

# **WAIKELE STORAGE PARK**

## **Sales Program Overview**

The Waikēle Storage Park Sales Program (“**Program**”) is intended to provide a long term alternative to short term industrial leases.

Under the Program, the first step will be the purchase of a 99-year lease using a Lease Purchase and Sale Agreement/Lease (“**LPSA/L**”). The purchase price will depend on the Storage Bunker or Storage Site to be leased. In order to assist purchasers of storage sites, two (2) types of credits will be offered. The amount of the credits will depend on the Tenant closing as required by and amount of square feet being leased.

The second step will be the conversion of the Waikēle Storage Park to a condominium property regime creating a leasehold condominium unit for each Storage Bunker and Storage Site. Once the property is condominiumized, the lessee will have the option to buy its unit leasehold and when fee is offered, the buyer will have the option to buy fee simple.

The following is intended to provide interested parties with a general overview of the Program. Please read this overview and the attachments to familiarize yourself with the terms and conditions of the Program.

### **First Step: 99-Year New Lease Purchase**

1. Tenant purchases a 99-year lease for a Storage Bunker and/or Storage Site in accordance with the process outlined in the Lease Purchase Agreement Summary attached hereto as Exhibit “A”.<sup>1</sup> The 99-year lease will replace the existing tenant lease (which will be either cancelled and/or amended to include more favorable terms and conditions). A summary of the proposed terms of the 99-year lease is attached hereto as Exhibit “B”.
2. Under the 99-year lease, lease rent payments would be reduced to \$1 per year.
3. Tenants will continue to pay Common Area Maintenance (“**CAM**”) and real property taxes during the term of the 99-year lease.
4. The 99-year lease will provide each lessee with an option to purchase the applicable unit when the property is condominiumized.
5. Under the 99-year lease, Tenant may sub-lease or sell its interest under the 99-year lease in accordance with the terms of the 99-year lease provided that Tenant follows the provisions of the 99-year lease requiring compliance with existing use restrictions and rules and regulations of the project.
6. Tenant must pay the net purchase price for its 99-year lease in cash or from the proceeds of a bank loan. Whichever payment method is chosen by the Tenant, the Tenant must meet the closing deadline in order to receive a credit to its purchase price. The amount by which the purchase price is reduced should be non-taxable until the Tenant’s interest (i.e., the 99-year lease or fee simple interest in the unit) is re-sold. Tenant is advised to check with Tenant’s tax consultant, CPA, financial advisor, etc. with respect to Tenant’s tax situation.

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<sup>1</sup> Tenants of Storage Site may have different documentation under a modified process until the condominium property regime is in place.

*The Waikēle Storage Park Sales Program may be changed, modified, amended, or cancelled at any time without notice at the sole discretion of the Developer, SC Development Company LLC. SC Development Company LLC plans to convert project into a leasehold commercial condominium. See Section XVI of the Lease for details.*

## **Second Step: Condominium Property Regime**

1. The Developer will be SC Development Company LLC.
2. Developer will establish a leasehold condominium property regime project (“**CPR**”) and create condominium units for each Storage Bunker and Storage Site.
3. Under the CPR, each condominium unit owner will have the obligation to pay maintenance fees and real property taxes and the use of the project shall remain restricted to storage use only.
4. This leasehold condominium process is anticipated to be completed within 12 to 15 months after the Tenant purchases the 99-year lease.
5. Once the CPR is created, Tenant will have the option to purchase the leasehold condominium unit for its Storage Bunker and/or Storage Site for a limited period of time. The applicable option price will depend on when the Tenant purchases the leasehold unit, with the option price being \$1 if the Tenant purchases the leasehold unit within the first year the CPR is established, \$1,000 if the Tenant purchases the leasehold unit within the second year the CPR is established, and \$10,000 if the Tenant purchases within the third or fourth year the CPR is established. Commencing in the fifth year after the CPR is established, the option price will increase annually by the greater of: (a) the corresponding annual increase in the Consumer Price Index; or (b) 5%. The option price and procedure will be set out in the 99-year lease.
6. Once the Tenant purchases the fee simple unit, the unit can be sub-leased or sold to anyone Tenant chooses subject to the CPR provisions, house rules and zoning laws of the City and County of Honolulu.

## **STORAGE SITE LESSEE GROUP BENEFITS AND QUALIFICATIONS**

The credits and discount portion of the Program will be available for a limited period of time and may be changed, modified, amended or cancelled at any time without notice in the sole discretion of the Developer.

