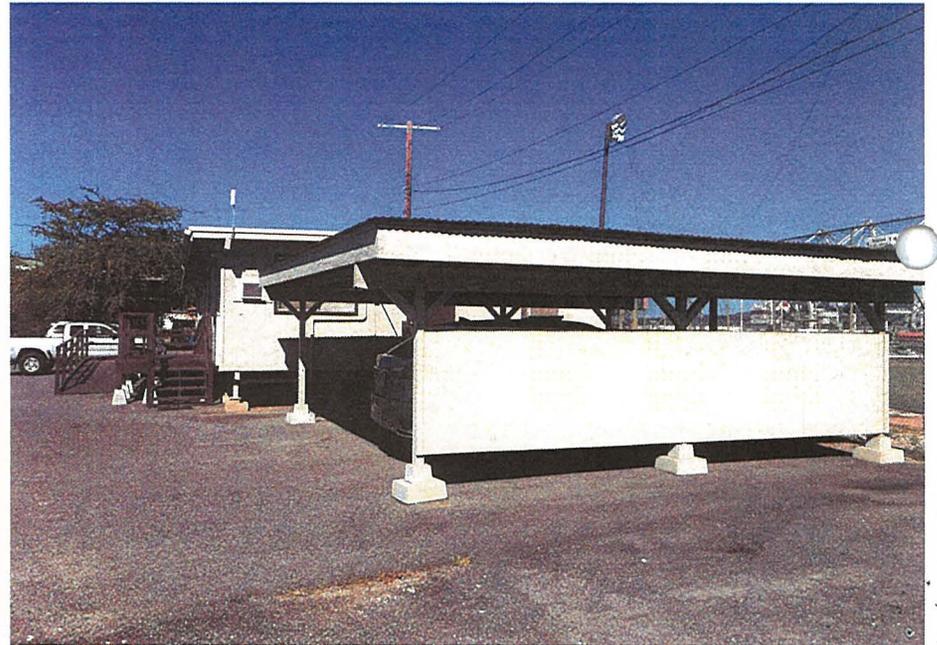
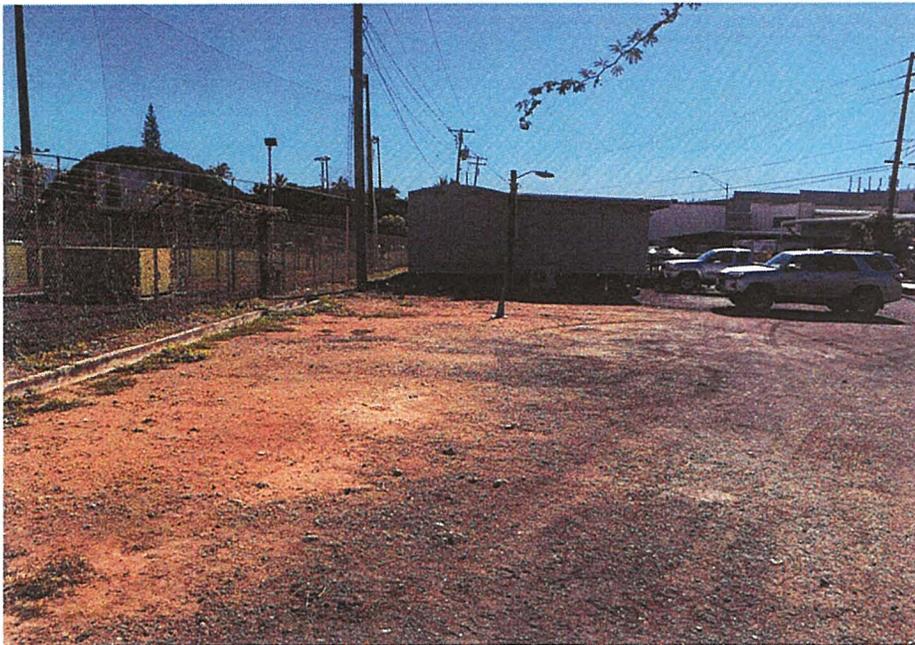
2. Is maintenance is required? (ie cut grass, tree removal, install government signs, etc.) \_\_\_\_\_  
SIBA requested us to install signs prohibiting illegal dumping. Meanwhile, SIBA will use a truck to block any unauthorized entry to the lot at night.

