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TITLE OF DOCUMENT:

**MASTER LESSOR CONSENT TO LEASE, RECOGNITION
AND NON-DISTURBANCE AGREEMENT**

(This document consists of ___ pages.)

PARTIES TO DOCUMENT:

MASTER LESSOR: STATE OF HAWAII, by its Department of Hawaiian Home Lands

SUBLESSOR: NANAKULI HAWAIIAN HOMESTEAD COMMUNITY
ASSOCIATION, a Hawaii non-profit corporation
89-188 Farrington Highway
Waianae, Hawaii 96792

HAWAIIAN COMMUNITY DEVELOPMENT BOARD, a Hawaii
non-profit corporation
1188 Bishop Street, Suite 907
Honolulu, Hawaii 96813

SUBLESSEE: NANAKULI KAUHALE DEVELOPMENT, L.P., a
California limited partnership
1188 Bishop Street, Suite 907
Honolulu, Hawaii 96813

TAX MAP KEY(S): (1) 8-9-002-001

**MASTER LESSOR CONSENT TO LEASE, RECOGNITION
AND NON-DISTURBANCE AGREEMENT**

This Master Lessor Consent to Lease, Recognition and Non-Disturbance Agreement ("**Agreement**"), dated as of _____, 20__ is entered into by and among the **STATE OF HAWAII**, by its Department of Hawaiian Home Lands, whose principal place of business and mailing address is Hale Kalaniana'ole, 91-5420 Kapolei Parkway, Kapolei, Hawaii 96707 and whose post office address is P.O. Box 1879, Honolulu, Hawaii 96805 ("**Master Lessor**"), **NANAKULI HAWAIIAN HOMESTEAD COMMUNITY ASSOCIATION**, a Hawaii non-profit corporation, whose principal place of business and mailing address is 89-188 Farrington Highway, Waianae, Hawaii 96792 and **HAWAIIAN COMMUNITY DEVELOPMENT BOARD**, a Hawaii non-profit corporation, whose principal place of business at 1188 Bishop Street, Suite 907, Honolulu, Hawaii 96813 (collectively, "**Sublessor**"), and **NANAKULI KAHALE DEVELOPMENT, L.P.**, a California limited partnership, whose principal place of business and mailing address is 1188 Bishop Street, Suite 907, Honolulu, Hawaii 96813 ("**Sublessee**").

WHEREAS, Master Lessor is the Declarant for the Nanakuli Village Center Condominium Project (the "**Project**"), as shown on Condominium Map No. 5087, as amended ("**Condominium Map**"), and described in the Declaration of Condominium Property Regime for Nanakuli Village Center dated June 7, 2012, recorded in the Bureau of Conveyances of the State of Hawaii ("**Bureau**"), as Document No. A-45460610, as amended ("**Declaration**");

WHEREAS, Master Lessor, as lessor, and Hawaiian Community Development Board, as lessee, executed that certain State of Hawaii Department of Hawaiian Home Lands General Lease No. _____ dated _____, 2012, a memorandum of which was recorded in the Bureau as Document No. _____ (the "**HCDB Master Lease**"), for the lease of that certain condominium unit designated as Unit 1 under the Declaration, together with the undivided interest in the common elements appurtenant thereto (the "**Premises**"), including a non-exclusive easement to use the 10-foot right-of-way, as shown on the State of Hawaii Department of Accounting and General Services Survey Division Survey Plat 19.1(B) H.H., for vehicular and pedestrian ingress and egress to and from the Premises over and across said 10-foot-right-of-way to access Mano Avenue, Lepeka Avenue, Pua Avenue, and Farrington Highway and to use Lepeka Avenue and Nanakuli Avenue, as shown on Plat 19.1(B) H.H., for vehicular and pedestrian ingress and egress (collectively, the "**Easements**"), as more particularly described in Exhibit A, for a term commencing on the Effective Date of the HCDB Master Lease and ending on the earlier of (i) midnight on the date on which a certificate of occupancy is issued for the occupancy of the affordable housing project, to be known as "Hale Makana O Nanakuli Rental Housing Project", to be constructed on the Premises, or (ii) December 31, 2017;