### **WAIKELE STORAGE PARK (“WSP”)**

#### **Pricing Non-Paved Sites**

**Sales Price: Sites #1, #2, #4, #6, #7 and #8**

**Revised: January 10, 2016**

### **LIMITED TIME OFFER – EXPIRES MARCH 31, 2016**

1. **SAVE \$5.00 PER SQUARE FOOT. BUY AT THE DISCOUNTED BULK PURCHASE PRICE AND RECEIVE THE FULL BULK PRICE ADVANTAGE.**
2. **\$1.00 PER SQUARE FOOT CLOSING COST CREDIT.**
3. **CLOSE WITHIN 45 DAYS OF SIGNING LEASE PURCHASE AND SALE AGREEMENT (LPSA).**

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**Full Bulk Purchase Price** <sup>(1)</sup>

<b>PSF</b>	<b>Square Foot Range</b>	<b>Sales Price Range</b>
\$35/PSF	5,000 – 9,999 sq. ft. <sup>(2)</sup>	<i>Can only be sold as one site.</i>
\$33/PSF	10,000 – 19,999 sq. ft.	\$330,000 – \$659,967
\$31/PSF	20,000 – 29,999 sq. ft.	\$620,000 – \$929,969
\$29/PSF	30,000 – 43,559 sq. ft.	\$870,000 – \$1,263,211
\$27/PSF	Acre (43,560) – 100,000	\$1,176,120 – \$2,700,000
\$25/PSF	100,001+	\$2,500,025+

<sup>(1)</sup> Price includes the option to divide units into small units and sell/lease them individually. See back of page for more information.

**Discounted Bulk Purchase Price** <sup>(2)</sup>

<b>PSF</b>	<b>Square Foot Range</b>	<b>Sales Price Range</b>
\$30/PSF	5,000 – 9,999 sq. ft.	<i>Can only be sold as one site.</i>
\$28/PSF	10,000 – 19,999 sq. ft.	\$280,000 – \$559,972
\$26/PSF	20,000 – 29,999 sq. ft.	\$520,000 – \$779,974
\$24/PSF	30,000 – 43,559 sq. ft.	\$720,000 – \$1,045,416
\$22/PSF	Acre (43,560) – 100,000	\$958,320 – \$2,200,000
\$20/PSF	100,001+	\$2,000,020+

<sup>(2)</sup> Can only be re-sold as one site.

**WAIKELE STORAGE PARK (“WSP”)  
LIMITED TIME OFFER  
January 10, 2016 – March 31, 2016**

Process to divide units when condominiumized (Waikale Storage Park Program).

1. Condominium documents will specify process, which will be similar as described in short summary below.
2. There will be two types of owners as far as dividing units into smaller units:

**FULL BULK PRICE ADVANTAGE PROGRAM**

- A). Owners who have the right to divide and no charge from AOOU. Owners submit a written request to AOOU at least 30 days prior to an AOOU monthly meeting requesting that they want to exercise their right to divide site into smaller units. AOOU notifies owner within two

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weeks of meeting of outcome of request. Owners must follow condominium map divisions and no unit can be less than 5,000 square feet. All costs are paid by owner to amend and record declaration and condominium map. Costs estimated to be \$5,000 - \$10,000.

### **DISCOUNT BULK PURCHASE PRICE PROGRAM**

- B). Owners who need to ask permission from AOUC to divide into smaller units and if approved pay a \$10.00 per square foot to AOUC for the right to divide into smaller units. Owners follow same process stated above but must turn in cashier's check equal to \$10.00 per square foot of their site to the AOUC to start the process.

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## **EXHIBIT “A”**

### **WAIKELE STORAGE PARK**

#### **Lease Purchase Agreement Summary**

SC Development Company LLC (the “***Developer***”), a Hawaii limited liability company, is working to make the Storage Bunkers and Storage Sites in the Waikele Storage Park available for long-term lease and subsequent purchase in fee simple. The Program may be changed, modified, amended or cancelled at any time without notice in the sole discretion of the Developer.

The following is intended to provide a step-by-step guide to assist you in becoming a participant in the Program.

1. Submit a Lease Purchase and Sale Agreement along with your Deposit of \$25,000 (includes initial deposit of \$5,000 and second deposit), Developer will provide you with a Purchase and Sale Agreement, which will have a standard form of lease and/or Storage Site agreement<sup>2</sup> attached thereto (the “***PSA***”). Closing to occur within 45 days of effective date of PSA.
2. Within two (2) weeks of executing your PSA, Developer will provide the final 99-year lease that will be used for your Storage Bunker(s) and/or Storage Site(s) for your review and execution.
3. The closing of your 99-year lease transaction is conditioned upon the Developer lender’s approval of PSA.
4. Participants in the Program will be responsible for standard closing costs, including but not limited to conveyance tax, escrow fees, and title fees.
5. If you do not close when you are scheduled to close or fail to comply with the provisions of the PSA, Developer shall have the right to disqualify you from the Program and cancel your transaction, or permit you to participate on terms and conditions determined by Developer in its sole discretion including reducing amount of credits given.

[END OF SUMMARY]

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<sup>2</sup> Tenants of Storage Sites may have different documentation under a modified process until the condominium property regime is in place.

