INFORMATION PACKET

Public Notice of Proposed Disposition by Public Auction for 15.574 Acre (678,403 Square Foot) Industrial/Commercial Mixed Use Property (MCX) Located in Waiakea, South Hilo, Island of Hawaii TMK: (3) 2-2-47:59

Requesting Agency

State of Hawaii
Department of Hawaiian Home Lands

1099 Alakea Street, Suite 1230
Honolulu, Hawaii 96813

December 1, 2006

INFORMATION PACKET

For Industrial/Commercial Mixed-Use (MCX District) Development
Portion of the Hawaiian Home Land situated in
Waiakea, South Hilo, Island of Hawaii, Hawaii

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Exhibit 7 – Preliminary survey map of "Relocation" Property

LIST OF ITEM(S) AVAILABLE FOR REVIEW IN DHHL OFFICE:

A. Appraisal Report – October 18, 2005 (date of valuation)-

NOTE: While the data in the Information Packet, the appraisal report, and all other reports or information provided to prospective applicants have been obtained by DHHL from reputable and professional sources, it is not guaranteed. DHHL bears no responsibility for Applicant's actual reliance on the data provided. Applicant should make his/her own independent study to verify the accuracy of the information and determine its usefulness to applicant's project.

LEGAL PUBLIC NOTICE

PROPOSED DISPOSITION OF HAWAIIAN HOME LANDS BY NEGOTIATION OF A GENERAL LEASE FOR INDUSTRIAL/COMMERCIAL MIXED-USE DEVELOPMENT

Property Location: Waiakea, South Hilo, Island of Hawaii

The Department of Hawaiian Home Lands (DHHL) is seeking applications from qualified individuals or entities to enter into a general lease agreement for the construction, operation and management of an industrial/commercial mixed-use development and related facilities on Hawaiian home lands further described below. As authorized by §204(a)(2), Hawaiian Homes Commission Act, 1920, as amended, all parties interested in leasing the property herein described shall have 45 days from the date this "NOTICE OF PROPOSED DISPOSITION" is first published, that date being **Friday, December 1st, 2006**, in which to submit completed applications for DHHL consideration.

Interested applicants may obtain a prospectus ("Information Packet") beginning on Friday, December 1st, 2006. All completed applications received by **4:00 p.m. (HST), Tuesday, January 16, 2007,** shall be reviewed and only those applicants that meet DHHL's initial objectives and criteria shall be notified in writing as being eligible for further consideration of their proposals. Eligible applicants shall be required to submit detailed development plan information, a sealed rent bid proposal and an earnest money deposit to DHHL by no later than **4:00 p.m. (HST), Thursday, March 8th, 2007.** After DHHL reviews the detailed development plan information, those eligible applicants who meet DHHL's additional objectives and criteria shall be deemed "qualified" to attend the opening of all qualifying sealed bids **to be conducted at DHHL's Honolulu Office located at 1099 Alakea Street, Suite 1230, Honolulu, Hawaii on Friday, March 30, 2007, at 10:00 a.m. (HST).**

Information Packets containing an application form, property information and other requirements for completing the application process are available for pick up by prospective applicants during regular office hours at DHHL's Honolulu Office located at 1099 Alakea Street, Suite. 1230, or at the district offices located on the neighbor islands. The appraisal report, which shall not be removed from DHHL's office, may be reviewed during regular office hours. Please call (808) 586-3858 (Honolulu) for the locations of neighbor island district offices and/or to make an appointment to review the appraisal report.

Land to be disposed: The property to be disposed is located at the northwestern corner of Makaala Street and Railroad Avenue in Waiakea, South Hilo, Island of Hawaii and identified as Tax Map Key No. (3) 2-2-47: 59. This subdivided parcel is designated as Lot 5-A-1 and contains approximately 15.574 acres (678,403 square feet) of land. The lot has excellent street frontage and exposure to existing traffic patterns.

Purpose/Use: The property is being offered for Industrial/Commercial Mixed Use development. Improvements and uses shall conform to those allowed in a MCX zoning district and all applicable permit requirements consistent therewith. Further, the use must comply with the "non-competitive provision" in the lease agreement with the Home Depot Center (any lessee or user whose principal business is a home improvement center, lumberyard, or

hardware store will not be permissible) whose premises is located well within one and one-half (1.5) miles of the subject property to be disposed.

Lease Term: Flexible: Minimum of twenty (20) years but not to exceed a maximum term of sixty-five (65) years.

Minimum Upset Rent: This disposition will be conducted by a sealed bid auction. The minimum upset rent for the first 20 years is as follows:

$ 596,995.00/Per Annum	Years 1-10
$ 685,187.00/Per Annum	Years 11-15
$ 739,459.00/Per Annum	Years 16-20

The highest sealed Rent Bid, at or greater than the Upset Rent, submitted by the prospective applicant for the first twenty (20) years of the lease will be the determining factor in the final selection of the successful bidder by DHHL to enter into an agreement. Stepped-rent determinations are based on a constant escalation rate of one-and-one-half percent (1.5%) per year, on a non-compounded basis.

Rent Reopening: If the term of the lease extends beyond 20 years, the rent shall be re-determined by an independent appraisal prior to commencement of the 21st, 36th, and 51st years.

Earnest Money "Bid" Deposit: Payment in the amount of one hundred forty-nine thousand two hundred forty-nine and no/dollars ($149,249.00) (equal to three (3) months of the Minimum Upset monthly rent) in the form of a cashier's or certified check payable to the Department of Hawaiian Home Lands for assurance of selected applicant's commitment to the project.

Utilities: All public utilities, including water, sewer and electricity are available to the subject property along and within surrounding public roadways. Connection to all utilities is the sole responsibility of the successful applicant.

Special Condition: In order to make the subject parcel more attractive for development, a DHHL lessee occupying a portion of the subject parcel has agreed to relocate to another nearby site. An application for subdivision of the nearby site has been submitted, however, county approval has been deferred until certain subdivision requirements are met. The successful applicant to be granted a lease for the subject parcel shall be required to participate in and bear all cost to obtain final county subdivision approval of the nearby site and construct the necessary improvements accordingly. More detailed information is available in the General Property Information, section VI, of the Information Packet.

Telecommunication Service: Sandwich Isles Communications, Inc. (SIC) will provide telephone and broadband services to the project at a time when such services are needed.

Chapter 343, Environmental Assessment: The successful bidder shall be required to complete compliance with Chapter 343 of the Hawaii Revised Statutes, as amended, prior to the start of any demolition or construction activity on the site. Such compliance shall assess the impacts that the proposed development will have on the surrounding environment, such as infrastructure, traffic, parking, noise, etc.

The Department of Hawaiian Home Lands reserves the right to cancel or modify this disposition from time to time as to all or any of the items listed hereunder by public announcement to that effect by order of the Chairman, Hawaiian Homes Commission.

For additional information and/or inquiry, you may contact Peter "Kahana" Albinio, Jr., Property Development Agent, Department of Hawaiian Home Lands, Land Management Division, at (808) 587-6429 on Oahu.

Date: Honolulu, Hawaii 11/21/06

State of Hawaii
DEPARTMENT OF HAWAIIAN HOME LANDS

By _____
Micah A. Kane, Chairman
Hawaiian Homes Commission

Honolulu Star Bulletin &
Hilo Tribune Herald
(Local Newspaper Publication)
Date: 12/1/06

Approved as to form:

_____
Deputy Attorney General
State of Hawaii

I. INTRODUCTION, OBJECTIVES AND GENERAL INFORMATION

For Industrial/Commercial Mixed-Use (MCX District) Development
Portion of the Hawaiian Home Land Panaewa, Tract 1
Waiakea, South Hilo, Island of Hawaii, Hawaii

Introduction:

The Department of Hawaiian Home Lands (DHHL) is soliciting proposals from qualified parties (applicants) to lease land situated in Waiakea, South Hilo, Island of Hawaii, Hawaii. The term of the lease shall be a minimum of twenty (20) years and a maximum of sixty-five (65) years.

Applicants shall be required to submit details regarding their planned use and development of the site, meet certain criteria and submit rent proposals as further described throughout the Information Packet that follows.

The applicant that best meets DHHL objectives and criteria, and who submits the highest rent proposal which meets or exceeds the minimum upset rent set for the first twenty (20) years shall be awarded a leasehold interest in the property.

Objectives:

DHHL wishes to lease the subject parcel for development at its highest and best use, which has been designated as an industrial/commercial mixed use zone under the County of Hawaii's MCX District zoning requirements. Proposed uses that are controversial, incompatible with the character of the surrounding neighborhood, or create significant negative impacts on the community may be denied. DHHL does not feel that residential uses on this site are compatible with its objectives.

General Information:

- The qualified applicant who proposes the highest rent that exceeds the minimum upset rent for the first twenty (20) years of the lease shall be offered a lease for the property. A comparative present value analysis of the rents proposed by each qualified applicant shall determine the highest bid.

- Prior to commencement of any demolition or construction on the site, Lessee shall comply with Chapter 343 of the Hawaii Revised Statutes, as amended, which requires that an assessment be made to determine the impacts the development may have on the surrounding environment. Such compliance shall be considered completed upon the issuance of a Finding of No Significant Impact (FONSI) or final approval and acceptance of an Environmental Impact Statement (EIS), which ever is applicable.

- Telecommunications for the site shall be provided by Sandwich Isles Communications, Inc. (SIC).

II. PUBLIC AUCTION BY NEGOTIATION GUIDELINES

For Industrial/Commercial Mixed-Use Development (MCX)
Panaewa, Tract I Area
Waiakea, South Hilo, Island of Hawaii

The opening of all qualifying sealed bids shall be held on Friday, March 30, 2007, at 10:00 a.m. (HST), at DHHL's Honolulu Office located at 1099 Alakea Street, Suite 1230, Honolulu, Hawaii.

Any person or entity shall be eligible to bid for a general lease at this auction, **except** a person who:

a) Is in arrears in the payment of taxes, rents or other obligations owing to the State of Hawaii or to any of its political subdivisions;

b) Is a minor;

c) Has had during the five (5) years preceding the date of the public auction, a previous sale, lease, license, permit or easement covering public lands cancelled for failure to satisfy the terms, conditions and covenants thereof;

d) Fails to submit a "completed application", as described in the Applicant Qualification Criteria included in the Information Packet, by no later than **4:00 p.m. (HST), Tuesday, January 16, 2007**;

e) Fails to meet the eligibility criteria as outlined in the Applicant Qualification Criteria and has been informed by DHHL, in writing, that applicant has not met the eligibility criteria;

f) If eligible to proceed fails to submit detailed development plan information, a sealed rent proposal, or an "earnest money deposit"[1] in the form of a certified or cashier's check made payable to the Department of Hawaiian Home Lands in the amount of **$149,249.00** by no later than **4:00 p.m. (HST), Thursday, March 8, 2007**; or

g) Fails to meet any deadline set for submitting additional information, if requested.

All prospective applicants are responsible for thoroughly reading and understanding the terms, covenants, reservations and conditions of the lease offering by reviewing a copy of the Legal Notice of Proposed Disposition, all data contained in the Information Packet, and other informational items available for review in DHHL's office located at **1099 Alakea Street,**

[1] The required **Earnest Money Deposit** is an amount, equal to ¼ of the annual upset rent for the first year, that gives some assurance that the qualified prospective bidders are dealing in good faith. All earnest money deposit checks shall remain uncashed and in the possession of DHHL until bid opening on March 30, 2007. At that time the Successful Bidder's earnest money deposit shall be deposited and become non-refundable as lease negotiations commence. If negotiations are successfully completed, the deposit shall be applied to future lease rents. All earnest money deposit checks from unsuccessful bidders shall be returned uncashed.

Suite 1230, Honolulu, Hawaii, or at the DHHL District Offices in Hilo and Waimea, Hawaii; Hoolehua, Molokai; Wailuku, Maui and Lihue, Kauai. By request, out-of-state applicants can make arrangements to obtain the information by contacting DHHL's Income Property Branch at (808) 586-3858.

Prospective applicants are encouraged to physically inspect the property provided DHHL is indemnified and held harmless from personal injury or damages that result from such property inspection. You may make an appointment for a site inspection by contacting DHHL's Income Property Branch at (808) 586-3858, on Oahu.

Furthermore, all prospective applicants are advised that Sandwich Isles Communications, Inc. shall provide telecommunications services for the project.

A general step-by-step procedure established for the Disposition by Negotiation is as follows:

- Legal Notice of Proposed Disposition first published on Friday, December 1, 2006, in the Honolulu Star Bulletin and Hawaii Tribune Herald.

- Prospective Applicants shall have 45 days from the first publication of the Legal Notice in which to visit a DHHL office, pick up an Information Packet, and make an appointment to review the Appraisal and other informational reports which shall not be removed from DHHL's office. (Out-of-state applicants may call to make arrangements for delivery of the Information Packet and other informational reports.)

- Any person or entity that intends to bid for a general lease of the property **must** submit a completed application. The completed application must be **received by DHHL no later than 4:00 p.m. (HST) on Tuesday, January 16, 2007.**

- By Tuesday, January 30, 2007, written notices will be sent to all persons or entities that have submitted a completed application on or before the deadline. Those who have met DHHL's objectives and eligibility criteria shall be informed that they are "eligible" to bid. Those <u>not</u> meeting DHHL's objectives and eligibility criteria shall be informed that they are <u>not</u> eligible to bid.

- Eligible bidders shall have until **4:00 p.m. (HST), Thursday, March 8, 2007,** in which to submit detailed development plan information, a rent proposal sealed in a separate envelope marked (Sealed Bid), and an earnest money deposit meeting the parameters set out in item "f" on the preceding page. The detailed information submitted by each eligible bidder shall be evaluated and those lacking sufficient information or not meeting DHHL's objectives may be disqualified.

- **At 10:00 a.m. (HST), Friday, March 30, 2007,** in DHHL's office at 1099 Alakea St., Suite 1230, Honolulu, HI, all sealed bids not previously disqualified shall be opened for the first time and, after a comparative present value analysis, the highest bidder shall be deemed the "Successful Bidder".

All qualified bidders or their authorized corporate representatives are invited, but not required, to attend the opening of the sealed bids.

DHHL reserves the right to negotiate with respect to any and all terms and conditions of the lease including all rent provisions, provided, however, that any negotiated adjustments to the rent do not result in such adjustments being less than the amount of rent offered by the Successful Bidder for the first twenty (20) years of the lease term.

Should the Successful Bidder fail to conclude general lease negotiations within the stipulated timeframe of one hundred twenty (120) days, DHHL reserves the right to negotiate with the next highest Qualified Bidder and such negotiation with the next highest Qualified Bidder shall not constitute a waiver of any rights or recourse that DHHL has or may have against the defaulting Successful Bidder.

Information Packet and Consultant's Reports

The data in the Information Packet, the appraisal report, and all other reports or information provided to prospective applicants have been obtained by DHHL from reputable and reliable sources, however it is NOT GUARANTEED. Applicant is advised to make his/her own independent study to verify the accuracy of the information and determine its usefulness to applicant's project.

