

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

January 12, 2018

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

Ref. No.: 17HD-125
HAWAII

After-the-Fact Consent to Assignment of General Lease No. S-3601, BCI Coca-Cola Bottling Company of Los Angeles (now known as Reyes Coca-Cola Bottling, L.L.C.), Assignor, to Coca-Cola Bottling of Hawaii, LLC, Assignee, Kanoelehua Industrial Lots, Waiakea, South Hilo, Hawaii, Tax Map Key: (3) 2-2-049:007.

APPLICANT:

BCI Coca-Cola Bottling Company of Los Angeles, a Delaware corporation (now known as Reyes Coca-Cola Bottling, L.L.C., a Delaware limited liability company), as Assignor, to Coca-Cola Bottling of Hawaii, LLC, a Washington limited liability company, as Assignee.

LEGAL REFERENCE:

Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Kanoelehua Industrial Lots situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: (3)2-2-049:007, as shown on the attached map labeled Exhibit A.

AREA:

0.7748 acre, 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: Yes ___ No X

CHARACTER OF USE:

Warehouse and associated office purposes.

TERM OF LEASE:

Initial term of fifty-five (55) years, commencing on January 16, 1961, and expiring on January 15, 2016, with a ten (10) year extension from January 16, 2016 up to and including January 15, 2026, for an aggregate term of sixty-five (65) years. The last rental reopening occurred on January 16, 2016. There are no further rental reopenings.

ANNUAL RENTAL:

\$29,700 per annum.

CONSIDERATION:

Gratis.

RECOMMENDED PREMIUM:

Not applicable as the lease does not allow for a premium.

DCCA VERIFICATION:

ASSIGNOR:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Good standing confirmed:	YES <u>X</u>	NO <u> </u>

ASSIGNEE:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Good standing confirmed:	YES <u>X</u>	NO <u> </u>

BACKGROUND:

On December 1, 1960, pursuant to Act 4, First Special Session 1960, which authorized the direct issuance of leases to victims of natural disaster (tsunami) for purposes other than residential or agriculture, the Board approved General Lease No. S-3601 (GLS-3601) to Edward Hamilton Inman, as Lessee, for a term of fifty-five (55) years commencing on January 16, 1961, and expiring on January 15, 2016.

On April 28, 1967, the Board approved the Consent to Assignment of GLS-3601, from Edward Hamilton Inman, Assignor, to Allan Dale Starr, Assignee. The consent was executed on August 11, 1967.

On August 27, 1971, item F-6, the Board approved the waiver of the performance bond due to the compliance with building requirements and the confidence that staff had in these lessees to fully and faithfully perform all of the terms and conditions of their respective general leases, subject to the condition that it may be re-imposed upon the failure to continue to perform the terms and conditions and covenants of their general leases.

October 13, 1978, item F-1-f, Board approved Consent to the Character of Use for Sub-sublease GLS-3601, Pacific Bottling Corporation, Sublessee, to Sure Save Supermarket, Sub-sublessee, authorizing the use of the leasehold property for warehouse and associated office purposes. The Sub-sublessee would be utilizing only a portion of the leasehold property and the term for the sub-sublease would begin on August 1, 1978.¹

On February 10, 1984, item F-1-l, the Board approved the Consent to Assignment of GLS-3601, from Allan D. Starr, Assignor, to William T. White, III, Assignee.

On October 22, 1994, item F-1-a, the Board approved the Consent to Assignment of GLS-3601, from William T. White, III, Assignor, to William T. White, III Trustee of the William T. White, III Revocable Trust under the Declaration of Trust executed on September 7, 1988, Assignee.

On December 13, 2002, item D-43, the Board approved the Consent to Assignment of GLS-3601, from William T. White, III Trust, Assignor, to the William T. White, III Charitable Remainder Unitrust, Assignee; and the Consent to Sublease GLS-3601, William T. White, III Charitable Remainder Unitrust, Sublessor (Lessee), to BCI Coca-Cola Bottling Company of Los Angeles, Sublessee. The Board also reinstated the performance bond equal to twice the annual rent.

