

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Director Meeting of January 9, 2013
235 South Beretania Street, Room 203, Honolulu, Hawaii 96813

Members:

Marissa Sandblom
Patrick Kobayashi
David Rietow
Alan Takemoto

Paula Hegele
Duane Lau
Letitia Uyehara
William Tam, DLNR

Absent:

Derek Kurisu
Mary Alice Evans, DBEDT

Scott Enright, DOA

Guests:

Steve Lupkes, KAA
Landis Ignacio, KAA
Dawn Huff, KIUC/FFP
J. Smythe, Smythe & Assoc/NHL
Teresa Dawson, Env. Hawaii
Abel Malczon, New Hope Leeward

Lea Hong, Trust for Public Lands
Linda Rosehill, Rosehill & Associates
Roberto Barreiro, LBD
Wayne Nakatsu, Sen Nishihara's office
Les Drent, Cigar-Tobacco Hawaii
Kevin Cockett, Cockett Communications

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 9:32 a.m.

B. Approval of minutes from the November 28, 2012 meeting.

Mr. Tam moved to approve the minutes of the November 28, 2012 meeting; Mr. Rietow seconded the motion; motion carried unanimously.

Chair moved Item G next on the agenda.

G. LBD Coffee, LLC – Request for a 3-acre Revocable Permit in Kekaha. Discuss and Action.

Mr. Les Drent who owns LBD Coffee made the presentation. They are requesting three acres of Kekaha lands for two years for a pilot study to test leaf tissue for tobacco. If successful, they would be requesting 40 acres which would include the original three acres for 10-20 years.

Mr. Tam made comments regarding the health concerns of tobacco and questioned why would the state lease lands to a company who promotes smoking. The state is spending a lot of health money and faces great financial risk in our health care system because of this. Why would public policy support the use of public lands for this sort of project. Maybe it would be okay for private lands but why would this board allow the use of public lands. He will be voting against it and will take it up with the DOA and the land department as to why this lease was issued. He feels that it is irresponsibility for this board to advance something that we are trying to prevent.

Chair asked regarding the lease. When the staff did the background, Mr. Drent had a revocable permit or license with the DLNR. Mr. Drent replied he has a 30 year lease that started about 5 or 6 years ago which was then transferred to the DOA. Mr. Tam clarified that the legislature directed the DLNR over time to transfer their agriculture leases to the DOA so they get out of the ag lease business.

Ms. Hegele commented that she does not know Mr. Drent personally but she buys his products for her retail store. She feels very strongly about tobacco use and abuse but sees the product a little differently. Also it is personal to her because she is a grower of grapes that is produced into alcohol. There are some things that come with that responsibility of making alcohol. Growing grapes and making wine have turned into a huge agriculture business in many states and there is personal and public responsibilities that go with that. She does not see Mr. Drent's product as a tobacco/cigarette product. He has an extremely high end sought after product. Because her company buys from LBD Coffee, she would need to recuse herself.

Mr. Drent commented that he has worked on legislation on the federal level seeking to exempt cigars from the FDA regulation. Also he will be spending time at the capitol by writing a bill that would better define premium cigars and at the same time separate them from all other tobacco products.

Mr. Tam commented further that Mr. Drent is asking for a use of a public resource and wants a public benefit to do that which is completely contrary to the law.

Mr. Roberto Barreiro commented that if a crop produces a toxicant that could be a link to cancer, there are other things in smoking and in toxicants linked to cancer more than nicotine. Mr. Tam stated that the issue is that state resources would be granted to a private enterprise to do something that is against public health interest in the state of Hawaii. It is a policy call and want to make clear that the answer is no.

Chair stated that the staff did do background checks on the precedence with other state agencies when the lease was granted. There are some moral issues but the land is there for

farmers so it is available. Mr. Nakatani stated that the history is that DLNR issued this lease to the tobacco company so it does not prohibit growing tobacco. If they are growing tobacco on state lands now how do we say no to this situation. It is a policy call.

Mr. Tam stated that whatever the land board did in the past could have been a mistake and should not be precedence for doing it here. He will be going to the chair of the BOA to see the terms of that lease. He is not satisfied.

Mr. Rietow commented that ADC is not tasked to pass any moral judgment on anything. Irresponsible use of anything grown on our land could be put in the same category. Our task is to lease lands to farmers.

Mr. Rietow moved to accept not a revocable permit but a two year lease for three acres and not to be used for commercial production of tobacco with terms and conditions to renegotiate; Mr. Kobayashi seconded the motion; Mr. Tam voted no; Ms. Hegele recused herself; motion not carried. Denial of motion.

Mr. Rietow amended his motion to approve a 30-day revocable permit to LBD Coffee.

Ms. Kaichi stated that Mr. Tam has brought up the validity of what DLNR did. If the board would like more information before it makes a decision on the RP request, the item can be deferred and renoticed when the information is received.

Chair clarified that this item is deferred until more information is received and Mr. Tam will be checking with the DOA or possibly DLNR then renoticed to be put on the agenda.

C. Kunia Agricultural Project – Request to Approve the Memorandum of Understanding between New Hope Leeward and the Agribusiness Development Corporation. Action.

Chair stated that the presentation was made at the last meeting. The MOU was emailed to the board members for their review.

Mr. Tam questioned how we would support this project without any staff recommendations. On page 2 the second to the last paragraph states that we publicly support agricultural objectives. Then under public announcement it mentions not to discuss this in public without a joint agreement. What will we be doing to support this publicly. We don't have an agreement on how they will be using the land. He had some concerns on what our obligations are and what we are getting into.

Abel Malczon made a short presentation on this project of purchasing 203 acres on Kunia road. The intent is to ask the Department of Planning to convert about 25% into Ag 1 from Ag 2 on which they will build their church property. The remaining will be left into ag resource or harvest area. They are asking the ADC to help them determine what would be the best vehicle for the 155 acres that will be left in agriculture.

Chair stated on page 2 it says part of the agreement is the understanding that ADC would publicly support. Is this prominently for press releases? Mr. Malczon replied it is prominently for press releases because as they move through the process they will be approached by different organizations in terms of what is their relationship with ADC. They have a desire to see the land used to produce food crop to help possibly the less fortunate.

Ms. Uyehara asked regarding water for this property – Will they be using Waiahole water? Mr. Nakatani replied yes, if you look at the map, Waiahole reservoir is on the right hand corner. Presently there is a farmer using part of that land.

Mr. Tam suggested that “publicly” be deleted on the second to the last paragraph. Also second sentence delete “publicly” and add “work together and”.

Mr. Rietow moved to approve the MOU with the amendments suggested; Mr. Kobayashi seconded the motion; motion carried unanimously.

D. Whitmore Agricultural Lands Request for 456 acres – Presentation and Discuss.

Ms. Lea Hong made a short presentation on the Whitmore Agricultural Lands request for 456 acres. Less than 10 acres of administrative office space and parking area for trucks/unloading will supplement ADC’s pending 24-acre purchase of ag processing facilities. Additional acreage for long term licenses of existing and new farms (existing farmers include flower farm, Christmas tree farm). The property includes portion of North Fork of Kaukonahua Stream for the possible source of irrigation.

Mr. Tam asked if the acquisition would go through Trust for Public Lands like Galbraith did. Ms. Hong replied yes, depending on how Dole would like to deal with it, they probably would. ADC would be the ultimate beneficiary recipient and hold title.

Ms. Hong stated that if all the funds come in, closing would probably be in 2014. Also they have no access to the due diligence materials. No environmental survey has been done yet.

E. Request to Approve to Acquire and Develop the 24-acre land in Wahiawa, Oahu near Whitmore Village. Discuss and Action.

Mr. Nakatani explained the 24 acre parcel. The \$3.6 million in CIP funds was appropriated for the acquisition of land and construction improvements for a processing and packing facility in Wahiawa. Acquiring this land will provide much needed facilities for farming and related agricultural industries. The deal is not done but he wants to bring it up to BOA to keep them informed.

Ms. Uyehara asked if the appropriated CIP funds were going to be released. Mr. Nakatani replied all indications from what he has gathered is that there are no problems and that the administration is open to releasing the funds and they understand the relationship with

Galbraith needing the facilities. The due diligence needs to be done. Mr. Tam wants to make sure that it is approved with the intent to acquire and he would like to see a submittal with terms and conditions.

Mr. Rietow moved to approve the ADC's intent to acquire and proceed with the negotiation subject to due diligence for the 24-acre land in Wahiawa; Ms. Hegele seconded the motion; motion carried unanimously.

F. Kekaha Agriculture Association Video Presentation.

The video of the Kekaha Agriculture Association (KAA) was shown that gave insight to what the KAA does. Mr. Ignacio invited the board to have a board meeting on Kauai together with a tour of Kekaha.

Mr. Ignacio answered a few questions.

H. Approve the Criteria Recommendations from the Land Development Investigative Committee to Lease the 740 acres of Kekaha Mauka Lands. Discuss and Action.

Mr. Rietow reported from the land development investigative committee. A short list for distribution will be put on the website to lease the 740 acres. The lessee would need to work with everyone who is on the property. No time frame is set. We would try to get this out and see what happens.

Mr. Rietow moved to accept the criteria presented and find someone to license the property, negotiate with the prospect party then come back to the Board with an agreement; Ms. Hegele seconded the motion; motion carried unanimously.

I. Administrative Affairs Committee.

Mr. Tam said the committee recommended a financial report be done which is not a full financial audit but would be done by an outside auditor who would come in and look at ADC's finances but not the management side. This would be an initial look at the manner that ADC is conducting our business and meets standard practices and could possibly go to the legislature to say that an outside auditor did look at our books and we have a clean record. This could cost approximately \$3-\$5000. If something is found, then a full financial audit could be done. We could ask the executive director to negotiate for a financial report to be done. If a procurement problem arises then staff will come back to the board.

Mr. Tam moved to approve the request for the executive director to negotiate with an outside audit company to go back three years to do a financial report subject to a reasonable price and report back to the Board with its findings. Mr. Kobayashi seconded the motion; motion carried unanimously.

Mr. Tam commented on the development of the process of ADC administrative rules. First we need to come back to see what areas need rules. The time line would not be realistic by the first quarter of 2013. The committee would need to come back to this board with suggestions of the scope of what may be covered by rules. Where do we need and not need rules. He recommends that with additional details on the rules be scheduled at the next meeting.

Mr. Rietow said we should not replace our bylaws but see where we need more definition between the bylaws and what we actually do then create our administrative rules, rather than deleting our bylaws. They will check with the deputy attorney general.

Mr. Takemoto asked for the financial report include inventory of ADC's financial assets.

J. Investigative Committees – Updates and Reports. -

1. Infrastructure Protection - None
2. Land development –

Mr. Rietow said they have a draft for Kalepa on how to create and manage the licenses. They are working on it now and will be meeting next week. Then start working on Galbraith.

3. Marketing and Promotion – None
4. Emerging Opportunities –

Ms. Hegele stated they haven't met but she went to a meeting at the UH Maui Community College on a food technology center which looks like it's going to happen. UH will be taking an existing building and design it into a food technology center that will enable three different processing with complete quarantine space and all the requirements to produce many different products. A lot of small farmers who attended are looking to add value product to what they are growing. The building is at the Maui campus and the project should be together in the next 18 months.

K. Executive Director's Reports and Updates.

Mr. Nakatani reported on his executive director's report:

Kekaha – Continue to work on the remedial action work plan with HDOH. Also the inoculated deep litter system model hog pen project was constructed in December.

Kalepa – Waiting for the report on the tenant leases.

Kau – The survey for the easement/irrigation routes continue. The scope for the proposal was sent to DOA for \$500,000.

Waihole – The contract was awarded to plan and design the replacement of four steel siphons on the Waihole Water System.

Galbraith Estate – On December 10, 2012 the purchase agreement was finalized. We have applied for a conservation easement. Also we are getting the property ready for the farmers. We do have a well on Galbraith to provide water but it is expensive. In May, the pump with a diesel engine will be outlawed because of new EPA rules.

Legislative package – The request for ADC to be exempt from procurement did not make the executive budget. The lease land from Agricultural Resource Management Division did not make it however it could be a request from a legislator. The request for a new position did make the budget. CIP funds for one million to complete DLNR dam and reservoirs on Kauai – Aahoaka Reservoir, \$3 million for Waihole Water System projects, install a supervisory control and data acquisition system, to pipe 1,200 feet of open ditch through Nehoa Apartments in Mililani residential neighborhood made it. The request for \$900,000 for a thermophilic digester machine, which treats food waste into pathogen free organic fertilizer and animal feed also made it in the executive budget. The CIP funds for Galbraith did not make it in the budget because it closed in December. But it would probably be requested separately by a legislator and put in the farm bureau package. Also the purchase of the Whitmore ag land project that Lea Hong just presented was not in the executive budget.

L. Adjourn.

Meeting adjourned at 11:20 a.m.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Director Meeting of March 14, 2013

Plant Quarantine Conference Room, 1849 Auiki Street, Honolulu, Hawaii 96813

Members:

Marissa Sandblom	Paula Hegele
Duane Lau	David Rietow
Alan Takemoto	Letitia Uyehara
Scott Enright, DOA	

Absent:

Derek Kurisu	William Tam, DLNR
Patrick Kobayashi	Mary Alice Evans, DBEDT

Guests:

Palo Luckett, PLP	Rev Katir, Saiva Church
Jason Hines, FFP	Rev Morugan, Saiva Church
Dawn Huff, FFP	Linda Rosehill, Rosehill & Associates
Victoria Cannon, Makakilo	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 9:07 a.m.

