

U.S. GOVERNMENT  
LEASE FOR REAL PROPERTY

DATE OF LEASE: 4/13/2011

LEASE No. GS-09B-02763 BLDG NO. HI8286

THIS LEASE, made and entered into this date between C&R DEVELOPMENT, LLC

whose address is: 72-3982 Mamalahoa Highway  
Kailua Kona, Hawaii 96740-2616

and whose interest in the property hereinafter described is that of OWNER, hereinafter called the LESSOR, and the UNITED STATES OF AMERICA, hereinafter called the GOVERNMENT:

WITNESSETH: The parties hereto for the considerations hereinafter mentioned, covenant and agree as follows:

1. The Lessor hereby leases to the Government the following described premises:  
6,429 rentable square feet (r.s.f.), yielding approximately 6,182 ANSI/BOMA Office Area square feet and related space located on the 1<sup>st</sup> Floor at the Kamanu Center, 73-5618 Maiiau Street, Kailua Kona, HI 96740-2616, together with six (6) on-site reserved, surface parking spaces as depicted on the attached plan (Exhibit A) and (the "Premises") as depicted in the attached floor plan (Exhibit B), to be used for SUCH PURPOSES AS DETERMINED BY THE GENERAL SERVICES ADMINISTRATION. The Government shall be entitled to these reserved parking spaces 24 hours a day, 7 days a week without further conditions; including overnight.
2. TO HAVE AND TO HOLD the said premises with their appurtenances for a term of 10 years beginning upon the substantial completion of the space, and acceptance by the Government as satisfactorily complete. The commencement date of this lease, along with any applicable termination and renewal rights, shall more specifically be set forth in a Supplemental Lease Agreement upon substantial completion and acceptance of the space by the Government. The lease term is for ten (10) years, five (5) years firm, subject to termination and renewal rights as may be hereinafter set forth
3. PARAGRAPH 3 IS INTENTIONALLY OMITTED.
4. The Government may terminate this lease in whole or in part effective any time on or after the fifth (5<sup>th</sup>) year of this lease giving at least ninety (90) days' prior notice in writing to the Lessor. No rental shall accrue after the effective date of termination. Said notice shall be computed commencing with the day after the date of mailing.
5. PARAGRAPH 5 IS INTENTIONALLY OMITTED.
6. The Lessor shall furnish to the Government as part of the rental consideration, the following:
  - A. The parking space(s) described in Paragraph 1 and parking spaces required by local code.
  - B. All labor, materials, equipment, design, professional fees, permit fees, inspection fees, utilities, construction drawings (including, without limitation, plans and specifications), construction costs and services and all other similar costs and expenses associated with making the space, common areas, and related facilities ready for occupancy in accordance with the requirements of this lease and the Government's approved Design Intent Drawings. Rent is subject to adjustment in accordance with Paragraph 3.3, "Tenant Improvement Rental Adjustment" of the SFO. All cost associated with services, utilities, maintenance, repair, replacement, inspections, improvements and other requirements as required by the Solicitation For Offers No. 9HI2052 and its attachments.
  - C. Adequate space for telecommunications antennae and transmission devices in accordance with Paragraph entitled, "Telecommunications: Local Exchange Access," of the Solicitation for Offers.
7. The following are attached and made a part hereof:

All terms, conditions, and obligations of the Lessor and the Government as set forth in the following:

  - a) The Solicitation For Offers Number 9HI2052 (all pages) (all references to SFO shall also refer to any Special Requirements and Amendments);

Initials: ACK/HLL & RWA  
Lessor Government

- b) Special Requirements (pages ~~1-10~~; *1-2*) *RWN*
- ~~c) Amendment Number 1 (page 1);~~ *20, RWN*
- d) GSA Form 3517A (pages 1-2);
- e) GSA Form 3518 (pages 1-8);
- ~~f) Paragraphs 9-23;~~ *RWN*
- g) Floor Plan (Exhibit "A", page 1);
- h) Site Plan (Exhibit "B", ~~page 1~~; *pages 1-2*) *RWN*

8. The following changes were made in this lease prior to its execution:

Paragraphs 3 and 5 of this STANDARD FORM 2 were deleted in their entirety. Paragraphs 9 through 25 have been added.