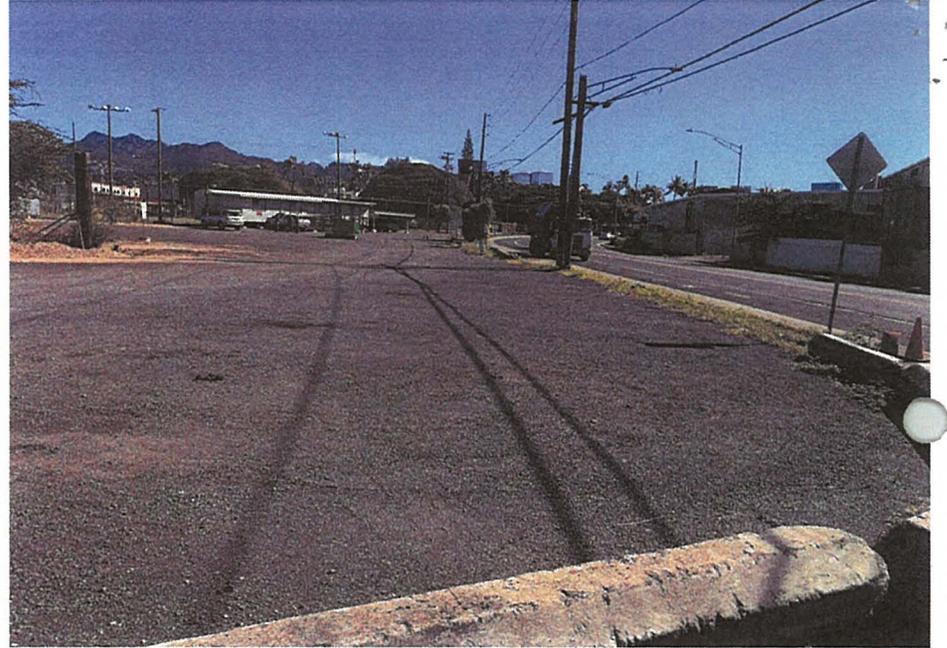
\_\_\_\_\_  
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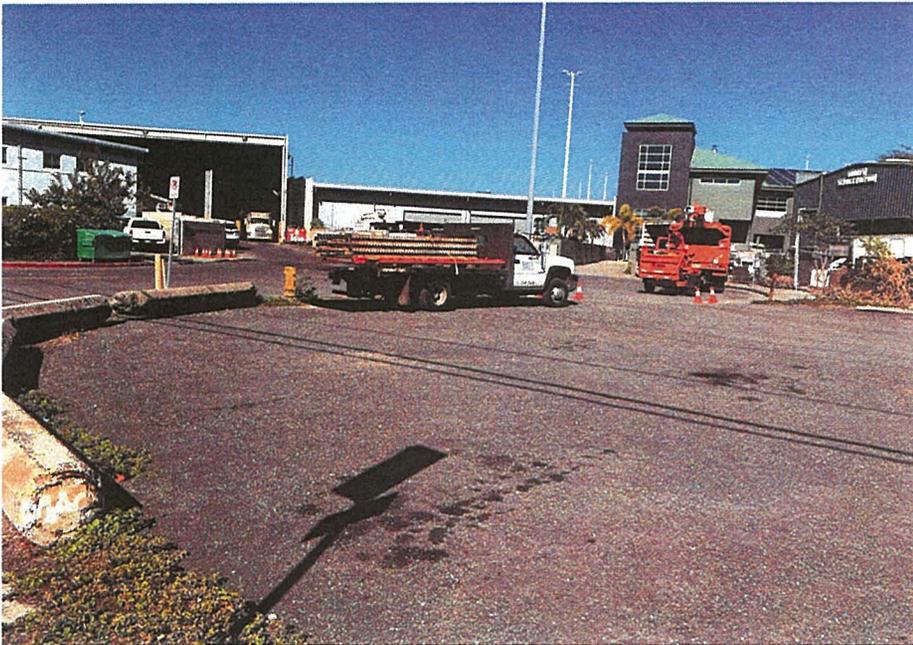
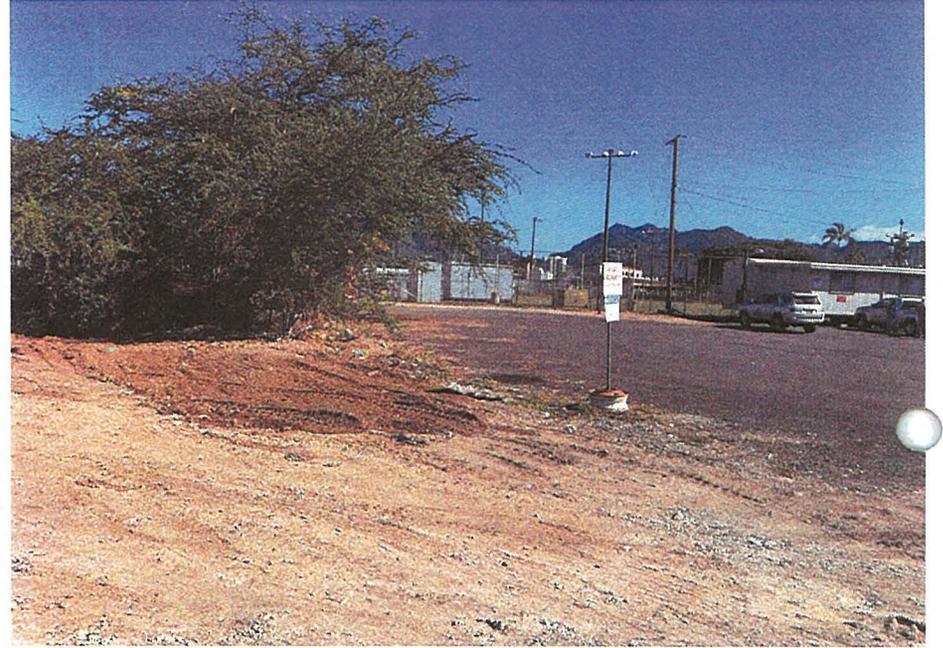
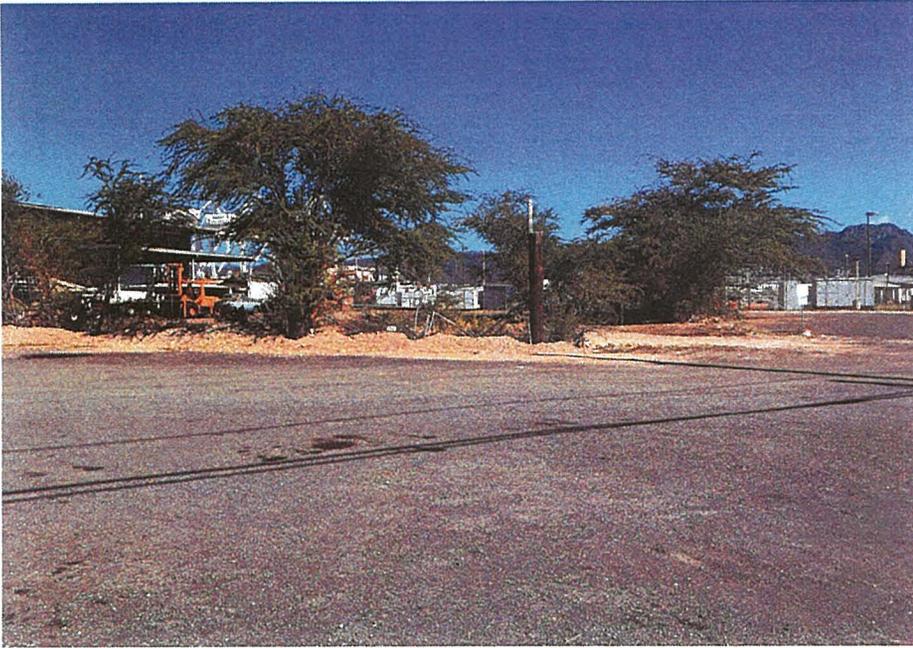
3. Completed by: Barry Cheung *BC*

Date: 12/6/20  
Reviewed by: [Signature]









# EXHIBIT 5

State of Hawaii  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

April 25, 1997

Board of Land and  
Natural Resources  
Honolulu, Hawaii

OAHU

RESUBMITTAL

Request Board Approval, Extension of Time, Completion,  
Tenant Improvements, General Lease No. S-5261,  
Sand Island Business Association, Sand Island Industrial Park,  
Honolulu, Oahu, TMK: 1-5-41

On June 14, 1996 under agenda Item D-16 (copy attached) as Exhibit "A", we requested Land Board approval for extending the time limit for the tenants construction of improvements two years beyond the five (5) years requirement that is provided in paragraph 6.5 Tenant Improvement Costs of the Master lease.