WHEREAS, Master Lessor, as lessor, and Nanakuli Hawaiian Homestead Community Association, as lessee, executed that certain State of Hawaii Department of Hawaiian Home Lands General Lease No. _____ dated _____, 2012, a memorandum of which was recorded in the Bureau as Document No. _____ (the "**NHHCA Master Lease**") (the NHHCA Master Lease and the HCDB Master Lease being collectively referred to as the "**Master Lease**"), for the lease of the Premises and the Easements for a 65 year term commencing immediately upon termination of the HCDB Master Lease;

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WHEREAS, Sublessor, as sublessor, and Sublessee, as sublessee, entered into that certain Ground Sublease, dated as of _____, 2012, a memorandum of which is recorded in the Bureau as Document No. _____ (the "Lease"), with respect to the Premises; and

WHEREAS, pursuant to the Sublease, Master Lessor is required to deliver a Master Lessor Consent to Lease, Recognition and Non-Disturbance Agreement to Sublessee.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Consent.** Master Lessor does hereby consent to the Lease and to any and all subsequent assignments, subleases, sales or transfers of the Sublessee's interest in the Lease and the property demised under the Lease and all improvements situated or constructed thereon (the "Leasehold") as provided in the Lease and any and all Leasehold Mortgages, as defined in the Lease. Notwithstanding anything in the Master Lease to the contrary, Master Lessor acknowledges and agrees that it shall not have any consent or approval rights over any actions expressly permitted or required to be taken under the terms and conditions of the Lease.

2. **Estoppel.**

(i) The Master Lease has not been modified, supplemented or amended, orally or in writing, and constitutes the entire agreement between Master Lessor and Sublessor under the Master Lease.

(ii) As of the date of this Agreement, the Master Lease is in full force and effect; no default has occurred by either Master Lessor or Sublessor; and there is no condition which, but for the passage of time or the giving of notice or both, would result in a default by Master Lessor or Sublessor under the terms of the Master Lease.

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3. **Non-Disturbance Agreement.**

(i) **Direct Lease.** Upon any termination of the Master Lease, including without limitation a termination by agreement, termination for default, or rejection by a debtor or trustee in bankruptcy or reorganization proceedings, the Lease shall automatically constitute a direct lease between Master Lessor, as sublessor, and Sublessee, as sublessee, subject to all of the terms and conditions thereof and continuing to maintain the same priority as the Lease with regard to any Leasehold Mortgage (as hereinafter defined) or any other lien, charge or encumbrance affecting the Condominium Project Land and/or the Premises, and Sublessee's possessory and other rights under the Lease shall in no way be affected or impaired by the termination of the Master Lease. Notwithstanding the foregoing, the parties agree that the following provisions of the Master Lease shall be incorporated into such a direct lease or New Lease as described below and govern and control to the extent that there is a conflict between the terms of the Master Lease and the terms of the Lease: (x) Article 2 of the Master Lease; (y) Sections 17 and 20 of Article 4 of the Master Lease; and (z) Sections 4, 5, 6 and 14 of Article 5 of the Master Lease. Further, notwithstanding anything to the contrary in this Agreement, Master Lessor shall not be:

(a) liable for any act or omission of any prior sublandlord, other than ongoing defaults reasonably susceptible of cure by Master Lessor (including Sublessor);

(b) subject to any offsets or defenses which Sublessee has against any prior sublandlord (including Sublessor);

(c) bound by any base rent, percentage rent, additional rent or any other amounts payable under the Lease which Sublessee might have paid in advance for more than the current month to any prior sublandlord (including Sublessor);

(d) liable to refund or otherwise account to Sublessee for any security or other deposits not actually paid over to Master Lessor except any security deposits or construction reimbursements payable to Sublessee in accordance with the Lease;

(e) bound by, or liable for any breach of, any representation or warranty or indemnity agreement made by any prior sublandlord (including Sublessor); or

(f) be held liable in excess of its interest in the Premises.

