

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

December 9, 2016

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

Ref: GL 6027

OAHU

Consent to Assignment of Duke Kahanamoku Beach Concession Contract, Hilton Hawaiian Village LLC, Assignor, to Hilton Hawaiian Village Lessee LLC, Assignee, Waikiki, Honolulu, Oahu, Tax Map Key: (1) 2-3-037:021.

APPLICANT:

Hilton Hawaiian Village LLC, a domestic limited liability company, as Assignor, to Hilton Hawaiian Village Lessee LLC, a foreign limited liability company, as Assignee.

LEGAL REFERENCE:

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

LOCATION:

Portion of Government lands situated at Duke Kahanamoku Beach, Waikiki, Honolulu, Oahu, identified by Tax Map Key: (1) 2-3-037:021, as shown on the map attached as **Exhibit A**.

TRUST LAND STATUS:

Section 5(a) lands of the Hawaii Admission Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

CHARACTER OF USE:

Beach concession purposes.

TERM OF LEASE:

15 years, commencing on August 1, 2012 and expiring on July 31, 2027.

MONTHLY CONCESSION FEE:

\$50,209.00, subject to an increase of 10% at the end of 5<sup>th</sup> and 10<sup>th</sup> year of the contract.

RECOMMENDED PREMIUM:

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

DCCA VERIFICATION:

ASSIGNOR and 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>

REMARKS:

The subject beach concession contract was sold by sealed bid and Hilton Hawaiian Village LLC (Assignor) was the highest bidder.

As part of the corporate reorganization of Hilton Worldwide Holdings, Inc. (Hilton), the parent entity of the Assignor, substantially all of Hilton's real estate assets, including Hilton Hawaiian Village, will be transferred to one of its subsidiaries, Park Hotels & Resorts Inc. (PHR), which was formerly known as Hilton Worldwide, Inc. Shares in PHR will be distributed to Hilton's public shareholders, making Park a separate public company. Both the Assignor and the Hilton Hawaiian Village Lessee LLC (Assignee) are currently subsidiaries of PHR and will remain subsidiaries of PHR following the reorganization. PHR will elect to qualify as a Real Estate Investment Trust under the U.S. tax laws and will cause the Assignor to lease the hotel to the Assignee, which will enter into a management agreement with Hilton Management LLC (a subsidiary of Hilton and the current manager of the hotel) for the continued daily operation of the hotel. There will be no change in the operation or the daily management of the hotel or the subject concession contract.

Paragraph 14 of the concession contract stipulates that "[t]he Concessionaire shall not transfer, assign, or permit any other person to occupy or use the Premises or any portion thereof, or transfer or assign this Concession Contract or any interest therein, either voluntarily or by operation of law, and any transfer or assignment made shall be null be void ...".

The assignment would ensure that the holder of the concession is the same entity that controls the hotel. Counsel representing the Hilton group indicates that the Assignor is not expecting to be released from its obligation under the concession contract. As the Assignor and Assignee are affiliated entities under common control of PHR, staff believes the corporate changes will not alter the daily operation or services provided

under the concession contract. In addition, Section 171-36 (a) (5), Hawaii Revised Statutes, allows the Board give its consent to the assignment. Therefore, staff recommends the Board consent to the assignment as described above.

Staff did not solicit comments from other agencies as the request pertains to housekeeping purposes only with no change in use or extent of the State land involved.