Pursuant to the Hawaii Revised Statutes (HRS) Chapter 171-141(a)(5) as amended by Act 172 of the Sixteenth State Legislature, 1991, DLNR issued a fifty-five (55) year lease to SIBA for the development of an Industrial Subdivision within the former Sand Island Industrial Lots at Sand Island, Honolulu, Oahu effective July 1, 1992. SIBA issued subleases to the tenants who were already occupying lots there with monthly Revocable Permits under the Land Management Division of DLNR during the period of August 1, 1993 to April 30, 1994. The five year period starts after the last sublease was issued. In this case the period would start on May 1, 1994 and end on April 30, 1999. A total of One Hundred Eleven (111) subleases were issued. Final approval of the Subdivision was obtained from the Department of Utilization in mid-1993 but the County wouldn't accept the tenants construction plans for permitting until the sewer, water and fire hydrant hook-ups were completed and accepted by the City in July of 1995.

Due to the slow down in business and the hold up in the final approval of the Subdivision by the City and County, we asked that the Board extend the improvement deadline to seven (7) years after the execution of the tenant's subleases. The Board decided to defer action on this request until the Sand Island Business Association provided them with a status report on the improvements being planned or installed by all of the tenants.

AS AMENDED  
APPROVED BY THE BOARD OF  
LAND AND NATURAL RESOURCES  
AT ITS MEETING HELD ON  
APR 25 1997

ITEM D-5

EXHIBIT 5

They have provided this report dated October 31, 1996 and it is attached to the submittal as Exhibit "B". The Report is broken down into three (3) categories that list thirty (30) tenants who have not started on the design and plans for their improvements, 48 tenants who have started on designs or plans but have not submitted them to SIBA nor the City and County of Honolulu, and a third category of 15 tenants that have started construction and/or have completed construction. This means 78 tenants have not submitted any plans to the County for permits. The rental to these tenants were reduced to four cents per square foot for the first five years so that they could pay for the assessments due SIBA for the Subdivision development expenses but also to assist the tenants to construct the required \$200,000 worth of improvements.

At this point Staff recommends the following Improvement Completion Schedule:

1. SIBA sends out Certified letters to all the Sub-lessees and asks if they need more time. This way we can find out who has any intention of putting up improvements. Those who don't respond then SIBA applies the letter of the existing provision listed in Paragraph 6.5 Tenant Improvement Costs which means that their time period will be five years from the execution of the sublease. If the improvements are not satisfactorily completed in that time period then the sublease is in Default.
2. For those who responded who are in the grouping of the thirty (30) tenants listed in Exhibit "B" who have not started on any plans or designs at all, and are requesting additional time, we recommend that SIBA require that they post a performance bond or show cost receipts as they go through the phases of construction. We recommend that they be given an additional three (3) years subsequent to this Board Submittal on the time scheduling of one year for plan completion, second year to have plans approved and all permits acquired, and the actual construction completed by the end of the third year.
3. For those who responded who are in the grouping of forty-eight (48) tenants who have started plans but have not submitted them to SIBA nor the City and County of Honolulu for approval, we recommend that they be given a three (3) year extension also from this Land Board action and that they also post a performance bond or show receipts for the development costs on the time frame of one year to complete plans; by the end of the second year and all plans and permits must be acquired or approved; by the end of the third year the entire construction must be completed.

4. For those fifteen (15) tenants who have started construction as shown on Exhibit "B", they will be required to have the construction completed by the end of the five (5) years period subsequent to the execution of the sublease.
5. For those tenants who have recently assumed the sublease, provide them with three (3) years from this Board dated for the completion of construction.

Should any of the tenants not meet the above cited construction deadlines, then the sublease will be in Default.

RECOMMENDATION:

That the Board approve extending time for the construction of the improvements under the above described Improvement Completion Schedule and in addition to the following terms:

1. That Section 6 of the Master Lease (General Lease No. S-5261) relating to tenant leases be amended to require that all tenant leases must be consented to by the Board of Land and Natural Resources.
2. Review and approval of the amendment documents by the Department of Attorney General.

Respectfully Submitted,

*Cecil B. Santos*

CECIL B. SANTOS  
Oahu District Land Agent

APPROVED FOR SUBMITTAL:

*Michael D. Wilson*  
MICHAEL D. WILSON, Chairperson

State of Hawaii  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

June 14, 1996

Board of Land and  
Natural Resources  
Honolulu, Hawaii

OAHU

Subject: Request Board Approval, Extension of Time, Completion,  
Tenant Improvements, General Lease No. S-5261, Sand  
Island Business Association, Sand Island Industrial  
Park, Honolulu, Oahu, TMK: 1-S-41

We have received a request from the Sand Island Business Association for an extension of time for the Tenant improvement requirement provision of General Lease No. S-5261 issued by Department of Land and Natural Resources to the Sand Island Business Association (SIBA).

Pursuant to the Hawaii Revised Statutes (HRS) Chapter 171-141(a)(5) as amended by Act 172 of the Sixteenth State Legislature, 1991, DLNR issued a fifty-five (55) year lease to SIBA for the development of an Industrial Subdivision within the former Sand Island Industrial Lots at Sand Island, Honolulu, Oahu effective July 1, 1992. SIBA issued subleases to the tenants who were already occupying lots there with monthly Revocable Permits under the Land Management Division of DLNR during the period of August 1, 1993 to April 30, 1994. A total of One Hundred Eleven (111) subleases were issued. Final approval of the Subdivision was obtained from the Department of Utilization in mid-1993 but the County wouldn't accept the tenant's construction plans for permitting until the sewer, water and fire hydrant hoop-ups were completed and accepted by the City in July of 1995.

This meant that the tenants had five years from the execution of their sublease to complete \$200,000.00 of improvements within their leaseholds. SIBA reports that as of this date six (6) tenants have completed their improvements and an additional twenty-three (23) tenants have submitted plans for review by SIBA and the City.

The provision 6.5 on page 5 of the Master lease requires tenants to put up the improvements within five (5) years after executing their subleases. Three years have passed since and six have completed their structures. SIBA estimates another twenty seven (27) will be completed by June 30, 1997.

SIBA has explained that the slow-down in the construction industry and processing of the tenants construction plans not starting until July of 1995 have made it difficult for the tenants to complete the improvements within the allotted time. In a letter dated April 19, 1996 they provide this explanation:

"Reasons for Request for Extension of Time. For the sake of uniformity and goal setting, SIBA has, up to now, used July 1,

*Deferred*  
APPROVED BY THE BOARD OF  
LAND AND NATURAL RESOURCES  
AT ITS MEETING HELD ON

JUN 14 1996

**EXHIBIT "A"**

ITEM D-16

BLNR-SIBA  
General Lease No. S-5261  
Extension of Time Completion  
June 14, 1996  
Page 2

1992, as the commencement date of the five year period in which SIBA's tenants are required to complete their on-site improvements. Monthly reminders of the construction deadline have been provided to all tenants.

