

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of January 14, 2014
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Alan Takemoto
Duane Lau	David Rietow
Patrick Kobayashi	Sandra Kato-Klutke
Douglas Schenk	Scott Enright, DOA
William Tam, DLNR	

Absent:

Derek Kurisu
Mary Alice Evans, DBEDT

Guests:

Dan Purcell, Public	Teresa Dawson, Environment Hawaii
Marcus Oshiro, Representative	
Erik Abe, Rep Oshiro's office	William Gillispie, Rep. Oshiro'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 9:06 am.

Chair welcomed Representative Marcus Oshiro and his staff to our meeting. Representative Oshiro thanked the ADC board for serving and is looking forward to working with everyone.

Chair commented that at the last meeting Mr. Nakatani mentioned that ADC received a complaint from OIP saying that we had not properly posted our agenda at the entrance of the meeting room. However since OIP has not decided that complaint, ADC will revisit all the decisions made at the October 30, 2013 meeting to avoid any uncertainty as to the validity of those actions, and those farmer that are affected by those actions will not be held in limbo until a decision is made. Therefore, there are a number of items on the agenda that are resubmittals from the October 30, 2013 meeting.

- B. Approval of minutes from the September 25, 2013 meeting. (resubmittal from October 30, 2013 meeting)

Mr. Rietow moved to approve the minutes; Ms. Kato-Klutke seconded the motion; motion carried unanimously.

- B. Approval of minutes from the December 10, 2013 meeting.

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

- D. Request for approval of issuance of Kalepa land license for HSPA Unit 3 to Laurie Ho dba Kalepa Ulu. (resubmittal from October 30, 2013 meeting)

Mr. Nakatani reported that this is a resubmittal from October 30, 2013 for Laurie Ho dba Kalepa Ulu. The recommendation is for a 35-year license at a fee of \$30 per acre per year or \$570 per year for 19 net acres for 5 years. From year 6, \$100 per acre per year or \$1,900 per year for 19 net acres. Base rent increase every 5 years, an additional 2.5% shall be added to the base rent and shall be the base rent for each subsequent rent increase. Licensee would be required to join the Kalepa Koalition (KK) or to pay a monthly maintenance fee to the KK that would support 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. Schenk moved to approve the request; Ms. Kato-Klutke seconded the motion; motion carried unanimously.

- E. Request for approval of Memorandum of Understanding between Wahiawa Community Based Development Corporation to support Whitmore project. (resubmittal from October 30, 2013)

Mr. Nakatani updated the MOU between Wahiawa Community Based Development Corporation (CBDO) to support the Whitmore project. This is a resubmittal from October 30, 2013. He mentioned that he has had two meetings with the group and CBDO could be receiving grant money from the City. They could help us with providing classes for training farmers who would be Galbraith farming on the property.

Chair commented that this is a very strong economic tool for the Wahiawa area. This is a good fit to help generate and stimulate some economic development in agriculture.

Mr. Schenk moved to approve the MOU between CBDO and ADC; Mr. Enright seconded the motion; motion carried unanimously.

- F. Request for approval of the Whitmore Project. (resubmittal from October 30, 2013)

Mr. Nakatani recommended 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.

Mr. Schenk moved to approve the Whitmore project; Mr. Lau seconded the motion; motion carried unanimously.

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

1. Kelena Farms for additional 80 acres (resubmittal from October 30, 2013)

Mr. Nakatani reported that this is a resubmittal from the October 30, 2013 meeting for Kelena Farms. The recommendation is for a license for 35 years with rent credits for years 1 – 5 of the 35 year license to be authorized/applied with the maximum rent credit of \$48,000. Rent credits for water development may be also applied to the 80 acre development (maximum \$50,000). No subletting to be permitted without ADC's prior approval in writing.

Mr. Tam moved to approve the land license for Kelena Farms for additional 80 acres; Mr. Schenk seconded the motion; motion carried.

2. Ho Farms dba Ho Farms (resubmittal from October 30, 2013)

Mr. Nakatani reported that this is a resubmittal for Ho Farms for a 35 year license. The recommendation is for rent credits for years 1 – 5 of the 35 year license to be authorized/applied with the maximum rent credit of \$30,000. Rent credits for water development may be also applied to the 50 acre development (maximum \$50,000). No subletting to be permitted without ADC's prior approval in writing.

