

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

August 22, 2014

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

Hawai'i

Approve Rent Determination for the First Ten Years of Extended, Amended and Restated General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee, Waiakea, South Hilo, Hawaii, Tax Map Key: 3rd/2-1-03:05

BACKGROUND:

At its meeting of October 26, 2012, Item D-11, the Board of Land and Natural Resources approved in concept the request of Hilo-Hawaiian Associates, Inc., Lessee under General Lease No. S-3961, for an extension of its lease pursuant to Act 219 Session Laws of Hawaii 2011 (Act 219). A copy of Act 219 is attached as Exhibit A-1. The requested extension was for 37 years from the end of the current expiration date of the lease of April 14, 2031, for an aggregate term of 55 years (18 years remaining on lease plus 37-year extension).

The Board approval in concept required Lessee to negotiate a development agreement with Land Division, and provide plans and specifications for its renovation project. Staff sought Board approval of a proposed Development Agreement (DA), including plans and specifications that included re-surfacing of the hotel roof, renovation of the guest rooms and corridors, and replacement of the chiller/cooling tower, at the Board's meeting of July 12, 2013, Item D-4. The Board approved the DA. A copy of the approved Board action is attached as Exhibit A-2.

One of the Applicant Requirements under the July 12, 2013 Board approval was for Lessee to "[p]ay for an appraisal to determine the fair market value of the lands to be developed, as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage rent where gross receipts exceed a specified amount pursuant to Act 219 SLH 2011." The date of valuation was July 12, 2013, the date of the Board approval of the lease extension.

DISCUSSION:

Land Division procured an appraiser to determine the rent for the first ten years of the extended lease term. The selected appraiser prepared an independent appraisal dated

December 18, 2013 that set the rent for the first ten years of the extension of the lease at \$365,600.00 per annum (base rent), and percentage rent of:

3% of gross revenues up to \$12.0 million;
2.5% of gross revenues between \$12.0 & \$15.0 million; and
2.0% of gross revenues over \$15.0 million

to the extent percentage rent exceeds the base rent.

By letter dated March 4, 2014, staff conveyed the results of the appraisal to the Lessee, who requested a copy of the full appraisal report. Staff provided the report to Lessee, and after reviewing it, Lessee requested a meeting with staff to discuss the report. At the meeting, Lessee questioned the analysis and conclusion in the report, asserting that the appraisal was unreasonable and resulted in an inflated rent determination. Lessee requested that another appraiser be retained to review the rent determination for reasonableness. Staff agreed to this request because Act 219 provides greater discretion to the Board in negotiating terms of the extended lease than is generally available under Hawaii Revised Statutes, Section 171-17.¹

Thereafter, Land Division's appraisal selection committee selected John Child & Company, Inc. (JCCI) to review the initial appraisal report for reasonableness, and if JCCI determined that the methodology and valuation were unreasonable, then JCCI was to establish a fair market rent for the first ten years of the extended lease. JCCI prepared an independent appraisal report dated June 25, 2014, a copy of which (without its addendum) is attached as Exhibit A-3. In short, JCCI found that the initial appraisal used the ground rent for another State lease in the Banyan Drive area, General Lease No. S-5844 for the Naniloa Hilo Hotel, as a comparable without discounting the rent for market conditions that have occurred since the lease rent of \$500,000 per annum was established by auction in 2006. JCCI additionally found that the initial appraisal report omitted as a comparable the rent re-opening done in 2011 for the Hilo Hawaiian Hotel under the subject General Lease No. S-3961, which set the annual rent at \$133,200.

For these reasons and others mentioned in the JCCI appraisal, JCCI established an independent fair market rent for General Lease No. S-3961 of \$185,400 per annum, or 2% of gross revenues, whichever is higher. See Exhibit A-3 at page 22. Staff supports the rent determined by JCCI.

¹ Initially, staff proposed that the cost of the review appraisal be split 50/50 between Lessee and the State. However, staff later reconsidered this arrangement and requested Lessee to pay the full cost of the review appraisal to be consistent with the requirements of Act 219, which provides in part at subsection (f):

The applicant for a lease extension shall pay all costs and expenses incurred by the department in connection with the processing, analyzing, and negotiating of any lease extension request and document, and the development agreement under subsections (a) and (b).

See Exhibit A-1 at 4. Staff reports that Lessee has paid the full cost of both the initial appraisal report (\$5,371.73) and the review appraisal report (\$9,319.37).

Over one year has passed since the Board's approval of the lease extension on July 12, 2013. Staff understands that the lease extension will have the same commencement date as the July 12, 2013 Board approval, and that Lessee will need to pay the difference between the old rent and the new rent under extended lease from and after July 12, 2013.

RECOMMENDATION: That the Board:

1. Approve the rent determination for the first ten years of the extended, amended and restated lease under General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee, pursuant to the appraisal report of John Child & Company, Inc. dated June 25, 2014, which set the rent at \$185,400 per annum, or 2% of gross revenues, whichever is higher.

Respectfully Submitted,



Kevin E. Moore
Acting Administrator

APPROVED FOR SUBMITTAL:



William J. Aila, Jr., Chairperson

EXHIBIT A-1



GOV. MSG. NO. 1323

EXECUTIVE CHAMBERS
HONOLULU

NEIL ABERCROMBIE
GOVERNOR

July 11, 2011

The Honorable Shan Tsutsui, President
and Members of the Senate
Twenty-Sixth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Calvin Say, Speaker
and Members of the House
Twenty-Sixth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Tsutsui, Speaker Say and Members of the Legislature:

This is to inform you that on July 11, 2011, the following bill was signed into law:

SB1530 SD1 HD2 CD1

RELATING TO PUBLIC LANDS
Act 219 (11)

Sincerely,
A handwritten signature in black ink, reading "Neil Abercrombie".

NEIL ABERCROMBIE
Governor, State of Hawaii

EXHIBIT A-1

Approved by the Governor

on JUL 11 2011

THE SENATE
TWENTY-SIXTH LEGISLATURE, 2011
STATE OF HAWAII

ACT 219
S.B. NO. 1530
S.D. 1
H.D. 2
C.D. 1

A BILL FOR AN ACT

RELATING TO PUBLIC LANDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that many of the leases
2 for hotel and resort properties on state land, such as in the
3 Banyan Drive area in Hilo, Hawaii, are nearing the end of the
4 lease term. Faced with the uncertainty of continued tenancy,
5 lessees have little incentive to make major investments in
6 infrastructural improvements and to ensure the long-term
7 maintenance of the facilities. As a result, the infrastructure
8 on these properties has been deteriorating.

9 Act 55, Session Laws of Hawaii 2000, attempted to address
10 the problem of deteriorating hotel and resort infrastructure in
11 east Hawaii on the island of Hawaii by authorizing the board of
12 land and natural resources to issue new leases to the existing
13 lessees in the Banyan Drive area. However, this Act was later
14 found to be unconstitutional under article XI, section 5, of the
15 Hawaii State Constitution.

16 The legislature finds that business lessees typically sell
17 or assign their leases that are nearing the end of the lease
18 terms at a discount, and believes that it would be unfair to the

2011-2328 SB1530 CD1 SMA.doc



1 prior assignors of the leases if the State granted extensions of
2 leases that previously could not be extended under existing law
3 or lease terms to the newly-assigned lessees who acquired their
4 leases at a discount due to short remaining lease terms.

5 The purpose of this Act is to authorize the board of land
6 and natural resources to extend hotel or resort leases that have
7 not been sold or assigned within the last five years, for
8 lessees who commit to substantial improvement to the existing
9 improvements.

10 SECTION 2. Chapter 171, Hawaii Revised Statutes, is
11 amended by adding a new section to be appropriately designated
12 and to read as follows:

13 "§171- Hotel or resort leases; extension of term. (a)
14 Notwithstanding section 171-36, the board may extend the rental
15 period of a lease of public lands for hotel or resort use upon
16 the approval by the board of a development agreement proposed by
17 the lessee or by the lessee and developer to make substantial
18 improvements to the existing improvements.

19 (b) Prior to entering into a development agreement, the
20 lessee or the lessee and developer shall submit to the board the
21 plans and specifications for the total development being



1 proposed. The board shall review the plans and specifications
2 and determine:

3 (1) Whether the development proposed in the development
4 agreement is of sufficient worth and value to justify
5 the extension of the lease;

6 (2) The estimated period of time to complete the
7 improvements and expected date of completion of the
8 improvements; and

9 (3) The minimum revised annual rent based on the fair
10 market value of the lands to be developed, as
11 determined by an appraiser for the board, and the
12 percentage of rent where gross receipts exceed a
13 specified amount.

14 No lease extension shall be approved until the board and the
15 lessee or the lessee and developer mutually agree to the terms
16 and conditions of the development agreement.

17 (c) No construction shall commence until the lessee or the
18 lessee and developer have filed with the board a sufficient bond
19 conditioned upon the full and faithful performance of all the
20 terms and conditions of the development agreement.



1 (d) Any extension of a lease pursuant to this section
2 shall be based upon the substantial improvements to be made and
3 shall be for a period not longer than fifty-five years.

4 (e) Any extension of a lease granted pursuant to this
5 section shall be effectuated, documented, and executed using the
6 most current lease form and leasing practices and policies of
7 the board. The intent of this subsection is to ensure that an
8 extended lease, like the issuance of a new lease, will be
9 subject to the most current leasing practices and policies of
10 the board, which shall be incorporated into the lease document.

11 (f) The applicant for a lease extension shall pay all
12 costs and expenses incurred by the department in connection with
13 the processing, analyzing, and negotiating of any lease
14 extension request and document, and the development agreement
15 under subsections (a) and (b).

16 (g) As used in this section, "substantial improvements"
17 means any renovation, rehabilitation, reconstruction, or
18 construction of the existing improvements, including minimum
19 requirements for off-site and on-site improvements, the cost of
20 which equals or exceeds fifty per cent of the market value of
21 the existing improvements that the lessee or the lessee and



1 developer install, construct, and complete by the date of
2 completion of the total development.

3 (h) As used in this section, "hotel or resort" means a
4 development that provides transient accommodations as defined in
5 section 237D-1 and related services, which may include a front
6 desk, housekeeping, food and beverage, room service, and other
7 services customarily associated with transient accommodations;
8 provided that no development shall qualify as a hotel or resort
9 under this section unless at least seventy-five per cent of the
10 living or sleeping quarters in the development are used solely
11 for transient accommodations for the term of any lease
12 extension."

13 SECTION 3. New statutory material is underscored.

14 SECTION 4. This Act shall take effect on July 1, 2011;
15 provided that this Act shall be repealed on December 31, 2015.

APPROVED this 11 day of JUL, 2011



GOVERNOR OF THE STATE OF HAWAII

EXHIBIT A-2

D-4

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

July 12, 2013

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

Hawai'i

Approve Negotiated Development Agreement, and Proposed Plans and Specifications for Improvements for General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee; Authorize the Extension, Amendment and Restatement of General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee, for an Aggregate Term of 55 Years, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-1-03:05.

APPLICANT AND REQUEST:

Hilo-Hawaiian Associates, Inc. is requesting approval of the negotiated Development Agreement, and its proposed plans and specifications for improvements in connection with the extension of the lease term of General Lease No. S-3961 pursuant to Act 219 Session Laws of Hawaii 2011, which authorizes the extension of hotel and resort leases along the Banyan Drive area of Hilo, Hawaii.

LEGAL REFERENCE:

Section 171- 36(b), Hawaii Revised Statutes, as amended, and Act 219 SLH 2011.

LOCATION:

Portion of Government lands situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3) 2-1-03:05, as shown on the attached map labeled Exhibit 1.

AREA:

5 acres, more or less.

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

July 12, 2013 *ja*

D-4

EXHIBIT A-2

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

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

CHARACTER OF USE:

Resort-hotel purposes and uses accessory or incidental thereto and customarily conducted within resort-hotel areas.

TERM OF LEASE:

Original term of 65 years, commencing on April 15, 1966 and expiring on April 14, 2031.

Requesting an extension of 37 years from the end of the current expiration date of the lease, for an aggregate term of 55 years (18 years remaining on lease plus 37-year extension).

ANNUAL RENTAL:

Current rent is \$133,200.00, due in semi-annual installments of \$66,600.00 on April 15 and October 15 of each year.

RENTAL REOPENINGS:

Reopenings in the original term were at the end of the 20th, 35th, 45th, and 55th years of the term, on April 15. The last rental reopening occurred on April 15, 2011.

Reopenings in the extended term shall be as of the date of this Board action, and at the end of the 10th, 20th, 30th, 40th, and 50th years of the extended term.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with the "Exemption List for the State of Hawaii, Department of Land and Natural Resources, as Reviewed and Concurred Upon by the Environmental Council (Docket 91-EX-2, December 4, 1991)", the subject request is exempt from the preparation of an environmental assessment pursuant to HAR § 11-200-8(a)(1), "Operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing," and HAR § 11-200-8(a)(2), "Replacement or reconstruction of existing structures and facilities where the new structure will be located generally on the same site and will have substantially the same purpose, capacity, density, height, and dimensions as the structure replaced." See Exhibit 2 attached.

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:

Lessee shall:

1. Comply with the requirements of Act 219 SLH 2011;
2. Execute the negotiated Development Agreement, and proceed with its proposed plans and specifications for improvements in connection with the extension of the lease term of General Lease No. S-3961 pursuant to Act 219 SLH 2011 upon approval by the Board; and
3. Pay for an appraisal to determine the fair market value of the lands to be developed, as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage rent where gross receipts exceed a specified amount pursuant to Act 219 SLH 2011.

REMARKS:

At its meeting of October 26, 2012, Item D-11, the Board of Land and Natural Resources approved in concept the request of Hilo-Hawaiian Associates, Inc., Lessee under General Lease No. S-3961 (Lessee), for an extension of its lease pursuant to Act 219 Session Laws of Hawaii 2011 (Act 219). The requested extension was for 37 years from the end of the current expiration date of the lease of April 14, 2031, for an aggregate term of 55 years (18 years remaining on lease plus 37-year extension). A copy of the Board action of October 26, 2012, Item D-11, is attached as Exhibit 3.

The Board approval in concept required Lessee to negotiate a development agreement with Land Division, and provide plans and specifications for its renovation project. Staff reports that Lessee has negotiated a proposed Development Agreement (DA) with Land Division, a copy of which is attached as Exhibit 4. Lessee has additionally provided staff with plans and specifications for its renovation project to include re-surfacing of the hotel roof, renovation of the guest rooms and corridors, and replacement of the chiller/cooling tower, a summary of which is incorporated into the attached DA.

As discussed in the Board action of October 26, 2012, one of the conditions of Act 219 is that a lessee must commit to substantial improvements to the existing facilities on the premises. "Substantial improvements" means any renovation, rehabilitation, reconstruction or construction of the existing improvements, including minimum requirements for off-site and on-site improvements, the cost of which equals or exceeds fifty per cent (50%) of the market value of the existing improvements that the lessee or the lessee and developer install, construct, and complete by the date of completion of the

total development.” Lessee has provided staff with a Summary Appraisal Report dated September 14, 2012 that indicates that the estimated market value of the leasehold interest in real property improvements associated with the subject property, as of August 28, 2012, is \$10,895,000. Fifty percent of that amount is \$5,447,500.

Under the proposed plans and specifications, all floor coverings and wall coverings in the guest rooms and corridors will be replaced. Painted surfaces will be refinished. The HVAC controls and electrical fixtures in the guest rooms and corridors will all be replaced, as will the plumbing fixtures in the bathrooms, with the exception of the bathtubs, which will be refinished. The fire alarm system will be replaced throughout the hotel, and the roof will be resurfaced. The roof resurfacing, guest room and corridor renovations are estimated to cost \$4,991,235.¹ The chiller/cooling tower replacement, including demolition and removal of existing equipment and installation of new equipment, is estimated to cost \$840,207.² The sum of these figures is \$5,831,442, which exceeds the minimum improvement amount to qualify for an extension under Act 219.³ In addition to the improvements to the property, the Lessee is proposing to set aside 3% of the total room revenue each year in a FF&E bank account. This amount will be no less than \$200,000 per year for the length of the extended term of the lease, and will be spent in its entirety to maintain the hotel during extended term of the lease. This requirement is included in the DA.

Act 219 directs the Board to review the plans and specifications and determine: 1) Whether the development proposed is of sufficient worth and value to justify the extension; 2) The estimated time to complete the improvements and expected date of completion; 3) The minimum revised annual rent based on the fair market value of the lands to be developed, as determined by an appraiser for the Board, and the percentage rent where gross receipts exceed a specified amount.

Staff is requesting that the Board review and approve the negotiated Development Agreement and the proposed plans and specifications for improvements by Lessee, and thereby approve the extension of the term of the lease. The minimum revised annual rent will need to be established by independent appraisal, which will be obtained upon Board approval of today’s action. Additionally, staff is requesting authority to direct the Department of the Attorney General to prepare the extended, amended and restated lease document.

Staff is recommending that the lease be amended and restated to incorporate the current lease conditions approved by the Department of the Attorney General.

¹ This amount includes material costs, design and construction management fees, and purchasing agent fees. See Exhibit B of Exhibit 4.

² This amount includes materials, labor, overhead and profit to the contractor in the amount of 20%, as well as taxes.

³ In the future, Lessee also intends to undertake renovation of the lobby, elevator modernization, and kitchen and restaurant renovations at an estimated cost of \$1,981,000. However, the plans and specifications for this part of the renovation have not been finalized yet, and are therefore not included as part of Lessee’s renovation project or the DA.

The leased premises have been used substantially for the purpose for which they were leased. There are no outstanding rental reopening issues.

RECOMMENDATION: That the Board:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.
2. As required by Act 219, Session Laws of Hawaii 2011, determine that:
 - a. The development proposed is of sufficient worth and value to justify the extension of General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee;
 - b. The estimated time to complete the improvements and expected date of completion is 36 months as set forth in the Development Agreement; and
 - c. The minimum revised annual rent to be paid by the Lessee shall be based on the fair market value of the subject land to be developed as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage of rent to be paid by Lessee when gross receipts exceed a specified amount.
3. Approve the negotiated Development Agreement, and the proposed plans and specifications for improvements by Lessee, in connection with an extension of the term of General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee.
4. Subject to the Applicant fulfilling all of the Applicant requirements listed above, authorize the extension, amendment and restatement of General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee, covering the subject property 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 extension, amendment and restatement of lease document form, as may be amended from time to time;
 - b. Review and approval by the Department of the Attorney General; and

- c. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

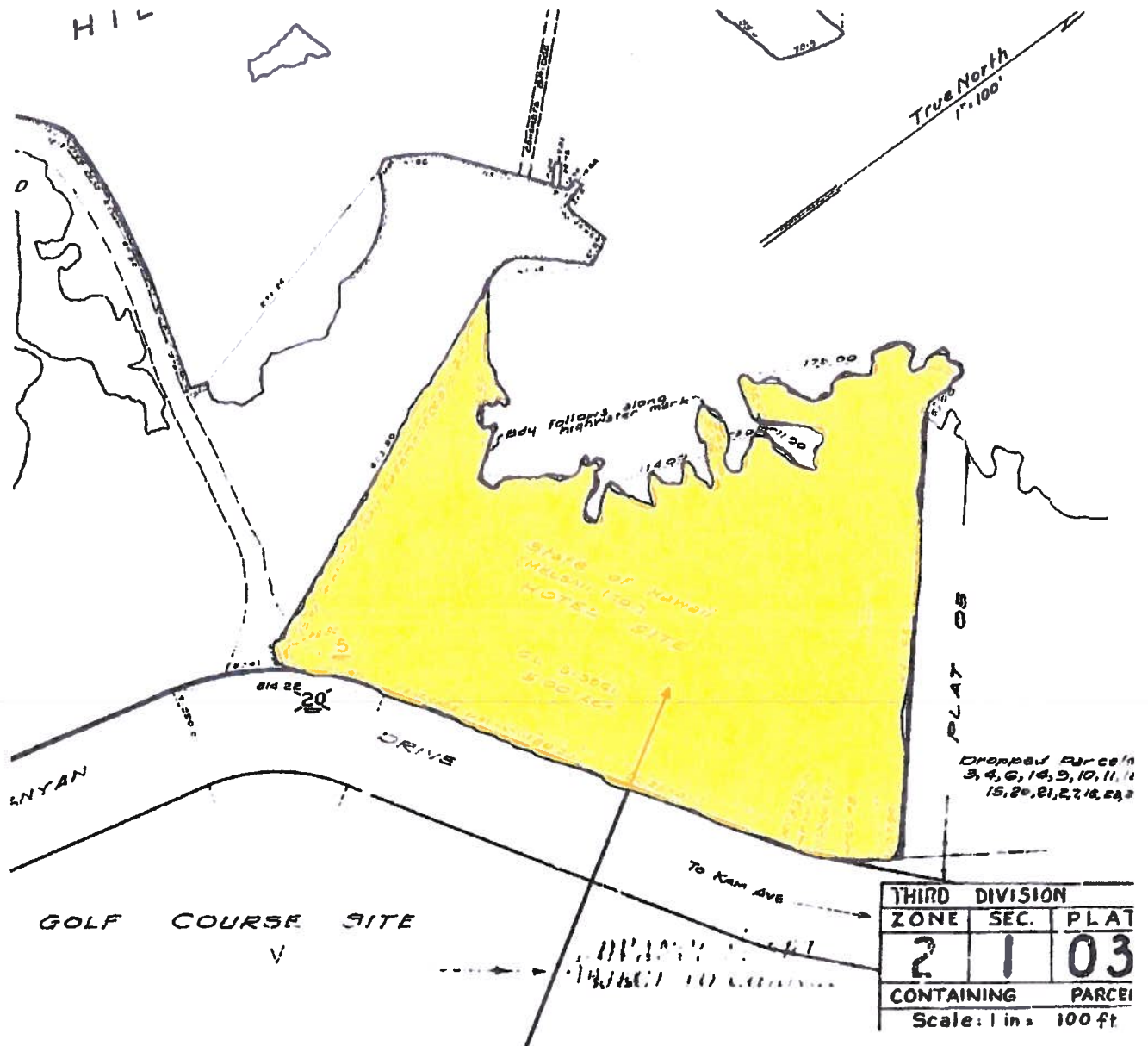

fr Gordon C. Heit
District Land Agent

APPROVED FOR SUBMITTAL:


William J. Aila, Jr., Chairperson

N

TMK: (3) 2-1-03:05



HILO HAWAIIAN HOTEL

EXHIBIT 1

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ESTHER KIA'AINA
FOURTH DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR WATER

AQUATIC RESOURCES
RECREATION AND OCEAN RECREATION
DIVISION OF CONSERVATION
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
DIVISION
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAIKILAWA ISLAND RESERVE COMMISSION
LAND
STATE PARKS

EXEMPTION NOTIFICATION

From the preparation of an environmental assessment under the authority of Chapter 343, HRS and Chapter 11-200, HAR

Project Title:	Approve Negotiated Development Agreement, and Proposed Plans and Specifications for Improvements for General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee; Authorize the Extension, Amendment and Restatement of General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee, for an Aggregate Term of 55 Years
Project Number:	None
Project Location:	Waiakea, South Hilo, Hawaii, Tax Map Key: 3 rd /2-1-03:05
Project Description:	Hilo-Hawaiian Associates, Inc. (Lessee) seeks an extension of its lease for the above-referenced property in accordance with Act 219 Session Laws of Hawaii 2011 to make improvements to existing facilities.
Consulted Parties:	None
Exemption Class No.:	In accordance with the "Exemption List for the State of Hawaii, Department of Land and Natural Resources, as Reviewed and Concurred Upon by the Environmental Council (Docket 91-EX-2, December 4, 1991)", the subject request is exempt from the preparation of an environmental assessment pursuant to HAR § 11-200-8(a)(1), "Operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing," and HAR § 11-200-8(a)(2), "Replacement or reconstruction of existing structures and facilities where the new structure will be located generally on the same site and will have substantially the same purpose, capacity, density, height, and dimensions as the structure replaced."

This exemption is appropriate because the Lessee is proposing to make improvements to the existing facilities on the property that

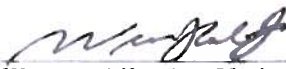
EXHIBIT 2

will not involve the construction of new improvements or facilities. The proposed upgrades will primarily be made to the interior of an existing hotel building and to its roof with no expansion of the footprint of the building or increase in height.


The extension of the lease and improvements to existing facilities will result in no material change or significant cumulative impact. If further actions are taken that result in a material change, the Department will comply with the applicable requirements of Chapter 343.

Recommendation:

It is recommended that the Board find that the proposed project will probably have minimal or no significant effect on the environment and are presumed to be exempt from the preparation of an environmental assessment.



William J. Aila, Jr., Chairperson


7/13/13

Date

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

October 26, 2012

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

Hawai'i

Consent to Merger of Hilo Hawaiian Associates, Lessee, General Lease No. S-3961, into TN Group Hawaii, Inc. (whose name later changed to Hilo-Hawaiian Associates, Inc.); Agreement in Concept for an Extension of Lease Term, Hilo-Hawaiian Associates, Inc., Lessee, Waiakea, South Hilo, Hawaii, Tax Map Key: 3rd/2-1-03:05.

APPLICANT AND REQUEST:

Hilo-Hawaiian Associates, Inc. is requesting an extension of General Lease No. S-3961 pursuant to Act 219 SLH 2011 (S.B. 1530) which authorizes the extension of hotel and resort leases along the Banyan Drive area of Hilo Hawaii.

LEGAL REFERENCE:

Section 171- 36(b), Hawaii Revised Statutes, as amended, and Act 219 SLH 2011.

LOCATION:

Portion of Government lands situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: 3rd/2-1-03:05, as shown on the attached map labeled Exhibit A.

AREA:

5 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

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

APPROVED BY THE BOARD OF
LAND AND NATURAL RESOURCES
AT ITS MEETING HELD ON *DM*
October 26, 2012

D-11
EXHIBIT 3

October 26, 2012

CHARACTER OF USE:

Resort-hotel purposes and uses accessory or incidental thereto and customarily conducted within resort-hotel areas.

TERM OF LEASE:

Original term of 65 years, commencing on April 15, 1966 and expiring on April 14, 2031.

ANNUAL RENTAL:

Current rent is \$133,200.00, due in semi-annual installments of \$66,600.00 on April 15 and October 15 of each year.

RENTAL REOPENINGS:

Reopenings in the original term were at the end of the 20th, 35th, 45th, and 55th years of the term, or on April 15. The last rental reopening occurred on April 15, 2006.

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:

Applicant shall comply with the requirements of Act 219 SLH 2011, negotiate a development agreement with department staff, and return to the Board at a later date for review and approval of the development agreement and requested lease extension.

