

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Director's meeting of January 17, 2012  
Plant Quarantine Conference Room  
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Scott Enright, Chair  
David Rietow  
Letitia Uyehara  
William Tam, DLNR

Marissa Sandblom  
Alan Takemoto  
Russell Kokubun, DOA  
Mary Alice Evans, DBEDT

Members Absent:

Robert Osgood  
Duane Lau

Paula Hegele

Guest:

Dawn Huff, FFP  
David Bissell, KIUC

Jason Hines, FFP  
Linda Rosehill, KIUC

Staff:

Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chairperson Enright called the meeting to order at 9:10 a.m.

B. Approval of the minutes from the December 7, 2011 meeting.

Mr. Rietow moved to approve the minutes of the December 7, 2011 meeting; Mr. Takemoto seconded the motion.

Mr. Kokubun made a correction on the spelling of guest Yvonne Izu.

Motion carried as amended.

C. Report from the Executive Director Search Committee on the recommendation of the start date and salary scale with possibility of holding an executive session pursuant to section 92-5(a)(2) to discuss the starting salary of James Nakatani.

Ms. Sandblom stated that the minutes of the December 21, 2011 search committee were circulated. They met and decided that the committee would propose a recommended salary range to the board for their review. They did try to look at comparable private sector salary

ranges however it was not available. Then they looked at the public sector salaries like the department heads and deputies. There was discussion on policy regarding pay reductions.

Chair Enright called for a vote to go into executive session to discuss the salary of James Nakatani pursuant to section 92-5(a)(2). All members voted to go into executive session.

Ms. Evans requested to have an executive session put on the agenda as a matter of general practice for the board to consult its attorney on personnel and legal issues that are allowed under the sunshine laws. Ms. Kaichi requested not to discuss that at this time and just talk about the salary range for James Nakatani.

Moved to go into executive session at 9:15 a.m.

Out of executive session at 9:25 a.m.

Chair Enright thanked the search committee for their work.

Ms. Sandblom stated in their discussion at their December 21<sup>st</sup> meeting they understood that it was important to have Mr. Nakatani in place before the legislature starts. Earlier it was suggested that the start date be January 16<sup>th</sup> however there were some transitional items at the department. So based on that information; it was a suggested start date.

Ms. Evans said the January 16<sup>th</sup> start date has merit because it is the start of a pay period and easier for the staff of all the parties to work with. Mr. Tam suggested that the start date be as soon as he accepts the offer.

Mr. Kokubun stated that date was set because we anticipated the full board would meet again by the end of the year. Because that did not happen, the start date shall be as soon as Mr. Nakatani accepts.

Mr. Takemoto moved to give Mr. Nakatani the start date of his acceptance of the offer; Mr. Tam seconded.

Mr. Rietow suggested to leave the start date up to Mr. Kokubun based on the transition of the deputy position. Mr. Kokubun said he talked to Mr. Nakatani and has confidence in the Chair to talk to him regarding the appropriate start date and he is prepared to deal with the vacancy of the deputy position. It is important to have an executive director in place as soon as possible because not of only the work load but also with the legislature.

Mr. Rietow amended the motion that the start date be on or before February 1st; motion carried.

Motion carried.

Chair announcement to the public there was a salary decided and he will negotiate with Mr. Nakatani. Then based on Mr. Nakatani's acceptance will be his start date.

Chair thanked everyone for coming out for a short agenda but it was necessary to get the executive director in place. A meeting should be scheduled soon to get a review from the new executive director and hopefully another report from the planning committee.

D. Adjournment

Ms. Evans moved to adjourn; Mr. Tam seconded the motion; motion carried.

Meeting adjourned at 9:30 a.m.

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Directors Meeting of March 15, 2012  
1849 Auiki Street, Honolulu, Hawaii 96819

Attendance:

Marissa Sandblom	Duane Lau
Letitia Uyehara	David Rietow
Mary Alice Evans, DBEDT	Scott Enright, DOA
William Tam, DLNR	

Absent:

Paula Hegele	Robert Osgood
Alan Takemoto	

Guests:

Palo Luckett, PLP	Arumugan Katir, Kalepa Koalition
Steve Lupkes, BASF	Siva Kathirswami, Kalepa Koalition
Mark Phillipson, Syngenta	Larry Dill, County of Kauai
Linda Rosehill, KIUC	Lyle Tabata, County of Kauai
Jerry Ornellas, EKWUC	Mauna Kea Trask, County of Kauai
Landis Ignacio, KAA	Carl Spetzler, Orenco Hydropower
Julie-Ann Cachola, DHHL	Teresa Dawson, Environmental Hawaii

Staff:

James Nakatani  
Ivan Kawamoto  
Lynn Owan  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chair Sandblom called the meeting to order at 9:10 am.

B. Approval of minutes: January 17, 2012 meeting.

Mr. Tam moved to approve the minutes of the January 17, 2012 meeting; Mr. Rietow seconded the motion; motion carried unanimously.

Mr. Nakatani introduced himself as the new executive director and Ivan Kawamoto the new project coordinator. He comes from the Mokichi Okada Association's natural farming. He also introduced Scott Enright who stepped down as board chair and is now the deputy of the Department of Agriculture representing Russell Kokubun.

C. Request to Approve BASF's 35-year Lease Agreement.

Chair mentioned that two meetings ago, the Board approved BASF's lease agreement in concept. Today's request is to approve the draft document that was presented to the members.

Ms. Owan reported that she had worked with Ms. Kaichi on this draft lease. Some of the terms were: \$620 per acre per year for the first five years and rent would be reopened and renewed every five years based on an approved appraisal. Three things were required from BASF: appraisal, survey and EA and they have done all three. Ms. Kaichi and BASF's attorney will be reviewing this draft agreement.

Mr. Nakatani reminded the board members that this has already been approved and is just for the approval of the agreement.

Mr. Tam commented that the lease needed discussion on whether the terms need other aspects that were not considered because this is the first time the board has seen the lease. This is setting a precedent on how we handle subsequent lease agreements. Chair stated that if agreeable to the board, we could vote on BASF's 35-year lease agreement as presented and at the next meeting we could have the discussion on terms of our strategy and policy on leases. Mr. Tam would like to put a reservation on our approval that it does not constitute a final decision on our leasing policy of the board. He wants this conversation up front instead of three years from now.

Mr. Lupkes stated that they did give the draft to their attorneys for review and had a few comments that could be discussed with ADC's attorney.

Chair corrected page 5, last paragraph after (14) the word "days" should be added.

Mr. Rietow moved to approve BASF's 35 lease agreement as presented; Mr. Lau seconded the motion; Mr. Tam declined to vote stating he is recusing himself; motion carried.

D. Request to Approve the Renewal of Kekaha Agriculture Association's Revocable Permit No. RP-K1101.

Ms. Owan reported on the renewal of the month to month revocable permit for the KAA for another year. There are three fields that are connected.

Mr. Tam moved to approve KAA's revocable permit; Mr. Rietow seconded the motion; motion carried unanimously.

E. Status Report and Decision Making on the County of Kauai's Proposed Ma'alo Landfill Project on ADC Property.

Larry Dill, County engineer, Lyle Tabata, deputy county engineer and Mauna Kea Trask, county attorney's office were present. Mr. Dill made a power point presentation on the proposed Maalo landfill project.

Mr. Dill stated that letters were sent to ADC asking for comments on Kekaha mauka and Maalo site. They have been in discussion and have some preliminary non committed concurrence that this is the site that the board is interested in for a landfill, subject to making certain mitigation efforts. This is the only site they were able to have a situation where they could pursue the site of the landfill. The Maalo site is desired because of its location. Kekaha is not convenient for the public with added hauling and transportation costs. Also the County would have an opportunity to the resource recovery park working with Grove Farm who is interested in their waste diversion initiatives and is part of the County's overall solid waste management effort that they are conducting to site a resource recovery park to promote reduce, reuse and recycle. Also supporting ag because it is an ag site and is important to provide this mitigated effort. Some of the discussion points that ADC has concerns with are: location of the site, size of the site, displacement of farmers; and how to improve the irrigation and expand the water supply for ADC to help mitigate the placement of the landfill on ag property. They are here to discuss what are the needs and desires of ADC and see what they can do to accommodate those needs and to address it.

Ms. Evan asked whether the County has any lands in exchange for the landfill property for the displaced farmers. Mr. Dill replied the County does not however, discussions with Grove Farm had indicated their willingness to help accommodate displaced farmers. This all needs to be worked out.

- F. Discussion on Kauai Questionnaire on Potential Landfill and/or Resource Recovery Park.
  - 1. Kekaha Mauka site
  - 2. Maalo site

Mr. Nakatani stated that he will respond to the questionnaire on the two potential landfill sites. This is just a matter of formality saying no to Kekaha Mauka and yes to Maalo site. When he met with the County staff, they mentioned that ADC did not respond to their questionnaire so he will send it in.

Ms. Evan moved to approve an EIS. She withdrew her motion.

Mr. Tam moved to give the County the right of entry to the site proposed and a right to proceed on an environmental impact statement without prejudice toward the ADC board having to make a decision regarding the project; Ms. Evans seconded motion carried; motion carried unanimously.

- G. Discussion and Possible Action for a Special Election to Elect a Vice-Chair.

Chair commented that she checked with Ms. Kaichi whether to hold elections in July for the new slate. Her concern was that there is a vacancy for the vice chair position and in the event she cannot attend a meeting then no meeting could be held. That is a concern for her because she does not want to hold any decisions up. This is something to think about and does not have to be decided today. It was decided to schedule elections at the next meeting.

H. Discussion on the Executive Director's Reports and Updates.

1. Pacific Light and Power

Mr. Nakatani stated that in the board's packets were the questions for PLP and their responses. He stated that Mr. Luckett and Dr. Carl Spetzler were present to answer any questions.