Due to factors and circumstances beyond SIBA's and its tenants' control, it has become apparent that the vast majority of SIBA's tenants will not be able to meet their respective on-site improvement deadlines. We now have a reliable estimate of the number of tenants who will probably be able to complete construction by June 30, 1997. We believe that less than thirty percent (30%) of SIBA's tenants will be able to complete construction by June 30, 1997. Some of the reasons for our tenants' inability to meet the deadline are as follows:

- A. During the construction of the infrastructure (\$37,000,000 to date), it was not possible for the tenants to immediately plan and start construction. Infrastructure design changes regarding underground improvements necessitated changes to and additions of easements. Therefore, tenant plans could not be finalized. SIBA had also requested waivers of the five (5) foot frontage setback requirements. In June of 1995, the City and County granted a variance to the setback requirement; until this matter was resolved, the City and County could not review tenant plans, let alone issue building permits.
- B. Further, the City and County would not accept tenants' plans for review until the sewer, water and fire hydrant hook-ups were completed and at least conditionally accepted by the City and County. These matters were accomplished in July of 1995.
- C. In the 1991-1992 time frame, SIBA and its tenants were optimistic and excited about construction of their improvements. However, the construction recession has caused great uncertainty for our tenants, most of whom are in the construction industry. The recession is the most often cited reason given by our tenants for delaying their improvements."

We have enclosed this letter to the submittal as Exhibit "A".

They have requested that a common deadline of June 30, 2002 be established for the completion.

Staff has considered that the subleases were issued after August 1, 1993 and the construction plan processing at the County started in

BLNR-SIBA  
General Lease No. S-5261  
Extension of Time Completion  
June 14, 1996  
Page 3

July of 1995. From this time the tenants were able to process their permits. Two years and ten months have passed since the subleases were first issued. We recommend that the tenants be allowed another two years to complete their structures.

Paragraph 24 of the Master lease allows the Board of Land and Natural Resources for good cause shown, to provide additional time to the tenants to comply with the lease terms. Paragraph 6.5 requires structure completions within five (5) years of the sublease execution. Since the first two years were tied up with finalizing the City and County requirements, we recommend that the tenants be allowed another two years totaling seven years from the date of their subleases.

This means that instead of the deadline being about July 31, 1998 it would be extended until July 31, 2000. SIBA had requested that a common deadline be established for all tenants. This can't be done because the deadline is different for each member pursuant to paragraph 6.5 which requires five (5) years after the execution of each tenants sublease.

RECOMMENDATION:

That the Board authorize the Chairperson to approve the extension of time to the tenants of the Sand Island Business Association Master lease (General Lease No. S-5261) for their completion of Improvements for an additional two (2) years beyond the five (5) year requirement as provided in paragraph 6.5 Tenant Improvement Costs, of the Master lease subject to the following conditions:

1. All other terms and conditions of General Lease No. S-5261 shall remain the same.
2. Other terms and conditions that may be prescribed by the Chairperson to implement this Board action.

Respectfully Submitted,

*Cecil B. Santos*  
CECIL B. SANTOS  
Oahu District Land Agent

APPROVED FOR SUBMITTAL:

*Michael D. Wilson*  
MICHAEL D. WILSON, Chairperson

mw  
9A  
Lm

# Sand Island Business Association

APR 23 3 14 PM '96

April 19, 1996

Michael Wilson, Chairman  
Board of Land & Natural Resources  
P. O. Box 621  
Honolulu, HI 96809-0621

RECEIVED  
95 APR 22 4:08  
DEPT. OF LAND & NATURAL RESOURCES  
STATE OF HAWAII

*RE: Request for Extension of Time for Completion of Tenant Improvements*

Dear Chairman Wilson:

The Sand Island Business Association (SIBA) hereby requests that the Board of Land and Natural Resources consider extending the deadlines for tenant leasehold improvements in the Sand Island Industrial Park (SIIP).

Background. The Master Lease between BLNR and SIBA was executed on December 12, 1992; however, the effective date of July 1, 1992, was established by BLNR.

SIBA was unable to issue subleases until mid-1993, until final approval of the subdivision map was obtained from the City and County. Thereafter, a total of 111 subleases were issued and executed with varying effective dates from August of 1993 to April of 1994.

Of the 111 tenants, ninety-six (96) are engaged in the construction business. Three (3) tenants have abandoned their lots and two (2) tenants have filed for relief in bankruptcy.

The Master Lease and the Subleases provide that each tenant shall construct at least \$200,00 worth of on-site improvements within five years of the effective date of each Sublease.

Six (6) tenants have already completed their on-site improvements. An additional twenty-three (23) tenants have submitted plans for review by SIBA and the City and County, or have commenced on-site construction.

Reasons for Request for Extension of Time. For the sake of uniformity and goal setting, SIBA has, up to now, used July 1, 1992, as the commencement date of the five year period in which SIBA's tenants are required to complete their on-site improvements. Monthly reminders of the construction deadline have been provided to all tenants.

Due to factors and circumstances beyond SIBA's and its tenants' control, it has become apparent that the vast majority of SIBA's tenants will not be able to meet their respective on-site improvement deadlines. We now have a reliable estimate of the number of tenants who will probably be able to complete construction by June 30, 1997. We believe that less than thirty percent (30%) of SIBA's tenants will be able to complete construction by June 30, 1997. Some of the reasons for our tenants' inability to meet the deadline are as follows:

- a. During the construction of the infrastructure (\$37,000,000 to date), it was not possible for the tenants to immediately plan and start construction. Infrastructure design changes regarding underground improvements necessitated changes to and additions of easements. Therefore, tenant plans could not be

**EXHIBIT "A"**

finalized. SIBA had also requested waivers of the five (5) foot frontage setback requirements. In June of 1995, the City and County granted a variance to the setback requirement; until this matter was resolved, the City and County could not review tenant plans, let alone issue building permits.

b. Further, the City and County would not accept tenants' plans for review until the sewer, water and fire hydrant hook-ups were completed and at least conditionally accepted by the City and County. These matters were accomplished in July of 1995.

c. In the 1991-1992 time frame, SIBA and its tenants were optimistic and excited about construction of their improvements. However, the construction recession has caused great uncertainty for our tenants, most of whom are in the construction industry. The recession is the most often cited reason given by our tenants for delaying their improvements.

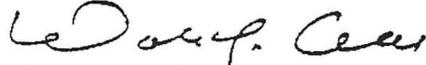
Summary. The development of the SIIP is unique in the history of this State. SIBA and its tenants are committed to making the project of mutual benefit to the State of Hawaii and the business community. To date, we have expended \$37,000,000 for infrastructure improvement, all of which will inure to the benefit of the public, in that all infrastructure improvements will be dedicated to the City and County. Our tenants have a substantial interest in SIIP and they will complete their leasehold improvements given the time. However, our tenants are concerned about when this construction recession will end!

