

# Turtle Bay Loans See Increased Volatility Amid Expansion Controversy

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Volatility in Turtle Bay Resorts' USD 275m first-lien and USD 100m second-lien loans has increased recently due to a dispute concerning the resorts' expansion plans, said three loan traders.

Earlier this month, the Hawaii chapter of The Sierra Club joined a local environmental group to bring a suit against the City and County of Honolulu to delay a planned expansion of Turtle Bay Resorts. If the expansion is approved, the resort will grow to almost 4,000 rooms from its current 500 rooms. In the lawsuit, the two groups allege that the resort must obtain a supplemental environmental impact statement to supplant one that was obtained 20 years ago that outlined the impact of the planned expansion on the local environment.

On Wednesday, bids for the company's first-lien term loan dropped as low as the 94 context before rebounding into a 95.5-97.5 market yesterday, two of the bank loan traders said. Meanwhile, bids for the second-lien loan got as low as 84 before rebounding into a 89-92 market yesterday, the traders said.

While trading volume has been slight, a few small pieces changed hands, another bank loan trader said.

Turtle Bay Resorts' two loans are part of a financing package Credit Suisse and Deutsche Bank led for the company in 2005. The first-lien loan is priced at LIBOR+ 275bps and the second-lien loan is priced at LIBOR+ 650bps, according to a fourth bank loan trader.

The First Amended Complaint, filed 7 June in the First Circuit Court of the State of Hawaii, named the Sierra Club as a co-plaintiff in the litigation. Last week's complaint came on the heels of an initial complaint filed on 19 May by a local group, Keep the North Shore Country.

"The lawsuit alleges that (the expansion) – now being undertaken 20 years after the original EIS was completed – will have significant impacts and cumulative effects related to increased visitor trips, increased peak and non-peak traffic, increased demands on water resources, wastewater capacity and infrastructure, sensitive wetland and endangered species habitats and aesthetics values," according to a press release.

This litigation is in the early stage, with both sides currently seeking discovery, according to Laura Couch, a lawyer representing the two environmental groups. "We're asking the city to require a new environmental impact study," before the expansion is allowed to continue, she said. While such a study might take anywhere from four to six months, there is no way of telling how long the court case could run, Couch said.

Turtle Bay Resorts is no stranger to controversy. In November 2003, a local union group initiated an ongoing boycott of the resort after the union's contract expired. The union, Local 5, also recently brought a similar lawsuit, asking for a supplemental environmental impact study and a temporary restraining order to stop the development.

Last April, a judge denied the union's requests for a preliminary injunction that would have

prevented the issuance of the required permits for the expansion, according to published reports.

“My view is that this is the same song, same tune,” said Terry O’Toole, a lawyer representing Turtle Bay Resort owner, Kuilima Resort Company. “There’s no evidence to suggest the need for further study. The development was approved 20 years ago. For anyone to stop the process now would essentially be wrongful possession... this is all happening because the union got the community upset.”

The resort is owned by Kuilima Resort Company, an affiliate of Oaktree Capital Management.

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