

DAVID Y. IGE  
GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

FORD N. FUCHIGAMI  
DIRECTOR

Deputy Directors  
JADE T. BUTAY  
ROSS M. HIGASHI  
EDWIN H. SNIFFEN  
DARRELL T. YOUNG

IN REPLY REFER TO:  
HAR-PM

Board of Land and  
Natural Resources  
State of Hawaii  
Honolulu, Hawaii 96813

OAHU

**CONSENT TO ASSIGNMENT OF HARBOR LEASE NO. H-92-22,  
HORIZON LINES, LLC, AS ASSIGNOR, TO HAWAII  
STEVEDORES, INC., AS ASSIGNEE, SITUATED AT THE SAND  
ISLAND CONTAINER COMPLEX, HONOLULU HARBOR,  
OAHU, TAX MAP KEY (1) 1-5-41: 111 (PORTION), 126, 187, 345,  
346, AND 347.**

**LEGAL**

**REFERENCE:**

Chapter 171-36(a) (5), Hawaii Revised Statutes

**APPLICANT:**

HORIZON LINES, LLC, as ASSIGNOR, to  
HAWAII STEVEDORES, INC., as ASSIGNEE

**LOCATION:**

Pier 51, Honolulu Harbor, Oahu, Tax Map Key: (1) 1-5-41:  
111 (Portion), 126, 187, 345, 346, and 347, Governor's Executive  
Order Nos: 2462 and 2844, as shown on "Exhibit A".

**LAND TITLE  
STATUS:**

Subsection 5(a) of the Hawaii Admission Act

**LEASE AREA:**

56,047.12 square feet for office building, maintenance/repair  
facility, and other structures. 7,396.23 square feet for underground  
utility easements.

**CHARACTER OF  
USE:**

Construction, installation, maintenance, use and repair of office  
building, gate house, guard house, mechanical pad, transformer  
pad, subsurface powerlines, subsurface sewer lines, wharf cranes  
and crane rails for the operation and handling of cargo containers.

**ITEM M-1**

**RENTAL:** \$512,200.00 per annum for the period of February 12, 2016 to February 11, 2021.

**LEASE TERM:** Thirty-five (35) years, commencing on February 12, 1996 and expiring on February 11, 2031.

**CONSIDERATION:** This assignment involves the transfer of interest in the lease and the transfer of the assets, improvements and trade fixtures, at the straight-line depreciated cost, at the time of transfer.

**RECOMMENDED PREMIUM:** The assessment of a premium percentage is not required as the net consideration for the assignment does not exceed the adjusted depreciated cost of improvements being transferred to the assignee.

**DCCA VERIFICATION:**

ASSIGNOR:

Place of business registration confirmed: YES  
Registered business name confirmed: YES  
Good standing confirmed: YES

ASSIGNEE:

Place of business registration confirmed: YES  
Registered business name confirmed: YES  
Good standing confirmed: YES

**REMARKS:** The State of Hawaii, Department of Transportation (the "Department"), is the lessor under Harbor Lease No. H-92-22 (the Lease), to Horizon Lines, LLC (Horizon).

The Pasha Group (Pasha) purchased Horizon's Hawaii trade lane business, which included Harbor Lease No. H-92-22, at Pier 51, Honolulu Harbor, as follows.

A Contribution, Assumption and Purchase Agreement was entered into between and among The Pasha Group, SR Holdings LLC, Horizon Lines, Inc. and Sunrise Operations LLC as of November 11, 2014 ("CAPA"). On May 29, 2015, the CAPA was consummated.

Under the terms of the CAPA, The Pasha Group and SR Holdings, LLC purchased 100% of the Hawaii trade lane business of Horizon Lines, Inc. Specifically, The Pasha Group purchased 100% of the stock of Hawaii Stevedores, Inc. and all other assets that Horizon Lines, Inc. and any of its subsidiaries utilized in Horizon's Hawaii trade lane business.

Under the CAPA, Horizon Lines LLC was obliged to assign to The Pasha Group or its designee the State of Hawaii Dept. of Transportation Harbors Division, Harbor Lease No. H-92-22 (the "Lease"). By Assignment and Assumption Agreement dated as of May 29, 2015, Horizon Lines LLC assigned the Lease to Hawaii Stevedores, Inc. and Hawaii Stevedores, Inc. accepted such assignment.

By its report dated May 29, 2015, Moss Adams LLP, certified public accountants, verified that the calculations performed by The Pasha Group accurately applied the formulas (real property and personal property) set forth in the Lease (including Schedules thereto) to the CAPA transaction described above.

The Department has reviewed the allocated consideration to be paid by the assignee for the assignment of the subject lease and has determined that no premium is due as the net consideration for the assignment does not exceed the adjusted depreciated cost of improvements, renovations and trade fixtures being transferred to the assignee.

Under the Lease, Hawaii Stevedores, Inc., as Assignee, will continue to operate the office, maintenance/repair facilities, wharf cranes and crane rails, etc. for the operation and handling of cargo containers.

Hawaii Stevedores, Inc. is an existing tenant and is current in its rental obligations with the Department. Hawaii Stevedores, Inc. has not had a lease, permit or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

No significant changes in current management or personnel are being contemplated. The Department is satisfied that the Assignee is qualified and able to continue its business operations under new ownership.

