

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-4331 and S-4332, James William McCully, Trustee of the James William McCully Revocable Living Trust dated September 24, 1992 and Francine Marie Morales McCully, Trustee of the Francine Marie Morales McCully Revocable Living Trust dated September 24, 1992, Sublessors, to Kū Aloha Ola Mau and Island Movers Inc., Sublessees, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-034:144.

APPLICANT:

James William McCully, Trustee of the James William McCully Revocable Living Trust and Francine Marie Morales McCully, Trustee of the Francine Marie Morales McCully Revocable Living Trust, as Lessee/Sublessor, to Kū Aloha Ola Mau, a Hawaii nonprofit corporation, as Sublessee, and Island Movers Inc., a Hawaii corporation, as Sublessee.

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 "Re-submittal: 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 AND AREA:

GENERAL LEASE NO. S-4331: Lot 6, Hilo Industrial Development, Leilani Street Section, Waiakea, South Hilo, Hawaii, containing 22,495 square feet. TMK: (3) 2-2-037:144, as shown on the attached map, labeled Exhibit A.

GENERAL LEASE NO. S-4332: Lot 7, Hilo Industrial Development, Leilani Street Section, Waiakea, South Hilo, Hawaii, containing 23,802 Square feet. TMK: (3) 2-2-037:144,¹ as shown on the attached map, labeled Exhibit A.

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:

General industrial purposes.

SUBLEASE CHARACTER OF USE:

- | | |
|------------------------|-------------------------|
| 1. Kū Aloha Ola Mau | Office space |
| 2. Island Movers, Inc. | Warehouse, office space |

TERM OF LEASE:

Original lease term of 55 years, commencing on April 16, 1971 and expiring on April 15, 2026. The lease was extended for 10 years commencing April 16, 2026 and expiring on April 15, 2036. Last rental reopening occurred on April 16, 2021; next rental reopening is scheduled for April 16, 2026.

TERMS OF SUBLEASES:

	<u>Begin Date</u>	<u>End Date</u>
1. Kū Aloha Ola Mau	01/01/2022	12/31/2024
2. Island Movers, Inc.	07/01/2022	06/30/2025

ANNUAL RENTAL:

General Lease No. S-4331: \$14,725.00 per annum with rental reopening on the 30th, 40th and 50th years of the lease term.

General Lease No. S-4332: \$15,850.00 per annum with rental reopening on the 30th, 40th and 50th years of the lease term.

ANNUAL SUBLEASE RENTAL:

1. Kū Aloha Ola Mau	\$ 58,000.00	base rent
2. Island Movers, Inc.	\$ 215,467.68	base rent
Total annual sublease base rent:	\$ 273,467.8	

¹ There is only a single tax map key number covering both leases.

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 authorized 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 \$250,000 in 1977 and Lessee invested approximately \$200,000 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 \$1,951,900. 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 53 years elapsed under the lease. Lessee reports that it expends about \$28,400 to maintain the property annually, excluding real property taxes. The Lessees, James William McCully, Trustee of the James William McCully Revocable Living Trust and Francine Marie Morales McCully, Trustee of the Francine Marie Morales McCully Revocable Living Trust, 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 ADJUSTMENT TO LEASE RENTAL:

- 1. Kū Aloha Ola Mau
\$ 4,571.67

- 2. Island Movers, Inc.
\$ 13,987.43

Total adjustment for both leases: \$18,559.10

DCCA VERIFICATION:

SUBLESSOR:

Sublessor are private trusts and, as such, are not required to register with DCCA.

SUBLESSEE: Kū Aloha Ola Mau

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

SUBLESSEE: Island Movers, Inc.

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

REMARKS:

At a public auction of government leases, General Lease Nos. S- 4331 and S-4332 were awarded to JBL Hawaii Limited, a Hawaii corporation on April 16, 1971.

At its meeting of December 14, 1979, the Board of Land and Natural Resources (Board) under Agenda Item F-1-e, consented to the assignment of the subject leases from JBL Hawaii Limited to William Prichard Jenkins. Further, at its meeting of February 24, 1984, the Board under Agenda Item F-1-g, consented to the assignment of leases from William Prichard Jenkins to Pacific Consolidated Investments, a Hawaii general partnership.