9. The Government shall pay the Lessor annual rent as follows:

**For months 1 through 60, annual rent of \$334,815.31 at the rate of \$27,901.2758333 per month in arrears:**

Rent Year 1-3 (lease term term)	Rate/ANSI BOMA \$/sf	Rate/Rentable Square Foot	Annual Rent	Monthly Rent
Shell Rent	\$28.8000	\$27.6935	\$178,041.60	\$14,836.80
Tenant Improvement Allowance Amortization (A)	\$12.3997	\$11.9233	\$76,654.99	\$6,387.92
Operating Costs	\$12.9600	\$12.4621	\$80,118.72	\$6,676.56
RE Tax Expense (included in shell)	\$0.0000	\$0.0000	\$0.00	\$0.00
Full Service Rent	\$54.1597	\$52.0789	\$334,815.31	\$27,901.28

**For months 61 through 120, annual rent of \$283,518.90 at the rate of \$23,626.58 per month in arrears:**

Rent Year 4-10 (lease term term)	Rate/ANSI BOMA \$/sf	Rate/Rentable Square Foot	Annual Rent	Monthly Rent
Shell Rent	\$32.9000	\$31.6400	\$203,413.56	\$16,951.13
Tenant Improvement Allowance Amortization (A)	\$0.0000	\$0.0000	\$0.00	\$0.00
Operating Costs	\$12.9600	\$12.4600	\$80,105.34	\$6,675.45
RE Tax Expense (included in shell)	\$0.0000	\$0.0000	\$0.00	\$0.00
Full Service Rent	\$45.8600	\$44.1000	\$283,518.90	\$23,626.58

Rent for a lesser period shall be prorated.

Rent checks shall be payable to:

**C&R Development LLC**  
73-1381 Kipapa Place  
Kailua Kona, Hawaii 96740-2616

- 10. The Lessor shall have ninety (90) working days from the receipt of the Government's Notice to Proceed to complete the build-out of the entire space. All items specified in Lease Agreement and as delineated on the Government Approved Design Intent Drawings shall be provided by the Lessor.
- 11. **TAX ADJUSTMENT:** Pursuant to Paragraph 4.2, "Tax Adjustment," for purposes of tax escalation, the Government occupies 6,429 / 27,000 rentable square feet (23.81%). Base Tax is established at **\$1.037** per rentable square foot per annum.
- 12. **OPERATING COSTS:** Pursuant to Paragraph 4.3, "Operating Costs", the base rate for purposes of operating cost escalation is established at **\$12.46** per rentable square foot per annum.