Mr. Schenk moved to approve the land license for Ho Farms dba Ho Farms; Mr. Takemoto seconded the motion; motion carried unanimously.

- H. Request for approval of land license at Galbraith in Whitmore for Ohana Best, LLC.

Mr. Nakatani reported that the Galbraith selection committee visited the Ohana Best farm and that it is in great condition. The recommendation is to approve Ohana Best for a 35 year license with rent credits for year 1 – 5 of the 35 year license to be authorized/applied with the maximum rent credit of \$96,000. Rent credits for water development may also be applied to the 160 acre development (maximum \$160,000). No subletting to be permitted without ADC's prior approval in writing.

Mr. Schenk moved to approve the 35-year land license for Ohana Best, LLC; Mr. Takemoto seconded the motion; motion carried unanimously.

Ohana Best will take care of their preparation of the parcel.

Motion carried.

- I. Request for approval to amend Kelena Farms land license from 10 years to 35 years for 150 acres at Galbraith in Whitmore, Oahu from TMK: (1) 6-5-002:010 (por). (Deferred from December 10, 2013)

Mr. Nakatani reported that this was deferred from our last meeting. The recommendation is the approval to amend Kelena Farms land license from 10 years to 35 years for 150 acres at Galbraith. Rental credits for years 1 – 5 of the 10 year license to be authorized/applied with the maximum rent credit of \$90,000. Rent credits for water development may also be applied to the 150 acre development (maximum \$150,000). No subletting to be permitted without ADC's prior approval in writing.

Mr. Tam moved to approve to amend Kelena Farms, Inc. request; Mr. Schenk seconded the motion; motion carried unanimously.

Mr. Tam commented on the reopener. We need a formula with approval as set forth in the reopener before being approved.

Motion carried.

- J. Investigative committees –
 1. Land development (Infrastructure Protection)

Mr. Rietow reviewed the license rent adjustments that was passed out to the board members. Mr. Schenk suggested that it be the easiest and simplest to implement a preset rent increase. Mr. Nakatani commented that we should see how Galbraith turns out and look at the whole picture before making a recommendation. He needs to think about it to make it fair.

Mr. Nakatani said we should go back and run some numbers to see where we can go from there. Ms. Kato-Klutke asked what the board members would consider. Mr. Rietow replied that the easiest is a fixed amount, and a fixed term, like every five years.

Mr. Rietow recommended that everyone email him with their comments and defer to the next meeting.

Chair appointed Mr. Schenk to the land development committee.

2. Marketing and Promotion – none
3. Emerging Opportunities – none

K. Executive Director’s reports and updates:

Mr. Nakatani reported:

Ms. Owan emailed the financials to all the board members. If there are any comments let us know.

The Tamura warehouse purchase of sale closed on November 14, 2013.

The 24 acres Whitmore parcel purchase of sale closed on December 30, 2013.

There is a legislative info briefing today at 1:30 pm.

Mr. Tam asked for a status on the possible Dole property purchase. Mr. Nakatani replied that the 20,000 acres of Dole lands was tending towards \$40 million for ag lands to ADC, and \$20 million for conservation to DLNR. There are other parties involved, and a land swap was also being considered. Also, other companies are considering buying some of the lands. The administration supports the purchase of ag lands.

Ms. Kato-Klutke mentioned that three large seed companies are suing the County of Kauai in federal court.

Mr. Tam moved to approve to adjourn; Mr. Lau seconded the motion.

Meeting adjourned at 9:55 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of February 19, 2014
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Leitita Uyehara	Alan Takemoto
Duane Lau	David Rietow
Derek Kurisu	Sandra Kato-Klutke
Scott Enright, DOA	

Absent:

Patrick Kobayashi	William Tam, DLNR
Mary Alice Evans, DBEDT	Douglas Schenk

Guests:

Allan Smith, KIUC	Landis Ignacio, KAA
Steve Lupkes, BASF	Dawn Huff, Joule Group/KIUC
Danford Kao, Shredco LLC	Jason Hines, Joule Group/KIUC
Linda Rosehill, Rosehill & Associates	

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 9:07 am.

B. Approval of minutes from the January 14, 2014 meeting.

Mr. Enright moved to approve the minutes; Ms. Klutke seconded the motion; motion carried unanimously.