REMARKS:

At its meeting of February 11, 1966, Item F-8, the Board of Land and Natural Resources authorized the sale of a lease of the subject land at public auction for resort and hotel purposes. The successful bidder for this sixty-five (65) year lease was Melsan Ltd. Due to difficulties in obtaining financing for construction of the hotel structure, the original principals of Melsan Ltd. entered into an agreement with International Management Corporation, whereby the latter assumed full corporate ownership of Melsan, Ltd. At its meeting on September 23, 1973, the Board consented to the extension of construction deadline and consent to mortgage for General Lease No. S-3961.

Construction on the hotel was completed and it opened for business in October 1975. At its meeting of June 13, 1986, Item F-1-c, the Board consented to the assignment of the

October 26, 2012

lease with assumption of mortgage from Melsan, Ltd, to Hilo Hawaiian Associates, a Hawaii limited partnership.

At its meeting of July 8, 2010, under agenda item D-3, the Board consented to the transfer of 100% stock ownership of parent company of Hilo Hawaiian Associates, Lessee, to HH Associates, LLC, Transferee.

Effective January 1, 2012, Hilo Hawaiian Associates, together with its general partner, HHA Inc., and limited partner, Hijoji Corporation, merged with and into the common parent of these companies, TN Group Hawaii, Inc., with the latter being the surviving entity. The merger did not result in any change in ownership interest in the lessee, Hilo Hawaiian Associates, but was instead intended to consolidate ownership in the parent company. Attached as Exhibit B is a diagram showing the ownership structure before and after the merger. Effective September 10, 2012, TN Group Hawaii, Inc. changed its name to Hilo-Hawaiian Associates, Inc.

Pursuant to Hawaii Revised Statutes Sections 414-316 and 425E-1109, when a company is merged into another company, the real property interests of the merged company vest in the surviving company. While the merger of Hilo Hawaiian Associates into TN Group Hawaii, Inc. may not technically constitute an assignment of the lease under the ownership structure noted above, staff is nevertheless presenting the merger to the Board for consent because the merger changes the lessee from Hilo Hawaiian Associates, a Hawaii limited partnership, to Hilo-Hawaiian Associates, Inc., a Hawaii corporation.¹

The Lessee, Hilo-Hawaiian Associates, Inc. (Lessee), is requesting a 37-year extension from the end of the current lease set to expire on April 14, 2031 for an aggregate term of 55 years (18 years remaining on lease plus 37-year extension) in order to amortize the cost of the improvements necessary to upgrade the hotel.

Act 219, Session Laws of Hawaii 2011, authorizes the Board of Land and Natural Resources to extend hotel or resort leases (that have not been sold or assigned within the past five years) up to an additional fifty-five (55) years. As a condition to the extension, the Lessee must commit to substantial upgrades to the existing improvements.

“Substantial improvements” means any renovation, rehabilitation, reconstruction or construction of the existing improvements, including minimum requirements for off-site and on-site improvements, the cost of which equals or exceeds fifty per cent (50%) of the market value of the existing improvements that the Lessee or the Lessee and developer install, construct, and complete by the date of completion of the total development.”

The act also stipulates that prior to entering into a development agreement, the lessee shall submit to the Board the plans and specifications for the total development being

¹ The assignment of lease provision in General Lease No. S-3961 does not expressly apply to mergers. By contrast, the assignment provision used in the current lease form for DLNR lands prohibits both voluntary assignments and those that occur “by operation of law”, which would arguably cover mergers.

October 26, 2012

proposed. The Board shall review the plans and specifications and determine: 1) Whether the development proposed is of sufficient worth and value to justify the extension; 2) The estimated time to complete the improvements and expected date of completion; 3) The minimum revised annual rent based on the fair market value of the lands to be developed, as determined by an appraiser for the Board, and the percentage rent where gross receipts exceed a specified amounts.²

Lessee Hilo-Hawaiian Associates, Inc. is estimating improvement costs to be in excess of \$4,283,000 and has submitted a cost proposal (Exhibit C) that includes, elevator modernization, replacing the fire alarm system, new roof coating materials, and renovations to all the hotel guest rooms.³

In addition to the improvements to the property, the Lessee is proposing to set aside 3% of the total room revenue each year in a FF&E bank account. This amount will be no less than \$200,000 per year for the length of the lease and will be spent in its entirety to maintain the hotel during the entire lease period.⁴ This proposal will be included in the development agreement to be negotiated with the Lessee. Lessee has provided staff with a Summary Appraisal Report dated August 2012 that indicates the value of the existing improvement is \$10,895,000.

Staff is requesting the Board consent to an agreement in concept for the extension of GL S-3961 so that the Lessee can prepare plans and specifications for the improvements and submit said plans and specifications to staff for review and ultimately to the Board for

² The preamble to Act 219 indicates that the purpose of the act is to authorize extensions of hotel or resort leases that have not been sold or assigned within the last five years. Staff does not believe that the 2011 merger amounts to a sale or assignment for the purposes of Act 219 because there was no change in ownership. Further, the intent behind the "no assignment" language was to avoid unfairness in the case where a buyer acquired a lease near the end of its term at a discounted rate, and then turned around and secured a lease extension. In this case, the lease had 21 years remaining on the original term at the time of the 2010 stock transfer. However, if it should later be determined that Lessee is not eligible for a lease extension because of the 2010 stock transfer, Lessee is willing to wait until five years elapse from the 2010 stock transfer before securing a lease extension. The details will need to be addressed in the development agreement.

³ The cost proposal also reflects an expenditure of \$1,594,000 for new guest room furnishings that the lessee explains are custom-made for the hotel and will remain at the hotel for their useful life. Nevertheless, staff does not believe such furnishings can be considered improvements to the real property and is not including them in the value of the development proposal.

⁴ Over a period of ten years, the minimum amount of \$200,000 paid into the FF&E account and invested in hotel improvements would total \$2,000,000. Staff calculates the present value of this amount, factoring in a discount rate of 3.3% (average annual inflation rate for Honolulu), to be \$1,680,215. If this amount is added to the value of improvements listed above, the Lessee may satisfy the requirement concerning the value of proposed improvements established in Act 219.

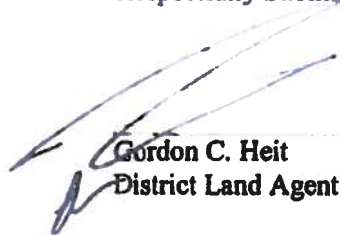
October 26, 2012

approval. Additionally, staff is requesting authority to negotiate a development agreement with the Lessee and return to the Board for approval of the development agreement and lease extension.

RECOMMENDATION:

That the Board, subject to the Applicant fulfilling the Applicant requirement listed above, agree in concept the request to extend General Lease No. S-3961, Hilo-Hawaiian Associates, Inc., Lessee, covering the State owned parcel identified by Tax Map Key: 3rd/2-1-03:05 pursuant to Act 219 Session Laws of Hawaii 2011 and Section 171-36(b), Hawaii Revised Statutes, as amended, with the understanding that the approval in concept shall not be deemed to be an approval of the development proposal or lease extension at this time, as staff shall return to the Board at a later date for review and approval of development agreement and lease extension, including plans and specifications for improvements submitted by the Lessee. Land Division staff is authorized to negotiate a development agreement with the Lessee, subject to review and approval by the Board.

Respectfully Submitted,

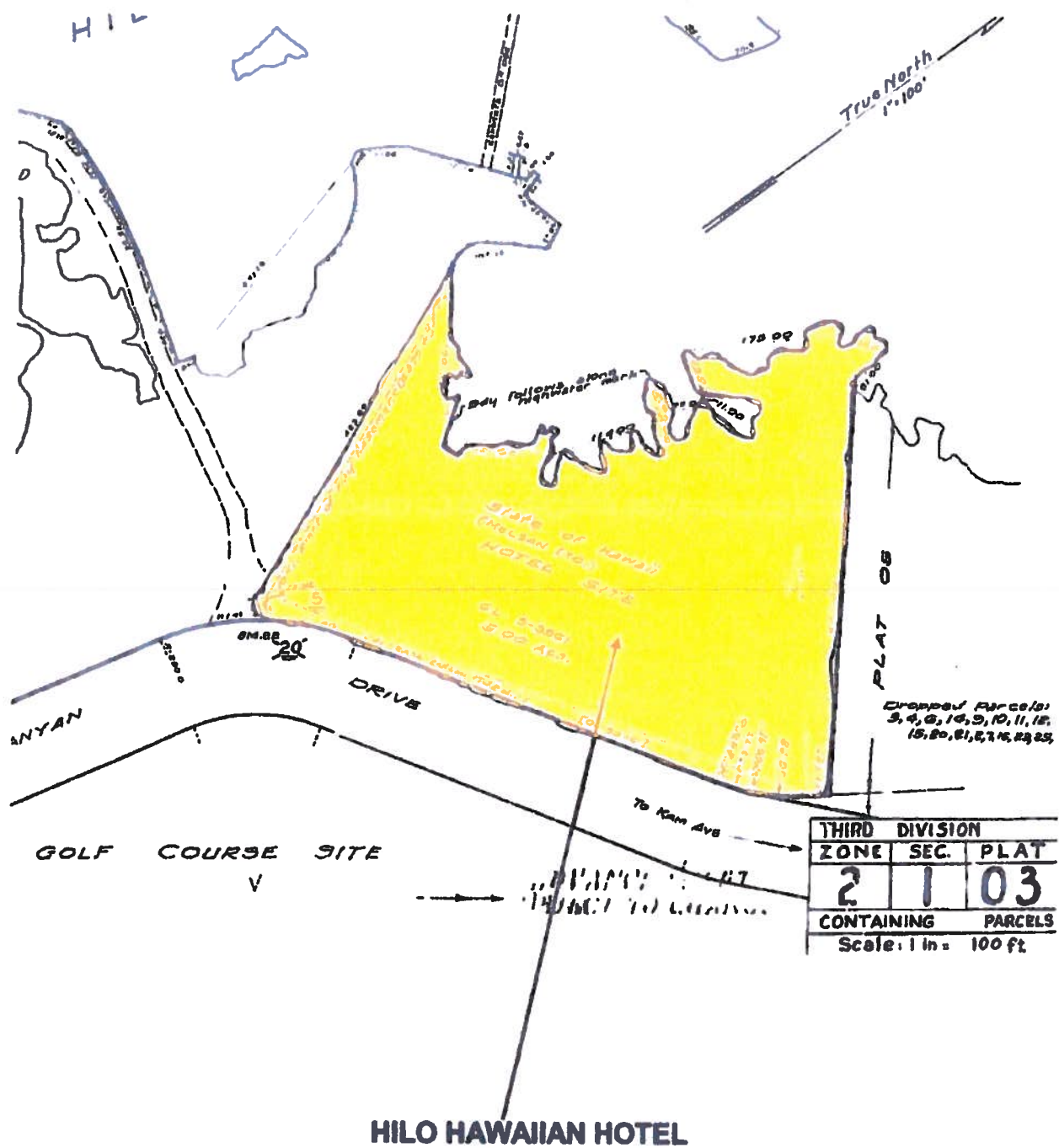


Gordon C. Heit
District Land Agent

APPROVED FOR SUBMITTAL:



William J. Aila, Jr., Chairperson



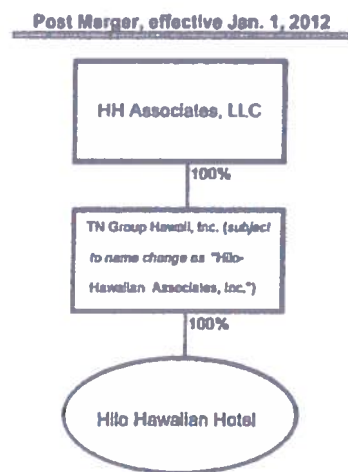
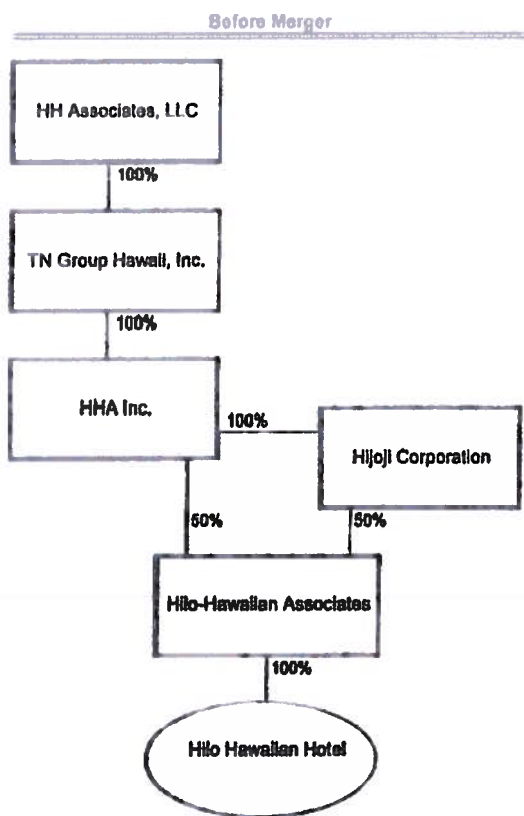


EXHIBIT B

Hilo Hawaiian Associates

*71 Banyan Drive
Hilo, Hawaii 96720*

October 9, 2012

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

RE: Request for Consent to Lease Extension of General Lease No. S-3961
Hilo-Hawaiian Associates, Waiakea, South Hilo, Hawaii
Tax Map Key: 3rd/2-1-03:05

Dear Mr. Tsuji:

Thank you very much for your letter of June 20, 2012. As you know, the Hilo Hawaiian Hotel is approximately 50 years old and requires a great deal of improvements in order to upgrade it to the standards that will meet the need of both the tourists and residents planning to stay in Hilo. In that regard, enclosed is Allied Builders System's estimate of \$5,877,000 to do what we believe are the necessary upgrades to make it a first-class hotel.

In order to amortize the money that will need to be spent to upgrade the Hilo Hawaiian Hotel, we are requesting a 37 year lease extension for the property. This extension is pursuant to Act 219 (S.B. 1530) effective July 1, 2011, after the current lease expires in 2031, a total of 55 years. Pursuant to that Act, the value of the improvements must be at least 50% of the market value of the existing improvements.

In addition to the improvements of \$5,877,000, 3% of total room revenue will be set aside each year of the lease in a FF&E bank account. This amount will be no less than \$200,000 per year for all 55 years and will be spent in its entirety to maintain the Hotel during the entire lease period. Please note that the furnishings included in the upgrade proposal is being custom made specifically for the Hilo Hawaiian Hotel and will be considered as a fixture under real property law for its entire useful life. This, as well as the guarantee of the 3% set aside, can be included in the development agreement for the land lease extension.

EXHIBIT C

Mr. Russell Tsuji
Page 2
October 9, 2012

As contained in our letter of June 20, 2012, the County of Hawaii Real Property Tax Office has assessed the value of the improvements to GL S-3961 (the Hilo Hawaiian Hotel) at \$11,414,400. We have also enclosed a Summary Appraisal Report of the Market Value of the Leasehold Real Property Improvements by Hastings, Conboy, Braig & Associates, Ltd., of the Hilo Hawaiian Hotel as of August 2012 which reflects an appraised value of \$10,895,000.

Please let me know if there is any other information that you require. We are prepared to move ahead quickly in making these improvements, as many people in Hilo have told us that it is critical that the hotel be upgraded in the near future. We are told that these improvements will help greatly with the experience of the guests and will, hopefully, insure the continuation of direct airlift to Hilo and hopefully encourage additional airlift to Hilo. We are also told that this will increase the number of both overseas and Hawaii residents to Hilo.

Sincerely,

Hilo Hawaiian Associates



Gary Oda
Managing Partner

/ch

Enclosures

cc: Kevin E. Moore
Gordon C. Heit



ALLIED BUILDERS SYSTEM

August 7, 2012

Daryle Kitamori
General Manager
Hilo Hawaiian Hotel
71 Banyan Drive
Hilo, HI 96720

Subject: Hilo Hawaiian Hotel Renovations

Dear Mr. Kitamori:

Allied Builders System hereby proposes to furnish all labor, materials, tools and equipment necessary to complete the work as detailed in the attached schedule, all for the lump sum bid of:

Five Million Eight Hundred Seventy Seven Thousand and 00/100 Dollars
(\$5,877,000.00)

Please refer to Attachment A for our proposed scope of work.

Please call Justin Izumi at 432-9919 with any questions concerning our proposal.

Sincerely,

Justin Izumi
Vice-President/Chief Estimator

Encl.: Attachment A – Proposed Scope of Work

Attachment A – Proposed Scope of Work

Renovation of all hotel guest rooms and corridors: \$3,256,000

- Bathroom floor tile and tub surrounds
- Carpet
- Paint
- Wall covering
- Bath accessories (towel racks, robe hooks, tissue dispensers)
- Plumbing fixtures (toilet, tub, faucet, showers)
- HVAC controls
- Lighting

New guestroom furnishings: \$1,594,000

- Headboards
- Nightstands
- Lounge chairs
- Dining sets
- Dressers
- Mirrors
- Desks, tables, chairs
- Artwork
- Sofas
- Lanai sets
- Beds and soft goods
- Drapery
- Lamps

(Furniture is custom made for the Hilo Hawaiian Hotel and will remain at the Hotel for its useful life.)

Elevator modernization: \$503,000

- Microprocessor control system
- 35% electricity reduction
- Elevator management system

New fire alarm system: \$304,000

- Guestrooms
- Lobby
- Corridors
- Restaurant

New roof coating system: \$220,000

- 1" closed cell foam
- 32 mils silicone rubber coating
- 15 year warranty

DEVELOPMENT AGREEMENT

FOR

HILO-HAWAIIAN ASSOCIATES, INC.

*** * ***

**Department of Land and Natural Resources
Land Division**

State of Hawaii

EXHIBIT 4

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (the "**Agreement**") is made and dated effective as of this _____ day of _____, 2013 ("**Effective Date**"), by and between the **STATE OF HAWAII**, by its Chairperson of the Board of Land and Natural Resources ("**Chairperson**") by the authority granted by the Board of Land and Natural Resources ("**Board**") at its meetings held on October 26, 2012, Item D-11, and _____, 2013, Item D-_____, for the Department of Land and Natural Resources, Land Division, whose principal place of business and post office address is 1151 Punchbowl Street, Room 220, Honolulu, Hawaii 96813 ("**State**"), and **HILO-HAWAIIAN ASSOCIATES, INC.**, a Hawaii corporation, whose principal place of business and post office address is 71 Banyan Drive, Hilo, Hawaii 96720 ("**Lessee**").

RECITALS:

A. The State owns in fee simple that certain parcel of land, a portion of government lands, situated at Waiakea, South Hilo, Hawaii, shown as the shaded area on **Exhibit A** attached hereto, incorporated herein and made a part hereof. The parcel consists of approximately five (5) acres and is identified by Tax Map Key No. (3) 2-1-003:005. The parcel is currently leased to Lessee under General Lease No. S-3961, as amended, for a term of sixty-five (65) years from April 15, 1966 to April 14, 2031 ("**Lease**"). The parcel shall be referred to hereinafter as the "**Subject Property**."

B. On October 26, 2012, under Agenda Item D-11, the Board agreed in concept to Lessee's request to extend the term of the Lease pursuant to Act 219, Session Laws of Hawaii 2011 ("**Act 219**"), and Section 171-36(b), Hawaii Revised Statutes ("**HRS**"), as amended. Act 219 authorizes the Board to extend the term of hotel or resort leases that have not been sold or assigned within the last five (5) years for lessees who commit to substantial improvements to the existing improvements. Act 219 defines "substantial improvements" to mean "any renovation, rehabilitation, reconstruction, or construction of the existing improvements, including minimum requirements for off-site and on-site improvements, the cost of which equals or exceeds fifty per cent of the market value of the existing improvements..."

C. A summary appraisal report prepared for the Lessee determined the market value of the leasehold improvements on the Subject Property to be \$10,895,000 as of August 28, 2012. Fifty per cent of this amount is \$5,447,500.

D. Pursuant to Act 219 and as a condition to the requested extension of the term of the Lease, Lessee is required to negotiate and enter into a development agreement with the State for the terms and conditions of the proposed development and improvements to be constructed at the Subject Property, subject to review and approval by the Board. No extension to the term of the Lease is to be approved until the State and Lessee mutually agree to the terms and conditions of the development agreement. At its meeting of _____, 2013, Item D-_____, the Board approved Lessee's proposed development and improvements to be constructed at the Subject Property, and this Agreement.

E. This Agreement sets forth the terms and conditions that Lessee must satisfy and successfully perform in order for it to be issued, and retain the benefit of, an extension of the term of the Lease by the State for the Subject Property pursuant to Act 219.

AGREEMENT:

In consideration of the recitals and the mutual covenants, obligations and conditions set forth in this Agreement, the State and Lessee hereby mutually agree as follows:

1. Term. The term of this Agreement shall commence on the Effective Date and terminate on the Completion Date as defined in Paragraph 8 herein, unless terminated sooner pursuant to the terms of this Agreement.

2. Continuation of the Payment of Lease Rental. Lessee shall continue to pay to the State, throughout the term of this Agreement, all rent and other charges due by Lessee under the Lease pursuant to the terms and conditions of the Lease. Upon the execution of the instrument extending, amending and restating the Lease (the extended, amended and restated Lease, hereinafter called the "EAR Lease"), Lessee shall pay to the State the Revised Annual Rent as defined in Paragraph 3.A.3) herein, and all other rent and other charges due by Lessee under the EAR Lease pursuant to its terms and conditions.

3. Development Plan.

A. Pursuant to Act 219, prior to entering into a development agreement, Lessee prepared and submitted to the Board the plans and specifications of its proposed development plan for the substantial upgrades to the existing improvements on the Subject Property dated _____, a copy of which is attached hereto as **Exhibit B** incorporated herein and made a part hereof ("**Development Plan**"). All such plans and specifications of the Development Plan shall meet the requirements of and be in full compliance with this Agreement and all applicable municipal, county, state and federal regulations, rules, codes and ordinances. The Board reviewed the Development Plan at its meeting held on _____, 2013, Item D-____, and determined that:

1) The Development Plan proposed in this Agreement is of sufficient worth and value to justify the extension of the term of the Lease;

2) The estimated period of time to complete the Development Plan shall be ninety-six (96) months; and

3) The minimum revised annual rent to be paid by Lessee shall be based on the fair market value of the Subject Property to be developed, as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage of rent to be paid by Lessee when gross receipts exceed a specified amount ("**Revised Annual Rent**").

B. The State granted final approval of the Development Plan and this Agreement at its meeting held on _____, 2013, Item D-____, subject to Lessee's acceptance of certain specified conditions, if any.

In the event of any certain specified conditions, Lessee shall notify the State in writing whether it accepts such conditions within thirty (30) days of Lessee's receipt of notice of any such certain specified conditions to the State's final approval of its Development Plan. If Lessee fails to accept such conditions within the thirty (30)-day period, the State shall be deemed to have denied final approval of the Development Plan and to have elected to terminate this Agreement effective as of the date that is one (1) day after the date of the expiration of such thirty (30)-day period. Neither Lessee nor the State shall have any further rights, duties or obligations under this Agreement, except as to any provisions of this Agreement which expressly survive its termination.

C. Lessee shall have submitted evidence reasonably satisfactory to the Chairperson that Lessee has adequate funding and/or financing to fully develop the Subject Property in accordance with the approved Development Plan, including without limitation, pro forma financial statements for the project, financing and/or equity commitment letters, and confirmations/evidence of tax credit eligibility.

D. Notwithstanding anything contained in this Agreement to the contrary, no such final approval of the Development Plan by the State shall be deemed a warranty or other representation on its part that (1) Lessee will be able to obtain all necessary federal, state and county entitlements, permits or other approvals required to enable Lessee to develop the Subject Property in accordance with the approved Development Plan; or (2) such approved Development Plan by the State and the plans and specifications of substantial upgrades to the existing improvements on the Subject Property described therein are legal or structurally safe or sound.

E. In the event that Lessee does not accept the Revised Annual Rent to be paid by Lessee under the EAR Lease, and notifies the State in writing within thirty (30) days of Lessee's receipt of written notice from the State of such Revised Annual Rent, the State shall deem that Lessee has elected to terminate this Agreement effective as of the date of Lessee's written notice to the State. Neither Lessee nor the State shall have any further rights, duties or obligations under this Agreement, except as to any provisions of this Agreement which expressly survive its termination. In the event that Lessee fails to notify the State in writing that Lessee does not accept the Revised Annual Rent to be paid by Lessee under the EAR Lease within thirty (30) days of Lessee's receipt of written notice from the State of such Revised Annual Rent, the State shall deem that Lessee has accepted the Revised Annual Rent to be paid by Lessee under the EAR Lease pursuant to its terms and conditions.

4. Condition of the Subject Property. The State makes no representations regarding the condition or suitability of the Subject Property and of the existing structures and improvements at the Subject Property for the approved Development Plan. Lessee shall, at its sole cost and expense, be responsible for conducting its own investigations and due diligence regarding the Subject Property and the existing structures and improvements at the Subject Property, and any site work necessary to implement the approved Development Plan, including

but not limited to the removal of hazardous materials, if any. Lessee acknowledges and agrees that it assumes all risks of development at the Subject Property.

5. Construction Period. Lessee shall have thirty-six (36) months from the Effective Date to complete the substantial upgrades to the existing improvements on the Subject Property in accordance with the approved Development Plan (“**Construction Period**”).

Lessee shall, at Lessee’s sole cost and expense, expeditiously and diligently seek to obtain all necessary and appropriate permits and/or other regulatory approvals from the Federal Government, State of Hawaii (including the State Legislature if applicable), and/or County of Hawaii (“**County**”) so as to enable Lessee to complete the substantial upgrades to the existing improvements on the Subject Property in accordance with the approved Development Plan. Lessee shall use diligent and all commercially reasonable efforts to obtain all required permits and/or other regulatory approvals from the Federal Government, State of Hawaii and/or County.

6. Hazardous Materials. Lessee shall not cause or permit the escape, disposal or release of any hazardous material in completing the approved Development Plan at the Subject Property, except as permitted by law. Lessee shall not allow the storage or use of such materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such materials, nor allow to be brought onto the Subject Property any such materials except to use in the ordinary course of Lessee’s business, and then only after written notice is given to the State of the identity of such materials and upon the State’s consent, which consent may be withheld at the State’s sole and absolute discretion. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials by the Lessee, then the Lessee shall be responsible for the reasonable costs thereof. In addition, Lessee shall execute affidavits, representations and the like from time to time at the State’s request concerning Lessee’s best knowledge and belief regarding the presence of hazardous materials on the Subject Property placed or released by Lessee.