Further, notwithstanding anything to the contrary in this Agreement, the following provisions of the Lease shall be deleted from the Direct Lease and any New Lease:

(a) the last sentences of Sections 8.1(a) and 8.2;

(b) the provision contained in the parenthical in Section 16(a);

(c) the portion of the first sentence of Section 16(b) following the word "lessees";

(d) Sections 17(a) and 17(c); and

(e) The portion of the second sentence of Section 18(f) following the phrase "terms of this Lease)".

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(ii) **No State Indemnity or Payment of Attorneys' Fees.** In the event of a direct lease between Master Lessor and Sublessee as described above or New Lease, Master Lessor shall not be bound by Section 16(b) or Section 37 of the Lease. Master Lessor shall be responsible for damages resulting from acts or omissions of state employees while acting within the scope of their employment to the extent that Master Lessor liability for such damages has been determined by a court or otherwise agreed to by Master Lessor. Master Lessor shall pay for such damages to the extent that funds have been authorized and appropriated by the State of Hawaii Legislature for such purpose, and the funds have been allocated by the executive budget process.

(iii) **State is Self-Insured.** Master Lessor shall not be subject to Section 17(a) of the Lease. Master Lessor is self-insured.

4. **No Modifications.** Until the Lease shall have terminated or expired, neither Master Lessor nor Sublessor shall amend or modify (i) the Master Lease and/or (ii) the Declaration, Bylaws or other condominium documents for the Project, in a manner that adversely affects Sublessee's or Leasehold Mortgagee's (as hereinafter defined) rights under the Lease. Any such amendment or modification of the Master Lease and/or the Project condominium documents shall be void as to Sublessee or Leasehold Mortgagee.

5. **Additional Sublessee Provisions.** The terms and conditions set forth below in this Paragraph 5 shall be binding upon Master Lessor as if fully set forth in the Master Lease, and to the extent of any inconsistency between the terms and provisions contained in the Master Lease and the terms and conditions set forth below in this Paragraph 5, the terms and conditions set forth below in this Paragraph 5 shall govern and control:

(i) **New Lease.** If, notwithstanding the provisions of Paragraph 3 above, a termination of the Master Lease for any reason results in a termination of the Lease, then Master Lessor upon request shall forthwith enter into a new lease of the Leasehold with Sublessee (the "New Lease") and the following provisions shall apply:

(a) The New Lease shall be for the remainder of the term of the Lease, effective on the date of termination, at the same rent and shall contain the same covenants, agreements, conditions, provisions, restrictions and limitations as are then contained in the Lease. Such New Lease shall be subject to all then-existing Leasehold Mortgages, as defined in the Lease, and all then-existing subleases.

(b) The New Lease shall be executed by Master Lessor within thirty (30) days after receipt by Master Lessor of notice of the Sublessee's request for a New Lease.

(c) Any New Lease and the leasehold estate created thereby shall, subject to the same conditions contained in the Lease and in this Agreement, continue to maintain the same priority as the Lease with regard to any Leasehold Mortgage or any other lien, charge or encumbrance affecting the Premises. Concurrently with the execution and delivery of the New Lease, Master Lessor shall assign to Sublessee all of its right, title and interest in and to moneys, if any, then held by or payable to Master Lessor and related to the Premises which Sublessee would have been entitled to receive but for the termination of the Master Lease.

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(ii) **Mortgaging of Leasehold Estate.** Sublessee may, without the consent of Master Lessor, mortgage or otherwise encumber the Leasehold Estate (which mortgage or other encumbrance is hereinafter referred to as the "Leasehold Mortgage"). The mortgagee under the Leasehold Mortgage or the other holders of the indebtedness secured by the Leasehold Mortgage (the "Leasehold Mortgagee") shall notify Master Lessor (and any Fee Mortgagee, as hereinafter defined), in the manner hereinafter provided for the giving of notice, of the execution of such Leasehold Mortgage and the name and place for service of notice upon such Leasehold Mortgagee. Upon such notification to Master Lessor that Sublessee has entered into a Leasehold Mortgage, Master Lessor hereby agrees for the benefit of such Leasehold Mortgagee, and upon written request by Sublessee, to execute and deliver to Sublessee and Leasehold Mortgagee (i) a Master Lessor Consent to Leasehold Mortgage, Recognition and Non-Disturbance Agreement ("Master Lessor Leasehold Mortgage Recognition Agreement") containing terms substantially identical to the terms of the document so

entitled attached hereto as **Exhibit 1** and incorporated herein by this reference and/or (ii) an instrument of similar effect in form and substance reasonably requested by the Leasehold Mortgagee. Master Lessor further agrees that it will comply with all of the covenants and obligations contained in said document.