C. Presentation by Joule Group, LLC of Kauai Island Utility Cooperative on proposed West Kauai Energy Storage Project.

Mr. Jason Hines made the presentation on the proposed West Kauai Energy Storage project.

- D. Request for approval of a Right of Entry to Kauai Island Utility Cooperative on proposed West Kauai Energy Storage Project from TMK [4] 1-2-002:por 1, Kekaha, Kauai.

Mr. Enright moved to send this item to the land development committee for review and recommendations, and to therefore defer this item; Ms. Klutke seconded the motion.

- E. Request for approval of Sub-License agreement and Consent between Sunrise Capital and Shredco, LLC from TMK [4] 1-2-002:por. 1, Kekaha, Kauai.

Mr. Kawamoto made the presentation, recommending approval of a sub-license from Sunrise Capital to Shredco and consent for a 3 year term for 15 acres of a portion of Field 309 in Kekaha, Kauai on with similar terms and conditions of Sunrise's License Agreement No. LI-K1001 with ADC. The licensee shall not further sublicense the whole or any portion of their premises without the prior written approval of the Board approval.

Mr. Rietow asked what do they do with the green waste. Danford Kaeo, owner of Shredco, LLC, replied that they are currently working with Syngenta and Pioneer Hi-Bred to develop an alternative cost effective solution to bring in commercial fertilizer. They have done some experimental test plots with their agronomist to see how it has improved their production. Basic testing results from lab test of the nutrient value of their product has sparked an interest by the companies to continue to find natural ways of fertilizing the lands. They see a potential with the two corn companies and the amount of acreage that is being used for farm production, and that there is a lot of trash and a need to put that product back into the ground.

Ms. Klutke asked if they use the materials that are there or the landfill materials. Mr. Kaeo replied that they have contracts with the County of Kauai to take and compost the green waste products generated from Hanapepe refuse transfer station and from Kekaha. They take in about 5,000 tons from the County and have other customers that are interested in the product that are produced. Currently, 75% of the green waste product is going to one customer.

Mr. Enright moved to approve the sublicense agreement and consent between Sunrise Capital and Shredco; Mr. Rietow seconded the motion; motion carried unanimously.

- F. Request for approval to retroactively renew revocable permits (RP) in Kekaha, Kauai (Tax Map Key: [4] 1-2-002:por. 1):

Mr. Nakatani mentioned that there are a couple of items that we need to address retroactively, and apologized because these RPs should have been renewed every year. ADC is trying to develop a better tracking system so these items are done on time. Nothing has fallen through the cracks. Chair stated that staff is doing a review of all the leases and licenses. A number of these items need to be renewed retroactively but once this is caught up we should be on track.

1. for Gary Smith (RP 7004)

Mr. Kawamoto recommended approval of the renewal of Gary Smith's RP effective January 1, 2014 at the monthly rent of \$13.00/month on a month-to-month basis, the term not to exceed December 31, 2014 unless otherwise extended by ADC.

Mr. Enright moved to approve retroactively the renewal of Gary Smith's RP; Ms. Klutke seconded the motion; motion carried unanimously.

2. for Senter Petroleum (RP 7299)

Mr. Kawamoto recommended approval of the renewal of Senter Petroleum's RP effective January 1, 2014 at the monthly rent of \$1,125.00/month on a month to month basis, the term not to exceed December 31, 2014 unless otherwise extended by ADC.

Mr. Enright moved to approve retroactively the renewal of Senter Petroleum's RP; Mr. Lau seconded the motion; motion carried unanimously.

- G. Request for after-the fact approval of two (2) sublicenses in Kekaha, Kauai (Tax Map Key: [4] 1-2-002:por. 1) from BASF Plant Science L.P. to:

1. Pioneer Hi-Bred International Inc, and
2. Syngenta Hawaii, LLC

Mr. Kawamoto made the presentation. He reported that BASF Plant Science has mutually agreed separately with Pioneer Hi-Bred International and Syngenta Hawaii to sublicense their fields and the activity has been ongoing without incident since October 1, 2013. Staff recommends approving retroactively the issuance of a sub-license from BASF Plant Science to Pioneer Hi-Bred International for 71.38 acres in Field 101 and a sublicense from BASF Plant Science to Syngenta Hawaii for 106.88 acres in Field 116.