Lessee agrees to indemnify, defend, and hold the State harmless, from any damages and claims resulting from the release of hazardous materials on the Subject Property occurring while Lessee is in possession, or elsewhere if caused by the Lessee or persons acting under the Lessee. These covenants shall survive the expiration or earlier termination of this Agreement.

For the purpose of this Agreement, “hazardous material” shall mean any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, or oil as defined in or pursuant to the Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, the Federal Clean Water Act, or any other federal, state, or local environmental law, regulation, ordinance, rule, or by-law, whether existing as of the date ordinance, rule, or by-law, whether existing as of the date hereof, previously enforced, or subsequently enacted.

7. Bonds. Pursuant to Act 219, no construction shall commence until Lessee has filed with the State sufficient bonds conditioned upon the full and faithful performance of all the

terms and conditions of this Agreement, which shall consist of a completion bond and a labor and materialmen's bond in the amount of \$5,500,000 in such form and upon such terms and conditions as may be approved by the State. The Development Plan proposes upgrades to the existing improvements at the Subject Property in the amount of \$5,831,442, exclusive of funds to be deposited in the FF&E bank account (as defined and described below).

The Lessee shall, at its own cost and expense, within fifteen (15) days from the Effective Date of this Agreement, procure and deposit with the State and thereafter keep in full force and effect during the term of this Agreement, such bonds acceptable to the State in the amount of \$5,500,000 as aforesaid, which bonds shall name the State as obligee, conditioned upon the full and faithful observance and performance by Lessee of all the terms, conditions and covenants of this Agreement, including, but not limited to, the completion of the substantial improvements requirement in accordance with the approved Development Plan at the Subject Property on or before the date of completion, free from all liens and claims, pursuant to the approved Development Plan. Lessee shall indemnify, defend, and hold the State harmless from all liens, suits, actions or damages arising out of, caused from or attributable to the work performed pursuant to the substantial improvements requirement in accordance with the approved Development Plan at the Subject Property incorporated herein this Agreement. These bonds shall provide that in case of a breach or default of any of the terms of this Agreement, covenants, conditions and agreements of such bonds, the full amounts payable pursuant to the terms and conditions of such bonds shall be paid to the State as liquidated and ascertained damages and not as a penalty.

8. Completion of Construction; Inspection. Upon completion of the substantial upgrades to the existing improvements on the Subject Property in accordance with the approved Development Plan by Lessee, Lessee shall provide written notice to the State acknowledging and confirming the same. Representatives of the State and Lessee shall then conduct a final inspection and walk through of the Subject Property within fourteen (14) days of such written notice, and a "punchlist" shall be mutually prepared and agreed upon by representatives of the State and Lessee within seven (7) days of such inspection and walk through of the Subject Property. Such punchlist shall itemize any areas of construction that were not in accordance with the approved Development Plan, or any unauthorized construction or work not acceptable to the State or any other governmental agency having jurisdiction over such work. Lessee, at Lessee's sole cost and expense, shall immediately repair all deficiencies identified as potential safety hazards on the punchlist, and all other deficiencies on the punchlist shall be remedied within fourteen (14) days of the preparation of the same.

If the State is satisfied that completion of the substantial upgrades to the existing improvements on the Subject Property have been performed in accordance with the approved Development Plan by Lessee, including any and all punchlist items, then the State shall confirm and notify Lessee of the same in writing ("**Completion Date**"), at which time Lessee shall have the right to terminate the bonds posted by Lessee pursuant to Paragraph 7 hereof.

9. Justification of Sureties. Any bonds required by this Agreement shall be supported by the obligation of a corporate surety organized for the purpose of being a surety and

qualified to do business in the State of Hawaii, or by not less than two (2) personal sureties, corporate or individual, for which justifications shall be filed as provided in Section 78-20, HRS; provided, however, the Lessee may furnish a bond in like amount, conditioned as aforesaid, executed by it alone as obligor, if, in lieu of any surety or sureties, it shall also furnish and at all times thereafter keep and maintain on deposit with the State security in certified checks, certificates of deposit (payable on demand or after a period the State may stipulate), bonds, stocks or other negotiable securities properly endorsed, or execute and deliver to the State a deed or deeds of trust of real property, all of a character which is satisfactory to State and valued in the aggregate at not less than the principal amount of the bond. It is agreed that the value of any securities which may be accepted and at any time thereafter held by the State shall be determined by the State, and that the Lessee may, with the approval of the State, exchange other securities or money for any of the deposited securities if in the judgment of the State the substitute securities or money shall be at least equal in value to those withdrawn. It is further agreed that substitution of sureties or the substitution of a deposit of security for the obligation of a surety or sureties may be made by the Lessee, but only upon the written consent of the State and that until this consent is granted, which shall be discretionary with the State, no surety shall be released or relieved from any obligation, except for any bonds terminated by Lessee after the Completion Date pursuant to the terms of Paragraph 8 hereinabove.

10. Waiver, Modification, Reimposition of Bond and Liability Insurance Provisions. Upon substantial completion of the improvements contemplated herein and after forty-five (45) days after the filing and publication of the Notice of Final or Substantial Completion by Lessee, and upon substantial compliance by the Lessee with the terms, covenants, and conditions contained in this Agreement on its part to be observed or performed, the State at its discretion may in writing, waive or suspend the performance bond or improvement bond requirements or both or may, in writing, modify the particular bond(s) or liability insurance requirements by reducing its amount; provided, however, that except for any bonds terminated by Lessee after the Completion Date pursuant to the terms of Paragraph 8 hereinabove, the State reserves the right to reactivate the bonds or reimpose the bond(s) or liability insurance in and to their original tenor and form at any time throughout the term of this Agreement.

11. FF&E Bank Account. In addition to performing the substantial upgrades to the existing improvements on the Subject Property in accordance with the approved Development Plan, Lessee agrees to set aside three percent (3%) of the total room revenue generated each year at the Subject Property into an FF&E bank account. Such amount to be set aside in the FF&E bank account shall be not less than \$200,000.00 each year, and such FF&E bank account shall be effective as of the Effective Date of this Agreement through and including the term of the EAR Lease.

Lessee acknowledges and agrees that the funds in the FF&E bank account shall only be used to keep and maintain the existing structures and improvements at the Subject Property in good order, condition and repair throughout the period from the Effective Date of this Agreement through and including the term of the EAR Lease. Within sixty (60) days after the end of each year, Lessee shall submit an annual reconciliation and statement of the FF&E bank account to the State signed and certified by a duly authorized officer of Lessee detailing all activity of the account, including but not limited to, all resulting deposits made and funds utilized

to maintain and/or repair the existing structures and improvements at the Subject Property for such year. The Lessee shall, at all reasonable times, permit the State or its authorized agents and employees, upon reasonable notice given by the State, to audit, examine and to make copies of all books, accounts, records and receipts of the Lessee concerning its expenditures from the FF&E bank account.

12. Modifications to the Development Plan. Lessee shall be entitled to make changes or modifications to the approved Development Plan as may be required to address and satisfy any comments made or issues raised by the appropriate agencies of the Federal Government, State of Hawaii and/or County without the further consent or approval by the State, provided that: (a) Lessee provides advance written notice to the State of such changes or modifications, including a reasonably specific explanation as to why such changes or modifications are being undertaken and their anticipated effect; and (b) such changes or modifications: (i) do not materially alter or change the Development Plan as approved by the State; (ii) do not reduce the rents and all other charges to be paid by Lessee under the Lease or EAR Lease; (iii) do not provide for uses that are not permitted by applicable laws or ordinances; or (iv) do not adversely affect or delay the Construction Period for more than one hundred and eighty (180) days.

In addition, the State recognizes that from time to time the approved Development Plan may require changes or modifications initiated by Lessee. Lessee may make any such changes or modifications to said approved Development Plan with the prior written consent of the State, which consent may be withheld by the State in its sole and absolute discretion, provided that such changes or modifications: (a) do not materially alter or change the Development Plan as approved by the State; (b) do not reduce the rents and all other charges to be paid by Lessee under the Lease or EAR Lease; (c) do not provide for uses that are not permitted by applicable laws or ordinances; or (d) do not adversely affect or delay the Construction Period for more than one hundred and eighty (180) days.

13. Agreement to Issue Extension of Term of Lease. Upon execution of this Agreement, the State will request the Department of the Attorney General to prepare the EAR Lease. Pursuant to Act 219, the EAR Lease shall use the most current lease form and leasing practices and policies of the State, and shall reflect a period not longer than fifty-five (55) years. With approximately eighteen (18) years remaining on the current term of the Lease as of the Effective Date of this Agreement, the Lessee is eligible for an extension term of approximately thirty-seven (37) years. The EAR Lease will cover the aggregate term of fifty-five (55) years, and will provide that in the event that the Lessee fails to successfully perform, timely satisfy or fully comply with any of the terms and conditions of this Agreement and/or approved Development Plan, the EAR Lease will be rescinded and the Lease, together with its original termination date, will be reinstated. The State and Lessee will promptly sign the EAR Lease when the form thereof is approved by the Department of the Attorney General and Lessee.

14. Default: State's Right to Terminate Agreement and/or Rescind Lease Extension. The State may, at its option and in its sole and absolute discretion, upon written notice to Lessee without prejudice to any other remedy or right of action, terminate this Agreement and/or rescind the EAR Lease at any time for any one of the following reasons:

A. If Lessee fails to pay rent or any part thereof or any other charge, payment or amount it is obligated to pay or that is due by Lessee under the Lease or the EAR Lease, and this failure continues for a period of more than thirty (30) days after delivery by the State of a written notice of such breach or default and demand for cure, by personal service, registered mail or certified mail to Lessee that the same is past due;

B. If Lessee fails to observe or perform any of the material covenants, terms and conditions contained herein this Agreement, including but not limited to, those listed in subparagraphs (i) through (vi) herein, the Lease or the EAR Lease on the Lessee's part to be observed and performed, and such breach or default continues for a period of more than sixty (60) days after delivery by the State of a written notice of such breach or default and demand for cure, by personal service, registered mail or certified mail to Lessee of such breach or default, or if such breach or default in observance and performance of such other covenants cannot reasonably be cured within said sixty (60)-day period, then such longer time as may be required, provided that Lessee shall within said period commence such cure and thereafter diligently prosecute the same to completion within sixty (60) days thereafter;

(i) If Lessee fails to obtain any and all Federal Government, State of Hawaii (including the State Legislature if applicable), and County permits and approvals required and necessary for the completion of the approved Development Plan;

(ii) If Lessee becomes bankrupt or insolvent, or seeks protection under any provision of any bankruptcy or insolvency law or any similar law providing for the relief of debtors, or abandons the project contemplated under the approved Development Plan, or if any assignment is made of Lessee's rights hereunder for the benefit of creditors;

(iii) If Lessee shall, in any manner, attempt to forge, falsify or fabricate any annual reconciliation statements for the FF&E bank account required under this Agreement submitted to the State;

(iv) If any portion of the funds in the FF&E bank account shall be made subject to any lien, levy or encumbrance that prevents Lessee from expending such funds for the maintenance of the existing structures and improvements on the Subject Property in the amount required by this Agreement;

(v) If the Subject Property or any part of the Subject Property, appurtenances or improvements are used, or intended to be used in any manner to commit or to facilitate the commission of a crime; or

(vi) If the Lessee is not in compliance with Section 171-36(a)(4), HRS.

Any default under this Agreement by the Lessee shall be cause by the State to terminate this Agreement and rescind the EAR Lease, and the State shall have all other rights and remedies provided herein, in the Lease or by law with respect to a default by the Lessee under this Agreement. In addition, any default by the Lessee under the Lease or EAR Lease shall be cause by the State to terminate this Agreement and rescind the EAR Lease, and the State

shall have all other rights and remedies provided herein, in the Lease or the EAR Lease, as applicable, or as otherwise provided by law with respect to a default by the Lessee under the Lease or EAR Lease.

Upon any early termination by the State under this Agreement, this Agreement shall terminate on the date as provided for in the State's written notice, and shall become null and void except as to any provisions which expressly survive termination in this Agreement. The EAR Lease shall be rescinded and Lessee shall not be entitled to an extension of the term of the Lease for the Subject Property pursuant to Act 219. Upon the effective date of termination and without waiving any other remedies to which it may be entitled, the State shall be entitled to: (1) prosecute any claim against Lessee for fees, costs or other payments or charges that accrued prior to the effective date of termination, including the interest thereon; and (2) assert any claim that it may have against Lessee for any damages, costs, or expenses, suffered or incurred by the State, which obligations shall survive termination of this Agreement, the Lease and/or EAR Lease.

15. Non-Waiver. The waiver by the State of any breach by the Lessee of any term, covenant, or condition of this Agreement or the Lease, nor of the State's right of re-entry for breach of covenant, nor of the State's right to declare and enforce a forfeiture for any breach, and the failure of the State 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 any such term, covenant, condition or option.

16. Liens. Lessee will not commit or suffer any act or neglect whereby the Subject Property or any improvements thereon or the estate or interest of the State therein shall at any time during the term of this Agreement become subject to any attachment, judgment, lien, charge or encumbrance whatsoever, and will indemnify, defend and hold the State harmless from and against all loss, cost or expense with respect thereto (including reasonable attorney's fees). If any lien for work, labor, services or materials done for or supplied to the Subject Property by, on behalf of, or through Lessee is filed against the Subject Property, 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, bond or other reasonably satisfactory alternative approved by the State, as the case may be. The foregoing covenants of Lessee shall survive expiration or any early termination of this Agreement.

17. Expenses to be Paid by Lessee. Pursuant to Act 219, Lessee shall pay all costs and expenses incurred by the State in connection with the processing, analyzing and negotiating of any request for a lease term extension and document, and the development agreement.

18. Observance of Laws, Ordinances and Regulations. Each party hereto, and their respective officers, agents, assigns, employees, consultants and/or contractors, or persons acting for or on its behalf, shall at all times observe and comply with all applicable laws, ordinances, rules and regulations of the federal, state, county and municipal governments, now in force or which may be in force.

19. Archaeology; Historic Preservation. Lessee, including any agent or contractor, upon encountering any previously unidentified archaeological resources such as artifacts, shell, bone or charcoal deposits, human remains, or any historic properties or burials, on the Subject Property, will immediately stop all work and contact the State DLNR Historic Preservation Division in compliance with Chapter 6E, HRS.

20. Recordation. This Agreement shall not be recorded. However, upon request by either the State or Lessee, a short form memorandum of this Agreement shall be prepared by the State and shall be duly executed and acknowledged in proper form and may be placed of record so as to give public notice as to the existence of this Agreement.

21. Notices. Any notice or demand to the State or Lessee provided for or permitted by this Agreement shall be given in writing and: (a) mailed as registered or certified U.S. mail, return receipt requested, postage prepaid, addressed to such party at its post office address herein specified or the last such address designated by such party in writing to the other; or (b) delivered personally within the respective County as applicable, the State or to any officer of Lessee, or (c) sent by facsimile transmission (herein "Fax") to the Fax number, if any, of such party as specified herein or such other Fax number designated by such party in writing to the other. Any such written notice shall be deemed conclusively to have been received at the time of such personal delivery, or receipt of Fax, or at 4:00 p.m. on the third business day after being deposited with the United States mail as aforesaid, as follows:

If to the State:	Board and Department of Land and Natural Resources 1151 Punchbowl Street, Room 220 Honolulu, Hawaii 96813 Attention: Chairperson Fax No.: (808) 587-0390
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And a copy to:	Department of the Attorney General Attention: Land/Transportation Division Kekuanaoa Building 465 South King Street, Suite 300 Honolulu, Hawaii 96813 Fax No.: (808) 587-2999
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If to Lessee:	Hilo-Hawaiian Associates, Inc. 71 Banyan Drive Hilo, Hawaii 96720 Attention: Gary Oda Fax No.: (808) 432-9999
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And a copy to:	Gary Oda Rick Fried A. Mattson
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22. Status Reports; Lessee Cooperation. Lessee acknowledges that the State's staff may be required to periodically report to the Board during the term of this Agreement on the status of Lessee's progress of the approved Development Plan incorporated herein this Agreement. Lessee agrees to reasonably assist and meet with the State's staff in making such reports, including without limitation, upon commercially reasonable advance written notice, having a representative available to answer questions at any meetings of the Board at which such reports are given, providing information that State's staff reasonably requests for the purposes of making such reports, and being available to meet with the State's staff prior to the time such reports are made.

23. Costs and Attorney's Fees. Lessee shall pay all costs, including reasonable attorney's fees, and expenses which may be incurred by or paid by the State in enforcing the covenants, terms and conditions of this Agreement, including, but not limited to, recovering possession of the Subject Property, or in the collection of delinquent fees, taxes, assessments, and any and all other amounts or charges. In case the State shall, without any fault on its part, be made a party to any litigation commenced by or against the State, the Lessee shall pay all costs, including reasonable attorney's fees, and expenses incurred by or imposed on the State.

24. Construction and Amendment. This Agreement has been negotiated extensively by Lessee and the State with and upon the advice of their respective counsel, all of whom have participated in the drafting hereof. Consequently, the usual rule of construction shall not be applicable, which provides that the document is to be interpreted against the interests of the party who has primarily drafted the language in an agreement. No amendment or modification of this Agreement or any Exhibit attached hereto shall be effective unless incorporated in a written instrument executed by and between the State and Lessee. The State and Lessee agree to execute such other documents and instruments as may be reasonably requested by the other party and as may be necessary to effectuate the terms and conditions of this Agreement.

25. Governing Law. This Agreement shall be construed, interpreted, and governed by the laws of the State of Hawaii.

26. Ratification. To the extent of any conflict or inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement shall govern and control to the extent only where there is any conflict or inconsistency with regard to the terms and conditions that Lessee must satisfy and successfully perform in order for it to be issued an extension of the term of the Lease by the State for the Subject Property pursuant to Act 219.

27. Headings. The article and paragraph headings herein are inserted only for convenience and reference and shall in no way define, describe or limit the scope or intent of any provision of this Agreement.

28. Partial Invalidity. In case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect which is not material to the transactions contemplated hereunder, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall

be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

29. Assignment. Any and all rights under this Agreement granted to Lessee may not be sold, assigned, conveyed or transferred in any manner by Lessee to any other person or entity. Notwithstanding the foregoing, however, Lessee may assign this entire Agreement and the development rights provided for herein to an institutional lender or lenders providing financing for the development of all or any portion of the Subject Property as security for the repayment of such loan or loans, with the prior written consent of the State.

30. State's Right to Assign. It is specifically understood and agreed that the State (through the Board) may convey or otherwise transfer the Subject Property subject to the terms and conditions of this Agreement, and assign this entire Agreement (including, but not limited to the assignment of any lease issued or to be issued under this Agreement) to any other department or agency of the State of Hawaii, subject to such department or agency affirmatively agreeing to accept such Subject Property subject to the terms and conditions of this Agreement and assuming all undertakings and obligations under this Agreement and/or the extension of the term of the Lease issued or to be issued under this Agreement. Upon any such assignment, Lessee agrees to attorn to the assignee on the terms and conditions of this Agreement, the lease, or any other lease that is part of this Agreement.

31. Development Rights. Upon the expiration or any early termination of this Agreement by the State for whatever reason, all development rights, permits, approvals, plans, specifications, etc. prepared by or for Lessee in connection with Lessee's efforts relating to the proposed development and improvements to be constructed at the Subject Property or under this Agreement shall, to the extent owned by and/or assignable by Lessee, vest with and become a part of the Subject Property of the State. At the request of the State, Lessee shall do all things reasonably necessary to assign to the State, all such development rights, permits, approvals, plans, specifications, etc.

32. Modification. This Agreement may only be amended or modified by written agreement signed by all parties; provided however, this Agreement may only be amended or modified with the approval of the Chairperson.

33. DLNR. Notwithstanding anything herein to the contrary, it is specifically understood and agreed by the parties that: (a) the "State" as used herein means the Department of Land and Natural Resources, State of Hawaii, and the "Chairperson" as used herein means the Chairperson of the Board of Land and Natural Resources; (b) whenever action is taken, or required to be taken by the "State" under this Agreement (e.g., approve, disapprove, consent or otherwise), it shall be deemed to be an act of only the Board of Land and Natural Resources, and shall not be construed to be the act of any other department or agency of the State of Hawaii. Lessee acknowledges and accepts the responsibility for obtaining all entitlements and governmental approvals from the other applicable governing boards, agencies and departments of the State, County and Federal Government.

34. No Third Party Beneficiaries. No third party beneficiaries are intended by this Agreement, and the terms and provisions of this Agreement shall not give rise to any right in third parties to enforce the provisions of this Agreement.

35. Nondiscrimination. The use of the Subject Property shall not be in support of any policy which discriminates against anyone based upon race, creed, color, national origin or a physical handicap.

36. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

37. Time is of the Essence. Time is of the essence in all provisions of this Agreement.

38. Exhibits. The following exhibits are attached to this Agreement and deemed incorporated herein this Agreement by reference:

Exhibit A: Map of Subject Property

Exhibit B: Lessee's Development Plan dated _____.

[THE NEXT PAGE IS THE SIGNATURE PAGE.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

Approved and Executed by the Chairperson pursuant to authority granted by the Board of Land and Natural Resources at its meetings held on October 26, 2012 and _____, 2013.

STATE OF HAWAII

By _____
Chairperson of the Board of Land and
Natural Resources
State

APPROVED AS TO FORM:

Name: _____
Deputy Attorney General
Dated: _____

HILO-HAWAIIAN ASSOCIATES, INC.,
a Hawaii corporation

By _____
Name: _____
Its: _____
Lessee

STATE OF HAWAII)
) SS.
COUNTY OF _____)

On this _____ day of _____, 20_____, before me personally appeared _____ to me personally known, who, being by me duly sworn, did say that he/she is the _____ of **HILO-HAWAIIAN ASSOCIATES, INC.**, a Hawaii corporation, and that the foregoing instrument was signed in behalf of said company by authority of its _____, and the said _____ acknowledged said instrument to be the free act and deed of said company.

