

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

August 9, 2013

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

OAHU

Consent to Modification of Mortgage and Extension of Lease Term, General Lease  
No. S-4644, Vallejo Venture 99 LLC, Lessee, Kalauao, Ewa, Oahu, Tax Map Key:  
(1) 9-8-013:014

APPLICANT AND REQUEST:

Consent to Modification of Mortgage from Allstate Life Insurance Company, Mortgagee,  
to Vallejo Venture 99 LLC, in an amount not to exceed \$9,700,000.00.

For Mortgagor to qualify for this modification of mortgage, Mortgagee requires extension of  
General Lease No. S-4644 of ten (10) years, commencing on May 14, 2035 and expiring on  
May 13, 2045 for an aggregate term (initial term plus all extensions) of 65 years.

LEGAL REFERENCE:

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

LOCATION:

Portion of Government lands situated at Kalauao, Ewa, Oahu, identified by Tax Map  
Key: (1) 9-8-013:014, as shown on the attached map labeled **Exhibit A**.

AREA:

3.697 acres, more or less.

TRUST LAND STATUS:

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

CHARACTER OF USE:

Commercial use consistent with zoning (B-2 Community Business District) purposes.

TERM OF LEASE:

Original term of 55 years, commencing on May 14, 1980 and expiring on May 13, 2035.

Requested extension of 10 years commencing on May 14, 2035 and expiring on May 13, 2045.

ANNUAL RENTAL:

Current rent is \$429,000, due in semi-annual installments of \$214,500 on 14<sup>th</sup> day of May and November of each year.

RENTAL REOPENINGS:

Reopenings in the original term started at the end of the 20<sup>th</sup> year of the term, and every 10 years thereafter. The last rental reopening occurred on May 14, 2010.

In a lease extension request, staff normally would request for rental reopenings as of the Board approval date. As noted above, the most recent reopening for the subject lease was conducted on May 14, 2010, slightly over three years ago. In view of the relatively short time lapsed from the recent reopening, staff recommends the Board maintain the current rent \$429,000.00 until May 13, 2020. The subsequent reopening shall be conducted on May 14, 2020, May 14, 2030, and May 14, 2040.

USE OF LOAN PROCEEDS:

On December 5, 2006, the Chairperson gave his consent to a mortgage in the amount of \$10,500,000 with Allstate Life Insurance Company as the mortgagee. Approximately \$9.7 million was used to refinance a previous loan and \$420,000 was used for capital expenditures, while the rest of the loan proceeds paid the associated fees. The mortgage was recorded at the Bureau of Conveyances as document 2007-005268 (the "Mortgage").

According to a letter dated July 15, 2013 (**Exhibit B**) from the Lessee's attorney, the current balance of the Mortgage is slightly below \$8.4 million. Meanwhile, the Lessee obtained approval from Allstate Life Insurance Company<sup>1</sup>, the same mortgagee of the Mortgage, for an additional \$1.25 million planned for future capital improvements to the shopping center.

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<sup>1</sup> 171-36(b)(4), HRS provides, "any federal or private lending institution shall be qualified to do business in the State". Staff verified with the Division of Financial Institution of DCCA that the State does not require a lender for commercial loan be licensed to do business in the State. Such licensing requirement is only applicable for residential loan. Further, AllState Life Insurance Company is the same mortgagee under the 2006 mortgage consented by the Chairperson for the same shopping center.

Instead of getting a new loan, the Lessee and its mortgagee agreed to amend the Mortgage by increasing the balance from \$8.4 million to about \$9.65 million. To allow amortization of the additional loan amount, the mortgagee requires the lease term be extended for an additional ten (10) years.

DCCA VERIFICATION:

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

APPLICANT REQUIREMENTS:

None

REMARKS:

The lease was sold by public auction in 1980 for a 55-year term for commercial uses. Vallejo Venture 99, LLC ("Lessee") became the lessee pursuant to a foreclosure proceeding in 2005. In 2006, consent was given to the Mortgage as described in the Use of Loan Proceeds section above. In January 2011, the Board agreed to reduce the performance bond in an amount of two years rent to six months rent.

The Lessee is in the process of obtaining an additional loan of \$1.25 million planned for the future capital improvements to the shopping center. The additional loan proceeds will be covered by a modification to the Mortgage as explained in Exhibit B.