Significant Dates:

Advertisement of Legal Notice Friday, December 1, 2006

Applications and Initial Proposals Due Tuesday, January 16, 2007
Time: 4:00 p.m. (HST)
Location: Department of Hawaiian Home Lands
1099 Alakea Street
Honolulu, Hawaii 96813

Notice to Qualified Applicants Mailed Tuesday, January 30, 2007

Final Proposals Due Thursday, March 8, 2007
Time: 4:00 p.m. (HST)
Location: Department of Hawaiian Home Lands
1099 Alakea Street
Honolulu, Hawaii 96813

Sealed Bid Opening Friday, March 30, 2007
Time: 10:00 a.m. (HST)
Location: Department of Hawaiian Home Lands
1099 Alakea Street
Honolulu, Hawaii 96813

III. APPLICATION AND QUALIFICATION FORM

For Industrial/Commercial Mixed-Use Development (MCX)
Panaewa, Tract I Area
Waiakea, South Hilo, Island of Hawaii

_____	_____
Name of Applicant	**Person to Contact / Title**
_____	_____
Applicant's Address	**Contact Person's Address**
_____	_____
City, State, Zip Code	**City, State, Zip Code**
_____	_____
Applicant's Telephone No.	**Contact Person's Telephone No.**
_____	_____
Applicant's Facsimile No.	**Contact Person's Facsimile No.**

List of Corporate Officers and Directors or Individual Partners, Joint Ventures or Owners.

Name:_____	Name:_____
Title:_____	Title:_____
Telephone No.:_____	Telephone No.:_____
Address:_____	Address:_____
_____	_____
Name:_____	Name:_____
Title:_____	Title:_____
Telephone No.:_____	Telephone No.:_____
Address:_____	Address:_____
_____	_____

NOTE: Please attach a separate page if more space is needed. Should any information change during he proposal evaluation, selection, and award process, it is the responsibility of the applicant update DHHL in writing of such changes.

Corporate Shareholders / Partners Holding 25% or More of the Outstanding Shares:

Name: _____ Name:_____

Title:_____ Title:_____

Telephone No.:_____ Telephone No.:_____

Address:_____ Address:_____

_____ _____

Name: _____ Name:_____

Title:_____ Title:_____

Telephone No.:_____ Telephone No.:_____

Address:_____ Address:_____

_____ _____

Applicant intends to bid on the following Parcel:

Property No._____ TMK No._____

Intended Use _____

Project Description:

Include a narrative and any supportive materials that provides information pertaining of the proposed development at the subject property. Attach additional pages to this application. See Applicant Qualification Criteria for list of requested information.

Project Development Team

	Company / Address	**Contact/Person Telephone No./email address**
Developer		
Architect		
Civil Engineer		
Site Contractor		
Contractor		
Financing		

Financial Information

Note: Financial information submitted to DHHL shall be kept confidential and shall not be considered as a public record as defined in Chapter 92, Hawaii Revised Statutes. Financial information shall not be released without the express written consent of the applicant.

1. All Applicants shall include the following:

   (a) If applicable a certified copy of the Articles of Incorporation.
   (b) If applicable a certified copy of the By-Laws.
   (c) If applicable, a certified copy of the Corporation Resolution.
   (d) If applicable, a certified copy of the Partnership Certificate.
   (e) If applicable, a certified copy of the Joint Venture Agreement.
   (f) A current Certificate of Good Standing from the Department of Commerce and Consumer Affairs.
   (g) A current Tax Clearance from the Department of Taxation and Internal Revenue Service.
   (h) Applicant's proposed plan within 36 month construction period.
   (i) Detailed budget / cost estimate showing the estimated cost of construction.
   (j) If applicable, a description of any financial default, modification of terms, and conditions of financing to avoid default, or legal actions taken or pending against the applicant and borrowing and guaranteeing entities and their principals.

Please attach a description of the Applicant's company experience which supports the foregoing requirement and which includes the following information:

   (a) A list of industrial / commercial projects developed;

(b) The role of the applicant in developing the listed industrial/commercial projects;

(c) A brief description of the industrial / commercial projects;

(d) If applicable, a description of all industrial / commercial projects or facilities owned and operated by the applicants;

(e) If applicable, a statement of the applicant's past or current involvement with the Department of Hawaiian Home Lands (DHHL).

(f) THE UNDERSIGNED APPLICANT, understands that DHHL is relying on the information provided herein to qualify the undersigned as an eligible Developer under the Hawaiian Homes Commission Act, 1920, as amended. The undersigned represents and warrants that the information provided is true and complete and that DHHL may consider the information as continuing to be true and correct until a written notice of a change is given to DHHL by the undersigned. The Undersigned agrees to provide and other information that DHHL deems necessary to determine the qualifications of the applicant.

_____

Name of Company

By:_____

Signature

_____

Title

_____

Date

IV. APPLICANT QUALIFICATION CRITERIA

For Industrial/Commercial Mixed-Use Development (MCX)
Panaewa, Tract I Area
Waiakea, South Hilo, Island of Hawaii

The Department of Hawaiian Home Lands (DHHL) has established the qualification criteria described below to 1) identify willing and capable applicants who are deemed "eligible" to bid for a general lease of the property described as the Panaewa, Tract I Area (hereinafter the "Property"), identified as a portion of Tax Map Key No. (3)2-2-047:parcel 059; 2) determine those eligible bidders who, at the time of the sealed bid opening, are "qualified" to bid; and 3) select the successful bidder who makes the highest offer to rent the subject property from amongst all qualified bidders.

Prior to the Sealed Bid Opening, a two step process shall be used to determine an applicant's eligibility and qualification to enter into a general lease for the property.

COMPLETED APPLICATIONS (Step One)

All persons or entities interested in obtaining a lease for the subject property must submit a "completed application" by no later than **4:00 p.m. (HST), Tuesday, January 16, 2007**. A completed application shall include the following:

1. A completed "Application and Qualification Form" or other printed material that provides the same information as that requested in the Application and Qualification Form included with the Information Packet;

2. A conceptual development plan with enough detail to describe the type, size, and use of the improvements envisioned on the site;

3. Information describing applicant's experience and capacity for completing the development as envisioned together with supporting documents;

4. Information showing a preliminary or estimated development budget, planned funding sources for applicant's proposed development, and the demonstrates the financial capacity of each principal member and/or entity of the applicant's development team together with supporting documents; and

5. Any other information that supports the applicant's ability to develop the property as envisioned.

SEALED RENT BIDS AND/OR BID DEPOSITS ARE NOT TO BE SUBMITTED DURING STEP ONE OF THE PROCESS.

DHHL is the sole entity that will evaluate the information provided above which will be reviewed to determine if the applicant's conceptual development plan meets DHHL's objectives as described in the Introduction to the Information Packet . By Tuesday, January 30, 2007, DHHL will send out written notices to all persons or entities who have submitted completed applications on or before the deadline. Those applicants who have met DHHL's objectives and

eligibility criteria shall be informed that they are "eligible" to bid. Those not meeting DHHL's objectives and eligibility criteria shall be informed that they are not eligible to bid.

BID QUALIFICATION (Step Two)

Those persons who have submitted a completed application and have received DHHL's written confirmation declaring them eligible to bid (Eligible Bidders) shall have until **4:00 p.m. (HST), Thursday, March 8, 2007**, to submit the following:

1. A current Certificate of Good Standing (business entities only) issued by the State Department of Commerce and Consumer Affairs. If the business has not yet been registered to operate in the State of Hawaii, then applicant shall provide a written statement that it is the applicant's intent to register to do business in the State of Hawaii and that applicant, if selected as the successful bidder, will provide evidence of such registration prior to execution of a lease for the property;

2. A current (not more than 60-days old) Tax Clearance Application stamped by both the IRS (federal) and State Departments of Taxation indicating that the applicant is not delinquent on taxes. If the business has not yet been registered to operate in the State of Hawaii, then applicant shall provide a federal tax clearance and a written statement that applicant, if selected as the successful bidder, will provide evidence of an application for, or receipt of, a State of Hawaii taxpayer identification number prior to execution of a lease for the property;

3. A detailed development concept which shall include:

   a) A narrative of the Eligible Bidder's proposed development plan, including phasing of the development, if any, describing the intended uses, or purposes for the development;

   b) A site development plan showing where improvements are planned, the square footage of each structure, maximum floor area, parking requirements, landscaped areas, elevations, and renderings;

   c) An estimated construction schedule with a timeline for all major tasks to be completed, including, but not limited to, HRS Chapter 343 compliance, site preparation construction of offsite infrastructure (if required), etc.;

   d) Other details, renderings, maps, surveys, feasibility studies or photographs that may help convey a clearer understanding of the proposed development; and

   e) Letters of commitment or interest from potential tenants or occupants.

4. The Eligible Bidder must demonstrate the financial capacity to complete the proposed project as envisioned. In addition to information provided in the completed application, the Eligible Bidder shall submit the following:

a) A refined construction budget/estimate including contractors' or sub-contractors' cost estimates, if any;

b) Current financial statements or tax returns, financing commitments from lending institutions, and any documents identifying other financial resources which the Eligible Bidder is relying upon to complete the proposed project;

c) An "earnest money deposit" in the form of a certified or cashier's check made payable to the Department of Hawaiian Home Lands in the amount of **$149,249.00.** The earnest money deposit shall be held uncashed by DHHL until the successful bidder has been determined. Earnest money deposits submitted by unsuccessful bidders shall be returned; and

d) A rent proposal **sealed in a separate envelope** marked (sealed rent proposal) stating the annual rent that the Eligible Bidder intends to pay for each of the first twenty (20) years of the lease. The rent proposed cannot be less than the minimum upset rent as stated in the copy of the legal notice included with the Information Packet.

DHHL is the sole entity that will evaluate the information received from Eligible Bidders. The evaluation will be based on the Eligible Bidder's meeting DHHL's objectives and criteria. DHHL reserves the right to disqualify any proposal that lacks sufficient information to clearly define an Eligible Bidder's development concept. Information submitted after the deadlines established herein will not be accepted unless the deadline is extended at DHHL's sole discretion. If not previously disqualified, only those proposals that contain a bid deposit and sealed rent bid shall qualify for bid opening scheduled for **10:00 a.m. (HST), on Friday, March 30, 2007.**

V. CONDUCT OF DISPOSITION

For Industrial/Commercial Mixed-Use Development (MCX)
Panaewa, Tract I Area
Waiakea, South Hilo, Island of Hawaii

The following procedures, terms and conditions are applicable to this disposition of a general lease of Hawaiian home lands by public auction.

Any proposed disposition of a general lease may be cancelled, postponed or continued by order of the Chairman, Hawaiian Homes Commission.

A. ELIGIBLE TO BID:

1. A completed application, as defined in the Applicant Qualification Criteria section of the Information Packet, must be submitted to DHHL by **no later than 4:00 p.m. (HST), Tuesday, January 16, 2007**

2. An applicant may be declared ineligible to bid for any of the following reasons:

   a. If the completed application is late, incomplete or does not adhere to the format and instructions;
   b. If it is shown that inaccurate statements were made in the completed application;
   c. If the applicant fails to meet any of information requested in the Applicant Qualification Criteria;
   d. Is declared ineligible for reasons cited in the Public Auction Guidelines section of the Information Packet; or
   e. If its proposal does not meet the objectives or is not in the best interest of the Department of Hawaiian Home Lands' Trust and/or its beneficiaries.

3. By Tuesday, January 30, 2007, each person or entity that has submitted a completed application will be sent a written notice of eligibility or ineligibility to bid.

B. QUALIFIED TO BID:

1. Those persons or entities that received notice that they are eligible to bid shall have until **4:00 p.m. (HST), Thursday, March 8, 2007**, in which to submit additional information and meet requirements described in the second and third pages of the Applicant Qualification Criteria.

2. An eligible bidder may be disqualified from bidding for any of the following reasons:

   a. If the additional information is submitted late, incomplete, lacks sufficient detail or does not adhere to the format and instructions;

   b. If it is shown that inaccurate statements were made;

c. Failure to provide an earnest money deposit by remitting a certified or cashier's check, payable to the Department of Hawaiian Home Lands in the amount of **$149,249.00** by no later than 4:00 p.m. (HST), March 8, 2007; and

d. Failure to include a sealed rent proposal (bid) in a separate, sealed envelope by 4:00 p.m. (HST), March 8, 2007;

3. If submitted on time, the information provided shall be reviewed by DHHL. Eligible applicants shall be notified if they are disqualified from bidding due to one of the reasons stated in item 2 above, or because their proposals are not in the best interest of the Department of Hawaiian Home Lands' Trust and/or its beneficiaries. Those who meet all conditions of the bid Applicant Qualification Criteria (Qualified Bidder) shall be invited to attend the sealed bid opening at **10:00 a.m. (HST), on Friday, March 30, 2006.**

Notwithstanding the above paragraph, DHHL may reject any or all bids and waive any defects when, in its opinion, such rejection or waiver will be for the best interest of its beneficiaries.

C. DETERMINATION AND DUTIES OF SUCCESSFUL BIDDER

1. At 10:00 a.m. (HST), on Friday, March 30, 2007, all sealed rent bids not previously disqualified (for reasons other than the amount of rent proposed) shall be opened for the first time.

2. Sealed rent bids shall be compared on the basis of the present value of the rent proposed for the first twenty (20) years of the lease term. Any rent proposal that does not meet or exceed the present value of the minimum upset rent established by market value appraisal and enumerated in the legal notice shall be disqualified.

3. The Qualified Bidder who submits the highest proposed rent (based on its present value) for the first twenty (20) years of the lease term shall be declared the "Successful Bidder".

4. The earnest money deposit of $149,249.00 remitted by the Successful Bidder shall be deposited and shall then become non-refundable. All bid deposits remitted by unsuccessful bidders shall be returned, uncashed.

5. Within five (5) working days of being notified as the Successful Bidder, the Successful Bidder shall execute an affidavit stating that the Successful Bidder is not in arrears in the payment of taxes, rents or any other obligations owing the State of Hawaii or any of its political subdivisions, and that, within the preceding five (5) years, the successful bidder has not had any leases, licenses or permits issued by the State of Hawaii or its political subdivisions, rescinded, cancelled or terminated due to the successful bidder's lack of performance.

6. The Successful Bidder and DHHL shall then enter into negotiations for a general lease of the subject site.

7. Negotiations must be completed and a general lease signed by no later than 120 days after the date the Successful Bidder has been selected and notified.

8. Upon signing of the lease, the earnest money deposit of $149,249.00 shall be applied to rent due under the lease. Additionally, Lessee will also be required to reimburse DHHL for cost of the appraisal, legal fees and any consultant charges associated with the disposition.

D. CANCELLATION

The Department of Hawaiian Home Lands (DHHL) requires that lease negotiations are concluded and a lease signed no later than one hundred twenty (120) days following the selection of the successful bidder provided that, for good cause shown, an extension of time to the negotiation period may be granted with approval of the Chairman, Hawaiian Homes Commission.

In the event the successful bidder fails to comply with the requirements as described above, DHHL may, at its option, declare default on the part of the successful bidder, terminate all further negotiations, withdraw the offer of a general lease for the subject property, and retain any amounts paid by the defaulting bidder as damages. The foregoing shall not exclude any other remedies available to DHHL.

Dated: _____

State of Hawaii
DEPARTMENT OF HAWAIIAN HOME LANDS

By: _____
Micah A. Kane, Chairman
Hawaiian Homes Commission

VI. GENERAL PROPERTY INFORMATION

For Industrial/Commercial Mixed-Use Development (MCX)
Panaewa, Tract I Area
Waiakea, South Hilo, Island of Hawaii

The parcel of land (the "Property") being offered for general lease is located in the Panaewa, Tract I area, in the Waiakea, South Hilo, Island of Hawaii. The Property is currently identified on the tax maps of the State of Hawaii as a portion of Division 3, Zone 2, Section 2, Plat 47, Parcels 059, 067, 068 & 71. The Department of Hawaiian Home Lands (DHHL) has selected and designated the site for industrial/commercial mixed-use development because of its attractive location at the intersection of Makaala Street and Railroad Avenue. The site is situated directly across Makaala Street from the new Home Depot Store and, also, within easy walking distance of Waiakea Center (Wal-Mart) and Prince Kuhio Plaza. The subject neighborhood is considered the principal, regional shopping district for the City of Hilo and greater East Hawaii.

