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

Consent to Assign General Lease No. S-4662, Southern Foods Group, LLC dba Meadow Gold Dairies-Hawaii (formerly known as Southern Foods Group, L.P.), Assignor, to MGD Acquisition, LLC and ARS Holding, LLC, Assignees, Waikea, South Hilo, Hawai‘i, Tax Map Key: (3) 2-1-012:025.

APPLICANT:

Southern Foods Group LLC dba Meadow Gold Dairies-Hawaii (formerly known as Southern Foods Group, L.P.), as Assignor, to MGD Acquisition, LLC and ARS Holding, LLC, as Assignees.

LEGAL REFERENCE:

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

LOCATION:

Portion of Government lands, situated at Waikea, South Hilo, Hawai‘i, identified by Tax Map Key: (3) 2-1-012:025, as shown on the attached map labeled Exhibit A.

AREA:

61,779 square feet, 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: NO
CHARACTER OF USE:

Industrial purposes.

TERM OF LEASE:

55 years, commencing on August 28, 1980 and expiring on August 27, 2035. Latest rental reopening period is set to begin August 28, 2020. An appraisal was completed, and the rent was accepted by the lessee. The next rental reopening will be August 28, 2030.

ANNUAL RENTAL:

$58,560.00.

CONSIDERATION:

$7,000,000.00.

RECOMMENDED PREMIUM:

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

DCCA VERIFICATION:

ASSIGNOR: Southern Foods Group. LLC dba Meadow Gold Dairies-Hawaii
Place of business registration confirmed: YES X NO__
Registered business name confirmed: YES X NO__
Good standing confirmed: YES X NO__

ASSIGNEE: MGD Acquisition, LLC
Place of business registration confirmed: YES X NO__
Registered business name confirmed: YES X NO__
Good standing confirmed: YES X NO__

ASSIGNEE: ARS Holding, LLC
Place of business registration confirmed: YES X NO__
Registered business name confirmed: YES X NO__
Good standing confirmed: YES X NO__

REMARKS:

General Lease No. S-4662 was awarded at public auction in 1980 and was by mesne assignments assigned to Southern Foods Group L.P. by unrecorded Assignment of Lease dated September 4, 1997.
The Lessee, Southern Foods Group, LLC, filed a voluntary petition for relief under chapter 11 of title 11 of the United States code (bankruptcy code) in the United States Bankruptcy Court for the Southern District of Texas on November 12, 2019.

On April 22, 2020, the Assignees entered into an asset purchase agreement with the lessee for General Lease No. S-4662 located in the Waiakea Industrial Lots, South Hilo, Island of Hawaii. The manager of the companies listed as Assignees, Bahman Sadeghi, has an extensive background in the dairy business. He was previously the owner/operator of Island Dairy, Inc. along the Hamakua coast on the Island of Hawaii. A hearing was conducted in the Bankruptcy on April 28, 2020 authorizing the sale of General Lease No. S-4662.

The Assignee 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 current rental reopening is set for August 28, 2020. An appraisal was performed, and the proposed rent has been accepted by the lessee. The next rental re-opening is scheduled for August 28, 2030.

RECOMMENDATION:

That the Board consent to the assignment of General Lease No. S-4662, Southern Foods Group LLC dba Meadow Gold Dairies-Hawaii (formerly known as Southern Foods Group, L.P.), as Assignor, to MGD Acquisition, LLC and ARS Holding, LLC, as Assignees, 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,

Gordon C. Heit
District Land Agent

APPROVED FOR SUBMITTAL:

Suzanne D. Case, Chairperson
HAWAII ISLAND OVERVIEW

EXHIBIT A
GENERAL LEASE No. S-4662

TMK: (3) 2-1-012:025

SUBJECT PROPERTY

EXHIBIT A