Mr. Enright moved to approve the after the fact approval of two sublicenses from BASF Plant Science to Pioneer Hi-Bred International and Syngenta Hawaii; Mr. Kurisu seconded the motion; motion carried unanimously.

- H. Request for approval to sublet farm portions for Taiwan Gu dba Hawaii Xing Long Farm from Tax Map Key: [4] 1-2-002:por. 1, Kekaha, Kauai.

Mr. Nakatani made the presentation. This is a pilot project to rotate crops on several acres from several different licensees. Mr. Gu is a Big Island farmer but is interested in acreage on Kauai. His plan is to plant 25 acres per month every month until he reaches 300 acres (1-year to cover all 300 acres); he anticipates harvesting to start after six months. The idea is to rotate acres; this is a great project to grow more foods as well as to help this farmer. The farmer would be subletting lands from BASF Plant Science, Pioneer Hi-Bred International, Sunrise Capital and Syngenta. Mr. Gu would pay the

same rent as the tenants, \$150/acre/year and also the same water charges that the tenants pay. The recommendation is to approve the sublicense for these four companies with the same rental fee and similar terms and conditions of each license agreement. No sublicensing tenant shall further sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Mr. Enright thanked ADC staff for promoting this concept of finding diversified agriculture enterprises for the Kekaha lands. It has been mentioned by the community that ADC leases lands to the biotech companies, the only entities that utilize that land, and that we have not found any farmer to step forward to take these leases. The ADC Executive Director has been looking for enterprises to come in and utilize the lands and that is work well done. Mr. Rietow agreed that this has been talked about a long time and this is the first time it has been executed. Ms. Klutke also thanked the seed companies for agreeing to allow this farmer to take some of their lands. Mr. Enright stated that Mr. Rietow has been instrumental in moving this forward and also thanked Mr. Nakatani.

Mr. Enright moved to approve to sublet farm portions for Mr. Gu from four tenants at Kekaha, Kauai; Ms. Klutke seconded the motion; motion carried unanimously.

- I. Request for approval of a Galbraith revocable permit (RP) to Lazy L. Ranch, LLC in Whitmore, Oahu from Tax Map Key: 1-7-1-001:012 (por).

Mr. Kawamoto made the presentation. He stated that Lazy L. Ranch is a stock contracting company that raises cattle and bulls for the Hawaii High School Rodeo Association. Lazy L. Ranch was asked to vacate the land they are currently leasing and is having a difficult time finding land on such short notice. Parcel 12 of the Galbraith lands consists of 31 land-locked acres, separated from the rest of the Galbraith lands by a ravine. Water is not available. This parcel is considered a remnant piece. Issuing an RP would reduce fire hazard liability and keep unauthorized individuals off the ADC lands. Staff recommends the approval of an RP for Lazy L. Ranch with the following conditions: \$15 an acre per year for 31 acres; permit to automatically terminate one year from the commencement date unless earlier revoked under the RP conditions; the Board may allow the permit to continue on a month-to-month basis for additional one year periods; require the parcel to be fenced to prevent the livestock from roaming; and tenants shall not sublet the premises without ADC's prior approval in writing.

Mr. Nakatani stated that it was mentioned earlier that we were staying away from livestock because of cross contamination. However, this land locked property has a ravine in between it and the rest of the Galbraith lands, and is unoccupied right now. He would like to have tenants occupy ADC's land as quickly as possible before anyone makes a move to the property. Also fire is another issue.

Mr. Enright asked about the timeframe within which Lazy Ranch needs to move. Mr. Nakatani replied that they needed to move in the next month. Mr. Enright suggested that this item go to the land development committee for review because livestock was not going to go on the Galbraith lands. Mr. Nakatani said they did not go through the process

and that is why it is a RP instead of a license. If the board feels that it should go to the land committee, it is the decision of the board. This item could be deferred until the next board meeting if it is reviewed by the land development committee.

The request is to defer this item so the land development committee can review and report at the next meeting.