The site is generally square-shaped, with an irregular northern boundary and offers extensive roadway frontage and exposure along Makaala Street and Railroad Avenue. Besides the access from two major thoroughfares that traverse the industrial and commercial area of Hilo, the Property is at the hub of an area where land for industrial/commercial sites are in high demand.

DHHL has received the COUNTY OF HAWAII'S approval to subdivide the Parcels 059, 067, 068 & 071 into two lots, one of which will be a parcel containing an area of approximately 1.5-acres, more or less, and the other (the subject property) containing approximately 15.5-acres, more or less. The Property, as subdivided, will contain the 15.5-acre portion to the south and the balance of 1.5-acres to the north.

PROPERTY DATA

Legal Description – A copy of the map that accompanied DHHL subdivision application is included in the Information Packet (see Exhibit 1, immediately following this section). Once the subdivision plan is recorded, the Property will be identified as Lot 5-A-1, and assigned a new tax map parcel number.

Land Area Lot 5-A-1 will comprise approx. 15.574 acres (678,403 square feet)

County Zoning – The subject site is zoned MG-1, General Industrial but will be valued as if it had a Industrial/Commercial Mixed-Use District Classification. The Department of Hawaiian Home Lands (DHHL) is not subject to county and state land use zoning and plans to designate this site for development under MCX guidelines for planning and permitting purposes.

Flood Hazard Districts - Flood Hazard Districts are delineated on Flood Boundary and Floodway Maps and the Federal Insurance Rate Maps prepared by the Federal Insurance Administration and Federal Emergency Management Agency. The subject site is situated within an area designated Zone X (unshaded), an area determined to be outside the 500-year plain. (FEMA Flood Insurance Rate Map 1551660885 dated September 16, 1988).

Utilities – All public utilities will be available to the subject site including water, sanitary sewer, electricity, and telephone service. The capacity of the existing sewer line could represent possible constraints to the development project.

Water service is provided by the County of Hawaii Department of Water Supply.

Sewer service is provided by the county Department of Environmental Services.

Electricity service is provided by Hawaii Electric Light Company, Inc.

Telephone service will be provided by Sandwich Isles Communications, Inc.

PROPERTY DESCRIPTION & CONDITION

Size and Shape - The Property contains 678,403 square feet (15.574 acres) of gross land area. It is generally square-shaped, with an irregularly shaped northern boundary and extensive roadway frontage and exposure along both Makaala Street and Railroad Avenue. The site will have approximately 906 linear feet of frontage on Railroad Avenue (eastern boundary) and approximately 959 linear feet of frontage on Makaala Street (southern boundary).

The site is generally level at surrounding street elevation and appears to have been cleared and graded in the past.

Special Condition – As referenced in the Legal Public Notice, the successful applicant shall be required to participate in and bear all cost to obtain final county subdivision approval of the nearby site, to which the existing lessee occupying a portion of the subject parcel has agreed to be relocated, and construct the necessary improvements in accordance with county subdivision requirements. The relocation site is identified as TMK No.: (3) 2-1-25:90, Lot 89. Per professional survey consultants, Imata & Associates, Inc., DHHL must adhere to and be in full and strict compliance with the following subdivision county requirements:

- Any road easement created with the subdivision application must be improved. Also a curve return will be required at the entrance.

- Commercial or Industrial Use: Easement width required is 60-ft. with asphalt pavement and concrete sidewalks, curbs and gutters (County Standards). Improvements will be constructed approximately 80 feet along Lot 89-B. The plat map also reflects a future extension of Roadway Lot A, which may be revised depending on future subdivision and/or uses of Lot 89-C. The extension is also being reflected so the County is aware of future development. The existing driveway serving Lot 89-A (Sandwich Isle) is in close proximity to Roadway Lot A and will present a conflict. Possible resolution is to relocate Sandwich Isle's driveway to access from Roadway Lot A or relocate Roadway Lot A. The County will require curve returns at the entrance of Roadway Lot A.

- Waterline within easement with water meters at lot boundary. Also fire protection (fire hydrants) may be required. A turn-around at the end of the easement may be required.

- Water Facilities Charges: $5,500.00 per lot.

To date, a preliminary plat map dated August 9, 2005, further described in Exhibit "7" attached hereto has been submitted to the Hawaii County, Planning Department for review and approval. By correspondence dated October 11, 2005, the Hawaii County Planning Department is deferring any further action until the following item can be appropriately addressed:

1. Submit a statement regarding the type of water system to be installed, including the source, quality and quantity of water.

Please contact Peter "Kahana" Albinio, Jr., Property Development Agent, Land Management Division at (808) 587-6429 to further clarify and discuss details of the special condition.

Soils Condition – A detailed geotechnical study of soil and sub-soil located on the Property has not been done.

Hazardous Materials/Contaminants – An assessment or investigation for possible hazardous material or contamination has not been conducted for the Property.

Improvements – The property is presently improved with a number of older, industrial structures and was also recently utilized as a temporary base yard during the construction period of the nearby Home Depot Store

Environs – The subject property is located within the City of Hilo, in the South Hilo District of the Island of Hawaii. The South Hilo District is located on the eastern or windward side of the Island of Hawaii and features a very diverse environment from extensive coastal areas to the 6,000 foot elevation along the lower slopes of Mauna Kea and Mauna Loa summits. Climatic conditions with the South Hilo District are predominantly humid and tropical. Temperatures are moderate, ranging on the average from 71 to 76 degrees Fahrenheit, and rainfall is substantial, averaging about 135 inches a year. Vegetation is lush and waterfalls are plentiful, particularly along the northern coast.

Historically, the South Hilo District and the City of Hilo have represented the dominant areas of urban development and population for the entire Island of Hawaii. More recently, however, the Kona and Kohala Districts have grown increasingly less dependent upon the Hilo area. As such, the present role of the South Hilo District and the City of Hilo as a major regional urban center is somewhat more limited to primarily the East Hawaii region. The City of Hilo, however, remains the County seat and is the location of all major government activity. Hilo's deep-draft harbor facilities and its airport at General Lyman Field function as primary transportation gateways to the Island of Hawaii.

The subject property's immediate neighborhood is the Waiakea area of the City of Hilo, in the Panaewa to Puainako area. A significant amount of land in this particular part of the city is owned and managed by the Department of Hawaiian Home Lands' (DHHL). The initial development of Prince Kuhio Plaza on DHHL property shifted the historical commercial retail focus of the City of Hilo to the subjects Panaewa to Puainako area. Other major retail developments concentrated in this neighborhood include Waiakea Center (anchored by Wal-Mart), Home Depot, KTA's Puainako Center, Puainako Town Center, And Ginger Patch Commercial Center.

NOTE: Additional information and demographics are contained in the four reports listed at the beginning of the Information Packet. Due to the limited number of copies of these reports, they may only be reviewed in a DHHL office. To make an appointment to review these reports, contact Marla at (808) 586-3858. Copies will also be available at DHHL offices on the outer islands.

EXHIBIT 1

Legal Description of Property "to be provided at a later date"

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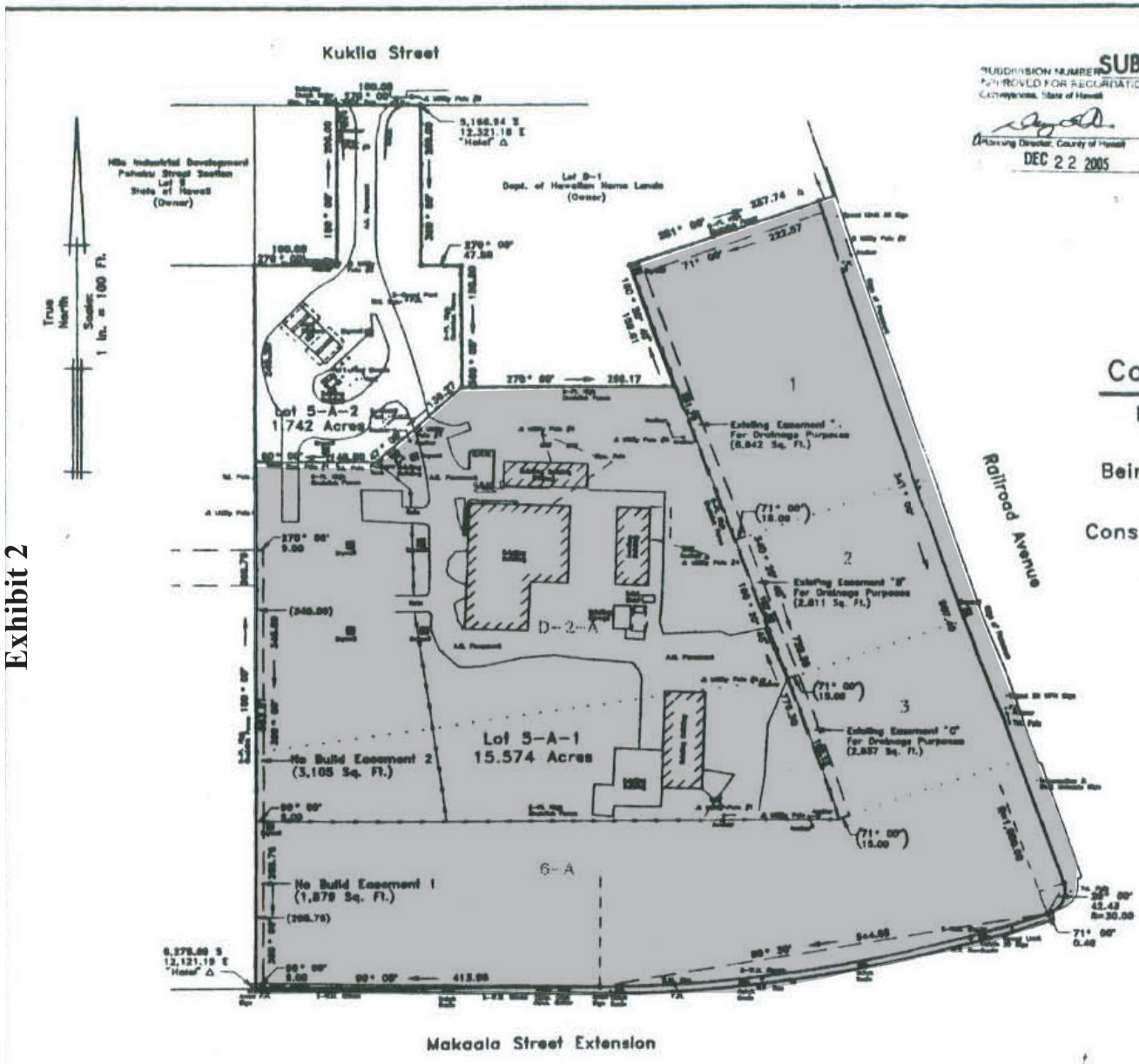
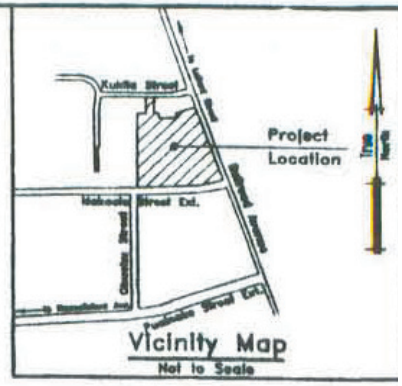
Exhibit 2



SUBDIVISION NUMBER SUB-05-000175
APPROVED FOR RECORDATION with the Bureau of Conveyances, State of Hawaii

Planning Director, County of Hawaii
DEC 22 2005



Consolidation/Resubdivision Map

Land situated at Walakea, South Hilo, Island of Hawaii.

Being a portion of The Hawaiian Home Land of Panaewa, Tract 1.

Consolidation of Lots 1, 2, 3, 5-A and D-2-A.

And resubdivision of said Consolidation into Lots 5-A-1 and 5-A-2.

Owner: Department of Hawaiian Home Lands
P. O. Box 1879
Honolulu, Hawaii 96805

Prepared By:
Imata and Associates, Inc.
171 Kapiolani Street
Hilo, Hawaii 96720

NATALIE K. IMATA
LICENSED PROFESSIONAL LAND SURVEYOR
NO. 5818
HAWAII, U.S.A.

This work was prepared by me or under my supervision

Natalie K. Imata
Natalie K. Imata
Licensed Professional Land Surveyor
Certificate Number 5818
Expires: April, 2006

August 23, 2005

Tax Map Key: 3rd Div. 2-2-47: 56, 67, 68, 71, & 72

Job Number: 05-75

EXHIBIT 3

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

GENERAL LEASE NO. _____

between

STATE OF HAWAII

and

_____

covering

HAWAIIAN HOME LANDS

situated at

Tax Map Key (3) 2-2-47:59
Waiakea, South Hilo,
Island of Hawaii

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STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

GENERAL LEASE NO. _____

THIS INDENTURE OF LEASE (the "Lease"), is made as of the _____ day of_____, 2006, but shall be effective on the date set forth below, by and between the STATE OF HAWAII, by its DEPARTMENT OF HAWAIIAN HOME LANDS, whose principal place of business is 1099 Alakea Street, 20th Floor, Honolulu, Hawaii 96813, and whose post office address is P. O. Box 1879, Honolulu, Hawaii 96805, hereinafter called "LESSOR," and _____, a _____(sole proprietor or _____corporation), whose business and mailing address is _____, hereinafter called "LESSEE."

W I T N E S S E T H:

ARTICLE ONE
DEMISE

1. Lease. LESSOR, for and in consideration of the rent to be paid and of the terms, covenants and conditions herein contained, all on the part of LESSEE to be kept, observed and performed, does lease to LESSEE, and LESSEE does lease from LESSOR, those certain premises located at Waiakea, South Hilo, Island of Hawaii, County of Hawaii, and further identified as Lots __ and __, comprising _____ acre, more or less, of Hawaiian Home Lands, more particularly described in **Exhibit "A"**, and as shown on the map marked **Exhibit "B"**, both attached hereto and made a part hereof ("Premises").

2. Term. The Premises are demised unto LESSEE TO HAVE AND TO HOLD, together with all buildings, improvements, tenements, rights, easements, privileges appurtenant thereto, but subject to the terms and conditions of this Lease, for a term commencing on _____ (which shall be the Effective Date of the Lease), and ending as of midnight on _____ unless sooner terminated as hereinafter provided.

ARTICLE TWO
RESERVATIONS AND RIGHT OF WITHDRAWAL

RESERVING UNTO LESSOR THE FOLLOWING:

1. Minerals and Waters.

(a) All minerals as hereinafter defined, in, on, or under the Premises, except that the right to prospect for, mine and remove such minerals shall be suspended during the term of this Lease. "Minerals," as used herein, shall mean any and all oil, gas, coal, phosphate,

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 any land, fast or submerged; provided, that "minerals" shall not include sand, gravel, rock or other material suitable for use and when used in construction in furtherance of LESSEE's permitted activities on the demised Premises and not for sale to others. This provision is intended only to govern extraction of minerals and not to impair in any manner LESSOR's ownership of the mineral rights pursuant to Sections 171-58 and 182-2 of the Hawaii Revised Statutes.

(b) All surface waters, ground waters, and water systems, appurtenant to the Premises, provided that such reservation shall not include the right to enter the Premises to capture, divert, or impound the same or to occupy and use any of the Premises in the exercise of this reserved right.