Mr. Luckett updated PLP's progress of the hydro development of the Kokee ditch system. Over the course of this and last year they had pursued a FERC conduit hydro exemption giving the competing interest and preliminary FERC applications that were submitted in February of last year. They have also concluded the engineering and received bids for a design build which is an extensive process involving land work, and environmental assessment which was contracted out to TEC. They have Blackrock Consultant to do multiple piping site visits. Also F&H Construction has been on site visits to get all the not-to-exceed engineering procurement and construction (EPC) contracts. That not to exceed price will be the basis for their power purchase agreement with the out taker utility. The hydro power generated off the Kokee ditch system will be sold to the Kekaha Ag Association (KAA) who will in turn resell any surplus power to KIUC under a power purchase agreement which has not been negotiated at this time. That provides KAA with an independent source of revenue so they can maintain ag costs by reducing maintenance on the Kokee irrigation system. He introduced Carl Spetzler from Orenco Hydropower who has partnered with PLP to develop the project. Dr. Spetzler stated that they hope to accomplish a collaborative solution with KIUC to benefit all parties because it provides the lowest cost of capital for the project. The project is economically attractive to carry the financing cost of normal private financing capital. The cost of capital is a big part of the project and if they want to get low cost power to the members of KIUC, they have to find a way to work with them to get this capital source into the lowest cost. That is the primary need they have for the extension of time. This collaboration has been a difficult path but they would like to get to a solution.

Ms. Evans asked when he says lower cost of capital are they looking at KIUC's bonds to help fund it. Dr. Spetzler replied that KIUC needs to have the off take PPA agreement in place which becomes the guarantee. The lowest cost of funds is through the Rural Utility Service (RUS) which is a USDA agency that is available through KIUC or directly to the project with KIUC saying that they are buying the power. In this negotiation within the last year there has been competition which has held every thing back. The greatest benefit to the KIUC membership is an effective low cost project. They bring the design build capacity for the lowest cost project and feel they have \$10 million dollars of the original estimate already to be finalized. The second piece is to make sure you access the lowest cost of capital and KIUC brings a lot to the party. They need the time to get that accomplished. For the last year it has

been a direct competition of KIUC wanting to win this as a development for themselves. In partnership with KAA they accomplished the agricultural primary reasons for the water flow and have the design and understanding of the electrical system that allows them to come up with an optimal solution. They need to get KIUC to the table on this.

Chair asked if PLP is not able to work out a Power Purchase Agreement (PPA) with KIUC would the project still go forward. Mr. Lockett replied yes, they would pursue it competitively through the PUC. They are seeking a collaborative solution with ultimately KIUC and on the FERC site it is an exemption. So it would be a conduit like an exemption for FERC that would put under the FERC guide of who has the right of development. They would have to choose to be exempted from FERC which would protect them. The PPA that needs to be renegotiated is the KAA sale of power to the KIUC. The project company will have a PPA with the ag coop based on the terms of that agreement of sale.

Ms. Rosehill from KIUC clarified that PLP has in their possession that KIUC is not in negotiation nor intends to continue negotiations with them. KIUC is pursuing their own hydro electric project and intends to get their financing through RUS. For KIUC's best opportunity for the community and people of Kauai is to develop its own project which would be the best price project they would be able to get. They have a team on board with the expertise to develop the hydro project and have been in discussion with the various parties to move forward. It does not stop PLP from moving forward with their plans but she wanted to make it clear that it is not their intension to enter into a power purchase agreement with PLP or Orenco. There is an existing PPA with KAA and KIUC. The current proposal is a different routing to the hydro. They would be providing irrigation to KAA and continue to have water go down the Kekaha ditch. They are ready to accommodate whatever is necessary to irrigate ADC lands and DHHL lands. Chair clarified that the main difference is that their power would not be given or sold to KAA but would be strictly for KIUC. Ms. Rosehill replied yes.

Mr. Lockett stated that they are in contact with RUS and can get debt financing for this project independent of KIUC through RUS.

Mr. Rietow stated that ADC's role is an agricultural role and one of the ways to help our tenants is to reduce operating costs of electricity, water, land, etc and that was the reason why we got into improving the ditch system. ADC has an electrical system, hydros and putting in generators. Some of our tenants are buying direct from KIUC because we are unreliable. Some of the electricity is going to the Navy pumps and others so we can become a reliable provider and sell our excess to KIUC through the system.

Mr. Ignacio commented that this process has been going on a long time. This is an irrigation project and did not encompass hydro electric but through the redesign improvements of the irrigation upgrade, they found that they had an opportunity to extract hydro energy. The KAA has chosen the path to follow the legal rules that they are bound by the mandate of the Kekaha property, which is that it needs to benefit agriculture first and foremost. The irrigation improvement has so many benefits that affect one thing or another. This is an opportunity for the KAA to restructure its irrigation system to be more efficient and cost efficient. Also



resolve some environmental issues that have been done in the past through the sugar company. PLP is not only developing the hydro but also is a member that has agricultural interest on the Kekaha property. They are an agricultural entity not only a developer. In 2005 or 2006, KIUC tried to do a photovoltaic project on ADC lands in Mana which ADC rejected because it was not an agricultural entity and did not benefit agricultural enterprise. In 2010 the KAA made a presentation to the KIUC board about their project to improve their irrigation and the ability to have the hydro electric potential, the KIUC submitted a proposal to ADC to build, finance and develop this project and the ADC turned it down for the same reasons which is that it did not benefit agriculture. Most recently the FERC made the determination that the KIUC does not have entitlements to pursue this project. More importantly for the KAA, this project is a water project first. They want to build a pressurized irrigation system which will cost \$20 million to put in place. This project through the resale and the margining of the electricity allows them to capture some revenue to help fund this \$20 million project.

Short break was called at 10:40.

2. Pacific West – no report received
3. PMRF – Wetland Restoration on Kekaha Ag Lands

Mr. Nakatani stated that a letter was received from PMRF proposing expansion of the wetland restoration. They were concerned that if they expanded the runway it would cause problems with flights coming in. So they are proposing to move that wetland to the other side of the base. He met with them and started the process to give the Navy the right of entry to start their due diligence and EIS. Documents will be sent to the board members as soon as we receive them. They just wanted to expand the wetland area.

4. Green Energy – no report received
5. Kalepa

Mr. Nakatani showed the Kalepa area on a power point presentation. He showed the irrigation system, rancher and the church tenants, Aahoaka reservoir, damage from the March rainstorm and potential landfill area.

Mr. Nakatani reported that he sent a letter to all the Kalepa tenants saying that if they wanted a long term license they needed to fill out the application completely and return it to our office by September 30, 2012. If they were not interested, they needed to sign the form and return to ADC.

Rev. Katir made a power point presentation of the East Kauai Water Users Cooperative on the irrigation system in Kalepa. He reviewed the Kalepa Coalition, landfill site, irrigation pipeline and rerouting of access.

Ms. Kaichi commented that in the future if a presentation is to be made at a meeting it should be made part of the agenda because a member of the public may be interested in seeing this

presentation. If it was just an update then it would have to put on the agenda as such. Mr. Tam asked if the presentations were available, could staff put it on the website.

6. NPDES Permit Pending for Kekaha

Mr. Nakatani passed out a short report from DOH. He contacted Gary Gill from DOH and he looked into the permit and said ADC is okay as long as we follow the conditions of the old permit and that DOH is working on it. We need to make a note to start the process of renewal at least two years before expiration because it takes a long time.

7. Department of Health Issues – Installing Generators at Kekaha

Mr. Nakatani made a power point presentation on the installation of the generators. He stated that the DOH is concerned with the area and would like ADC to clean it up. We had one meeting with the deputy of DOH, Gary Gill, to negotiate and we are getting closer to resolving this issue. The area needs to take off a foot of material and replace it with clean material then put the generator on site. The generators are back-up generators. There is a charter school in the area that is what is causing the problem. DOH is saying we need to use residential standard level of contamination to remove and replace. He feels we should be able to resolve this problem within a couple of months. The cost to fix the problem has not been determined yet but it probably would be paid by ADC and KAA. The material that needs to be removed can be taken to the landfill.

8. Transfer of Water Tunnels at Pahala from DLNR to ADC.

9. Kau Irrigation System

Mr. Nakatani reported that he visited the Kau irrigation site. There is approximately \$700,000 to do planning and scoping for the Kau water system. The water tunnels were surveyed but were not acceptable by DLNR. He did ask DLNR what we would need to do to complete the study and the due diligence is on ADC's part which he is waiting for. Mr. Tam stated that under discussion is the carving out of the actual tunnel easements that ADC can manage but retain conservation lands that forestry can manage. He said the survey information has never been complete which is GPS quads and is not acceptable for a DAGS survey. Mr. Nakatani stated that there will be a scoping meeting with the engineers. There is a need to go to Kau to consult with the users.

10. Galbraith Estate.

Mr. Nakatani said they had a meeting and just needs half a million dollars from private funds to close the deal hopefully soon.

11. Legislative Bill.

Mr. Nakatani reviewed the list of legislative bills that involved the ADC. A vapor heat bill died this week. Mr. Rietow corrected the list: HB 2362 should be SB 2362.

The procurement bill died. Mr. Nakatani stated the senate did not introduce any procurement bills. However the house has three bills. We are not the only agency looking at this procurement situation.

H. Consideration of Committees.

Chair asked if there was discussion of setting up committees for: planning of Kalepa, finance/audit and administrative rules.

Mr. Tam asked what committees would be standing committees and special committees. Planning committee and the finance committee should be standing committees. He said we need an outside audit done to see what our problems are and what is the standard process.

Ms. Kaichi commented that our bylaws are very specific and should consider a bylaw change. This can come up after all the changes are made. No decision should be made today and should be noticed at a board meeting.

Mr. Nakatani asked Mr. Enright to look when an audit is done for the department. Mr. Rietow asked to include the 2011 annual financial statement.

Chair said a planning committee is already in existence but a committee could be set up for Kalepa.

Mr. Nakatani said he has a draft copy of the administrative rules for the public lands development corporation which could be a starting point. He will make it available and send it to the board.

I. Adjourn

Ms. Uyehara moved to adjourn; Mr. Lau seconded the motion; motion carried.

Meeting adjourned at 11:30 a.m.

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of Board of Directors of May 23, 2012 meeting  
1849 Auiki Street, Honolulu, Hawaii 96819

Attendance:

Marissa Sandblom	Duane Lau
David Rietow	Letitia Uyehara
Paula Hegele	Alan Takemoto
Scott Enright, DOA	Derek Kurisu
Mary Alice Evans, DBEDT	William Tam, DLNR

Absent:

Robert Osgood

Guests:

Linda Rosehill, KIUC	Palo Luckett, Pacific Light & Power
Blake Vance, HARC	Arumugan Katir, Kalepa Coalition
Stephanie Whalen, HARC	William Maloney, Pacific West Energy
Joel Matsunaga, Hawaii Bioenergy	Scott Shibata, Hawaii Bioenergy
Casey Watabu, Hawaii Bioenergy	Juilie-Ann Cachola, DHHL
Teresa Dawson Environmental Hawaii	

Staff:

James Nakatani  
Ivan Kawamoto  
Lynn Owan  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chair Sandblom called the meeting to order at 9:06 a.m.