We believe that without the requested extension of time, we will see an explosion of rental delinquencies, eviction, bankruptcy filings and other litigation, all of which will detrimentally affect both SIBA and the State of Hawaii.

For the reasons stated SIBA requests that (1) a common deadline be established for all of SIBA's tenants to complete their on-site improvements, and (2) that the common deadline be extended to June 30, 2002. The best prediction by local bank economists is that the construction economy will begin to improve in 1997, therefore, our requested date will allow our tenants reasonable time to recover from the recession.

We thank you for your consideration of our request. Should you have any question, comment, or require further information, please do not hesitate to call us.

Very truly yours,

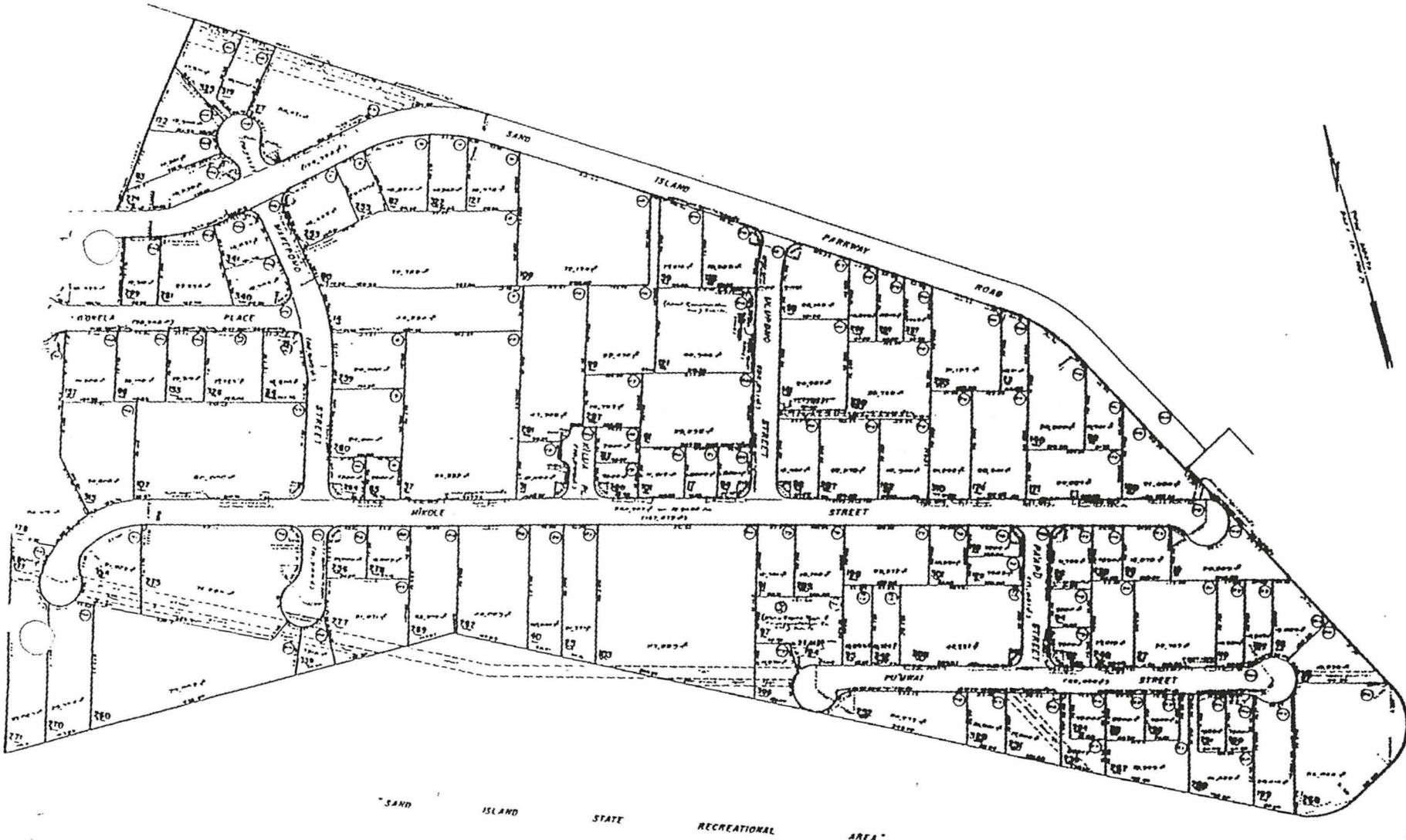


Walter Y. Arakaki  
President



Rodney Kim  
Executive Director

fc SIBA Board  
cc Deputy G. Coloma-Agaron  
C. Santos, DLNR Land Agent



SAND ISLAND STATE RECREATIONAL AREA  
 SAND ISLAND PARK SUBD. P.P. 2107, KANOLALOA, SAND ISLAND, HONOLULU, HAWAII

**SUPPLEMENTARY MAP**  
 FOR PROPERTY ASSESSMENT PURPOSES  
 SUBJECT TO CHANGE

Plats, books, & records are recorded on this lot map and may not be correct. Please refer to computer and history sheets for correct owner.

1 211

DEPARTMENT OF LAND AND NATURAL RESOURCES  
 DIVISION OF LAND MANAGEMENT  
 THE MAP

CITY OF HONOLULU		
TRIM	SECTION	PLAT
1	5	41

SCALE: 1" = 100 FT  
 PRINTED:

SAND ISLAND INDUSTRIAL PARK  
 TENANT IMPROVEMENTS  
 OCTOBER 31, 1996

TENANTS WHO HAVE NOT STARTED ON DESIGN AND/OR PLANS.

