

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

May 10, 2024

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

Hawai'i

Consent to Sublease General Lease No. S-4323, Kalaniana'ole Real Estate Investments, LLC and FMM, LLC, as Sublessor, and Manheim Remarketing, Inc., Hawaii Petroleum, Inc., Keolakalani Kalili dba BB Towing Asset Recovery, LLC, Marine Spill Response Corporation, Polynesian Adventure Tours, LLC, and Nutrien Ag Solutions, Inc., Sublessees, Waiakea, South Hilo, Hawaii Tax Map Key: (3) 2-1-010:033.

APPLICANT:

Kalaniana'ole Real Estate Investments, LLC and FMM, LLC, both Hawaii limited liability companies, as Lessee/Sublessor, to:

1. Manheim Remarketing, Inc., a Delaware Corporation
2. Hawaii Petroleum, Inc., a Hawaii Corporation
3. Keolakalani Kalili dba BB Towing Asset Recovery, LLC, a Hawaii Limited Liability Company
4. Marine Spill Response Corporation., a Tennessee Corporation
5. Polynesian Adventure Tours, LLC, a Hawaii Limited Liability Company
6. Nutrien Ag Solutions, Inc., a Delaware Corporation

As Sublessees.

LEGAL REFERENCE:

Section 171-36(a)(6), Hawaii Revised Statutes, as amended.

"Revision to Sublease Rent Participation Policy" adopted by the Board of Land and Natural Resources (Board) on May 26, 2000, agenda item D-24, and as amended by "Resubmittal: Amendment to the Sublease Rent Participation Policy" approved by the Board on January 26, 2001, under agenda item D-8, and as further amended by the Board on at its meeting of August 24, 2012, under agenda item D-14.

**LOCATION:**

Portion of Government lands situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-1-010:033, as shown on the attached map labeled Exhibit A.

**AREA:**

3.7 acres, more or less.

Manheim Remarketing, Inc.	Lease area	13,857 sq. ft.
1. Hawaii Petroleum, Inc.	Lease area	22,059 sq. ft.
3. Keolakalani Kalili dba B.B. Towing Asset Recovery, LLC	Lease area	3,600 sq. ft.
4. Marine Spill Response Corporation	Lease area	12,244 sq. ft.
5. Polynesian Adventure Tours, LLC	Lease area	24,500 sq. ft.
6. Nutrien AG Solutions, Inc.	Lease area	24,382 sq. ft.

**TRUST LAND STATUS:**

Section 5(b) lands of the Hawaii Admission Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

**LEASE CHARACTER OF USE:**

Industrial purposes.

**SUBLEASE CHARACTER OF USE:**

1. Manheim Remarketing, Inc.	Automobile Storage
2. Hawaii Petroleum, Inc.	Fueling station only
3. Keolakalani Kalili dba B.B. Towing Asset Recovery, LLC	Office and warehouse space.
4. Marine Spill Response Corporation	Storage of boats & oil spillage equipment
5. Polynesian Adventure Tours, LLC	Office, warehouse and yard space.
6. Nutrien AG Solutions, Inc.	Office, warehouse space.

**TERM OF LEASE:**

65 years, commencing on 11/10/1970 and expiring on 11/09/2035. Last rental reopening occurred on 11/10/2020; next rental reopening is scheduled for 11/10/2030.

**TERMS OF SUBLEASES:**

	<b><u>Begin Date</u></b>	<b><u>End Date</u></b>
1. Manheim Remarketing, Inc.	04/10/2012	04/30/2025
2. Hawaii Petroleum, Inc.	03/15/2006	03/14/2026
3. Keolakalani Kalili dba BB Towing Asset Recovery, LLC	09/01/2022	Monthly

4. Marine Spill Response Corporation	02/26/2022	08/31/2027
5. Polynesian Adventure Tours, LLC	01/01/2022	12/31/2024
6. Nutrien AG Solutions, Inc.	07/19/2021	06/30/2027

ANNUAL RENTAL:

\$126,000.00.