Mr. Nakatani introduced Derek Kurisu, ADC's newest board member, representing the Big Island. He comes with experience in marketing and has done an amazing job at the KTA stores. Mr. Kurisu commented that he is a big believer in local agriculture and Hawaii is a beautiful place to live and it is matter of making it get better. He said thank you for this honor to serve.

B. Approval of Minutes of the March 15, 2012 meeting.

Chair corrected page 5, third paragraph, third sentence the word should be "intends." Ms. Kaichi corrected page 3, item C, fourth paragraph the word should be "presidence." Ms.

Uyehara corrected the last paragraph on the first page, Mr. Enright stepped down as board “chair”.

Ms. Uyehara moved to approve the March 15, 2012 minutes as amended; Ms. Evans seconded the motion; motion carried unanimously.

C. Hawaii Bioenergy - Presentation

Chair stated that this item is an informational presentation and no decision making or action will be taken at this time.

Mr. Watabu and Mr. Matsunaga made a power point presentation. Mr. Watabu mentioned that Hawaii Bioenergy is interested in ADC lands on Kauai and will show how it relates to a project that they are trying to do that has significant benefits for Hawaii. They presented who they are as a company and how the land they are looking for would fit into the larger context of their project. This could be taken into consideration in making a determination whether ADC would like to pursue.

Mr. Matsunaga stated that Hawaii Bioenergy has six partners and as a biofuel developer they have partners that have some land that could be brought to a project.

Mr. Lau asked if Bioenergy was planning to do this project with or without ADC lands. Mr. Matsunaga replied yes and no, they have Weyerhaeuser who they are meeting with this week and the data being worked on is going to tell them if they have enough material that would come out of the lands available knowing that they have to do this in a sustainable way so not to use all the acreage. Whether they would have enough for that one conversion where it comes in a modular size of 400 tons a day and if they do not produce enough they could conceivably go to the Big Island because on the Big Island they have enough biomass. This project, if they cannot get ADC lands, they will try to find other lands available but at some point the decision gets made – can you produce enough biomass on Kauai to justify investing in one unit. They are planning to have conversion facilities on Kauai and the Big Island.

No action is being taken today.

D. Hawaii Agriculture Research Center’s (HARC) Request to Install Photovoltaic System over Cane Haul Road and HARC’s Easement to Board of Water Supply. Discuss and Action.

Blake Vance and Stephanie Whalen made the power point presentation. The relationship with HARC and ADC is the conservation easement which is funded through the state legacy land fund and farm and ranch land protection from the federal. The deed defines the local holder which is ADC and the NRCS as the owner of the property. This property is located on the northwest corner and Kunia road which is 108 acres on prime lands and the deed preserves the land in ag perpetuity. It was signed in August 2009 and places restrictions on that land. They can engage on certain activities without ADC approval

however they do need approval for other activities and that is why they are here today. The first is to install photovoltaic system over the cane haul road and the second is to grant an easement to the Board of Water Supply. A copy of the October 2011 request HARC made to ADC for the approval of this 500 pv photovoltaic system was given to the board members. One of the deed restrictions is that they cannot have more than 6% of land impervious surface. The second page is a letter from Michael Brady from NRCS to say this system would still leave them with additional half an acre more for a buffer so they are not exceeding their limitation of 6% impervious surfaces. He explained the system that would be installed. They have no conduit with Improvia Services. They are not taking any lands away from agriculture production, will be able to show their sustainability in a very physical portion of their property and enables this system and would greatly help their bottom line. They are a nonprofit entity and not able to take advantage of the federal and state tax incentives to put up pv on their property. They could go through a power purchase agreement however instead of paying HECO's rates they would be paying the developer's lesser rate for their electricity. With the system they would be using kilowatts instead of dollars to pay for the system. They would be reducing their bill by how ever large the system they are permitted to build.

Second approval is the easement to Board of Water Supply (BWS). HARC had to sign an agreement with the BWS for them to provide water service to their facility and could get that service if they would grant BWS an easement at a latter date. They are behind but this is straight forward because the language on the conservation easement does allow for easements to government agencies and utility providers for the installation, maintenance and repairs using underground utility services. The easement is off Kunia road which is a 759 sq. foot parcel that would be impacted.

Ms. Uyehara asked on the timetable. Mr. Vance replied that it has fallen through the cracks but is working on it.

Mr. Tam moved to approve HARC's request for the installation of the photovoltaic system; Mr. Lau seconded the motion; motion carried unanimously.

Mr. Tam moved approve for the easement to Board of Water Supply as requested by HARC; Ms. Hegele seconded the motion; motion carried unanimously.

Five minutes recess was called at 10:05 am.

E. Pacific West Energy Kauai LLC. Request for lease/license. Discuss and Action.

Mr. Maloney made the Pacific West Energy presentation. Phase 1 is biomass based renewable electricity project. Phase II is advanced and cellulosic biofuels. Phase 1 is not a requirement for Phase 2 and may proceed directly to Phase 2.

Chair stated that they were requesting for a lease or license from ADC. Would that affect Phase 1 and 2. Mr. Maloney replied whether they get a PPA is irrelevant to their desire

for the lease of land and project going forward. The 740 acres being requested at Kekaha is a critical component to the project even if the project does not have a Phase 1.

They expect a decision on Phase 1 by August 1, 2012.

The Rentech sale of a portion of affiliate generated 130 million cash to pursue renewable energy projects.

Ms. Evans asked if ADC had an assessment of this proposal and a recommendation to the Board. Mr. Nakatani replied that he is waiting for a proposal. The discussion last year regarding the mauka lands and having been waiting for the parcel to be leased out. PLP has leased out half of the lands and reserve the other half for Pacific West. Staff cannot sit on the land. He wants to make sure that the lands are utilized in some way for planning purposes. A decision needs to be made.

Mr. Rietow clarified that there is 740 acres available and want to lease the lands. In the beginning PLP wanted to lease it, Pac West wants to lease it and possibly Hawaii Bioenergy is interested. We should get a proposal from everyone who is interested and stop waiting around. Mr. Enright said in reading the minutes from a couple of years there is a failure to perform and feels we should open it up to whoever is interested. Mr. Maloney stated that they have been proposing to lease the land and asked for a lease a year ago with PLP. PLP did not request for all the lands. He recalls that the Board said they could accommodate both parties and they would take it back and reserve a section and Pac West should work on your project and keep ADC apprised. On two occasions Pac West submitted large documentation, filled out forms to request a lease of the lands. They are proposing to lease the lands and are asking for a draft lease but they have never received a draft lease to conclude the transaction.

Chair stated discussions have been going on and over the course of many meetings there are a lot of things that were contingent with many moving parts and for various reasons things were being pushed out. Now it is a little different where Pac West said they now do not need a PPA from KIUC to make this project go forward. At this point, we do not have any lease terms which could be worked through staff. Mr. Maloney said he would like to get into those discussions and establish lease terms. He wants to know what else he needs because they are ready and willing to get those things done.

Mr. Takemoto asked why the ppa is not needed in Phase 1 now. Mr. Maloney replied that the technology is not needed for financing. Debt financing is not needed for the third party financing through KIUC. They would still do a Phase 1 and a biomass power facility with KIUC because they have been in long discussions and is still a vital project to do and link together but it is not essential to the project. What do they need to do is to get going.

Ms. Evans said she is not prepared to take action today without a proposal given from staff which could be a draft lease or a proposal to move on to other potential tenants. She would not be comfortable to commit the 740 acres to Pac West without any specifics

from staff. Mr. Rietow asked if we have the lands in Kekaha to lease do we want to set up like a RFP by putting it in the paper and offer it through a lease and let the best proposal take it. Mr. Enright confirmed that he would like to go through Mr. Rietow's suggestion.

Chair asked Ms. Kaichi regarding what Mr. Rietow proposed. This is not on the agenda today, so do we need to only discuss Pac West. Ms. Kaichi replied that is the issue in respect to Pac West on how do we want to proceed with this whether it goes to Pac West or may be not. Chair's question was whether the issue of RFP proceedings is just Pac West and the answer is that ADC has never had rules so respect to this position it is done on a case by case basis. The Board can discuss on how they want to proceed with Pac West but once you go into the broader picture on how the board would like to make all the future decisions is not proper for discussion today because the public has not been given proper notice that the board is discussing this and would not have an opportunity to give input on that type of disposition process. But a decision could be made with respect to Pac West.

Mr. Maloney stated that if that is what ADC wants to do, he would like to request other lands because they would be interested in pursuing other lands. He asked if we could move to the process expeditiously to conclude a lease or license agreement. If they cannot get it done expeditiously then move on and hopefully can let the project move on. He would like to work with the staff to prepare a draft lease that would meet the terms then staff would bring it back to the board and the board would decide to take up the lease proposal or have a decision for planning perspective whether we should do a RFP. Mr. Maloney said what ever he needs to do to create the proposal whether it's from him or the staff to take it to the board, he is prepared to do. Their understanding is that they would like to lease the lands.

Mr. Takemoto asked would it be more expeditious if we deferred this back to staff to come back with a recommendation because there are a lot of things that need to be considered. Mr. Lau stated not to defer but authorize action and have staff enter into developing a proposal that can be brought before the board at the next meeting that would get the ball rolling by putting the terms and conditions that would be acceptable to both parties at the next meeting. Mr. Nakatani said that we would need some direction from the board because we have been sitting on this waiting for a proposal. The board could then take that route but he felt we should open it up to whoever wants to lease the land bring their proposal and let the board decide because it is time to move on. Chair said staff could work with Pac West on getting a formal proposal together however if someone comes and wanted to work with staff on getting a formal proposal to present to the board, that would be okay as well. Mr. Nakatani stated that staff should be given some direction. The board needs to decide on the best terms and conditions.