Notary Public, State of Hawaii

My commission expires: _____

EXHIBIT A MAP OF SUBJECT PROPERTY

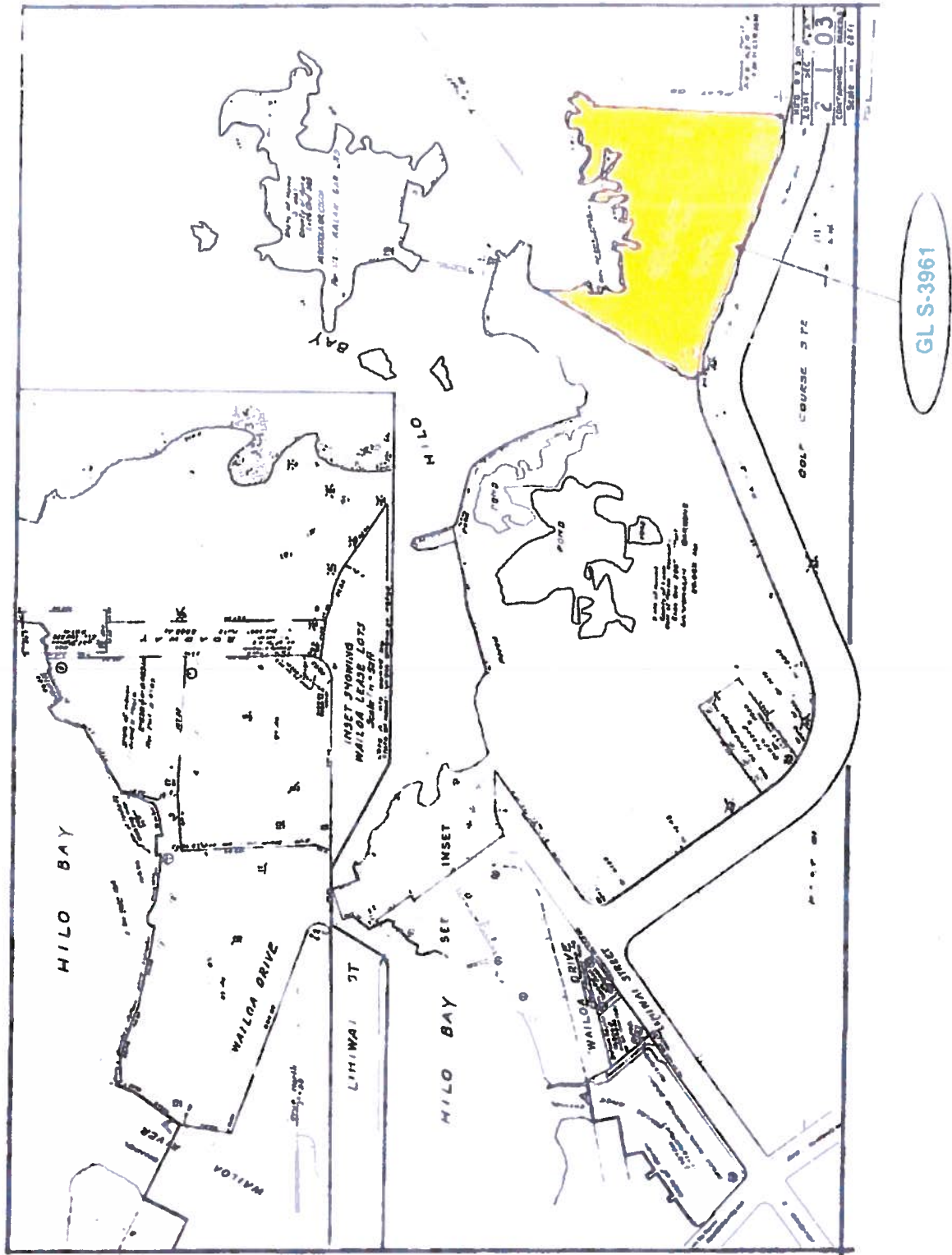


EXHIBIT A MAP OF SUBJECT PROPERTY

TMK: 3RD/2-1-03:05

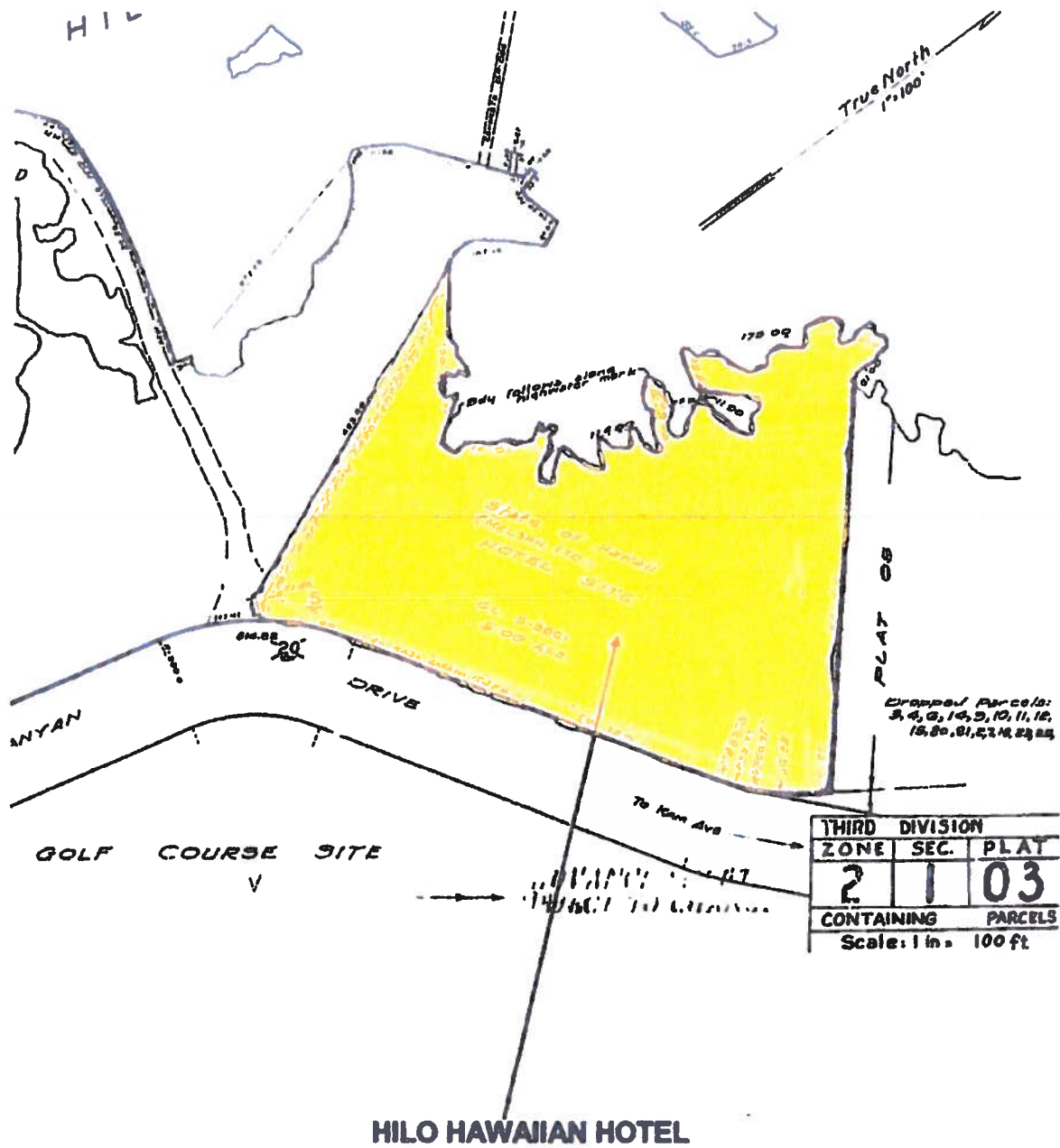


EXHIBIT B
LESSEE'S DEVELOPMENT PLAN

HILO HAWAIIAN HOTEL - CAPITAL IMPROVEMENTS

	Contract	Architect, Interior Design, Construction Management	Materials	Purchasing Agent (Note 1)	Total
Roof Resurfacing, Guest Rooms and Corridors					
Demolition	\$ 234,206	\$ 32,333	\$	\$	\$ 266,539
Re-roofing	\$ 218,440	\$ 30,156	\$	\$	\$ 248,596
Carpentry: Suite kitchenettes, drywall, bath accessories, vanity mirror	\$ 258,261	\$ 35,654	\$ 176,293	\$ 22,329	\$ 492,537
Tile	\$ 313,230	\$ 43,242	\$ 140,393	\$ 17,782	\$ 514,647
Carpet	\$ 202,275	\$ 27,925	\$ 308,072	\$ 39,020	\$ 577,292
Paint / Wall Covering	\$ 434,212	\$ 59,944	\$ 284,139	\$ 35,989	\$ 814,284
Plumbing	\$ 308,407	\$ 42,576	\$ 149,974	\$ 18,996	\$ 519,953
Tub Refinishing	\$ 79,874	\$ 11,027	\$	\$	\$ 90,901
HVAC Controls	\$ 171,754	\$ 23,711	\$	\$	\$ 195,465
Fire Alarm, Lighting, Electrical	\$ 229,420	\$ 31,672	\$ 386,585	\$ 48,965	\$ 696,642
Window Treatment			\$ 232,026	\$ 29,388	\$ 261,414
Kitchen	\$ 275,000	\$ 37,964	\$	\$	\$ 312,964
SUBTOTAL	\$ 2,725,079	\$ 376,204	\$ 1,677,482	\$ 212,470	\$ 4,991,235
Chiller / Cooling Towers (Excludes Electrical Cost)					\$ 840,207
TOTAL					\$ 5,831,442
Other Renovation Expenses (Note 2)					
Furniture, Fixtures and Equipment					\$ 1,000,000
Bedding					\$ 423,250
					\$ 1,423,250

Note 1: See Purchasing Agency contract.

Note 2: The FF&E are not considered improvements to the real property under Act 219 SLH 2011. Therefore, the cost of these items is not included in the total cost of the Development Plan

Hilo Hawaiian Hotel Room Renovation
3-25-13

ID	Task Name	Duration	Start	Finish	Predecessors
54	Layout Fire Alarm Demo	2 days	Tue 6/25/13	Wed 6/26/13	52FS-11 days
55	Plumbing Rough-in	10 days	Wed 6/26/13	Wed 7/10/13	53FS-11 days
56	Electrical Rough-in	10 days	Wed 6/26/13	Wed 7/10/13	53FS-11 days
57	Fire Alarm Rough-in	10 days	Wed 6/26/13	Wed 7/10/13	53FS-11 days
58	Wallcovering - Rooms	12 days	Wed 6/26/13	Fri 7/12/13	53FS-11 days
59	Tile Backboard / Backing	6 days	Thu 6/27/13	Fri 7/15/13	55FS-9 days
60	Prime Walls	5 days	Mon 7/1/13	Mon 7/8/13	59FS-4 days
61	Ceramic Tile	10 days	Tue 7/2/13	Tue 7/16/13	60FS-4 days
62	Paint rooms	6 days	Fri 7/5/13	Fri 7/12/13	60FS-2 days
63	Toilet Accessories	6 days	Mon 7/8/13	Mon 7/15/13	62FS-5 days
64	Carpet & Base	12 days	Wed 7/10/13	Thu 7/25/13	61FS-5 days
65	Paint Corridor Ceiling	3 days	Thu 7/11/13	Mon 7/15/13	57
66	Kitchen Cabinets	1 day	Mon 7/15/13	Mon 7/15/13	56,58
67	Kitchen Counters	2 days	Tue 7/16/13	Wed 7/17/13	66
68	Plumbing Finishes	8 days	Mon 7/15/13	Wed 7/24/13	7,82
69	Elect Finishes	8 days	Mon 7/15/13	Wed 7/24/13	56,58,62
70	Wallcovering - Corridor	6 days	Tue 7/16/13	Tue 7/23/13	65
71	Tub Refinishing	10 days	Thu 7/18/13	Wed 7/31/13	68FS-5 days
72	Draperies	6 days	Tue 7/23/13	Tue 7/30/13	64FS-3 days
73	Corridor Carpet	3 days	Wed 7/24/13	Fri 7/26/13	64FS-2 days
74	Punchlist	5 days	Fri 7/26/13	Thu 8/1/13	64
75	FF&E	5 days	Fri 8/2/13	Thu 8/8/13	74
76	5th Floor	33 days	Fri 7/15/13	Tue 8/20/13	
77	Liquidation	11 days	Fri 7/15/13	Fri 7/19/13	50
78	Demo	11 days	Mon 7/18/13	Mon 7/22/13	77FS-10 days
79	Layout Fire Alarm Demo	2 days	Mon 7/18/13	Tue 7/19/13	77FS-10 days
80	Plumbing Rough-in	10 days	Tue 7/19/13	Mon 7/22/13	78FS-10 days
81	Electrical Rough-in	10 days	Tue 7/19/13	Mon 7/22/13	78FS-10 days
82	Fire Alarm Rough-in	10 days	Tue 7/19/13	Mon 7/22/13	78FS-10 days
83	Wallcovering - Rooms	12 days	Tue 7/19/13	Wed 7/24/13	78FS-10 days
84	Tile Backboard / Backing	6 days	Wed 7/10/13	Wed 7/17/13	80FS-9 days
85	Prime Walls	5 days	Mon 7/15/13	Fri 7/19/13	84FS-3 days
86	Ceramic Tile	10 days	Tue 7/16/13	Mon 7/29/13	85FS-4 days
87	Paint rooms	7 days	Mon 7/22/13	Tue 7/30/13	86FS-6 days
88	Toilet Accessories	6 days	Tue 7/23/13	Tue 7/30/13	87FS-6 days
89	Carpet & Base	12 days	Mon 7/22/13	Tue 8/6/13	83FS-3 days, 86FS-13 days
90	Paint Corridor Ceiling	3 days	Wed 7/24/13	Fri 7/26/13	82FS+1 day
91	Kitchen Cabinets	1 day	Thu 7/25/13	Thu 7/25/13	81,83
92	Kitchen Counters	2 days	Fri 7/26/13	Mon 7/29/13	91
93	Wallcovering - Corridor	5 days	Mon 7/29/13	Fri 8/2/13	90
94	Plumbing Finishes	8 days	Wed 7/31/13	Fri 8/9/13	87,83
95	Elect Finishes	8 days	Wed 7/31/13	Fri 8/9/13	83,87
96	Tub Refinishing	10 days	Thu 8/1/13	Wed 8/14/13	95FS-7 days
97	Draperies	6 days	Fri 8/2/13	Fri 8/9/13	89FS-3 days
98	Corridor Carpet	3 days	Mon 8/5/13	Wed 8/7/13	89FS-2 days
99	Punchlist	5 days	Wed 8/7/13	Tue 8/13/13	88FS-1 day
100	FF&E	5 days	Wed 8/14/13	Tue 8/20/13	99
101	4th Floor	33 days	Fri 8/9/13	Wed 8/25/13	
102	Liquidation	11 days	Fri 8/9/13	Fri 8/23/13	75
103	Demo	11 days	Mon 8/12/13	Mon 8/26/13	102FS-10 days
104	Layout Fire Alarm Demo	2 days	Mon 8/12/13	Tue 8/13/13	102FS 10 days
105	Plumbing Rough-in	10 days	Tue 8/13/13	Mon 8/26/13	103FS-10 days
106	Electrical Rough-in	10 days	Tue 8/13/13	Mon 8/26/13	103FS-10 days

Hilo Hawaiian Hotel Room Renovation

3-25-13

ID	Task Name	Duration	Start	Finish	Predecessors
107	Fire Alarm Rough-in	10 days	Tue 8/13/13	Mon 8/26/13	103FS-10 days
108	Wallcovering - Rooms	12 days	Tue 8/13/13	Wed 8/28/13	103FS-10 days
109	Tile Backboard / Backing	6 days	Wed 8/14/13	Wed 8/21/13	105FS-9 days
110	Prime Walls	5 days	Fri 8/16/13	Thu 8/22/13	109FS-4 days
111	Ceramic Tile	10 days	Mon 8/19/13	Fri 8/30/13	110FS-4 days
112	Paint rooms	7 days	Fri 8/23/13	Tue 9/3/13	111FS-6 days
113	Toilet Accessories	6 days	Mon 8/26/13	Tue 9/3/13	112FS-6 days
114	Carpet & Base	12 days	Fri 8/23/13	Tue 9/10/13	111FS-6 days
115	Paint Corridor Ceiling	3 days	Tue 8/27/13	Thu 8/29/13	107
116	Wallcovering - Corridor	5 days	Fri 8/30/13	Fri 9/6/13	115
117	Kitchen Cabinets	1 day	Wed 9/4/13	Wed 9/4/13	108,112
118	Kitchen Counters	2 days	Thu 9/5/13	Fri 9/6/13	117
119	Plumbing Finishes	8 days	Wed 9/4/13	Fri 9/13/13	108,112
120	Elect Finishes	8 days	Wed 9/4/13	Fri 9/13/13	108,112
121	Tub Refinishing	10 days	Mon 9/9/13	Fri 9/20/13	119FS-5 days
122	Drapery	6 days	Fri 9/6/13	Fri 9/13/13	114FS-3 days
123	Corridor Carpet	3 days	Mon 9/9/13	Wed 9/11/13	114FS-2 days
124	Punchlist	5 days	Thu 9/12/13	Wed 9/18/13	123
125	FF&E	5 days	Thu 9/19/13	Wed 9/25/13	124
126	3rd Floor	33 days	Wed 8/21/13	Mon 10/7/13	
127	Liquidation	11 days	Wed 8/21/13	Thu 9/5/13	100
128	Demo	11 days	Thu 8/22/13	Fri 9/6/13	127FS-10 days
129	Layout Fire Alarm Demo	2 days	Thu 8/22/13	Fri 8/23/13	127FS-10 days
130	Plumbing Rough-in	10 days	Fri 8/23/13	Fri 9/6/13	128FS-10 days
131	Electrical Rough-in	10 days	Fri 8/23/13	Fri 9/6/13	128FS-10 days
132	Fire Alarm Rough-in	10 days	Fri 8/23/13	Fri 9/6/13	128FS-10 days
133	Wallcovering - Rooms	12 days	Fri 8/23/13	Tue 9/10/13	128FS-10 days
134	Tile Backboard / Backing	6 days	Mon 8/26/13	Tue 9/3/13	130FS-9 days
135	Prime Walls	5 days	Wed 8/28/13	Wed 9/4/13	134FS-4 days
136	Ceramic Tile	10 days	Thu 8/29/13	Thu 9/12/13	135FS-4 days
137	Paint rooms	7 days	Wed 9/4/13	Thu 9/12/13	136FS-7 days
138	Toilet Accessories	6 days	Thu 9/5/13	Thu 9/12/13	137FS-6 days
139	Carpet & Base	12 days	Wed 9/4/13	Thu 9/19/13	136FS-7 days
140	Paint Corridor Ceiling	3 days	Mon 9/9/13	Wed 9/11/13	132
141	Kitchen Cabinets	1 day	Wed 9/11/13	Wed 9/11/13	133,131
142	Kitchen Counters	2 days	Thu 9/12/13	Fri 9/13/13	141
143	Wallcovering - Corridor	5 days	Thu 9/12/13	Wed 9/18/13	140
144	Plumbing Finishes	8 days	Fri 9/13/13	Tue 9/24/13	133,137
145	Elect Finishes	8 days	Fri 9/13/13	Tue 9/24/13	133,137
146	Tub Refinishing	10 days	Wed 9/18/13	Tue 10/1/13	144FS-5 days
147	Drapery	6 days	Tue 9/17/13	Tue 9/24/13	139FS-3 days
148	Corridor Carpet	3 days	Wed 9/18/13	Fri 9/20/13	139FS-2 days
149	Punchlist	6 days	Mon 9/23/13	Mon 9/30/13	148
150	FF&E	5 days	Tue 10/1/13	Mon 10/7/13	149
151	2nd Floor	27 days	Thu 9/26/13	Mon 11/4/13	
152	Liquidation	3 days	Thu 9/26/13	Mon 9/30/13	125
153	Demo	3 days	Fri 9/27/13	Tue 10/1/13	152FS-2 days
154	Layout Fire Alarm Demo	2 days	Fri 9/27/13	Mon 9/30/13	152FS-2 days
155	Plumbing Rough-in	4 days	Mon 9/30/13	Thu 10/3/13	153FS-2 days
156	Electrical Rough-in	4 days	Mon 9/30/13	Thu 10/3/13	153FS-2 days
157	Fire Alarm Rough-in	4 days	Mon 9/30/13	Thu 10/3/13	153FS-2 days
158	Wallcovering - Rooms	4 days	Mon 9/30/13	Thu 10/3/13	153FS-2 days
159	Tile Backboard / Backing	3 days	Wed 10/2/13	Fri 10/4/13	156FS-2 days

Hilo Hawaiian Hotel Room Renovation

3-25-13

ID	Task Name	Duration	Start	Finish	Predecessors
160	Prime Walls	3 days	Fri 10/4/13	Tue 10/8/13	159FS-1 day
161	Ceramic Tile	4 days	Tue 10/8/13	Fri 10/11/13	160FS-1 day
162	Paint rooms	3 days	Fri 10/11/13	Wed 10/16/13	161FS-1 day
163	Toilet Accessories	3 days	Wed 10/16/13	Fri 10/18/13	162FS-1 day
164	Carpet & Base	4 days	Tue 10/15/13	Fri 10/18/13	161
165	Paint Corridor Ceiling	3 days	Fri 10/4/13	Tue 10/8/13	157
166	Wallcovering - Corridor	3 days	Fri 10/11/13	Wed 10/16/13	165FS+2 days
167	Plumbing Finishes	3 days	Thu 10/17/13	Mon 10/21/13	162
168	Elect Finishes	3 days	Thu 10/17/13	Mon 10/21/13	162
169	Tub Refinishing	3 days	Mon 10/21/13	Wed 10/23/13	167FS-1 day
170	Drapery	3 days	Mon 10/21/13	Wed 10/23/13	164
171	Corridor Carpet	3 days	Mon 10/21/13	Wed 10/23/13	164
172	Punchlist	4 days	Thu 10/24/13	Tue 10/29/13	171
173	FF&E	4 days	Wed 10/30/13	Mon 11/4/13	172



Roy L. Yamamoto
Architect, AIA, Inc.
Architectural & Planning
1111 Kalia Road, Suite 1100
Honolulu, Hawaii 96813
Phone: (808) 943-1111
Fax: (808) 943-1112
www.roylyamamoto.com



Project Name:
Interior
Alterations
to
HILO HAWAIIAN
HOTEL
(Owner: Hilo Hawaiian Hotel)

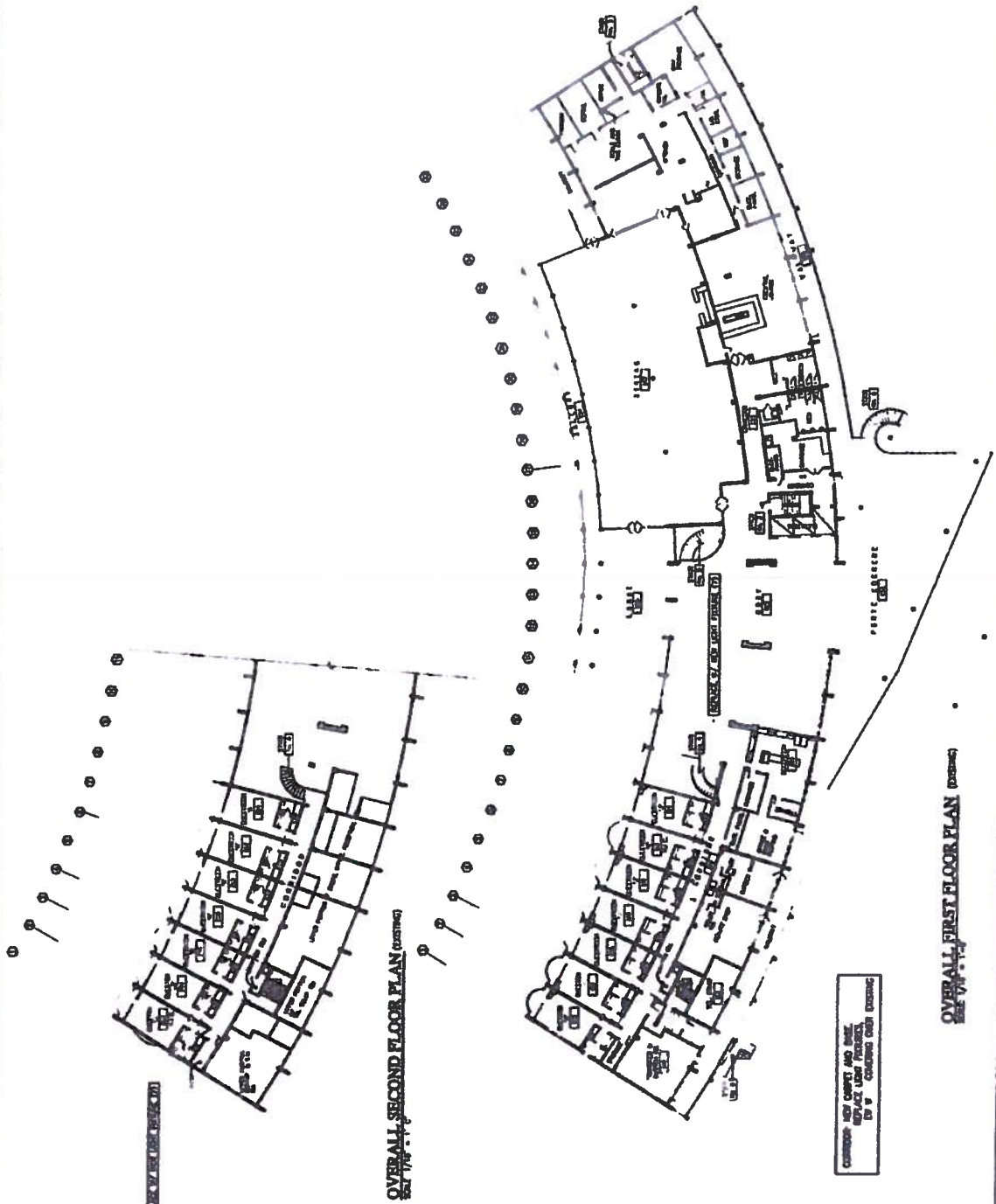
71 Bayview Drive
Hilo, Hawaii 96720
TEL: 943-1111

Sheet Title:
OVERALL FIRST
FLOOR & SECOND
FLOOR PLANS

Scale:

Project Number: 1234
Drawn By: J. L. Yamamoto
Date: 12/14/2012

Sheet Number:
A-1.0
Sheet 1 of 1





Roy E. Yamamoto
Architect, A.A. Inc.
Architects & Planners
1111 Kalia Road, Suite 100
Honolulu, Hawaii 96813
Phone: (808) 943-1111
Fax: (808) 943-1112

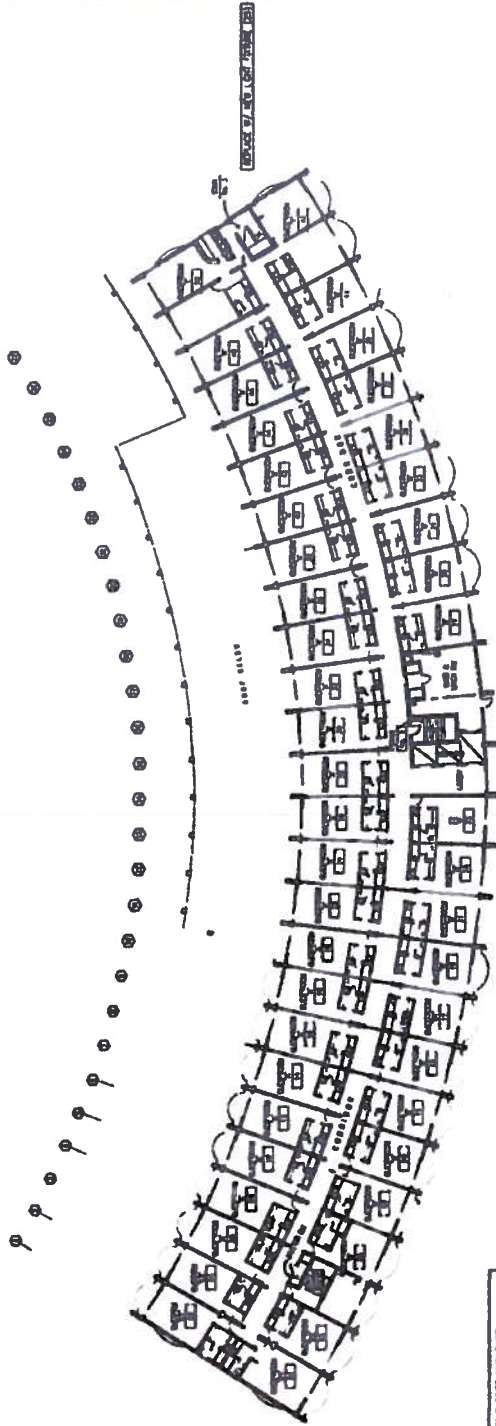


Project Name:
Interior
Alterations
to
HELO HAWAIIAN
HOTEL
(Guestrooms & Corridors)
71 Bayview Drive
Honolulu, Hawaii 96813
Date: 12/14/2011

Sheet Title:
OVERALL THIRD TO EIGHTH FLOOR PLAN

Project Number: 1211
Drawn By: JY/2011
Date: 12/14/2011

Sheet Number:
A-1.1
Sheet 1 of 1



NOTE:
FOLLOWING ROOMS ON EIGHTH FLOOR ARE IN C
P101 HOTEL ROOM
P102 HOTEL ROOM
P103 HOTEL ROOM
P104 HOTEL ROOM
P105 HOTEL ROOM
P106 HOTEL ROOM

CORRIDORS: NEW CORRIDOR AND RAMP
REPLACE LIGHT FIXTURES
NEW WALL CORRIDORS OVER EXISTING

OVERALL THIRD TO EIGHTH FLOOR PLAN (rooms)
Scale: 1/8" = 1'-0"



Project Name
Island
Alterations
to
HILO HAWAIIAN
HOTEL
(Guestroom & Corridor)
71 Bayview Drive
Hilo, Hawaii 96720
Date: 12/25/98

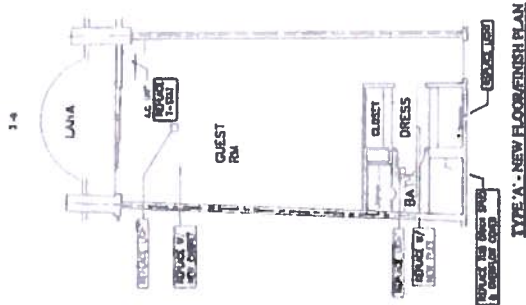
Project Name
Island
Alterations
to
HILO HAWAIIAN
HOTEL
(Guestroom & Corridor)
71 Bayview Drive
Hilo, Hawaii 96720
Date: 12/25/98