RECOMMENDATION: That the Board consent to the assignment of Duke Kahanamoku Beach Concession Contract, between Hilton Hawaiian Village LLC, as Assignor, and Hilton Hawaiian Village Lessee 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. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

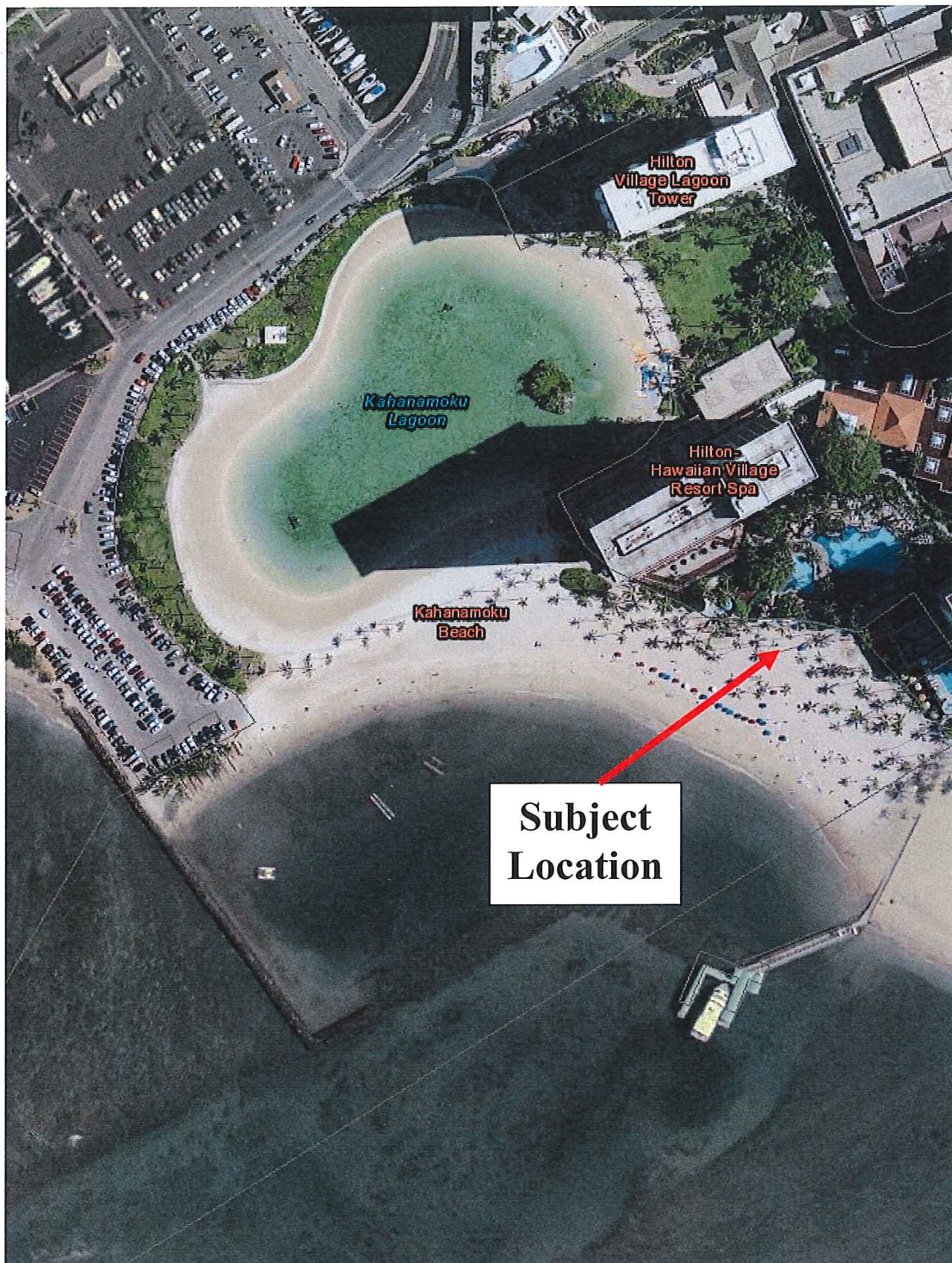
Respectfully Submitted,

  
Barry Cheung  
District Land Agent

APPROVED FOR SUBMITTAL:

  
Suzanne D. Case, Chairperson





**TMK (1) 2-3-037:021**

**EXHIBIT A**