Ms. Kaichi stated that there will be no lease without mites and bounds so we are talking of a long term license. Mr. Maloney said he does not know what to submit because he did fill out forms and documents. What does he need to do? He has responded to every correspondence from ADC. Mr. Takemoto stated that by his presentation today, things



have changed according to Phase 1 and Phase 2. Mr. Maloney replied that the intent to lease the 740 acres to grow biomass has not changed. The change is the technology of what they will process it with. Ms. Evans suggested that a letter of intent that outlines the changes with the proposal to staff so we have something in writing but that does not reserve any acres to Pac West.

Chair suggested that Pac West work with staff outlining their changes, rent structure.

Mr. Rietow moved to establish a committee of three with two board members as determined by Mr. Nakatani. They do two things – write a two page list of terms and conditions for the lease for the 740 acres and we could go exclusively to Pac West or go out to solicit other bidders. That committee submits the two items to the board at the next meeting; Mr. Enright seconded the motion; Ms. Evans amended the motion that Chair appoints the members of this committee. Mr. Tam seconded the amendment. Mr. Takemoto clarified that the motion is only to look at Pac West. Motion carried unanimously. Appointment will be made by Chair later.

F. Planning committee's report. Discussion and Action on:

1. ADC Working structure
2. Investigative committees

Ms. Uyehara reported that the flow chart is conceptual and is a draft for consideration by the board. This has been a result of the planning committee as well as the board having looked at projects they want to undertake and have sort them out by timetable. One of the criticisms of ADC is that we are limited in terms of scope of work based on being strapped on resources and staffing. This board has a great deal of broad experienced members in different areas of agriculture. Rather than having the board member come and vote for an issue after reviewing, the idea is to see if members would be willing to become more active and involved in doing investigatory work on different projects. It is a way to help staff be extended and allow the members to do work in other areas which they would not have an opportunity given limited staff.

Chair asked on the committees. Because there would be no action and can only recommend, would they come back to the board or come back to the planning committee. Ms. Uyehara replied the idea was if the committee could formulate some recommendations it could come to the board with some recommendations. Ms. Kaichi stated that at the last planning committee, it was discussed that the planning committee did not have any action authority but to make recommendations to the board.

Ms. Kaichi clarified that the committees should be less than the number needed for a quorum so it should be six on any given committee.

Mr. Rietow asked in the bylaws it lists the committees. Are we going to take these committees and replace the committees in the bylaws by a vote of the board. Ms. Kaichi

replied this is not specifically provided in the bylaws but suggested getting the board working on how it wants then amending the bylaws instead of going in month by month.

Ms. Kaichi stated the marketing committee can be a standing committee but infrastructure protection is not an ad hoc committee. Chair suggested that members serve on at least one investigative committee that they feel best serves their strengths and background and expertise.

Ms. Hegele clarified that rather than having the tier of the planning committee, then the investigative committees would do their work then come back to the board as a whole with their recommendations.

Ms. Kaichi stated that the investigation committees are exempted from sunshine law, no minutes is necessary however notes should be taken which would be the responsibility of the committees, and no posting and no more than 5 members. Chair will appoint the committee members however volunteers are appreciated. Mr. Enright said that he has worked with Ms. Uyehara and the idea was its flexibility. Looking at today's meeting what could come out of this is certain committees could finish certain items in a short time then it would no longer be standing.

Ms. Evans moved to accept the planning committee's recommendation to create investigative committees; Mr. Tam seconded the motion; motion carried unanimously.

#### G. Executive director's Reports and Updates.

1. Kekaha – Mr. Nakatani updated on the generator site. Additional sampling came back at an action level. Would be working on the final mitigation plan and as soon as that gets done, we can contract and move on with the installing the generator.

2. Kalepa – Started to get Sam Lee our consultant to inspect the lands. He submitted some of his inspection reports. The priority is the farming community first and trying to weed out the some who are not farming. Four applications who are interested in long term licenses were sent in. Also there was a storm wash out and emergency repairs were done.

3. Kau – The set aside is moving forward and selected the contractor who will be doing the survey. Mr. Enright has been going to community meetings and listening to what they want to do. Mr. Tam said instead of ADC managing the forestry reserve it was agreed to leave it in DLNR forestry. There is an EA and forestry management plan that will published this week. There will be a community meeting in June. DLNR will issue an easement which will be a center line survey with 100 feet on either side for the pipelines down basically to either DOA or ADC so they can manage it and eventually the cooperative would manage the pipelines. The tricky part is private ownership in between as you take each pipeline down and would have to get mutual

easements with land owners so that each system works as a whole. The main question is how much money is needed and what order would the pipes be fixed.

4. Waiahole – They will be trying to do remote monitoring to reduce labor cost. We are still complying with the court order but want to make the system more efficient. Siphon repairs could be approved this year.

5. Galbraith – Still waiting for the remaining funds to be finalized the deal, meanwhile we continue to do due diligence on the property.

6. Legislative bills – One resolution passed was for ADC to get 24 acres which is the parcel going up to Whitmore village. The governor needs to release the funds. \$750,000 for the planning and design for the water system at Galbraith. Another resolution is a task force on Hawaiian sandalwood which ADC would be a member.

Ms. Evans suggested that the executive director's report be the first time on the agenda.

H. Adjourn.

Mr. Tam moved to adjourn; Mr. Lau seconded; motion carried.

Meeting adjourned at 11:40 am.

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**  
Minutes of the Board of Director Meeting of July 11, 2012  
1849 Auiki Street, Honolulu, Hawaii 96819

Attendance:

Marissa Sandblom, Chair	Paula Hegele
David Rietow	Derek Kurisu
Duane Lau	Letitia Uyehara
Richard Lim, DBEDT	Patrick Kobayashi
William Tam, DLNR	Scott Enright, DOA

Absent:

Alan Takemoto

Guests:

Senator Dela Cruz	Ken Nakamoto, Senator Dela Cruz's office
Neil Ho, Ho Farm	Dane Wicker, Senator Dela Cruz's office
Jason Hines, FFP/KIUC	Dawn Huff, FFP/KIUC
Linda Rosehill, KIUC	Kyle Barber, Hawaii Bioenergy
Allan Smith, KIUC	Mark Takemoto, Pioneer Hi-Bred
Landis Ignacio, KAA	Casey Watabu, Hawaii Bioenergy
Mark Phillipson, Syngenta	Larry Dill, County of Kauai
Lyle Tabata, County of Kauai	Mauna Kea Trask, County of Kauai
Teresa Dawson, Environment Hawaii	

Staff:

James Nakatani  
Ivan Kawamoto  
Lynn Owan  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chair Sandblom called the meeting to order at 9:10 am.

Chair introduced ADC's newest board member Patrick Kobayashi who is the CEO of the Kobayashi Group. Mr. Kobayashi explained that Kobayashi Group is a local real estate development company and has been in business for about 17 years. They do both commercial and residential projects. Chair also introduced DBEDT's director Richard Lim.

B. Approval of minutes of May 23, 2012 meeting.

Mr. Tam moved to approve the minutes of the May 23, 2012 meeting; Mr. Lau seconded the motion; motion carried unanimously.

Agenda Item E was moved up.

E. Senator Donovan Dela Cruz - Legislative Outlook for ADC and Briefing.

Senator Dela Cruz made a power point presentation. He said that he sent a letter to the governor on the Whitmore village agricultural development plan outlining a plan that hopefully ADC would actively and quickly pursue to help move agriculture forward. He introduced Neil Ho who is a farmer he has been talking to together with other farmers. This timeline has to be based on what would be the needs of the young farmers. He reviewed his Whitmore Village Agricultural Development Plan power point presentation that included ADC's mission. He also spoke on the Galbraith Estate.

Mr. Tam stated that the ADC staff is very small. Are there any plans to provide financing to ADC's budget. Senator Dela Cruz replied no it is not necessary because it goes back to public private partnership where ADC would become the land owner and once they become the equity partner a lot of the farmers already said if they get a long term lease they can borrow money for the packing house and processing plant. As far as the license agreement with all the participating farmers, those would create revenues for security and what ever improvements might be needed to the area. But they are putting in money for some of the infrastructure costs. You need to learn to use your land as leverage the same as Public Development Land Corporation. There are only three people in that office because those corporations should not be run as government agencies. It is very specific on how the law was written that they need to be out of the box and create public private partnerships. Mr. Tam stated that to process and negotiate these arrangements would take a lot of time and is not simple. Senator replied that it would be contracted out. They see a lot of farmers that don't have a lot of time so we need to become creative and create the partnerships to meet the timeline. That is the challenge that needs to be done quickly.

Mr. Rietow said that this is a nice concept and heading in the right direction. He sees there is a lot of work in getting this to work from the ground up. How does the Senator see it happening? Senator replied if the board members did not want to do the work then you should not be on the board because this needs to get moving. He read ADC's strategic plan where it mentions ADC's mission and the law gives so many unique advantages. But ADC does not have a project that allows it to fulfill its need that is within its strategic plan. ADC has not produced anything that the law intended.

Senator Dela Cruz praised Mr. Nakatani who has done so much to make sure they have got to this point. They have been working on this for only a few months. The governor needs to talk to DOA to get DOA to understand that they need those lands to leverage and get this plan done. When talking with Senator Hee, he was against Hoopili because the state does not have a plan to take fallow ag lands and make it active. When you are taking active ag lands and making it urban, what is our plan to get fallow ag land productive? ADC should be looking down the line at what is going to be urbanized. How many acres are we talking about

so that we can get a plan started to get ag lands productive? What excuse does this board have that it has not updated the strategic plan, created benchmarks and showed results. ADC is critical to the future and will take a lot but if no one is up to the challenge then they can find someone else.

Ms. Hegele commented that she was concerned that there are not a lot of young farmers. This has not become a very thriving industry. How many people are looking for land? Are there a lot of young farmers looking? Are the acres in small parcels? Senator Dela Cruz replied an example is that Ho Farms has a five acre lease and would not be able to get a loan for a food safety processing plant. They are asking for a long term lease and have a system where the overhead could be lowered and help with the marketing and distribution. ADC has the power to create it because we already have the land. The 24 acres is in the budget. ADC should be closing the Galbraith's 1700 acres (500 acres to OHA) and possibly to purchase the buildings within Whitmore village. They are already talking with the Ag Foundation on how they can start applying for money for the 257 acres.