Further, at its meeting of October 14, 1988, the Board under Agenda Item F-1-k, consented to the assignment of leases from Pacific Consolidated Investments, a Hawaii general partnership, to George R. Madden, Jr. and Jean S. Madden, husband and wife.

Later, at its meeting of February 23, 1990, the Board under Agenda Item F-1-j, consented to the assignment of leases from George R. Madden, Jr. and Jean S. Madden, husband and wife, to Mary J. Young, unmarried.

On December 7, 1990 under Agenda Item F-1-e, the Board, at the request of Mr. Glenn S. Hara, attorney for the Maddens, rescinded its action consenting to the assignment of leases from the Maddens to Mary J. Young. In the same agenda item (F-1-e) on December 7, 1990, the Board consented to the assignment of General Lease Nos. S-4331 and S-4332 from George R. Madden, Jr. and Jean S. Madden, husband and wife, Assignors, to L & M Exchange, Ltd. a Hawaii corporation, Intermediary Assignee, and L & M Exchange, Ltd. Assignee, and from S.T. Exchange, Inc., Intermediary Assignor, to James Wm. McCully, Trustee of the Ainako Realty Trust dated May 5, 1985 (undivided 55% interest), and James Wm. McCully and Francine M. McCully, husband and wife (undivided 45% interest), Assignees.

With respect to subleasing General Lease Nos. S- 4331 and S-4332 provide 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.

At its meeting of January 25, 1991, the Board under Agenda Item F-1-c, consented to a sublease executed on August 18, 1988, between George R. Madden, Jr. and Jean S. Madden, husband and wife, and Pacific Consolidated Investments, a Hawaii general partnership, Sublessors, and Loveland Industries, Inc., a Colorado corporation, dba UAP Hawaii, Sublessee. Staff reviewed the sublease rent participation provision in the lease and recommended an adjustment of \$900 per annum or \$450 per annum for each lease.²

At its meeting of March 12, 1993, the Board under Agenda Item F-1-c, as amended, approved an Addendum to Sublease which reduced the area of the sublease to Loveland Industries, Inc.

At its meeting of August 25, 1995, the Board, under Agenda Item F-1-d, approved, as amended, a second Addendum to Sublease to Puna Plantation Hawaii, Ltd., dba KTA Superstores, a Hawaii corporation.

At its meeting of September 18, 1996, the Board, under Agenda Item D-8 approved the assignment of lease from James Wm. McCully, Trustee of the Ainako Realty Trust dated May5, 1985 (undivided 55% interest), and James Wm. McCully and Francine M. McCully husband and wife (undivided 45% interest), Assignors, to James William McCully, Trustee of the James William McCully Revocable Living Trust and Francine Marie Morales McCully, Trustee of the Francine Marie Morales McCully Revocable Living Trust, Assignee.

On May 7, 2004, the Chairperson consented to the sublease to Drug Addiction Services of Hawaii, Inc. The State did not participate in sublease rents at the time, with the staff submittal 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 Leases No. 4331 and S-4332, as the subject general leases do not have a provision allowing for sandwich profits.^[3]

² The staff submittal of January 25, 1991, Item F-1-c indicates the ground rent at the time was \$3,900 per annum and the sublease rents were \$112,980 per annum. See Exhibit C.

³ As discussed beginning on page 3 of this submittal, the Board's sublease rent participation policy evolved over time and in the early 2000s the following policy applied to this lease:

- c. If the lessee subleases improvements not owned by the State, the Board shall not

A consent to mortgage was approved by the Chairperson on May 18, 2004 in the amount of \$700,000. The purpose of the mortgage was to refinance an existing mortgage on the property.

At its meeting of April 24, 2015, the Board, under Agenda Item D-3 (as amended) consented to a mortgage and ten (10)-year extension of lease to finance improvements not to exceed \$450,000. The use of funds would be for the refinancing of the existing mortgage and finance improvements to the existing building. At its meeting of November 13, 2015, under Agenda Item D-6, the Board amended its previous consent by increasing the amount financed to not exceed \$530,000 for additional improvements.