ANNUAL SUBLEASE RENTAL:

1. Manheim Remarketing, Inc.	\$ 32,400.00	base rent
2. Hawaii Petroleum, Inc.	\$ 18,000.00	base rent
3. Keolakalani Kalili dba B.B. Towing Asset Recovery, LLC	\$ 8,640.00	base rent
4. Marine Spill Response Corporation	\$ 76,923.12	base rent
5. Polynesian Adventure Tours, LLC	\$ 80,820.00	base rent
6. Nutrien AG Solutions, Inc.	\$196,031.28	base rent

Total sublease rental: \$412,814.40

**Sublease Rent Participation Policy**

On May 26, 2000, agenda item D-24, the Board approved the "Revision to Sublease Rent Participation Policy". On January 26, 2001, agenda item D-8, the Board amended the policy to address the situation in which the lessee is a non-profit entity and paying less than fair market rent. The primary purpose of establishing the Board's Sublease Rent Participation Policy was to prevent lessees from speculating and profiting on fluctuating land values while benefiting from a State lease.

In summary, the Policy applies to three types of situations.

- a. If the lessee subleases unimproved lands, the Board shall revise the rent to include as additional rent, 50% of that portion of the sublease rent in excess of the original ground rent paid to the State.
- b. If the lessee subleases improvements owned by the State, the Board shall revise the rent to include as additional rent, 50% of that portion of the sublease rent in excess of the original ground rent paid to the State.
- c. If the lessee subleases improvements not owned by the State, the Board shall not receive any portion of sublease rents from subleasing improved space unless that right and method of calculation are specifically stated in the lease.

The Board stated on the record that the formula in the policy generally reflects the intent of the Board regarding the calculation of sublease sandwich profit and shall serve as guidelines in such calculation. The Board also authorizes the staff to use their discretion in representing the State's interest in applying these formulae to address the varying subleasing arrangements that may not fit neatly into the formulae.

At its meeting of August 24, 2012, under agenda item D-14, the Board further refined the sublease policy by modifying staff's prior recommendation to read as follows:

If the lessee subleases improvements not owned by the State, the Board shall not receive any portion of sublease rents from subleasing improved space unless: (i) that right and method of calculation are specifically stated in the lease, or (ii) participation in sublease rents is warranted considering the age of the improvements (including but not limited to the extent to which the improvements have been depreciated or amortized), lessee's expenditures to maintain the same in relation to sublease revenues, and the extent to which the lessee actually occupies and uses the lease premises for its own business.

Therefore, notwithstanding the Board adopting the Sublease Rent Participation Policy, the policy was never meant to be followed blindly with rigid adherence but instead, the Board had expected staff to continue to use good land management practices and standards (and common sense) when analyzing a sublease rent proposal and arriving at a reasonable recommendation for the Board to consider that is both fair to both parties and in the best interest of the State.

In the present case, the improvements are owned by the Lessee and although the lease sets forth the State's right to sublease rent participation (see discussion under Remarks section below), the method of calculation is not specifically stated. The improvements were originally constructed at a cost of \$350,000 in 1971 and Lessee invested approximately \$500,000 in improvements since acquiring the lease. The County of Hawaii Real Property Tax Office reflects additional improvements constructed in 1995 at a cost of \$188,700, in 2001 at a cost of \$70,579, and shows the current taxable value of improvements at \$1,399,600. Most commercial real estate improvements are depreciated over a 39-year schedule so the investment in this case appears to have been largely depreciated over the 54 years elapsed under the lease. Lessee reports that it expends about \$33,800 to maintain the property annually, excluding real property taxes. The Lessee, Kalaniana'ole Real Estate Investments, LLC and FMM, LLC, does not occupy any portion of the property but instead operates as a landlord/manager for the sublease tenants on the land. Based on the foregoing assessment, staff is recommending the State participate in the sublease sandwich profits as the Lessee is using the property for purely rental income purposes. The participation calculations are detailed in Exhibit B attached.

RECOMMENDED ADJUSTMENTS TO ANNUAL LEASE RENTAL:

1. Manheim Remarketing, Inc.  
\$ 0
2. Keolakalani Kalili dba B.B. Towing Asset Recovery, LLC  
\$ 13.66

- 3 Marine Spill Response Corporation  
\$ 4,628.68
- 4. Polynesian Adventure Tours, LLC  
\$ 933.99
- 5. Nutrien AG Solutions, Inc.  
\$15,143.37
- 6. Hawaii Petroleum, Inc.  
\$ 1,367.49

The recommended total adjustment to the current annual lease rent is \$ 22,087.19  
Please see Sublease Rent Participation Calculation Memos for reference, attached  
as Exhibit B.