C. County of Kauai – Maalo Landfill and Memorandum of Agreement. Update, Discussion and Action.

Mr. Larry Dill made the presentation. Lyle Tabata and Mauna Kea Trask were also present. He reviewed what they have been doing since March when they were here last reporting on the Maalo landfill. They are continuing in the EIS process of looking at landfill sites where they are required by state law to explore alternatives. They are at the tail end of the site study where they are looking at eight different candidate sites. They have identified Maalo as the preferred site to move forward for the landfill. The next phase is the environmental impact statement in more detail with the Maalo site in particular. They did receive the right of entry from ADC so they can do the technical investigative work to start the environmental process. It is important to validate and formalize the cooperation in executing a memorandum of agreement (MOA) which they submitted a draft for consideration. It summarizes where they are today as far as background events and the purpose of the agreement. The MOA has four points: enter into a long-term license, executive order or other legal document to transfer the use and control of the Maalo site to the County for operation of a solid waste landfill; allow the County to site and develop an Resource Recovery Park (RRP) on Maalo site which would co-exist with the landfill operation; agree in lieu of the development of an irrigation system, ADC will collect a surcharge on landfill and RRP tipping fees, the specific character and amount of said fees will be decided at a later date; agree to enter into discussions regarding the use and or development of any and all access roads.

Mr. Dill stated that they are looking forward to working in cooperation and participation with ADC. This formality gives the County a level of comfort to have an agreement from ADC to move forward. This is not a firm commitment and tying ADC's hand at this stage but just a formalization of participation and cooperation that they are putting forward today.

Mr. Tam said that the MOA needs more information and detail and more clarity which can be done with exhibits. Mr. Dill replied they did try to keep it broad so they could establish participation and cooperation and a basis for discussion in going forward in tightening these

things up in the future. But they can add more detail but it might be difficult because some of the details don't exist as yet.

Chair asked regarding the Resource Recovery Park. When the County was here in March, the acreage was for the landfill because the RRP would be adjacent. Does that change the need if they are going to site it within the landfill acreage? Mr. Dill replied at the March meeting and today's meeting they come before the ADC for 270 acres for the landfill. The Grove Farm site is on private property for the RRP, they are estimating 75-80 acres so the question is if they move forward with the RRP on state lands are they requesting an addition 75-80 acres to the 270 acres. He said it's probable but could not say for sure as yet if they would take it out of the 270 acres. So they would reduce the landfill capacity by that much.

The timetable is that the EIS process is probably another two years. There is no firm timetable for this MOA. But he would like to execute this MOA at the next meeting.

The overall cost estimate for the whole project is at \$30 million. The design and construction is years down the road. The current landfill fills up by an estimate year of 2022 to 2023.

Mr. Rietow moved to approve the documents as is; no second was made. Mr. Enright suggested forming an investigative meeting to formulate the documents to look at the language for the landfill site.

Mr. Enright moved to form an investigative committee on the Maalo landfill; Mr. Tam seconded the motion. Ms. Uyehara said when this item comes up again we should have a broader discussion.

Chair suggested we discuss this item under item F-investigative committee. There are specific scopes and responsibilities that could incorporate the County's Maalo landfill project in the land development investigative committee and those members would be responsible of working on the MOA.

Two written testimonies on this subject were given to the board members from Kalepa Coalition and the East Kauai Water Users Cooperative.

D. Kekaha Mauka Lands – 740 acres. Discuss and Action.

Mr. Nakatani said the motion at the last meeting was to have Mr. Enright and Mr. Rietow serve on the investigative committee and work on the mauka lands.

Mr. Rietow reported that a RFP was not appropriate but to start a notice of interest to Pac West and others who are interested and submit a business plan then work from there.

F. Investigative Committee. Discuss and Action on:

1. Structure and Appointment of Committees.

Chair reported that at the last meeting we discussed setting up five investigative committees and appointing members to each for the purpose of collecting information and making recommendations to the board. The investigative committees would have no decision making authority and no formal minutes are required however notes need to be taken for record and capture what was discussed and considered. Administrative affairs committee according to our bylaws is a standing committee and as the work seems to be ongoing it is a necessary part of our operations that is not able to be an investigative committee and should be a posted committee meeting. All other committees would be investigative committees and would need to come back to the board.

On the scope and responsibilities for each committee: Infrastructure Protection would be upgrades, repair/maintenance infrastructure and water reuse. Appointed: DOA, Alan Takemoto and David Rietow. Administrative Affairs standing committee would be the rules, finance, procurement and legislation. Appointed: DBEDT and DLNR. Land Development would be the Galbraith lands, Kalepa lands, Maalo landfill, Mauka land issues. Appointed: David Rietow, Alan Takemoto, Patrick Kobayashi, DLNR and DOA. Marketing and Promotion would be branding, labeling, and value added products. Appointed: Paula Hegele, Derek Kurisu, Patrick and DBEDT. Emerging Opportunities would be new farmer program, waste to feed, new growing technology, others. Appointed: Paula Hegele, Letitia Uyehara and Duane Lau.

The committees would meet to do fact finding then come back to the board to present their findings and recommendations at the next board meeting which would be included as an agenda item. At a subsequent meeting the board would deliberate and take action.

G. Nominations committee for chair and vice chair. Appointments.

Chair reported that the nominations committee would be tasked with preparing a nomination slate for the position of chair and vice chair. The slate would be presented at the next meeting. She appointed Ms. Hegele and Mr. Takemoto to serve on the committee for a recommended slate.

H. Executive Director's Reports and Updates. Discussion:

Mr. Nakatani reported on the following items:

1. Kekaha -

Continue on the remedial action work plan for the emergency generators installation site. The plan would be accepted and should be done soon and possibly get the generators in by this year. The soil test results were found to be below residential standard level thus requiring no action.

2. Kalepa –

Kalepa applications deadline is September 30th. Four applications have been received.



Some land assessment of parcels has been completed and more should be done in the near future. Right now our consultant on Kauai, Sam Lee is in the hospital.

3. Kau –

The survey work for the easement/irrigation routes in Kau has begun. Mr. Enright has been active in seeing that the survey work is being done and should be here in two weeks. The farmers selected their priorities.

4. Waiahole –

Continue to improve the system. Looking into getting a remote monitoring system for flow of the water to check on the losses but are waiting to talk to DOA who has a similar project. Also removed a 100 foot pine tree near the ditch.

5. Galbraith estate –

Waiting for the remaining funds to finalize the deal and continue to do due diligence on the property. There is a road issue on Wilikina drive that ADC might be inheriting. Also clarifying the water pipelines and determining possible easement issues.

6. Legislative bills –

Senate Bill No. 2378 relating to legacy land conservation program allows the board or appropriate agency receiving an easement to exempt easement requirements.

Senate Resolution Nos. 93 establishing of a task force to examine state regulation of the harvesting of Hawaiian Sandalwood and have the executive director of ADC to be included on the task force.

Senate Resolution No. 101 requesting the ADC to look into the feasibility of acquiring the parcel of land located at TMK 1-7-4-012-016 for improvements to its infrastructure necessary to achieve its mission.

I. Adjourn.

Mr. Tam moved to adjourn; Mr. Lau seconded.

Meeting adjourned at 10:15 a.m.

Respectfully submitted,

Cindy Doi  
secretary

**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Director Meeting of September 12, 2012  
1849 Auiki Street, Honolulu, Hawaii 96819

Attendance:

Marissa Sandblom	Derek Kurisu
Letitia Uyehara	Patrick Kobayashi
David Rietow	Alan Takemoto
Duane Lau	Mary Alice Evans, DBEDT
Scott Enright, DOA	William Tam, DLNR

Absent:

Paula Hegele

Guests:

Landis Ignacio, KAA	Larry Dill, County of Kauai
Kaleo Manuel, DHHL	Mauna Kea Trask, County of Kauai
Dawn Huff, FFP/KIUC	Palo Lockett, Pacific Light and Power
David Bissell, KIUC	Gerald Sumida, Green Energy Team
Mark Phillipson, Syngenta	Rev. Katir, Kalepa Koalition
Jothi Kathiresan, Kauai Hindu Monastery	
Teresa Dawson, Environment Hawaii	

Staff:

James Nakatani  
Ivan Kawamoto  
Lynn Owan  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chair Sandblom called the meeting to order at 9:05 am.

Chair moved to amend agenda item E to include action of Green Energy Team's request for consent of an assignment of license. Ms. Uyehara seconded the motion; motion carried unanimously.

B. Approval of minutes of July 11, 2012 meeting.

Mr. Kobayashi moved to approve the minutes of the July 11, 2012 meeting; Mr. Rietow seconded the motion; motion carried unanimously.

C. County of Kauai – Ma’alo Landfill and Memorandum of Agreement. Update, Discussion and Action.

Mr. Tam commented that he would like to see more detail in the MOA because some of the materials received were not consistent and more clarity is needed as we move forward. Mr. Rietow stated that until we get to the final page of the project we have the ability to say yes or no to the acreage and we are not committed to any thing. The County has agreed to provide ADC with something to make up for the loss of ag lands so there is no firm commitment.

Ms. Evans stated that it appears that the plan is shifting from Grove Farm providing acreage for the resource recycling center to move to state land, is that part of the MOA. Mr. Trask, Deputy County Attorney, replied that he drafted the MOA. Currently they are going through their EIS process. The plan itself is very vague and was purposely broad to memorialize where they are right now which is not very far down the path. They are not changing the plan or deciding whether or not the site should be on Grove property or on ADC lands. As they go through the EIS process, they have to look at all the options.

Mr. Rietow moved to approve the MOA as written; Mr. Lau seconded the motion; motion carried unanimously.

D. Dry Litter Hog System – Presentation by Michael DuPonte.

Mike DuPonte made a power point presentation on the dry litter hog system. He will be presenting a workshop to the Kekaha hog farmers later this month.

E. Green Energy Mortgage Protection and Evidence of Funding – Update.

Mr. Eric Knutzen made a power point presentation on the update of Green Energy Team (GET). He mentioned that their goal is to close their financing on September 14<sup>th</sup> after seven years of work. They have a short list of due diligence remaining. In total this is a \$90 million dollar project. They have their grading and building permit beginning in October. They estimate breaking ground on December 3<sup>rd</sup> and being operational in 2014 with over 200 construction jobs, 39 direct operational jobs. The economic savings to each Kauai household is lower electric bills, \$70 to \$190 per year per household. They did have a date of May 2012 to conclude financing which is stated in their license. He is making the board aware that date has passed and is asking for leeway. They also have a consent document that they worked on with Myra Kaichi and their counsel pertaining to financing which they hope is acceptable with her and which would insure that the ADC’s Executive Director be able to move forward in the direction of their closing. The last item is to provide a letter to their financing group Deutsche bank confirming that GET is in good standing, is not in default under the ADC license, and will have satisfied all present requirements upon closing financing. Those are the items that they would like ADC’s affirmation on.