2. Prehistoric and Historic Remains. LESSOR has reviewed its files and records and determined that it has no information, reports or inspections reflecting that there are any prehistoric or historic remains or sites of archaeological significance present at the Premises. If, however, any area is rendered unsuitable for development as a result of the discovery of sites of archaeological significance or prehistoric or historic remains, such sites or remains shall be excluded from the Premises demised to LESSEE with an equitable adjustment of the rental payable hereunder determined in the manner provided in Section 5 of this Article Two.

3. Right of Withdrawal. The right to withdraw all or any portion of the Premises for the purposes of the Hawaiian Homes Commission Act, 1920 (the "Act"), as reserved by Section 204(a)(2) of the Act. The right to withdraw reserved under this Section 3 of Article Two shall be exercised only after not less than two (2) years prior written notice to LESSEE. As a condition to the exercise by LESSOR of any rights reserved in this Section 3 of Article Two, just compensation shall be paid to LESSEE for any of the Premises and/or LESSEE's improvements so withdrawn or rendered unsuitable for LESSEE's intended use, which amount is to be determined in the manner set forth in Section 5 of this Article Two, and the annual base rental under this Lease will also be proportionately reduced also as provided in Section 5 of this Article Two.

4. Reservation of Easements in Favor of LESSOR. LESSOR hereby reserves the right and option, with the reasonable consent of LESSEE, to create, designate, grant and relocate from time to time, at its sole cost and expense, any and all necessary easements for underground utilities and services, including drainage, water, sewer, electricity and other utilities under, across and through the Premises, provided that (a) such easements do not cross through or under any permanent structures constructed on the Premises or planned to be constructed on the Premises, and (b) the work to construct and install any such easements shall be done, and the easement shall be utilized, in such a fashion as to cause no disruption with LESSEE's operations or use of the Premises. Upon completion of any such work by LESSOR the surface of the Premises shall be returned, at LESSOR's sole cost and expense, to substantially the same condition as it was prior to installation of any underground utility.

5. Compensation for Takings, Withdrawal and other Entry or Actions Reserved in Favor of LESSOR. In the event all or any portion of the Premises is taken or withdrawn, or LESSEE is denied the practical and economic use thereof by any other entry or actions or matters reserved to LESSOR under this Lease, then and in any such event, LESSEE and/or those claiming by, through or under LESSEE will be entitled to just compensation to the same extent and according to the same principles and rules of law as if the Premises and all improvements thereon, had been condemned by the State of Hawaii under its power of eminent domain. If at any time during the term, a portion, but not all, of the Premises should be taken or withdrawn, or LESSEE is denied the practical and economic use of such portion, then and in any such event, the annual base rental shall be proportionately reduced based upon the ratio between the fair market value of the Premises prior to such taking, withdrawal, or use denied to the fair market value of the Premises remaining after such taking, withdrawal, or use denial. In such event, LESSEE shall also be entitled to receive from LESSOR a portion of the value of LESSEE's permanent improvements situated on the taken, withdrawn, or use denied portion of the Premises in the proportion that the unexpired term of the Lease bears to the entire term of the Lease, provided, that LESSEE may, in the alternative, remove and relocate its improvements to the remainder of the Premises occupied by LESSEE. Where the portion taken, withdrawn, or use denied renders the remainder of the Premises unusable in LESSEE's reasonable determination, LESSEE shall have the option to surrender this Lease in accordance with Section 17 of Article Four below or partially surrender this Lease as to the portion of the Premises so affected, and be discharged and relieved from any further liability therefor. In the event LESSEE shall not exercise such option to surrender this Lease or partially surrender this Lease as to the portion of the Premises so affected, then the annual base rental for the balance of the term shall be abated and adjusted in an equitable manner as set forth above. In the event that LESSEE reasonably exercises its option to surrender this Lease or partially surrender this Lease as to the portion of the Premises so affected by reason of a partial taking, withdrawal or use denial, LESSEE shall be entitled to just compensation as if LESSOR had elected to take, withdraw or deny the use of the entire Premises or the portion of the Premises so affected under the Lease and LESSEE will be entitled to just compensation to the same extent and according to the same principles and rules of law as if the Premises or the portion of the Premises and all improvements thereon, had been condemned by the State of Hawaii under its power of eminent domain as more particularly set forth above.

ARTICLE THREE
RENTAL

LESSEE shall pay to LESSOR at the office of the Department of Hawaiian Home Lands, Honolulu, Oahu, State of Hawaii, a net annual rental as provided hereinbelow, payable in advance, without notice or demand and without any set-off or deduction, in equal monthly installments, as follows:

1. Annual Base Rental. Annual base rental shall be paid on the first day of each and every calendar month from and after the Rent Commencement Date by LESSEE to LESSOR at LESSOR's principal place of business first described above, in United States dollars, as follows:

Lease years 1 through 10: _____ Dollars ($_____.00) per annum ($_____.__ per month);

Lease years 11 through 15: _____ Dollars ($_____.00) per annum ($_____.__ per month);

Lease years 16 through 20: _____ Dollars ($_____.00) per annum ($_____.__ per month); and

Lease years 21 through 25: _____Dollars ($_____.00) per annum ($_____.__ per month).

Lease years 26 through 40: Annual base rental shall be reopened as provided in Section 2 below.

Base rental payable for any month shall be proportionately reduced for any partial month during the term. The "Rent Commencement Date" is _____**.** The first lease year shall commence on the Effective Date with succeeding lease years commencing on each succeeding anniversary of such Effective Date.

2. Reopening of Annual Base Rental. The annual base rental hereinabove reserved shall be reopened and re-determined at the expiration of the twenty-fifth (25th) lease year of the term for the next ensuing ten-year period comprising lease years 26-35 and shall be reopened and redetermined at the expiration of the thirty-fifth lease year for each of the next ensuing two ten-year periods comprising lease years 36-45, and 46-55, respectively, to an amount equal to the then fair market rental value of the Premises at the commencement of such reopening period as if the Premises were unencumbered by this Lease and based on the use or uses then permitted to be made on the Premises under the applicable County zoning, as such uses may be further restricted by the terms of this Lease (referred to hereafter as the "fair market rental value" of the Premises), all as shall be determined by mutual agreement between LESSOR and LESSEE. If LESSOR and LESSEE fail to mutually agree upon the fair market rental value of the Premises which will be the annual base rental for the reopening period at least ninety (90) days prior to the commencement of each of the reopening periods, the proposed new annual base rental shall be determined by an appraiser whose services shall be contracted for by LESSOR who shall determine the fair market rental value of the Premises; provided, that should LESSEE fail to agree upon the fair market rental value of the Premises as determined by LESSOR's appraiser, LESSEE shall promptly appoint its own appraiser and give written notice thereof to LESSOR, and in case LESSEE shall fail to do so within thirty (30) days after being advised of the fair market rental value as determined by LESSOR's appraiser, LESSOR may apply to any person then sitting as judge of the Circuit Court of the judicial circuit in which the Premises are located for appointment of a second appraiser, and the two appraisers thus appointed in either manner shall have thirty (30) days (or such additional time as LESSOR and LESSEE shall mutually agree) to resolve any disagreement on the fair market rental value determination and settle the reopened rent for the ensuing reopening period. Should both appraisers fail to agree upon the fair market rental value of the Premises within this 30-day period (as the same may be extended by mutual agreement of LESSOR and LESSEE), they shall appoint a third appraiser. In case of

their failure to do so within fifteen (15) days, either party may have the third appraiser appointed by the judge and the fair market rental value of the Premises shall be determined by arbitration as provided in Chapter 658A, Hawaii Revised Statutes. Each appraiser, whether appointed by a party to the Lease or by the Circuit Court, shall have the following minimum qualifications: at least five (5) years experience in appraising commercial real property and hold a current MAI or SREA designation. The decision of the appraisers or a majority of them shall be final, conclusive and binding upon both parties hereto. The appraisers so appointed shall deliver their determination before the ninetieth (90th) day following appointment of the third appraiser, and, in the event they shall fail to do so and the time for delivery of such determination shall not have been extended by mutual agreement of LESSOR and LESSEE, the employment of the appraisers shall immediately terminate and, except as may be approved by LESSOR and LESSEE in the exercise of their sole and absolute discretion with respect thereto, the appraisers shall not be entitled to any payment for services or reimbursement of expenses incurred because of such appointment. In the event the employment of the appraisers shall be so terminated, new appraisers shall be appointed in the manner hereinbefore provided. LESSEE shall pay for its own appraiser, LESSOR shall pay for its appraiser, and the cost of the third appraiser shall be borne equally by LESSEE and LESSOR. Upon completion of the arbitration procedure, all appraisal reports shall become part of the public record of LESSOR. If the rental for any ensuing period has not been determined prior to the expiration of the preceding rental period, LESSEE shall continue to pay the rent effective for the previous rental period, but LESSEE shall, within thirty (30) days after the new rental has been so determined, make up the deficiency, if any plus interest thereon at the rate of ten percent (10.0%) per annum from the due date for each payment of the additional rent.

ARTICLE FOUR

THE PARTIES HEREIN COVENANT AND AGREE AS FOLLOWS:

1. Payment of Rent. LESSEE shall pay the rent to LESSOR at the times, in the manner and form provided in this Lease and at the place specified above, or at any other place LESSOR may from time to time designate, in legal tender of the United States of America.

2. Taxes and Assessments. (a) LESSEE shall pay or cause to be paid, when due, the amount of all taxes, rates, assessments and other outgoings of every description as to which the Premises or any part, or any improvements, or LESSOR or LESSEE in respect thereof, are now or may be assessed by governmental authorities during the term of this Lease; provided, however, that with respect to any assessment made under any betterment or improvement law which may be payable in installments, LESSEE shall be required to pay only those installments, together with interest, which become due and payable during the term; (b) LESSEE shall reimburse to LESSOR, upon demand, any and all conveyance and transfer taxes payable with respect to this transaction, or with respect to any document to which LESSEE is a party, creating or transferring an interest or an estate in the Premises; and (c) LESSEE shall have the right to contest any tax, rate, assessment or other charge imposed against the Premises provided, however, that any such proceeding shall be brought by LESSEE only after payment by LESSEE as hereinabove provided of such taxes, assessments or other charges or impositions if required by law as a condition to bringing such proceeding, and if any such proceeding be brought by

LESSEE, LESSEE shall defend, indemnify and save harmless LESSOR against any and all loss, costs or expenses of any kind that may be incurred by or imposed upon LESSOR in connection therewith. LESSOR agrees to reasonably cooperate with LESSEE in any application or proceeding to contest such tax, rate, assessment or other charge, provided that all reasonable costs and expenses of LESSOR incurred in connection therewith shall be paid by LESSEE.

3. Utility Services. LESSEE shall pay or caused to be paid all utility charges, duties, rates and, other similar outgoings, including water, sewer, gas, refuse collection, recycling, relocation of utility poles and lines or any other charges, as to which the Premises or any part, or any improvements, or LESSOR or LESSEE in respect thereof, may become liable for during the term, whether assessed to or payable by LESSOR or LESSEE. LESSEE, at its sole cost and expense, shall be responsible for bringing any and all necessary utility connections to the Premises for its contemplated improvements.

4. Improvements Required by Law. LESSEE will, at LESSEE's own expense during the whole of the term, make, build, maintain and repair all fences, sewers, drains, roads, curbs, sidewalks and parking areas which may be required by law to be made, built, maintained and repaired upon or adjoining or in connection with or for the use of the Premises or any part thereof.

5. Observance of Laws. LESSEE will at all times during the term keep the Premises in a strictly safe, clean, orderly and sanitary condition, free of any nuisance or improper or offensive use, and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority for the time being applicable to the Premises or any improvement thereon or use thereof, and will defend, indemnify and hold harmless LESSOR against all actions, suits, damages and claims by whomsoever brought or made by reason of the nonobservance or nonperformance by LESSEE of said laws, ordinances, rules and regulations or of this covenant.

6. Inspection of Premises. Upon reasonable notice, LESSEE will permit LESSOR and its agents at all reasonable times during the term of this Lease to enter the Premises and examine the state of repair and condition of the Premises. LESSEE will repair and make good at LESSEE's own expense all defects required by the provisions of this Lease to be repaired by LESSEE of which written notice shall be given by LESSOR or its agents within thirty (30) days after the giving of such notice, or if such defect is not reasonably susceptible to repair within said thirty (30) day period, LESSEE shall undertake to repair such defect within said thirty (30) day period and shall diligently and expeditiously proceed to complete the steps or action necessary to repair the defect. If for any reason LESSEE shall fail to commence and complete such repairs within the time period specified herein, LESSOR may, but shall not be obligated to, make or cause to be made such repairs and shall not be responsible to LESSEE or anyone claiming by, through or under LESSEE for any loss or damage to the occupancy, business or property of any of them by reason thereof (except to the extent such loss or damage is the result of the gross negligence or willful misconduct of LESSOR or LESSOR's agents or employees in effecting any such repairs), and LESSEE will pay to LESSOR, within ten (10) days following written demand by LESSOR, and as additional rent, all costs and expenses paid or incurred by LESSOR in connection with such repairs.

7. Improvements.

(a) Initial Development. Because time is of the essence, LESSEE will implement a scheduled program of development. Plans for the scheduled development project will be submitted to LESSOR for approval within six (6) months from the commencement date of the lease. LESSEE will have thirty-six (36) months from the commencement date of the lease to complete the development project.

(b) Governmental Approvals and Permits. Before commencing any construction of buildings or improvements on the Premises, LESSEE shall seek and secure all approvals and permits which may be required from any governmental authority having jurisdiction thereof, including, without limitation, governmental requirements from time to time in effect regarding land, air and water use or emissions and noise emissions and Hazardous Materials. LESSEE shall bear all costs and expenses of obtaining the necessary approvals and permits.

(c) Construction of Improvements. LESSEE will not construct or place on the Premises any building or other improvement, including fences and walls, nor make any additions or structural alterations costing more than Fifteen Thousand Dollars ($15,000) to any building thereon, nor erect or place any signs or other exterior fixtures on the Premises, except with the prior written consent of LESSOR and upon those conditions LESSOR may impose. LESSEE shall own these improvements until the expiration or termination pursuant to a breach of the lease, at which time the ownership shall automatically be vested in LESSOR.

(d) Bonds and Security Deposit. LESSEE will, at its own cost and expense, within thirty (30) days from the lease execution date, deposit with LESSOR and thereafter keep in full force and effect during the term of this Lease, a good and sufficient surety bond, conditioned upon the full and faithful observance and performance by LESSEE of all of the terms, covenants and conditions of this lease. The amount of the bond must equal the annual rent under the Lease, the initial amount to be established at the time of the auction of the LESSEE, and thereafter shall be adjusted to equal the annual rental determined at each lease rental reopening date and each stepped-up lease rent date. There shall be attached to the bond an affidavit by a surety or sureties pursuant to and in accordance with the provisions contained n Section 78-20, Hawaii Revised Statutes, provided, however, LESSEE may furnish a bond in like amount, conditioned as aforesaid, executed by LESSEE alone as obligor, if, in lieu of any surety or sureties, LESSEE will also furnish and at all times thereafter keep and maintain on deposit bonds, stocks, or other negotiable securities properly endorsed, or executed and deliver to LESSOR a deed or deed of trust of real property, all of such character as shall be satisfactory to LESSOR and valued in the aggregate at not less than the principal amount of the bond. It is agreed that the value at which securities may be accepted and at any time thereafter held by LESSOR under the foregoing provision will be determined by LESSOR, and LESSEE may, with the approval of LESSOR, exchange other securities or money for any of the deposited securities, if in the judgment of LESSOR the substitute securities or money is at least equal in value to those withdrawn.