13. **ADJUSTMENT FOR VACANT PREMISES:** Pursuant to Paragraph 4.4, "Adjustment for Vacant Premises", in the event of the Government vacating in whole or in part prior to lease expiration, the rental will be reduced by \$12.46 per rentable square foot per annum for operating expenses. The Adjustment for Vacant Premises rate shall be escalated annually based upon Paragraph 4.3, "Operating Costs."
14. **OVERTIME USAGE:** Pursuant to Paragraph 4.6, "Overtime Usage", the Lessor shall provide heating, ventilation, and air-conditioning (HVAC) at any time beyond normal service hours at a rate of \$0.00 per hour.
15. **24 HOUR ROOMS:** The Overtime Usage rate specified above shall not apply to any portion of the Premises that is required to have heating and cooling 24 hours per day as specified by the Lease. The charges for heating and cooling of these areas shall be provided at the rate of \$0.00 per hour.
16. **TENANT IMPROVEMENT ALLOWANCE:** The maximum Tenant Improvement Allowance has been established by Paragraph 3.2, "Tenant Improvements Included in Offer." The updated Tenant Improvement Allowance of \$322,602.48 shall be amortized over the 5 year firm term of the lease agreement at an interest rate (amortization rate) of 7% per year.
17. **BUDGET AND PRICE PROPOSALS/CONSTRUCTION SCHEDULE:**
- A. If Lessor is preparing the Design Intent Drawings, then Lessor shall submit to the Government a budget proposal together with the Design Intent Drawings in accordance with SFO Paragraph 5.11 (B), "Design Intent Drawings." The budget proposal must be submitted in Construction Specification Institute (CSI) Format.
  - B. The price proposal required to be provided by Lessor in SFO Paragraph 5.11 (E), "Tenant Improvements Price Proposal," must be based upon the results of a competitive proposal process meeting all of the requirements of SFO Paragraph 5.11, B (1) through (9), entitled, "Tenant Improvements Pricing Requirements." The Government has the right, but not the obligation, to accept cost or pricing data as described in GSA Form 3517 in lieu of a competitive price proposal.
  - C. Failure to submit these budget and price proposals referenced above will constitute Lessor delay. In the event that either the budget proposal or price proposal exceeds the Tenant Improvement Allowance specified in the Lease, then the construction schedule shall be revised to afford the Government sufficient time to review and resolve the difference.
  - D. The construction schedule required in Paragraph 5.11 (F), "Construction of Tenant Improvements," of the SFO shall also include adequate time for additional review by the Government of revised design intent drawings and Working Drawings/Construction Drawings. All references to "working days" in Paragraph 5.11, "Construction Schedule and Acceptance of Tenant Improvements" of the SFO shall not include the period from December 15 through January 1 of any calendar year.
  - E. In addition to the submission requirements specified under Paragraph 5.11, "Construction Schedule and Acceptance of Tenant Improvements," Lessor shall provide to the Government the final total costs of the completed Tenant Improvements in CSI format 10 working days prior to "Substantial Completion". The space will not be considered acceptable for inspection until the Government receives the final tenant improvement costs.
18. **INSPECTION OF PREMISES:**
- A. The Lessor shall notify the Government ten (10) calendar days in advance of the anticipated substantial completion date as defined in Paragraph 1 of the GSA Form 3517. Within ten (10) working days after the date the Lessor notifies the Government that the space is "substantially complete," the Government shall inspect the Premises and appurtenances. Within five (5) working days after the inspection, the Government shall notify the Lessor of any deficiencies in the Premises and appurtenances and the Lessor shall thereafter diligently pursue remedying any defects. If any subsequent Government inspection is required to confirm conformance with the results of a prior inspection, any such subsequent inspection and notification of the results of such inspection shall be made in accordance with the foregoing procedure and the time frames.
  - B. The period during which rent shall be deemed to have commenced for the Premises shall be the date that the entire space is accepted for occupancy by the Government (or the date accepted for occupancy, subject to completion of a written punchlist of items not materially affecting beneficial occupancy which are yet to be finished.) The space will

not be considered acceptable for occupancy until the Government receives the final tenant improvement costs breakdown package (subject to review by the Government) and the formal Certificate of Occupancy. Any items to be completed or corrected that have been identified at the acceptance of the space as a punchlist item and which do not affect beneficial occupancy shall be completed by the Lessor within 30 calendar days of acceptance.

- C. Neither the Government's acceptance of the Premises for occupancy or acceptance of related appurtenances, nor the Government's occupancy of the Premises, shall be construed as a waiver of any requirement or right of the Government under this lease, or as otherwise prejudicing the Government with respect to any such requirement or right, or as an acceptance of any latent defect or condition.

**19. ACCEPTANCE OF SPACE:**

- A. The following is added to Paragraph 5.11 G (1), "Acceptance of Space and Certificate of Occupancy": Subsequent Government inspections and notification of the results of such inspections shall be made in accordance with the foregoing procedure. Time frames for subsequent inspections will be established by the Government.
- B. Any items that have been identified at the acceptance of the space as punchlist items to be completed or corrected and which do not affect beneficial occupancy shall be completed by the Lessor within 30 calendar days of acceptance.
- C. Neither the Government's acceptance of the Premises for occupancy or acceptance of related appurtenances, nor the Government's occupancy of the Premises, shall be construed as a waiver of any requirement or right of the Government under this lease, or as otherwise prejudicing the Government with respect to any such requirement or right, or as an acceptance of any latent defect or condition.

**20. OCCUPANCY REPORTS:**

- A. Building Systems. As part of its obligations under SFO, Paragraph 8.2 "Building Systems," of the SFO, the Lessor shall furnish at no cost to the Government a required building system report prior to the Government's occupancy of the Premises.
- B. Acoustical Requirements. As part of its obligations under SFO, Paragraph 6.8 "Acoustical Requirements" of the SFO, the Lessor shall furnish at no cost to the Government a required acoustical report prior to the Government's occupancy of the Premises.