DCCA VERIFICATION:

SUBLESSOR:

Place of business registration confirmed: YES X NO \_\_  
Registered business name confirmed: YES X NO \_\_  
Good standing confirmed: YES X NO \_\_

SUBLESSEE: *Manheim Remarketing, Inc.*

Place of business registration confirmed: YES X NO \_\_  
Registered business name confirmed: YES X NO \_\_  
Good standing confirmed: YES X NO \_\_

SUBLESSEE: *Hawaii Petroleum, Inc.*

Place of business registration confirmed: YES X NO \_\_  
Registered business name confirmed: YES X NO \_\_  
Good standing confirmed: YES X NO \_\_

SUBLESSEE: *BB Towing Asset Recovery LLC*

Place of business registration confirmed: YES X NO \_\_  
Registered business name confirmed: YES X NO \_\_  
Good standing confirmed: YES X NO \_\_

SUBLESSEE: *Marine Spill Response Corporation*

Place of business registration confirmed: YES X NO \_\_  
Registered business name confirmed: YES X NO \_\_  
Good standing confirmed: YES X NO \_\_

SUBLESSEE: *Polynesian Adventure Tours, LLC*

Place of business registration confirmed: YES X NO \_\_  
Registered business name confirmed: YES X NO \_\_  
Good standing confirmed: YES X NO \_\_

SUBLESSEE: *Nutrien Ag Solutions, Inc.*

Place of business registration confirmed:

YES X NO   

Registered business name confirmed:

YES X NO   

Good standing confirmed:

YES X NO   

REMARKS:

General Lease No. S-4323 was sold at public auction to C. Brewer & Company on November 10, 1970 for a term of sixty-five (65) years, expiring November 9, 2035. The parcel is approximately 3.706 acres in an industrial zoned area in close proximity to the Hilo Harbor.

At its meeting of November 15, 2002, under agenda item D-25, the Board consented to the assignment of lease from C. Brewer & Company, Ltd., as Assignor, to Tri-K Investments, LLC, as Assignee, consent to mortgage and consent to sublease a portion of the warehouse back to C. Brewer & Company, Ltd.

On September 26, 2005 Tri-K investments, LLC filed for bankruptcy protection as a result of State and County tax liens. There were also liens placed against the company from several vendors. A bankruptcy hearing was held on October 3, 2005 in Honolulu to determine the terms for the assignment of lease to 888 Kalaniana'ole Ave. LLC.

The Board, at its meeting of October 14, 2005, under agenda item D-2, consented to the assignment of lease from Tri-K Investments, LLC to Kalaniana'ole Real Estate Investments, LLC and FMM LLC (Lessee).

With respect to subleasing General Lease No. S-4323 provides as follows:

14. Subletting. That the Lessee shall not rent or sublet the whole or any portion of the demised premises, without the prior written approval of the Board: provided, however, that prior to such approval, the Board shall have the right to review and approve the rent to be charged to the proposed sublessee and, if necessary, revise the rent of the demised premises based upon the rental rate charged to the said sublessee, provided, further, that the rent may not be revised downward.

On October 31, 2005, the Chairperson consented to a sublease between Lessee and Marine Spill Response Corporation. Then, on June 7, 2006, the Chairperson also consented to subleases between Lessee and five additional sublessees: Aloha Auto Group, Ltd., Hawaii Petroleum, Inc., Life of Beauty, Inc., Polynesian Adventure Tours, Inc., and Town & Country Moving and Storage. The State did not participate in sublease rents at the time, with the staff submittals explaining:

Pursuant to the "Revision to Sublease Rent Participation Policy" adopted by the Board at its meeting of May 26, 2000, agenda item D-

24, the Board authorized the Chairperson to consent to subleases where no sandwich profits exist in two situations: 1) the lease has no provision which allows for sandwich profits or 2) the sublease involves improved property and according to this policy, the State is not entitled to any sandwich profits.

Staff is requesting your consent to sublease under General Lease No. 4323, as the subject general lease does not have a provision allowing for sandwich profits.

However, as discussed under the Sublease Rental Participation Policy heading beginning on page 3 of this submittal, the policy has evolved over time and staff believes that under the current policy, the State should participate in sublease rents in the amount of \$22,087.19 annually. See Exhibit B for calculations.