It is further agreed that LESSEE may substitute the sureties with a security deposit equal to three months of the established rent pursuant to an action taken by the Hawaiian Homes Commission on June 26, 1990. The security deposit will be adjusted to equal the three months rent determined at each lease rent reopening date. The deposit will be refunded without interest to LESSEE at the expiration of the Lease or upon assignment of the Lease.

(e) Compliance with Americans with Disabilities Act.

(i) Applicable Laws. LESSEE shall cause drawings and specifications to be prepared for, and shall cause to be performed, any construction, alteration or renovation of the Premises, including signage, in accordance with all applicable laws, ordinances and regulations of all duly constituted authorities, including, without limitation, Title III of the Americans with Disabilities Act of 1990 (the "ADA"), 42 U.S.C. 12181-12183,12186(b)-12189, the ADA Accessibility Guidelines promulgated by the Architectural and Transportation Barriers Compliance Board, the public accommodations title of the Civil Rights Act of 1964, 42 U.S.C. 200a et. Seq., the Architectural Barriers Act of 1968, 42, U.S.C.4151 et. Seq., as amended, Title V of the Rehabilitation Act of 1973, 29 U.S.C.790 et seq., the Minimum Guidelines and Requirements for Accessible Design, 36 C.F.R Part 1190, and the Uniform Federal Accessibility Standards, as the same are in effect on the date hereof and may be hereafter modified, amended or supplemented (all such laws, ordinances, regulations and guidelines regarding access collectively called "Public Accommodations Laws").

(ii) Responsibility for Compliance. Notwithstanding LESSOR'S review of such drawings and specifications, and whether or not LESSOR approves or disapproves such drawings and specifications, LESSEE and not LESSOR shall be responsible for compliance of such drawings and specifications and of all Public Accommodations Laws. LESSEE shall defend, pay, indemnify and hold LESSOR harmless against all reasonable costs and expenses (including reasonable attorney's fees), losses, damages and liabilities incurred by LESSOR which may be attributable to: (A) LESSEE's alleged failure to comply with any Public Accommodations Law or any other applicable governmental law, rule or regulation, whether or not any lawsuit or other formal legal proceeding shall have been commenced in respect thereof; (B) LESSOR's investigation and handling (including the defense) of LESSEE's failure to comply with any Public Accommodations Law or any other applicable governmental law, rule or regulation, whether or not any lawsuit or other formal legal proceeding shall have been commenced in respect thereof; (C) any amounts assessed against LESSOR pursuant to any Pubic Accommodations Law based upon LESSOR's ownership of the Premises; and (D) LESSOR's enforcement of this paragraph, whether or not suit is brought therefore. All the above amounts shall constitute additional rent and shall be payable on demand with interest at the rate of ten percent (10%) per annum.

8. Repairs to Improvements. LESSEE will, at its own expense, keep, repair and maintain all buildings and other improvements now existing or hereafter constructed or installed on the Premises in good and safe order, condition and repair, reasonable wear and tear excepted.

9. Assignment.

(a) No Assignment Without Consent. LESSEE shall not assign this Lease without the prior written consent of LESSOR, which consent LESSOR shall not unreasonably withhold. Any assignment without LESSOR's prior express written consent shall be void.

(b) Assumption of Lease. Any assignment of this Lease shall be specifically made and therein expressly stated to be made subject to all terms, covenants and conditions of this Lease, and the assignee therein shall expressly assume and agree to all such terms, covenants and conditions.

(c) Compliance with Hawaii Revised Statutes §171-36(a)(5). LESSOR may withhold its consent to any assignment unless the assignment meets the requirements of Hawaii Revised Statutes §171-36(a)(5), or any other successor statute imposing conditions on the assignment of leases of Lessor's lands.

(d) No Change of Use. No assignment will be permitted if the assignee contemplates or proposes any change in the use of the Premises from that expressly permitted by this Lease.

(e) LESSOR's Response. LESSOR shall respond to any request for its consent to an assignment of this Lease within thirty (30) days following LESSOR's receipt of all financial statements, documents and other information reasonably necessary for LESSOR to make its determination (or within such longer time as may be reasonably required by it and of which it shall notify LESSEE within such thirty (30) day period). If LESSOR shall fail to approve or disapprove of a request for consent within the thirty (30) day period as the same may be extended, LESSOR's approval shall be conclusively presumed.

(f) "Assignment" Defined. The term "assignment" as used in this Lease shall mean and include one or more sales or transfers by operation of law or otherwise by which:

(i) if LESSEE is a corporation, an aggregate of fifty percent (50%) or more of the total common stock or any class of voting stock of LESSEE;

(ii) if LESSEE is a partnership, an aggregate of fifty percent (50%) or more of the total partnership interests of LESSEE or a change of control of any general partner of LESSEE;

(iii) if LESSEE is a limited liability company, whether member-managed or manager-managed, an aggregate of fifty percent (50%) or more of the total membership interests of LESSEE or a change of control of any managing member of LESSEE;

(iv) if the LESSEE is any other form of entity, an aggregate of fifty percent (50%) or more of the legal, beneficial or other cognizable interests therein or in the governance, administration or control thereof; shall become vested in one or more individuals, firms, associations, corporations, partnerships, limited liability companies or other entities, or any derivative or combination thereof, who or which did not own directly not less than a ten

percent (10%) interest, legally or equitably, in the LESSEE as of the Commencement Date or as of the date of LESSEE's subsequent acquisition of this Lease by assignment, with the ownership of such interests in LESSEE being determined in accordance with the principles enunciated in Sections 318 and 544 of the Internal Revenue Code of 1986; provided, however, that the foregoing definition shall not apply with respect to a corporate LESSEE whose capital stock is listed on a recognized stock exchange or on the NASDAQ; provided, however, that a merger or acquisition of fifty percent (50%) or more of the outstanding stock of any such LESSEE shall be construed to be an assignment and shall require Landlord's consent unless the successor or acquiring corporation has a net worth equal to or greater than LESSEE had at the time this Lease was executed, or at the time of any such merger or acquisition (whichever shall be the later); and provided further that, if LESSEE is a corporation, a change in ownership of the stock of LESSEE resulting from the death of a stockholder shall not be deemed a default hereunder if the decedent's shares pass to a surviving spouse and/or issue or to a trust for the primary benefit of such spouse or issue.

10. Subletting. LESSEE shall not, without the prior written consent of LESSOR, which consent will not be unreasonably withheld or delayed, have the right to sublease all or any portion of the Premises, provided, however, that prior to LESSOR approval, LESSOR shall have the right to review and approve the rent to be charged to the proposed sublessee; provided further, that the LESSOR shall have the right to revise, if necessary, the lease rent of the Premises based upon the rental rate charged to the proposed sublessee, pursuant to the Sublease Rent Participation Policy adopted by the Hawaiian Homes Commission on April 24, 1987, a copy of which is attached herewith as Exhibit C, and provided further, that the base rent may not be revised downward. The term of any such sublease shall not exceed the term of this Lease.

11. Liens. LESSEE will not commit or suffer any act or neglect by which the Premises or the respective estates of LESSEE or LESSOR therein shall at any time during the term become subject to any attachment, judgment, lien, charge or encumbrance whatsoever, including mechanics' and materialmen's liens, and will indemnify, defend, save and hold LESSOR harmless from and against all loss, cost and expense with respect thereto (including reasonable attorneys' fees). If any order directing the attachment of any lien for work, labor, services or materials done for or supplied to the Premises regardless of who contracted therefor is filed against the Premises, LESSEE shall have sixty (60) days from the date of filing in which to cause such lien to be discharged of record by payment, deposit or bond or otherwise stayed to the reasonable satisfaction of LESSOR. Subject to the foregoing, LESSEE may contest in good faith by any appropriate proceedings prosecuted in a diligent and timely manner, the amount or validity of any such attachment, judgment, lien, charge or encumbrance, and, if permitted by applicable law, upon making deposit or posting bond, may defer payment thereof until final determination of such contest. LESSEE's obligations under this Section 11 shall survive the termination of this Lease.

12. Permitted Uses. The Premises will be used only for the following purposes: _____. In no event shall the Premises be used for the construction of any residential lots, units or project.

13. Indemnity.

(a) LESSEE will indemnify and hold LESSOR harmless from and against all liens, claims and demands for loss or damage, including property damage, personal injury and wrongful death, from (i) any cause whatsoever arising out of or in connection with the use, occupancy and enjoyment of the Premises by LESSEE or any other person thereon or claiming under it, including, without limitation, any harm resulting therefrom to LESSOR, persons claiming under LESSOR, other tenants of LESSOR, third parties, the aquifer underlying the Premises, the water therein, the soil of the Premises and surrounding lands and the air, or (ii) any failure by LESSEE to keep the Premises and sidewalks in a safe condition. LESSEE will reimburse LESSOR for all of LESSOR's costs and expenses, including reasonable attorneys' fees, incurred in connection with the defense of any such liens, claims, and demands. LESSEE will hold all goods, materials, furniture, fixtures, equipment, machinery and other property whatsoever on the Premises at its sole risk and will hold LESSOR harmless from and against any loss or damage thereto by any cause whatsoever. The obligation to indemnify shall include all fines and penalties and all reasonable costs LESSOR may incur in connection with any such lien, claim and demand, including reasonable attorneys' fees and investigation costs, from the first notice that any lien, claim or demand is to be made or may be made. LESSEE shall satisfy LESSOR of its ability to so indemnify LESSOR by means satisfactory to LESSOR, which, at the discretion of LESSOR, may include any or all of insurance bonds, security deposits, sinking funds or such other means as may be approved in writing by LESSOR. LESSEE's obligations under this section shall survive the termination of other determination of this Lease and shall continue in full force and effect for the benefit of LESSOR.

(b) Immediately upon discovery thereof, LESSEE shall give written notice to LESSOR of any claims, actions or causes of action concerning the Premises, or any claims, actions or causes of actions that may subject LESSOR to liability, risk of loss or binding adjudication of rights.

14. Costs of Litigation. In case either party shall, without fault on its part, be made a party to any litigation commenced by the other party or against the other party (other than condemnation proceedings), the other party shall pay all costs, including reasonable attorney's fees and expenses incurred by or imposed on the party joined without fault on its part.

15. Insurance. At all times during the term of this Lease, LESSEE shall purchase and maintain, at LESSEE's sole expense, the following policies of insurance in amounts not less than the amounts specified below, or such other amounts as LESSOR may from time to time reasonably request, with insurance companies and on forms reasonably satisfactory to LESSOR:

(a) Commercial Property Insurance.

(i) Coverage. A policy or policies of commercial property insurance covering all buildings, structures and other improvements on the Premises, and including without limitation, all furniture, fixtures, machinery, equipment, stock and any other personal property owned and/or used in LESSEE's business, whether made or acquired at LESSEE's, LESSOR's or at another's expense, in an amount equal to their full replacement cost at time of loss, without

deduction for depreciation. The insurance shall be written on an Insurance Services Office, Inc. ("ISO") Commercial Property Policy - "Special Form" Causes of Loss form as from time to time filed with the Hawaii Insurance Commissioner, or its equivalent, and at a minimum such policy shall insure against destruction or damage by fire and other perils covered under such an ISO policy, with additional coverage for risk of loss by flood, hurricane and tsunami (to the extent such coverage is available at commercially reasonable cost), perils normally insured under a policy of boiler and machinery insurance, and such other hazards or risks which a prudent business person would insure against. The policy(ies) required under this Lease shall provide replacement cost coverage (exclusive only of excavation, foundations and footings), and shall include Building Ordinance/Law coverage (for increased costs of demolition and repair due to changes in building codes or zoning ordinances). Except with LESSOR's prior written consent, which shall not be unreasonably withheld, the policy shall not have a deductible amount in excess of $10,000 for any one occurrence.

(ii) Trust. In the event that proceeds for loss or damage are paid under any property insurance policy required by this Lease and unless otherwise agreed to in writing by LESSOR, all such loss payment proceeds shall be deposited with a trust company designated by LESSOR to receive all such proceeds, which trustee shall have its principal office in Honolulu and be authorized to exercise corporate trust powers in the State of Hawaii. The trustee shall have no obligation whatsoever to effect, maintain or renew such insurance nor to attend to any claim for lesser damage thereunder or the collection of any proceeds thereof nor to incur any expense therefor, and shall be responsible only for the proper custody and application as herein provided of all such proceeds that actually shall come into its possession. LESSEE shall pay all fees and expenses of such trustee for or in connection with its services.

(iii) Use of Proceeds. In every case of loss, all proceeds of such insurance (excluding the proceeds of any rental value or use and occupancy insurance of LESSEE) shall be immediately available to and be used as soon as reasonably possible by LESSEE for rebuilding, repairing or otherwise reinstating the same improvements in good and substantial manner according to the plan and elevation of the improvements so destroyed or damaged or according to such modified plan as shall have been first approved in writing by LESSOR. In the event that such insurance proceeds shall be insufficient, LESSEE shall make up any deficiency from its own funds; provided, however, that if the principal improvement on the Premises shall be destroyed at any time during the last ten (10) years of the term of this Lease (or any extension hereof), LESSEE shall have the option, exercisable within sixty (60) days after such casualty, to surrender this Lease subject to compliance with the provisions of Section 16 of Article Four and thereby forfeit all interest in such insurance proceeds and in any improvements remaining on the Premises, all of which shall thereupon be payable to and be the sole property of LESSOR.

(b) Liability Insurance.

(i) Commercial General Liability Insurance. Commercial general liability or commercial general liability and excess or umbrella liability insurance written on an "occurrence" form covering the use, occupancy and maintenance of the Premises and all operations of Lessee including: Premises Operations; Independent Contractors; Products -

Completed Operations; Blanket Contractual Liability; Personal and Advertising Injury; Fire Legal Liability; Employees Named as Additional Insureds; Medical Expense; elevator collision; and incidental medical malpractice. Such insurance shall be written on an ISO Commercial General Liability Policy form or its equivalent.

(1) Limits. Limits for such coverage shall be determined.

(2) Deductible. Except with LESSOR's prior written approval, which will not be unreasonably withheld, the policy shall not have a deductible amount in excess of $10,000 for any one occurrence.

(3) Application of General Aggregate. The policy(ies) of insurance shall further contain a provision that the general aggregate limit applies exclusively to the Premises and the operations conducted thereon.

(ii) Workers' Compensation and Employers' Liability Insurance. Workers' Compensation and Employers' Liability insurance as required by HRS Chapter 386 and regulations thereunder, as the same may be amended from time to time, for all employees of LESSEE.

(1) Limits for such coverage shall be not less than the statutory limits for Workers' Compensation and the following for Employers' Liability: $1,000,000 Each Accident; $1,000,000 Disease - Policy Limit; and $1,000,000 Disease - Each Employee.

(2) The policy shall further contain an endorsement providing a waiver of subrogation in favor of LESSOR and its employees.

(c) Umbrella Liability. Umbrella Liability Insurance providing excess coverage over Commercial General Liability, Employer's Liability, and Automobile Liability Insurance. The Umbrella Liability policy shall be written on an "occurrence" form with a limit of liability of not less than $5,000,000 per policy year and a self-insured retention and/or deductible no greater than $10,000.

(d) Builder's and Installation Risk. Builder's and installation risk insurance while the Premises or any part thereof are under construction, written on the Builder's Risk Completed Value form (nonreporting full coverage), including coverage on equipment, machinery and materials not yet installed but to become a permanent part of the Premises.