On June 9, 2011, item D-3, the Board approved the Consent to Assignment of GLS-3601, from William T. White, III, Trustee of the William T. White III, Charitable Remainder Unitrust, as Assignor, to BCI Coca-Cola Bottling Company of Los Angeles (BCI CCB Co.), as Assignee.

On December 11, 2015, item D-6, the Board approved a 10-year extension, commencing on January 16, 2016 and expiring on January 15, 2026, making the aggregate term for this lease at 65 years.

¹ General Lease No. S-3601 does not require Board approval for subleasing a portion of the leasehold property, however, it requires approval for the consent to the character of use (warehouse and associated office purposes). The original character of use required the premises to be used for the first five (5) years for bottling works purposes, and could be used for other purposes after the first five years with prior consent from the Board.

REMARKS:

Coca-Cola Refreshments USA, Inc. and its affiliates are refranchising their bottling system in North America and selling off the bottling and distribution aspects of their business to distributors such as The Odom Corporation and Reyes Beverage Group. The Odom Corporation is the parent company and owner of all the membership interest in Coca-Cola Bottling of Hawaii, LLC (CCBH), who is the Assignee under this request presently before the Board. By an Assignment and Assumption of Lease signed in June 2017 but effective as of October 28, 2016, Lessee BCI CCB Co. assigned its interest in GLS-3601 to CCBH.

Because CCBH is a relatively new entity, there are no financial statements that establish its qualifications of operating a successful business. However, The Odom Corporation, as the parent company and owner of the CCBH, has provided financial statements for 2015 and 2016 to establish the parent company's qualifications. Nevertheless, staff is including a recommendation below that CCBH provide a guaranty from The Odom Corporation of CCBH's performance of all obligations under the lease as a condition of the Board's consent to assignment.

On June 8, 2017, Lessee BCI CCB Co. converted from a Delaware corporation to a Delaware limited liability company with the name BCI Coca-Cola Bottling Company of Los Angeles LLC (BCI CCB LLC). On October 27, 2017, BCI CCB LLC changed its name to Reyes Coca-Cola Bottling, L.L.C.

Lessee BCI CCB Co. is compliant with the terms and conditions of the lease, and is current with rent and liability insurance. The performance bond, which was waived by the Board at its meeting on August 27, 1971, was reinstated on December 13, 2002. The Lessee had been current with the performance bond since 2002 until its most current certificate expired on July 15, 2017. An NOD was issued and has since been cured. Lessee is currently up to date with the performance bond.

Assignee CCBH has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

The last rental reopening occurred on January 16, 2016. There are no further rental reopenings.

RECOMMENDATION:

That the Board consent after-the-fact to the assignment of General Lease No. S-3601 from BCI Coca-Cola Bottling Company of Los Angeles (now known as Reyes Coca-Cola Bottling, L.L.C.), as Assignor, to Coca-Cola Bottling of Hawaii, LLC, as Assignee, subject to the following:

1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
2. Coca-Cola Bottling of Hawaii, LLC shall provide a guaranty from The Odom Corporation in favor of the Board and in a form acceptable to the Department of the Attorney General, in which The Odom Corporation guarantees the performance of all of lessee's obligations under the lease;
3. Review and approval by the Department of the Attorney General; and
4. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



Dan K. Gushiken
Land Agent

APPROVED FOR SUBMITTAL:

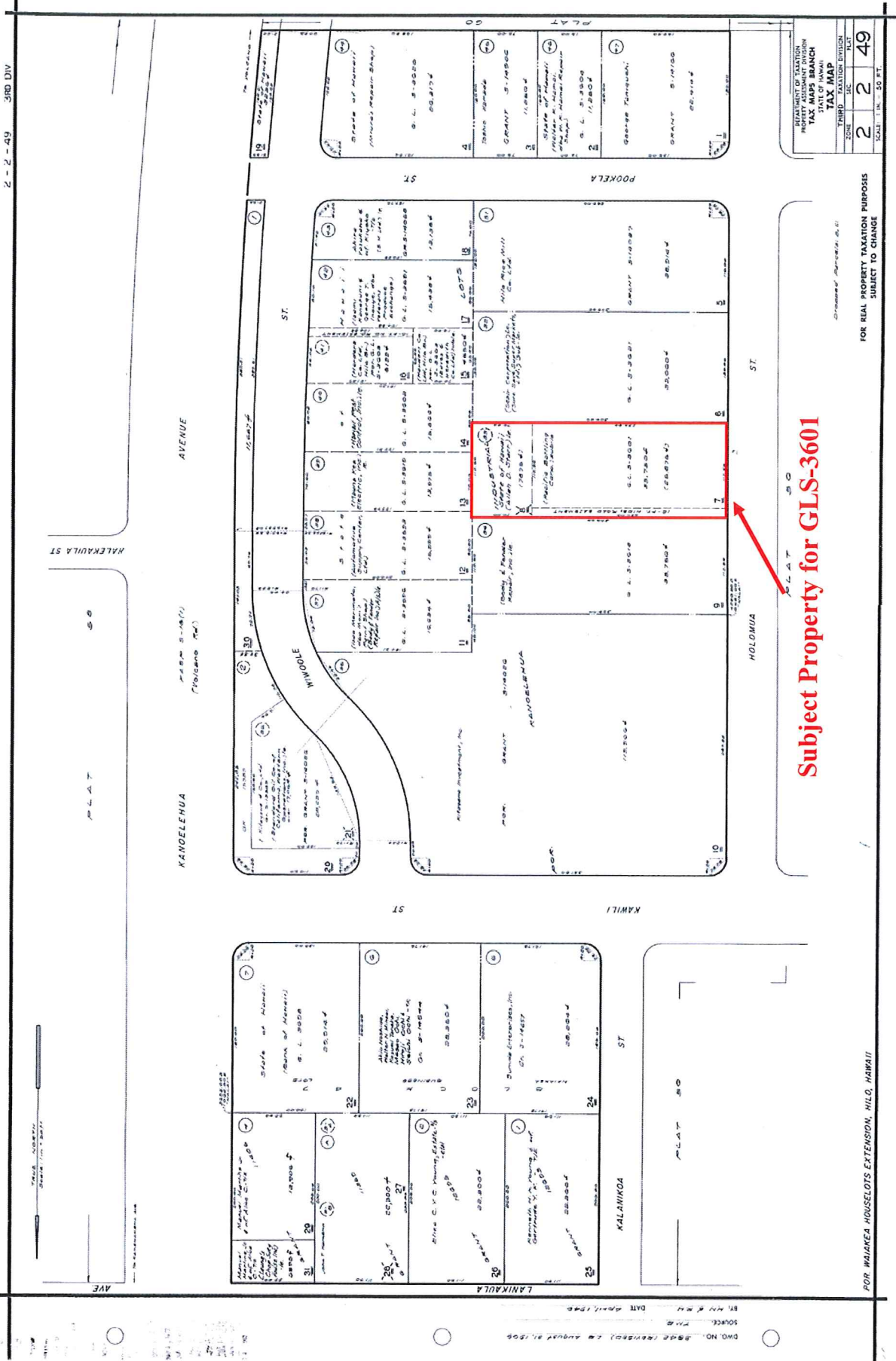


Suzanne D. Case, Chairperson



Consent to Assignment of GLS-3601

BCI Coca-Cola Bottling Company of Los Angeles (Assignor) to Coca-Cola Bottling Company of Hawaii, LLC (Assignee)
 45 Holomua St., Hilo, HI 96720
 TMK: (3) 2-2-049:007



Subject Property for GLS-3601

EXHIBIT A

Consent to Assignment of GLS-3601

BCI Coca-Cola Bottling Company of Los Angeles (Assignor) to Coca-Cola Bottling Company of Hawaii, LLC (Assignee)
45 Holomua St., Hilo, HI 96720
TMK: (3) 2-2-049:007



EXHIBIT A