Kū Aloha Ola Mau (KAOM) offers treatment and counseling for substance abuse. KAOM will be utilizing the existing office facilities and do not plan any extensive improvements beyond the necessary repairs. Staff has confirmed with the County of Hawaii Planning Department that the sublease use conforms to the zoning regulations [Hawaii County Code §25-1-5 (b)(86)].

Island Movers, Inc. operates a trucking and warehouse storage operation and will be utilizing the existing warehouse structure and adjacent office space on the property.

The last rental reopening occurred on April 16, 2021; next rental reopening is scheduled for April 16, 2026. There are no outstanding rental reopening issues.

As noted above, in consenting to previous subleases under the leases, the State participated in sublease rents in the 1990s, but not in the early 2000s, depending on the sublease rent participation policy as it evolved over time. Staff believes that under the current policy sublease rent participation is warranted. Staff is therefore recommending that the Board consent to the subleases with KAOM and Island Movers, Inc., as Sublessees, with an adjustment to the lease rent in the amount of \$18,559.10 annually.⁴ See Exhibit B for calculations.

RECOMMENDATION:

That the Chairperson consent to the sublease under General Lease Nos. S-4331 & S-4332 between James William McCully, Trustee of the James William McCully Revocable Living Trust and Francine Marie Morales McCully, Trustee of the Francine Marie Morales McCully Revocable Living Trust, as Sublessor, and Kū Aloha Ola Mau, and Island Mover, 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:

receive any portion of sublease rents from subleasing improved space unless that right and method of calculation are specifically stated in the lease.

⁴ \$450.00 annual increase for each lease.

1. The lease rent shall be increased by \$18,559.10 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

Gordon C. Heit
District Land Agent

KOM

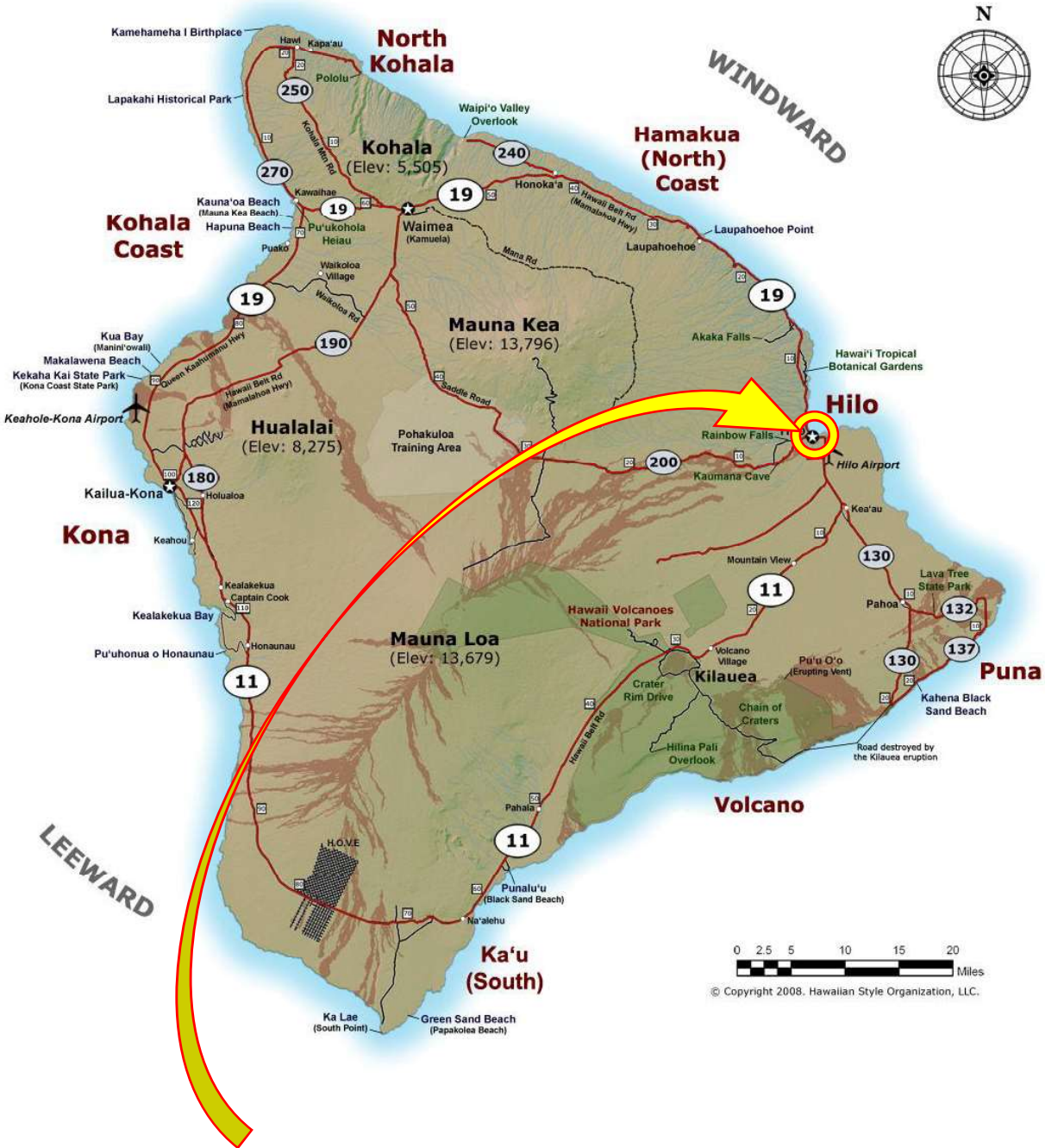
APPROVED FOR SUBMITTAL:



Dawn N. S. Chang, Chairperson

RT

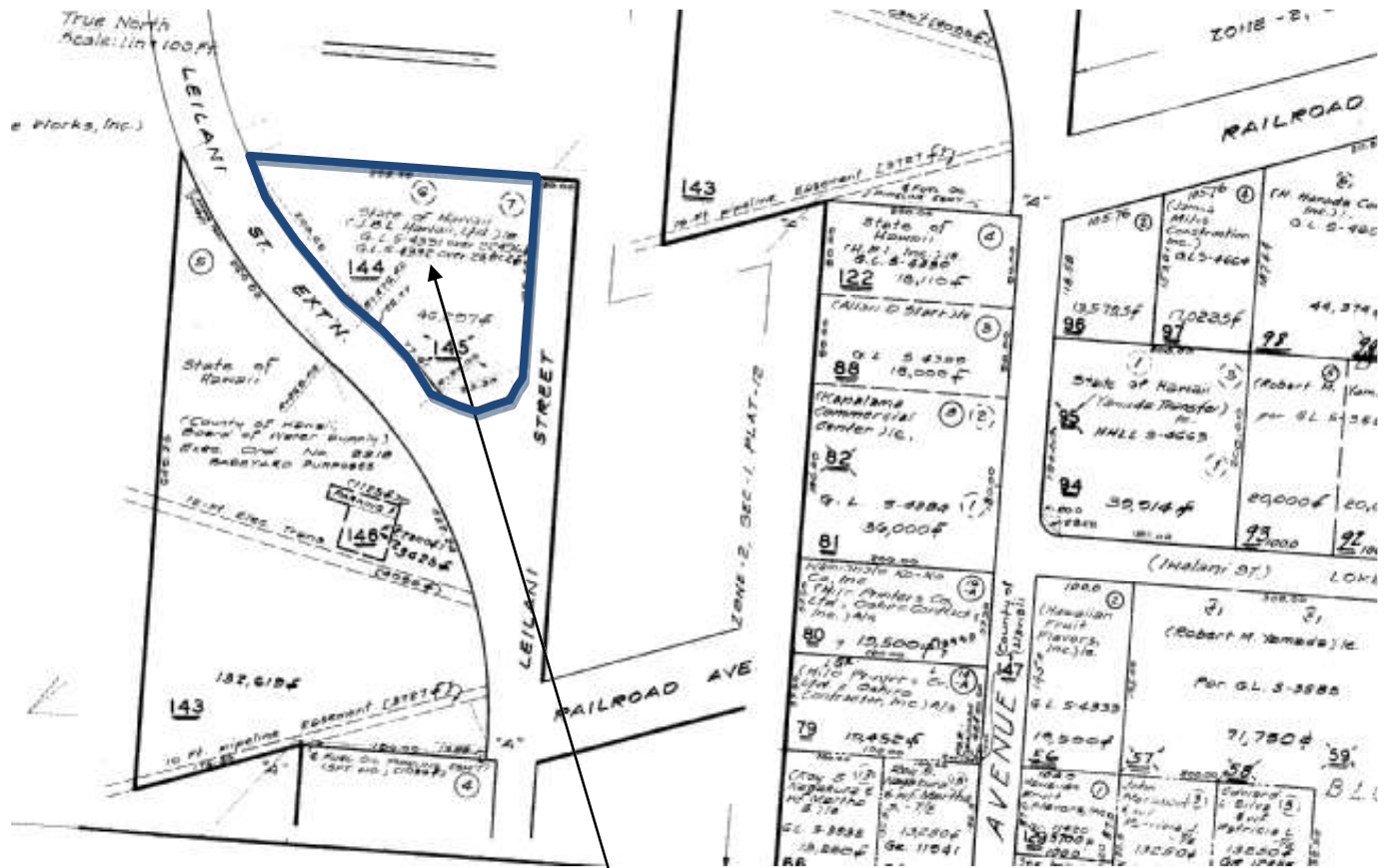
EXHIBIT A



GENERAL LEASE Nos. S-4331 & S-4332,

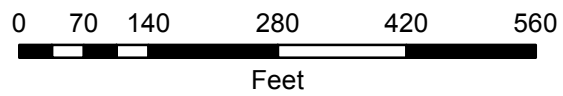
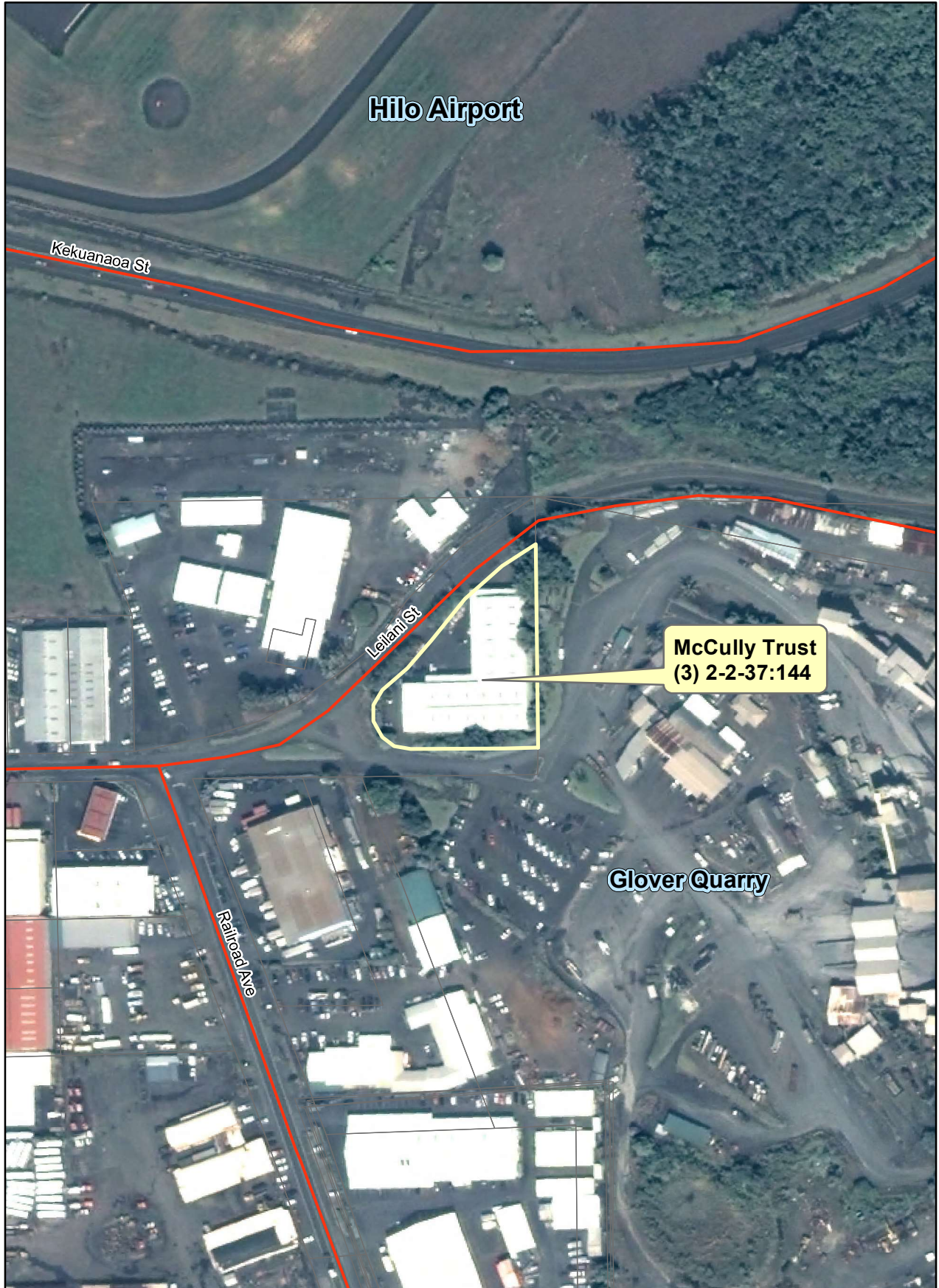
EXHIBIT A