(e) General Policy Terms. All policies of insurance required to be maintained pursuant to this section covering loss or damage to any of LESSEE's property shall provide that the insurer is required to provide LESSOR with at least thirty (30) days (or not less than ten (10) days in the case of nonpayment of premiums) prior written notice of cancellation or non-renewal of any such insurance policy. LESSEE will pay all premiums thereon when due and will from time to time deposit promptly with LESSOR current policies of such insurance or certificates thereof. All public liability and property damage policies shall be in the joint names of and for the mutual and joint benefit and protection of LESSOR, LESSEE, and LESSEE's mortgagee(s), as their respective interests may appear, and shall contain a provision providing that LESSOR,

although named as an additional insured, shall not be denied any recovery under the policy(ies) for any loss occasioned to it, its servants, agents and employees by reason of the acts, omissions and/or negligence of LESSEE which recovery would be possible if LESSOR were not named as an additional insured. As often as any such policy shall expire or terminate, LESSEE shall procure and maintain renewal or additional policies in like manner and to like extent. All general liability, property damage and other casualty policies shall be written as primary policies, not contributing with and not in excess of coverage which LESSOR may carry.

(f) Periodic Review of Insurance Coverages. LESSOR shall retain the right at any time, but not more frequently than once every three (3) years, to review the coverage, form, and amount of the insurance required by this Lease. If, in the reasonable judgment of LESSOR, the insurance provisions in this Lease do not provide adequate protection for LESSOR in light of then prevailing practices under leases of similar properties in the State of Hawaii, LESSOR may require LESSEE to obtain insurance sufficient in coverage, form, and amount to provide such additional protection. LESSOR'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. LESSOR shall notify LESSEE in writing of changes in the insurance requirements and LESSEE shall deposit copies of acceptable insurance policies or certificates thereof with LESSOR incorporating the reasonably required changes within sixty (60) days of receipt of such notice from LESSOR.

16. Surrender. At the end of the term or other sooner determination of all or a portion of this Lease, LESSEE will peaceably deliver up to LESSOR possession of the land hereby demised, including all buildings and other improvements upon or belonging to the same, by whomsoever made, in good repair, order and condition, except for reasonable wear and tear, and in strictly clean, safe and sanitary condition; provided, however, that if LESSEE is not in default hereunder, it may then remove any trade fixtures installed by it on the Premises but shall repair promptly to LESSOR's satisfaction all damage caused by such removal; provided, further, that if LESSOR, in its sole discretion, shall determine that such improvements or portions thereof should be removed and shall give LESSEE written notice of such determination within thirty (30) days of such termination, LESSEE, at no cost to LESSOR and with as little damage to the Premises as is reasonably possible, shall remove promptly said improvements or portions thereof in accordance with applicable law and shall leave the Premises in clean and orderly condition free of all debris.

Upon such termination or sooner determination, LESSEE shall, at LESSEE's cost and expense, provide LESSOR with evidence satisfactory to LESSOR that LESSEE has fully complied with all applicable law or orders by any governmental authority having jurisdiction therefor, including, without limitation, full compliance with any closure plan filed or required to be filed with any such governmental authority and removal from the Premises of all Hazardous Materials and other materials that may cause damage or injury to the environment or health.

If, within thirty (30) days after such termination or sooner determination of this Lease, such evidence shall not have been provided LESSOR, or if LESSOR shall have requested removal of improvements and LESSEE shall not have removed said improvements, LESSOR may effect such full compliance or removal on behalf of LESSEE. All costs incurred by

LESSOR in effecting such compliance or removal shall be at LESSEE's expense and LESSEE will, within thirty (30) days from LESSEE's receipt of demand by LESSOR, reimburse LESSOR for such costs, together with interest as provided in Section 10 of Article Five of this Lease. Until such full compliance or removal is completed, either by LESSEE or LESSOR, and all costs therefor have been paid by LESSEE or reimbursed by LESSEE to LESSOR, together with interest thereon, if any, the Premises and this Lease shall not be deemed surrendered even though LESSEE has vacated the Premises, and LESSEE shall continue to incur and pay annual rent on the Premises or portion thereof being surrendered in an amount equal to twice (2X) the total of annual rent paid by LESSEE during the Lease year just preceding termination, prorated for the period of time from termination to the time surrender is completed.

LESSEE shall not be relieved of its obligations under this Lease until surrender is completed in accordance with the provisions of this section. Final inspection and release of the Premises by concerned governmental agencies, if any, and by LESSOR shall be a condition precedent to completion of surrender and termination of LESSEE's obligations hereunder. Nothing herein shall be deemed to relieve LESSEE of an obligation, such as the obligation to indemnify LESSOR, which by its specific terms survives termination.

17. Processing Fees/Documentation. LESSEE agrees to pay to LESSOR, LESSOR's standard fees for LESSOR's processing of consents and assignments and providing documents required or authorized by the terms, covenants, and conditions of this Lease.

18. Hazardous Materials.

LESSEE shall not use, generate, manufacture, treat, handle, refine, produce, process, store, discharge, release, dispose of or allow to exist on, under or about the Premises any Hazardous Materials, except in compliance with all applicable Hazardous Materials Laws.

LESSEE shall immediately advise LESSOR in writing of (i) any and all enforcement, clean up, removal, mitigation or other governmental or regulatory actions instituted, contemplated or threatened pursuant to any Hazardous Materials Laws affecting the Premises, (ii) all claims made or threatened by any third party against LESSEE or the Premises relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials, (iii) LESSEE's discovery of any occurrence or condition on the Premises or any real property adjoining or in the vicinity of the Premises which could subject LESSEE, LESSOR or the Premises to any restrictions on ownership, occupancy, transferability or use of the Premises under any Hazardous Materials Laws.

LESSEE shall cause any Hazardous Materials on the Premises to be (A) remediated on-site in accordance with applicable Hazardous Materials Laws, or (B) removed from the Premises for remediation or disposal and to be transported solely by duly licensed Hazardous Materials transporters to duly licensed disposal facilities for final disposal to the extent required by and in accordance with applicable Hazardous Materials Laws, and shall deliver to LESSOR copies of any hazardous waste manifest reflecting the proper disposal of such Hazardous Materials. Except in emergencies or as otherwise required by law, LESSEE shall not take any remedial or removal action in response to the presence, release or threatened release of any Hazardous

Materials on or about the Premises without first giving written notice of the same to LESSOR and obtaining LESSOR's written consent thereto.

LESSEE shall not enter into any legal proceeding or other action, settlement, consent decree or other compromise with respect to any Hazardous Materials claims without first notifying LESSOR of LESSEE's intention to do so and affording LESSOR the opportunity to join and participate, as a party if LESSOR so elects, in such proceedings. Except as provided above, LESSEE shall be solely responsible for and shall indemnify, defend and hold harmless LESSOR and LESSOR's employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to LESSEE's use, generation, manufacture, treatment, handling, refining, production, processing, storage, release, threatened release, discharge, disposal or presence of Hazardous Materials, on, under or about the Premises (except those released on the Premises prior to the commencement of this Lease, or after such commencement by LESSOR or its agents), including (A) the costs of any required or necessary removal, repair, cleanup or remediation of the Premises, and the preparation and implementation of any closure, removal, remedial or other required plans; and (B) all reasonable costs and expenses incurred by LESSOR in connection therewith, including, without limitation, reasonable attorneys' fees.

Within thirty (30) days of receipt thereof, LESSEE shall provide LESSOR with a copy of any and all environmental assessments, audits, studies and reports regarding LESSEE's past or current activities on the Premises or the environmental condition of the Premises, in each case, in LESSEE's possession or control.

The covenants of this Section 19 of Article Four, including, without limitation, the indemnification provisions, shall survive the expiration or termination of this Lease, or any termination of LESSEE's interest in the Premises.

19. Underground Storage Tank (UST). A UST is any tank, including underground piping connected to the tank, that has at least ten percent (10%) of its volume underground and is used for the storage of certain regulated substances like petroleum or certain hazardous chemical. Prior consent and approval from LESSOR is required for the installation of any UST on the Premises, which consent and approval shall not be unreasonably withheld or delayed. All USTs are considered trade fixtures and are to be removed upon termination or expiration of the Lease by LESSEE. IF LESSEE has installed a UST, then and in such event, LESSEE shall arrange, at its sole cost and expense, for the removal of any such UST at the end of the term of this Lease and upon such removal shall arrange to be provided to LESSOR within ninety (90) days after the end of such Lease term a satisfactory UST closure report prepared by a recognized Hawaii environmental engineer and accepted by the Department of Health of the State of Hawaii. If any clean up procedures and/or remediation is necessary as a result of the installation of such UST then and in such event, LESSEE shall arrange to have all such work done, at LESSEE's sole cost and expense, by an environmental engineering company reasonably acceptable to LESSOR, in accordance with all then applicable regulations and requirements of the State of Hawaii, Department of Health.

20. Non-warranty. LESSOR does not make any warranties with respect to the condition of the Premises, and the Premises are being leased "AS IS". LESSEE acknowledges that (a) the Premises may require additional soil compaction, filling, grading and site preparation and may have expansive soils, boulders, cavities and other such soils conditions, and (b) LESSOR's surrounding lands may be subdivided, developed, improved, sold, operated and otherwise used in any lawful way and LESSOR makes no warranty or representation, express or implied, as to the subdivision, development, improvement, sale, operation and use of the LESSOR's surrounding lands by it or others. Any provisions of this Lease which permit or provide for abatement of the annual base rental in specified circumstances shall not be deemed to be warranties.

ARTICLE FIVE

IT IS HEREBY UNDERSTOOD AND AGREED BY AND BETWEEN THE PARTIES AS FOLLOWS:

1. Mortgage. Upon due application and with the written consent of LESSOR, which consent shall not be unreasonably withheld or delayed, LESSEE may mortgage this Lease, or any interest therein. LESSOR covenants and agrees to promptly review any request by LESSEE for consent to a mortgage to finance any portion of the construction of the improvements or facilities to be developed and constructed on the Premises under this Lease and any permanent loan or loans replacing any such construction loans. Any mortgage consented to by LESSOR pursuant to this Section 1 of Article Five shall be deemed an "Approved Mortgage" for purposes of all other provisions of this Lease. If the mortgage or security interest is to a recognized lending institution, authorized to do business as such in either the State of Hawaii or elsewhere in the United States, the consent shall extend to foreclosure and sale of LESSEE'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 Premises or any interest in the Lease. The interest of the Mortgagee or holder shall be freely assignable. The term "holder" shall include the Mortgagee and an insurer or guarantor of the obligation or condition of the mortgage, including the Department of Housing and Urban Development through the Federal Housing Administration, the Federal National Mortgage Association, the Veterans Administration, the Small Business Administration, Farmers Home Administration, or any other federal agency and their respective successors and assigns or 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 of these federal agencies.

If an Approved Mortgagee of this Lease (the "Mortgagee") shall deliver to LESSOR an executed counterpart of the leasehold mortgage (the "Mortgage") with the recording information duly noted thereon as certified by a title company doing business in the State of Hawaii, together with a written notice setting forth the name and address of Mortgagee, then, until the time, if any, that the Mortgage shall be satisfied or Mortgagee shall give to LESSOR written notice that the Mortgage has been satisfied, the following provisions shall be applicable:

(a) No mutual cancellation, surrender, acceptance of surrender or modification of this Lease shall be binding upon Mortgagee or affect the lien of the Mortgage, without the prior written consent of Mortgagee.

(b) No notice, demand, election or other communication required or permitted to be given under the Lease (all of the foregoing hereinafter collectively being referred to as "notices", and each of them as a "notice") which shall be given by LESSOR to LESSEE shall be binding upon or affect Mortgagee, unless a copy of said notice shall be given to Mortgagee within the time when such notice shall be required or permitted to be given to LESSEE. In the case of an assignment of the Mortgage or change in address of Mortgagee, the assignee thereof or the Mortgagee, by notice to LESSOR, may change the address to which copies of notices are to be sent as herein provided. LESSOR shall not be bound to recognize any assignment of the Mortgage unless and until LESSOR shall be given a notice of such assignment, including a copy thereof in the form proper for recording, together with the name and address of assignee and, thereafter, until a further assignment, the assignee named in such assignment shall be deemed to be "Mortgagee" for all purposes under this Lease. If the Mortgage is held by more than one person, corporation or entity, no provision of this agreement requiring LESSOR to give a notice or copy of any notice to Mortgagee shall be binding upon LESSOR unless and until all of the holders of the Mortgage shall designate in writing one of their number to receive all notices and copies of notices and shall have given to LESSOR an original executed counterpart of the designation in form proper for recording. All notices and copies of notices to be given to Mortgagee as provided in this section shall be given in the same manner as is provided in this Lease in respect of notices to be given by LESSOR or LESSEE.

(c) Mortgagee shall have the right (but not the obligation) to perform any term, covenant, condition or agreement and to remedy any default by LESSEE under the Lease, and LESSOR shall accept such performance by Mortgagee with the same force and effect as if furnished by LESSEE; provided, however, that Mortgagee shall not thereby or hereby be subrogated to the rights of LESSOR.

(d) If LESSOR shall give a notice of default to LESSEE pursuant to the provisions of this Lease, and if such default shall not be remedied within the applicable cure period provided for in this Lease, and LESSOR shall thereby, or otherwise, become entitled to give a notice of election to terminate the Lease, then, before giving any such notice of election to terminate the Lease, LESSOR shall give to Mortgagee not less than sixty (60) days' additional written notice of LESSEE's failure to cure the default, and shall allow Mortgagee such additional sixty (60) days within which to cure the default, provided, however, that (i) if the default can be cured by the payment of money, the additional time for Mortgagee to cure shall be limited to thirty (30) days, and provided further (ii) if the default cannot practicably be cured by Mortgagee without taking possession of the Premises, Mortgagee shall proceed diligently to obtain possession of the Premises as Mortgagee (through appointment of a receiver or otherwise), and, upon obtaining possession, shall promptly commence and duly prosecute to completion such action as may be necessary to cure such default. Mortgagee shall not be required to continue to proceed to obtain possession, or to continue in possession as mortgagee, of the Premises pursuant to this subsection (d), if and when such default shall be cured. Nothing herein shall preclude LESSOR from exercising any of its rights or remedies with respect to any other default by

LESSEE during any period when LESSOR shall be forbearing in the termination of this Lease as above provided, but in such event Mortgagee shall have all of the rights and protections herein provided.

(e) LESSEE may delegate irrevocably to Mortgagee the authority to exercise any or all of LESSEE's rights under this Lease, but no such delegation shall be binding upon LESSOR unless and until either LESSEE or Mortgagee shall deliver to LESSOR a signed counterpart, in form proper for recording, of a written instrument effecting such delegation. Such delegation of authority may be effected by the terms of the Mortgage itself, in which case the service upon LESSOR of an executed counterpart of the Mortgage in accordance with this Section, together with a written notice specifying the provisions therein which delegate such authority to Mortgagee, shall be sufficient to give LESSOR notice of such delegation. Any provision of this Lease which gives to Mortgagee the privilege of exercising a particular right of LESSEE hereunder on condition that LESSEE shall have failed to exercise such right shall not be deemed to diminish any privilege which Mortgagee may have, by virtue of a delegation of authority from LESSEE, to exercise such right without regard to whether or not LESSEE shall have failed to exercise such right.

(f) In the event of the commencement of a bankruptcy proceeding by or against LESSEE, the Mortgagee shall have the option, and LESSOR shall recognize the Mortgagee's right, within the statutory time period or any extension thereof provided under Section 365 of the Bankruptcy Code for the rejection or assumption of lease, to obtain or cause LESSEE and/or trustee in bankruptcy to obtain:

(i) An extension of the period during which the Lease may be assumed or rejected; or

(ii) An abandonment of the leasehold estate by LESSEE and/or trustee in bankruptcy court pursuant to Section 554 of the Bankruptcy Code, as amended; or

(iii) An assumption of the Lease pursuant to Section 365 of the Bankruptcy Code, as amended.