B. Approval of Minutes from the January 9, 2013 meeting.

Mr. Rietow moved to approve the minutes of the January 9, 2013 meeting; Ms. Hegele seconded the motion; motion carried unanimously.

C. Request for Approval to Convey Portion of Wilikina Drive, Wahiawa, Oahu, from the Agribusiness Development Corporation to the City & County of Honolulu.
Discuss and Action.

Mr. Nakatani reported that staff met with the City & County of Honolulu Land Division to discuss conveying ADC's portion of Wilikina Drive to the City. The City confirmed that they maintain the road. In order to convey the road to the City, they required a Land

Court description of the road, along with a title search. The Department of Accounting and General Services, Land Survey Division can provide ADC with a land court description however they require ADC's Board approval to transfer Wilikina Drive to the City. The recommendation is approval to convey ADC's portion of Wilikina Drive located in Wahiawa to the City and County of Honolulu.

Mr. Rietow moved to approve to convey portion of Wilikina Drive, Wahiawa, Oahu from ADC to the City and County of Honolulu consisting of 8.719 acres; Ms. Hegele seconded the motion; motion carried unanimously.

D. Update of the ADC's Financial reporting.

Mr. Enright reported that he has talked to two agencies to conduct the financial review and he will be working on the scope that would be sent to the agencies so a quote can be submitted to the ADC. For procurement, three quotes are needed.

E. Report by the Land Development Investigative Committee on the Kalepa Lease Assignments.

Mr. Rietow reported that the committee has established license criteria for its Kalepa lands on Kauai. He reviewed some of the criteria which included irrigation, infrastructure and general terms and conditions.

Mr. Enright stated that the criteria were consistent with what the committee has discussed and would like to move forward.

Mr. Nakatani stated that we have been doing our due diligence. Sam Lee and Ivan have been going out to look at the property. Also coming up with a grading sheet which has some of the items that are needed and checking them off as it is met.

Mr. Rietow asked if we can get to the process today where we can issue long term licenses. Mr. Nakatani replied we would need board approval. But we cannot approve individual licenses today. It is not on our agenda. We can vote on the criteria. Mr. Enright stated that the committee will review all the business plans and make recommendations for licenses at the next meeting. Also each license needs to be approved by the board.

Mr. Rietow commented that we should start that process so at the next board meeting the tenants who have no problems can be approved and we can keep moving on. As we get to the tougher tenants then we need to deal with it.

To clarify, at the next meeting the committee will make recommendations to the Board for approval of the licenses per tenants.

F. Request for Approval to Renew the Kekaha Agriculture Association's Revocable Permit No. K1101. Discuss and Action.

Mr. Nakatani stated that this is a yearly approval of Kekaha Agriculture Association's Revocable Permit No. K1101 commencing on May 5, 2013.

Mr. Rietow moved to approve the renewal of RP No. K1101; Mr. Lau seconded the motion; motion carried unanimously.

G. Approval to:

1. Fund \$65,000 to Pacific Basin Agricultural Research Center (PBARC) for Three Years to Complete the Research on the Papaya Ringspot Virus Resistant Transgenic Maradol Papaya;
 2. Enter into a License Agreement for the Papaya with PBARC;
 3. Enter into a Sub-License with Globe-Pac Papaya Company.
- Discuss and Action

Mr. Rietow asked if the \$65,000 be for three years or \$65,000 per year. Mr. Nakatani replied it is \$65,000 per year.

Ms. Uyehara commented that this project is a good business opportunity for ADC. We need to look at opportunities where we could receive some funding for our efforts that we put forward. Regarding the freckle free project which we supported earlier, she had an opportunity to see and sample the first phase of those papayas. It is the first phase so they need help with the flavor of the papayas. But it is showing good signs of being freckle free. She is pleased with the project because it shows that they are moving and seeing some of the results and will continue to work on the project and hopefully will be able to get progress reports sent to us.

Mr. Uyehara moved to approve the three items as stated above; Ms. Hegele seconded the motion.

Mr. Nakatani reported that about five years ago Mexico tried this but they had deregulations which is not easy to get from the government. It took ten years to get papayas to Japan. This is a business opportunity. Chair asked whether ADC would be the only entity entering into this or would PBARC be working with other funding sources. Mr. Nakatani said there are private sources coming in and working with PBARC. Hopefully within a couple of weeks more information is received and will be in partner with PBARC and this private company.

Motion carried.

H. Discussion and Determination for Sufficiency of Evidence of Adequate Funding for Pacific Light and Power.

Chair reported that in November we received a report from PLP which addressed items, one of which was the sufficiency of evidence of adequate funding. She asked what

project was tied to this sufficiency of evidence. There was some different recollection – biodigester project or hydroelectric project.

Ms. Hegele asked are we trying to find out what project is being determined for the sufficiency of evidence of adequate funding. Chair replied that our records show that ADC approved PLP’s proposal which proposed several different projects.

Ms. Kaichi said that the only item that is on the agenda is the sufficiency of evidence and the documentation was submitted after the agenda was prepared but it is not appropriate to discuss at an open meeting. The board members can discuss what the board already approved but not the funding itself.

Mr. Rietow asked whether we need to go back to the history of the project or is everyone clear on the history. One of the things the farmers are sensitive about is the cost of infrastructure because that is the cost of producing crops. As long as we are providing the power from the old system that is still running is provided first to the ag tenants for use at a lower rate and the excess is sold to the utility company at the power purchase agreement rate, that is within 163D. By generating power off the agriculture lands that goes directly to a non tenant user is in violation of 163D. We started off trying to improve on the existing system where PLP came in and said they can come with a hydro project and take the water we now have, contain it in a pipe and take power off it and provide it to the coop first then the sell the excess.

Chair stated their land license has a special condition no. 71 where they need to satisfy and provide sufficient evidence of adequate funding for the hydroelectric project. We did have item H in our notes which is a letter on behalf of Konohiki Hydropower. Since then we received additional information therefore at this time the Chair moved to go into executive session under HRS 92-5a8 which is to deliberate or discuss a matter which requires a consideration of information that must be kept confidential; Mr. Lau seconded the motion. A roll call vote was taken by each member to go into executive session. All members voted yes.

Executive session at 9:45 am.

Out of executive session at 10:55 am.

Chair reported that the board looked over the confidential information of PLP that was given to board members and will be reviewing the documents for sufficiency of evidence of adequate funding. This will be brought up at the next meeting.

- I. Investigation committees:
 1. Infrastructure Protection - None
 2. Land Development – covered under Kalepa
 3. Marketing and Promotion - None

4. Emerging Opportunities – Ms. Uyehara reported that there is no report at this time but should have something at the next meeting. The committee is looking at how we can grow new farmers.

J. Executive Director’s Reports and Updates:

1. Kekaha –

Chair mentioned that the notice for mauka lands is posted on the DOA’s website. Mr. Nakatani reported that staff continues to work with DOH on the remedial action work plan on the emergency generator installation site. We are also changing our consultant who has more knowledge.

Ivan Kawamoto reported on his trip to Singapore on IDLS. He submitted a report to the board members.

2. Kau -

The survey scope of work for the easement/irrigation routes in Kau was successfully completed and contract will be routed for execution.

3. Waiahole Water System -

Staff continues to clean and remove debris in the system. Reservoir 155 & 225 lining project continues to be worked on with US Army Corps of Engineers.

4. Galbraith –

A blessing was held for the Galbraith property. The clearing is still being worked on. The conservation easement plan is still being worked on. A list of some of the names who requested applications were given to the board members.

5. Legislative bills –

Mr. Nakatani reviewed some of the bills that were still alive. Also the request for Galbraith did not make it on either side but he is trying to put money in House Bill 1263 which is up for hearing today.

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

Meeting adjourned at 11:10 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Director Meeting of May 8, 2013

235 South Beretania Street, Conference Room 203, Honolulu, Hawaii 96813

Members:

Marissa Sandblom
Duane Lau
Patrick Kobayashi
Letitia Uyehara
William Tam, DLNR

Paula Hegele
David Rietow
Alan Takemoto
Mary Alice Evans, DBEDT
Scott Enright, DOA

Absent:

Derek Kurisu

Guests:

Rev Katir, Saiva Church
Harold Edwards, ITC Water
Mike DuPonte, CES/UH
Mark Takemoto, Pioneer
Larry Jefts, farmer
Jason Hines, FFP
Dawn Huff, FFP
Palo Luckett, PLP
Linda Rosehill, Rosehill & Assoc.
Ken Nakamoto, Sen. Dela Cruz Ofc
Teresa Dawson, Env. Hawaii

Rev. Muruganathaswami, Saiva Church
Leslie Milnes Kalepa Koalition
William Sanchez, Sanchez Ranch
Jack Watkins, Hawaii Renewable Resources
Val Peroff, Hawaii Renewable Resources
Bob Robinson, Hawaii Renewable Resources
Oli Woolsey, Hawaii Renewable Resources
Mauna Kea Trask, County of Kauai
Larry Dill, County of Kauai
Johnny Napoleon, Bronster, Shibata Law

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 9:09 am.

B. Approval of minutes of the March 14, 2013 meeting.

Mr. Rietow moved to approve the minutes of the March 14, 2013 meeting; Mr. Lau seconded the motion; motion carried unanimously.

Chair moved the agenda Items around to present C-3, C-4, C-1 then C-2. Then Item E before Item D.

C. Request for Approval of Kalepa Land License for:

3. Unit G – Saiva Siddhanta Church

Ivan Kawamoto reviewed the staff recommendations for the Saiva Siddhanta Church. The terms of the license are for 35 years at a base rental of \$8,059.60 per year. The figure was based on the recommendation set by the church to ADC asking for pricing based on their use of the land. For pasture: \$30/acre/year for 18.02 acres; diversified agriculture: \$100/acre/year for 22 acres; hardwood trees: \$30/acre/year for 177.30 acres. This was based on the Medusky and Company's appraisal done in 2011 that ADC paid to have done. Rent increase every five years at a rate of 2.5%. Members and non-member will be required to pay a road maintenance fee to Kalepa Koalition at a rate to be determined. There will be no sublicense of their premise without the prior written approval of the ADC Board.

Chair stated that the church rents 233 net acres but now their proposed net acres are 217.32. Why are there less acres? Mr. Kawamoto replied it was based on the church's recommendation. However the less acreage will be looked into.

Rev. Katir commented that the recommendation is okay with them. The parcel does include the acreage of the higher bank of the north fork river which is not usable lands and were based on the actual sugar cane field maps.

Mr. Takemoto asked if there were any structures on the parcel. Mr. Kawamoto replied there are storage shed and tent for machinery, but nothing that requires a permit. Mr. Nakatani stated that any structure that is on the premises right now is based on the church's recommendation but any kind of improvements needs board approval. Mr. Nakatani stated some areas that were missed were conservation lands but those kinds of things could be covered through the license. So far the ones approved has no structures.

Ms. Evans asked if building of farm dwellings were allowed on ag zoned lands. Mr. Nakatani replied normally on City & County of Honolulu one dwelling is allowed per TMK. He was not sure of the County of Kauai's laws. The license can be revisited and amended if any of these issues arise.

Chair asked what was the rational for the 2.5% increase every five years. Mr. Nakatani replied after having a conversation with the land committee, they did not want to have to base it on fair market rent appraisals which cost a lot of money. Also, it is a more predictable way of calculating the lease for the future so you would know in five years what the lease would be. This would give encouragement and incentive to the lessees.

Ms. Evans asked if there would be any provision in the license that require active agriculture like farm income. Mr. Nakatani replied the first priority was to give long term licenses. The

applicants were required to submit a utilization plan which included some of the needs that were required to qualify.

Ms. Evans asked if ADC would have the staff capacity to inspect these properties on an annual basis to insure the lands are being used for the purposes that are stated in the licenses. Mr. Nakatani replied ADC has Sam Lee on contract who is a retired DLNR employee who knows how to do inspections and knows the property quite well.

Chair asked whether there would be something in the license about transferring the license to others like a son or daughter. Mr. Nakatani replied we have not but that can be looked.

Ms. Evans moved to approve the license for the Saiva Siddhanta Church for 35 years in Kekaha as stated in the conditions of the staff recommendations dated May 8, 2013; Mr. Kobayashi seconded the motion; motion carried unanimously.

4. Unit E – Les Milnes

Mr. Kawamoto reviewed the staff recommendations for Les Milnes. The terms of the license are a base rental of \$30 an acre per year or \$11,910 per year. The rent increase would be every five years at an increase of 2.5%. As the same with the other terms, regarding requiring to pay a road maintenance fee at a rate to be determined. Also no sublicense without the prior written approval of the ADC Board.

Mr. Milnes was present and made a few comments of the staff recommendations. He commented that the license fee has been set at the highest end of the appraised values for the unit acreage of approximately 400 acres at \$30/acre/year. He mentioned that Green Energy Teams (GET) license fee schedule with startup rent/acre/year was at \$15, the lower range of pasture rent. The appraisal for various uses includes ranching/pasture land market rent values for acreage above 100+ acres ranging from \$15 - \$30. The GET license fee schedule is tiered and reasonable. He expects to see capital expenses in his first five years which include more than 2 miles of fencing and expand the stock water system to accommodate stocker calf retainers for local slaughter. Also sharing cost in common element and coop association dues to support infrastructure. He respectfully request consideration and approval to amend the recommendation of the license fee to: upon execution to 2 years at \$15/acre/year, 3 to 10 years at \$20/acre/year; 11 to 15 years \$30/acre/year and 16 to 35 years at 2.5% increase every five years.