The Pasha Group has provided additional security in the form of a guaranty for the faithful performance of the terms and conditions of the lease.

The specific terms will be included as conditions to the State's consent.

**RECOMMENDATION:** That the Board consent to the assignment of Harbor Lease No. H-92-22 from Horizon Lines, LLC, as Assignor, to Hawaii Stevedores, Inc., as Assignee, subject to the following conditions precedent:

1. Lease guaranty by The Pasha Group, a California corporation, on terms set forth by and acceptable to the Department;
2. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
3. Review and approval by the Department of the Attorney General; and
4. Such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State.

Respectfully submitted,

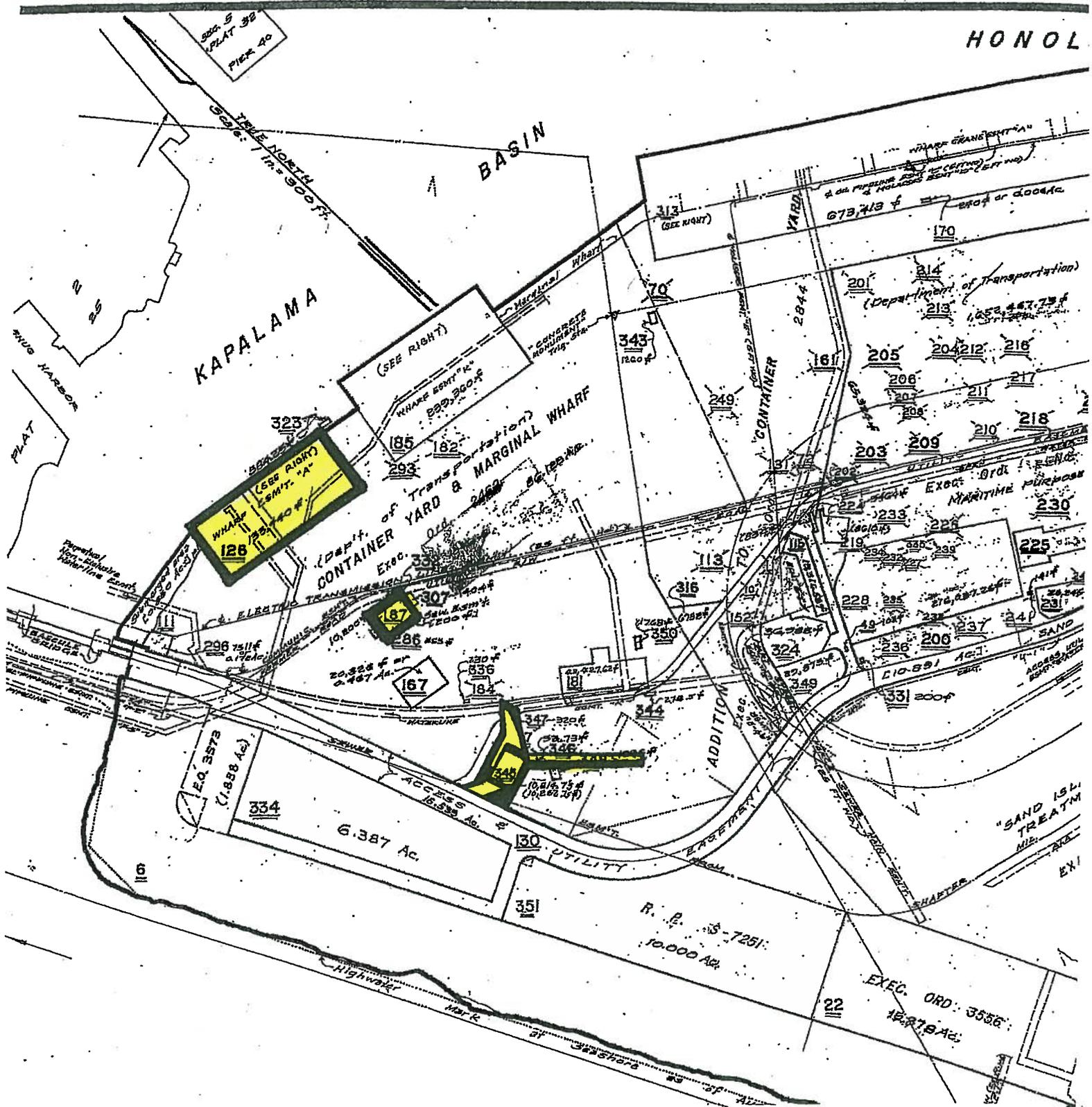


FORD N. FUCHIGAMI  
Director of Transportation

APPROVED FOR SUBMITTAL:



SUZANNE CASE  
Chairperson and Member  
Board of Land and Natural Resources



# EXHIBIT "A"

DEPARTMENT OF TAXATION  
 PROPERTY TECHNICAL OFFICE  
 TAX MAPS BRANCH  
 STATE OF HAWAII  
 TAX MAP

FIRST TAXATION DISTRICT		
ZONE	SEC.	PLAT
1	5	41