The current sublessees will be occupying existing structures and open areas on the premises. Any alterations to their respective areas will be minor. Delays in processing this request were due in part to increased staff workload.

Last rental reopening occurred on 11/10/2020; next rental reopening is scheduled for 11/10/2030. There are no outstanding rental reopening issues.

Staff is recommending that the Board consent to Subleases with Manheim Remarketing, Inc., Hawaii Petroleum, Inc., Keolakalani Kalili dba BB Towing Asset Recovery, LLC, Marine Spill Response Corporation, Polynesian Adventure Tours, LLC, and Nutrien AG Solutions, Inc., as Sublessees.

#### RECOMMENDATION:

That the Board consent to sublease under General Lease No. S-4323 between Kalaniana'ole Real Estate Investments, LLC and FMM, LLC, as Lessee/Sublessor, and Manheim Remarketing, Inc., Hawaii Petroleum, Inc., Keolakalani Kalili dba BB Towing Asset Recovery, LLC, Marine Spill Response Corporation, Polynesian Adventure Tours, LLC, and Nutrien AG Solutions, Inc., as Sublessees, subject to any applicable conditions cited above which are by this reference incorporated herein and further subject to the following terms and conditions:

1. The lease rent shall be increased by \$22,087.19 annually, representing the combined sublease sandwich profits from the above-described subleases. The amount due shall be subject to adjustment from time to time as sublease rents increase or decrease, provided that any extension of an existing sublease or issuance of a new sublease shall require prior written Board consent accordance with the lease;
2. The standard terms and conditions of the most current consent to sublease form, as may be amended from time to time;

3. Review and approval by the Department of the Attorney General; and
4. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

*Gordon Heit*

*KEM*

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Gordon C. Heit  
District Land Agent

APPROVED FOR SUBMITTAL:



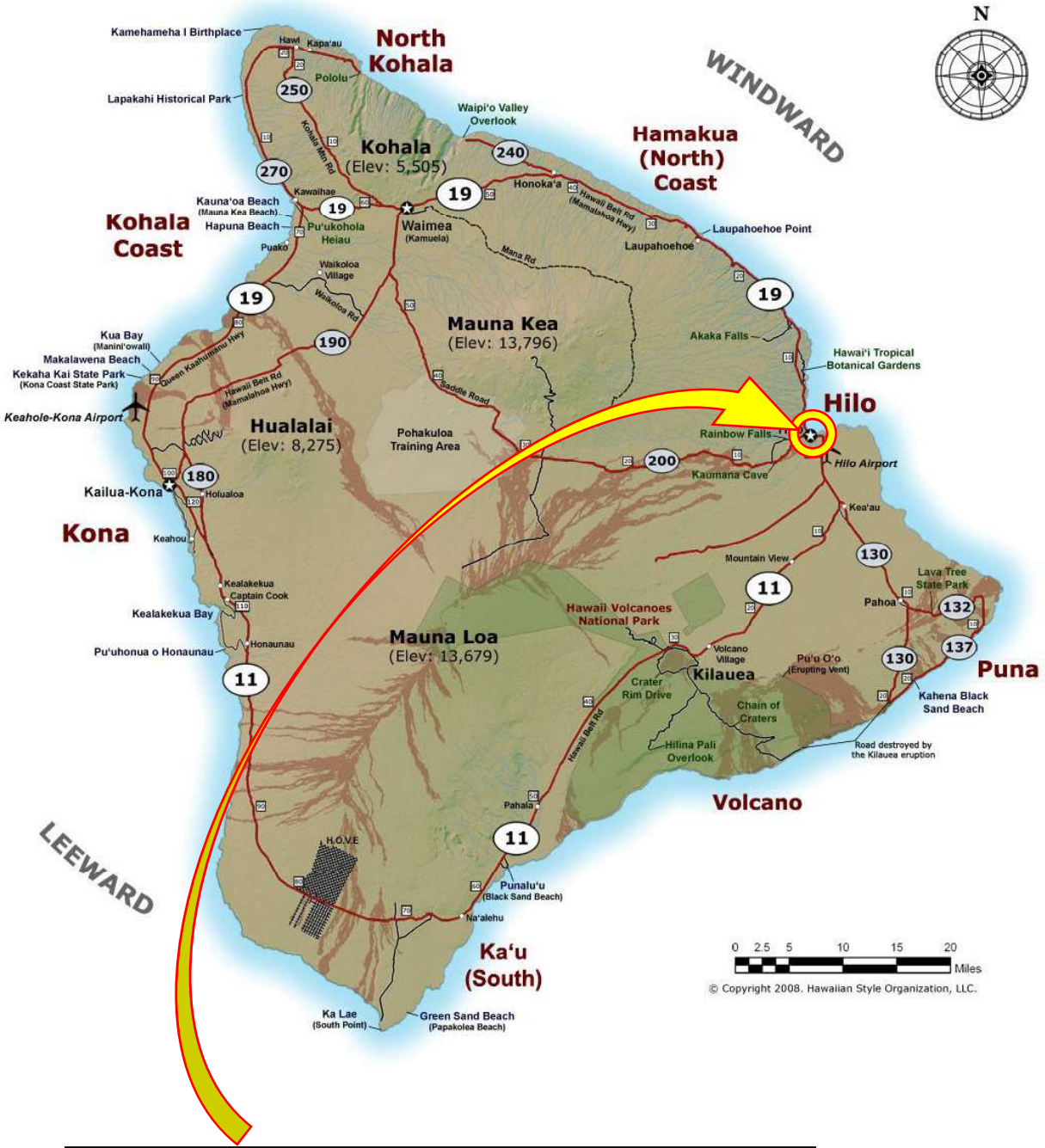
*RT*

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Dawn N. S. Chang, Chairperson



**EXHIBIT A**



**GENERAL LEASE No. S-4323,  
South Hilo, Hawaii**

# EXHIBIT A

TMK: (3) 2-1-010:033



**SUBJECT PROPERTY**

# General Lease No. S-4323

# EXHIBIT A



Hilo Harbor

Subject Parcel  
(3) 2-1-10:33

Kalanianaʻole Ave

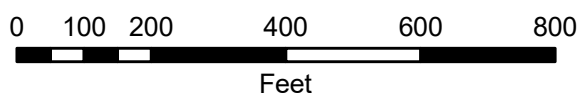
Nahalea Ave

Kaulana Ave

Desha Ave

Silva St

Airport Runway



## SUBLEASE PARTICIPATION WORKSHEET

General Lease No.:	S-4323
Lessee:	Kalaniana'ole Real Estate Investments, LLC and FMM LLC
Location:	Waiakea, South Hilo, Hawaii
Tax Map Key:	(3) 2-1-010:033
Land Area (sq ft):	161,172 (3.7 acres) <sup>1</sup>
Annual Ground Rent:	\$126,000.00
SUBLESSEE:	Manheim Remarketing, Inc.

### CALCULATIONS:

Sublease Area	13,857 square feet	
Annual Sublease Ground Rent:		\$32,400.00
Less G. E. Tax		<u>1,357.00</u>
Effective Annual Sublease Ground Rent:		\$31,043.00

### Allowances:

Real Property Taxes: (\$38,818.53 x 15.63%)	\$ 6,067.30
Misc. Allowances: General Maintenance <sup>2</sup>	5,282.94
Total Allowances:	<u>11,350.24</u>

Income to Land: (annual sublease rent)	\$ 31,043.00
LESS: Annual Ground Rent (\$126,000 x 15.63%)	\$ -19,693.80
LESS: Total Allowances	<u>\$ -11,350.24</u>
Total	\$ - 1.04
Annual Rent Increase (10%)	<u>\$ 0.00</u>

Annual Rent Increase	<u>\$ 0.00</u>
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<sup>1</sup> Although the total area under lease is 161,172 sf, only 88,673 sf is subleased out to six sublessees, with the remainder of the lease premises being available for common use by all sublessees and their customers. Accordingly, for purposes of the calculations below, the sublease area is prorated based on the total area encumbered by the six subleases instead of on the total lease area.

<sup>2</sup> Lessee reports annual maintenance fee of \$33,800.00.

## SUBLEASE PARTICIPATION WORKSHEET

General Lease No.:	S-4323
Lessee:	Kalaniana'ole Real Estate Investments, LLC and FMM LLC
Location:	Waiakea, South Hilo, Hawaii
Tax Map Key:	(3) 2-1-010:033
Land Area (sq ft):	161,172 (3.7 acres) <sup>1</sup>
Annual Ground Rent:	\$126,000.00

SUBLESSEE: Hawaiian Petroleum, Inc.