Ms. Evans asked Mr. Milnes if he would be able to break even with this imposed increase. Mr. Milnes replied no not at this time with the improvements continuing on the property. Also he would be increasing his herd count up to 150 at the point of 10 years. Also working on cross fencing on the areas that have not been totally developed for the stocker operation.

Mr. Milnes stated that he would agree to have consideration of transferring the license to a child because he has a daughter who is interested in taking over the business.

Mr. Enright moved to bring it back to the land development committee with consideration of Mr. Milnes recommendation and would have a recommendation at our next meeting; Mr. Rietow seconded the motion; motion carried unanimously.

1. Unit M – William Sanchez
2. Unit A – William Sanchez

Ms. Owan reviewed the staff recommendations for William Sanchez. The proposed base rental for Unit M is \$30/acre/year for a total of \$3,240 /year for 108 useable acres and rent increase every five years at a rate of 2.5%. Member or non-member will be required to pay a road maintenance fee to the Koalition at a rate to be determined. Also no sublicense without the prior written approval of the ADC Board.

Chair asked to explain why the two units are set at different rates (Unit M at \$40/acre/year and Unit A at \$50/acre/year). Mr. Nakatani explained that Unit A lies in an area that has potential for diversified agriculture which is appraised as more valuable lands than ranch lands versus Unit M which is minimum pasture lands. That is also why the base rental and the terms of the license are different.

Mr. Sanchez was present. He corrected some acreage and explained that he put in fencing and cleaned the property. He will be losing a lot of land through the landfill being proposed and already lost some 200 acres that were given to Green Energy. He will only be raising cattle and have put in water lines. He would prefer that other lands that is full of trees and no one is using be given to Green Energy and he keep his two parcels.

Ms. Evans asked whether the acreages going to Green Energy has already been voted on by the Board. Mr. Nakatani replied that those lands were dedicated through DLNR and encumbered before it was transferred. A license has already been given to Green Energy. Mr. Sanchez commented that Green Energy promised a lot to the tenants when it was negotiated.

Mr. Rietow moved to defer Unit M to be revisited by the land development committee and put on the agenda for the next meeting for William Sanchez; Mr. Lau second the motion; motion carried unanimously.

Mr. Tam asked Mr. Sanchez what he would propose for Unit A if not the amount proposed on the staff recommendations. Mr. Sanchez replied it would be less than Unit M because he has less cows on the parcel.

Mr. Rietow moved to defer Unit A to be revisited by the land development committee and put on the agenda for the next meeting for William Sanchez; Mr. Tam seconded the motion carried; motion carried unanimously.

E. Approval of 10-year land license to Larry Jefts at Galbraith, Wahiawa.

Mr. Nakatani presented the staff recommendation of Larry Jefts 10-year land license of 150 acres at Galbraith lands in Wahiawa. The base rental for year 1-3 at \$15,000 per year or \$100 an acre per year; year 4-5 at \$22,500 per year or \$150 an acre per year; year 6-10 \$30,000 per year or \$200 an acre per year. The MOU between D.R. Horton – Schuler Homes and ADC memorializes their understanding with respect to Horton’s contribution toward the Trust for Public Land’s acquisition of the property and ADC’s improvement to designate certain farming enterprises to lease/license portions of the property. The applicant is one of the designated farming enterprises that qualify to license portion of the property through the MOU agreement as well as an applicant for Galbraith lands. The cost to develop the lands is costly and may not be feasible for many small farmers. Also no funds were given to develop the lands and very little to develop an irrigation system. Therefore an incentive to develop the lands on a timely manner is being given to offset the rent via rent credits for years 1 to 5 of the 10 year license authorized/applied with the maximum rent credit of \$90,000; rent credits for water development may also be applied to the 150 acre development with a maximum of \$150,000; and no subletting permitted without ADC’s prior approval in writing.

Ms. Evans asked Mr. Nakatani to explain the agreement with D.R. Horton and ADC and their contribution to the Trust for Public Lands and how this translates into this request. Mr. Nakatani replied ADC did a MOU with D.R. Horton that gave rights to their displaced farmers for 500 acres for farming. This is the first phase of that agreement. Mr. Jefts did fill out an application and he has a plan because this MOU allows him to start. Mr. Tam corrected that the agreement says the right of first refusal to negotiate not an absolute right.

Mr. Tam asked what the approach is to clear all ADC parcels so farmers would have an opportunity to farm. Mr. Nakatani replied that the ADC contracted with Mr. Jefts to develop the first 200 acres of land for the smaller farmers. He is taking trees down and staff is trying to get sand/coral to condition the soil and prep the acres for the smaller farmers. Hopefully the other two displaced farmers would be willing to start to come in and do their own prepping. The target is early 2014 to start farming.

Larry Jefts was present to answer any questions. He reported that he currently has about 350 acres at the D.H. Horton site. This would not make it whole but the 150 acres would help the impact. This land is about 4° ph, which was fine for pineapple but not good for what he plans to do. He does not anticipate a competitively profitable crop on that land for four years. He has experience in bringing ex-pineapple land into production which would need a semi load of sand on every acre and will take a while to happen. He is a vendor for the 200 acres to clear the land and get the sand on the soil and get it started for the smaller farmers as they would not be able to do it on their own. The terms of the submittal are okay but would prefer a little longer, however because of the credits this could be worked on when there is an extension.

Mr. Tam asked how Mr. Jefts foresees getting water to the property. Mr. Jefts replied there are several sources of water. Two sources of water would be the existing well and the Wilson Reservoir. The Wilson Reservoir is problematic because it goes through various landowners before it gets to the property. He has a similar well to use on the contiguous land and the energy cost is \$1.26 per thousand gallons which is above the Board of Water Supply ag rates.

For him this would be a percentage of his entire operation in the State. For others they would have to be very careful on how this is developed. The well right now can deliver about 3 mgd but permits and repowering is needed. He would foresee a small reservoir when the well is functioning but it would take a lot of capital.

Ms. Evans asked whether all the tenants would be limited to a 10-year license. Mr. Nakatani replied not necessarily. We wanted to give Mr. Jefts longer but did not know the terrain and carrying capacity of agriculture. We should know within the first three to five years. In a couple of years, we could give him an option for maybe another 10 years.

Mr. Lau asked what the expectation of when these lands would be able to get into production based on the amount of work that needs to be done. Mr. Jefts replied not all of his crops are successful and it could be four years for a successful crop but actually next year he would begin a crop. The limited factor would be the sand and availability of the water. You must start planting a successful crop and accept lesser yields as part of the process of bringing it back to a normal state for the kinds of crops the consumer wants.

Mr. Nakatani commented that in the compliance with the Army, City and County and private there is some guidance that there would be no dwellings except sheds and barns.

Mr. Rietow moved to approve the staff recommendations for Larry Jefts; Mr. Takemoto seconded the motion; motion carried unanimously.

D. Request for Approval of 3-year License with LBD Coffee, LLC. Discuss and Action.

Chair clarified that at the January meeting LBD Coffee was incorrect on the agenda as a revocable permit. Therefore no action on this item was made and was deferred to another meeting. Also deferred for more information from Mr. Tam.

Ms. Hegele recused herself because she is the president of her company and purchases products from LDB Coffee.

Mr. Tam commented that in October 2005 the BLNR leased 4.11 acres of state ag land in Kaiwahau, Kauai to Andy and Mary Alfiler for 30 years. On August 25, 2008, the DLNR consented to an assignment of the lease to LBD Coffee, LLC for intensive agricultural purposes. On March 19, 2012, BLNR transferred the lease to the DOA. The DOA lease to LBD is under the Board of Agriculture's jurisdiction not the ADC. ADC has no authority over that land or that lease. At the January 9, 2013 meeting, LBD Coffee's application to ADC for 3.0 acres was to grow tobacco. Mr. Tam stated that at that meeting the a motion was moved and seconded to approve a two year lease. The motion failed to obtain the number of votes to approve the application. Therefore, LBD's application was denied on the merits. There is nothing further to be done on the application. He felt there was nothing to defer based on a misunderstanding and cannot be placed on the agenda again. Ms. Kaichi disagreed with Mr. Tam's findings. She stated that the agenda item was improper because there was no ability to amend the agenda and did not have quorum of two third of the number of members

to which this board is entitled to amend the agenda. The minutes talk about the mistake and there was a motion to try to amend the agenda item to two years which could not be done because of the lack of sufficient members present that day. The minutes say that the motion was denied. Then another request to approve the 30-day revocable permit which was confusing. She did bring up that it can be revisited and then defer it because there was no much confusion at that meeting. It is not improper today and the board can decide but the fact that it is on the agenda today is proper particularly because of the confusion at the January meeting. Mr. Tam replied at that meeting there was a quorum to do business for other items but the fact that it was moved is a motion on the merits and failed to get the six votes then the application failed.

Mr. Rietow commented that it was deferred because we got tangled in the 30-day revocable permit (RP) and Mr. Tam's comment that every thing was improper based on the 30-day revocable permit.

Ms. Kaichi commented that the confusing item was for a request for a three year RP which can only be month-to-month. Mr. Rietow recalled that he moved to make it a three-year license however that was improper because it was not agendaed as stated. Ms. Kaichi commented that the item being discussed today is approval of a three-year license.

Mr. Rietow moved to approve the staff recommendations for LBD Coffee, LLC. Chair corrected the maintenance fee to \$380 instead of \$317. Mr. Kobayashi seconded the motion.

Mr. Tam commented that it is a matter of public policy that on any state land tobacco should not be grown and that we are trying to actively stop children from smoking and spending enormous amount of money dealing with cancer whereby using state lands to grow tobacco. He will oppose it and would go to the governor on this subject. He feels it is illegal and will take legal action if necessary if it is approved. He disagrees with our legal counsel. He feels that the application failed therefore it is finished and not negotiable. This is moral issue with him and a policy issue for the state.

Mr. Rietow commented that as a board we are here to lease lands to farmers and we are not here to pass judgment with the crop that is being grown. We are not here to pass moral judgment from anyone.

Mr. Tam opposed; motion carried.

F. Presentation by Hawaii Renewable Power (HRP) on Food Waste to Energy and Animal Feed Project in Kunia. Discuss

Mr. Nakatani commented that the presentation given by Mike DuPonte at an early meeting is a partnership with HRP on food waste to energy and animal feed project.

Jack Watkins and Bob Robinson made the presentation. He stated that they are waiting for the Kunia property which is with the DOA and trying to get it transferred to ADC. Once they

do a lease on the property they should be ready to go. This property is currently not in ADC's jurisdiction that is why it is just for information.

Mr. Lau asked who was currently on the property. Mr. Enright replied the DOA pulled back the RP from Naked Cow Dairy and is in discussions with the National Security Agency (NSA). The NSA wants to try and trade properties but it is still being worked on.

Mr. Robinson commented that the reason why they chose this property is to get this project going quickly and they needed someone who could take their electricity without going through HECO as the process would extend it two or three years. By having the Kunia Water Users' Association, the pump is right there which is the critical factor in getting this done. They would like to get started next year.

G. Update of the County of Kauai landfill at the Maalo site.

Mauna Kea Trask Deputy County Attorney for the County of Kauai made the presentation. Larry Dill, County engineer was also present. The County of Kauai is working on their EIS process. The EIS preparation notice was published by the OEQC in February and is currently receiving and responding to comments from the public and various governmental agencies. After all the comments and publication period they will publicize the draft EIS followed by the final EIS projected for March 2014. In moving forward they would like to explore the steps toward gaining final ADC approval for the lands followed by DOA approval. Currently they are looking at two specific issues in the EIS process: access roads and how they relate to wetland concerns. The footprint of the land itself would not have any affect on the wetlands in the areas. Those wetlands may or may not be affected according to how the County establishes access roads to the sight. Currently their studies are to expand their scope of the EIS and want to look at the wetland issues, endangered species act and federal regulatory concerns. Finally they would need to agree on what the compensations are going to be to ADC for this project. They are in discussions and are looking forward to working with the appropriate ADC subcommittee and board on this very important issue that benefits not only ADC but its lessees, the County of Kauai and the people of Kauai.

Chair asked after the publication of the EIS would the County be coming back to ADC. Mr. Trask replied when they first did the site study for a landfill for Kauai, they did an exclusionary study so there were only eight sights on Kauai that they physically could put a landfill under the state HAR. Six of those are on private property and were told no. The only two sights were Kekaha mauka which is mauka of the current landfill in the Mana Plain and this site. They cannot commit to any place until the EIS is complete. After and when it's done the County will come back to the board.

Mr. Dill updated that they have posted their EIS and have received new comments that have come to their attention. He would like to work with the land development committee to start addressing some of these issues like wetland access road and what the compensation would be. They would like to get things as firm as possible and as soon as possible which would keep this project moving forward.

H. Update of the ADC's financial reporting.

Mr. Enright reported that he has yet to get three bids. He had one quote and at the next meeting he should have the three bids.

Mr. Tam asked that Item I be taken up last on the agenda so he and others could leave who were not involved with this item.

J. Investigative Committees – Updates and Reports.

1. Infrastructure Protection – no report

2. Land Development –

Mr. Enright will have a report at the next meeting regarding Kalepa and what criteria were being used to come up with these licenses. Also they plan to do a field trip out to Kalepa. Will get back to the board on the additional licenses. When they are done with Kalepa it is their intention to review Galbraith licenses. Because of the visibility of these lands, the criteria will be transparent on how these licenses will be awarded then move forward.

