

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

February 10, 2017

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

HAWAII

Consent to Assignment of General Lease No. S-4307, Automotive Warehouse, Inc., as Assignor, to CQ Pacific, LLC, as Assignee; portion of Waiakea Houselots Extension, Hilo, Hawaii, TMK: (3) 2-2-058:003.

APPLICANT:

Automotive Warehouse, Inc., as Assignor, to CQ Pacific, LLC, as Assignee.

LEGAL REFERENCE:

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

LOCATION:

Portion of Government lands of Waiakea Houselots Extension situated at Waiakea, Hilo, Hawaii, identified by Tax Map Key: (3) 2-2-058:003, as shown on the attached map labeled Exhibit A and photos labeled Exhibit B.

AREA:

0.2781 acres, 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:

General Industrial purposes.

TERM OF LEASE:

40 years, commencing on June 23, 1970, and expiring on June 22, 2010; last rental reopening occurred March 11, 2010; a lease extension approved by the BLNR from June 23, 2010, up to and including June 22, 2025; next rental reopening is scheduled for June 23, 2020.

ANNUAL RENTAL:

\$14,500.00 per annum.

CONSIDERATION:

\$9,328,000.00 for the sale of assets.¹

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>

REMARKS:

General Lease No. S-4307 was sold at public auction on June 30, 1970 to Quality Sheetmetal Co., Ltd, for a period of 40 years. Rental reopenings were to be on the 20th and 30th years of the lease term.

At its meeting of March 24, 1974 under agenda item F-1a, the Board consented to the assignment of lease from Quality Sheetmetal Co., Ltd., as Assignor, to Quality Electricians, Inc., as Assignee.

On January 25, 1980, under agenda item F-1a, the Board consented to the assignment of lease from Quality Electricians, Inc., as Assignor, to Triple K Plumbing, Inc., and Geo's

¹ The consideration amount reflects the sale of all assets belonging to AWI statewide to CQ Pacific, including seven stores and two warehouses with attached stores. The entire purchase was allocated to accounts receivable, inventory and fixed assets without specifying the value for the leasehold property.

Co., as Assignee.

Then, at its meeting of December 6, 1985, under agenda item F-1-1, the Board consented to the assignment of lease from Triple K Plumbing, Inc. and Geo's Co., Inc., as Assignor to Geo's Co., Inc., as Assignee.

On March 11, 2010, under agenda Item D-5, as amended at its meeting of November 25, 2010, under agenda Item D-2, the Board consented to a 15 year extension of GL S-4307, commencing on June 23, 2010, and expiring on June 23, 2025.

On October 28, 2011, under agenda item D-13, the Board consented to the assignment of lease from Geo's Co., Inc., as Assignor, to Automotive Warehouse, Inc. (AWI), as Assignee. AWI has been current and compliant on all lease terms and conditions, other than a Notice of Default for failure to pay rent that was issued on February 12, 2012, but had been cleared shortly after.

Lessee, AWI is requesting an assignment of the lease due to its sale of assets to new operator, CQ Pacific, LLC (CQ Pacific). AWI did business in the State of Hawaii as CarQuest Auto Parts and was managed by Eugene Kaminaka. He and some of his family members are the primary shareholders of AWI. After many years of operating the CarQuest stores, Mr. Kaminaka decided to retire, prompting him and his family to make an arm's length sale of all of AWI's assets to CQ Pacific. All Car Quest Auto Parts stores in Hawaii are now operated by CQ Pacific. As the assignee, CQ Pacific will continue to do business in Hawaii as CarQuest Auto Parts and utilize the subject leasehold property as a distributor of automotive parts and accessories.

Assignee, CQ Pacific is a newly formed Hawaii limited liability company that is solely owned by another newly formed parent California limited liability company, Ness Group Pacific, LLC (NGP). NGP is a holding company for various investments of the Ness family. Being that CQ Pacific is a newly formed LLC, it was unable to provide income tax returns for staff review. In lieu of tax returns, CQ Pacific submitted a balance sheet and income statement for the company. Also submitted in lieu of Assignee's financial history, were audited financial statements of Hawthorne Machinery Co., who has committed to guarantee all lease obligations for CQ Pacific. Hawthorne Machinery Co. is a California corporation also owned by the Ness family. They are the sole shareholder of the Hawthorne Pacific Corp., which is a registered Hawaii corporation in good standing.