### CALCULATIONS:

Sublease Area	1,600 square feet	
Annual Sublease Ground Rent:		\$18,000.00
Less G. E. Tax		<u>750.00</u>
Effective Annual Sublease Ground Rent:		\$17,250.00

### Allowances:

Real Property Taxes: (\$38,818.53 x 1.80%)	\$	698.73
Misc. Allowances: General Maintenance <sup>2</sup>		608.40
Total Allowances:		<u>1,307.13</u>

Income to Land: (annual sublease rent)	\$	17,250.00
LESS: Annual Ground Rent (\$126,000 x 1.80%)	\$ -	2,268.00
LESS: Total Allowances	\$ -	<u>1,307.13</u>
Total	\$	<b>13,674.87</b>
Annual Rent Increase (10%)	\$	<u>1,367.49</u>

Annual Rent Increase \$ 1,367.49

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<sup>1</sup> Although the total area under lease is 161,172 sf, only 88,673 sf is subleased out to six sublessees, with the remainder of the lease premises being available for common use by all sublessees and their customers. Accordingly, for purposes of the calculations below, the sublease area is prorated based on the total area encumbered by the six subleases instead of on the total lease area.

<sup>2</sup> Lessee reports annual maintenance fee of \$33,800.00

## SUBLEASE PARTICIPATION WORKSHEET

General Lease No.:	S-4323
Lessee:	Kalaniana'ole Real Estate Investments, LLC and FMM LLC
Location:	Waiakea, South Hilo, Hawaii
Tax Map Key:	(3) 2-1-010:033
Land Area (sq ft):	161,172 (3.7 acres) <sup>1</sup>
Annual Ground Rent:	\$126,000.00

SUBLESSEE:	Keolaokalani P. Kalili, dba BB Towing Asset Recovery, LLC
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### CALCULATIONS:

Sublease Area	3,600 square feet	
Annual Sublease Ground Rent:		\$8,640.00
Less G. E. Tax		<u>360.00</u>
Effective Annual Sublease Ground Rent:		\$8,280.00

### Allowances:

Real Property Taxes: (\$38,818.53 x 4.10%)	\$ 1,591.56
Misc. Allowances: General Maintenance <sup>2</sup>	1,385.80
Total Allowances:	<u>2,977.36</u>

Income to Land: (annual sublease rent)	\$ 8,280.00
LESS: Annual Ground Rent (\$126,000 x 4.10%)	\$ -5,166.00
LESS: Total Allowances	<u>\$ -2,977.36</u>
Total	\$ 136.64
Annual Rent Increase (10%)	<u>\$ 13.66</u>

Annual Rent Increase	<u>\$ 13.66</u>
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<sup>1</sup> Although the total area under lease is 161,172 sf, only 88,673 sf is subleased out to six sublessees, with the remainder of the lease premises being available for common use by all sublessees and their customers. Accordingly, for purposes of the calculations below, the sublease area is prorated based on the total area encumbered by the six subleases instead of on the total lease area.

<sup>2</sup> Lessee reports annual maintenance fee of \$33,800.00

## SUBLEASE PARTICIPATION WORKSHEET

General Lease No.:	S-4323
Lessee:	Kalaniana'ole Real Estate Investments, LLC and FMM LLC
Location:	Waiakea, South Hilo, Hawaii
Tax Map Key:	(3) 2-1-010:033
Land Area (sq ft):	161,172 (3.7 acres) <sup>1</sup>
Annual Ground Rent:	\$126,000.00

SUBLESSEE: Marine Spill Response Corporation

### CALCULATIONS:

Sublease Area	12,244 square feet	
Annual Sublease Ground Rent:		\$76,923.12
Less G. E. Tax		<u>-3,207.69</u>
Effective Annual Sublease Ground Rent:		\$73,715.43

### Allowances:

Real Property Taxes: (\$38,818.53 x 13.81%)	\$ 5,360.84
Misc. Allowances: General Maintenance <sup>2</sup>	4,667.78
Total Allowances:	<u>\$10,028.62</u>

Income to Land: (annual sublease rent)	\$73,715.43
LESS: Annual Ground Rent (\$126,000 x 13.81%)	\$-17,400.60
LESS: Total Allowances	<u>\$-10,028.62</u>
Total	<b>\$ 46,286.81</b>
Annual Rent Increase (10%)	<u>\$ 4,628.68</u>

Annual Rent Increase \$ 4,628.68

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<sup>1</sup> Although the total area under lease is 161,172 sf, only 88,673 sf is subleased out to six sublessees, with the remainder of the lease premises being available for common use by all sublessees and their customers. Accordingly, for purposes of the calculations below, the sublease area is prorated based on the total area encumbered by the six subleases instead of on the total lease area.