3. Marketing and Promotion – no report

4. Emerging Opportunities – no report

K. Nominations Committee for ADC Chair and Vice-Chair. Appointments.

Mr. Takemoto deferred the nominations until the next meeting. He has not had an opportunity to talk to all the board members to see if they were interested in serving as chair and vice chair.

L. Executive Director's Reports and Updates:

Mr. Nakatani reviewed his written executive director's report. He will have a report on the CIP funding at the next meeting. In the ADC's budget there is a \$175,000,000 revenue bonds to purchase Dole lands. He needs to do some work to see what kinds of issues we have on these lands. This will be put on the agenda at the next meeting.

Mr. Rietow asked about the Kekaha generators. When will it be put on site? Mr. Nakatani replied we went through a lengthy process but finally got it down. We hired a company who could work with the Health Department and make sure we do our environmental due diligence properly. It should be done by the end of the year. The generators are started up once a month to keep them in good working order.

Mr. Rietow asked about Kau. Mr. Enright replied the surveyor should be on site by the end of this month. The subcontractors have been hired and contracts have been signed. Each of the

different sub coops are going to be on hand to work with the surveyors. Some sites will be more difficult than others.

- I. Executive session pursuant to HRS 92(5)(a)(8) to deliberate or make a decision on the Sufficiency of Evidence of Adequate Funding for Pacific Light and Power which requires the consideration of financial and proprietary information that must be kept confidential.

All voted to go into executive session by independent vote. Mr. Tam recused himself which he had done during the initial application process and did not take part in any actions.

Ten minutes recess was called at 11:10 a.m.

Executive session called at 11:20 a.m.

Out of executive session at 1:10 p.m.

Chair announced that sufficiency of evidence of adequate funding for PLP was approved.

Chair announced that the next Board meeting is scheduled for Wednesday, June 12, 2013. This would be the last meeting before the transition of the new board members beginning in July.

Meeting adjourned at 1:15 pm.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Director Meeting of June 12, 2013

235 South Beretania Street, Conference Room 203, Honolulu, Hawaii 96813

Members:

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

Absent:

Scott Enright, DOA

Guests:

Scott Shibata, HBE	Ken Nakamoto, Sen. Dela Cruz's office
Derek Rapozo, rancher	Les Milnes, rancher
Palo Luckett, PLP	William Sanchez, rancher

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.

B. Approval of minutes from the May 8, 2013 meeting.

Ms. Evans moved to approve the minutes of the May 8, 2013 meeting; Mr. Lau seconded the motion; motion carried unanimously.

C. Recommendation for Approval and Adoption of Policies from the Land Development Investigative Committee for Land Licenses for Kalepa. Discussion and Action.

Mr. Rietow reviewed the Kalepa license criteria. He explained that parcels A, B & C are irrigable and are higher and better use ag lands which they would propose a short term license of 5 year terms. He also explained that of the licenses presented today for units I, D, K, M, A and E only Unit A falls within the higher and best use of the land. They went back through the appraisals and found that the licenses were okay as written. The fall back for someone who does

not want the license at the cost being proposed, could be put on a revocable permit at \$15.00 an acre. A 30 day revocable permit means that the tenant could be given a 30 day notice to vacate with no reason or cause. The third option is that the tenant could not take the land at all. Mr. Tam moved to approve the criteria of March 1, 2013; Ms. Uyehara seconded the motion; motion carried unanimously.

D. Request for Approval of Kalepa Land License for:

1. Unit I – Derek Rapozo

Mr. Kawamoto presented the recommendation as: 35 year license at a fee of \$30 per acre per year or \$4,890 per year for 163 net acres; base rent increase every 5 years at an additional 2.5% to the base rent shall be the base rent for each subsequent rent increase; required to join the Kalepa Koalition (KK) or pay a monthly maintenance fee to KK; no sublicense without the prior written approval of the ADC board.

Mr. Tam moved to approve the staff recommendation for Unit I for Derek Rapozo; Mr. Lau seconded the motion.

Mr. Rapozo was present and accepted the recommendations.

Motion carried unanimously.

2. Unit D – Antone Reis

Mr. Kawamoto presented the recommendation as: 35 year license at a fee of \$30 per acre per year or \$7,710 per year for 257 net acres; base rent increase every 5 years at an additional 2.5% to the base rent shall be the base rent for each subsequent rent increase; required to join the Kalepa Koalition (KK) or pay a monthly maintenance fee to KK; no sublicense without the prior written approval of the ADC board. Mr. Reis could not attend today however he accepted the recommendations of the 35 year license.

Mr. Tam moved to approve the staff recommendations for Unit D for Antone Reis; Ms. Hegele seconded the motion; motion carried unanimously.

3. Unit K – Elesther Calipjo

Mr. Kawamoto presented the recommendation as: 35 year license at a fee of \$30 per acre per year or \$9,000 per year for 300 net acres and \$100 per acre per year or \$543 per year for 5.43 net acres. A combined total of \$9,543 per year for the two parcels which comprise Unit K; base rent increase every 5 years at an additional 2.5% to the base rent shall be the base rent for each subsequent rent increase; required to join the Kalepa Koalition (KK) or pay a monthly maintenance fee to KK; no sublicense without the prior written approval of the ADC board. Mr. Calipjo could not attend today however he accepted the recommendations of the 35 year license.

Mr. Tam moved to approve the staff recommendations for Unit K for Elesther Calipjo; Ms. Hegele seconded the motion; motion carried unanimously.

4. Unit M – William Sanchez

Mr. Kawamoto reviewed the recommendations as: 35 year license at a fee of \$30 per acre per year or \$3,240 per year for 108 useable acres; base rent increase every 5 years at an additional 2.5% to the base rent shall be the base rent for each subsequent rent increase; required to join the Kalepa Koalition (KK) or pay a monthly maintenance fee to KK; no sublicense without the prior written approval of the ADC board.

Mr. Tam moved to approve the staff recommendations for Unit M for William Sanchez; Ms. Hegele seconded the motion.

Ms. Evans stated that at the last meeting Mr. Sanchez mentioned that the fee was appraised at the top of the range which was \$15 to \$30 an acre and it would pose a serious hardship to his operation. Did the committee take that into consideration? Mr. Rietow replied they did look over everything and the committee decided that the current rates were adequate. This is standard across the board with all the others that were approved. Mr. Nakatani recommended that we stay close to the appraisal and that \$30 is fair.

Mr. Sanchez commented that the appraisal was at \$15 to \$30 and that the committee decided to go with the higher amount which everyone else is agreeing to so he does not have a choice.

Ms. Evans opposed; motion carried.

5. Unit A – William Sanchez

Mr. Kawamoto reviewed the recommendations as: 5 year license at a fee of \$50 per acre per year or \$29,900 per year for 598 useable acres; base rent increase every 5 years at an additional 2.5% to the base rent shall be the base rent for each subsequent rent increase; required to join the Kalepa Koalition (KK) or pay a monthly maintenance fee to KK; no sublicense without the prior written approval of the ADC board.

Mr. Tam moved to approve the recommendations for Unit A for William Sanchez; Ms. Hegele seconded the motion.

Ms. Evans stated that Unit A is rated as pasture and appraised as diversified ag. Is the rate of \$50 an acre set in expectation that the tenant would go from pasture to diversified ag. Mr. Nakatani replied the justification is that Units A, B and C are slated for diversified ag and while we encourage diversified ag as higher use vs not highest and best use. There were letters received from others who are interested in licensing those lands at a higher rate. This is a 5 year license which is discounted from diversified ag's appraisal of \$100. If we want to encourage more agriculture then we need to set that rate. If the tenant cannot sustain the operation they need to give up the lands.

Ms. Evans stated that if we are trying to encourage diversified ag on this higher rated parcel, are we offering the current tenant any rent credit for any improvements that might be necessary to move from pasture to diversified ag. Mr. Nakatani replied if we had a client who was interested and made a proposal then we would consider rent credits. But at this point we have not seen that. This unit is one of the best lands that could sustain quite a bit of agriculture.

Ms. Evans asked Mr. Sanchez if it is his intent to keep it in pasture for the whole 5 years and not interested in diversified ag. Mr. Sanchez replied that he only raises cattle. Right now there is no water and the whole parcel is not farmable. Green Energy took about 100 acres from him and is only paying \$15 to \$20 an acre and after 20 years will pay \$35 an acre. Also giving only one month to vacate is a problem.

Ms. Evans stated that if we are going to segregate acres for the landfill sometime in the future does it make sense to expect Mr. Sanchez to move into diversified agriculture for five years. Mr. Nakatani stated Mr. Sanchez stated that he would not farm diversified ag. If you want to irrigate, a ditch runs through the property.

Chair clarified that it is a 5 year license at \$50 an acre per year and should the tenant not be interested in those terms it would continue as a revocable permit at \$15 an acre per year with the understanding that the ADC could cancel the RP with 30 day notice if someone else is interested in a higher use like diversified ag. Mr. Sanchez stated that 30 days is not enough time to vacate.

Chair stated that what is on the table is \$50 an acre per year so if Mr. Sanchez chooses to accept that then that would be his license term. If not, then it would be the revocable permit at \$15 an acre with 30 days notice. Mr. Sanchez stated that he cannot accept that because it would cost him 50% of his calf cost to pay for the license every year.

Mr. Sanchez withdrew the offer of a long term license. He will continue with his RP at \$15 an acre a year. Mr. Nakatani stated that the tenants had a first right of refusal so this is what we are going through now. Then thereafter any one who does not accept it, the parcel is open to others.

Mr. Milnes stated that the board has an option to increase the removal time other than 30 days. He asked if you go with a RP and entertain someone else who wants this parcel for anything less than \$50 an acre we would be doing a disservice to the current tenant. He hopes that anyone who goes with a RP instead of a higher rent cost has that option, especially cattlemen, to be able to have a longer period to remove their property.

Ms. Evan asked what longer period would be needed to relocate the cattle from the property should the ADC receive an offer for the \$50 an acre for diversified ag. If ADC chooses to approve that offer and cancel the RP when would the RP become longer than a 30 day term. Mr. Tam replied they could negotiate with the executive director and work it out. Mr. Nakatani replied RPs are somewhat flexible and it would depend on the timetable of who comes in. Ms. Kaichi stated that it is a type of land management issue or decision that needs to be made. The board could delegate it to staff for the ability to manage the lands, given the terms of each tenants RP. Whether it is more than a case by case decision should come before the board.

6. Unit E – Leslie Milnes

Mr. Kawamoto reviewed the recommendations as: 35 year license at a fee of \$30 per acre per year or \$11,910 per year for 397 net acres; base rent increase every 5 years at an additional 2.5% to the base rent shall be the base rent for each subsequent rent increase; required to join the Kalepa Koalition (KK) or pay a monthly maintenance fee to KK; no sublicense without the prior written approval of the ADC board.

Mr. Tam moved to approve; Ms. Hegele seconded the motion.

Mr. Milnes commented on the recommendation. He wants to continue on the property although he appealed to the board for the first five years reduce the rent to \$20 an acre a year then the next 5 years at \$30 an acre a year. He also said to look at the map of Unit E which about two thirds of the property is improved. In the middle of the property is the Puu Aahoaka which segregates the 530 acres. The flume is about 250 acres of wastelands. He stated that he looked at the appraisal and the fee rate was based on acreage – smaller parcels higher rent, larger parcels less rent. All the parcels before the board are about 200 to 300 acres. It would take him a couple of years to get established with the additional fencing. If the board could give him some flexibility on the initial five years he would appreciate it at \$20 an acre. Otherwise, he wants to make it work and will try to survive the first five years at \$30 an acre.

Ms. Evans moved to amend the motion by amending the recommendation to \$20 an acre a year for the first five years to invest in additional fencing and the cost to reduce his herd to comply with his conservation plan; Mr. Kobayashi seconded the motion.

Mr. Tam asked for some policy direction. Ms. Evans said there needs to be a principle. ADC's mission is to promote agriculture and not make the most money as we possibly can. Agriculture needs assistance to survive. If we have an appraisal range and the tenant wants to invest but cannot afford to invest at the highest point of the range then we should take that into consideration. Mr. Tam wanted to know what the rules are going to be for existing and new farmers. He does not want people to claim that someone received a better rate than another.

Mr. Rietow commented that a rent reduction is not the way to go because you already established \$30 an acre for everyone and now there is a rent reduction for a tenant for improvements. The concept we had with Larry Jefts is a better one where we come up with structured rent reduction based on capital expenditures. If we leave Mr. Milnes' rent as is, he recommends we come up with a rent reduction based on capital expenditures which could be a percentage over time. We could have staff do that then it can apply to everyone who is in the cattle business at Kalepa.

Mr. Nakatani commented that there is pressure that if a tenant did not want his land others would like to have it at \$30 an acre with no questions asked. The current tenants had the lands since 2001 at a very low rate. It was the tenant's choice to put improvements on their property. If we reduce the rent, the others up for licenses will also request for reduced rents.

Mr. Tam asked that the land development committee come back with a recommendation for capital improvement credits. That would help to understand the rules that could be applied to

whoever has a current license. Mr. Rietow suggested that the board approve Mr. Milnes' license today then go back to the land development committee to come up with rent credits.

Ms. Evans withdrew her motion and suggested to defer this to the land development committee to discuss how rent credits can be applied to all ranch licenses.

Ms. Evans moved to defer Unit E for Leslie Milnes until after the land development committee meets; Mr. Tam seconded the motion; motion carried unanimously.

Mr. Rietow clarified that we have existing licenses that were approved. If we do establish rent credits it would apply to everyone. Mr. Nakatani stated we should select the best farmers to promote agriculture for the Kalepa lands. The tenants have had over ten years of rent credits, in a way, being that the rent is very low.