David Bissell from KIUC stated that they have been working with Green Energy and Deutsche bank and have been requested to do similar requirements and representation letters to Deutsche bank as part of the closing. It is important to KIUC that timing is of essence.

They have been very concerned in getting this project closed. Trying to meet this deadline is very important to KIUC so they ask for ADC's support in giving an extension.

Ms Evans asked if Green Energy has been in default of our license since May 2012. The reply was yes. She asked whether Green Energy came to the board to ask for an extension. Mr. Knutzen replied no, it was his fault that he did not recognize that and apologized to the board for not coming in advance. However they are up to date in their monthly rent payments.

Mr. Rietow asked Mr. Knutzen what he meant by leeway. Mr. Knutzen replied that they expect to close on the 14<sup>th</sup> and there are certain items that are needed to be closed with the bank so he requested an extension to December.

Ms. Kaichi reported that they have been working with Green Energy's counsel to come to terms on the license which the lenders require, the short form of which will be recorded at the Bureau of Conveyance. The assignment of that license is where GET will give the lenders an interest. The license is assigned to a participation group. The administrator will be Detsuche bank. Mr. Rietow asked if that license is assigned and Green Energy goes into default, are they then liable for the payment of rent, etc. Ms. Kaichi replied one provision that the board needs to consider is whether the bank can take over the license for a short period. It is structured like regular financing. Mr. Rietow asked if they take over the license are they then liable for the payment of the lease rent. Mr. Kaichi replied yes they are liable for everything that Green Energy would have been responsible for except for farming which is the actual activity.

Ms. Evans moved to approve Green Energy's request to approve the consent to an assignment of the license; Mr. Tam seconded the motion; motion carried unanimously.

F. Request for Two-Year Funding for Test Marketing of New Freckle Free and Virus Resistant Solo Papaya – Discussion and Action.

Ms. Uyehara made the request for two year funding for test marketing of new freckle free and virus resistant solo papaya. The investigative committee reviewed this proposal in terms of opportunities. Dennis Gonsalves wants to do test marketing. The request is for a two year funding request of \$20,000 each year. They have reviewed this and the important next step is to assist this group to move this project forward. At some point, if the tests indicate there are good results in the first phase of the testing, it will definitely encourage further development and opportunities for the future. She asked for the board's support for two year funding.

Mr. Kurisu commented that he supports this project because, being in the supermarket business, if papayas come in soft with freckles, it does not sell well; but if you find a papaya with nice color, firm and freckle free, sales could double.

Mr. Tam asked what is the relationship between ADC's grants versus what the Board of Agriculture does. How do these two fit? Ms. Kaichi replied that ADC does not make grants because it has no standards. Moneys are going out either through procurement or; in the case

of PBARC; through an exemption to procurement. If ADC wants standards, they would have to establish standards by law either through statutes or rules. The benefit to ADC becomes key because if you do it as a procurement you have to make sure you have the rights. Mr. Enright stated that the department does have grant money and marketing funds but they would welcome this opportunity to support the papaya industry. Then possibly the department could help with the marketing after the test. Mr. Nakatani stated that this would not qualify through an ag loan. This project came before us while communicating with the marketing division who could not do it. This is important for the industry that is why they came to ADC.

Mr. Rietow moved to approve the two year funding request for test marketing; Mr. Tam seconded the motion; motion carried unanimously.

G. Recommendation from the Land Development Investigative Committee for Kekaha Mauka Lands.

Mr. Rietow said their recommendation for the 740 acres is to open it up to who ever would like to lease the land or part of the land on similar terms which needs to be defined. The licensee would be required to join the Kekaha Agriculture Association (KAA) or pay a monthly maintenance fee to KAA that would support the maintenance of the infrastructure. The license would also be required to provide a business plan that outlines the proposed use of the land and the economic viability that proposes to license the land. This business plan would include information on the entity or owners' officers. The licensee would be required to obtain a NRCS plan within 12 months of execution of the license and any issues with water would have to be negotiated with KAA. This can be refined if the concept is acceptable and can go into the details of a condition of license. We have been holding the lands and at this point need to open it up to see who would step forward.

Lands were being held for Pac West informally. But no lease has been done. Pac West can also come to the Board with their packet if they so choose but others who are interested in leasing the lands may also do so. The investigative committee's recommendation is to look at other people who might be interested in the lands. If the board agrees with the concept, then they will create a specifications sheet. Mr. Tam stated that the board would need a submittal with all the terms then the board would approve for leasing. Ms. Evans stated that the public would need an opportunity to comment. She would like the public to comment on the terms at our next meeting. Chair stated that we will be specific on our agenda for our next meeting.

H. Investigative Committees. Updates and Reports.

Chair said she received an email from Mr. Tam regarding a request to conduct a financial audit of ADC. She talked to Keith Aragaki the ASO from DOA and he said that ADC is covered by an annual DOA audit. Mr. Nakatani will be updating the Board under his executive director's report on project funding. She appointed Mr. Enright to the administrative affairs investigative committee to see if ADC needs an outside audit. She thought it would be prudent to take a closer look to see whether it was warranted on how the funds are expended; and if at that time, it is reported back that something needs to be looked

at, then action could be taken. Mr. Tam said an outside audit is useful because it protects us and says that we had no idea what happened before some of the board members came into office. He wants to see the past financials and be up to date which would be very helpful. Mr. Enright explained that currently Mr. Aragaki does not feel that the review that he gets is sufficient. His recommendation was that the board can do a financial review not a full audit and if there are any red flags then do a full audit. A financial review would be done by an outside CPA.

Chair asked to update or report from any other investigative committees.

Mr. Tam reported that the administrative affairs committee did have some conversations and will be preparing a list that the full board should look at. They have no report at this time but will have something in the future.

Emerging opportunities – Ms. Uyehara reported that they met and the papaya project is one of the ideas but there are other thoughts to help new farmers.

Land development committee will be asked to review the Kalepa applications. Also at the next meeting discuss the Kalepa Coalition MOU.

I. Elections for ADC Chair and Vice Chair.

Mr. Takemoto reported the process that he and Ms. Hegele went through to get a slate for the position of the chair and vice chair. Both he and Ms. Hegele split and called half of the board members seeking their thoughts and interest. Throughout that process they came up with two names - Chair – Marissa Sandblom to serve again and Vice Chair – Derek Kurisu. They appreciate both Ms. Sandblom and Mr. Kurisu for stepping forward to serve as the chair and vice chair. That is the recommendation from the nomination committee.

Mr. Tam moved to approve the nomination’s committee recommendation for Chair Marissa Sandblom and Vice Chair Derek Kurisu; Ms. Evans seconded the motion; motion carried unanimously.

J. Executive Director’s Reports and Updates. Discussion:

Mr. Nakatani reported:

1. Kekaha – He reported that on August 17 a wildfire in Kokee near Poki’i Ridge broke out which lasted to August 24 scorched about 3,500 acres of ADC lands. KAA and DLNR did a great job helping to put out the fire. \$55,821 is the cost for emergency fire fighting efforts and creating fire breaks on ADC mauka lands. Emergency power line repairs by KIUC, fire damage to structures and miscellaneous fire damage has yet to be determined.

On August 18, part of Kekaha ditch in the Waimea Valley was concrete sealed to prevent seepage. This project was a large part of KAA’s total annual capitol improvement project budget.

On August 24, met with Hawaii Department of Health to request additional soil testing to determine the extent of arsenic and dioxin contamination along the roadway fronting the generator site, after Kekaha Community commented about contaminated Kilauea soil dumping at the landfill. ADC would perform additional soil testing to determine extent of arsenic and dioxin contamination along roadway fronting generator site to potentially reduce the amount of contaminated soil disposed at the landfill, if soil testing results are found to be clean.

On September 28 and 29, Mike DuPonte and his staff will conduct a two day seminar on how to start a hog dry litter system for the 25 hog farmers on ADC land.

2. Kalepa – On August 16 inspections of Elesther Calipjo, Antone Reis, Gerald Sanchez and Green Energy Team were conducted. 14 out of 15 RP holder’s inspections have been completed for Kalepa parcels. Applications are due September 30th from RP holders who are interested in long-term leases.

Lara Bulter-Brady was evicted from Parcel B on November 29, 2010 by DLNR but has returned to the parcel. On August 16, she was served a Notice to Vacate by ADC. August 22 she vacated the parcel with her bus and left a note asking for a couple of weeks to remove her tractor, car, 40 foot storage container and miscellaneous equipment from the premise.

3. Kau – Survey work for the easement/irrigation routes in Kau continues.

4. Waiahole Water System – Investigative work to reline the ditch to reduce water seepage through the Mililani Golf Course section is continuing. The ditch is considered a “water hazard” as part of the course design. On August 27, as a security measure, a commercial grade chain link fence was erected between Mililani Golf Course property and ADC’s storage shed property.

A new grate and three-foot wide walkway was fabricated and installed on the ewa end of the Mililani shed across the bridge. The grate traps 95% of the floating debris mostly leaves and aquatic grasses. The water users are pleased because their sand filters and grates require considerably less cleaning.

5. Galbraith Estate – Ongoing work to complete the conservation easement. October 11, 2012 is the closing date for escrow however a snag has occurred and a possible extension would be needed.

6. Legislative package – Requests to be submitted is exemption from procurement, one new position and a project coordinator, the legislative language for ADC to qualify to borrow monies from DOA Ag loan for a maximum of \$2 million dollars, and CIP funding request for \$1 million dollars, and to complete DLNR dams and reservoirs safety on Kauai’s Aahoaka reservoir.