Under the proposed modification, the mortgagee requires the lease term be extended for an additional ten (10) years. The proposed capital improvements cover various items, including roof, HVAC, parking, ADA upgrades, landscaping, elevator, painting, signage, plumbing, and lighting upgrades, with a total amount over \$1.1 million. The proposed improvements are estimated to extend the economic useful life of the shopping center by 10-15 additional years.

The Lessee is in compliance with the terms and conditions of the lease regarding the rent, liability insurance, and performance bond. The parcel has been used substantially for the purpose for which they were leased as noted from a recent site inspection.

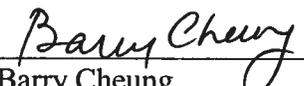
There are no issues or concerns regarding any rental reopenings. Staff did not solicit comments from other government agencies as there is no change in the use of the subject State parcel. Staff has no objection to the request.

RECOMMENDATION:

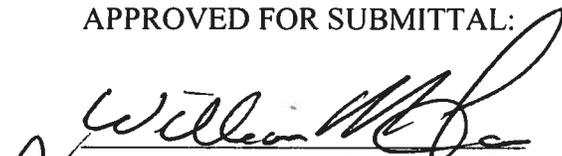
That the Board, subject to the Applicant fulfilling the Applicant requirement listed above:

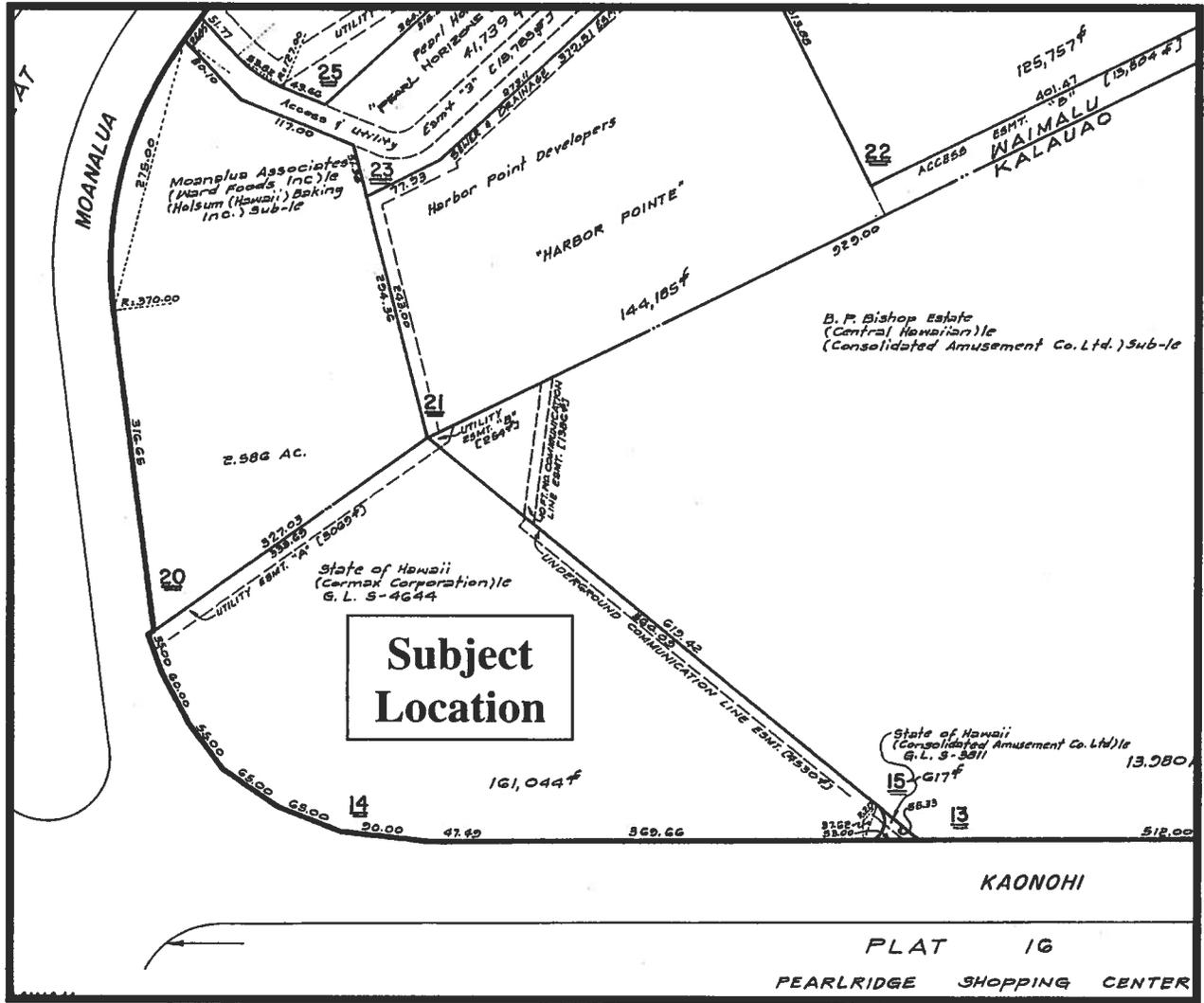
1. Consent to the modification of mortgage between Vallejo Venture 99 LLC, Mortgagor, and Allstate Life Insurance Company, Mortgagee, as described above, subject to the following:
  - A. The loan proceeds shall be used solely for the operations or improvements of the leased premises as identified in the "Use of Loan Proceeds" section above. The Lessee shall maintain records of loan expenditures which may be inspected by the Department;
  - B. The standard terms and conditions of the most current consent to mortgage form, as may be amended from time to time;
  - C. Review and approval by the Department of the Attorney General; and
  - D. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
  