Sheet Title
REVISIONS
NEW FLOOR/FINISH PLAN
OUTDOOR ELEVATIONS

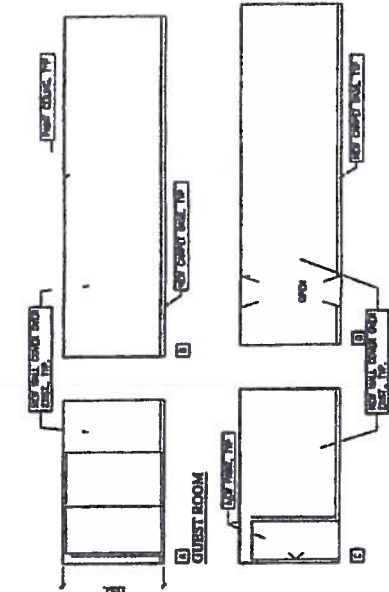
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Project Number: 1215
Drawn By: 12/25/98
Date: 12/25/98

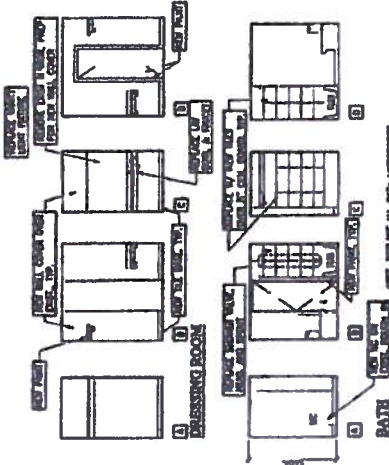
Drawing Number:
A-2.0
Sheet 1 of 1



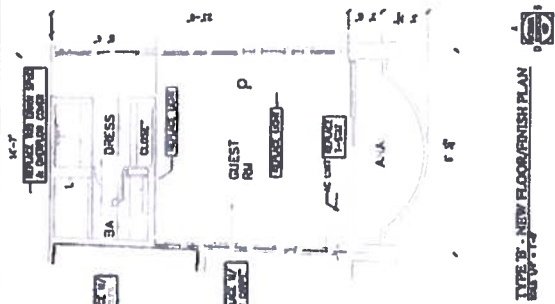
GUESTROOM - TYPE 'A'
NEW FLOOR/FINISH PLAN



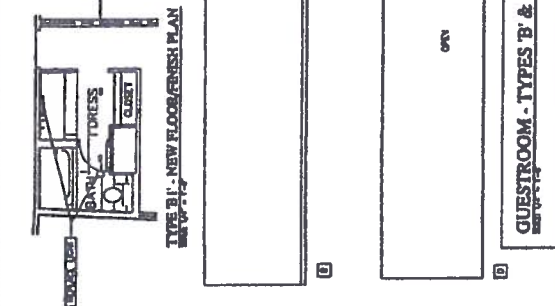
GUESTROOM - TYPE 'B'
NEW FLOOR/FINISH PLAN



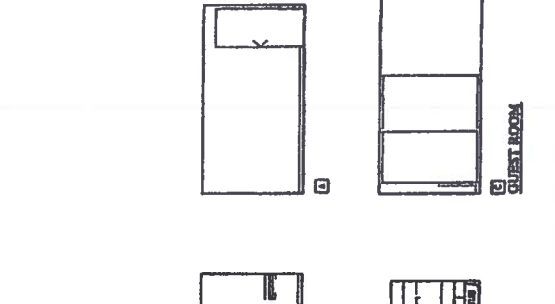
GUESTROOM - TYPE 'C'
NEW FLOOR/FINISH PLAN



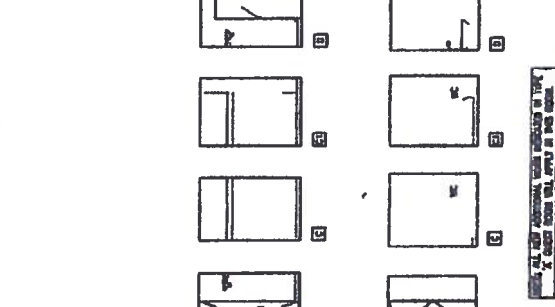
GUESTROOM - TYPE 'D'
NEW FLOOR/FINISH PLAN



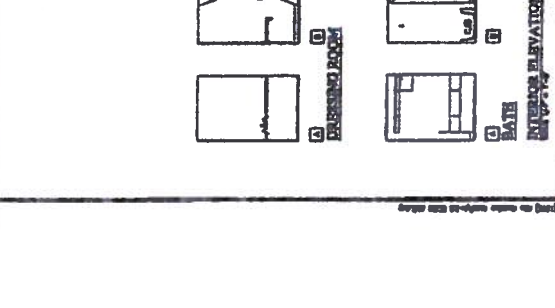
GUESTROOM - TYPE 'E'
NEW FLOOR/FINISH PLAN



GUESTROOM - TYPE 'F'
NEW FLOOR/FINISH PLAN



GUESTROOM - TYPE 'G'
NEW FLOOR/FINISH PLAN



GUESTROOM - TYPE 'H'
NEW FLOOR/FINISH PLAN

OUTDOOR ELEVATIONS

REMOVE ALL EXISTING FLOOR & FINISH

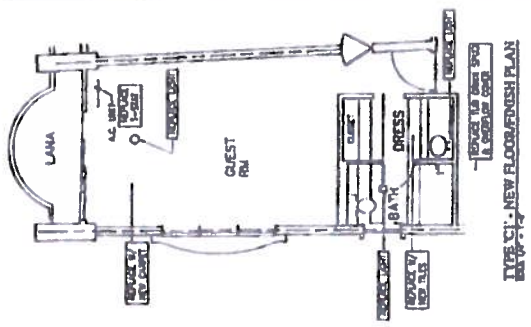


Project Name:
Interior
Alterations
to
**HILO HAWAIIAN
HOTEL**
(Guestroom & Corridor)
71 Banyan Drive
Honolulu, Hawaii 96813
Date: 12/15/2013

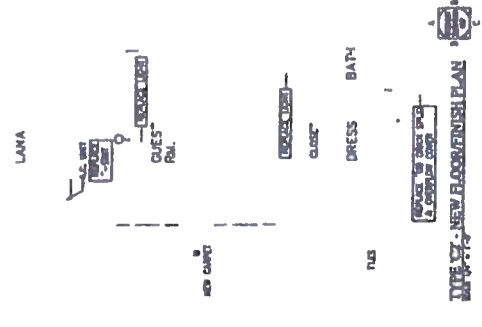
Sheet Title:
NEW FLOORFINISH PLAN
TYPE 'C1' - NEW FLOORFINISH PLAN
TYPE 'C2' - NEW FLOORFINISH PLAN

Scale: 1/8" = 1'-0"
NOT TO SCALE
SEE ELEVATIONS FOR
DIMENSIONS

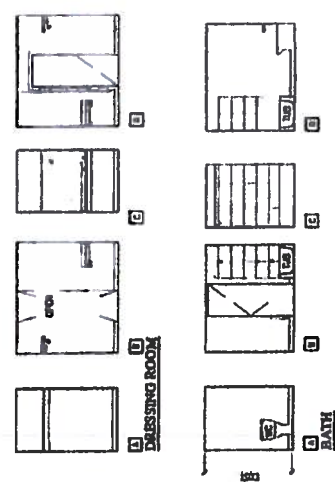
Project Number: 1219
Drawn By: JY/2013
Date: 12/15/2013
Drawing Number:
A-3.0
Sheet: 1 of 1



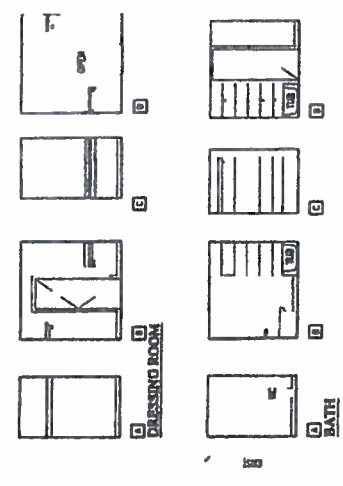
TYPE 'C1' - NEW FLOORFINISH PLAN
SEE ELEVATIONS FOR
DIMENSIONS



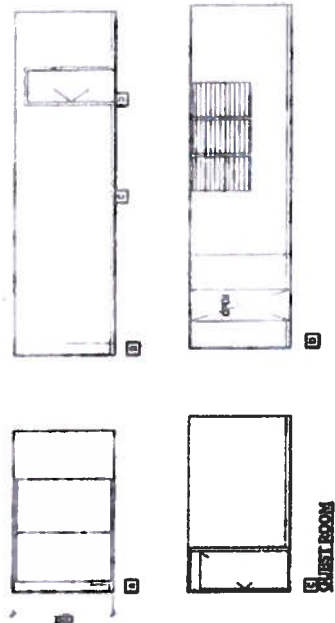
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SEE ELEVATIONS FOR
DIMENSIONS



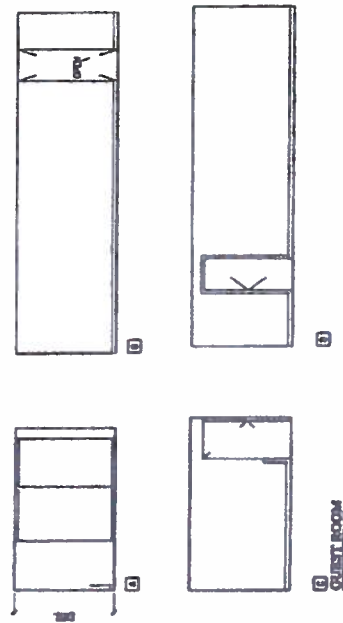
GUESTROOM - TYPE 'C1'
SEE ELEVATIONS FOR
DIMENSIONS



GUESTROOM - TYPE 'C2'
SEE ELEVATIONS FOR
DIMENSIONS



GUESTROOM - TYPE 'C1'
SEE ELEVATIONS FOR
DIMENSIONS



GUESTROOM - TYPE 'C2'
SEE ELEVATIONS FOR
DIMENSIONS

NOT TO SCALE
SEE ELEVATIONS FOR
DIMENSIONS



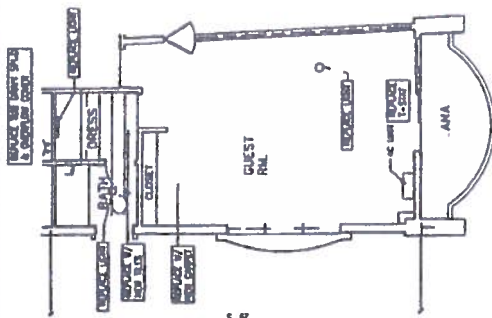
Project Name:
Interior
Alterations
Hilo Hawaian
Hotel

71 Bayview Drive
Hilo, Hawaii 96720
Tel: 555-1234

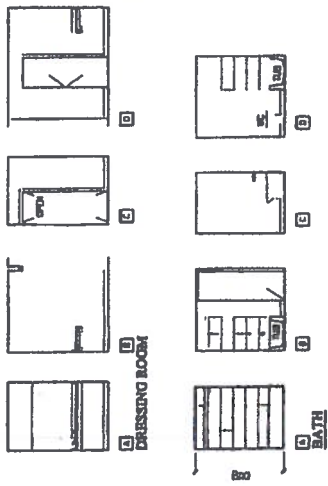
Sheet No.
1234567890
NEW HAWAIIAN HOTEL
INTERIOR ALTERATIONS
FLOOR FINISH PLAN

Project Number: 1234
Drawn By: J. Smith
Date: 12/15/2011

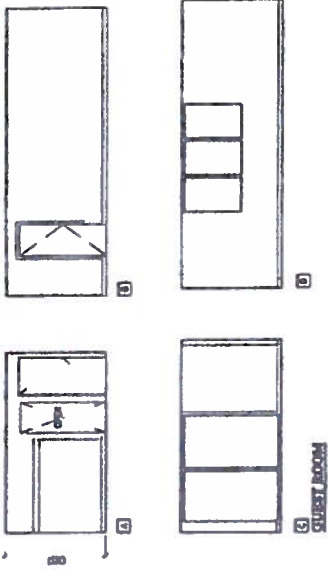
Drawing Number:
A-4.0



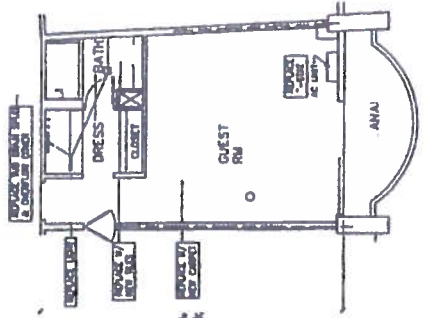
TYPE D1 - NEW FLOOR FINISH PLAN
12' x 14'



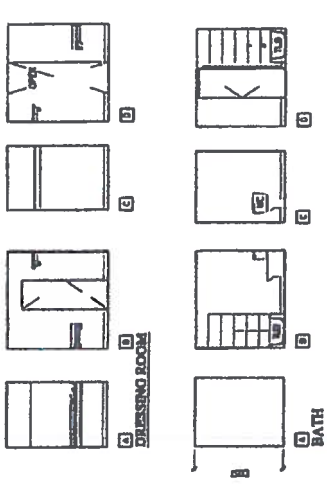
GUESTROOM - TYPE D1
12' x 14'



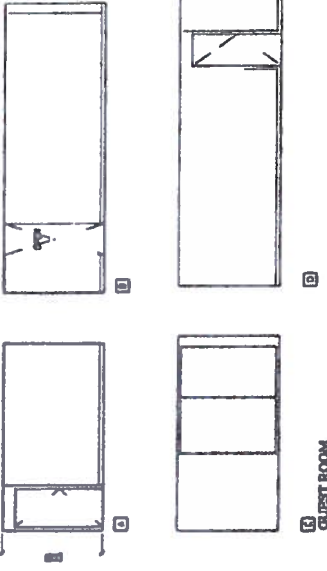
INTERIOR ELEVATIONS
ALL NEW ADDITIONS AND ALTERATIONS TO THE
EXISTING ROOM WILL APPLY IN THIS ROOM.



TYPE D2 - NEW FLOOR FINISH PLAN
12' x 14'



GUESTROOM - TYPE D2
12' x 14'



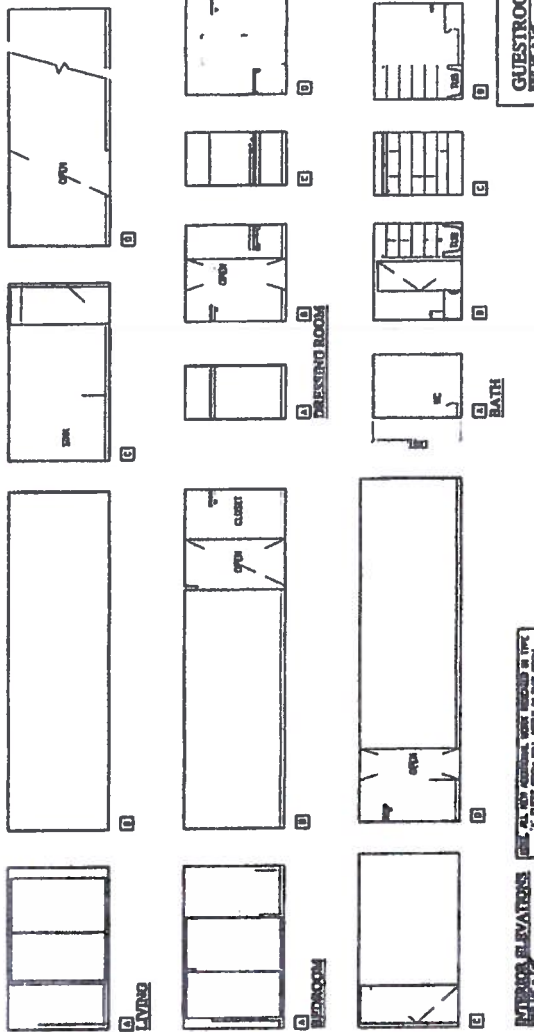
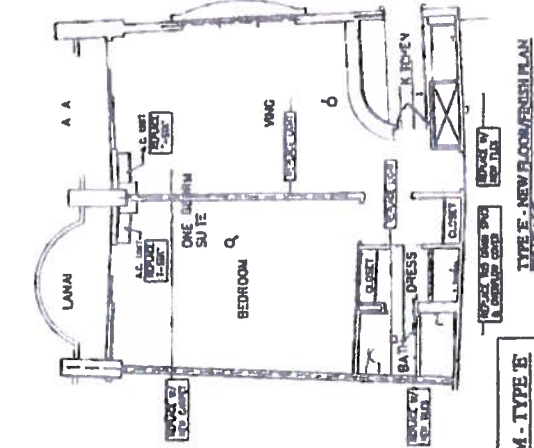
INTERIOR ELEVATIONS
ALL NEW ADDITIONS AND ALTERATIONS TO THE
EXISTING ROOM WILL APPLY IN THIS ROOM.



Project Name
Interior Alterations
to
HILO HAWAIIAN
HOTEL
(Guestroom & Corridor)
71 Banyan Drive
Hilo, Hawaii 96720
Date: 11/20/2011

Scale: 1/8" = 1'-0"
SHEET NO. 1 OF 2
DATE: 11/20/2011
PROJECT: HILO HAWAIIAN HOTEL
SUBJECT: INTERIOR ALTERATIONS

Project Number: 1210
Drawn By: JAY/AB
Date: 11/20/2011
Checked By: JAY/AB
Scale: 1/8" = 1'-0"
SHEET NO. 1 OF 2
DATE: 11/20/2011
PROJECT: HILO HAWAIIAN HOTEL
SUBJECT: INTERIOR ALTERATIONS



REVISIONS
1. ALL NEW FLOORING, WALLS, AND CEILING TO BE DONE.
2. ALL NEW FLOORING, WALLS, AND CEILING TO BE DONE.

REVISIONS
1. ALL NEW FLOORING, WALLS, AND CEILING TO BE DONE.
2. ALL NEW FLOORING, WALLS, AND CEILING TO BE DONE.



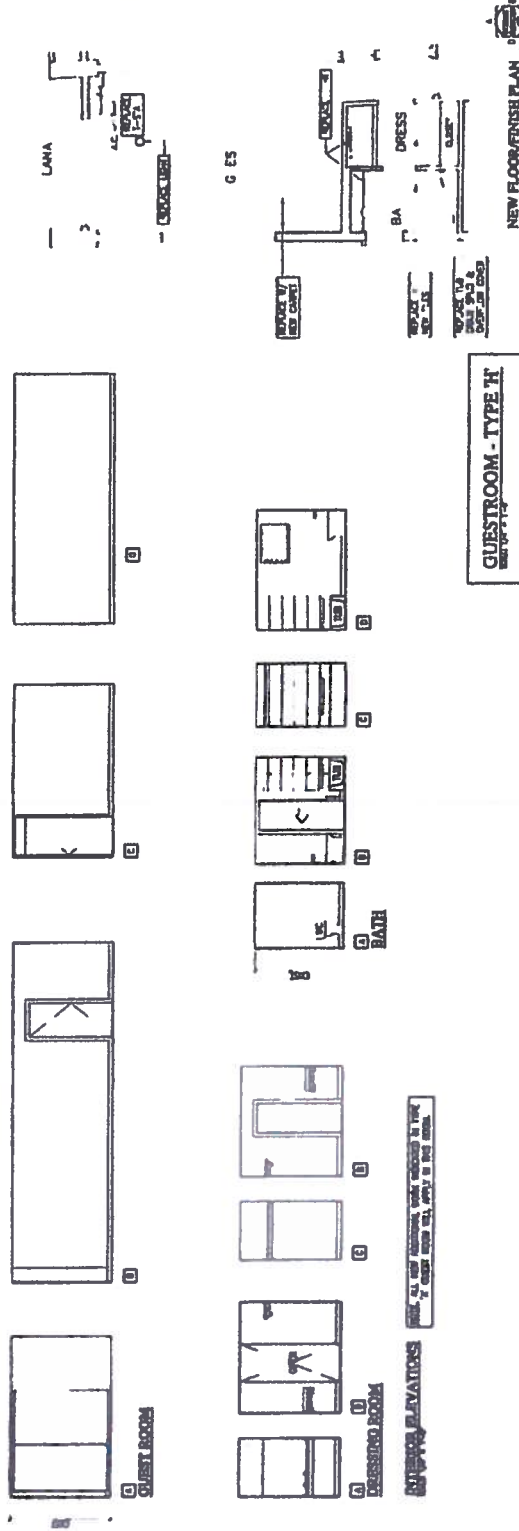
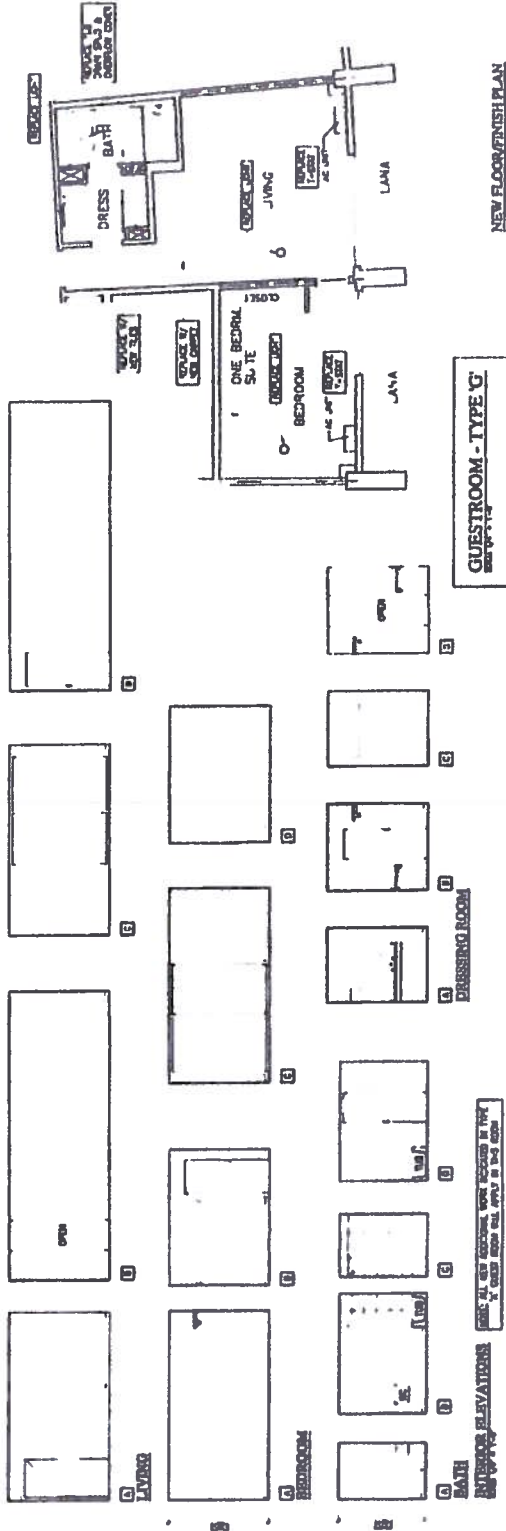
Project Name:
Interior
Alterations
to
HILO HAWAIIAN
HOTEL
(Comments & Questions)
711 Kapiolani Drive
Honolulu, Hawaii 96813
Tel: 808/551-1111

Sheet Title:
NEW FLOOR/FINISH PLAN
OVERSEAS ELEVATIONS

Revision:

Project Number: 1111
Drawn By: J.E.Y./J.R.
Date: 11/20/2013
Drawing Number:
A-6.0

Sheet: 1 of 1

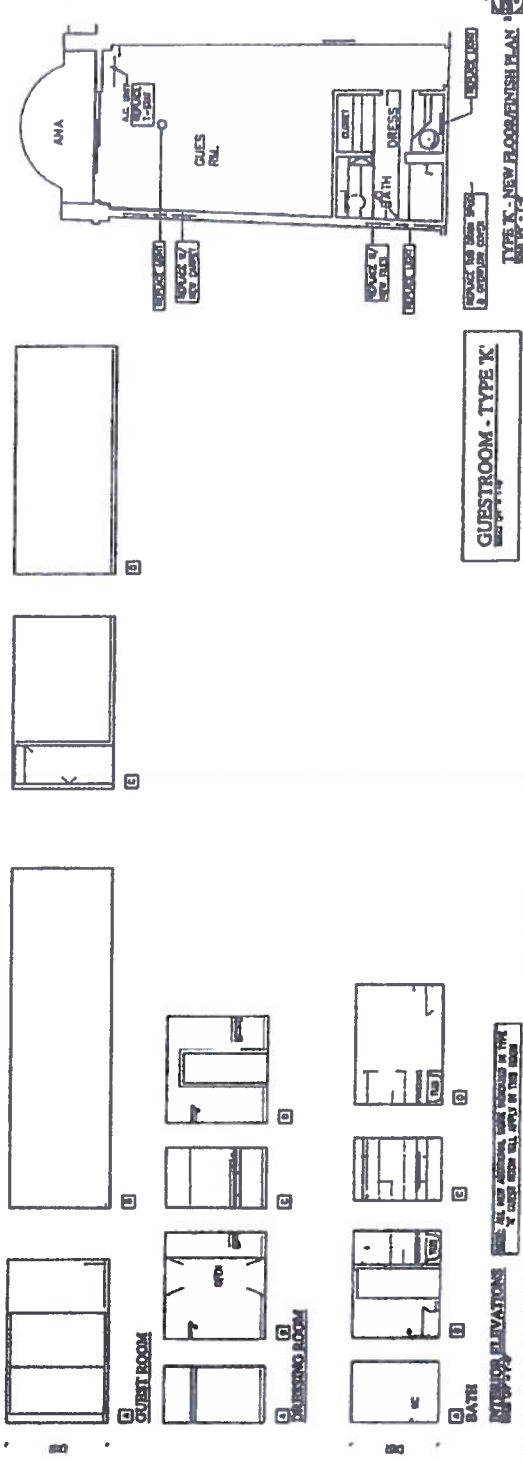
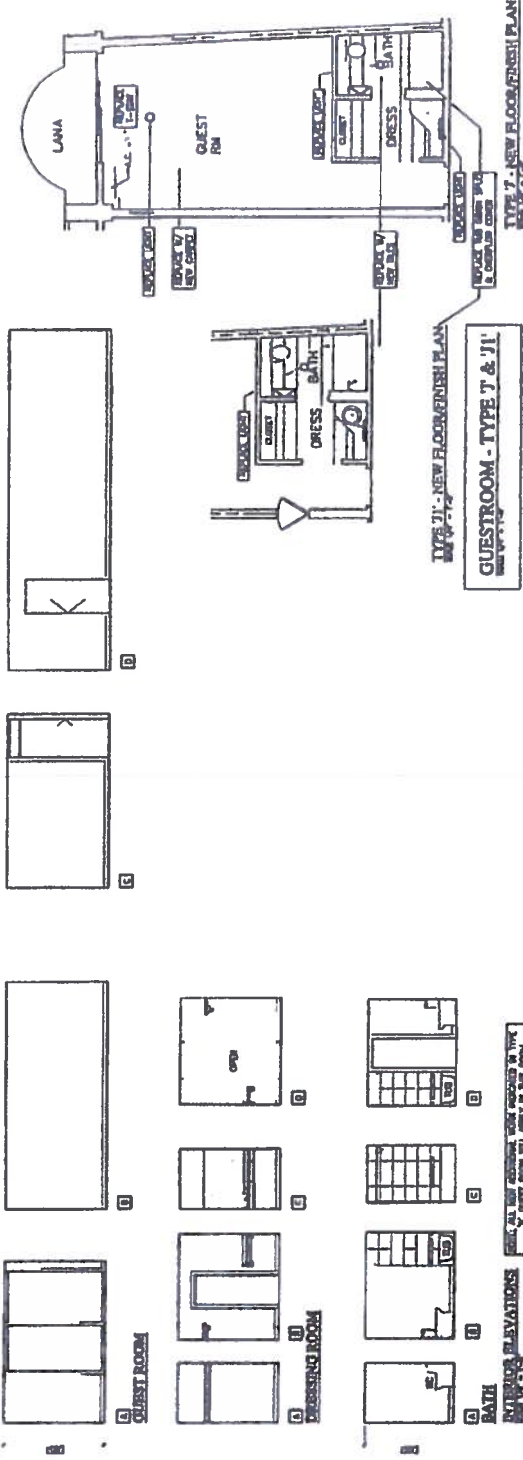