J. Investigative Committee – Updates and Reports:

1. Land Development (Infrastructure Protection)

Mr. Rietow stated that the land development committee drafted the license rent adjustment which was given to the board members. This is the result of comments received for the rent adjustment policy for the long term leases. This will be posted at the next meeting for it to be adopted. Mr. Rietow asked that if anyone else has any comments then contact him and he can incorporate the comments. Having a policy is important and the ability to adopt to change is also important. Ms. Kaichi suggested that due to sunshine laws, any comments or recommendations should be sent to staff and then staff will forward to the other board members. Any comments or recommendations will be discussed at the next meeting.

2. Marketing and Promotion

Mr. Kurisu said he met with the food industry people and are very interested in seeing the Galbraith. There were discussions of what they need and what they would like to buy. They may be going to see the Galbraith lands after the farmers are on the lands then organize a gathering. Mr. Nakatani stated that he could probably start now. Right now the problem of giving the licenses to small farmers is trying to figure out the lot configuration size. We are working with the soil conservation people which could take a couple of months. Mr. Kurisu stated that the food industry people are interested and he will also talk to the restaurant associations.

3. Emerging Opportunities

Chair stated that she has been in contact with Go Farm Hawaii which is a program at the University which seeks to educate and train new farmers. The request had come to visit her facility in order to get some of the students enrolled in their project to see what happens after you grow something and to witness the distribution network process. That has started the dialog with them to learn more about their training program offer and other things that might be incorporated and would be a good learning process for ADC to see what is out there in terms of training programs for new farmers and learn about the industry. She has set up something at the end of March to gather with some of the students. From there they will go forward and see if they can develop a stronger alliance to help develop new farmers.

K. Executive Director's Reports and Updates:

1. Waiahole Water System Projects

Mr. Nakatani reported that the steel siphon replacement project is short \$5 million dollars and he will be working with the legislature to try to get more funds. Planning is done and work should start.

2. Legislative Bills

Mr. Nakatani stated that a list of bills relating to ADC was given to the board members. It is still early so some bills may be cut.

Mr. Nakatani mentioned that Mr. Enright's confirmation is Thursday, February 27th.

Next meeting tentatively scheduled for either March 18th or 19th.

L. Adjourn.

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

Meeting adjourned at 10:15 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of March 19, 2014
99-941 Halawa Valley Street, Aiea, Hawaii 96701

Members:

Letitia Uyehara	Derek Kurisu
Duane Lau	Sandra Kato-Klutke
David Rietow	Patrick Kobayashi
Douglas Schenk	Scott Enright, DOA

Absent:

Alan Takemoto	Mary Alice Evans, DBEDT
William Tam, DLNR	

Guests:

Landis Ignacio, KAA	Matt Andros, Andros Engineering
Dawn Huff, KIUC	Linda Rosehill, Rosehill & Associates
Alex Kanamu, WCDBO	Palo Lockett, Konohiki Hydro Power
Todd Low, HDOA	

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 congratulated Scott Enright on his confirmation of the appointment as Chair of the Board of Agriculture.

Chair mentioned that Derek Kurisu has a book published called Kau Kau to Cuisine. It can be purchased at KTA, Amazon and Barnes and Noble.

B. Approval of Minutes from February 19, 2014 meeting.

Mr. Lau moved to approve the minutes; Mr. Enright seconded the motion; motion carried unanimously.

Mr. Nakatani mentioned that a typo was discovered on the minutes for Senter Petroleum rent. The amount should be \$1125.

- C. Update of Konohiki Hydro Power, LLC's (KHP) hydro project and request for a two-year extension to address the requirement to obtain a Finding of No Significant Impact (FONSI) and to show agricultural activities in 50% or more of the total arable acreage at Kekaha, Kauai.

Mr. Kawamoto made the presentation on Konohiki Hydro Power, LLC's request for a two-year extension. The recommendation is for the board to approve KHP's request for extension for two years (up to April 15, 2016) to obtain a FONSI and to show agricultural activities in 50% or more of the total arable acreage within their license area, provided that KHP submit quarterly reports on its progress with these activities and other conditions and special conditions of LI-K1101.

Mr. Schenk moved to approve the request for a two-year extension; Ms. Klutke seconded the motion.

Mr. Luckett presented a power point slideshow on an update on the status of the Konohiki Hydro Power's project.