E. Update of Financial Reporting.

This item is deferred because Mr. Enright is sick.

F. Request for Approval of the Assignment of Interest in and to Licensee Konohiki Hydro Power, LLC to Kruger Energy (USA) Acquisition Inc.

Mr. Tam left the room while the board discusses this item.

Chair commented that at our last meeting the board approved that PLP had sufficient evidence of adequate funding. This is now for the approval of the transfer from Konohiki to Kruger Energy.

Mr. Rietow moved to approve the transfer; Ms. Hegele seconded the motion.

Mr. Luckett clarified that this item is section 81 of their land license which is a consent for the ADC Board that is bound to provide consent given the fact that Kruger Energy has authority interest.

Motion carried unanimously.

G. Investigative Committees - Updates and Reports.

1. Infrastructure Protection – none
2. Land Development – Mr. Rietow stated that the committee is working on a summary of the Konohiki project that was requested by Mr. Nakatani. This is to summarize what the project is, based on all the current information available. Also will work on the rent credit proposal for Kalepa that was discussed today. The concept needs to be discussed as a whole then it can be applied differently depending on the type of farming or ranching. Ms. Evans thought that BOA has a general policy which could be a starting point.
3. Marketing and Promotion – Mr. Kurisu said he has a television show and he would like to do a segment on what ADC is doing. He would like to do two or three minute

spots to market ADC. Also this would keep the people who we fund, accountable. He would bring it to the Board so we can look and approve it before it is aired. A suggestion was to put it on ADC's website for the public to view.

4. Emerging Opportunities – Ms. Uyehara reported that a letter was prepared that will go to private and public entities who are involved in agriculture to try and grow new farmers. The letter would be asking the entities to let us know what kinds of programs they have in place and we would keep track. This would be able to help farmers learn where to go and how to go about being a new farmer. Ms. Evans stated there is a program called Ag Curious that CTAHR is putting on in Waimanalo for potential farmers. Could we look into trying to collaborate with them. A timeframe needs to be added to the letter.

Mr. Tam suggested that we ask the CTAHR's dean to come to the Board and make a presentation. Also an excursion was suggested to visit some of CTAHR's programs.

H. Elections of ADC Chair and Vice-Chair.

Mr. Kurisu moved to appoint Ms. Uyehara as chair and Mr. Takemoto as vice chair. Ms. Evans seconded the motion. Mr. Takemoto reported this was the recommendation from the committee. Motion carried unanimously.

I. Executive Director's Reports and Updates.

Mr. Nakatani reviewed his executive director's report. He mentioned that this would be the last meeting for Marissa Sandblom and Paula Hegele and thanked them for their service.

Mr. Tam stated that on Galbraith lands the criteria needs to be worked on. Mr. Nakatani replied the plan is to have criteria for smaller farmers getting on the land. Maybe form another committee to review all the applications to look at marketability, then have a ranking system for each farmer.

J. Adjourn.

Meeting adjourned at 10:40 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors Meeting of July 24, 2013
1849 Auiki Street, Honolulu, Hawaii 96819

Attendance:

Letitia Uyehara
Duane Lau
Derek Kurisu
Sandi Kato-Klutke
William Tam, DLNR

Alan Takemoto
David Rietow
Douglas Schenk
Scott Enright, DOA
Mary Alice Evans, DBEDT

Absent:

Patrick Kobayashi

Guests:

Ken Nakamoto, Sen Dela Cruz's Office
Teresa Dawson, Environment Hawaii

Casey Watabu, Hawaii Bioenergy
Troy Furuhashi, C&C

Staff:

James Nakatani
Ivan Kawamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

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

Chair introduced ADC's newest board members - Douglas Schenk and Sandi Kato-Klutke.

B. Approval of minutes of June 12, 2013 meeting.

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

C. Request for Approval of Kalepa Land License for:

1. Unit H-GE Farms

Mr. Kawamoto presented the recommendation for, in addition to the typical ADC license requirements, (1) a 35-year license at \$30/acre/year or \$9,270/year for 309 net acres; (2) base rent to increase every 5 years at an additional 2.5% to be added to the base rent, which increase shall be included in the base rent for the calculation of each subsequent rent increase; (3) licensee to either join the Kalepa Koalition (KK) or pay a monthly maintenance fee to KK; and (4) licensee shall not sublicense the premises without the prior written approval of the ADC Board. GE Farms was unable to attend the meeting; however Mr. Rapozo accepted the recommendations of the 35 year license. GE Farms is its own entity and the licensee would be GE Farms.

Mr. Tam moved to approve the staff recommendation for Unit H for GE Farms; Mr. Lau seconded the motion; motion carried unanimously.

Mr. Tam asked whether this was consistent with our policy for development of the mauka section of Kalepa. Mr. Rietow replied yes.

2. Unit C – Aurora Bunao

Mr. Kawamoto presented the recommendation for: (1) a 5-year license at \$50/acre/year or \$8,750/year for 175 net acres of pasture lands, and \$100/acre/year or \$400/year for 4 acres of truck crop farming, total of \$9,150/year for 179 total net acres; (2) base rent to increase every 5 years at an additional 2.5% to be added to the base rent, which increase shall be included in the base rent for the calculation of each subsequent rent increase; (3) licensee to either join the KK or pay a monthly maintenance fee to KK; and (4) licensee shall not sublicense the premises without the prior written approval of the ADC Board. Ms. Bunao was unable to attend the meeting; however she accepted the recommendations of the 5 year license.

Mr. Tam observed that staff commented that overall management of the land could be better, and questioned whether there was standard term in our licenses requiring good husbandry and good conservation practices. Mr. Kawamoto replied that staff is looking at DOA's policy on how to maintain property and how to word the license so the tenant is held accountable to certain conditions. Mr. Nakatani stated that good husbandry would be a standard requirement in all licenses. Mr. Tam suggested that a provision be added to recommendations indicating that standard conditions and terms will apply so there is no question that we are approving a license that uses standard conditions.

Mr. Tam moved to approve the staff recommendations for Unit C for Aurora Bunao; Ms. Evans seconded the motion; motion carried unanimously.

3. Unit L – Cholena & Ginger Bray

Mr. Kawamoto presented the recommendation for: (1) a 35-year license at \$30/acre/year or \$2,970/year for 99 net acres; (2) base rent to increase every 5 years at an additional 2.5% to be added to the base rent, which increase shall be the base rent for each subsequent rent increase; (3) licensee to either join the KK or pay a monthly maintenance

fee to KK; and (4) licensee shall not sublicense the premises without the prior written approval of the ADC Board. Ms. Cholena & Ginger Bray were unable to attend the meeting; however they accepted the recommendations of the 35 year license.

Ms. Evans moved to approve the staff recommendation for Unit L for Cholena & Ginger Bray; Mr. Tam seconded the motion.

Ms. Evans asked whether the tenant is charged for the 99-net acres that are in use. Mr. Nakatani replied that they are charged for the net acres.

Mr. Tam asked whether this recommendation is consistent with the land development policy. Mr. Nakatani replied that this selection and these terms are consistent.

Motion carried unanimously.

4. Unit E- Leslie Milnes

Ms. Owan presented the recommendation for: (a) a 35-year lease at \$30/acre/year or \$11,910/year for 397 net acres; (2) base rent to increase every 5 years at an additional 2.5% to be added to the base rent, which increase shall be the base rent for each subsequent rent increase; (3) licensee to either join the KK or pay a monthly maintenance fee to KK; and (4) licensee shall not sublicense the premises without the prior written approval of the ADC Board. Mr. Milnes accepted by email the recommendations of the 35 year license.

Mr. Tam moved to approve the staff recommendation for Unit E for Leslie Milnes; Mr. Rietow seconded the motion.

Mr. Takemoto asked whether these terms represented the same offer that was provided to Mr. Milnes at the last meeting. Mr. Nakatani replied yes.

Motion carried unanimously.

D. Request for Right of Entry and Land License for Pohaku O Kauai Materials, LLC for Sand and Rock Removal. Discussion and Action.

Mr. Nakatani stated that there are issues that need to be clarified before making the presentation. Item D was deferred.

E. Presentation of New Markets Tax Credit Program.

Mr. Nakatani stated that this item is an interesting concept that takes a while to grasp. Additionally, the presenter had taken ill and was unable to make the presentation. Therefore the handouts were given to board members for their review and discussion can had at the next meeting. Ms. Kaichi reminded the board members that they should review the materials but discussions and soliciting information should not be made on

any issues. The members should educate themselves however keep in mind of the sunshine laws. Item E was deferred.

F. Update of the ADC's Financial Reporting.

Mr. Enright reported that he is waiting to hear from one more company and will report at the next meeting.

G. Approval of Purchase of Sale of Fee Simple Interest in Approximately 24 Acres of Land in Whitmore, Oahu Hawaii TMK (1)7-1-002-009:000.

Chair stated that the Board would need to go into executive session pursuant to HRS 92-5 (a)(4) to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privilege immunities, and liabilities, and pursuant to HRS 92-5(a) (8) to deliberate or make a decision upon a matter that requires the consideration of information that must be kept confidential pursuant to a state or federal law, or a court order. She asked for a roll call vote.

Mr. Tam moved to go into executive session pursuant to chair's comments on this Item G; Mr. Lau seconded the motion. A roll call vote was called. All members in favor to go into executive session.

Out of executive session at 10:50 am

H. Approval to Convene a Galbraith Land License Review Committee to Review and Rank applications. Discussion and action.

Chair stated that a committee would be formed with members from outside of ADC as well as board members to review applications for Galbraith lands. A draft ranking sheet was distributed to board members.

Mr. Nakatani suggested the committee review and make recommendations to the board for the Galbraith lands as soon as possible.

Mr. Tam moved to form a committee with members from the outside and the board; Ms. Evans seconded the motion.

Mr. Tam requested a map and asked whether there was a plan for the area. Mr. Nakatani replied that 200 acres were intended for small farmers, and that those 200 acres have already begun with clearing of trees but have yet to be provide water. Staff has been working on to provide a pump for water. Staff should also have a better picture once the kind of farmers and the specifics of their requirements are made known. Mr. Enright clarified that this would only be the 200 acres for small farmers. ADC would then incrementally populate the area with bigger, more experienced farmers. Mr. Nakatani noted that the ranking sheet would help the committee analyze the applicants' finances, business plan, experience, etc. Also ADC will prepare the 200 acres for the small farmer.

Chair will appoint the committee members. She suggested asking a representative from the Farm Bureau and UH College of Tropical Agriculture and Human Resources to sit on the committee. She would like to start immediately.

Motion carried unanimously.

- I. Executive Session to Conduct Annual Performance Evaluation of Executive Director Pursuant to HRS 92-5(a) (2).

Chair stated that we need to go into executive session Pursuant to 92-(5) (a) (2) to conduct an annual performance on personnel issues.

Mr. Tam moved to go into executive session at 11:50 am to conduct an annual performance evaluation of the ADC executive director; Mr. Rietow seconded the motion. A roll call vote was taken with all voting yes.

Out of executive session at 11:55 am

- J. Investigative committees – Updates and Reports

1. Infrastructure Protection – none

2. Land development – Mr. Enright reported that the Kalepa recommendations were discussed as well as the DOA lease language for rent waivers and/or reductions. The Department of Agriculture ag parks and non-ag park program rules allow rent credit in the first two years of a lease if there are substantial improvements that need to be made. That credit is broad and can be worked on. The DOA credit is a dollar-for-dollar credit which is substantiated so the tenant would need to do the same dollar amount or more of improvements as the required rent, and then it would be waived. This board needs to consider whether it also wants to offer rent credits. Recommendations could be ready as early as the next meeting. Then the lease language would be sent to the board members. Mr. Nakatani stated that we need to have a rent credit policy for all our parcels. Rent credits could vary by circumstance and need not be uniform for the whole state. Mr. Enright reported that he is in discussions with the ag community on Kauai to see if there is an interest for organics to lease lower Kalepa. He has a meeting in two weeks with the organic farmers. This is for Lot B. Also Mr. Nakatani and he will be meeting with the Farm Bureau on the feasibility of creating and operating an ag park on Lots A, B and C.

3. Marketing and Promotion – Mr. Kurisu prepared a video on the papaya zero waste project which was shown to the members. Mr. Nakatani spoke briefly of the statutes of the freckle free papaya project. PBARC would like to step-up research and do trials. A future video could focus on the processing of the papaya. Mr. Kurisu asked the board to let him know if there was any other project that he could do a video on. One project could be Mike DuPonte's IDLS hog farming system.

4. Emerging Opportunities – Chair reported that a letter was sent to entities requesting information on their programs in place to assist ADC in putting together an ag directory. She did receive a few responses and she met with USDA, NRCS and they will assist by putting together a directory for USDA to be included in ADC’s directory.

K. Executive Director’s Report and Updates:

Mr. Nakatani reviewed his executive director’s report. Kekaha – working on due diligence on the property. Kau – on-going survey work. Waiahole – ditch repair has been done. Galbraith – a contract was awarded to replace the industrial diesel engine for the Bott Well pump.

Ms. Evans asked for the ADC quarterly financial report for the board members.