(iii) **Fee Mortgage.**

(a) In the event that, at any time prior to the execution of the Lease and/or the recordation of the Memorandum of Lease in accordance with Section 31 of the Lease, Master Lessor has mortgaged or otherwise encumbered the Premises, Master Lessor shall deliver to Sublessee a Subordination and Lender Non-Disturbance Agreement ("**Subordination and Lender Non-Disturbance Agreement**") containing terms substantially identical to the terms of the document so entitled attached as Exhibit B to the Lease and incorporated herein by this reference, duly executed by the holder of any such mortgage or encumbrance (the "**Fee Mortgagee**").

(b) In the event that, at any time after the execution of the Lease and the recordation of the Memorandum of Lease in accordance with Section 31 of the Lease, Master Lessor mortgages or otherwise encumbers its fee simple interest, Master Lessor shall be required to include within any instrument granting such mortgage or other encumbrance a provision acknowledging that the Fee Mortgagee is subordinate and subject to the Lease and any substitute Lease pursuant to the provisions hereof and the provisions of the Master Lessor Lease Recognition Agreement and the rights of Sublessee hereunder or thereunder, and agrees to be bound by the terms of the Master Lessor Leasehold Mortgage Recognition Agreement, in the event that such Fee Mortgagee shall succeed to the interests of Master Lessor. In addition, Master Lessor shall deliver to Sublessee a Subordination and Lender Non-Disturbance Agreement duly executed by the Fee Mortgagee. A termination of the Lease or the New Lease or a foreclosure of a Leasehold Mortgage, however, shall not affect the lien of the Fee Mortgage as a mortgage or other security instruments on Master Lessor's fee simple interest in the Premises.

(iv) **Subordination.** Master Lessor and Sublessor further agree for the benefit of Sublessee that, so long as the Lease shall remain in effect, Sublessor will not subordinate the Lease, or any New Lease entered into pursuant to Paragraph 5(i) above, to any mortgage or other security instruments that may hereafter be placed on Master Lessor's fee simple interests in the Premises or on Sublessor's reversionary interest in the Premises, or consent to any prepayment of any rent, without securing the prior written consent of Sublessee.

(v) **Permitted Transfers.** It is acknowledged that the Lease may be assigned, sublet or transferred by Sublessee in accordance with its terms.

(vi) **Estoppel Certificates.** Master Lessor shall execute and/or deliver to any person, firm or entity specified by Sublessee (i) provided that such be the case, a certificate stating that the Master Lease is in full force and effect, that Sublessor is not (to the knowledge of Master Lessor) in default under the Master Lease, that the Master Lease has not been modified or supplemented in any way and containing such other certifications (including, without limitation, the certifications contained herein) and agreements as such person, firm or entity may reasonably request, and (ii) copies of the documents creating or evidencing the Master Lease certified by Master Lessor as being true, correct and complete copies thereof.

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(vii) **Waiver of Subrogation.** Any policy of hazard insurance insuring Master Lessor shall contain an endorsement waiving the insurer's right of subrogation as against the Sublessee and Sublessor.