2. Authorize the extension of General Lease No. S-4644 under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
  - A. The standard terms and conditions of the most current lease extension form, as may be amended from time to time;
  - B. Review and approval by the Department of the Attorney General; and
  - C. Such other conditions as may be prescribed by the Chairperson which are in the best interests of the State.

Respectfully Submitted,

  
Barry Cheung  
District Land Agent

APPROVED FOR SUBMITTAL:

  
William J. Aila, Jr., Chairperson  

TMK (1) 9-8-013:014

EXHIBIT A



Carl J. Schlack, Jr.  
Attorney at Law

MAIN 808.523.6040  
FAX 808.523.6030

DIRECT 808.523.6044  
cschlack@schlackito.com

Topa Financial Center  
745 Fort Street • Suite 1500  
Honolulu, Hawaii 96813

July 15, 2013

Mr. Russell Y. Tsuji  
Administrator, Land Division  
Department of Land and Natural Resources  
Kalanimoku Building  
1151 Punchbowl Street, Room 220  
Honolulu, HI 96813

VIA EMAIL & REGULAR MAIL

**Westridge Shopping Center**  
**General Lease No. S-4644**

Dear Mr. Tsuji:

We represent Vallejo Venture 99 LLC ("Lessee"), the lessee under that certain General Lease No. S-4644 dated August 26, 1980 (the "Lease") with the State of Hawaii (the "State"). This letter supplements our earlier submission dated April 26, 2013, consisting of the Request for Consent to Mortgage and/or Lease Extension Application Form and our cover letter (collectively, the "April 26, 2013 Request"). All defined terms used in this Supplemental Letter that are not defined herein, shall be as defined in Lessee's April 26, 2013 Request.

Since the April 26, 2013 Request, Mortgagee, Allstate Life Insurance Company, has approved Lessee's loan modification request. Attached is a copy of a Memorandum dated June 17, 2013 from Newmark Realty Capital, Inc. ("Newmark") approving the loan modification request, Newmark provides loan management services for Mortgagee. In this supplement, we also provide updated amounts on the proposed loan modification.

As set forth in the April 26, 2013 Request, Lessee is requesting approval of a loan modification to the current loan and in connection with such loan modification, Lessee is also requesting a 10-year extension to the term of the Lease. BLNR previously approved the original loan amount of \$10,500,000.00. The current outstanding balance on the loan is \$8,395,397.00. Lessee desires to borrow an additional \$1,250,000.00 for proposed capital improvements and operational purposes. The new loan amount will be \$9,645,397.00, which is *less* than the original loan amount of \$10,500,000.00 that was approved by BLNR. As part of the loan modification and the increased amount of the loan, the loan amortization period will need to be increased as noted in Newmark's Memorandum. Thus, Lessee is also requesting a 10-year extension to the term of the Lease, wherein the Lease will expire on May 13, 2045.

Mr. Russell Y. Tsuji  
Department of Land and Natural Resources  
July 15, 2013  
Page 2

Lessee submits that it has met the statutory requirements for an extension to the term of the Lease and that the planned improvements will benefit the Shopping Center in both the short and long term.

Thank you for your consideration of this matter. Should you have any questions or require additional information, please do not hesitate to call Carl Schlack at (808) 523-6044 or Natalie Hiu at (808) 523-6003.