ITEM	LOT/CODE	TENANT	SINCE DATE	STATUS/COMMENT
1	5	RTI Richard K. W. Tom, Inc.	8/6/74 *	Poor economy has made planning uncertain.
2	10	HB Bessa, Herbert	4/1/88	Poor economy. Plans on hold for now.
3	16	APC La France, Warren M., dba Allied Pacific Co., Hawaii	8/1/86 *	Due to economic hardship, plans to sell sublease.
4	18	HTY Harry T. Yanagihara, Inc.	12/1/81 *	Sublease to be sold due to economic hardship.
5	22	PTE Pacific Truck & Equipment, Inc.	8/1/86 *	Unable to obtain financing. Building plans doubtful.
6	24	ICI Ideal Construction, Inc.	7/15/68 *	Will submit plans in 1997 to SIBA and City. Economy is a concern.
7	36	JDS Jonah's Delivery Service, Inc. & Jonah Nahinu	1/16/83	Sublease is for sale. Due to economic hardship, going out of business.
8	37	PCS Pacific Container Services, Inc.	9/16/70 *	Waiting for signs of economic improvement.
9	41	HFE Tokunaga, Kenneth K.	9/1/83 *	Working on financing. Poor economy is a concern.
10	52	HBI Hiro Builders, Inc.	8/1/81 *	Plans on hold due to poor economy.
11	53	CS Yamauchi, Michael M.	8/1/86 *	Poor economy make plans uncertain.
12	54	JBI Johiro Brothers, Inc.	11/1/81 *	Going out of business.
13	57	KAI Albert C. Kobayashi, Inc.	8/1/79 *	Hopes to submit plans in 1996. Economy improvement is key.
14	59	CMI Crown Masonry, Inc.	10/16/80 *	Waiting for economy to improve.
15	61	SSH M J Inc.	4/1/87 *	Plans to be submitted in 1996 to SIBA and City.
16	67	ENN E. N. Nagao, Ltd.	12/1/80 *	Closing business due to health problems and economic hardship.

\* contractor and/or services contractor

Tenants who have not started on design and/or plans.

October 31, 1996 - Page 2 of 2

ITEM	LOT/CODE	TENANT	SINCE DATE	STATUS/COMMENT
17	72-A	SBS Sheridan Building Supply, Inc.	4/1/84 *	Deciding whether to sell sublease.
18	74	MHI Masons of Hawaii, Inc.	8/1/86 *	Plans on hold due to poor economy.
19	85	FCH S. L. E. J. Hammer Corp.	6/15/86 *	Working on financing. Poor economy is not helping.
20	87	IML International Marine, Ltd.	4/1/87 *	Will submit plans in 1997. Needs extension of time to build due to poor economy.
21	89	SJK Schuler, James K.	6/1/96 *	Plans subject to improvement of economy.
22	91	SAT Sur's Auto-Truck Service, Inc.	6/1/86 *	Plans to be submitted in 1997 to SIBA and City.
23	95	ATR Aloha Tool & Rental, Inc.	1/1/96 *	Working on plans, financing is a concern.
24	98-A	GTI Green Thumb, Inc.	3/1/87 *	Poor economy makes planning difficult.
25	100	ERH Equipment Repair Service of Hawaii, Inc.	11/1/78 *	Needs extension of time due to poor economy. Plans to be submitted in 1998 to SIBA and City.
26	102	GPI Granger Pacific, Inc.	11/21/83 *	Closed business due to poor economy.
27	104	ISS Imua Sales & Service, Inc.	11/1/78 *	Economy is bad, makes planning difficult.
28	107	ECS Eddie's Crane Service, Inc.	11/1/79 *	Plans to be ready in 1997; poor economy is reason.
29	110	LFM L & F Masons	5/1/86 *	Plans subject to improvement of economy.
(30)	111	OSP Okazaki & Sugai Plasterers, Inc.	9/1/73 *	Financing and planning is difficult due to poor economy.

\* contractor and/or services contractor

SAND ISLAND INDUSTRIAL PARK  
 TENANT IMPROVEMENTS  
 OCTOBER 31, 1996

TENANTS WHO HAVE STARTED DESIGN AND/OR PLANS, BUT HAVE NOT SUBMITTED PLANS TO SIBA OR CITY.

ITEM	LOT/CODE	TENANT	SINCE DATE	STATUS/COMMENT
1	3	JMS J. M. Saito Contracting, Inc.	11/1/78 *	Plans completed. Holding off on building due to poor economy.
2	4	MU Masons' Union	6/1/85 *	Deciding on how to use lot.
3	6	RRS Mudd, Ritchie and Debra Mudd	1/1/87 *	See Lot 1.
4	7	BCS Bill's Crane Service, Inc.	6/23/69 *	Final design not finalized. Has begun to fill and grade lot.
5	8	MKC Matthew Kang Co.	4/1/66 *	Plans being developed.
6	9	ARC Auto Recycling Corp.	9/1/87	To complete improvements in 1997. Business not very good.
7	14	SHI Shuco of Hawaii, Inc.	11/1/78 *	Waiting for economy to improve. Hopes to start in 1997-98.
8	17	PTL Plas-Tech, Ltd.	8/1/86 *	To start construction in late 1996.
9	20	PTS Tolleson, Richard P., U/R LT dated March 5, 1992	12/3/82 *	Plans on hold because of economic hardship.
10	21	SWS R K O Enterprises, Inc.	8/1/86	To complete plans in 1997; economy is poor.
11	25	AEP A & E Equipment Rentals, Inc.	8/1/86 *	Plans to be completed in 1997.
12	27-A	QSM Quality Sheetmetal Co., Ltd.	4/1/61 *	Poor economy puts plans on hold.
13	28	OTL Okubo, T. and L T O Contractors, Inc.	8/1/86 *	Needs more time. Economy is so bad.
14	30	CKR C K Roofing Co.	4/1/88 *	Bad economic conditions makes planning hard.
15	34	RTC R. T. Construction, Inc.	5/1/78 *	Plans on hold due to bad economy.
16	38	TGT H. Tanaka General Trucking Service	10/15/83	Hoping to see improvement in economy before finalizing plans.

\* contractor and/or services contractor

Tenants who have started design and/or plans, but have not submitted plans to SIBA or City.

October 31, 1996 - Page 2 of 3

ITEM	LOT/COOE	TENANT	SINCE DATE	STATUS/COMMENT
17	39	FMH Fabricated Marble of Hawaii, Inc.	1/1/78 *	To complete improvements by June 1997.
18	42	MCI Milsunaga Construction, Inc.	5/15/86 *	Concerned over current economic down-cycle.
19	45	MES Milsunaga Construction, Inc.	9/1/84 *	See Lot 42.
20	46	LKT L. K. Takamori, Inc.	5/15/86 *	Plans on hold due to poor economy.
21	47	YSI Yokono-Shintaku, Inc.	1/1/80	Plans started, but needs more time to build.
22	48	HAM Harry Azumi Masonry, Inc. & C. A. Masonry	8/1/86 *	Due to poor economy, needs more time to build.
23	62	HAP Harry Asalo Painting, Inc.	10/16/80 *	Poor economy has hurt business, plans on hold for now.
24	63	UCI Universal Construction, Inc.	10/1/87 *	Plans to be submitted in 1997 to SIBA and City, needs time to build.
25	64	JT1 James L. K. Tom, Inc.	12/1/87 *	Working on financing. Plans to be submitted in 1997.
26	65	JT2 James L. K. Tom, Inc.	12/1/87 *	See Lot 64.
27	66	SBF Sonoda, Richard A., dba Sonoda Body & Fender	1/1/81	Plans not finalized.
28	68	WUS Wai Utilities Supply Co.	11/1/78 *	Poor economy makes planning difficult.
29	69	MNR M. Nakal Repair Service, Ltd.	8/1/79 *	Future is uncertain, needs more time.
30	70-A	AST Aloha-State Tour & Transportation Co., Ltd.	8/1/86	Waiting for economy to improve.
31	71-A	TAJ Coast & Coast Service, Inc.	3/1/87	Economic conditions poor, needs more time.
32	76	PG Pauley, Grady	4/1/88 *	Plans uncertain due to bad economy.
33	78	NCC Nakakura Construction Co., Ltd.	3/10/66 *	To start construction in 1999.
34	79	APM Alaka1 Mechanical Corp.	9/1/83 *	Needs more time to do improvements; poor economy is reason.
35	80	PEL Pine Enterprises, Inc., dba Honolulu Transfer & Storage	10/1/68 *	Working on financing. Poor economy makes plans uncertain.
36	81	HNP Pine Enterprises, Inc.	10/1/68 *	See Lot 80.