TMK: 3RD/2-2-37:144



SUBJECT PROPERTY

GL S-4331 & GL S-4332



SUBLEASE PARTICIPATION WORKSHEET

General Lease No.: S-4331 – S-4332
Permittee: James William McCully, Trustee of
the James William McCully
Revocable Living Trust and Francine
Marie Morales McCully, Trustee of
the Francine Marie Morales McCully
Revocable Living Trust

Location: Waiakea, South Hilo, Hawaii
Tax Map Key: (3) 2-2-037:144
Land Area (sq ft): 46,297 (1.0628 ac.)¹
Annual Ground Rent: \$30,575.00

SUBLESSEE: Kū Aloha Ola Mau

CALCULATIONS:

Sublease Area	3,500 square feet	
Annual Sublease Ground Rent:		\$ 58,800.00
Less G. E. Tax		<u>0</u>
Effective Annual Sublease Ground Rent:		\$ 58,800.00

Allowances:

Real Property Taxes: (\$28,066.10 x 15%)	\$	4,209.92
Misc. Allowances: General Maintenance ²		4,260.00
Total Allowances:		<u>\$ 8,469.92</u>

Income to Land: (annual sublease rent)	\$ 58,800.00
LESS: Annual Ground Rent (\$30,757 x 15%)	\$ - 4,613.55
LESS: Total Allowances	<u>\$- 8,469.92</u>
Total	\$ 45,716.73
Annual Rent Increase (10%)	<u>\$ 4,571.67</u>

Annual Rent Increase \$ 4,571.67

¹ Although the total area under lease is 46,297 sf, only 23,398 sf is subleased out to the two sublessees, with the remainder of the lease premises being available for common use by the sublessees. 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.

² Lessee reports annual maintenance fee of \$28,400.00

EXHIBIT B1

SUBLEASE PARTICIPATION WORKSHEET

General Lease No.: S-4331 – S-4332
Permittee: James William McCully, Trustee of
the James William McCully
Revocable Living Trust and Francine
Marie Morales McCully, Trustee of
the Francine Marie Morales McCully
Revocable Living Trust

Location: Waiakea, South Hilo, Hawaii
Tax Map Key: (3) 2-2-037:144
Land Area (sq ft): 46,297¹
Annual Ground Rent: \$30,575.00

SUBLESSEE: Island Movers, Inc.