Very truly yours,

**SCHLACK ITO**  
A limited liability law company



Carl J. Schlack, Jr.  
Natalie S. Hiu

CJS/NSH:mar  
Attachment

cc: Mr. Norman La Caze (w-encls. - *via email only*)



**NEWMARK**  
REALTY CAPITAL, INC.

## Memorandum

**To:** Norman La Caze  
**Cc:** John Mastandrea  
**From:** Mark C. Ritchie  
**Date:** June 17, 2013  
**Subject:** Westridge Shopping Center  
Honolulu, HI  
Current Allstate Loan#122897  
**Via:** Email

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Congratulations, your loan modification has been approved by the Allstate Life Insurance Company. Allstate will fund to Vallejo Venture 99 LLC (Lessee) an additional amount of approximately \$1.2MM for planned upgrades to the Westridge Shopping Center, and as part of such increased funding, Allstate will increase the loan amortization from the currently remaining term of approximately 13½ years to a term of 25 years from the date of the loan closing. It is contemplated that this loan closing will occur by August 1, 2013, by way of an amendment to the current loan documents. An amendment to the Mortgage will be recorded with the recorder's office in Honolulu, Hawaii. In exchange for the additional loan proceeds and the increased loan amortization period, Allstate will require that the ground lease from the State of Hawaii be amended to add an additional 10 years to the existing term for a new expiration date of May 13, 2035, with all other terms remaining the same. Newmark provides loan management services for Allstate and will be handling the loan draws for the improvements to the property.

As discussed earlier, we have spent a fair bit of time underwriting the terms on which Allstate would be paid off at the end of the loan term, as is necessary for prudent institutional underwriting. In light of the additional loan amount and the new amortization schedule, Allstate requires the additional term of the ground lease based on exit underwriting analysis. If needed, I can provide the exit underwriting analysis and calculations for such requirements.

If you have additional questions, feel free to contact me and I am available to review this with representatives of the state of Hawaii.

**ATTACHMENT**



April 26, 2013

Mr. Russell Y. Tsuji  
Administrator, Land Division  
Department of Land and Natural Resources  
Kalanimoku Building  
1151 Punchbowl Street, Room 220  
Honolulu, HI 96813

VIA EMAIL & REGULAR MAIL

**Westridge Shopping Center**  
**General Lease No. S-4644**

Dear Mr. Tsuji:

We represent Vallejo Venture 99 LLC ("**Lessee**"), the lessee under that certain General Lease No. S-4644 dated August 26, 1980 (the "**Lease**") with the State of Hawaii (the "**State**"). We are writing this letter to request a 10-year extension to the current term of the Lease.

**A. BACKGROUND**

The Lease is a ground lease for a term of 55 years, with an expiration date of May 13, 2035, for property situated at the north corner of Moanalua Loop and Kaonohi Street in Aiea, Oahu, containing an area of approximately 3.697 acres (the "**Property**"). The Property is fully improved and contains a shopping center known as the Westridge Shopping Center (the "**Shopping Center**" or the "**Westridge Shopping Center**"). The current annual rent is \$429,000, paid to the State semi-annually on May 14<sup>th</sup> and November 14<sup>th</sup> of each year.

Lessee has been the lessee under the Lease since April 15, 2005, through an assignment and assumption of lease from PCCP/LDC Pearl Kai, LLC, with consent given by the State. Lessee's leasehold interest is encumbered by a mortgage (the "**Mortgage**") in favor of Allstate Life Insurance Company (the "**Mortgagee**"). Consent to the Mortgage was given by the State.

Since becoming lessee under the Lease, Lessee has punctually paid all rentals due the State. Lessee has also maintained the Property in good condition and repair, has addressed all necessary improvements on a timely basis, has provided the State with current certificates of insurance as required under the Lease, and otherwise has complied with all applicable terms and conditions of the Lease.

In January 2011, Lessee came before the Board of Land and Natural Resources ("**BLNR**") to request, and was granted, a reduction in the bond amount required under the Lease. BLNR agreed to reduce the bond amount from an amount equal to two times the annual rent (currently equal to \$858,000), to an amount equal to the semi-annual payment of rent

Mr. Russell Y. Tsuji  
 Department of Land and Natural Resources  
 April 26, 2013  
 Page 2

(currently equal to \$214,500). Lessee sincerely appreciates the willingness BLNR has shown to work with Lessee for the overall benefit of the Shopping Center.