Project Name:
Interior
Alterations
to
HILO HAWAIIAN
HOTEL
(Chattanooga & Corridor)
71 Bagley Drive
Hilo, Hawaii 96720
TEL: 935-0000

Sheet Title:
NEW FLOOR/FINISH PLAN
PRELIMINARY ELEVATIONS

Project Number: 12110
Drawn By: 12/28/2011
Date: 12/28/2011
Drawing Number:
A-7.0



Filename	
Job No	2013.045
Date	8/5/2013
Sheet 1	of 1
Prepared By	M I
\$AMT:	\$75.00

PROJECT: Hilo Hawaiian Hotel Chiller Replacement

LOCATION: Hilo, Hawaii

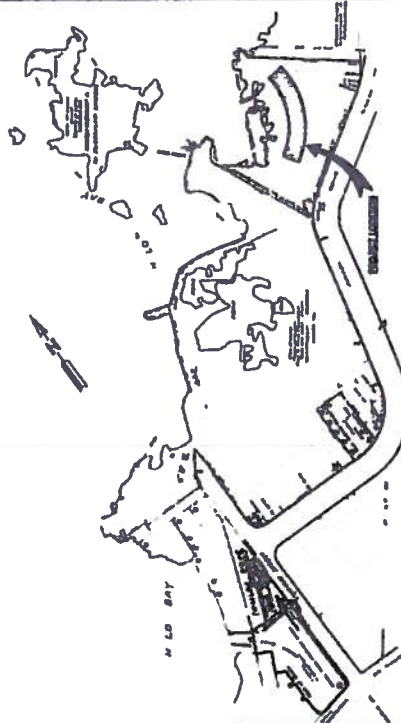
[illegible]

HILO HAWAIIAN HOTEL CHILLER REPLACEMENT

**771 BANYAN DRIVE
HILO, HAWAII
T.M.K.: 2-1-03:05
MECHANICAL ENGINEER:
MECHANICAL ENTERPRISES, INC.**

[illegible]

INDEX OF DRAWINGS

[illegible]

SEVEN NOTES

1. SPECIAL WORK TO MAINTAIN BUILDING AN ECONOMIC CRISIS GROUPS SHALL BE LIMITED TO 4-HOUR PERIODS BETWEEN THE HOURS OF 10:00 AM AND 8:00 PM
2. COLLUSION AND ASSOCIATED PUNISH SHALL BE IMPOSED ONE OF A TIME TO MAINTAIN AN ECONOMIC CRISIS
3. SPECIAL AN ECONOMIC CRISIS WILL BE MAINTAINED DURING AT LEAST A THREE HOUR PERIOD OF THE MAINTAIN CRISIS

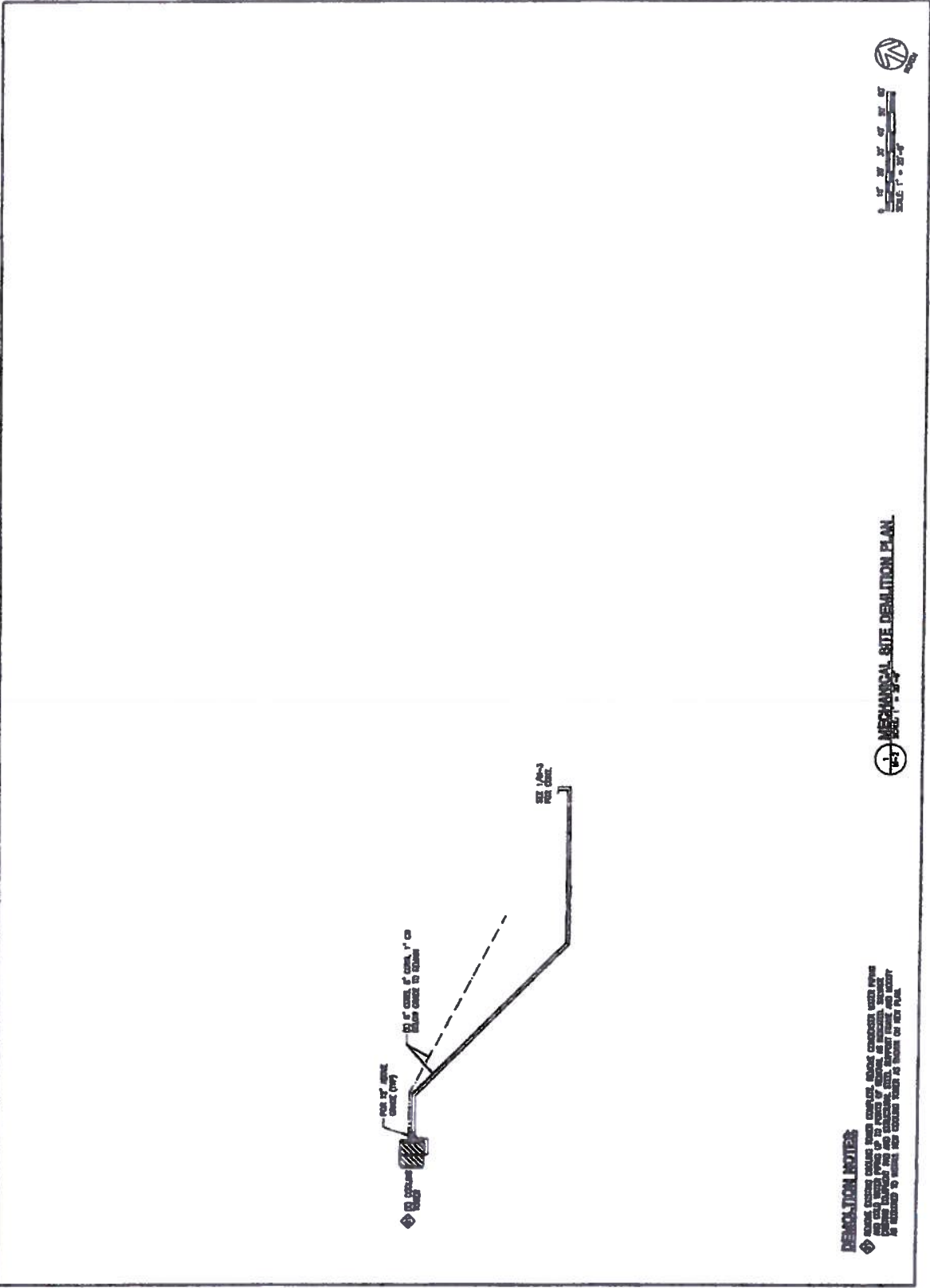
REASONING NOTES

[illegible][illegible][illegible]

UNIT	DATE ON APPROVED	DATE ON RECALL	SERIAL	10%	C/P	TAN (°)	RPA	UP IN		BACK THRU	3-1/2 IN		REMARKS	
								IN	OUT		Y	N		
⑦	2/11/34	2/11/34	CONCRETE WHEEL	CONCRETE WHEEL	206	140	1750	11-3/8	6	3	2567	68	20	WHEEL CRACKED, RECONSTRUCT, AND REPAIRED THROUGH STRESS.
⑦	2/11/34	2/11/34	CONCRETE WHEEL	CONCRETE WHEEL	309	140	1750	11-3/8	4	3	2567	63	20	WHEEL CRACKED, RECONSTRUCT, AND REPAIRED THROUGH STRESS.
⑦	2/11/34	2/11/34	STEEL WHEEL	STEEL WHEEL	312	160	1750	11-3/4	4	3	2567	69	20	WHEEL CRACKED, REPAIRED THROUGH STRESS, AND WTS.
⑦	2/11/34	2/11/34	STEEL WHEEL	STEEL WHEEL	312	160	1750	11-3/4	6	3	2567	69	20	WHEEL CRACKED, RECONSTRUCT, REPAIRED THROUGH STRESS, AND WTS.

CST	AMMUNITION AND SMALL ARMS AS REPORTED (CAL)	TOTAL WEIGHT (LBS)	CWA	TO (Y)	DZ (UT)	TIME				D-DAY				GWS AT (LBS)	REMARKS
						MIL	UP	FLA	V	F	MCA	MCP			
47	500	20	500	2	13	-	000	3	00	-	-	-	11,200	POUNCE STRENGTH DOCUMENTED AND INCREASED SPENDING REQUIRED. PROBABLY WFO FOR CWA MEXICO.	

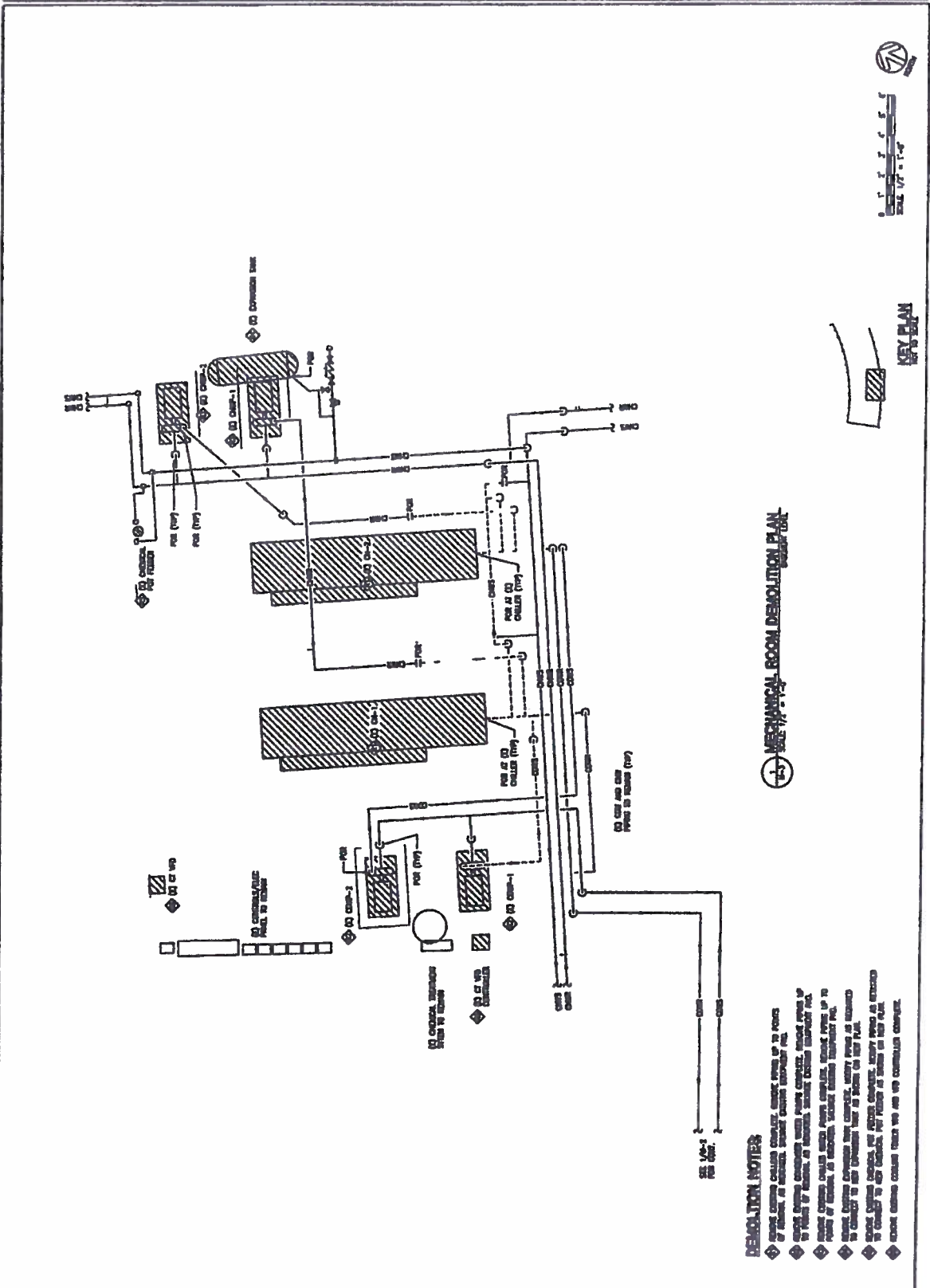
CANCER	DEFINITION AND NO. OF AFFECTED CASES	TOTAL CANCER (NO.)	CER @ 40 COUNTRIES	CANCER		CANCER		CANCER		CANCER		CANCER		CANCER		CANCER	
				CER	CER (%)	CER (%)	CER (%)	CER (%)	CER (%)	CER (%)	CER (%)	CER (%)	CER (%)				
														QTY	QTY (%)		QTY (%)
ALL	152.7	152.7	68.9	81.0	30.1	13.3	82.9	5	34.4	23.0	94.5	310.0	40	3	22.0	230	7.81
BLADDER	125.7	125.7	18.9	8.0	28.9	13.3	82.9	5	34.4	23.0	94.5	310.0	40	3	22.0	230	7.81

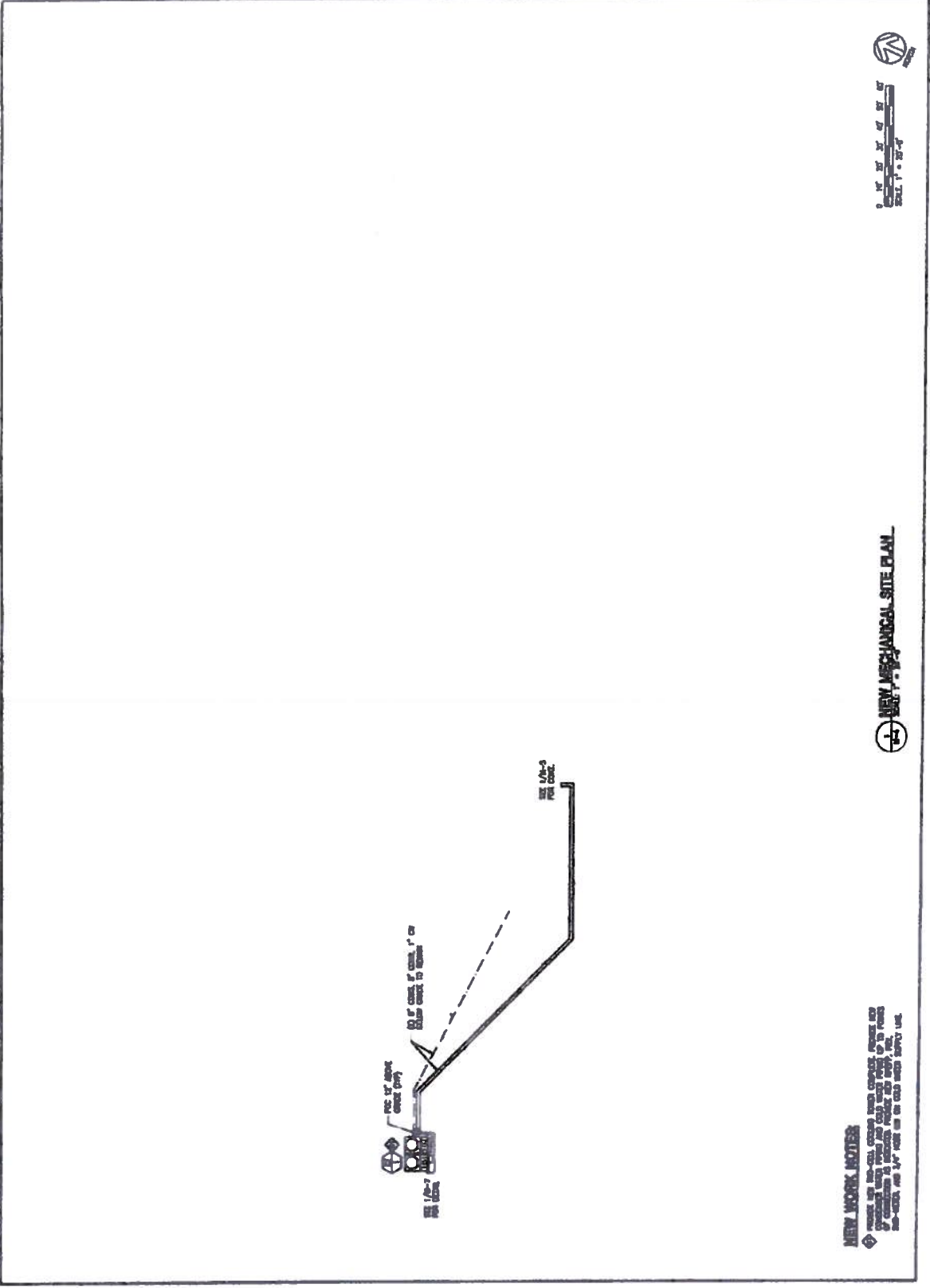


MECHANICAL SITE DEMOLITION PLAN

DEMOLITION NOTES:

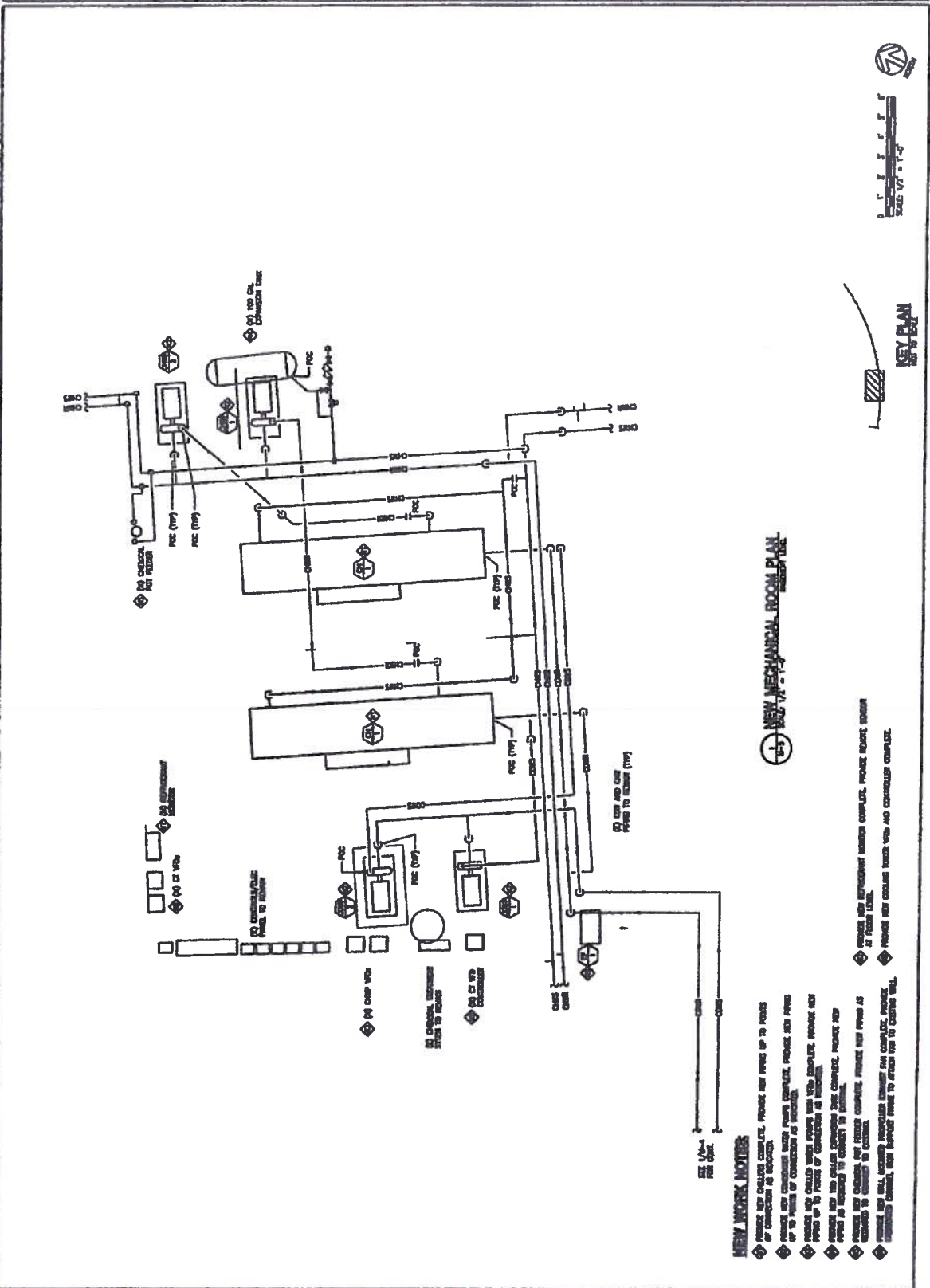
- REMOVE EXISTING BUILDING FROM COMPLEX. REMOVE CONCRETE UNDER PAVING.
- REMOVE EXISTING PAVING TO EXPOSE SOIL. EXPOSED SOIL SHALL BE RECLAIMED.
- REMOVE EXISTING PAVING TO EXPOSE SOIL. EXPOSED SOIL SHALL BE RECLAIMED.
- REMOVE EXISTING PAVING TO EXPOSE SOIL. EXPOSED SOIL SHALL BE RECLAIMED.
- REMOVE EXISTING PAVING TO EXPOSE SOIL. EXPOSED SOIL SHALL BE RECLAIMED.





NEW MECHANICAL SITE PLAN

NEW WORK NOTES:
 1. PROVIDE NEW 1/2" DIA. COPPER PIPING TO CONNECT EXISTING AND NEW CHILLER TO EXISTING PIPING. SEE PLAN FOR PIPING SIZES AND LOCATIONS.
 2. PROVIDE NEW 1/2" DIA. COPPER PIPING TO CONNECT EXISTING AND NEW CHILLER TO EXISTING PIPING. SEE PLAN FOR PIPING SIZES AND LOCATIONS.



NEW WORK NOTES:

- 1. PROVIDE NEW CHILLED WATER PIPING UP TO FLOOR OF CONNECTION AS SHOWN.
- 2. PROVIDE NEW CHILLED WATER PIPING COMPLETE, PROVIDE NEW PIPING UP TO FLOOR OF CONNECTION AS SHOWN.
- 3. PROVIDE NEW CHILLED WATER PIPING WITH VIB. COMPLETE, PROVIDE NEW PIPING UP TO FLOOR OF CONNECTION AS SHOWN.
- 4. PROVIDE NEW NEW CHILLED WATER PIPING WITH VIB. COMPLETE, PROVIDE NEW PIPING UP TO FLOOR OF CONNECTION AS SHOWN.
- 5. PROVIDE NEW CHILLED WATER PIPING WITH VIB. COMPLETE, PROVIDE NEW PIPING UP TO FLOOR OF CONNECTION AS SHOWN.
- 6. PROVIDE NEW CHILLED WATER PIPING WITH VIB. COMPLETE, PROVIDE NEW PIPING UP TO FLOOR OF CONNECTION AS SHOWN.
- 7. PROVIDE NEW CHILLED WATER PIPING WITH VIB. COMPLETE, PROVIDE NEW PIPING UP TO FLOOR OF CONNECTION AS SHOWN.
- 8. PROVIDE NEW CHILLED WATER PIPING WITH VIB. COMPLETE, PROVIDE NEW PIPING UP TO FLOOR OF CONNECTION AS SHOWN.