In the event of the commencement of a bankruptcy proceeding by or against LESSEE, LESSOR agrees and acknowledges for the exclusive benefit of the Mortgagee and any person or entity acquiring an interest in the Lease in or in lieu of the foreclosure of the Mortgage, that the actual or deemed rejection of the Lease under Section 365 of the Bankruptcy Code (11 United States Code Section 365) or any other law having similar effect, shall not effect a termination of the Lease or affect or impair the Mortgagee's lien thereon or rights with respect thereto, provided however, that this provision is not intended and shall not be deemed to confer any rights or benefits upon LESSEE or LESSEE's bankruptcy trustee, and upon written request of the Mortgagee delivered to LESSOR within thirty (30) days following the Mortgagee's receipt of written notice of such actual or deemed rejection of the Lease, LESSOR will, at the option of the Mortgagee, execute and deliver to the Mortgagee or its designee an instrument (in form acceptable to Mortgagee or its designee) recognizing, confirming and giving legal effect to the continued existence of the Lease, with its original validity and priority, in favor of the Mortgagee

or its designee (hereinafter called the "Confirmation of Lease"), subject to the lien of the Mortgage and any lien or encumbrance prior to the lien of the Mortgage, upon and subject to the following terms and conditions:

(i) The Mortgagee shall pay or cause to be paid to LESSOR at the time of the execution and delivery of the Confirmation of Lease, any and all sums which are at the time of execution and delivery thereof due under the Lease and, in addition thereto, all reasonable expenses, including reasonable attorneys' fees, which LESSOR shall have incurred by reason of the actual or deemed rejection of the Lease and the execution and delivery of the Confirmation of Lease;

(ii) The Mortgagee or its designee shall undertake, by accepting the Confirmation of Lease, to perform all covenants and conditions of the Lease reasonably capable of performance by the Mortgagee or such other person or entity. The Mortgagee or its designee, as the case may be, may assign the Lease or may foreclose upon the Mortgage without further consent of LESSOR and the Mortgagee or its designee shall thereupon be released from all liability for the performance or observance of the covenants and conditions in such Lease contained and on LESSEE's part thereunder to be performed and observed from and after the date of such assignment by the Mortgagee or its designee or upon foreclosure, provided that a certified copy of such assignment be provided to LESSOR; and

(iii) The Mortgagee or its designee under the Lease shall be entitled to and shall have the same right, title and interest in and to the Premises and the buildings and improvements thereon as LESSEE had under the Lease prior to its rejection and LESSOR shall use commercially reasonable efforts to obtain the cooperation of all parties in interest such that any Confirmation of Lease made pursuant to this Agreement shall be prior to any mortgage or other lien, charge or encumbrance on the fee of the Premises which mortgage, lien, charge or encumbrance was junior to the Lease.

2. Breach. Time is of the essence of this agreement and if LESSEE shall become bankrupt, or shall abandon the Premises, or if this Lease and the Premises shall be attached or taken by operation of law, or if any assignment is made of LESSEE's property for the benefit of creditors, or if LESSEE shall fail to observe and perform any of the material terms, covenants and conditions contained in this Lease and on its part to be observed and performed, LESSOR shall deliver a written notice of the breach or default by service, as provided by Section 634-35, or 634-36, Hawaii Revised Statutes, or by registered mail, or certified mail to LESSEE at its last known address, and to each mortgagee or holder of record having a security interest in the Premises, making demand upon LESSEE to cure or remedy the breach or default within sixty (60) days from the date of receipt of the notice [if such default is by its nature not reasonably susceptible of being cured within such 60 day period, such 60 day period may be extended as necessary to provide LESSEE the opportunity to cure the default, provided LESSEE within said period commences and thereafter diligently proceeds to cure such default without interruption until such cure is completed]; provided that where the breach involves a failure to make timely rental payments pursuant to the Lease, the written notice shall include a demand upon LESSEE to cure the breach within less than sixty (60) days, but not less than five (5) business days, after receipt of the notice. Upon failure of LESSEE to cure or remedy the breach or default within the

time period provided herein, or within such additional period as LESSOR may allow for good cause, but subject to the provisions of Section 171-21, Hawaii Revised Statutes, and subject also to Sections 1(d) and 1(f) of Article Five above, LESSOR, in addition to all other rights and remedies LESSOR may have under this Lease, shall have the following rights:

(a) The right to declare the term of this Lease (or any extension) ended, to re-enter the Premises and take possession thereof and to terminate all of the rights of LESSEE in and to the Premises.

(b) The right, without declaring the term of this Lease (or any extension) ended, to re-enter the Premises and to occupy the same or any portion thereof and/or to lease the whole or any portion thereof, all for and on account of LESSEE as hereinafter provided.

(c) The right, even though LESSOR may have re-let all or any portion of the Premises, at any time thereafter to elect to terminate this Lease for such previous defaults on the part of LESSEE and to terminate all of the rights of LESSEE in and to the Premises.

Pursuant to said rights of re-entry, LESSOR may, but shall not be obligated to, (i) remove all persons from the Premises using such force as may be necessary therefor, (ii) remove all personal property therefrom, including, but not limited to, LESSEE's property, and (iii) enforce any rights LESSOR may have against said personal property, or store the same in any public or private warehouse or elsewhere at the cost and for the account of LESSEE or the owners or owner thereof. After sixty (60) days, personal property so stored shall be considered abandoned. Anything contained herein to the contrary notwithstanding, LESSOR shall not be deemed to have terminated this Lease or LESSEE's liability hereunder (whether such liability accrues before or after LESSOR exercises its rights hereunder) by any such re-entry or other action to obtain possession of the Premises, except as LESSOR may otherwise expressly provide in writing. LESSEE covenants and agrees that the service by LESSOR of any notice in unlawful detainer and the surrender of possession pursuant to such notice shall not be deemed to be a termination of this Lease or of any liability of LESSEE hereunder, except as LESSOR may otherwise expressly provide in writing.

3. Rights of Holder of Record of a Security Interest. In the event LESSOR seeks to forfeit the privilege, interest, or estate created by this Lease, each recorded holder of a security interest may, at its option, cure or remedy the default or breach, if the same can be cured or remedied by the payment of money or, if such is not the case, by performing or undertaking in writing to perform all of the terms, covenants and conditions contained in the Lease on LESSEE's part to be performed, capable of performance by the holder, as determined by LESSOR, within the time period provided in Section 171-20, Hawaii Revised Statutes, or within any additional period allowed under Sections 1(d) and 1(f) of Article Five above, and add the cost to the mortgage debt and the lien of the mortgage. Upon failure of the holder to exercise its option, LESSOR may: (a) pay to the holder from any monies at its disposal 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, LESSOR 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 (b) if the property cannot be reasonably reassigned without loss to LESSOR, then terminate the outstanding privilege, interest or estate without prejudice to any other right or remedy for arrearages of rent or for any preceding or other breach or default and use its best efforts to redispose 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 LESSOR in instituting or prosecuting its rights or remedies under this provision and Section 171-21 of the Hawaii Revised Statutes shall not operate as a waiver of these rights or to deprive it of the remedy when it may still otherwise hope to resolve the problems created by the breach or default involved. The proceeds of any redisposition under subparagraph (b) above shall be applied as follows: first, to reimburse LESSOR for costs and expenses in connection with the redisposition; second, to discharge in full any unpaid purchase price, indebtedness or damages owing LESSOR in connection with the privilege, interest or estate terminated; third, to Mortgagee to the extent of the value received by LESSOR upon redisposition which exceeds the fair market lease value of the land as previously determined by LESSOR's appraiser; and fourth, to the owner of the privilege, interest, or estate.

4. Condemnation. If at any time, during the term of this Lease, all or any portion of the Premises should be condemned, or required for public purposes by the State of Hawaii, or any county or city and county, or any other governmental agency or subdivision, then and in any such event, LESSEE and/or those claiming by, through or under LESSEE will be entitled to just compensation to the same extent and according to the same principles and rules of law as if the Premises and all improvements thereon had been condemned by the State of Hawaii under its power of eminent domain, the amount of such just compensation to be determined in the manner set forth in Section 5 of Article Two. Nothing herein contained shall be construed as preventing LESSEE from being entitled to any separate award made to LESSEE for the taking of LESSEE's personal property, or from claiming all or any portion of its award directly against the condemning authority. The foregoing rights of LESSEE shall not be exclusive of any other to which LESSEE may be entitled by law. In the event that LESSEE reasonably determines that the remainder of the Premises are rendered unusable as the result of any such condemnation LESSEE shall have the right to surrender the Premises and terminate this Lease pursuant to Section 17 of Article Four upon the delivery of written notice to LESSOR.

5. Right to Enter. LESSOR and agents or representatives shall have the right to enter and cross any portion of the Premises other than the building for the purpose of performing any public or official duties; provided, however, in the exercise of these rights, LESSOR shall not interfere unreasonably with LESSEE or LESSEE's use and enjoyment of the Premises.

6. Inspection by Prospective Bidders. LESSOR shall have the right to authorize any person or persons to enter upon and inspect the Premises at all reasonable times following a published notice for its proposed disposition for purposes of informing and apprising that person or persons of the condition of the Premises prior to the proposed disposition; provided, however, that any entry and inspection shall be conducted during reasonable hours after notice to enter is first given to LESSEE, and shall, if LESSEE so requires, be made in the company of LESSEE or

designated agents of LESSEE; provided, further, that no such authorization shall be given more than two (2) years before the expiration or termination of this Lease.

7. Payment or Acceptance of Rent Not a Waiver. The payment or acceptance of rent shall not be deemed a waiver of any breach by LESSOR or LESSEE of any term, covenant or condition of this Lease, nor of LESSOR's right to re-entry for breach of covenant, nor of the right to declare and enforce a forfeiture for any breach, and the failure of LESSOR or LESSEE to insist upon strict performance of any term, covenant or condition, or to exercise any option conferred, in any one or more instances, shall not be construed as a waiver or relinquishment of such term, covenant, condition or option.

8. Extension of Time. Whenever a party is required to perform an act under this Lease, other than the payment of money, by a certain time, said time shall be deemed extended so as to take into account events of "Force Majeure." "Force Majeure" is any of the following events that prevents, delays, retards or hinders a party's performance of its duties hereunder: act of God; fire; earthquake; volcanic eruption; flood; explosion; war; invasion; insurrection; riot; mob violence; sabotage; vandalism; inability to procure or general shortage of labor, equipment, facilities, materials or supplies in the open market; failure of transportation; strikes; lockouts; condemnation; requisition; acts of governmental, civil, military or naval authorities; or any other cause, whether similar or dissimilar to the foregoing, not within such party's control.

9. Quiet Enjoyment. LESSOR covenants and agrees with LESSEE that upon payment of the rent at the times and in the manner provided and the observance and performance of these terms, covenants and conditions on the part of LESSEE to be observed and performed, LESSEE shall and may have, hold, possess and enjoy the Premises for the term of the Lease, without hindrance or interruption by LESSOR or any other person or persons by, through or under it. LESSOR shall defend the title to the Premises and the use and occupancy of the same by LESSEE against the claims of all persons, except those claiming by or through LESSEE.

10. Interest, Costs and Fees. The interest rate on any and all unpaid or delinquent rentals shall be at one percent (1%) per month, plus a service charge of FIFTY AND NO/100 DOLLARS ($50.00) per month for each month of delinquency.

In case of any default by LESSEE in the performance of the terms, covenants and conditions herein contained, LESSEE shall pay to LESSOR any and all costs incurred in connection with the default, including reasonable attorneys' fees. In the event that any indebtedness arising hereunder is placed in the hands of a collector or an attorney for collection, or suit is instituted for collection, LESSEE shall pay, in addition to the indebtedness, reasonable collector's and/or attorneys' fees, together with all costs.

11. Hawaii Law/Filing. This Lease shall be construed, interpreted, and governed by the laws of the State of Hawaii. This Lease shall not be recorded although the parties agree to duly execute and file with the Bureau of Conveyances a memorandum of this Lease.

12. Partial Invalidity. If any term, provision, covenant or condition of this Lease should be held to be invalid, void or unenforceable, the remainder of this Lease shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

13. Notice. Except as otherwise required by Chapter 171, Hawaii Revised Statutes, any notice, request, offer, approval, consent or other communication required or permitted to be given by or on behalf of either party to the other shall be given or communicated in writing by personal delivery, reputable overnight courier service which keeps receipts of deliveries (i.e., Federal Express), or United States certified mail (return receipt requested with postage fully prepaid) or express mail service addressed to the other party as follows:

If to LESSEE: _____
_____
_____
_____

If to LESSOR: Department of Hawaiian Home Lands
1099 Alakea Street, 20th Floor
Honolulu, Hawaii 96813
Attn: Land Management Division

And a copy to: Department of the Attorney General
465 South King Street, Basement
Honolulu, Hawaii 96813
Attention: George K. K. Kaeo

Or, at such other address as may be specified from time to time in writing by either party. All such notices hereunder shall be deemed to have been given on the date personally delivered or the date marked on the return receipt, unless delivery is refused or cannot be made, in which case the date of postmark shall be deemed the date notice has been given.

14. Definitions. As used herein, unless clearly repugnant to the context:

(a) "Chairman" shall mean the Chairman of the Hawaiian Homes Commission of the Department of Hawaiian Home Lands of the State of Hawaii or his/her successor.

(b) For the purpose of this Lease, the term "Hazardous Materials" as used herein shall include any substance, waste or material designated as hazardous or toxic or radioactive or other similar term by any present or future federal, state or local statute, regulation or ordinance, as amended from time to time, including but not limited to the following statutes and regulations promulgated pursuant to them ("Hazardous Materials Laws"):

Resource Conservation and Recovery Act of 1976, 42 U.S.C. 6901 et seq. ("RCRA")

Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") amended by Superfund Amendments and Reauthorization Act of 1986 ("SARA"), 42 U.S.C. 9601 et seq.
Clean Air Act, 42 U.S.C. Sections 7401 et seq.
Clean Water Act of 1977, 33 U.S.C. 1251 et seq.
Pesticide Act of 1978, 7 U.S.C. 13 et seq.
Toxic Substances Control Act ("TSCA"), 15 U.S.C. 2601 et seq.
Safe Drinking Water Act, 42 U.S.C. 300(f) et seq.
Hazardous Materials Transportation Act, 49 U.S.C. 1801 et seq.
Chapter 128D, Hawaii Revised Statutes
Chapters 342B through 342N, Hawaii Revised Statutes,

and including but not limited to petroleum, petroleum based substances, asbestos, polychlorinated-byphenyls ("PCBs"), formaldehyde, and also including any substance designated by federal, state or local regulation, now or in the future, as presenting a risk to human health or the environment.

(c) "Holder of record of a security interest" is a person who is the owner or possessor of a security interest in the Premises and who has filed with the Department of Hawaiian Home Lands and with the Bureau of Conveyances of the State of Hawaii a copy of this interest.

(d) "LESSOR" shall mean and include LESSOR herein, its successors or assigns.

(e) "LESSEE" shall mean and include LESSEE herein, its successors or permitted assigns.

(f) The "Premises" shall mean the land leased hereunder.

(g) The use of any gender shall include all genders, and if there be more than one lessee, then all words used in the singular shall extend to and include the plural.

(h) The paragraph headings throughout this Lease are for the convenience of LESSOR and LESSEE and are not intended to construe the intent or meaning of any of the provisions thereof.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed on the day and year first above written.