As noted in Lessee's 2011 request, Mr. Norman La Caze is the majority owner of Lessee and also the majority owner of the entity that owns the shopping center known as the Pearl Kai Shopping Center. The Pearl Kai Shopping Center is also maintained in good condition and repair, and the lessee thereunder timely pays the ground lease rent to its ground lessors. Lessee has been and continues to be a responsible shopping center owner who contributes to the State's economy and fulfills its contractual obligations.

**B. LESSEE'S PLANNED CAPITAL IMPROVEMENTS TO WESTRIDGE SHOPPING CENTER**

In addition to ensuring that the Shopping Center is well maintained and in good condition and repair, Lessee has worked to ensure that the long term needs of the Shopping Center are addressed by implementing upgrades and capital improvements, thereby increasing the Shopping Center's longevity and adding to the Shopping Center's long term value.

Following is a list of capital improvements that Lessee plans to undertake, together with the projected cost of each item:

<b>Improvement</b>	<b>Conceptual Description</b>	<b>Estimated Cost</b>
Roof	Base Repairs; Hydro stop system with flashing/parapet upgrades	\$150,000.00
HVAC	Replacement of chiller to improve operations while incorporating high level of energy efficiency over the existing chiller	\$120,000.00
Parking Lot – Additional/Upgrades	Create approximately 10 additional parking stalls. This work will consist of demolition of existing retaining wall, relocation of light pole, regrading, construction of new retaining walls, curbing, asphalt parking lot and striping. Additional enhancements will be incorporated to the existing parking lot and curbs. Attached as <b>Exhibit A</b> are schematic drawings and computer renditions of the location of the new parking stalls and the reconfiguration of the parking lot with the additional	\$250,000.00

Mr. Russell Y. Tsuji  
 Department of Land and Natural Resources  
 April 26, 2013  
 Page 3

Improvement	Conceptual Description	Estimated Cost
	parking stalls	
ADA	Implement additional ADA upgrades such as upgrade of parking areas, ramping, signage, etc.	\$25,000.00
Landscaping	Upgrade landscaping, including replanting, irrigation work to add visual enhancements while incorporating water saving efficiencies	\$50,000.00
Elevator	Modernization and replacement of aging equipment & ADA upgrades	\$85,000.00
Painting	Repaint both mauka & makai buildings, all perimeter CMU walls, wooden stair casing, decks, ramp, rails, middle stairwell, elevator walls and metal soffits. The repainting will include a primer & 2 coats	\$120,000.00
Project Signage	Replace Project signage to visually enhance the Project from the street and to implement additional new elements to improve pedestrian & vehicle traffic flow within the Project	\$100,000.00
Sub: Water Meters	Installation of water sub-meters to allow for proper allocation of usage among primary subtenants and to provide ability to internally monitor usage for potential target areas for conservation	\$50,000.00
Plumbing Upgrades	Undertake capital improvements to main line sewer and water services. Provide subsidy to tenants for replacement of plumbing fixtures to reduce water usage	\$50,000.00

Mr. Russell Y. Tsuji  
 Department of Land and Natural Resources  
 April 26, 2013  
 Page 4

<b>Improvement</b>	<b>Conceptual Description</b>	<b>Estimated Cost</b>
Exterior Lighting Retrofit	Capital improvements to replace existing common area lighting to convert to LED heads to improve lighting while allowing for implementation of energy efficient fixtures to conserve energy	\$30,000.00
Interior Lighting Retrofit	Capital improvements to replace existing interior lighting(or to provide subsidy to tenants) to improve lighting while allowing for implementation of energy efficient fixtures to conserve energy	\$50,000.00
Other Building Capital Improvements	Additional allocation for yet to be identified capital improvements to the Project or to cover any cost increases for the improvements specified above	\$45,000.00
<b>TOTAL</b>		<b>\$1,125,000.00</b>

As noted in the table above, in addition to improving the Shopping Center, Lessee also desires to implement energy efficient improvements to reduce the utility costs passed on to the tenants, and to conserve Hawaii's precious resources.

The capital improvements described herein are estimated, on a collective and comprehensive basis, to extend the economic useful life of the Project by approximately 10-15 additional years. These improvements will improve the building aesthetically, operationally and physically, each of which will allow for a longer and stronger outlook for the Project's ability to potentially produce strong rental streams while attracting quality tenants. As the ground lease term diminishes, the tenants' and subtenants' ability to make a return on their investment is proportionately reduced, so the pool of potential tenants is reduced, and capital investments are normally minimized. An extension of the ground lease not only allows capital investment in the Project, but also increases the retention rate of good tenants. Further, the capital improvements include the addition of approximately ten (10) on-site parking stalls that are permanent Project improvements likely to enhance the success of the tenants well beyond the end of the Lease term.