He also reviewed the ADC funded research and studies done from October 2005 to present. Some of these projects are being followed up but he wants to see what happened to the projects and how can we apply it today. Mr. Tam asked if ADC has a plan for things we would like to accomplish for the approximate \$100,000 funding for projects. Mr. Nakatani replied no it is a learning experience for planning out the projects. There are a lot of projects out there but the challenge is how to pick and choose and how to budget with the funding we have and what we go to the legislature for. Chair stated that the investigative committees could also be brainstorming ideas for ongoing projects. As those projects arise then it could be presented to the board. Mr. Nakatani stated that he could send to the board members a sheet that staff will work on that would have the input on the projects. Mr. Tam suggested that the board as a whole have a plan with a list for agriculture to see what can be addressed. Mr. Tam stated that we could take it to the legislature to say this is what we funded and here is the results and ADC is doing the things that they set us up to do. We could use twice as much money and look at the impact that ADC would have. Ms. Uyehara stated that if ADC has certain projects that we cannot do by ourselves, we should look for private entities.

Mr. Takemoto asked whether ADC would be going to the legislature for CIP money. Mr. Nakatani replied for Waiahole ditch we did receive the first appropriation but have not started the repair of the siphons. He was not sure if the funds are adequate and he would need to take a look at it. Ms. Evans stated that the department's budget request are due to budget and finance about October 15 which means the ADC budget request would need to go to DOA within two weeks or less and go through the department's budget review process before it goes to budget and finance for their review then the governor's consideration then the legislature. She mentioned that bond ratings are very good and cost of selling bonds are very low so it is a good time to ask for CIP to accomplish some of our large infrastructure projects that have at least a 20 year life span.

Rev Katir gave an update on the Kalepa Koalition licenses of the tenant's status of sending in their applications. A grant was received from the County to work on the common element road.

K. Adjourn.

Mr. Rietow moved to adjourn; Ms. Evans seconded the motion; motion carried unanimously.

Meeting adjourned at 11:20 am.

Respectfully submitted,

Cindy Doi  
secretary



**AGRIBUSINESS DEVELOPMENT CORPORATION**

Minutes of the Board of Director Meeting of November 28, 2012  
235 South Beretania Street, Room 203, Honolulu, Hawaii 96813

Members:

Marissa Sanblom  
Alan Takemoto  
Mary Alice Evans, DBEDT

David Rietow  
Scott Enright, DOA  
William Tam, DLNR

Absent:

Paula Hegele  
Derek Kurisu  
Letitia Uyehara

Patrick Kobayashi  
Duane Lau

Guests:

Jeffrey Pang, DBEDT  
Palo Lockett, PLP  
Landis Ignacio, KAA  
Kyle Barber, HBE  
George Atta, Group 70  
David Bissell, KIUC  
Jason Hinge, FFP/KIUC  
Dawn Huff, FFP/KIUC  
Hans Royal, Akuo Energy  
Jean Lemaire, Akuo Energy  
Doug Krause, Akuo Energy  
Cameron Nekota, DR Horton  
Dennis Gonsalves, ARS/USDA  
Bernie Boltz, Island Shell LLC

Cameron Black, DBEDT  
Canen Hookano, PLP  
Lea Hong, The Trust for Public Lands  
Jesse Souki, Office of Planning  
Kevin Cockett, Cockett Communications  
Kris Nakagawa, Morihara Lau & Fong/KIUC  
Jan TenBruggencate, KIUC  
Linda Rosehill, Rosehill & Assoc/KIUC  
Mike Lwin, New Hope Leeward  
Abel Malczon, New Hope Leeward  
Rosanne Bell, New Hope Leeward  
Dennis Lombardi, Case Lombardi  
Teresa Dawson, Environment Hawaii

Staff:

James Nakatani  
Ivan Kawamoto  
Lynn Owan  
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to Order.

Chair Sandblom called the meeting to order at 9:35 a.m.

B. Approval of Minutes

Chair made a few corrections: Page 1, item A, second paragraph, instead of the word "approval" change to "action". On page 2, item E, third line, should be "\$90" and fourth line should be

“beginning” instead of “being”. Page 6, last paragraph, third line, should be “qualify”. Also our deputy attorney general added a few grammatical revisions to staff. Ms. Kaichi corrected page 3, last line, should be “because ADC has no standards provided by law.”

Mr. Rietow moved to approved the September 12, 2012 minutes as corrected; Mr. Takemoto seconded the motion; motion carried unanimously.

C. Galbraith Estate’s Land Purchase – Memorandum of Understanding between D.R. Horton and the Agribusiness Development Corporation. Discuss and Action.

Mr. Nakatani stated this memorandum of understanding between D.R. Horton and the ADC is one of the last items that is needed before the funds can go to escrow.

Lea Hong from Trust of Public Lands (TPL) and Cameron Nekota from D.R. Horton spoke briefly on the land purchase. Mr. Nekota explained that as soon as TPL takes hold of the property it will be transferred to ADC so the ADC would have the fee interest in Galbraith. Ms. Hong stated that the Galbraith state project is moving forward and hope to close by December 10<sup>th</sup>. It requires that all the money be in escrow by next week. D.R. Horton has agreed to provide the gap funding of \$500,000 and required a MOU to document this relationship. After fully executing this agreement, D.R. Horton will have the authority to wire the funds to escrow for the closing.

Ms. Evans asked if conveying the property to ADC is TPL’s expectation that the property be used in perpetuity for agriculture uses. Ms. Hong replied that is her understanding and the City and County of Honolulu and the Army who are both contributing money are requiring that a conservation easement be recorded against the property and that the land be used for agriculture in perpetuity.

Ms. Hong explained the structure of the transaction. TPL is purchasing all of the Galbraith Estate property from the Galbraith Estate which is 1,700 acres. They are recording the conservation easements on land that will be dedicated for agricultural uses in perpetuity. They will then convey the 1,200 acres that are designated for ADC.

Ms. Evans asked if the contribution by D.R. Horton and the right of first refusal first offer comply with the decision and order under the land use commission for Hoopili’s urban designation. Mr. Nekota replied there is no real connection. This came about through talking to TPL and the director of DOA a couple of years ago. Now they found out funds were going to be short to acquire the property and the money would help ADC condition the soil and other things. They are trying to give some of the farmers in Ewa an opportunity to farm in Galbraith.

Mr. Tam asked on the first right of refusal, what is the acreage covered by that refusal. The reply was up to 500 acres but not OHA’s section. Mr. Nekota replied the farmers going on the property would have to work out their lease with ADC. They are just giving the farmers in Hoopili an opportunity to go there and negotiate with ADC. If the farmer cannot work out an agreement with ADC, then ADC would go to the next party.

Ms. Hong commented that Mr. Tam sits on the Trust for Public Lands advisory council and she was not sure if that creates a conflict of interest. They are not a party of this agreement.

Ms. Evans moved to approved the MOU as presented to the board; Mr. Takemoto seconded the motion; motion carried unanimously.

D. Kunia Agricultural Project – Memorandum of Understanding between New Hope Leeward and the Agribusiness Development Corporation. Presentation, Discuss and Action.

Mike Lwin and Abel Malczon from New Hope Leeward made a short presentation. Also present were George Atta from Group 70 and Kevin Cockett from Cockett Communications.

Mr. Lwin provided an overview of their project. He stated that their church is located in the former Safeway building in Waipahu Town Center and was started about 9 years ago and has grown to about 5,000 members and has been looking for a new location. They have come to a property about 4 miles north of their location on Kunia road. It is an agriculture property of 203 acres which has been fairly fallow for the last decade but is negotiating with the owner who was previously planning to develop the property into a golf course. However that did not go well so it is being unutilized. They are thinking of moving the church and school operations to that property but returning the entire property into agriculture and looking at a special use for a portion of 47 acres going to ag 2. In ag 2 zoning, they would be able to move the church and the school there while keeping the entire property still in ag. The 155 acres would be designated to a special agricultural easement and would ask ADC to help develop these acres for agricultural uses. They are also talking to current farmers about partnering to allow their students and congregation to see what real farming is about. They are looking forward to working with ADC to provide guidance to make this a model for the future.

Mr. Nakatani stated that the MOU is self explanatory. The lands have been sitting idle for a number of years and waiting for something like this to come along to be developed. He said it is a good project and a great opportunity to move forward. The MOU has a way to go. The City is not ready for the important agriculture lands (IAL).

Mr. Tam asked what their anticipated water source would be. Mr. Atta replied that the Waiahole ditch runs along the edge of their property. They have an allocation plan for agriculture. They have two options on potable water: they are in on going discussion with the golf course to help upgrade the system and may be receive potable water from that location. The other option if that does not work out is to come to the water commission for a water permit to drill.

Ms. Evans and Mr. Takemoto both commented that they support the project and appreciate their commitment to agriculture.

Mr. Atta stated that the agreement with ADC can actually run at any time and is not contingent on their zone change until they get title to the land then they cannot finalize.

Mr. Nakatani stated that we will pass out the draft MOU to the board members then bring it up at the next meeting.

E. Photovoltaic Green House at Galbraith – Presentation by Akuo Energy.

Hans Royal, Jean Lemaire, Doug Krause from Akuo Energy, a renewable energy power producer made a power point presentation.

The Board members received a copy of Akuo Energy's power point presentation where it states their study proposal for the Galbraith land. Also included were the study cost estimate and timeline. They are estimating six to eight months for the study process.

Ms. Evans asked if Akuo Energy examined Chapter 205, part 4 which is the IAL section that limits the amount of land in the state agricultural districts that can be covered by solar to 10% if the energy will be used by the farmer. They should take a look at that legal frame work to see if that works for the type of lands as a lot of ADC lands could eventually become important agricultural lands and could apply to portions of the ag district. Also if their financial model involves selling power to customers beyond the farmers, the study proposal should look at the cost of exploring a power purchase agreement with the utility and going through our public utility commission. Mr. Lemaire stated that in their study proposal they allocated time to study those issues and have talked to the energy office on that specific chapter. Mr. Royal commented that they are aware of those issues mentioned and will always keep it on their minds.

Mr. Tam asked what is needed from ADC. Mr. Lemaire replied they submitted their proposal to perform the study which is a partnership study between Akuo and ADC. They need ADC's approval to move forward and execute the study. Chair asked if there is a cost share involved for the study proposal as presented. Mr. Lemaire replied yes, there is a cost sharing already involved. They estimated the cost of the overall project and divided it by two where Akuo will invest half of the time and effort needed to perform the study with their own money. They estimate the entire project to cost roughly \$710,000 so they are asking ADC to cover half of that.