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## EXHIBIT “B”

### WAIKELE STORAGE PARK

#### 99-Year Lease Term Sheet

*This term sheet (“**Term Sheet**”) contains the terms and conditions under which the Landlord identified below proposes to lease the premises described below (the “**Premises**”). This Term Sheet is not legally binding upon either Landlord or proposed tenant. Further, the effectiveness of the lease contemplated by this Term Sheet is conditioned upon the Landlord or its affiliate acquiring the fee simple interest in the Project.*

1.	Premises:	That certain Storage Bunker or Storage Site in the Waikele Storage Park project (the “ <b>Project</b> ”) located at 94-990 Pakela Street, Waipahu, Hawaii 96797, which you currently lease from SC Development Company LLC.
2.	Premises Area:	As applicable: Storage Bunkers – Approximately 4,000 square feet of storage space; or Storage Sites – 5,000 plus square feet of open storage space.
3.	Use:	Storage use consistent with the permissible use under your existing lease.
4.	Landlord:	SC Development Company LLC or its affiliate (“ <b>Landlord</b> ”).
5.	Term:	99 years commencing upon Landlord’s acquisition of the fee simple interest in the Project and continuing for 99 consecutive years.
6.	Purchase Price <sup>3</sup> :	Storage Bunkers – \$300,000.00 per Bunker; Storage Sites – price based on area demised.
7.	Annual Rent:	\$1 per year.
8.	Common Area Maintenance Charges and Real Property Taxes:	Tenant shall be responsible for monthly common area maintenance charges of the Project (which currently include real property taxes and assessments) allocated to the Premises.  Upon Condominium Conversion (defined below), Tenant shall be responsible for the following attributable to the condominium unit(s) comprising the leased Premises: (1) all of the common area maintenance charges; and (b) all real property taxes payable to the City and County of Honolulu.
9.	Hawaii State General Excise Tax and Conveyance Tax:	Tenant shall pay to Landlord, Hawaii State general excise tax (currently equal to 4.712%) on all amounts paid to Landlord under the lease. In addition, Tenant shall be responsible for the applicable conveyance tax.

<sup>3</sup> Discounts may be applicable, including credits under the Waikele Storage Park Sales Program. Please inquire with the Project brokers.

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10.	Condominium Conversion and Option to Purchase Fee Simple Interest:	<p>Landlord, as the developer, plans to subject the Project, together with other property, to a condominium property regime under HRS Chapter 514B, as amended (the “<i>Condominium Conversion</i>”). Upon such Condominium Conversion, the Premises demised by the lease shall generally coincide with a leasehold condominium unit.</p> <p>Tenant shall have the option to purchase the fee simple interest in the condominium unit demised as follows:</p> <table><tr><td><u>Period After Condominium Conversion</u></td><td><u>Amount</u></td></tr><tr><td>Year 1</td><td>\$1.00</td></tr><tr><td>Year 2</td><td>\$1,000.00</td></tr><tr><td>Year 3 and Year 4</td><td>\$10,000.00</td></tr></table> <p>Commencing in Year 5, the price for such option shall increase annually by the greater of: (a) the corresponding annual increase in the Consumer Price Index for all items for the “Standard Metropolitan Statistical Area of Honolulu, Hawaii, All Urban Consumers” published by the Bureau of Statistics of the United States Department of Labor (1982-1984 = 100); or (b) 5%.</p>	<u>Period After Condominium Conversion</u>	<u>Amount</u>	Year 1	\$1.00	Year 2	\$1,000.00	Year 3 and Year 4	\$10,000.00
<u>Period After Condominium Conversion</u>	<u>Amount</u>									
Year 1	\$1.00									
Year 2	\$1,000.00									
Year 3 and Year 4	\$10,000.00									
11.	Condition of the Premises:	“AS IS” condition, with all faults (if any), without representation or warranty by the Landlord, and without obligation on the part of the Landlord to make any alteration, repairs or additions to the current state of the Premises.								
12.	Assignment and Sublease:	Landlord’s prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, shall be required for any assignment or sublease of the Premises.								
13.	Mortgage:	Tenant may mortgage its leasehold interest under the lease to any bank, insurance company or commercial lender without Landlord’s consent. The lease will also contain standard mortgagee protection provisions allowing Tenant’s mortgagee to foreclose or take an assignment in lieu of foreclosure without requiring Landlord’s consent.								
14.	Insurance:	Tenant, at Tenant’s cost shall maintain commercial liability and property damage insurance and products liability insurance with a single combined limit. See attached COI requirements based on your type of business.								
15.	Subordination of Lease:	The lease shall be subject and subordinate at all times to: (a) any and all Developer ground leases or master leases which may now exist or be entered into in the future affecting all or any portion of the Project; (b) the lien of any mortgage made by Developer as mortgagor which may now exist or be executed in the future; (c) any and all covenants, conditions, restrictions, rights, encumbrances or other matters of record as of the date of the lease or as added or amended from time to time, including, without limitation, the declaration and bylaws executed in connection with the Condominium Conversion.								

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