CALCULATIONS:

Sublease Area	23,398 square feet	
Annual Sublease Ground Rent:		\$215,000.00
Less G. E. Tax		<u>0</u>
Effective Annual Sublease Ground Rent:		\$215,000.00

Allowances:

Real Property Taxes: (\$28,066.10 x 87.00%)	\$ 24,417.42
Misc. Allowances: General Maintenance ²	24,708.00
Total Allowances:	<u>\$ 49,125.42</u>

Income to Land: (annual sublease rent)	\$215,000.00
LESS: Annual Ground Rent (\$30,575 x 87.00%)	\$ -26,600.25
LESS: Total Allowances	<u>\$- 49,125.42</u>
Total	\$ 139,874.33
Annual Rent Increase (10%)	<u>\$ 13,987.43</u>

Annual Rent Increase \$ 13,987.43

¹ Although the total area under lease is 46,297 sf, only 28,898 sf is subleased out to two sublessees, with the remainder of the lease premises being available for common use by both sublessees and their customers. Accordingly, for purposes of the calculations below, the sublease area is prorated based on the total area encumbered by the two subleases instead of on the total lease area.

² Lessee reports annual maintenance fee of \$28,400.00

EXHIBIT B2

DN 5338F

DOCUMENT FOR APPROVAL BY THE BOARD OF LAND & NATURAL RESOURCES
CONSENT

January 25, 1991

SUBLEASE

HAWAII

GEORGE R. MADDEN, JR. and JEAN S. MADDEN, husband and wife, and PACIFIC CONSOLIDATED INVESTMENTS, a Hawaii Partnership, Sublessors, to LOVELAND INDUSTRIES, INC., a Colorado Corporation, dba UAP HAWAII, Sublessee.

GENERAL LEASE NOS. S-4331 and S-4332, which commenced on April 16, 1971 and expire on April 15, 2026.

LOCATION AND AREA

GENERAL LEASE NO. S-4331: Lot 6, Hilo Industrial Development, Leilani Street Section, Waialakea, South Hilo, Hawaii, containing 22,495 square feet. Tax Map Key: 3rd/2-2-37:144.

GENERAL LEASE NO. S-4332: Lot 7, Hilo Industrial Development, Leilani Street Section, Waialakea, South Hilo, Hawaii, containing 23,802 square feet. Tax Map Key: 3rd/2-2-37:145.

LAND TITLE STATUS

Subsection 5(b) lands

REMARKS

Character of Use: General industrial purposes

Annual Rent: General Lease No. S-4331: \$1,950 per annum for the 20-year period April 16, 1971 to April 15, 1991 with rental reopeners on April 16, 1991.

General Lease No. S-4332: \$1,950 per annum for the 20-year period April 16, 1971 to April 15, 1991 with rental reopeners on April 16, 1991.

Sublease Rental: \$9,415 per month

At an auction of government leases held April 16, 1971, General Lease Nos. S-4331 and S-4332 were awarded to JBL Hawaii Limited, a Hawaii Corporation.

At its meeting of December 14, 1979, the Board of Land and Natural Resources under agenda Item F-1-e, consented to the assignment of the subject leases from JBL Hawaii Limited, to William Prichard Jenkins. Further, at its meeting of February 24, 1984, the Board of Land and

EXHIBIT C

Wm/AM

ITEM F-1-c

REMARKS (continued)

Natural Resources under agenda Item F-1-g, consented to the assignment of leases from William Prichard Jenkins to Pacific Consolidated Investments, a Hawaii General Partnership.

Still further, at its meeting of October 14, 1988, the Board of Land and Natural Resources under agenda Item F-1-k, consented to the assignment of leases from Pacific Consolidated Investments, a Hawaii General Partnership, to George R. Madden, Jr. and Jean S. Madden, husband and wife.

Later, at its meeting of February 23, 1990, the Board of Land and Natural Resources under agenda Item F-1-j, consented to the assignment of leases from George R. Madden, Jr. and Jean S. Madden, husband and wife, to Mary J. Young, unmarried.

