

MEMORANDUM OF UNDERSTANDING

Date: February 21, 2012

Parties: Department of Hawaiian Home Lands, State of Hawai'i ("DHHL"),
Nānākuli Hawaiian Homestead Community Association ("NHHCA"),
Kamehameha Schools ("KS")

Property: 11.96-acres, Nānākuli, O'ahu, TMK 8-9-02:01 (the "Nānākuli Lands")

The parties are entering into this Memorandum of Understanding (this "MOU") to confirm their commitment to work cooperatively on an opportunity involving the Nānākuli Lands.

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1. General Background

- a. The parties are committed to improving the well-being of native Hawaiians, their families and their communities.
- b. DHHL, through its mission to manage the Hawaiian Home Lands Trust, has developed and delivered lands and homesteads to native Hawaiian beneficiaries statewide.
- c. NHHCA, through its mission to unite, protect and preserve the Hawaiian Home Lands located in Nānākuli, is involved in numerous activities to better the conditions of native Hawaiian beneficiaries of the Hawaiian Home Lands Trust through self-determination and self-sufficiency.
- c. KS, through its mission to fulfill Princess Pauahi's desire to create educational opportunities in perpetuity to improve the capability and well-being of people of Hawaiian ancestry, operates K-12 campuses, preschools and outreach and scholarship programs and works in collaboration with others to create long-term intergenerational change through education.
- d. The parties are committed to working cooperatively on a new opportunity involving the Nānākuli Lands that can advance their individual missions and help develop and support thriving communities. While pursuing this opportunity, the parties will respect that each of them has its own strategies, programs, responsibilities and constituencies and that the opportunity must be mutually acceptable to be successful.

2. Nānākuli Lands Background

a. DHHL entered into a lease with NHHCA covering the Nānākuli Lands to better effectuate the purposes of the Hawaiian Homes Commission Act of 1920, as amended, by providing for the development of a multi-phase, multi-use learning center, commercial project and affordable rentals known as the Nānākuli Village Center.

b. KS is seeking lands on the Waiʻanae coast of Oʻahu to develop learning communities and provide educational programs as part of its Ka Pua Initiative. This Initiative is a commitment to improve community and educational well-being on the Waiʻanae coast by supporting and creating quality learning opportunities from cradle to career; quality services to children and families through a collaborative network of educational, social services, and health providers; and a supportive infrastructure for educational program delivery including the physical resources to do so.

c. The parties would like KS to acquire the learning center portion of the Nānākuli Lands to develop a KS facility for educational and related programs in support of KS' Ka Pua Initiative. DHHL believes that having KS develop these lands for educational programs will help it to develop thriving area communities. Although NHHCA has been pursuing plans to develop this as a learning center, NHHCA now believes that it would be better for KS to use these lands to design, construct, and operate a KS educational facility, which would provide significant benefits to the community and to the remaining portions of the Nānākuli Village Center. KS believes these lands are well-situated for inclusion in its Ka Pua Initiative and would be an integral part of a network of educational sites serving the Leeward coast of Oʻahu.

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3. Mutual Understandings

a. The parties are interested in pursuing real estate transactions to provide for (i) the withdrawal of the cultural center portion of the Nānākuli Lands from the existing lease between DHHL and NHHCA, (ii) a new long-term lease between DHHL and KS for these lands that includes the possibility of a future fee exchange between DHHL and KS, and (iii) the development of the KS educational facility with any necessary coordination with the remainder of the Nānākuli Village Center.

b. The parties will develop a process to guide them through the steps necessary to complete these real estate transactions. This process will include community engagement steps, land planning, due diligence, transaction negotiations, documentation and approvals.

c. The parties will negotiate appropriate transaction documents consistent with the basic structure and key terms for the real estate transactions set out in the chart attached as Schedule 1 to this MOU.

4. Miscellaneous

This MOU is not a legally binding contract. A legally binding contract will not exist unless and until the parties have executed the formal written transaction documents. No party may claim any legal rights against another for actions taken in reliance upon this MOU, including without limitation any partial performance or expenditure of time and money. Any party may terminate negotiations for any or no reason, and no party owes any other any duty to negotiate final written agreements. Nothing in this MOU shall be deemed to constitute the parties as partners, joint venturers, or principal and agent. This MOU has been executed by or on behalf of the Trustees of the Estate of Bernice Pauahi Bishop in their fiduciary capacities as said Trustees, and not in their individual capacities. No personal liability or obligation under this MOU shall be imposed or assessed against said Trustees in their individual capacities. The Hawaiian Homes Commission has similarly approved and authorized execution of this MOU in the capacity as Commissioners under the Hawaiian Homes Commission Act and not in their individual capacities. No personal liability or obligation under this MOU shall be imposed or assessed against the Commissioners in their individual capacities.

The parties have executed this MOU as of the date set forth above.

DEPARTMENT OF HAWAIIAN HOME LANDS

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By:
Name: Albert "Alapaki" Nakale-a
Its: Chairman

NĀNĀKULI HAWAIIAN HOMESTEAD
COMMUNITY ASSOCIATION

By:
Name: Kamali C. Kaulike
Its: President

KAMEHAMEHA SCHOOLS

By:
Name: Dee Jay Mailer
Its: CEO

SCHEDULE 1 TO MEMORANDUM OF UNDERSTANDING

Summary of Transaction Structure and Terms

Transaction	Document(s)	Parties	Terms
Establishment of Condominium Project	Declaration of Condominium Property Regime Bylaws of the Association of Unit Owners Condominium Map	DHHL and NHHCA	DHHL to submit its fee simple interest to the condominium project and to be the fee owner of the resulting condominium units. NHHCA to submit its leasehold interest to the condominium project and to be the declarant/developer. Condominium project to be structured as functionally equivalent to separately subdivided lots as much as possible. KS as lessee of the education facility unit to have the unilateral right, at any time, to subdivide and withdraw the unit from the condominium project and record a declaration against the underlying land that effects substantially the same arrangements with respect to shared facilities and reciprocal rights as was provided under the condominium documents.
Withdrawal from Nānākuli Village Center Lease	Amendment of General Lease No. 281	DHHL and NHHCA	Existing lease to be amended to change the property description from land to condominium units, to withdraw the education facility unit from the leased premises, and to make such other amendments to address this withdrawal as NHHCA and DHHL may agree.

<p>New Long-Term Lease with Possible Fee Simple Exchange</p>	<p>General Lease</p>	<p>DHHL and KS</p>	<p>DHHL to enter into a new 65-year lease with KS covering the education facility unit on terms as KS and DHHL agree for educational, community and related uses to allow KS to develop programs and facilities on the property as part of its Ka Pua Initiative, in support of its educational mission.</p> <p>KS and DHHL to consider and, if the parties so decide, complete an exchange where DHHL would convey the education facility land to KS in fee simple after subdivision in return for land in fee simple of equal value, subject to necessary approvals.</p>
<p>Transfer of Rights to Existing Plans, etc.</p>	<p>Agreement on Transfer of Property</p>	<p>KS and NHHCA</p>	<p>One or more agreements to transfer any rights NHHCA may have with respect to the plans, designs, uses, tenants and collaborators that were considered by NHHCA for the cultural center portion of the Nānākuli Village Center.</p> <p>These agreements may also address any necessary coordination of the development of the education facility and the remainder of the Nānākuli Village Center.</p>