\* contractor and/or services contractor

Tenants who have started design and/or plans, but have not submitted plans to SIBA or City.

October 31, 1996 - Page 3 of 3

ITEM	LOT/COOE	TENANT	SINCE DATE	STATUS/COMMENT
37	82 RMK	Robert M. Kaya Builders, Inc.	5/15/86 *	Plans on hold, economy is poor.
38	84 ACC	A-1 Construction Corp.	3/11/83 *	Rethinking plans due to poor economy.
39	86 WPG	Applied Marine Technology, Inc.	1/1/87 *	Depending on economy. Hopes to build in 1997.
40	88 RD	Ruediger, Dennis	7/1/75 *	Economy is very poor.
41	90 KAS	Castillo, Alfred I.	11/1/78 *	Working on obtaining pricing, economy is a factor.
42	93 NKC	N. K. Corp.	9/1/83 *	Working on final design.
43	94 RFP	Reliable Fire Protection, Inc.	2/1/96 *	Hopes to build in 1997.
44	96 WRI	Water Resources International, Inc.	12/1/83 *	Poor economy makes plans uncertain.
45	97 ATS	Ace Towing Service, Inc.	11/1/78	Plans to be submitted in 1997 to SIBA and City.
46	99-A HYI	Harold Y. Ishii Contracting Co., Inc.	7/1/71 *	Working on final design. Plans to be submitted in 1996 to SIBA and City.
47	109 ADI	Kaneshiro, Dean	8/1/86	Poor economy.
(48)	112 JSB	Borja, Juan S., Jr., dba Sonny's Auto Repair	12/1/86	Plans to be submitted in 1996 to SIBA and City.

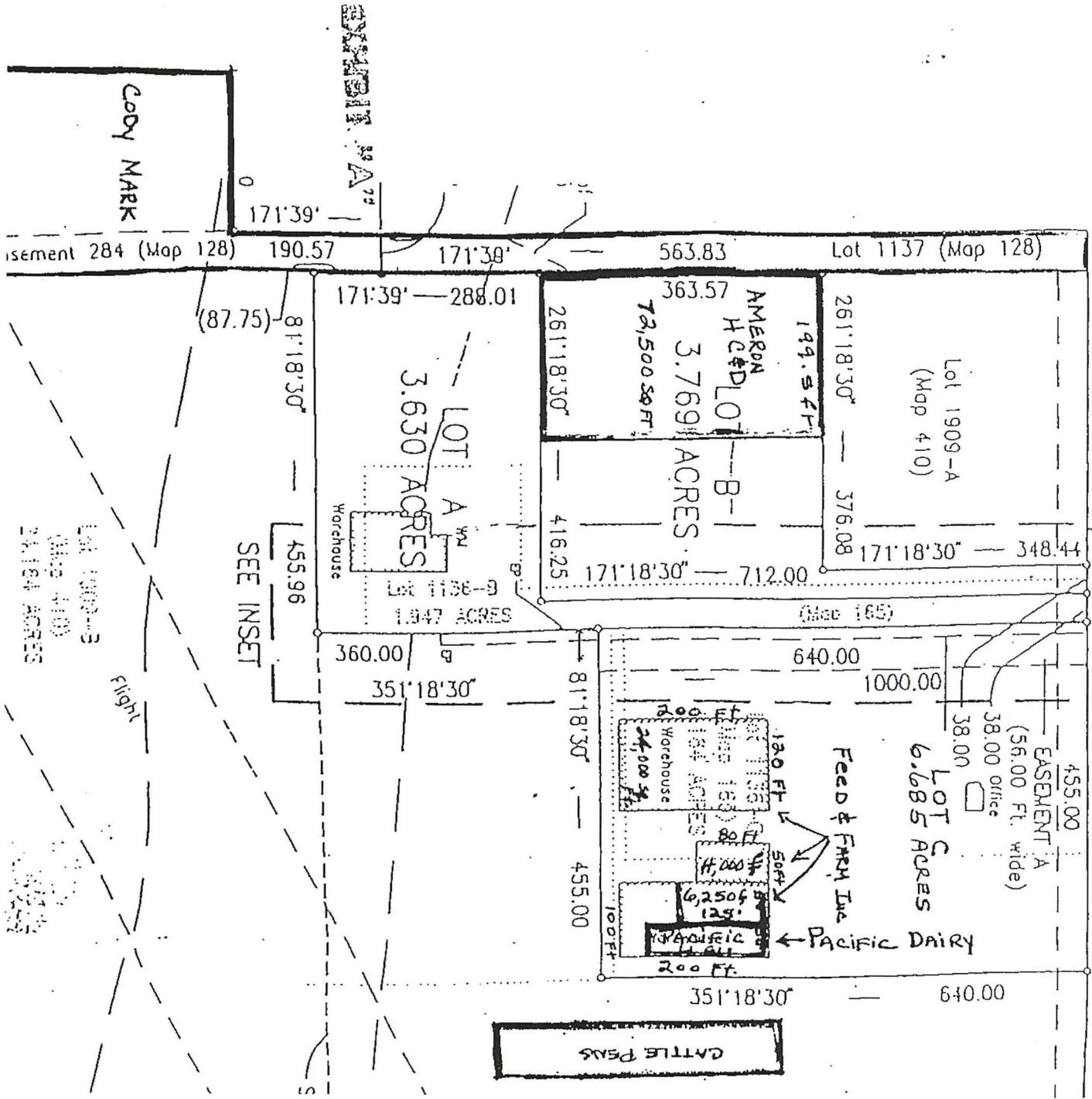
\* contractor and/or services contractor

SAND ISLAND INDUSTRIAL PARK  
 TENANT IMPROVEMENTS  
 OCTOBER 31, 1996

TENANTS WHO HAVE STARTED CONSTRUCTION AND/OR COMPLETED CONSTRUCTION.