<sup>2</sup> Lessee reports annual maintenance fee of \$33,800.00.

## SUBLEASE PARTICIPATION WORKSHEET

General Lease No.:	S-4323
Lessee:	Kalaniana'ole Real Estate Investments, LLC and FMM LLC
Location:	Waiakea, South Hilo, Hawaii
Tax Map Key:	(3) 2-1-010:033
Land Area (sq ft):	161,172 (3.7 acres) <sup>1</sup>
Annual Ground Rent:	\$126,000.00

SUBLESSEE: Polynesian Adventure Tours, LLC

### CALCULATIONS:

Sublease Area	32,990 square feet	
Annual Sublease Ground Rent:		\$ 83,226.00 <sup>2</sup>
Less G. E. Tax		<u>0</u>
Effective Annual Sublease Ground Rent:		\$ 83,226.00

### Allowances:

Real Property Taxes: (\$38,818.53 x 37.20%)	\$ 14,440.49
Misc. Allowances: General Maintenance <sup>3</sup>	12,573.60
Total Allowances:	<u>\$ 27,014.09</u>

Income to Land: (annual sublease rent)	\$ 83,226.00
LESS: Annual Ground Rent (\$126,000 x 37.20%)	\$ -46,872.00
LESS: Total Allowances	<u>\$ -27,014.09</u>
Total	<b>\$ 9,339.91</b>
Annual Rent Increase (10%)	<u>\$ 933.99</u>

Annual Rent Increase \$ 933.99

<sup>1</sup> Although the total area under lease is 161,172 sf, only 88,673 sf is subleased out to six sublessees, with the remainder of the lease premises being available for common use by all sublessees and their customers. Accordingly, for purposes of the calculations below, the sublease area is prorated based on the total area encumbered by the six subleases instead of on the total lease area.

<sup>2</sup> Average base rent over 3 year period

<sup>3</sup> Lessee reports annual maintenance fee of \$33,800.00



## SUBLEASE PARTICIPATION WORKSHEET

General Lease No.:	S-4323
Lessee:	Kalaniana'ole Real Estate Investments, LLC and FMM LLC
Location:	Waiakea, South Hilo, Hawaii
Tax Map Key:	(3) 2-1-010:033
Land Area (sq ft):	161,172 (3.7 acres) <sup>1</sup>
Annual Ground Rent:	\$126,000.00

SUBLESSEE: Nutrien AG Solutions, Inc.

### CALCULATIONS:

Sublease Area	24,382 square feet	
Annual Sublease Ground Rent:		\$206,080.80
Less G. E. Tax		<u>0</u>
Effective Annual Sublease Ground Rent:		\$206,080.80

### Allowances:

Real Property Taxes: (\$38,818.53 x 27.50%)	\$10,675.10
Misc. Allowances: General Maintenance <sup>2</sup>	9,295.00
Total Allowances:	<u>\$19,970.10</u>

Income to Land: (annual sublease rent)	\$206,080.80
LESS: Annual Ground Rent (\$126,000 x 27.50%)	\$ -34,650.00
LESS: Total Allowances	<u>\$- 19,997.10</u>
Total	<u>\$ 151,433.70</u>
Annual Rent Increase (10%)	<u>\$ 15,143.37</u>

Annual Rent Increase \$ 15,143.37

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<sup>1</sup> Although the total area under lease is 161,172 sf, only 88,673 sf is subleased out to six sublessees, with the remainder of the lease premises being available for common use by all sublessees and their customers. Accordingly, for purposes of the calculations below, the sublease area is prorated based on the total area encumbered by the six subleases instead of on the total lease area.

<sup>2</sup> Lessee reports annual maintenance fee of \$33,800.00.