6. **Condominium Documents.**

(i) **Protective Covenants.** Neither the Master Lessor as the Declarant of the Project or as an Unit Owner, nor any other Benefitted Owner as defined in the Declaration, shall exercise any rights or benefits under the Declaration that would adversely impact Unit 1 of the Project without first obtaining the prior written consent of the Sublessee, which consent shall not be unreasonably withheld. Master Lessor as Declarant and/or as the Owner of all Units agrees that no amendment to the Declaration, the Bylaws of the Association of Unit Owners for "Nanakuli Village Center", the Condominium Map, or any other condominium documents (including, without limitation, any amendment to Article 19 of the Declaration) that would adversely impact the Premises or impair or diminish the rights of or increase the obligations of the Sublessee with regard to the possession, development, improvement, operation, occupancy, use, enjoyment or other activities relating to Premises shall be effective unless first approved in writing by the Sublessee, which approval shall not be unreasonably withheld. The consent rights granted to the Sublessee shall be effective and shall continue to exist for so long as Sublessee or its successors or assigns, including its lenders and their assigns, possesses a leasehold or sub-leasehold interest in the Premises. In no event shall the Master Lessor as Declarant of the Project or as an Unit Owner or the Owner of all Units, nor any other Benefitted Owner, have any power-of-attorney or the right to otherwise act on behalf of Sublessee or lessee in connection with the exercise of any rights or benefits.

(ii) **Facilitation.** Master Lessor as the Declarant of the Project and as the owner of all Units and the owner of individual Units agrees without charge to exercise its reserved rights under the Declaration to provide and maintain access and utility easements to the Premises, to facilitate the construction, maintenance and operation of improvements to be constructed on the Premises, and to otherwise facilitate the development and operation of the Premises for an affordable housing project.

7. **Notices.** Any notice, consent or approval required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given (i) upon hand delivery, (ii) one (1) business day after being deposited with Federal Express or another reliable overnight courier service for next day delivery, or (iii) three (3) business days after being deposited in the United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows (or such other address as either party may from time to time specify in writing to the other in accordance with this Section 7):

If to Master Lessor:

Department of Hawaiian Home Lands
Hale Kalaniana'ole
91-5420 Kapolei Parkway
Kapolei, Hawaii 96707
Attn: Land Management Division

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P.O. Box 1879
Honolulu, Hawaii 96805

with a copy to:

Department of Attorney General
425 Queen Street
Honolulu, Hawaii 96813
Attn: AG-PSHH

If to Sublessor:

Nanakuli Hawaiian Homestead Community Association
89-188 Farrington Highway
Waianae, Hawaii 96792
Attn: Kamaki Kanahele

Hawaiian Community Development Board
1188 Bishop Street, Suite 907
Honolulu, Hawaii 96813
Attn: Kali Watson

If to Sublessee:

Nanakuli Kauhale Development, L.P.
1188 Bishop Street, Suite 907
Honolulu, Hawaii 96813
Attn: Kali Watson
Tel: (808) 529-0404

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With a copy to:

Urban Housing Communities LLC
2000 E. Fourth Street, Suite 205
Santa Ana, California 92705
Attn: Douglas Bigley
Tel: (714) 351-7700

Hunt Capital Partners, LLC
15260 Ventura Blvd., Suite 600
Los Angeles, CA 91403
Attn: Jeffrey N. Weiss
Tel: (818) 380-6131

8. **Successors and Assigns.** The provisions of this Agreement shall be binding upon and inure to the benefit of each party's respective successors and assigns, including its lenders and their assigns.

9. **Continued Effectiveness of this Agreement.** The terms of this Agreement, the subordination effected hereby, and the rights of Sublessee, and the obligations of Master Lessor and Sublessor arising hereunder shall not be affected, modified or impaired in any manner or to any extent by (a) any renewal, replacement, amendment, extension, substitution, revision, consolidation, modification or termination of the Lease; (b) any exercise or non-exercise of any right, power or remedy under or in respect of the Lease; or (c) any waiver, consent, release, indulgence, extension, renewal, modification, delay or other action, inaction or omission in respect of the Lease, all whether or not any Master Lessor or Sublessor has had notice or knowledge of any of the foregoing and whether or not they shall have consented thereto.

10. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

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

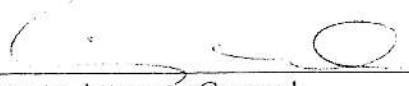
MASTER LESSOR

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

APPROVED BY THE HHC
AT ITS MEETING HELD ON
June 18, 2012

APPROVED AS TO FORM:

By 
Jobie M.K. Masagatani, Chairman Designate
Hawaiian Homes Commission


Deputy Attorney General
State of Hawaii

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