KEY PLAN

THE NEW YORK TIMES, NEW YORK, N.Y., MAY 1, 1964, PAGE 1, C-1, C-2, C-3, C-4, C-5, C-6, C-7, C-8, C-9, C-10, C-11, C-12, C-13, C-14, C-15, C-16, C-17, C-18, C-19, C-20, C-21, C-22, C-23, C-24, C-25, C-26, C-27, C-28, C-29, C-30, C-31, C-32, C-33, C-34, C-35, C-36, C-37, C-38, C-39, C-40, C-41, C-42, C-43, C-44, C-45, C-46, C-47, C-48, C-49, C-50, C-51, C-52, C-53, C-54, C-55, C-56, C-57, C-58, C-59, C-60, C-61, C-62, C-63, C-64, C-65, C-66, C-67, C-68, C-69, C-70, C-71, C-72, C-73, C-74, C-75, C-76, C-77, C-78, C-79, C-80, C-81, C-82, C-83, C-84, C-85, C-86, C-87, C-88, C-89, C-90, C-91, C-92, C-93, C-94, C-95, C-96, C-97, C-98, C-99, C-100, C-101, C-102, C-103, C-104, C-105, C-106, C-107, C-108, C-109, C-110, C-111, C-112, C-113, C-114, C-115, C-116, C-117, C-118, C-119, C-120, C-121, C-122, C-123, C-124, C-125, C-126, C-127, C-128, C-129, C-130, C-131, C-132, C-133, C-134, C-135, C-136, C-137, C-138, C-139, C-140, C-141, C-142, C-143, C-144, C-145, C-146, C-147, C-148, C-149, C-150, C-151, C-152, C-153, C-154, C-155, C-156, C-157, C-158, C-159, C-160, C-161, C-162, C-163, C-164, C-165, C-166, C-167, C-168, C-169, C-170, C-171, C-172, C-173, C-174, C-175, C-176, C-177, C-178, C-179, C-180, C-181, C-182, C-183, C-184, C-185, C-186, C-187, C-188, C-189, C-190, C-191, C-192, C-193, C-194, C-195, C-196, C-197, C-198, C-199, C-200, C-201, C-202, C-203, C-204, C-205, C-206, C-207, C-208, C-209, C-210, C-211, C-212, C-213, C-214, C-215, C-216, C-217, C-218, C-219, C-220, C-221, C-222, C-223, C-224, C-225, C-226, C-227, C-228, C-229, C-230, C-231, C-232, C-233, C-234, C-235, C-236, C-237, C-238, C-239, C-240, C-241, C-242, C-243, C-244, C-245, C-246, C-247, C-248, C-249, C-250, C-251, C-252, C-253, C-254, C-255, C-256, C-257, C-258, C-259, C-260, C-261, C-262, C-263, C-264, C-265, C-266, C-267, C-268, C-269, C-270, C-271, C-272, C-273, C-274, C-275, C-276, C-277, C-278, C-279, C-280, C-281, C-282, C-283, C-284, C-285, C-286, C-287, C-288, C-289, C-290, C-291, C-292, C-293, C-294, C-295, C-296, C-297, C-298, C-299, C-300, C-301, C-302, C-303, C-304, C-305, C-306, C-307, C-308, C-309, C-310, C-311, C-312, C-313, C-314, C-315, C-316, C-317, C-318, C-319, C-320, C-321, C-322, C-323, C-324, C-325, C-326, C-327, C-328, C-329, C-330, C-331, C-332, C-333, C-334, C-335, C-336, C-337, C-338, C-339, C-340, C-341, C-342, C-343, C-344, C-345, C-346, C-347, C-348, C-349, C-350, C-351, C-352, C-353, C-354, C-355, C-356, C-357, C-358, C-359, C-360, C-361, C-362, C-363, C-364, C-365, C-366, C-367, C-368, C-369, C-370, C-371, C-372, C-373, C-374, C-375, C-376, C-377, C-378, C-379, C-380, C-381, C-382, C-383, C-384, C-385, C-386, C-387, C-388, C-389, C-390, C-391, C-392, C-393, C-394, C-395, C-396, C-397, C-398, C-399, C-400, C-401, C-402, C-403, C-404, C-405, C-406, C-407, C-408, C-409, C-410, C-411, C-412, C-413, C-414, C-415, C-416, C-417, C-418, C-419, C-420, C-421, C-422, C-423, C-424, C-425, C-426, C-427, C-428, C-429, C-430, C-431, C-432, C-433, C-434, C-435, C-436, C-437, C-438, C-439, C-440, C-441, C-442, C-443, C-444, C-445, C-446, C-447, C-448, C-449, C-450, C-451, C-452, C-453, C-454, C-455, C-456, C-457, C-458, C-459, C-460, C-461, C-462, C-463, C-464, C-465, C-466, C-467, C-468, C-469, C-470, C-471, C-472, C-473, C-474, C-475, C-476, C-477, C-478, C-479, C-480, C-481, C-482, C-483, C-484, C-485, C-486, C-487, C-488, C-489, C-490, C-491, C-492, C-493, C-494, C-495, C-496, C-497, C-498, C-499, C-500, C-501, C-502, C-503, C-504, C-505, C-506, C-507, C-508, C-509, C-510, C-511, C-512, C-513, C-514, C-515, C-516, C-517, C-518, C-519, C-520, C-521, C-522, C-523, C-524, C-525, C-526, C-527, C-528, C-529, C-530, C-531, C-532, C-533, C-534, C-535, C-536, C-537, C-538, C-539, C-540, C-541, C-542, C-543, C-544, C-545, C-546, C-547, C-548, C-549, C-550, C-551, C-552, C-553, C-554, C-555, C-556, C-557, C-558, C-559, C-560, C-561, C-562, C-563, C-564, C-565, C-566, C-567, C-568, C-569, C-570, C-571, C-572, C-573, C-574, C-575, C-576, C-577, C-578, C-579, C-580, C-581, C-582, C-583, C-584, C-585, C-586, C-587, C-588, C-589, C-590, C-591, C-592, C-593, C-594, C-595, C-596, C-597, C-598, C-599, C-600, C-601, C-602, C-603, C-604, C-605, C-606, C-607, C-608, C-609, C-610, C-611, C-612, C-613, C-614, C-615, C-616, C-617, C-618, C-619, C-620, C-621, C-622, C-623, C-624, C-625, C-626, C-627, C-628, C-629, C-630, C-631, C-632, C-633, C-634, C-635, C-636, C-637, C-638, C-639, C-640, C-641, C-642, C-643, C-644, C-645, C-646, C-647, C-648, C-649, C-650, C-651, C-652, C-653, C-654, C-655, C-656, C-657, C-658, C-659, C-660, C-661, C-662, C-663, C-664, C-665, C-666, C-667, C-668, C-669, C-670, C-671, C-672, C-673, C-674, C-675, C-676, C-677, C-678, C-679, C-680, C-681, C-682, C-683, C-684, C-685, C-686, C-687, C-688, C-689, C-690, C-691, C-692, C-693, C-694, C-695, C-696, C

[illegible]

1) Country records indicate that the Kennedy brothers were located in 1963 on two separate occasions. These locations are not mentioned in the report. In an apparent attempt to obscure the location of the Kennedy brothers, the CIA report states that the Kennedy brothers were located in the United States and that the Kennedy brothers were located in the United States.

[illegible]

2. **RECORDS.** ALL MATTERS SHALL BE SET OUT OF THE BEST QUALITY AVAILABLE IN THE RECORDING COPY, WITH NAME AND OFFICE AND DUAL OF THE NAME AND THE SYMBOL IN REDUCED CASE.

1) All work on this system shall be done primarily for a period of one (1) year from the date of acceptance of the work as a whole by the owner. During any interval of suspension of work, the whole system shall nevertheless remain in place and it is not to be taken out of service under any circumstances. It is to be ready to resume work at any time.

2) The contractor shall be responsible for all bonds to any party of the project, except for bonds in the contract, under the contract for a period of one (1) year after the final acceptance of the work as a whole.

FROM OFFICE OF THE ATTORNEY GENERAL

[illegible]

4. FEMALE ALLIGATOR HUNG WITH SCORPION. SCORPION BITE THE ALLIGATOR, THEN BITE, THE ALLIGATOR SWALLOWED. 25-75 PG. AVAILABLE FOR REUSE.
5. TWO-HEAD ALLIGATOR WITH SCORPION BITE. MAY-BE SCORPION WAS SWALLOWED WITH

6. CLOTHES HUNG ON CLOTHES LINE, 2-4 STORIES HIGH, 3/4" WIDE OF BUILD, WITH THE
HEAVY AND ANTIPODE WOOD BRIDGE.

THE VOUCHER PLAN, AN ALTERNATIVE TO A DEDICATED CHARTERED SCHOOLS ACT, IS BEING CONSIDERED AS A FULLY DEVELOPED STRATEGY IN FUNDING SCHOOLS.

FORWARD SCHOOLS SHALL NOT BE USED TO REDUCE MONIES TO SUPPORT FUNDING CURRENT PUBLIC SCHOOLS.

1. ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
DATE 08-11-2010 BY 60322 UCBAW/STW

[illegible]

THAT BECAUSE OF THE FACTS
STATED ON THIS MATTER IN
CASE NO. 10-10-10-10

- 1) CALLED MISS PETER. PC OFFICER IS CONFUSED TO ASK IF THIS WAS MISS-AND SOCIETY OFFICER CONFUSED TO ASK IF 2457. PETER PLACED PHONE ADDRESS AS REQUESTED.
- 2) CALLED MISS PETER. PC OFFICER IS CONFUSED TO ASK IF THIS WAS MISS-AND SOCIETY OFFICER CONFUSED TO ASK IF 2457. PETER PLACED PHONE ADDRESS AS REQUESTED.

3) ISOLATION BELLAIR COLLEGE WIND PUMP, PUMP, FITTINGS, AND ACCESSORIES WITH ASSUMED 1-1/2" CLOSED BALL CLAMPING HOLES, WITH ASSUMED 0" WIND CLASS PERM. ACCORDING TO PUMP SUPPORT POINT, PUMPING 15" LITERATURE OF FOMERALS REED COLUMBIAN CLASS ISOLATION WITH JOINTING AND 17" SHUT WITH 2007.

[illegible]

10) EXAMINE DATA, TWO MONTH CL. MOVED STILL HAVE NEW REFLECTIONS EASY, ACHIEVE
BLACKER, 100 PS WORKING FINEST.

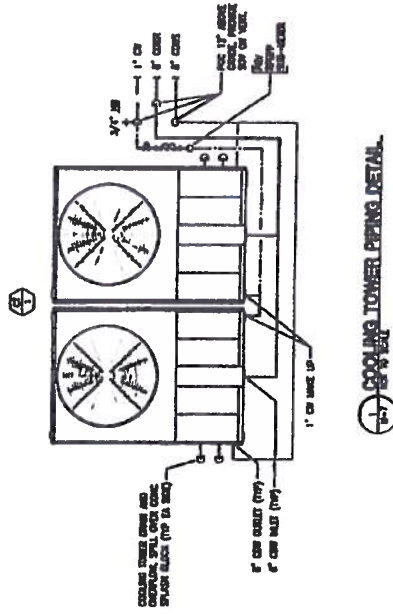
- 11) PINKISH GRAYS. MOUTH BROWNISH TAN. NO HIGH RIDING FACE. SPOTS 6-100 LHS. WITH MISSING THE CORNERS.
- 12) TRANSPARENT. OIL TYPE. NO HIGH RIDING. CORNERS PLATED. COAT WHITE FACE WITH BLACK SPOTS. 3-SPOTS. BROWNISH. 4-100 SPOTS. / SPOTS.
- 13) ALL THE WHITE. ADDRESS THE FIRST TWO AND THE CORNERS. OTHER THE

6. EMPLOYERS: ALL EMPLOYERS SHALL BE NOTIFIED BY THE NEXT CREDIT ADVISORY IN THEIR RESPECTIVE INDUSTRY FIELD FROM ALL OFFICES AND SHALL BE OF THE NAME AND TYPE EMPLOYED OR EMPLOYED TO BE.

- 3) POWER PLASTIC COATED CABLE BENT BEHIND ALL SUPPORT EQUIPMENT.
- 4) POWER PLASTIC TAPE COATED CABLE BENT BEHIND ALL EQUIPMENT.
- 5) POWER U.L. COULDED AT ALL NEW LOCATIONS.
- 6) POWER PULSE/PULSE STRIKES FROM VOLTAGE/AMPERE VOLTAGE ELECTRICAL PROTECTION POWER CABLES CONNECTED TO ALL EQUIPMENT.
- 7) ALL EQUIPMENT SHIELDS FOR STORM PROTECTION.

4. **WARRANT INFORMATION**

[illegible]

[illegible][illegible]

THE UNIVERSITY OF CHICAGO

EXHIBIT A-3

Appraisal Review Report to
State of Hawaii
Department of Land and Natural Resources

Covering the

Appraisal Hawaii, Inc.
Summary Appraisal Report of the
Hilo-Hawaiian Hotel Site

71 Banyan Drive, Hilo, Island and State of Hawaii

As of July 12, 2013



JOHN CHILD & COMPANY
APPRAISERS & CONSULTANTS

EXHIBIT A-3



JOHN CHILD & COMPANY
APPRAISERS & CONSULTANTS

June 25, 2014

Karen Char, MAI, CRE
Paul D. Gool, MAI, CRE
Shelly Tanaka, MAI
Sammy Apsen

Mr. Russell Y. Tsuji
Land Division Administrator
State of Hawaii
Department of Land and Natural Resources
Land Division
P. O. Box 621
Honolulu, Hawaii 96809

**Re: Review of the Summary Appraisal Report of the Hilo-Hawaiian Hotel Site
Prepared by Appraisal Hawaii, Inc.**

At your request, we have completed our review of the summary appraisal report of the Hilo-Hawaiian Hotel Site by Appraisal Hawaii, Inc. This letter presents the results of the review. Supporting documentation is available in our workfile.

STUDY BACKGROUND

The Hilo-Hawaiian Hotel is a mid-rise hotel on a 217,800~~sq~~ (5.000 acre) parcel at 71 Banyan Drive, Hilo, island and State of Hawaii (tax map key 2-1-03:05 of the Third Taxation Division). The improvements consist of 286 hotel rooms in a single eight-story tower, with ancillary guest facilities. The improvements were completed in the mid-1960s.

The underlying parcel is encumbered by General Lease No. S-3961, between the State of Hawaii, Department of Land & Natural Resources (DLNR), as lessor, and Hilo-Hawaiian Associates, Inc. (Hilo-Hawaiian), as lessee. The lease commenced April 15, 1966 and extended through April 14, 2031.

Act 219, Session Laws of Hawaii 2011 (Act 219) provides for an extension of term for State leases involving hotel or resort properties, subject to certain terms and conditions.

On July 12, 2013, the Board of Land & Natural Resources (BLNR) approved an application by the Hilo-Hawaiian for a 37-year extension of lease, pursuant to Act 291. This would extend the term of the lease to April 14, 2068.

DLNR and Hilo-Hawaiian have entered into a development agreement effective August 8, 2013 that sets forth terms and conditions that Hilo-Hawaiian must satisfy and successfully perform in order for it to be issued, and retain the benefit of, an extension of the term of the Lease.



Among the requirements in the Development Agreement is the redetermination of the annual rent for the hotel parcel. According to 3. Development Plan. A. 3):

The minimum revised annual rent to be paid by Lessee shall be based on the fair market value of the Subject Property [1] to be developed, as determined by an appraiser for the Board, with such determination to address, as applicable, the percentage rent to be paid by Lessee when gross receipts exceed a specified amount ("Revised Annual Rent").

In accordance with the Act 219 and the Development Agreement, DLNR retained Appraisal Hawaii Inc. (Appraisal Hawaii) to estimate the Revised Annual Rent in terms of the minimum annual rent and the percentage rent to be paid by Lessee when gross receipts exceed a specified amount.

Appraisal Hawaii's analysis and rent estimates were presented in a summary appraisal report dated December 18, 2013 (Appraisal Report). The effective date of appraisal was July 12, 2013.

Appraisal Hawaii estimated the minimum annual rent as the annual minimum market rent, and the product of the underlying market value of the 5.000 acre parcel and an annual rate of return on land value. Based on its analysis, Appraisal Hawaii estimated the annual minimum market rent, as of July 12, 2013, to be \$365,600, shown as follows:

Appraisal Hawaii's Estimated Annual Minimum Market Rent

Market land value	\$4,570,000
Return on land value	<u>8.00%</u>
Annual market rent, rounded	<u><u>\$365,600</u></u>

Similarly, Appraisal Hawaii estimated the market percentage rents, to the extent such amounts exceed the annual minimum market rent, as follows:

[1] The Development Agreement defines "Subject Parcel" as the 5.000-acre parcel.



Appraisal Hawaii's Estimated Market Percentage Rents
(Applied to Gross Revenue)

<u>Gross revenue amount</u>	<u>Percentage rent</u>
\$12.0 million or less	3.0%
\$12.0 to \$15.0 million	2.5
Greater than \$15.0 million	2.0

At the request of Hilo-Hawaiian, DLNR has agreed to have the reasonableness of the market rents estimated by Appraisal Hawaii reviewed by a qualified third party. In this regard, you asked us to assist you.

STUDY OBJECTIVE

The objective of our assistance is to review the Appraisal Hawaii Appraisal Report and determine the appropriateness and reasonableness of the market rent estimates, given the data, analyses, and assumption presented in the report. Specifically, we have:

1. Developed an opinion as to the completeness of the appraisal report under review within the scope of work applicable to the appraisal assignment.
2. Developed an opinion as to the appropriateness of the appraisal methods and techniques used and develop the reasons for any disagreements.
3. Developed an opinion as to the apparent adequacy and relevance of the data and propriety of any adjustments to the data.
4. Developed an opinion as to whether the analyses, opinions, and conclusions in the appraisal report is appropriate and reasonable, and developed the reasons for any disagreements.

EFFECTIVE DATE OF APPRAISAL REVIEW

The effective date of the appraisal review is July 12, 2013, the effective date of the Appraisal Hawaii Appraisal Report.



INTENDED USE AND USERS

Our assistance is intended to be used by the DLNR for internal decision-making in matters relating to the redetermination of the Revised Annual Rent for the Hilo-Hawaiian Hotel parcel.

As a result, our assistance is intended for the sole and exclusive use of DLNR (Client). The Client specifically agrees that our assistance is not intended for any other purpose or users and is not to be relied upon by any third parties for any purpose, whatsoever.

REPORTING

This assignment was completed in conformance with Standard 3: Appraisal Review, Development and Reporting of the Uniform Standards of Professional Appraisal Practice, 2014-2015 (USPAP). The appraisal review results are presented in an Appraisal Review Report, a format intended to comply with Standards Rule 3-5 of USPAP.

PRIOR ASSIGNMENT DISCLOSURE

Within the past three years, we have not provided real estate appraisal and/or appraisal review services relating to an ownership interest in the property that is the subject of this assignment.

STUDY CONDITIONS

The appraisal review is subject to the study conditions included in the Addendum.

SCOPE OF WORK

The following scope of work was used to complete the appraisal review:

1. Read the Appraisal Hawaii Appraisal Report.
2. The property and comparables were not visited as a part of this review. However, we are familiar with the property, Banyan Drive neighborhood, and the vicinity of the comparables relied on.
3. Verified factual information reported in the Appraisal Hawaii Appraisal Report using the recorded documents, public databases and other readily available information. Information verified include:



- a. Land area
 - b. Land use classifications including zoning and flood zone
 - c. Historical real property tax exemptions and current real property tax burden.
4. Verified key valuation calculations.
5. Reviewed the report for completeness in terms of the following information:
- a. Client and any intended users
 - b. Intended use of the appraisal
 - c. Information identifying the real estate, including the physical, legal and economic property characteristics relevant to the assignment
 - d. Real property interest appraised
 - e. Type and definition of value and source of the definition
 - f. Effective date of the appraisal and date of the report
 - g. Scope of work used to develop the appraisal
 - h. Information analyzed, appraisal methods and techniques employed, and reasoning that supports the analyses, opinions, and conclusions, including the reasons for excluding the sales comparison, cost, or income approach
 - i. Existing use and opinion of highest and best use, including the support and rationale for that opinion
 - j. Any extraordinary assumptions and hypothetical conditions and statement that their use might have affected the assignment results.
6. Developed an opinion as to whether the analyses are appropriate, the opinions and conclusions are credible, and the report is appropriate and not misleading within the context of the requirements applicable to that work.
7. Reported the results of the appraisal review.

COMPLETENESS OF THE APPRAISAL REPORT

The Appraisal Report was presented in a format intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report.

The Appraisal Report clearly identified the property, client, intended users and intended use.

The Appraisal Report presented information to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment in sufficient detail for the intended use and user.



The Appraisal Report included a scope of work that were adequately described and considered appropriate given the objective, intended use, and intended users.

Finally, the Appraisal Report included a signed certification in accordance with USPAP Standards Rule 2-3.

Overall, the Appraisal Report is judged to be complete and appropriate given the scope of work applicable to the assignment and the intended use and user of the appraisal.

APPROPRIATENESS OF THE APPRAISAL METHODS AND TECHNIQUES

The Appraisal Hawaii estimated the annual minimum market lease rent and market percentage rent based on the sales comparison approach. This is the appropriate and preferred method in estimating market rent. Neither the cost approach nor income approach were deemed applicable.

ADEQUACY AND RELEVANCE OF DATA AND PROPRIETY OF ANY ADJUSTMENTS TO THE DATA

The adequacy and relevance of data and propriety of any adjustments to the data are discussed under the following subheadings.

Highest and Best Use

The determination of the highest and best use of a property is an important consideration in the appraisal of the property. The highest and best use of a property determines the selection of comparable properties which are key factors in the approaches to value.

The Appraisal Report presents an overview of the analysis to determine the highest and best use of the Hilo-Hawaiian Hotel site, as if vacant. As noted on Page 22 of the Appraisal Report:

3. Table 2.1 indicates that notwithstanding the substantial density allowed by county zoning regulations, market conditions do not support medium or high density multi-family or resort-hotel development as of Year 2013.

Instead, parcels that allow from 5.0 to 12.0 dwelling units (Sale Nos. 4 and 5) were purchased with the intent to develop one or two dwelling units.

In addition, Sale No. 3 that is zoned V-.75 and that allowed 69 potential dwelling units reflected no price differential as compared to the RS zoned Parcels. Sale No. 3 was also reported to include plans for a 19 unit upscale condominium development.



Appraisal Hawaii concluded the highest and best use of the Hilo-Hawaiian Hotel site, as if vacant of existing improvements, to be for an eight-story resort-hotel development.

Current Fee Simple Land Values

The reasonableness of the Appraisal Hawaii analysis to estimate the market value of the fee simple interest in the Hilo-Hawaiian Hotel site is presented under the following subheadings.

Selection of Comparable Data

The underlying fee simple land value was estimated for the Hilo-Hawaiian Hotel site. The sales comparison approach relied on six Hilo transactions.

- Four transactions involved properties with the same V-.75 Resort Hotel zoning as the Hilo-Hawaiian Hotel site.
- Two transactions involved properties zoned RS-10 Residential, a zoning district that allows single-family residential development and not multi-family or resort hotel development. These two residential properties have dissimilar highest and best uses compared to the Hilo-Hawaiian Hotel site.
- Transaction 4 involves a partially improved property that was acquired by Commissioner's Deed at foreclosure. The buyer, Shelby Rose Ltd. and David Owens (Shelby) had sold the property to James Clay and Steven Martin-Oldfield (Clay et al.) in 2007 for \$5,050,000. The acquisition was seller financed with a \$4,670,000 promissory note. Clay et al. defaulted on the note and Shelby initiated foreclosure proceedings in 2009.
- Transaction 5 involves an unimproved property that was sold by Hooluana Place LLC (Hooluana) and purchased by the David S. De Luz, Sr. Trust (De Luz Trust) in August 2012 for \$1,765,800. An entity controlled by David S. De Luz, Sr. had previously sold the property to Hooluana in 2007 for \$1,720,000. The sale was seller-financed. [1]
- Transaction 6 involves the neighboring Naniloa Hotel parcel.

In 2006, DLNR, as lessor, and Hawaii Outdoor Tours, Inc., as lessee, entered into a new 65-year lease for the 6.350-acre Naniloa Hotel parcel. The lease provided for an annual base rent of \$500,000 during the first ten-year period commencing February 1, 2006. Parties also

[1] David De Luz, Sr. owns the fee simple interest in the adjacent parcel identified as tax map key 2-2-30:19. Hooluana and Mr. De Luz intended to jointly develop the two parcels with The Hilo Family Entertainment Center.



agreed to a percentage rent based on 2.0% of the annual gross revenue from the property to the extent such amounts exceeds the annual base rent.

In September 2013, BLNR denied a request for an extension for payment of lease rent. With a default, the leasehold interest would be auctioned. The leasehold interest in the Naniloa Hotel was subsequently sold at auction in November 2013. Reportedly, four parties were bidding for the leasehold interest in the property. The accepted bid price was reportedly \$5,200,000. [1]

Appraisal Hawaii derives a land price indicator for the Naniloa Hotel parcel by capitalizing the annual based rent by an 8.0% annual land rate of return, a practice commonly used in evaluating implied land values from lease rents.

However, Appraisal Hawaii treats the resulting land price as indicative as of November 2013 despite it being for the period beginning February 1, 2006. The Appraisal Report states on Page 28:

“The November 2013 effective date of the Naniloa Hotel minimum annual ground rent is based on the four (4) offers to purchase the Naniloa leasehold property interest subject to the \$500,000 annual ground rent as of Year 2013.”

This premise is not conventional. A leasehold sale and purchase does not imply the underlying lease rent is reflective of rents or value as of the leasehold transaction date. Instead, the leasehold price is reflective of the impact associated with the current and anticipated lease rents. [2]

Additionally, the November 2013 “effective date” date is four months after the July 12, 2013 date of appraisal.

Notably absent from the data considered by Appraisal Hawaii was the April 2011 rent renegotiation of the Hilo-Hawaiian Hotel site. DLNR and Hilo-Hawaiian agreed to set the rent for the ten-year period beginning April 15, 2011 at \$133,200, based on a 6.0% land rate of return on an underlying land value of \$2,220,000.

[1] The transaction was recorded in December 2013 for \$4,700,000. The difference between the reported price and the price based on conveyance tax conversion may be attributable to non-real property components.

[2] For example, a current sale of a leasehold interest does not validate a lease rent last determined in the mid-1960s as being indicative of current levels.



Adjustments to Comparables

The Appraisal Report presented the comparative analysis with adjustments for those factors that affect value. Factors considered but deemed to not necessitate quantifiable adjustments included:

- Sales and financing
- Time/market conditions
- Physical and other characteristics
- Size.

Quantified adjustments related to differences in the following factors:

- Depreciated building and site adjustment (Comparable 4)
- Location (Comparables 1 through 5)
- Zoning and property use (Comparables 1 through 5).

Rationale for each adjustment was discussed in the appraisal.

Location

The Hilo-Hawaiian Hotel site is oceanfront along Hilo Bay. The foundation for the location adjustment is based on a comparison of prices indicated by oceanfront and off-water transactions. Based on this data, Comparables 1, 2, and 5, which involve properties with off-water locations are adjusted upwards by 100%.

Appraisal Hawaii Adjustments for Location

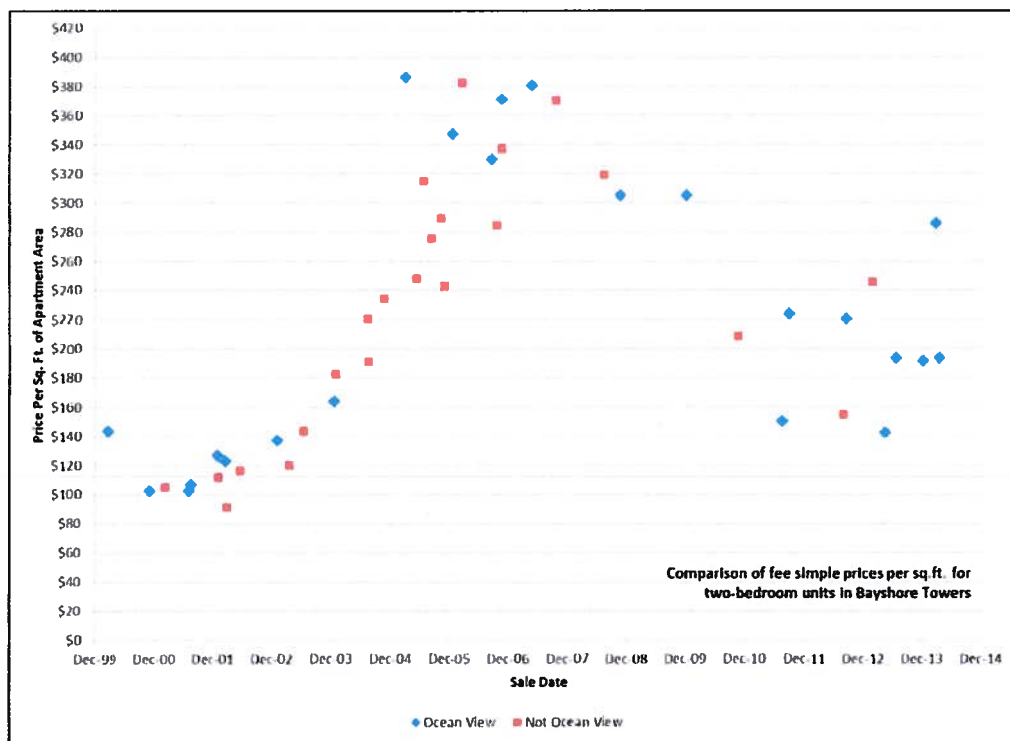
<u>Comparable</u>	<u>Characteristics</u>	<u>Adjustment</u>
1 Hale Kauai	Off water	+100%
2 PTC	Off water	+100
3 Three W	Waiakea Pond; inferior access and immediate surroundings	+50
4 Shelby	Oceanfront; along Reeds Bay, view amenity is limited	+20
5 De Luz	Off water	+100
6 Naniloa	Oceanfront; along Hilo Bay	0

The +100% adjustment from an off-water location to an oceanfront location is supported and generally consistent with relationships observed elsewhere for properties with similar potential.