On December 7, 1990 (agenda Item F-1-e) the Board, at the request of Mr. Glenn S. Hara, attorney for the Maddens, rescinded its action consenting to the assignment of lease from the Maddens to Mary J. Young. In the same agenda item (F-1-e) on December 7, 1990, the Board consented to the assignment of General Lease Nos. S-4331 and S-4332 from George R. Madden, Jr. and Jean S. Madden, husband and wife, Assignors, to L & M Exchange, Ltd., a Hawaii Corporation, Intermediary Assignee, and L & M Exchange, Ltd., a Hawaii Corporation, Intermediary Assignor, to S.T. Exchange, Inc., a Hawaii Corporation, Intermediary Assignee, and from S.T. Exchange, Inc., Intermediary Assignor, to James Wm. McCully, Trustee of the Ainako Realty Trust dated May 5, 1987 (undivided 55% interest) and James Wm. McCully and Francine M. McCully, husband and wife (undivided 45% interest), Assignees.

By letter dated September 13, 1990, the Maddens are requesting consent to a sublease executed on August 18, 1988 between George R. Madden, Jr. and Jean S. Madden, husband and wife, and Pacific Consolidated Investments, a Hawaii Partnership, Sublessors, and Loveland Industries, Inc., a Colorado Corporation, dba UAP Hawaii, Sublessee.

A review of our records indicate that General Lease Nos. S-4331 and S-4332 are current with all terms and conditions of the lease.

The subletting provision of both General Lease No. S-4331 and General Lease No. S-4332 reads as follows:

"Subletting: That the Lessee shall not rent or sublet the whole or any portion of the demised premises, without the

REMARKS (continued)

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."

Staff has reviewed the rental rates of the subleases in relation to the investment of the Lessee and the rental rate of General Lease Nos. S-4331 and S-4332. Computation indicates that the basic annual lease rent for General Lease Nos. S-4331 and S-4332 should be increased from a combined \$4,800.00 per annum or \$2,400.00 per annum for each of the two general leases, namely, General Lease No. S-4331 and General Lease No. S-4332.

RECOMMENDATION

That the Board:

Consent to the sublease of General Lease Nos. S-4331 and S-4332 from George R. Madden, Jr. and Jean S. Madden, husband and wife, and Pacific Consolidated Investments, a Hawaii Partnership, Sublessors, to Loveland Industries, Inc., a Colorado Corporation, dba UAP Hawaii, Sublessee, subject to the following terms and conditions:

1. The basic annual lease rental for General Lease No. S-4331 and General Lease No. S-4332 each be revised from \$1,950.00 to \$2,400.00 retroactive to the commencement date of the sublease, December 1, 1988;
2. Review and approval as to form of the sublease documents by the Department of the Attorney General;
3. Such other terms and conditions as may be prescribed by the Chairperson.

SUBLEASE COMPUTATION

General Lease No.:	S-4331 and S-4332	
General Lease Rent:	\$3,900	
Sublessor:	Pacific Consolidated Investments	
Sublessee:	Loveland Industries	
Term:	01-Dec-88 - 30-Nov-93	
Rent:	\$112,980	
Portion subleased:	100.00%	
Investment:	\$835,000	
GROSS ANNUAL SUBLEASE INCOME		\$ 112,980
Less tax @ 0%		0
		<hr/>
EFFECTIVE INCOME		\$ 112,980
LESS ALLOWANCES:		
Management, vacancy loss		
\$112,980 x 10%	\$ 11,298	
Investment Return		
\$835,000 x 12%	100,200	
Operating expenses:		
Real Property Tax	0	
Insurance	0	
Repair and Maintenance	0	
Miscellaneous	0	
General Lease Rental	0	
Reserves for Replacements	593	
		<hr/>
TOTAL ALLOWANCES:		\$ (112,091)
SANDWICH PROFIT:		\$ 889
	Rounded,	\$ 900
		<hr/>
MAXIMUM ALLOWABLE SUBLEASE INCOME:		\$ 111,992

*Mortgages: financed by 13 indiv. to pro ser - carry m/n
 gets diff. financing
 it's part of an allowance, instead
 we look at investment
 i.e. someone may pay in cash*