ITEM	LOT/CODE	TENANT	SINCE DATE	STATUS/COMMENT
1	12	HDS C T K Development, Inc.	7/1/85 *	In Progress
2	13	EMR Edward Mau Roofing Co., Inc.	11/1/80 *	In Progress
3	23	DFB D. F. Builder Corp.	8/1/86 *	In Progress
4	31-A	EPS Economy Plumbing & Sheet Metal, Inc.	4/1/81 *	Completed
5	33	CCI B K S Partnership	8/1/86 *	Completed
6	49	SWK Kikuta Painting Corp.	8/1/86 *	Completed
7	51	BBI Arakaki, Walter Yulaka	8/1/86 *	In Progress
8	55	HKS Ikaika Builders, Inc.	10/1/83 *	In Progress
9	56	TLL Tajiri Lumber, Ltd.	9/1/79 *	Completed
10	60	SMW S and M Welding Co., Ltd.	10/16/80 *	Completed
11	73-A	CEI Teves, Nick W. and Helena K. Teves	7/1/83 *	In Progress
12	77	AYP Akira Yamamoto Painting, Inc.	7/15/80 *	In Progress
13	92	URC United Recapping Co., Ltd.	5/1/79 *	Completed
14	103	IT Kaneshiro, Harold, dba Imperial Trucking, Inc.	11/1/78	In Progress
(15)	108	NMC Naka's Marble Co.	6/1/88 *	Completed

\* contractor and/or services contractor



Remainder of Easement S (Map 1)

KALAELOA BLVD.

GATTLE PENS

SEE INSET

CODY MARK

EXHIBIT #A

Easement 284 (Map 128) 190.57 171'39" 563.83 Lot 1137 (Map 128)

171'39" — 288.01

LOT A 3.630 ACRES

AMERON HCD LOT B 363.57 721,500 SQ. FT. 3.7691 ACRES

Lot 1909-A (Map 410)

Lot 3163

(Map 165)

360.00 351'18'30"

640.00 1000.00

KALAELOA BLVD.

Feed & Farm Inc. PACIFIC DAIRY

EASEMENT A (56.00 Ft. wide)

LOT C 6.685 ACRES

351'18'30"

640.00

O L

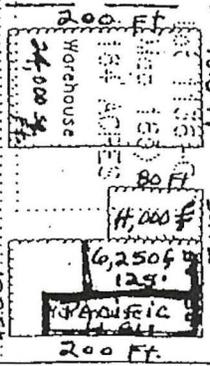
Lot 1909-B 1947 ACRES  
 Lot 1909-C 2,116 ACRES  
 Lot 1909-D 2,116 ACRES  
 Lot 1909-E 2,116 ACRES  
 Lot 1909-F 2,116 ACRES  
 Lot 1909-G 2,116 ACRES  
 Lot 1909-H 2,116 ACRES  
 Lot 1909-I 2,116 ACRES  
 Lot 1909-J 2,116 ACRES  
 Lot 1909-K 2,116 ACRES  
 Lot 1909-L 2,116 ACRES  
 Lot 1909-M 2,116 ACRES  
 Lot 1909-N 2,116 ACRES  
 Lot 1909-O 2,116 ACRES  
 Lot 1909-P 2,116 ACRES  
 Lot 1909-Q 2,116 ACRES  
 Lot 1909-R 2,116 ACRES  
 Lot 1909-S 2,116 ACRES  
 Lot 1909-T 2,116 ACRES  
 Lot 1909-U 2,116 ACRES  
 Lot 1909-V 2,116 ACRES  
 Lot 1909-W 2,116 ACRES  
 Lot 1909-X 2,116 ACRES  
 Lot 1909-Y 2,116 ACRES  
 Lot 1909-Z 2,116 ACRES

Flight

SEE INSET

Warehouse

Lot 1909-B 1947 ACRES



D-5 Approved as Amended--The Board amended the staff recommendation to read as follows:

The Board authorizes the amendment of the Master Lease to allow for an extension of time to complete the required tenant improvements subject to the following:

1. SIBA send out certified letters to all of the sublessees to identify those tenants who require additional time to complete their tenant improvements. Those tenants who do not respond will be subject to the existing deadline to complete the required tenant improvements [Paragraph 6.5 Tenant Improvement Costs] of the Master Lease. These tenants will thus have five (5) years from the execution of their sublease to complete their required improvements. If the required improvements are not completed within this required time period, then sublessee will be in default.
2. Those sublessees who do respond and request more time must comply with the following:
  - a) All building plan approvals [from SIBA and City and County] must be obtained by June 30, 1998.
  - b) Construction on the improvements must be initiated by June 30, 1999.
  - c) All construction must be completed by June 30, 2000.
  - d) Sublessees who do not comply with these deadlines will be in default of the sublease.
  - e) All tenants who request more time must submit to the State a Improvement Completion Deposit in the amount of six (6) months lease rent and assessment, with a maximum cap of \$20,000.00. If the tenant does not comply with the improvement construction deadlines outlined in section a,b, and c listed above, and/or default proceedings are commenced by SIBA for failure to comply with the improvement construction deadline, then the state will retain and deposit the Improvement Completion Deposit in the Industrial Park Special Fund.
3. Any new sublessee will be allow a maximum of three (3) years to complete construction of their improvements; however, this extension will not be available to any new assignee. Shorter time periods for completion of construction will be determined by the State and SIBA on the basis of how much improvements have already been completed on the property.

4. Based on the foregoing amendment to the Master Lease to allow the master lessee an extension of time to complete construction improvements by the sublessees, the Board amends section 6 of the Master Lease [General Lease No. S-5261] to require that all tenant leases/subleases, must be consented to by the Board of Land and Natural Resources. Such consents will not be unreasonably withheld and will be acted upon within forty-five (45) days of receipt of the completed consent request at the Department of Land and Natural Resources, Land Division, Oahu District Branch.
5. SIBA must file a Construction Compliance Report on the status of those tenants who request the time extension. The first report shall be filed on July 1, 1998 listing those who received and did not receive the required approvals from SIBA and the City and County of Honolulu. The second report shall be filed on July 1, 1999 listing those tenants who initiated and did not initiate construction by June 30, 1999. And the third and final report shall be filed on July 1, 2000 listing those tenants who completed and did not complete the construction by the June 30, 2000 deadline.
6. Review and approval of the amendment documents by the Department of Attorney General.