Mr. Takemoto asked why the timeline of eight months is so long. If we gave the acres and cost it out, couldn't an estimate be given and what the savings of the energy would be in three months. Mr. Royal replied the difficulty of giving an estimate of the cost savings, they need to study the project because how they would define what it cost ultimately is going to depend on the characteristics of the site, legal issues and commercial model. They do not feel it is reasonable for it to take three months to do all this for a project that can be financed and attract investors. By the end of the study, they should have a project that is fully developed and ready to move to construction and financing. There is a specific milestone schedule as part of their proposal that will capture exactly where they are with input from ADC on each of those milestones.

Chair asked on the cost estimate for researching facility needs and solutions, was it for data collection and reports or is it community outreach talking to the farmers which could take a lot of time. Mr. Lemaire replied they would have a full time project development manager here on the island to perform the study along with local suppliers and contractors if necessary and engineering firms and legal advisors, etc. which they already have in place. Also to assess the needs of the 24 acre parcel to supply the facility and see how much renewable electricity is needed and where and when to build the project to fulfill those needs.

Mr. Tam commented that ADC does not have a plan for Galbraith so we don't have a plan on what to do and we need to figure out how to move forward. ADC in the past has not engaged in paying for a study for a project that will then be privately developed and what the future of ADC's interest would be. There are a lot of details that need to be worked out on ADC's side. We should develop a process to sort this out.

Mr. Nakatani commented that he understands Mr. Tam's concerns but ADC should be getting additional lands and Senator Dela Cruz's Whitmore agriculture plan also fits. We have time to digest all of this information and Akuo does understand what we still need to receive procession of the land. But it is not too early to start planning.

- F. Papaya Zero Waste Program: Making Something Out of Nothing – Presentation by Dr. Gonsalves from the U.S. Pacific Basin Agricultural Research Center (PBARC).

Dr. Dennis Gonsalves made the presentation on the papaya zero waste program.

Mr. Nakatani stated that the department's barrel tax funds of \$200,000 have been allotted. ADC wants to organize and work with the packing house and have a facility next to a packing plant. So when waste comes in it gets processed and would then generate profit. The profit would take care of the operation to help the papaya industry.

Mr. Nakatani stated that this is just a presentation today and there is a private sector who is interested in this project.

- G. Pacific Light and Power's Update of the following Milestones:
  1. Evidence of Funding after One Year Licensed;
  2. Approved Soil Conservation Plan Requirement after Two Years Licensed;
  3. Environmental Assessment/Environmental Impact Statement.

Palo Luckett reported that the board members received an approved NRCS soil conservation plan for the licensed lands. The environmental report prepared by TEC Inc. and also included the threatened and endangered species report. Both of these are the basis for the environmental assessment that they anticipate having to do for the continued development of the hydro project. They also provided their financing commitment letter from Kruger Energy who has committed to the development and construction financing of the hydro project. The next milestone is coming to an agreement with KIUC for the outtake of the power from KAA. One of the conditions is to have an agreement with DHHL for the water. PLP has an offer with DHHL which is a revenue sharing agreement that is pending overcoming the impasse with the utility on Kauai.

- H. Memorandum of Understanding between Kalepa Koalition and the Agribusiness Development Corporation. Discuss and Action.

Mr. Nakatani commented that on the MOU item 20 asked whether the board agrees or not on the maintenance fee. Maybe we should separate maintenance of the road and not be in the license agreement with the tenant. Mr. Rietow commented that when ADC leases land to a tenant either we need to be responsible for the infrastructure or need to have someone else do it. If someone else does it then the tenant regardless of his obligation to join or not, has to pay a separate maintenance fee.

Ms. Kaichi clarified that in this agreement it says that the Koalition wants ADC to agree to include a provision in the Kalepa licenses that says either you join the Koalition or if you don't join the Koalition you enter into a separate agreement with the Koalition with respect to those maintenance fees. ADC in either case is not involved in any relationship between a tenant and the Koalition. All

we are doing is including a provision in our license if they want lands from ADC to work it out with the Koalition.

Mr. Rietow moved to accept the MOU as presented; Mr. Enright seconded the motion.

Mr. Tam questioned on item 2 last sentence where it mentioned the exclusion of the public on roads. He thinks they were preexisting roads before the lands were set aside to ADC. The roads were under DLNR and on leased lands that the public could use. The issue is whether the public could use the public roads when they were first created. When the state has lands that are leased to a private entity may the state close the internal roads that are preexisting. This is a legal issue. Chair suggested that we strike that last sentence then it would not be a problem. Ms. Kaichi felt that striking the language from the document would not make the issue go away. This issue could be sent to a deputy attorney general who specializes in public lands.

Mr. Rietow moved to amend the motion to approve the MOU subject to striking the last sentence of #2 then check with the Koalition to see if that is a problem with them. If they have a problem then we need to revisit this again; Mr. Enright seconded the motion; motion carried unanimously.

Mr. Rietow moved to approve the MOU; Mr. Tam seconded the motion; motion carried unanimously.

I. Recommendations from the Land Development Investigative Committee for Kekaha Mauka Lands – 740 acres. Discuss and Action.

Mr. Rietow reported that they created a fact sheet relating to the 740 acres. The discussion by the committee was to create a list of organizations and provide this fact sheet to them then accept inquiries. The fact sheet was passed out to the Board members.

A five minutes break was called at 11:27.

It was decided that this item will be reviewed by the land development committee and be deferred to the next board meeting. Mr. Rietow asked the members to review the fact sheet and comment by email then come back at the next meeting for action.

J. Investigative Committees – Updates and Reports.  
1. Administrative Affairs

Mr. Tam passed out the administrative affairs committee's report. He said the committee met and has two recommendations to the board. First the need to have an outside financial report to examine the books and look at the process but not necessarily a full audit. Someone outside of the state should come to examine the books and do a report which would be a less expensive process but a standard operating procedure. Their recommendation is to request a report be prepared and the final be submitted by the end of the first quarter of 2013. The second recommendation is to request the executive director and attorney general office to prepare draft administrative rules of Chapter 163D and get back to the board no later than end of the first quarter 2013.

Chair asked if the deputy attorney general would be able to fulfill this request given her other duties. She asked if it would be a realistic timeframe for a first draft to be done by the first quarter.

Ms. Evans stated if the deputy's work load is too great there are provisions within the attorney general's office to request additional assistance. Ms. Kaichi asked if the board could write to the attorney general for her to receive help that would be appreciated. On a different matter, as far as sunshine law, when a recommendation comes out of an investigative committee on how you can vote independently on an identical issue that has not presented itself to the board through the committee that you can vote on it anyway. Her position is if the recommendation is also coming out of an investigative committee, she recommends that the board not take a vote or act on the matter at this meeting. The second meeting being the meeting at which the recommendation is made would give the public an opportunity to hear the recommendation, think about it during the interim then wait to the third meeting to actually take action. That is her position. On the administrative rules, she said it would help if the staff and attorneys have an idea what the board wants in the rules. What kinds of subject matter would the board like to be put in the rules.

Mr. Rietow stated that ADC is a corporation with bylaws and articles of incorporation, and suggested to start with those to see how the rules would dovetail.

- 2. Infrastructure Protection - none
- 3. Land Development

Earlier the committee submitted the one page description of the 740 acre property. Mr. Enright said they will be meeting after this meeting to come up with a formal schedule and intends to meet twice a month to work on the various issues and will submit reports.

- 4. Marketing and Promotion – none
- 5. Emerging Opportunities - none

K. Annual renewals of Kalepa Tenant's Revocable Permits. Discuss and Action:

- |                     |                 |                           |                 |
|---------------------|-----------------|---------------------------|-----------------|
| 1. Kelly Gooding    | RP #7289        | 7. Saiva Siddhanta Church | RP #7454        |
| 2. William Sanchez  | RP #7448 & 7569 | 8. GE Farms               | RP #7455        |
| 3. Aurora Bunao     | RP #7450        | 9. Derek Rapozo           | RP #7456        |
| 4. Antone Reis      | RP #7451        | 10. Gerald Sanchez        | RP #7457        |
| 5. Leslie P. Milnes | RP #7452        | 11. Elesther Calipjo      | RP #7458 & 7169 |
| 6. Kapaa Banana     | RP #7453        | 12. Kenneth Bray          | RP #7459        |

Mr. Nakatani stated this is for the extension of the Kalepa tenant's RPs. Next year we would be dealing with their licensing. The land development will be reviewing the applications for licensing. This is retroactive from October through October next year.

Ms. Evans moved to renew all the Kalepa tenant's RPs; Mr. Rietow seconded the motion; motion carried unanimously.

L. Executive Director's Report and Updates:

Mr. Nakatani reported on the work being done on the Waiahole ditch. A site visit of the siphons will be by the contractors on December 10<sup>th</sup>. The funds for design only have been appropriated.

Mr. Kawamoto reported on the Kauai swine day and farm tour that was held on September 28 – 29, 2012 regarding the inoculated deep litter system (IDLS). He shared ADC's standpoint is telling the

hog farmers that they need to make this transition. A demonstration pen was constructed and modeled after the IDLS by Pablo Valdez. Mr. Tam asked if a similar presentation like what Mike DuPonte's could be video taped and put on our website because this kind of information could be made available to more people.

Mr. Ignacio reported that he heard the presentation and is sold on the system. He said it is a good system and the farmers are excited. The farmers would need some assistance from ADC in moving this forward.

Mr. Nakatani reported that ADC continues to work with HDOH to receive approval on the remedial action work plan for the emergency generator installation site. More time is needed to investigate alternative plans to the soil clean up. Also the NPDES permits issued by DOH will not be accepted until April 2013, meaning work to complete this project will begin after April 2013 at the earliest.

Mr. Nakatani reported on the legislative package. He will be trying for exemption from procurement and will be requesting for one more position.

Mr. Nakatani reported that the land assessment of parcels has been completed.

Mr. Nakatani reported that the closing of the Galbraith estate is set for December 10, 2012.

M. Chair's report.

Chair said the meeting dates will be for the beginning of 2013 to be held at Plant Quarantine on the second or third Wednesdays of each month.

Ms. Evans commented that during session it is not convenient for her because legislative hearings. She would not be able to commit to attending meetings.

Chair commented that she was suggesting the plant quarantine conference room because of the parking for the public and is easily accessible. Downtown is a little difficult. For the first couple of meetings of 2013, the meetings would be at plant quarantine then we will revisit the site.

Mr. Tam moved to adjourn; Mr. Rietow seconded the motion; motion carried.

Meeting adjourned at 12:00 pm.

Respectfully submitted,

Cindy Doi  
secretary