Mr. Russell Y. Tsuji  
Department of Land and Natural Resources  
April 26, 2013  
Page 5

**C. LEASE EXTENSIONS UNDER HAWAII REVISED STATUTES**

Hawaii Revised Statutes ("HRS") § 171-36(b) provides,

(b) The board, from time to time, upon the issuance or during the term of any intensive agricultural, aquaculture, commercial, mariculture, special livestock, pasture, or industrial lease, may:

(1) Modify or eliminate any of the restrictions specified in subsection (a);

(2) Extend or modify the fixed rental period of the lease; provided that the aggregate of the initial term and any extension granted shall not exceed sixty-five years; or

(3) Extend the term of the lease,

to the extent necessary to qualify the lease for mortgage lending or guaranty purposes with any federal mortgage lending agency, to qualify the lessee for any state or private lending institution loan, private loan guaranteed by the State, or any loan in which the State and any private lender participates, or to amortize the cost of substantial improvements to the demised premises that are paid for by the lessee without institutional financing, such extension being based on the economic life of the improvements as determined by the board or an independent appraiser; provided that the approval of any extension shall be subject to the following:

(1) The demised premises have been used substantially for the purpose for which they were originally leased;

(2) The aggregate of the initial term and any extension granted shall not be for more than sixty-five years;

(3) In the event of a reopening, the rental for any ensuing period shall be the fair market rental at the time of reopening;

(4) Any federal or private lending institution shall be qualified to do business in the State;

(5) Proceeds of any mortgage or loan shall be used solely for the operations or improvements on the demised premises;

(6) Where improvements are financed by the lessee, the lessee shall submit receipts of expenditures within a time period specified by the board, otherwise the lease extension shall be canceled; and

Mr. Russell Y. Tsuji  
Department of Land and Natural Resources  
April 26, 2013  
Page 6

(7) The rules of the board, setting forth any additional terms and conditions, which shall ensure and promote the purposes of the demised lands.

**D. BASIS OF REQUEST FOR AN EXTENSION TO THE TERM OF THE LEASE**

Lessee hereby requests a ten (10) year extension to the term of the Lease, which currently expires on May 13, 2035, thereby providing for a new expiration date of May 13, 2045. Lessee is seeking the Lease extension to qualify the Lease for mortgage lending purposes for a private lending institution loan to obtain the funds for the above-listed capital improvements,

The Lease is currently subject to a mortgage in favor of Mortgagee, for a loan in the original amount of \$10,500,000.00 with a current outstanding balance of approximately \$8,490,000.00. In order to undertake the above-listed capital improvements, Lessee seeks to refinance the current loan and increase the loan amount by approximately \$1,250,000.00 for a total loan amount of approximately \$9,750,000.00 (the "New Loan").

As set forth in that certain letter attached as **Exhibit B** hereto from Newmark Realty Capital, Inc. ("**Newmark**"), agent for Mortgagee, as part of increasing the loan amount through the refinancing of the existing Mortgage, Mortgagee requires a loan term of between 20 to 24 years from the date of the New Loan to fully amortize the loan amount. Lender, as a regulated insurance carrier, is also required to have a remaining term on the Lease after the expiration of the term of the loan where the mortgage is subordinate to the lease. For these reasons, Lessee is requesting a 10-year extension to the term of the Lease.

In accordance with HRS §171-36(b),

(1) The demised premises have been used substantially for the purpose for which they were originally leased: Section 12 of the Lease provides that the "premises hereby demised to be used for commercial use consistent with zoning (B-2 Community Business District purpose(s)". Under the current zoning ordinance, eating establishments and retail establishments are permitted uses under the B-2 zoning district.

(2) The aggregate of the initial term and any extension granted shall not be for more than sixty-five years: The initial term of the Lease is 55 years, and if Lessee's 10-year extension request is granted, the aggregate term would be 65 years.

(3) In the event of a reopening, the rental for any ensuing period shall be the fair market rental at the time of reopening: Lessee agrees that the rental for ensuing periods will be re-determined at the fair market rental and the rental periods will be reset.

(4) Any federal or private lending institution shall be qualified to do business in the State: Commercial lenders do not have to register to do business in Hawaii.