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

Meeting adjourned at 11:55 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of August 20, 2013

235 South Beretania Street, Conference Room 203, Honolulu, Hawaii 96813

Attendance:

Letitia Uyehara
Patrick Kobayashi
David Rietow
Scott Enright, DOA
William Tam, DLNR

Derek Kurisu
Sandra Kato-Klutke
Douglas Schenk
Mary Alice Evans, DBEDT

Absent:

Duane Lau

Alan Takemoto

Guests:

Dan Purcell, Public
Godwin Esaki, Kalepa
Landis Ignacio, KAA
Dawn Huff, FFP/KIUC
Senator Donovan Dela Cruz

Kelly Gooding, Kalepa
Laurie Ho, Kalepa
Stan Morinaka, Kauai Veteran's Express
Tobi Solidum, Bio Tork
Ken Nakamoto, Sen Dela Cruz's Office

Staff:

James Nakatani
Ivan Kawamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

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

B. Approval of minutes from the July 24, 2013 meeting.

Mr. Schenk moved to approve the minutes; Mr. Rietow seconded the motion; motion carried unanimously.

C. Kalepa, Kauai:

1. Request for approval of issuance of Kalepa land licenses for:
 - a. Unit J - Gerald Sanchez

Mr. Nakatani made the presentation on Unit J for Gerald Sanchez. The recommendation is for a 35-year license at a license fee of \$30 per acre per year or \$4,800 per year for 160 net acres; require a utilization/maintenance plan with a reasonable time table for the unused acres; base rent increase every 5 years with an additional 2.5% added to the base rent and shall be the base rent for each subsequent rent increase; require to join the Kalepa Koalition (KK) or to pay a monthly maintenance fee to the KK that would support efforts in maintaining the infrastructure; shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Ms. Kato-Klutke moved to approve the recommendations for Unit J for Gerald Sanchez; Mr. Schenk seconded the motion.

Mr. Sanchez was not present however he approved his recommendations.

Mr. Enright asked what would be the time table for the utilization plan. Mr. Nakatani replied that within the next three to five years we should see some improvements. There needs to be some discussion with Green Energy and needs see more productive pasture.

Ms. Kato-Klutke clarified that the agreement with Green Energy and the tenant is between them as to when they will come in to clear the albizia. But the tenant needs to let us know in a five year period what portion of the land is going to be cleared.

Motion carried.

b. Unit F – Godwin Esaki

Mr. Kawamoto made the presentation on Unit F for Godwin Esaki. The recommendation is for a 35-year license at a license fee for pasture at \$30 an acre a year for 314 acres or \$9,420 per year; diversified agriculture at \$100 an acre a year for 60 acres or \$6,000 a year for a total of \$15,420; require a utilization plan with a reasonable time table for the 314 unused acres; base rent increase every 5 years with an additional 2.5% added to the base rent and shall be the base rent for each subsequent rent increase; required to join the KK or to pay a monthly maintenance fee to the KK that would support efforts in maintaining the infrastructure; shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Mr. Rietow stated that the company plans to expand to value-added processing and growing tree crops for energy product. If that 314 acres changes use, do we have a process for looking at the rent that corresponds to the added value. Mr. Kawamoto replied when we do our inspections we can bring it to the attention of the board but right now we do not have any written policy. Mr. Nakatani replied for growing trees we charged \$30 an acre a year.

Mr. Tam asked if the license has a provision that allows for reevaluation based on crop. If they change crop, then you change license and we should have that as a provision in the license.

Ms. Evans suggested that for the utilization plan instead of a “reasonable time table” it be for five years like for Mr. Sanchez.

Mr. Enright asked if the land development committee would define that term reasonable time table. Mr. Nakatani replied three years is a reasonable time. Mr. Enright stated that we need to see the utilization plan quicker and will work with staff.

Mr. Tam moved to approve the recommendation for Unit F for Godwin Esaki; Ms. Kato-Klutke seconded the motion.

Mr. Esaki was present to make comments. He has talked with Green Energy and they are building their plant. They are willing to take out the albizia trees and do have a time schedule. He asked whether he would be able to start contract farming of the energy trees however he did not know if it will be successful. He plans to expand the farm and needs to inform the Board through Mr. Nakatani if he plans to take action like the energy trees. In discussion at the end of 20 years, which is the minimum amount, he would move the trees out and fill it with food production.

Motion carried unanimously.

Mr. Dan Purcell commented that he was unable to hear and follow the agenda items because he is sitting in the back and some of the board member’s back is toward him. The configuration should be better so the public can see and hear all the proceedings.

A five minute recess was called to rectify the concerns of the public.

C-2. Request to terminate Revocable Permit 7448, Unit A – William Sanchez, and issue a new revocable permit for Unit A.

Ms. Owan presented the recommendations to terminate RP 7448, Unit A for William Sanchez and approve a new RP for Unit A as: RP fee is \$15 an acre a year or \$8,970 per year for 598 useable acres; become a member of the KK for maintaining the road and security gates as described in a MOU dated January 10, 2013. Members and non-members will be required to pay a road maintenance fee at a rate to be determined; shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Ms. Evans asked how does this new RP differ from the license offered to him at a previous meeting which he declined. Mr. Nakatani replied the board agreed that the term was \$50 for Units A, B and C. Mr. Sanchez declined to go ahead with a 5 year license at \$50. He agreed to a RP at \$15 an acre a year. Therefore staff needs to terminate his present RP and reissue a new RP.

Ms. Evans moved to approve the recommendation for a new RP for William Sanchez; Mr. Rietow seconded the motion; motion carried unanimously.

C-3. Request to terminate Revocable Permit 7289, Unit L - Kelly Gooding, for failure to submit an application for a long term license.

Mr. Kawamoto made the presentation to terminate RP No. 7289 with Kelly Gooding due to receiving no application. Mr. Rietow corrected Mr. Gooding's parcel as HSPA unit 3 not Unit L of 19 acres.

Ms. Evans moved to approve the recommendation to terminate RP No. 7289 with Kelly Gooding; Mr. Kobayashi seconded the motion.

Mr. Gooding was present and his goal is to get a license. He reviewed his plans for the parcel.

Mr. Nakatani stated that because of inaction, staff is recommending the termination of his RP. Mr. Gooding stated that he did receive the application but did not know that he needed to send in his application for a license and he has most of his information for the application. Mr. Nakatani stated that all the other tenants did respond accordingly to let staff know if they wanted a long term license or a RP. To move forward we want a productive parcel that ADC is responsible for. The first right of refusal was given to all of the present tenants. There needs to be some action by the Board. Mr. Gooding could have applied for a long term license however he did not take any action. Once his RP is terminated, he would need to vacate the property within 30 days.

Ms. Evans amended her motion to give the tenant 30 days effective today to either apply for a RP or a long term license and if he does not, his current RP will terminate as stated in the submittal; Ms. Kato-Klutke seconded the motion.

Amended motion carried unanimously. The original motion as amended was motion carried unanimously.

D. Request for approval of amendment to Syngenta land license L-08202 adding 253.41 acres of Mauka lands and surrendering: Fields 317 (54.88), Field 320 (50 of 101.73), Field 419 (91.14), Field 421 (63.30) for a total of 259.62 acres in Kekaha, Kauai.

Mr. Kawamoto made the presentation to amend Syngenta's land license L-08202.

Mr. Ignacio commented that Syngenta's land being surrendering is prone to flooding and not cultivated which is too high of a risk.

Mr. Schenk moved to approve Syngenta's request to amend their land license L-08202; Ms. Kato-Klutke seconded the motion; motion carried unanimously.

E. Request for approval of issuance of right of entry and land license for Pohaku O Kauai Materials, LLC for sand and rock removal.

Mr. Kawamoto made the presentation for the removal of rock and sand to open more land to agricultural use as well as lower maintenance cost and falls within ADC's mission to acquire, manage in partnership with farmers, ranchers, and aquaculture groups, selected high-value lands, water systems, and infrastructure for commercial agricultural use and to direct research into areas that will lead to the development of new crops, markets and lower production costs. The recommendation is to approve POKM's application for a 5 year license and right of entry for rock and sand removal in Kekaha with a fee of \$200 per acre per year or \$1,000 per year for 5 acres; would be required to pay a royalty fee for removed rocks and or removed sand, or any combination thereof, at the royalty fee payment rate of \$2.50 per ton; required to assist KAA with roadway maintenance activities and shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Ms. Kato-Klutke moved to approve the issuance of right of entry and land license for Pohaku O Kauai Materials, LLC; Mr. Rietow seconded the motion; motion carried unanimously.

F. Presentation of New Markets Tax Credit Program by Tamar deFries of Pacific Growth Associates.

Tamar deFries made the presentation on the new markets tax credit program which is currently the largest federal economic development incentive program. The program enacted as part of Community Renewal Tax Relief Act of 2000 to encourage investment in low-income urban neighborhoods and rural communities that lack access to the capital needs to support and grow businesses, create jobs, and sustain health local economies.

G. Presentation of the Whitmore Project: Whitmore Village Agricultural Development Project by Senator Donovan Dela Cruz.

Senator Dela Cruz stated that he made an early presentation and this is an update to that presentation on the Whitmore Project.

Mr. Nakatani reported that staff is working with the agent and looking at which lands that would be good for agriculture. There is a lot of conservation land so DLNR will also need to be involved. As a start, the Board should declare it as a project. There are other redevelopments that they are trying to do for the town but this is a big component. Senator requested to try to get some numbers together so that prior to session he can make requests for CIP funds.

Mr. Schenk stated that this is an enormous undertaking. Is more staff needed? Senator Dela Cruz replied staff would come from revenue of these projects but would not tap the general funds. Mr. Nakatani commented that there is a new position for ADC but he needs to look at the budget before making any commitment. The first step is to declare it is a project. This is not an ADC project by itself so we need to find partners to help like the

City and may be the College, DLNR, private and possibly the 5th floor. Then make policy decisions so we can have some kind of payment plan.

Mr. Enright asked Senator to explain the importance of the warehouse. Senator replied they are trying to avoid building any infrastructure so having these packing houses, processing facilities all within a concentrated area where there are already infrastructure.

Ms. Evans commented that this is great project for ADC and would support it even more if it was through general obligation bonds to purchase more lands without the requirement to generate a cash flow immediately. Senator Dela Cruz replied if we don't try to create the revenue bond portion, we won't be able to do this on every island. Because once this is established and there is a model we cannot allocate the entire GO bond budget to buy the whole state. We need show that we can float revenue bonds, pay the revenue back so this model can be copied in every area that is still accessible before it is sold. It has to work with revenue bonds because they cannot afford to buy the whole state. Ms. Evans stated that creating an ag land bank is one of the foresight that the state can do. Senator stated that this is about a whole economy by transitioning ag from the past to the future. Mr. Tam stated that we need to show that it works.

H. Update of the ADC's Financial Reporting.

Item deferred.

Item J was taken up before Item I due to possibly going into executive session.

J. Request for approval of the Memorandum of Understanding between Bio Tork LLC and Agribusiness Development Corporation for Zero Waste Biofuel and High Protein Feed Conversion Program.

Tobi Solidum stated that this is an update of a project that was approved by the Board about eight months ago through PBARC for the zero waste program that was headed by Dr. Dennis Gonzales with funding of \$200,000. They were able to develop a mini pilot project. The progress on this project has been overwhelming. He reviewed the MOU which outlines where they were, who they are, what they want to do and what it will take to get there. They have received support from legislators and cabinet members to execute this program. What is needed to move this project forward is money. To date Evolugate LLC and BioTork LLC has privately invested over \$6,200,000 into the research and development of this technology. They are asking the ADC Board to see if this vision is to go forward to request for money from the governor and the legislature through barrel tax money and legislative appropriation. The \$5,300,000 investment from the state for a total of 5% of BioTork common equity for testing and technology for papaya, banana, albizia and pineapple. The \$700,000 to PBARC to maintain the collaboration is being taken place with BioTork and PBARC facility. The next Phase for funding is the continuation of the mini pilot but also going into a demonstration Phase at Shipman Industrial park where Pacific Biodiesel is currently located. They would like to build an integrated energy system where the feedstock is processed on site. The oil from their process will be piped

into Pacific Biodiesel. The waste called glycerol would be streamed back into their system which would create more oil and hi-protein feed.

Mr. Enright moved to accept this project; Ms. Evans seconded the motion.

Ms. Evans asked on the \$6,000,000 of barrel tax funds, is that appropriated to ADC or DOA. Mr. Nakatani replied that is the discussion that needs to occur between BioTork and the department. The legislature is very supportive and some funds were in discussion last session. Mr. Enright stated that the department has put forward funds throughout the project and they continue to support the project and would probably transfer barrel tax funds to the ADC.

Mr. Kobayashi stated there would be some confidence to have a private entity willing to invest in this venture. Then when you make sizeable investments you control the company. This is the same way like the state or union invest in projects but at the end of the day the lead is the bank that is making the loan.

Ms. Kaichi commented that she was not sure about ADC's ability to become equity holder. She would like some time to look into that. There might be other options like debt financing or grant approach. She is advising the Board that they cannot approve this relationship on the terms involved in the August 19, 2013 drafted MOU because it does include equity financing. In concept the board can proceed in any method they want but at this point are not sure about the authority to enter into a relationship on these terms. Mr. Solidum asked if they take out "investment" and straight barrel tax situation would that work. Ms. Kaichi replied that could be another option. Another point is if they go through a grant option, ADC cannot because they do not have standardizes required by law. Mr. Enright stated that this pilot project would work for any waste product in agriculture which is turning what was a liability into an asset.

After many questions, the motion was withdrawn and deferred until the next meeting.

Ten minute break called at 12:00

- I. Request for approval of, and authorization to enter into, agreement to purchase the fee simple interest in approximately 24 acres of land in Whitmore, Oahu, Hawaii, TMK: (1) 7-1-002-009:000.