State of Hawaii
DEPARTMENT OF HAWAIIAN HOME LANDS

APPROVED BY THE HHC
AT ITS MEETING HELD ON

_____

By _____
Micah A. Kane, Chairman
Hawaiian Homes Commission

LESSOR

APPROVED AS TO FORM:

_____
Deputy Attorney General
State of Hawaii

_____
_____

By _____
_____

LESSEE

EXHIBIT "A"

LEGAL DESCRIPTION OF PREMISES

EXHIBIT "B"

SUBDIVISION MAP

EXHIBIT “C”

EXHIBIT 4

SHORT FORM LEASE

LAND COURT	REGULAR SYSTEM

RETURN BY (X) MAIL ( ) PICK-UP

TMK No.: _____ This document contains ____ pages

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE ("Memorandum") is made and entered into as of _____ ____ 2006 by and between the State of Hawaii, by its **DEPARTMENT OF HAWAIIAN HOME LANDS**, whose principal place of business is 1099 Alakea Street, 20th Floor, Honolulu, Hawaii 96813, and post office address is P. O. Box 1879, Honolulu, Hawaii 96805, hereinafter called "LESSOR," and _____, whose business and mailing address is _____ _____, hereinafter called "LESSEE.

1. **TERM AND PREMISES**. For a lease term commencing on _____ _____, and ending as of midnight on _____, upon the provisions set forth in that certain written lease of even date herewith from LESSOR to LESSEE ("Lease"), all of which provisions are specifically made a part hereof as though fully and completely set forth herein, LESSOR leases to LESSEE, and LESSEE leases from LESSOR, that certain real property ("Premises") located at _____ _____ _____ Island of _____, Hawaii, comprising _____ acres, more or less, of Hawaiian Home Lands, more particularly described in Exhibit "A", together with all rights of ingress and egress and all other rights appurtenant to said Premises including, without limitation, the right to use the building to be constructed on the Premises for

the purposes contemplated in the Lease, all of which rights are more particularly described in the Lease.

2. **USE**. LESSEE is granted the right to use the Premises for _____ _____.

3. **PURPOSE OF MEMORANDUM OF LEASE**. This Memorandum is prepared for the purpose of providing for record notice of the Lease, and in no way modifies the express and particular provisions of the Lease.

4. **FOR THE BENEFIT OF THE PREMISES**. LESSOR and LESSEE intend that the covenants, conditions and restrictions described and referred to herein shall be both personal to LESSOR and LESSEE and binding on their successors and assigns. Each successive owner of the Premises or of any portion thereof, and each person having any interest therein derived through any owner thereof, shall be bound by such covenants, conditions and restrictions for the benefit of the Premises.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first above written.

State of Hawaii
DEPARTMENT OF HAWAIIAN HOME LANDS

APPROVED BY THE HHC
AT ITS MEETING HELD ON:

_____

By _____
Micah A. Kane, Chairman
Hawaiian Homes Commission

LESSOR

APPROVED AS TO FORM:

_____
Deputy Attorney General
State of Hawaii

_____,
a _____ corporation

By _____
_____,
_____

LESSEE

EXHIBIT "A"

EXHIBIT 5

Sublease Rent Participation Approved by the Hawaiian Homes Commission on April 24, 1987

"That the Commission rescind its action of June 30, 1983 which adopted a sublease rent participation policy based on charging 10% of the gross sublease income for improvements (building space) and 20% of the general lessee's gross sublease income for raw land and that the following be approved effective August 1, 1982:

1. To limit the department's participation to only the land. To adopt the sublease rent participation formula shown on Exhibit "C".

2. In lieu of the sublease rent participation of 20% of the gross sublease income assessed for those subleases covering raw lands only, the department shall participate in 50% of the difference of the sublease income charged by the lessee that exceeds the proportionate base rent (less any general excise tax) under the terms of the lease.

3. All monies collected from current general lessees due to sublease rent participation be credited to future lease rental payments of the respective general lessee.

4. That for current subleasing activities approved by the Hawaiian Homes Commission (HHC), there shall be no increase in sublease rent participation due to the new policy."

Extract from Exhibit "C":

Gross Annual Sublease Rent	
LESS:	4% General Excise Tax (if paid by sublessor)
EQUALS:	Effective Annual Sublease Rent
LESS:	Allowances (costs and investment returns)
EQUALS:	Income Attributable to Land
LESS:	Allocated Basic Lease Rent
EQUALS:	Amount of Increase in Lease Rent Due to Subleasing (if any)
X 50% EQUALS:	Amount Due to DHHL

EXHIBIT 5

DEFINITION OF TERMS
Refer to Worksheet

I. SUBLEASING OF BUILDING SPACE

Line 1: GROSS ANNUAL SUBLEASE RENT
The total sublease rent amount collected by a general lessee without any deductions.

Line 2: LESS 4% GENERAL EXCISE TAX
State of Hawaii G.E. Tax; deducted only if not paid by a sublessee.

Line 3: EFFECTIVE ANNUAL SUBLEASE RENT
Gross annual sublease rent less State G.E. Tax.

Line 4: LESS ALLOWANCES
Allowances for costs incurred by a general lessee for construction and maintenance of improvements.

Line 4a: MANAGEMENT, CREDIT LOSS
Applicable to rent collections, accounting, legal and miscellaneous property management expenses, and allowance for non-collection of sublease rent. A rate of ten percent (10%) of the Effective Annual Sublease Rent is used.

Line 4b: REPAIR and MAINTENANCE
Expenses applicable to maintenance and repairs on building(s) and premises such as painting, refuse disposal, re-paving, utilities, landscaping, security, etc. If detailed expenses are not provided by the general lessee, such expenses will be estimated at two percent (2%) of Line 3.

Line 4c: REAL PROPERTY TAXES
Per current real property tax bill or notice sent by appropriate County Real Property Tax Office.

Line 4d: INSURANCE PREMIUMS
Premiums paid for fire/liability insurance policies.

Line 4e: SURETY BOND PREMIUM
Premium paid for lease performance bond. Premiums paid for bonds are currently at a rate of $20 per $1,000 of the surety amount unless detailed expenses are provided by the general lessee.

EXHIBIT 5

Line 4f: RETURN OF INVESTMENT

Return of general lessee's cost of improvements over the term of the lease. If the actual cost is not determined, an estimated amount is obtained from appropriate County real property assessed valuations established within eighteen (18) months from completion of improvements.

Line 4g: RETURN ON INVESTMENT

A reasonable return on investment that a prudent general lessee expects. Return rate fluctuates with market and economic conditions. Rate currently in effect is twelve percent (12%). The rate may be adjusted to reflect the change in market and economic conditions.

Line 5: INCOME ATTRIBUTABLE TO LAND

The difference of Line 4 subtracted from Line 3 equals the rent collected that is attributable to subleasing of land only.

Line 6: ALLOCATED BASE RENT

The ratio of the subleased area to the total area of the leasehold premises multiplied by the base lease rent of the general lease to indicate the rent paid by a general lessee for the subleased area.

Line 7: INDICATED ADDITIONAL RENT

Line 5 (Annual Income Attributable to Land)
less
Line 6 (Alloted Annual Base Lease Rent)
indicates Additional Annual Rent. Amount will not be less than zero.

Line 8: ADDITIONAL RENT PAYABLE TO DHHL

Fifty percent (50%) of Line 7 equals Sublease Rent Participation Amount.

II. SUBLEASING OF VACANT ("RAW") LAND ONLY

(No subleasing of building space)

Line 1: GROSS ANNUAL SUBLEASE RENT

The total sublease rent amount collected by a general lessee without any deductions.

EXHIBIT 5

Line 2: LESS 4% GENERAL EXCISE TAX
State of Hawaii G.E. Tax; deducted only if not paid by a sublessee.

Line 3: EFFECTIVE ANNUAL SUBLEASE RENT
Gross annual sublease rent less State G.E. Tax.

Line 4: ALLOCATED ANNUAL BASE LEASE RENT
The ratio of the subleased area to the total area of the leasehold premises multiplied by the base lease rent of the general lease to indicate the rent paid by a general lessee for the subleased area.

Line 5: INDICATED ANNUAL ADDITIONAL RENT
Line 3 minus Line 4, but not less than zero.

Line 6: ADDITIONAL ANNUAL RENT PAYABLE TO DHHL
Fifty percent (50%) of Line 5 equals Sublease Rent Participation Amount.

EXHIBIT 5

SUBLEASE RENT PARTICIPATION

WORKSHEET

I. SUBLEASING OF BUILDING SPACE:

Line 1:	Gross Annual Sublease Rent		$_____
Line 2:	Less 4% General Excise Tax		(_____)
Line 3:	EQUALS Effective Annual Sublease Rent		_____
Line 4:	Less Allowances:		
	a. Management, Credit Loss	$_____	
	b. Repair and Maintenance	_____	
	c. Real Property Taxes	_____	
	d. Insurance Premiums	_____	
	e. Surety Bond Premium	_____	
	f. Return OF Investment	_____	
	g. Return ON Investment	_____	
Line 5:	EQUALS Annual Income Attributable to Land		_____
Line 6:	Less Allocated Annual Base Lease Rent		_____
Line 7:	EQUALS Indicated Additional Annual Rent		_____
	TIMES 50%	X	0.50
Line 8:	EQUALS Additional Annual Rent Payable to DHHL		_____

II. SUBLEASING OF VACANT ("RAW") LAND ONLY:

Line 1:	Gross Annual Sublease Rent		$_____
Line 2:	Less 4% General Excise Tax		(_____)
Line 3:	EQUALS Effective Annual Sublease Rent		_____
Line 4:	Less Allocated Annual Base Lease Rent		_____
Line 5:	EQUALS Indicated Annual Additional Rent		_____
	TIMES 50%	X	0.50
Line 6:	EQUALS Additional Annual Rent Payable to DHHL		_____

EXHIBIT 5

HYPOTHETICAL SUBLEASE OF VACANT LAND

Annual Base Lease Rent of General Lease:	$8,000
Effective Annual Sublease Rent:	$3,000
Total Land Area of Leasehold Premises:	24,000 sq. ft.
Subleased Land Area:	6,000 sq. ft.

RATIO: $\frac{6}{24}$ = .25 X $8,000 = $2,000 Allocated Annual Base Lease Rent

Effective Annual Sublease Rent:	$3,000
Allocated Annual Base Lease Rent:	- 2,000
Indicated Additional Rent:	$1,000
Times 50%	.50
SUBLEASE RENT PARTICIPATION AMOUNT PAYABLE TO DHHL	$ 500

EXHIBIT 6

Legal Description of Property "to be provided at a later date"

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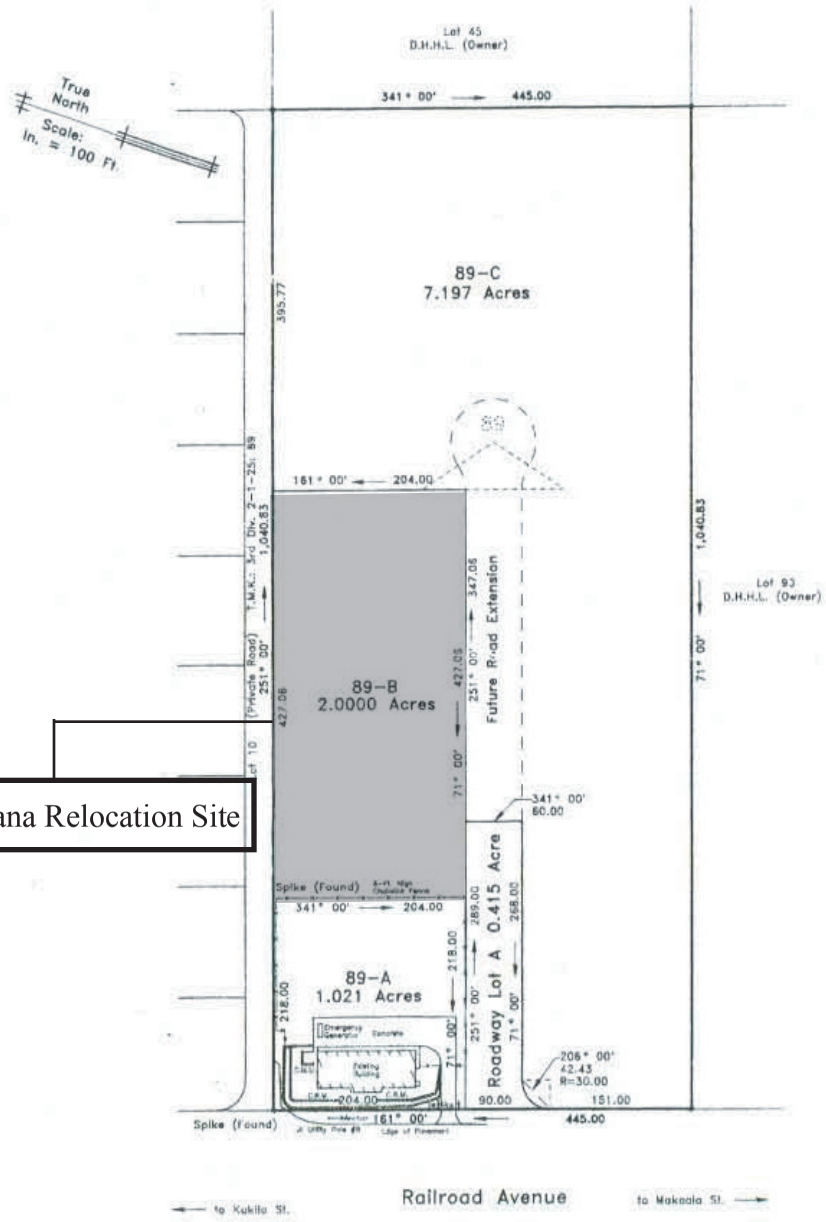
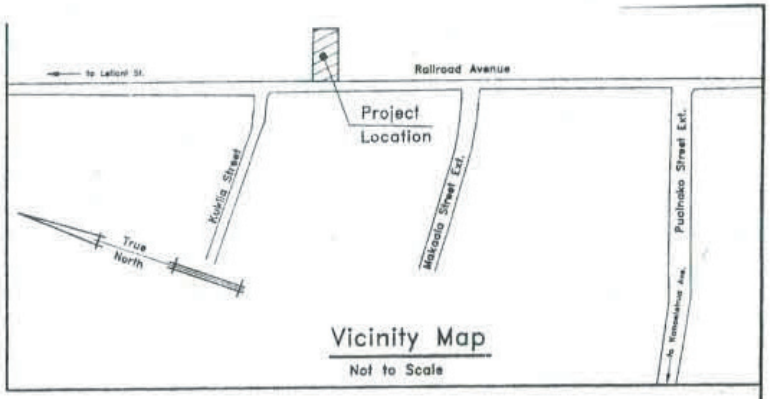
Exhibit 7

Akana Relocation Site





Subdivision Map

Land situated at Waiakea, South Hilo, Island of Hawaii, Hawaii

Being Lot 89, Panaewa House and Farm Lots, Section 1 (File Plan 1487)

Subdivision of Lot 89 into Lots 89-A, 89-B, 89-C and Roadway Lot A

Owner: Department of Hawaiian Home Lands
P. O. Box 1879
Honolulu, Hawaii 96805

Prepared By:
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Hilo, Hawaii 96720

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LICENSED PROFESSIONAL LAND SURVEYOR
NO. 5816
HAWAII, U.S.A.

This work was prepared by me or under my supervision

Natalie K. Imata
Licensed Professional Land Surveyor
Certificate Number 5816
Expires: April, 2006

August 9, 2005

Div. 2-1-25: 90