Mr. Russell Y. Tsuji  
Department of Land and Natural Resources  
April 26, 2013  
Page 7

(5) Proceeds of any mortgage or loan shall be used solely for the operations or improvements on the demised premises: As shown in the table of proposed capital improvements above, substantially all of the additional funds will be used for capital improvements on the Shopping Center and the remaining funds will be used for operational purposes.

In furtherance of Lessee's request, attached is a completed Request for Consent to Mortgage and/or Lease Extension Application Form (Form LD-81). Please note that attached to the application is a copy of the current mortgage, and if the instant request is granted, Lessee will provide a copy of the new or amended mortgage to the State. Lessee will also be providing the State with a current abstract of title in a separate transmittal.

In conclusion, Lessee respectfully requests that the State approve a 10-year extension to the current term of the Lease, wherein the Lease will expire on May 13, 2045. Lessee submits that it has met the statutory requirements for an extension to the term of the Lease and that the planned improvements will benefit the Shopping Center in the long run, and inure to the benefit of the State upon the expiration of the Lease.

Thank you for your consideration of this matter. Should you have any questions or require additional information, please do not hesitate to call Carl Schlack at (808) 523-6044 or Natalie Hiu at (808) 523-6003.

Very truly yours,

**SCHLACK ITO,**  
A limited liability law company



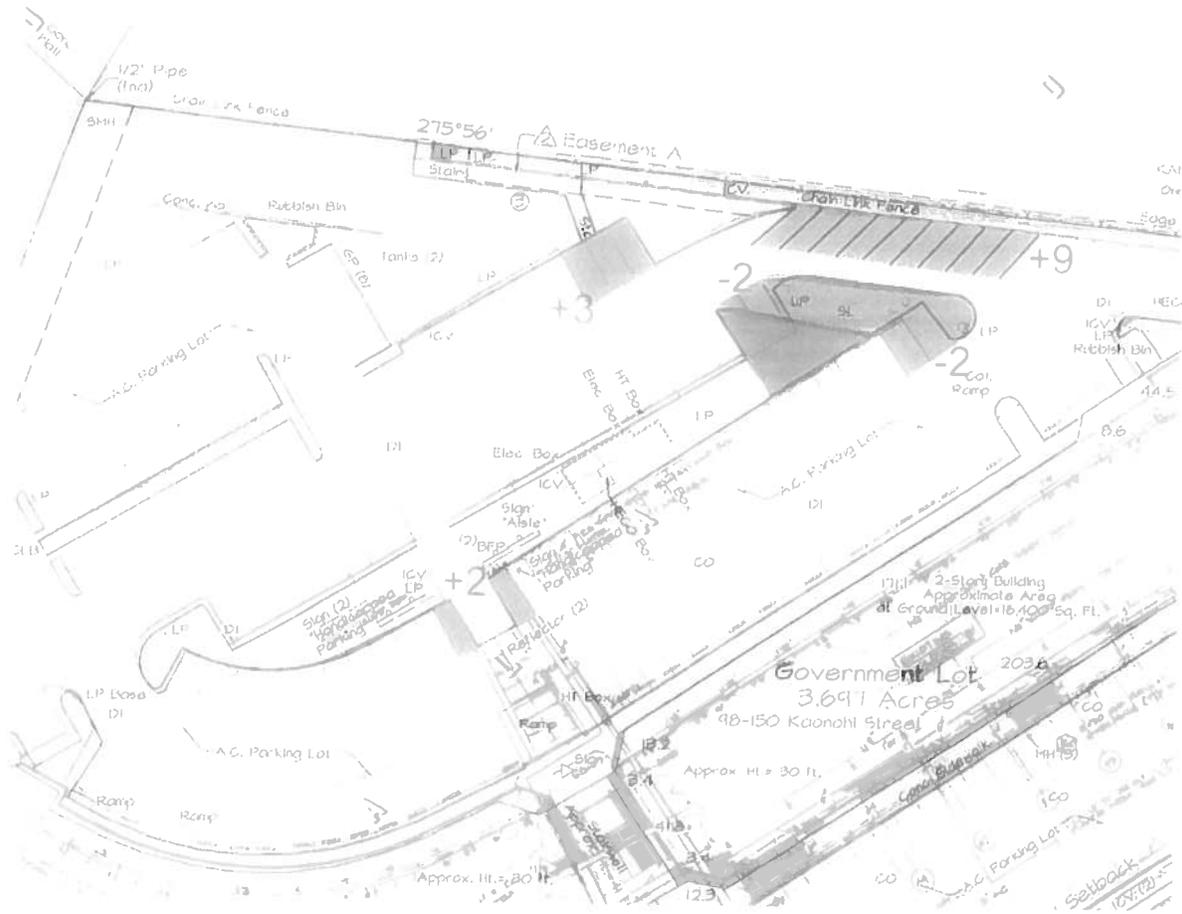
Carl J. Schlack, Jr.  
Natalie S. Hiu

CJS/NSH:mar

cc: Mr. Norman La Caze (via email only)