Chair reported this item was deferred at the last meeting. Mr. Nakatani stated that the issue is the Phase I environmental site assessment which we should be receiving next week and that was the hang up last month.

Chair asked the Board whether they would like to go into executive session.

Mr. Tam moved to go into executive session pursuant to 92-5(a) (4) to discuss the acquisition in the Whitmore area; Mr. Rietow seconded the motion. A role call vote to go into executive was called with all voting yes.

- L. Request for approval of, and authorization to enter into, agreement to purchase the fee simple interest in Tamura Warehouse in Wahiawa, Oahu, Hawaii, TMK: (1) 7-4-012-016.

Mr. Nakatani reported that he needs the board's approval to proceed to move forward and investigate in the purchase. This is an opportunity for a processing facility for retail or wholesale that could benefit the whole Whitmore project. Chair commented that she did see the property and that it is a good potential and opportunity. The funds are through GO bonds.

Mr. Tam moved to approve the request to investigate and negotiate the acquisition in the fee simple interest in Tamura warehouse; Mr. Schenk seconded the motion; motion carried unanimously.

- K. Update from the Galbraith Land License Review Committee.

Chair made an up date from the Galbraith Land License Review committee. At the last meeting we decided to contact CTAHR and Farm Bureau and members from ADC and form an evaluation committee. Letters were sent to DOA, CTAHR and Farm Bureau to request a representative to sit on the committee. The College appointed Carl Evensen; DOA Scott Enright and from the Farm Bureau Yuki Kitagawa together with Chair and executive director. The first meeting should be within a week and to move forward.

- M. Executive Session pursuant to H.R.S. §92-5(a) (2) to conduct annual evaluation of the of the Executive Director.

Mr. Tam moved to go into executive session pursuant to H.R.S. §92-5(a) (2); Mr. Rietow seconded the motion. Roll call vote with all voting yes to go into executive session.

- N. Investigative Committees – Updates and Reports:

1. Infrastructure Protection – It was suggested to combine this committee with the land development committee.
2. Land Development - Met on August 15th and discussed the 24 acre parcel and everything was brought up at today's meeting. There was an agreement with the County of Kauai for the landfill parcel that they want and construct a pipeline. ITC Management did a study on it. The County reneged and talked about tipping fees on the landfill. Then they did the numbers, they realized that it would be \$348 million in tipping fees over the life of the landfill, so they wanted to reconsider. At this point, the County is willing to put in the pipeline and will report back to the board at the next meeting on the progress.
3. Marketing and Promotion – Mr. Kurisu suggested that he do a video segment on the development of freckle free papayas. This would help document the progress of this project.

4. Emerging Opportunities – None but Chair has been receiving response back from organizations that was written to to find out what kinds of ag program they have. State and federal did respond.
- O. Executive Director's Reports and Updates:
1. Kekaha – Generators installation is continuing. There was a complaint of the destruction of endangered species habitat that was investigated and found that there was no evidence of violation being committed. Another complaint by Earthjustice which will be discussed at our next meeting. Ms. Evans commented that this could affect other landowners. He did talk with KAA to say that they need to address this. Ms. Kaichi went to Kauai last week and did some due the diligence. We will have a better idea by the next meeting. CWRM meets tomorrow for their board meeting and it is on the agenda.
 2. Kalepa – final inspection of field 21 reservoir mitigation work was done.
 3. Kau – Mr. Enright reported that the survey work is completed except Wood Valley.
 4. Waiahole – continue to work on improvements.
 5. Galbraith Lands – Diesel engine will be replaced.

Mr. Rietow moved to adjourn; Mr. Lau seconded the motion.

Meeting adjourned at 1:55 pm.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors Meeting of September 25, 2013
1849 Auiki Street, Honolulu, Hawaii 96813

Attendance:

Letitia Uyehara	Derek Kurisu
Alan Takemoto	Patrick Kobayashi
David Rietow	Sandra Kato-Klutke
Duane Lau	Scott Enright, DOA
William Tam, DLNR	Mary Alice Evans, DBEDT

Absent:

Douglas Schenk

Guests:

Dan Purcell, Public	Patricia Ulloa-Curcio
Kekoa Kaluhiwa, Public	Linda Rosehill, Rosehill & Assoc.
Dean Okimoto, FB	Toby Solidium, BioTork
Dane Wicker, Sen Dela Cruz's Office	
Ken Nakamoto, Sen. Dela Cruz's Office	
Jo McGarry Curran, Couiers International	
Alex Kanamu, Wahiawa Community & Business Association	

A. Call to Order.

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

B. Approval of minutes from the August 20, 2013 meeting.

Mr. Kobayashi moved to approve the minutes; Mr. Tam seconded the motion; motion carried unanimously.

C. Request for approval of the Memorandum of Understanding between BioTork LLC and the Agribusiness Development Corporation for the Zero Waste Biofuel and High Protein Feed Conversion Program.

Mr. Tam moved to approve the MOU between BioTork LLC and the ADC; Mr. Lau seconded the motion.

Mr. Tam recommended adding to the first page, last paragraph, second line, after the word will "negotiate in good faith to".

Mr. Tam moved to amend the MOU between BioTork LLC and the ADC; Ms. Evans seconded the motion; motion carried unanimously.

- D. Request for approval of, and authorization to enter into, agreement to purchase the fee simple interest in approximately 24 acres of land in Whitmore, Oahu, Hawaii, TMK(1) 7-1-002-009:000.

Mr. Nakatani reported that the draft Phase I ESA prepared by Bureau Vertias North America, Inc. was received. The report identified 3 recognized environmental conditions ("REC"s). Further soil samplings were recommended to assess potential environmental impacts of these RECs. Additionally the report identified a REC from an exposed pipe that runs beneath the ground to an above-ground storage tank. Soil samplings were also recommended for this REC. Also soil sampling for 2 other RECs on underground storage tanks and the surfboard shop which performed a cleanup in 2004 however, there is no evidence that the clean-up included soil sampling. Staff requests authority to negotiate the acquisition of approximately 24 acres of land in Whitmore Parcel 9 owned by Castle & Cooke Hawaii.

Mr. Tam thanked the staff for the good submittals.

Mr. Takemoto moved to approve the authority to enter into agreement to purchase fee simple interest in approximately 24 acres of land in Whitmore; Ms. Klutke seconded the motion; motion carried unanimously.

- E. Request for approval of, and authorization to enter into, agreement to purchase the fee simple interest in Tamura Warehouse in Wahiawa, Oahu, Hawaii, TMK (1) 7-4-012-016.

Mr. Nakatani made the recommendation that negotiation on the terms of purchase continue. A tentative Purchase and Sale Agreement has been drafted. Staff requests authority to negotiate the acquisition of the Tamura Warehouse, owned by Tamura Enterprises, Inc. for the purchase price of \$4,290,000 on the terms and conditions set forth in the Purchase and Sale Agreement, including a specific requirement that the roof be fully repaired by closing.

Mr. Takemoto moved to approve recommendation as stated by Mr. Nakatani; Ms. Klutke seconded the motion; motion carried unanimously.

- F. Request for approval to declare the Whitmore Village Agricultural Development Plan as an ADC Project.

This item was deferred until the next meeting.

- G. Request for Right of Entry to Johns Hopkins University, Applied Physics Laboratory for the purchase of conducting a radar system testing project called

“Land-Based Test System Evaluation”, in Kekaha ag land, Field 613 (TMK (4) 1-2-02:001, portion), during February/April 2014.

Ms. Owan reported that the purpose of this request is to a conduct federally funded radar system test sponsored by the US Navy’s Program Executive Office for Integrated Warfare Systems, Naval Sea Systems Command. The radar test is a short-term project coordinating with PMRF, FCC, FAA, HDOH and KAA. There does not appear to be any issue that would negatively impact ADC, its tenants or the community by permitting the radar test to be conducted from the proposed site in Field 613.

On August 20, 2013 the ADC Board approved Syngenta’s request to “swap” field in the Mana Plain with mauka fields, of which Field 613 is a part. Earlier speaking to Ms. Owan by phone, Mark Phillipson (Syngenta’s Lead, Hawaii Corporate Relations) stated that he would like to support this project but does not know the immediate plans for developing Field 613.

The recommendation is to approve the request for a right of entry for Johns Hopkins University, Applied Physics Laboratory to conduct a radar system test in Field 613, subject to acceptance by Syngenta Seeds.

Ms. Evans asked whether we would be receiving the equipment at the end of the testing. Mr. Nakatani replied no.

Ms. Klutke asked on the allowed swap of lands by Syngenta. Mr. Nakatani replied that Syngenta jumped the gun to swap their lands and that staff will be working with them on more lands.

Ms. Evans moved to approve the recommendation by staff; Mr. Lau seconded the motion; motion carried unanimously.

H. Item H will be taken up last to go into executive session.

I. Update from the Galbraith Lands License Review Committee

Chair reported that an initial review has been done by the review committee made up of the Farm Bureau, City & County, CTAHR, Mr. Enright, Mr. Nakatani and herself. A second meeting is being called soon for small farmers on 200 acres of Galbraith lands. They will come back with the recommendations at a future meeting.

Mr. Tam asked for a copy of the criteria so members of the public would be able to see the process of the selection of farmers. He suggested adopting a policy.

Ms. Klutke asked how many applications were submitted. Mr. Nakatani replied about 30 applications were reviewed, however no livestock operations were being considered at this time because it was decided to keep the lands in food production. The difficulty was

that a lot of the applicants were immigrants so they had a hard time filling out the paperwork. The committee will be requesting to have a tour of some of these farms.

Mr. Tam raised the possible problem with high yield crop – are we trying to encourage them on the crop yield.

At the next ADC meeting, we plan to meet in Kunia and visit the Whitmore area to look at Galbraith lands and Tamura warehouse in Wahiawa.

Mr. Tam suggested that we also have a meeting at CTAHR.

Mr. Rietow suggested that we require in their lease something about crop rotation.

Mr. Purcell commented about the rating system, noting that the public should see the draft on how the farmers are rated. Also there should be some help with farmers on the compliance issues.

J. Investigative Committees – Updates and Reports:

1. Land Development (Infrastructure Protection) - Mr. Enright reported that they did not have a meeting recently but thanked the members of the committee for putting in time at the past meetings.

2. Marketing and Promotion – Mr. Kurisu produced a video on freckle free papaya which we could see at a later meeting.

3. Emerging opportunities – none

K. Executive Director's Reports and Updates

Mr. Nakatani reported:

1. Kekaha – On the operational plan for emergency generator installation; and contracted with the Navy for five years to operate and maintain the pumping stations at Nohili & Kawaietele and associated drainage canals.

2. Kau – Mr. Enright reported that the surveying and mapping will be finalized in a month. Discussed the language for MOU between DLNR and ADC and ADC and Coop. He will check with the surveyor and report back.

3. Waiahole Ditch system – The siphons are going in and will need a better idea when construction work will proceed to plan for water delay.

4. Galbraith diesel engine – Being installed and should be ready for testing.

October 16th is the internal budget deadline. ADC will ask for two items – funds for staffing and irrigation study money. Checking into 89-day hire and a permanent hire. Mr. Nakatani will work on a matrix of all the ADC projects and send it to the board members to make any comments.

A five minute break called at 9:30 am.

H. Executive session pursuant to HRS 92-5(a) (4) on: (1) Petition to Amend the Interim Instream Flow Standard, (2) Complaint for Dispute Resolution, and (3) Complaint for Declaratory Order Against Waste in Waimea River and its Tributaries, Waimea, Kauai, filed by Earthjustice.

Mr. Tam recuse himself because of his office the Commission on Water Resource Management is making a direct decision on this item.

Mr. Takemoto moved to get into executive session; Ms. Evans seconded the motion; a roll call vote with all voting yes to go into executive session.

Ms. Klutke moved to get out of session Ms. Evans seconded the motion; motion carried unanimously.

Next meeting tentatively scheduled the week of October 28 and tour on the west side. Meeting at either Farm Bureau or Hawaii Agriculture Research Center in Kunia.

Chair reported that she received a communication from the senate in support of declaring Whitmore as a project which was signed by six senators. This communication will be given to the Board at the next meeting at which time this will be discussed.

Mr. Rietow moved to adjourn; Mr. Lau seconded the motion. Motion carried.

Meeting adjourned at 10:45 am.

Respectfully submitted,



Cindy Dol
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Director's Meeting of October 30, 2013
Hawaii Agricultural Research Center (HARC) Conference Room
Kunia Drive, Kunia, Hawaii 96759

Attendance:

Letitia Uyehara	Alan Takemoto
Derek Kurisu	Sandra Kato-Klutke
Duane Lau	David Rietow
Douglas Schenk	Scott Enright, DOA
William Tam, DLNR	Mary Alice Evans, DBEDT

Absent:

Patrick Kobayashi

Guests:

Ken Nakamoto, Sen Dela Cruz's office

Staff:

James Nakatani
Ivan Kawamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to Order.

Chair Uyehara called the meeting to order at 9:37 am.