- 21. UNAUTHORIZED IMPROVEMENTS:** All questions pertaining to this lease agreement shall be referred in writing to the General Services Administration Contracting Officer. This contract is between GSA and the Lessor. GSA assumes no financial responsibility for any cost incurred by the Lessor except as provided by the terms of the lease agreement or authorized in writing by the GSA Contracting Officer. **If Lessor delivers space with improvements not authorized or requested in writing by the GSA Contracting Officer, then Lessor shall not be entitled to compensation.**

22. Wherever the words "Offeror", "Lessor" or "successful offeror" appear in this Lease, they shall be deemed to mean "Lessor"; wherever the words "solicitation", "Solicitation for Offers", or "SFO" appear in this Lease, they shall be deemed to mean "this Lease"; wherever the words "space offered for lease" appear in this Lease, they shall be deemed to mean "Premises".

- 23. WAIVER OF RESTORATION:** The Lessor hereby waives, releases and discharges, and forever relinquishes any right to make a claim against the Government for waste, damages, or restoration arising from or related to (a) the Government's normal and customary use of the leased premises during the term of the lease (including any extensions thereof), as well as (b) any initial or subsequent alteration to the leased premises, including cabling, or removal thereof, during the term of this lease (including any extensions thereof), where such alterations or removals are performed by the Lessor or by the Government with the Lessor's consent, which shall not be unreasonably withheld. The Government may, at its sole option, abandon property in the leased space following expiration of the Lease, in which case the property will become the property of the Lessor and the Government will be relieved of any liability in connection therewith.

- 23. COMMISSION AND COMMISSION CREDIT:** The Lessor and the Broker have agreed to a cooperating lease commission of [redacted] of the firm term value of this lease. The total amount of the commission is [redacted]. The Lessor shall pay the Broker no additional commissions associated with this lease transaction. In accordance with the "Broker Commission and Commission Credit" paragraph,

the Broker has agreed to forego [redacted] of the commission that it is entitled to receive in connection with this lease transaction ("Commission Credit"). The Commission Credit is [redacted]. The Lessor agrees to pay the Commission less the Commission Credit to the Broker in accordance with the "Broker Commission and Commission Credit" paragraph in the SFO attached to and forming a part of this lease.

Notwithstanding Paragraph 9 of this Standard Form 2, the shell rental payments due and owing under this lease shall be reduced to fully recapture this Commission Credit. The reduction in shell rent shall commence with the first month of the rental payments and continue as indicated in this schedule for adjusted Monthly Rent:

- First Month's Rental Payment \$27,901.28 minus prorated Commission Credit of [redacted] equals [redacted] adjusted First Month's Rent.
- Second Month's Rental Payment \$27,901.28 minus prorated Commission Credit of [redacted] equals [redacted] adjusted Second Month's Rent.

24. **PROGRESS REPORTS:** Pursuant to Paragraph 5.11, Progress Reports, during design & construction, the Lessor shall submit to the GSA Contracting Officer, written progress reports at intervals of fourteen (14) calendar days. Each report shall include information as to 1) percentage of the work completed by phase and trade; 2) a statement as to expected completion and occupancy date; 3) changes introduced into the work; and 4) general remarks on such items as material shortages, strikes, weather, etc. In addition, after lease award, the Lessor shall conduct meetings every two (2) week(s) to brief Government personnel and contractors regarding the progress of design and construction of the Government-demised area. **The Lessor shall be solely responsible for taking and distributing minutes (based on the Government-approved format to be provided by the GSA Construction Manager) of these meetings, with review and approval by the GSA Contracting Officer.** Such meetings shall be held telephonically and at locations to be designated by the Government.

25. **TENANT IMPROVEMENT FEE SCHEDULE:**

The following fee schedule shall be applied to the Tenant Improvement costs paid by the Government.

1. General Conditions\* shall not exceed 5% of the total subcontractor's costs associated with the Tenant Improvements.
2. General Contractor's fee shall not exceed 10% of the total subcontractor's costs associated with the Tenant Improvements;
3. Lessor's Project Management fee shall not exceed 5% of the total subcontractor's costs associated with the Tenant Improvements;
4. Architectural Fees owed by the Government shall not exceed \$10,000.

\*Note: General Contractor's superintendent is a line item cost and not considered part of "General Conditions".

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

LESSOR: C&R DEVELOPMENT LLC

BY

Walter Chong  
(Signature)

Kevin A Rinkembach  
(Signature)

IN PRESENCE OF:

[Signature]  
(Signature)

[Redacted]  
(Address)

UNITED STATES OF AMERICA: GENERAL SERVICES ADMINISTRATION, Public Buildings Service:

BY

R. Nimmo

CONTRACTING OFFICER, GSA

ROBERT W. NIMMO