Comparable 4, Shelby, involves a parcel along Reeds Bay. Appraisal Hawaii concluded an adjustment of +20% for the inferior view amenity afforded the comparable relative to the Hilo-Hawaiian Hotel site. However, the report lacks sufficient data to understand the basis for the adjustment.

Bayview Towers is an oceanfront residential condominium along Hilo Bay. A comparison of historical fee simple prices for two-bedroom apartments with and without ocean views supports an adjustment of circa 10% or less, shown as follows:



Zoning and Property Use

Comparables 1 through 5 were uniformly adjusted by +20% for zoning and property use. The adjustment is largely predicated on the response to the leasehold offering of the Naniloa Hotel property in 2013. The Appraisal Report states on Page 32:

In comparison, Transaction No. 6 (Naniloa) involved four (4) offers to purchase the Naniloa leasehold property interest subject to the \$500,000 annual ground rent as of Year 2013. The indicated unit land value of \$23 psf of land area exceeds the unadjusted unit land value average of \$10 psf of Transaction Nos. 1 through 5. The indicated land value differential that is indicated between the land underlying the



Naniloa mid-rise hotel and vacant and unimproved Hilo residential and resort zoned hotel approximated 130%.

Given the demand characteristics evidenced by the proposed Naniloa Hotel leasehold acquisition, and the similarity between the Naniloa Hotel and the subject Hilo-Hawaiian property uses, land use adjustment factors of 20% are applied to Transactions Nos. 1 through 5.

The reported strength of a response to November 2013 leasehold offering of a neighboring property provides little in the way of establishing an adjustment for zoning and property use, particularly given it was not known to market participants as of the July 2013 date of valuation.

Additionally, the apparent difference in land prices between Comparable 6 and the remaining comparables is likely attributable to changes in market conditions between 2006 and 2013 rather than differences in zoning and use potential.

The Hilo-Hawaiian Hotel site is valued as if vacant. It shares identical zoning and use potentials as Comparables 3 through 5 and 6, which are also zoned V-.75 Resort Hotel. The Appraisal Report lacks sufficient market data or rationale for a +20% for zoning and property use adjustment applied to Comparables 3 through 5.

Comparables 1 and 2 are residential-zoned properties. Appraisal Hawaii observes similarities in prices for Comparables 1 and 2 compared to Comparable 5, suggesting no adjustment between RS Residential and V Resort Hotel zonings. The comparison based on the price per square foot, adjusted for location, is as follows:

**Zoning and Property Use Pairing to Support Similarity
in Pricing between Residential and Resort Hotel Zoning**

<u>Comparable</u>	<u>Location- adjusted price</u>	<u>Percent change</u>
<i>Resort Hotel-Zoned:</i>		
5 De Luz	\$18.40	--
<i>Residential-Zoned:</i>		
1 Hale Kauai	20.76	-11%
2 PTC	15.15	21%
Average (Mean)		5%



However, a similar comparison to Comparable 3 would suggest a significant downward adjustment from a Residential zoning to a V Resort Hotel zoning.

Alternative Zoning and Property Use Pairing Indicating
Dissimilarity in Pricing between Residential and Resort Hotel Zoning

<u>Comparable</u>	<u>Location- adjusted price</u>	<u>Percent change</u>
<i>Resort Hotel-Zoned:</i>		
3 Three W	\$8.64	--
<i>Residential-Zoned:</i>		
1 Hale Kauai	20.76	-58%
2 PTC	15.15	-43
Average (Mean)		-51

The Appraisal Report lacks sufficient market data or rationale for a +20% adjustment for zoning and property use applied to Comparables 1 through 2.

Land Rate of Return

Land rates of return for a variety of hotel, industrial, and commercial properties in Hilo tend to be lower than rates for similar properties elsewhere on the island and the State.

However, the Appraisal Report does not address the relevancy or impact of the rates of return used on similar resort hotel properties along Banyan Drive:



Land Rates of Return from Neighboring Banyan Drive Properties

<u>Year</u>	<u>Basis</u>	<u>Land rate</u>
Hilo-Hawaiian Hotel		
2001	Renegotiation; mutual agreement	6.00%
2011	Renegotiation; mutual agreement	6.00
Naniloa Hotel		
2000	Renegotiation; mutual agreement	6.00
2004	Upset rent for new lease; arbitration	6.00
2006	New lease; rate not known	--
Reeds Bay Hotel		
2005	Renegotiation; mutual agreement	[1]

The Appraisal Report lacks sufficient market data or rationale to establish an 8% land rate of return as being applicable for the Hilo-Hawaiian Hotel site, particularly given past rent renegotiations involving similar property types along Banyan Drive and divergence in rates observed in Hilo compared to those elsewhere in the State.

Percentage Rent

Appraisal Hawaii estimates the applicable percentage rates applied against qualified revenue for the Hilo-Hawaiian Hotel site, to the extent the product exceeds the minimum rents, as follows:

Appraisal Hawaii's Estimated Market Percentage Rents (Applied to Gross Revenue)

<u>Gross revenue amount</u>	<u>Percentage rent</u>
\$12.0 million or less	3.0%
\$12.0 to \$15.0 million	2.5
Greater than \$15.0 million	2.0

[1] Annual rent per square foot was estimated by comparison to annual rents per square foot from neighboring properties that had been based on a 6% land rate of return on land value.



The data considered in estimating the applicable percentage rental rates included:

Property	Year	Percentage rate
Naniloa Hotel	2006	2.00%
Sheraton Waikiki/Royal Hawaiian Hotels	2012	
Up to \$29.5 million		4.00
\$29.5 million and \$50 million		3.00
In excess of \$50 million		2.50
Hyatt Regency Waikiki	2007	6.25
Ritz-Carlton Kapalua	1996	
Revenue up to \$60.0 million		
1995 - 1998		2.50
1999 - 2094 (Stabilized)		1.00
Revenue in excess of \$60.0 million		1.50

Appraisal Hawaii notes that its estimated annual minimum market rent of \$365,600 would be equal to about 3% of the average total revenue for the Hilo-Hawaiian Hotel of about \$12.0 million.

The data suggests significantly higher percentage rental rates for properties in Waikiki. By contrast, the percentage rates associated with stabilized operations for Naniloa Hotel and Ritz-Carlton Kapalua are lower, between 1.0% and 2.0%.

The Appraisal Report lacks sufficient market data or rationale to establish the sliding scale of percentage rates of 2.0% to 3.0% as being applicable for the Hilo-Hawaiian Hotel site, particularly given the Naniloa Hotel percentage rate established under the new lease in 2006.

APPROPRIATENESS AND REASONABLENESS OF ANALYSES, OPINIONS, AND CONCLUSIONS

Based on the estimated fee simple land value and the land rate of return, Appraisal Hawaii estimates the minimum market lease rent for the Hilo-Hawaiian Hotel site, as of July 12, 2013, at \$365,600, shown as follows:



Appraisal Hawaii's Estimated Annual Minimum Rent

Market land value	\$4,570,000
Land rate of return	<u>8.0%</u>
Annual market rent	<u>\$365,600</u>

The fee simple land value and annual rate of return appear overstated. Consequently, the estimated minimum market lease rent is overstated. Similarly, Appraisal Hawaii's estimated percentage rental rates appear to be overstated.

The Appraisal Report lacks sufficient analysis to adequately resolve the following issues:

- Appropriateness of Comparables 1 and 2, the RS Residential transactions, having dissimilar highest and best uses.
- Extent to which Comparables 4 (Shelby) and 5 (De Luz) are arm's length and unaffected by prior relationships between involved parties.
- Treatment of Comparable 6, the 2006 Naniloa Hotel rent renegotiation, as indicative of 2013 price levels.
- Relevancy of land rates of return outside the Hilo, given the extent to which they diverge from land rates recently used for properties most similar to the Hilo-Hawaiian Hotel site.

**JOHN CHILD ESTIMATED
ANNUAL MINIMUM MARKET RENT**

Our analysis to estimate the annual minimum market rent is presented under the following subheadings.

Selection of Comparables

Four transactions involving V-.75 Resort Hotel properties in Hilo were selected for the comparative analysis. These included the Three W transactions used by Appraisal Hawaii. Three additional transactions were included in the comparative analysis. They include:

- The April 2011 rent renegotiation of the Hilo-Hawaiian Hotel site. DLNR and Hilo-Hawaiian agreed to set the rent for the ten-year period beginning April 15, 2011 at \$133,200, based on a 6.0% land rate of return on an underlying land value of \$2,220,000.



- The February 2006 lease agreement for the Naniloa Hotel site. The new lease provided for an annual base rent of \$500,000 during the first ten-year period commencing February 1, 2006. Parties also agreed to a percentage rent based on 2.0% of the annual gross revenue from the property to the extent such amounts exceeds the annual base rent.

The indicated land price of \$8,333,300 is derived by capitalizing the \$500,000 annual rent using a 6.0% land rate of return. [1]

- The May 2013 purchase of the improved 5.082-acre Waiakea Village commercial condominium property by Savio Waiakea Village LLC for \$1,950,000. The parcel fronts along Waiakea Pond. According to the purchaser, the improvements had a nominal value. The price is equal to \$8.81/~~sq~~ of land area.

The transactions are summarized in Exhibit A.

Adjustments

Adjustments were made for differing factors that affect price. Price variations for the selected comparable transactions are largely attributable to differences in:

- Market conditions (time)
- Location and frontage.

Other factors that were considered but did not materially affect price included:

- Conditions of sale
- Physical characteristics
- Zoning and other.

Positive adjustments account for higher utility or value of the characteristics of the Hilo-Hawaiian Hotel site in relation to the comparable. Negative adjustments account for lower utility or value of the Hilo-Hawaiian Hotel site in relation to the comparable.

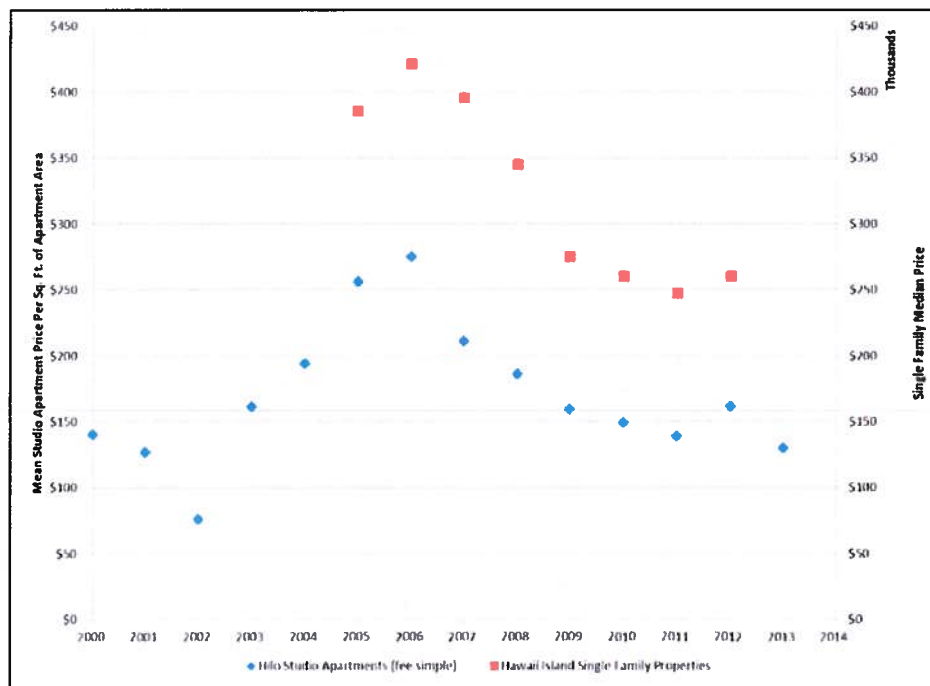
[1] Our analysis is based on a land price derived from the 2006 annual rent using a 6.0% land rate of return that is judged consistent with market land rates of return for similar properties in Hilo. A lower land value would have resulted had a higher land rate of return been used.



Market Conditions

Property prices in Hilo, Hawaii Island and throughout the State reach a peak between 2006 and mid-2007. However, market conditions quickly eroded following the collapse of financial markets, ensuing liquidity crisis, and the unprecedented government intervention in the 4th quarter of 2008.

As presented in the Appraisal Report, median sales prices of single-family resale transactions throughout the island of Hawaii have remained relatively stable since 2010. A similar price pattern is observed in the Hilo condominium market, as indicated by the mean price per square foot for fee simple studio condominiums in Hilo, shown as follows:



Both data sets suggest prices declined about 40% since the peak in 2006. The decline in the mean studio price through 2013 would appear to be about 53%.

Appraisal Hawaii's Comparable 4 involves a property that had been sold by Shelby Rose Ltd. and David Owens (Shelby) to James Clay and Steven Martin-Oldfield (Clay) in 2007 for \$5,050,000. The acquisition was seller-financed. Following Clay's default, Shelby initiated foreclosure actions in 2009. Shelby reacquired the property by way of a Commissioner's Deed in 2010 for \$3,337,000, a price 34% lower than in 2007.



Given that prices appear to have declined between 2006 and 2007, the Shelby acquisition would support a downward adjustment of at least 40% since 2006.

Based on this data, the 2006 Naniloa Hotel transaction is adjusted by -40% for changes in market conditions between 2006 and July 2013. The remaining transaction required no adjustment for changes in market conditions, shown as follows:

Adjustment for Changes in Market Conditions

	<u>Comparable</u>	<u>Transaction date</u>	<u>Adjustment</u>
1	Hilo-Hawaiian	4/15/2011	0%
2	Naniloa Hotel	2/1/2006	-40
3	Savio Waiakea	5/13/2013	0
4	Three W Corp.	11/15/2012	0

Location and Frontage

The adjustments for location and frontage are largely based on the adjustments established by Appraisal Hawaii and judged reasonable. They are as follows:

Adjustment for Changes in Location and Frontage

	<u>Comparable</u>	<u>Characteristic</u>	<u>Adjustment</u>
1	Hilo-Hawaiian	Along Hilo Bay	0%
2	Naniloa Hotel	Along Hilo Bay	0
3	Savio Waiakea	Along Waiakea Pond	35
4	Three W Corp.	Along Waiakea Pond inferior neighborhood	50

Adjusted Price Indicators

The land price indicators for the Hilo-Hawaiian Hotel site after adjustment for significant factors range between about \$8.60/Ź and \$18.10/Ź of land area, as shown in Exhibit B and summarized as follows:



Adjustment Price Per Square Foot of Land Area

	<u>Comparable</u>	<u>Unadjusted price</u>	<u>Adjusted price</u>
1	Hilo-Hawaiian	\$10.19	\$10.20
2	Naniloa Hotel	30.13	18.10
3	Savio Waiakea	8.81	11.90
4	Three W Corp.	5.74	8.60

Weighting of Price Indicators

Reliability weightings are used in recognition of the relative reliance of the adjusted price indicators. The weighting process considers the:

- Reliability of the comparable transactions for comparative purposes (market conditions, financing terms, and conditions of sale)
- Similarities and differences between the comparable properties and the Hilo-Hawaiian Hotel site
- Relative support for the adjustments.

Greatest weight is accorded to the 2011 Hilo-Hawaiian Hotel site rent renegotiation and the 2006 Naniloa Hotel new lease because of overall similarities in location, bay frontage, zoning, and physical characteristics. However, despite these similarities, a significant variation in price remains. Acknowledging the disparity, both are weighted equally.

By contrast, the 2012 Three W purchase is accorded the least weighting because of inferior accessibility issues.

Considering these factors, the reliability weightings for the comparable transactions are as follows:



Reliability Weightings

	<u>Comparable</u>	<u>Adjusted price</u>	<u>Reliability weighting</u>
1	Hilo-Hawaiian	\$10.20	35%
2	Naniloa Hotel	18.10	35
3	Savio Waiakea	11.90	20
4	Three W Corp.	8.60	10
	Total		<u>100%</u>

Weighted Price Indicators

Weighted price indicators range as follows:

Weighted Price Indicators

<u>Basis of comparison</u>	<u>Comparables</u>	<u>Per sq. ft.</u>
All transactions	1 through 4	\$13.10
Most reliable transactions	1 and 2	14.20

Current Fee Simple Land Value Estimate

Based on the comparative analysis, the market value of the fee simple interest in the Hilo-Hawaiian Hotel site is estimated to range between \$13.10/sq. ft. and \$14.20/sq. ft. or between \$2,850,000 and \$3,090,000, shown as follows:

Indicated Value Range

Estimated value (sq. ft.)	\$13.10	-	\$14.20
Land area (sq. ft.)	<u>217,800</u>		<u>217,800</u>
Indicated value, rounded	<u>\$2,850,000</u>	-	<u>\$3,090,000</u>

Land Rate of Return

As previously discussed, land rates of return for similar resort hotel properties along Banyan Drive have uniformly been 6.0%. This rate is also consistent with many of the recent rent renegotiations of



commercial and industrial properties in Hilo that involve DLNR and the Department of Hawaiian Home Lands.

The land rate in Hilo has been, and remains lower than rates for similar properties in West Hawaii and elsewhere in the State of Hawaii. In these cases, rates commonly range between 7% and 8%, with a central tendency of about 8.0%.

As a result, the annual land rate of return applicable for the Hilo-Hawaiian Hotel site is estimated to be 6.0%.

Estimated Annual Minimum Market Rent

Based on the preceding analysis, the annual minimum market rent for the Hilo-Hawaiian Hotel site, as of July 12, 2013 is estimated to be between \$171,000 and \$185,400, shown as follows:

Estimated Annual Minimum Market Rent Based on Annual Land Rate of Return on Land Value		
Estimated fee simple land value	\$2,850,000	- \$3,090,000
Annual land rate of return	<u>6.00%</u>	<u>6.00%</u>
Indicated value, rounded	<u>\$171,000</u>	- <u>\$185,400</u>

An alternative analysis based on the annual rents indicated by the 2011 Hilo-Hawaiian rent renegotiation and the 2006 Naniloa Hotel new lease would support a rent at the upper end of the range, shown as follows:



**Alternative Analysis of the Annual Minimum
Market Rent Based on Annual Lease Rents**

	<u>Hilo- Hawaiian</u>	<u>Naniloa</u>	<u>Mid- point</u>
Transaction date	4/15/2011	2/1/2006	
Annual rent	\$133,200	\$500,000	
Market conditions adjustment [1]	<u>1.00</u>	<u>0.60</u>	
Market-conditions adjusted annual rent	133,200	300,000	
Land area (sq.ft.)	<u>217,800</u>	<u>276,606</u>	
Market-conditions adjusted annual rent per sq. ft.	0.61	1.08	
Hilo-Hawaiian Hotel site land area (sq. ft.)	<u>217,800</u>	<u>217,800</u>	
Indicated annual rent	<u>\$133,200</u>	<u>\$236,220</u>	<u>\$184,710</u>

Therefore, the annual minimum market rent for the Hilo-Hawaiian Hotel site, as of July 12, 2013, is estimated to be \$185,400.

**JOHN CHILD ESTIMATED
ANNUAL PERCENTAGE RENT**

The new lease for the Naniloa Hotel entered into in 2006 provided for a 2.0% rental rate. The arbitration panel also determined in 2004 the applicable percentage rental rate for the Naniloa Hotel to be 2.0%.

While percentage rental rates are higher in Waikiki, and may provide for variations based on revenue thresholds, the Naniloa Hotel lease is considered most relevant and reliable.

Consequently, the annual percentage rental rate applicable to the Hilo-Hawaiian Hotel site, as of July 12, 2013, is estimated to be 2.0%. The percentage rent payable would be that amount in excess of the annual minimum market rent.

TOTAL RENT IMPLICATIONS

In 2013, the revenue for the Hilo-Hawaiian Hotel was anticipated to total about \$12,100,000. At this amount, the total minimum and percentage rent payable would be \$242,000, shown as follows:

Mr. Russell Y. Tsuji
June 25, 2014
Page 23



Anticipated Annual Minimum and Percentage Rent
Based on Anticipated Total Revenue in 2013

	<u>Rental range</u>	
Minimum market rent	<u>\$171,000</u>	<u>\$185,400</u>
Percentage rent		
Total revenue from operations	12,100,000	12,100,000
Market percentage rental rate	<u>2.0%</u>	<u>2.0%</u>
Product	242,000	242,000
Less minimum market rent	<u>(171,000)</u>	<u>(185,400)</u>
Additional percentage rent	<u>71,000</u>	<u>56,600</u>
Total minimum and percentage rent	<u><u>\$242,000</u></u>	<u><u>\$242,000</u></u>

* * * * *

We appreciate having the opportunity to assist you on this interesting assignment. Please contact us if you have any questions.

Sincerely,

JOHN CHILD & COMPANY, INC.

Paul D. Cool, MAI, CRE
Vice President
Certified General Appraiser License No. 71
State of Hawaii
Expires December 31, 2015

CERTIFICATION



We certify, to the best of our knowledge and belief:

- Reported statements of fact are true and correct.
- Reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- Within the past three years, we have not provided real estate appraisal and/or consulting services relating to an ownership interest in the property that is the subject of this report and have informed the client prior to acceptance of this assignment.
- We have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
- Our engagement was not contingent upon developing or reporting predetermined results.
- Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- Our compensation is not contingent on the reporting of a predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. It is also subject to the same review by the Counselors of Real Estate.
- As of the date of this report, Paul D. Cool, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- Paul D. Cool did not visit the property that is the subject of this report for the purposes of this review. He has visited the property in the past, is familiar with its characteristics, and neighborhood.
- No one other than the undersigned prepared the analysis, opinions, and conclusions in this report.

JOHN CHILD & COMPANY, INC.

Paul D. Cool, MAI, CRE

Vice President

Certified General Appraiser License No. 71

State of Hawaii

Expires December 31, 2015



IDENTIFICATION OF THE COMPARABLE TRANSACTIONS

	Hilo Hawaiian	1	2	3	4
Identification:					
Reference	Benchmark	Hilo Hawaiian	Nanika	Savio Waiakea	Three W Corp.
Tax map key	2-1-03:05	2-1-03:05	2-1-05:13 et al	2-2-30:18	2-2-53:20
Address	71 Banyan Drive	71 Banyan Drive	Banyan Drive	Waiakea Village	265 Kekaunaoa St.
Location	Hilo	Hilo	Hilo	Hilo	Hilo
Physical Data:					
Land area (sq.ft.)					
Gross	217,800	217,800	276,606	221,375	52,272
Net of erosion	217,800	217,800	276,606	221,375	52,272
Net of 'flag pole'	217,800	217,800	276,606	221,375	52,272
Configuration	Irregular	Irregular	Irregular	Irregular	Irregular
Frontage	Hilo Bay	Hilo Bay	Hilo Bay	Waiakea Pond	Waiakea Pond
Frontage type	Bay front	Bay front	Bay front	Park & Pond	Park & Pond
Topography	Level	Level	Level	Level	Level
Land Use Classifications:					
State land use	Urban	Urban	Urban	Urban	Urban
County zoning	V-.75	V-.75	V-.75	V-.75	V-.75
Transaction Data:					
Grantor/Lessor		SOH DLNR	SOH DLNR	Owens Mortgage	Rex Ramsey II
Grantee/Lessee		Hilo Hawn Assoc	Hawaii Outdoor Tours	Savio Waiakea Vill.	Three W Corp.
Instrument		Rent renegotiation	Lease	Deed	Deed
Instrument date	July 12, 2013	April 15, 2011	February 1, 2006	May 13, 2013	November 15, 2012
Recordation date		NA	February 1, 2006	May 13, 2013	November 15, 2012
Document		NA	LCD 3385990	LCD 8533322	Doc 47020418
Annual rent		\$133,200	\$500,000	--	--
Rate of return		6.0%	6.0%	--	--
Land price		\$2,220,000	\$8,333,333	\$1,950,000	\$300,000
Indicated Land Price:					
Total		\$2,220,000	\$8,333,333	\$1,950,000	\$300,000
Per square foot of net land area		10.19	30.13	8.81	5.74

Source: John Child & Company.



ADJUSTED PRICE PER SQUARE FOOT INDICATORS

	Hilo-Hawaiian <u>1</u>	Nanihoa <u>2</u>	Savio Waiakca <u>3</u>	Three W <u>4</u>
Unadjusted price	<u>\$10.19</u>	<u>\$30.13</u>	<u>\$8.81</u>	<u>\$5.74</u>
Adjustments:				
Conditions of sale & financing	1.00	1.00	1.00	1.00
Time & market conditions	<u>1.00</u>	<u>0.60</u>	<u>1.00</u>	<u>1.00</u>
Composite adjustment	<u>1.00</u>	<u>0.60</u>	<u>1.00</u>	<u>1.00</u>
Adjusted price after conditions of sale & time adjustments	<u>10.19</u>	<u>18.08</u>	<u>8.81</u>	<u>5.74</u>
Other adjustments:				
Location/Frontage	1.00	1.00	1.35	1.50
Access	1.00	1.00	1.00	1.00
Physical characteristics	1.00	1.00	1.00	1.00
Zoning and use	1.00	1.00	1.00	1.00
Other	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
Composite adjustment	<u>1.00</u>	<u>1.00</u>	<u>1.35</u>	<u>1.50</u>
Adjusted price before size	10.19	18.08	11.89	8.61
Size adjustment	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
Adjusted price	<u><u>\$10.20</u></u>	<u><u>\$18.10</u></u>	<u><u>\$11.90</u></u>	<u><u>\$8.60</u></u>

Source: John Child & Company.