RECOMMENDATION:

That the Board consent to the assignment of General Lease No. S-4307 Automotive Warehouse, Inc., as Assignor, to CQ Pacific, 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;

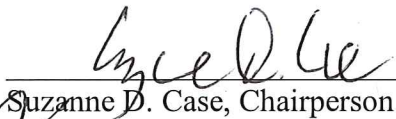
2. Review and approval by the Department of the Attorney General; and
3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



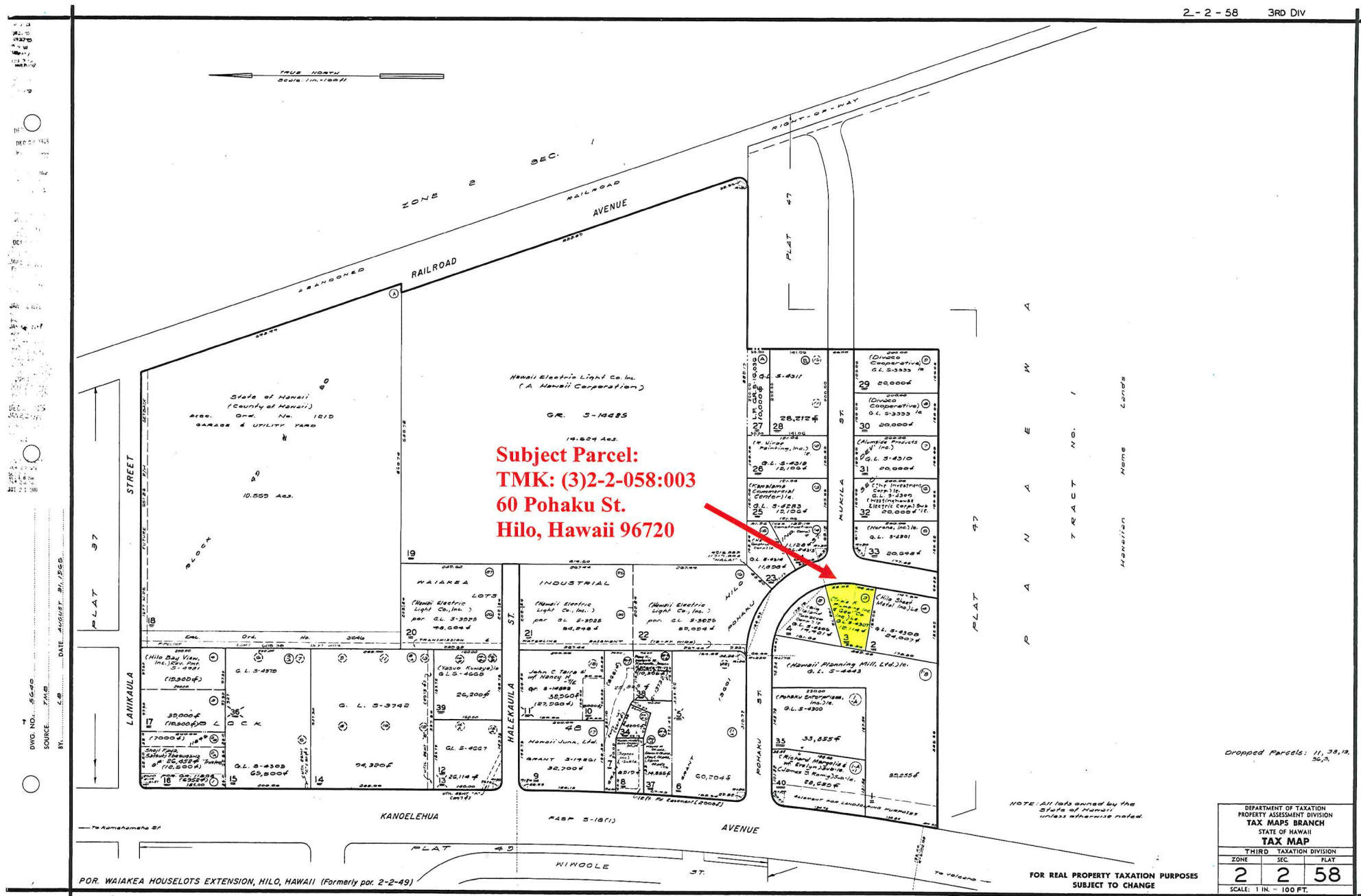
Dan K. Gushiken
Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson

2-2-58 3RD DIV



General Lease No. S-4307

EXHIBIT B

60 Pohaku St., Hilo, HI 96720 (Waiakea Houselots Extension); TMK: (3) 2-2-058:003



