

Plus
12

Over Waikiki Beachcomber contract

Omni Hotels suing Reynolds, Shidler

By Jerry Hopkins

A Mainland hotel management firm and credit company have sued the owners of the Waikiki Beachcomber Hotel, claiming they tried to break a long-term management contract, as well as sell the hotel out from under them.

Omni Hotels Delaware Management Corp. and Omni Hotels Credit Corp. of New York filed suit in First Circuit Court last week against James C. Reynolds and Jay H. Shidler and their Waikiki Beachcomber Investment Co.

In its complaint, Omni said that when Reynolds and Shidler bought the 502-room Kalakaua Ave. hotel from Amfac Inc. and UAL Inc. in January 1985, Omni was given a 25-year contract with options for three additional terms of 10 years each.

Reynolds and Shidler also allegedly agreed to invest almost \$5.5 million for renovations to the 15-year-old building. Simultaneously, Omni offered up to \$7.5 million in loans to

help the hotel owners make those changes and cover some of its first mortgage debt service.

In the event that the new owners received an acceptable offer for all or part of its interest in the hotel, Omni claimed, Reynolds and Shidler had to reveal details of the offer, and the management company had a right of first refusal. If Omni declined, the buyer was either obligated to honor the management contract — inheriting Omni — or Reynolds and Shidler had to pay Omni a hefty cancellation fee.

Omni said in its suit that the hotel owners failed to honor the agreed-upon renovation schedule — causing hotel earnings to be affected, which in turn affected the amount to be paid Omni for its services — and caused the hotel's general manager, Stephen Evans, to be fired. Omni further accused the owners of dragging their feet in replacing Evans.

Omni said Reynolds met with an Omni representative in New York in September in an attempt to resolve these and other differences. According to Omni, at that meeting and on at least one other occasion Reynolds denied he was trying to sell the hotel.

However, in an affidavit filed with the complaint, Omni's attorney, Jerry Hiatt of Bays Deaver Hiatt Kawachika & Lezak, said he knew that to be untrue. Hiatt said he had a conversation with a Honolulu broker who was talking with Reynolds about finding a buyer.

Omni said an amendment to the original management contract was discussed, but never accepted by Omni, which claimed it was just a way of terminating the agreement.

Reynolds and Shidler have taken the position that Omni did agree to the amendment. However, they were unavailable for comment at press time.

Omni is asking the court to enjoin the hotel owners from any further efforts to end the management contract. Omni is also asking damages in an amount to be shown at trial.

Omni formerly was known as Dunfey New York Management Corp. and Dunfey Credit Corp. It manages 34 hotels nationwide.