B. Approval of minutes from the September 25, 2013 meeting.

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

C. Request for approval of issuance of Kalepa land license for HSPA Unit 3 to Laurie Ho dba Kalepa Ulu.

Mr. Nakatani made the presentation for the approval of a land license to Laurie Ho dba Kalepa Ulu, noting that Ms. Ho submitted a viable agriculture development and financial plan to support the project and that she qualifies as a new farmer. The recommendation of staff is that the Board approve Laurie Ho dba Kalepa Ulu's application for a 35-year license in Kalepa, Kauai on the following terms and conditions: license fee of \$30/acre/year (\$570/year) for 19 net acres for 5 years. From year 6, license fee to increase to \$100/acre/year (\$1,900/year) for 19 net acres; base

rent to increase every 5 years at an additional 2.4% which shall be added to the prior period's base rent which new amount shall be the base rent for each subsequent rent increase period; licensee would be required to join the Kalepa Koalition (KK) or to pay a monthly maintenance fee to the KK that would support the KK's efforts in maintaining the infrastructure; licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Mr. Rietow commented that Kelly Gooding was going to stay on the property at \$15 an acre. Mr. Rietow's understanding is that Mr. Gooding will be on the premises until Ms. Ho executes her license.

Ms. Klutke moved to approve the staff recommendations for Laurie Ho dba Kalepa Ulu for a land license for the HSPA Unit 3; Ms. Evans seconded the motion.

Ms. Evans asked staff whether any of the improvements that are planned to be made on the land might merit a rent credit. Mr. Nakatani replied that there currently are some buildings already erected. However, trees might be taken down in the future, which clearing efforts may warrant a rent credit. To date, they have not asked for rent credit. They could nevertheless ask for a credit in the future, and ADC could consider that request at that time.

Mr. Enright asked if this would be a name change. Ms. Klutke replied that Ms. Ho and Mr. Gooding are merely "significant others" and it will be strictly under Ms. Ho. Ms. Klutke believed that Mr. Gooding is an employee of Ms. Ho.

Motion carried unanimously.

D. Request for approval of Memorandum of Understanding between Wahiawa Community Based Development Corporation ("CBDC") to support Whitmore project.

Mr. Nakatani made the presentation for the approval of a memorandum of understanding between CBDC and ADC for the Whitmore project ("CBDC MOU"). CBDC is a community based organization in Wahiawa that was awarded a grant. The CBDC MOU will be considered the coordinating agreement required by ADC to explore a partnership between ADC and CBDO for the Whitmore project in which the CBDO will leverage its funding opportunities and resources and apply those funds towards supporting agribusiness and workforce creation in conjunction with ADC.

Ms. Evans moved to approve the MOU between Wahiawa Community Based Development Corporation and the ADC to support Whitmore project; Mr. Enright seconded the motion.

Mr. Tam commented on paragraph 2, that he would like to amend the language to specify that the relationship is non-exclusive, or an agreement to work together, or a non binding partnership.

Motion carried unanimously.

E. Request for approval of the Whitmore Project.

Mr. Nakatani made the presentation, reminding the Board that Senator Dela Cruz previously made a couple of presentations on the Whitmore project. Staff recommendations that the board approve the Whitmore Project as a project facility program to enable the establishment of a separate special fund into which proceeds from the revenue bond and any assessments or revenues generated from the Project can be deposited, and from which project costs and project facility costs can be paid. This project must be approved by the Board of Agriculture.

Mr. Takemoto moved to approve the recommendation of staff, approving the Whitmore Project as a project facility program; Mr. Schenk seconded the motion.

Mr. Tam suggested that we break out the recommendation to: first establish this to be a project and, second, that it be eligible for various funding including special fund revenue bonds, and, third, if another source of funding should arise, then we would not be precluded from seeking alternative funding by the existing language.

Mr. Takemoto moved to amend the recommendation per Mr. Tam's suggestion; Mr. Schenk seconded the motion. Motion carried unanimously.

Chair recognized several letters of support from Senators and few community members.

F. Request for approval of land license at Galbraith in Whitmore for:

1. Kelena Farms, Inc for additional 80 acres –

Mr. Kawamoto made the presentation for approval of a land license on the Galbraith lands to Kelena Farms, Inc. This license would be an additional 80 acres to the prior 150 acres granted to Kelena Farms, Inc., and pursuant to the Memorandum of Understanding between DR Horton – Schuler Homes and ADC (“Horton MOU”). The Horton MOU granted Horton the right to designate qualified farmers to farm portions of the Galbraith lands in exchange for its cash contribution toward the acquisition and improvement costs of those lands. Mr. Jeffs is one the designated farming enterprises that qualifies for a license. Staff recommended that the Board approve the applicant, Kelena Farmers, Inc. for a 35-year license on the following terms and conditions: rent credits for years 1 – 5 to be applied, up to a maximum rent credit of \$48,000; rent credits for water development applied to the 80 acre development, up to a maximum rent credit of \$80,000; licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Ms. Evans moved to approve the staff recommendation for Kelena Farms, Inc.; Mr. Tam seconded the motion; motion carried unanimously.

Mr. Nakatani commented that in an effort to promote food safety, livestock was not being considered for licenses at this time. The priority is food production for local consumption. Priority will be given to farmers that would supply local food production rather than export crops. Mr. Tam commented that we should establish precedence for these lands and adhere to

that. Mr. Nakatani feels this is for the board to decide and cautioned the board to be careful with that.

Mr. Enright commented that this can be taken up with the land development committee which will return with policy recommendations to the entire board.

Mr. Jefts was present to answer any questions.

Mr. Takemoto asked how many acres did Kelena Farms have on Horton land and would the transfer from Horton to ADC be an acre-for-acre exchange. Mr. Jefts replied it would be a one for one right now. Horton could ask him to take a few more acres in the interim that might exceed these acres for a short period.

Mr. Jefts commented on his experience in land swapping. He also gave the Board some information of the produce that he presently grows.

2. Ho Farms, dba Ho Farms for 50 acres –

Mr. Kawamoto made the presentation for approval of a Galbraith land license to Ho Farms, LLC, dba Ho Farms. Ho Farms is also a Horton designated farmer under the Horton MOU that qualifies for a license of the Galbraith lands. The staff recommended that the Board approve Ho Farms, LLC dba Ho Farms for a 35-year license with the following terms and conditions: rent credits for years 1 – 5 of the 35-year license to be applied, up to a maximum rent credit of \$30,000; rent credits for water development be applied, up to a maximum rent credit of \$50,000; licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Mr. Takemoto asked for a map at the next meeting that shows the borders of the tenants.

Mr. Tam moved to approve the staff recommendations; Mr. Schenk seconded the motion; motion carried unanimously.

G. Update from the Galbraith Land license Review Committee.

Chair commented that at the last meeting it was reported that applications were received and reviewed from small farmers for the 200 acres. The committee would like to tour the potential farmer's property. Mr. Nakatani stated that staff will set up these tours in the next two weeks to visit these farms.

H. Investigative Committees – Updates and Reports:

1. Land Development (Infrastructure Protection)

Mr. Enright stated that he will be scheduling a meeting next week for the land development committee.

2. Marketing and Promotion – video of freckle-free papaya

A video produced by Derek Kurisu on the freckle-free papaya at PBARC was shown to the Board members. Mr. Kurisu solicited suggestions for other projects on which the Board would like to see a video.

3. Emerging Opportunities – None

Mr. Tam asked for a status on the energy project in Central Oahu. Mr. Nakatani replied he could make a report on that project, perhaps at the next meeting. The ADC initiative report which was sent to the board members should have included that project. The initiative should be reviewed and any comments should be sent to him.

Mr. Tam asked for a report from Hawaii Agriculture Research Center (“HARC”) on their photo voltaic issue. Mr. Nakatani replied staff will email Blake Vance from HARC for a report and will report to the board at the next meeting.

Chair stated that today’s ag tour will include visiting the irradiator and Mr. Jefts’ packaging plant, followed by lunch, then driving to the Galbraith lands in Whitmore.

Mr. Nakatani announced that Mr. Schenk’s confirmation hearing is tomorrow at 9:00 am.

I. Adjourn.

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

Meeting adjourned at 11:05 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Director's Meeting of December 10, 2013
Hilo Cooperative Extension Polycom Video Conference Rom
875 Komohana Street, Hilo, Hawaii 96720

Attendance:

Letitia Uyehara	Sandra Kato-Klutke
Derek Kurisu	Patrick Kobayashi
Douglas Schenk	Duane Lau
William Tam, DLNR	David Rietow

Guests:

Tom Calles, Tribune-Herald Mike DuPonte, CTAHR
Cheyanne Keliioomaluu, CTAHR

Staff:

James Nakatani
Ivan Kawamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chair Uyehara called the meeting to order at 9:35 am.

Mr. Nakatani reported that ADC received a complaint from the Office of Informational Practices (OIP) that at our last meeting we did not post our agenda on the entrance of the room. There was some confusion of the address of HARC's conference room whereby there was no street number of Kunia Drive. However Mr. Kawamoto was on the main street of Kunia before the meeting started. ADC did reply to OIP but may need to go back to revisit our decision making of that meeting.

B. Approval of minutes from the October 30, 2013 meeting.

Mr. Schenk approved the minutes; Mr. Lau seconded the motion; motion carried unanimously.

C. Request for approval to amend Kelena Farms, Inc. land license from 10 years to 35 years for 150 acres at Galbraith in Whitmore, Oahu from TMK: (1) 6-5-002:010. (por).

Mr. Nakatani reported at the time of the approval of the 10 year land license, he did not feel comfortable with 35 years. But since 35 years has been what is being approved, he

wanted to make it consistent with the other land licenses. There are reopening at the 10th, 20th and 30th year based on appraisal.

Mr. Tam asked if there was a requirement or method whereby this land is leased and is not an open bid therefore that is the criteria of how Kelena received the land and not offering it to the public for bid.

Mr. Schenk commented that it is common to put on these land licenses a producer price index as openers but does not like that because there could always be extenuative circumstances that are not anticipated in the future. He likes reopening every five years based on the ability to manage the land and renegotiate.

Mr. Tam moved to approve the amendment of Kelena Farms land license to 35 years with a reopener negotiated every five years after the tenth year; Ms. Kato-Klutke seconded the motion.

Mr. Nakatani commented that we approved Ho Farms' reopener differently and might need to amend Ho Farms too.

Mr. Rietow cautioned the board on reopeners. Mr. Tam suggested that we think this over and may be have the land development look at the reopener.

Mr. Tam and Ms. Kato-Klutke redrew their motion and second. This item was deferred to the land development committee to make recommendations to the board until the next meeting.

Mr. Rietow suggested adding Mr. Schenk to the land development committee.

D. Request for approval to Kelena Farms, Inc. to build a 3 million gallon reservoir on the 150 acre parcel on the Galbraith land in Whitmore, Oahu from TMK: (1) 6-5-002:010 (por).

Mr. Nakatani reported that Mr. Jefts is asking to build his own 3 million gallon reservoir on the 150 acre parcel. We are in the planning stages of developing two reservoirs. Mr. Jefts' 14 mg reservoir is about a mile northwest of the proposed reservoir that he wants to build. Mr. Jefts has experience in constructing his own reservoir and will get all his own approvals. The 3 million gallon reservoir would be integrated with our system so we can move water around and use it more efficiently.

Ms. Kato-Klutke moved to approve the request for Kelena Farms to build a 3 million gallon reservoir on the 150 acre parcel; Mr. Schenk seconded the motion; motion carried unanimously.

E. Presentation by Michael DuPonte on the Inoculated Deep Litter System visit to Hilo Piggery.

Mr. DuPont made a power point presentation on the update of the inoculated deep litter system. This afternoon the Board will be visiting one of the piggeries using this system.

F. Update from the Galbraith Land License Review Committee.

Chair reported that the review committee went over a preliminary approval of applications. A list of some of the farms that were visited was given to the board members. She commented that these farmers have farming experience however there are some educational issues that needs to be done based on their farming practices. Because of visiting all of these farms, there needs to be a firm set of guidelines established for those farmers who will be on these lands. These farmers are comfortable because most of them market either at Chinatown or farmer's markets. However if they plan to get into conventional markets, they would need to step up on their practices in the field and in their packing facilities. These are some of the things that are in the planning process to secure training for them in their own language.

Mr. Rietow suggested that part of the training would be to visit facilities to understand why these things need to be done.

Mr. Tam asked when these farmers would be able to get on the lands. Chair replied that letters have not been sent out yet. Mr. Nakatani replied the committee will be meeting soon. The lands are being prep for these farmers but the matter is being able to deliver water. The target to get the farmers on the property is spring or summer of next year.

Mr. Tam asked if the committee is aware of what the farmers are growing so that everyone is not growing the same products. Chair stated that these farmers only focus in one market which is farmer's market and Chinatown which they are all comfortable. But as they get more confidence in their farming practices, they could do other niche crops to expand. Mr. Nakatani stated some of the comments from produce people are that specific crops are needed and that is a conversation that needs to take place.

Mr. Kurisu suggested bringing produce people together and to visit Galbraith and talk to these farmers to see what they want. So when the time comes, let him know and he could try to get people together.

G. Investigative Committees – Updates and Reports:

1. Land Development (Infrastructure Protection) - None
2. Marketing and Promotion

Mr. Kurisu commented that on the visit to KTA supermarket he will show the board what he is doing.

3. Emerging Opportunities - None

H. Executive Director's Reports and Updates:

1. Kekaha – Mr. Nakatani reported that progress is being made with the blackpipe.
2. Kau – Mr. Nakatani reported that Mr. Enright is making progress on the survey work.

Chair reported that the board received an update on the strategic initiative progress report.

Mr. Nakatani reported that we are looking into bringing in a sweet potato farmer to Kekaha. He spoke to KAA to access 300 acres for the farmer to plant 25 acres per month. Hopefully by next month this will be settled. Also Ms. Kato-Klutke is working with farmers in Kalepa.

Mr. Lau moved to adjourn; Mr. Schenk seconded the motion.

Meeting adjourned at 10:45 am.

Respectfully submitted,

Cindy Doi
secretary