# EXHIBIT A

## PARKING IMPROVEMENTS (Schematic Drawings and Computer Renditions)



Before



After



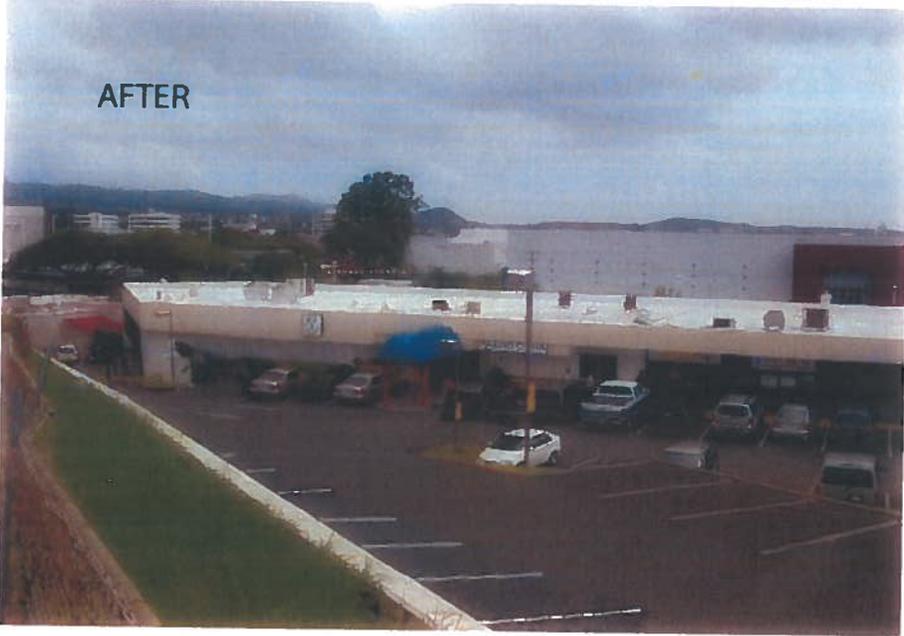


EXHIBIT B

LETTER FROM NEWMARK REALTY CAPITAL, INC.



NEWMARK  
REALTY CAPITAL, INC.

April 24, 2013

To whom it may concern:  
Department of Land and Natural Resources  
Kalaamoku Building  
1151 Punchbowl Street, Room 220  
Honolulu, HI 96813

Re: Westridge Shopping Center  
98-150 Kaonohi St  
Honolulu, HI 96701  
Allstate Loan #122897

Dear Sirs/Madam:

Newmark Realty Capital, Inc. represents the lender, Allstate Investments and its subsidiaries ("Allstate") on the above mentioned property and is working towards an additional loan advance, extension of loan term/amortization. The proposed terms would be along the following:

Loan Amount:	\$9,740,000
Loan Term:	20-21 years
Amortization:	20-21 years (co-terminus with loan term)

Currently there is nearly 11 years of amortization remaining on the current note previously approved by the Department of Land and Natural Resources. In connection with the proposed \$1,250,000 loan increase, the lender requires an extension of the current ground lease term of at least ten years beyond the existing term (5/13/2035). The purpose of this would be for the lender to maintain certain prudent ratios in conjunction with property performance and the lender accomplishes this by extending the current amortization up to an additional ten years. Per state insurance regulations, any mortgage loan subordinate to a ground lease must be fully amortized and paid off a certain number of years prior to the expiration of the ground lease.

At this time, the lender intends to modify the existing loan documents, which the State has provided an estoppel for. I understand the State of Hawaii has a set of the existing loan documents.

If I can be of further assistance to you, please contact me at 310-846-5303.

Very truly yours,

**Mark C. Ritchie**

Mark C. Ritchie  
Principal

MCR/ep

Via Email

Cc Norman La Caze

6060 CENTER DRIVE, SUITE 800, LOS ANGELES, CA 90045-9209 (310) 846-5300 FAX (310) 846-5310  
SAN FRANCISCO • LOS ANGELES • IRVINE • SEATTLE • SACRAMENTO • LAS VEGAS • PHOENIX