Mr. Luckett commented that they are waiting for the KAA to finalize their agreement with KIUC that is probably the biggest obstacle at this point to moving forward with the project given it is dependent on the sale of power. KIUC needs to come to terms with them on the sale of that power. The operation and maintenance agreement with KAA is basically to operate the system because it is an irrigation system. They will operate and maintain the hydros and operate and dispatch the units. They have a pending agreement with DHHL. DHHL is an off taker of the water of the Kokee ditch system. They have had several meetings with them regarding what kind of a structure that agreement would take. Currently the ditch runs on an executive order set aside. The intake is just above Puumoe and their original penstock alignment was staying within the existing set aside which is the vine that has 30 feet from the center line of the ditch. The ditch runs through Kapua valley which is a deep rich valley in Kokee.

Chair stated the question before us is the two year extension that is being requested for the completion of a FONSI and demonstrate activities on 50% of the arable acreage. She asked if Konohiki would be able to complete a FONSI within this two year period. She wondered if the board would continue extensions if it is not a reality. Mr. Luckett replied that basically it depends on whether the KAA will be able to get a power purchase agreement or update the hold over power purchase agreement they have with KIUC. That is basically the delay and what they are waiting on.

Ms. Rosehill representing KIUC commented that as far as she is aware there has been no further discussion updating the power purchase agreement with KHP. About two years ago when this issue came up before the board, she mentioned at that time there has been brief discussion with KHP which had broken down immediately and not on good terms.

Her understanding was that there were no further discussions that occurred since then. KIUC has pursued its own projects in the area and other areas in the County. She is not aware of any desire that KIUC would go forward with any power purchase agreement and change the current existing power purchase agreement with KAA.

Mr. Ignacio stated that KAA is making significant strides to reach out to KIUC to begin discussions. They are getting pretty close. Their attorney has been in contact with KIUC's attorney and expects to be in discussion within a week.

Mr. Schenk asked how much power will be produced after it is done. Mr. Lockett replied right now it is designed for 7.4 mw and given the RFP that KIUC which has a very aggressive photovoltaic renewable energy strategy that they are pursuing and issued a request for proposals for shortage and anticipation of over generation. This system would be easily adapted to incorporate a pump storage component where they could take over generation from KIUC during those three or four hours in the peak middle of the day and store that power by running pumps up into the upper reservoir and then releasing it to help share the loads and reduce the evening peaks. The project is costing about \$35 million.

Ms. Rosehill stated that they are totally unaware of the presentation this morning. As far as KIUC attorney's meeting their attorneys they unaware of it and KIUC have no desire to have that conversation.

Mr. Enright thanked Mr. Lockett for the presentation and for all the work he has put in. Also for working closely with board member David Rietow who has been solidly behind this project from the beginning and with Mr. Ignacio who is probably the strongest advocate for this project. That said we find ourselves having a similar conversation. He is looking at these circumstances and wondering whether we are going to move forward. Mr. Ignacio mentioned to him that it is the best for KAA. A pressurized pipeline was the case three years ago. But ADC can move forward with a pressurized pipeline in other ways. We would like to see them succeed but at this point he is not inclined to vote to give KHP a two year extension. He would like to talk to KHP at the end of this year to see what kind of progress they are making. Mr. Lockett replied they do not anticipate needing the two years and he did not want bother the board with a further extension or basically waiting things out. KIUC has wanted to develop a hydro power project with these waters with the same period of time and feels their motivations are good. Ultimately there has been a big difference of opinion but it comes down to whether the KHP is going to manage the irrigation system or is the electrical utility going to manage the irrigation system. That decision lies with ADC. They have been fortunately enough to work with the manager of the ditch system which is KAA and they would never have pursued this project otherwise and have been in a competitive position with their customer the utility coop from the beginning. If the decision by the board is not to extend these requested time frame, it would give the utility coop a good option to stonewall and not pursue the project because they know they can wait longer and then at some point someone will build this project and some entity will manage this system. Whether it is the ag coop or utility coop remains to be seen.

Mr. Rietow reviewed the past. He said the reason why ADC has the project is because according to HRS 163D and all the research done in 2009 and currently Ms. Kaichi is rehashing the exact issue. 163D says that we must be in the agriculture business and any thing that is related to support agriculture is okay. One thing that we cannot do is have a power company come in and put a hydro in on the system and generate power that goes through direct from them to the consumer. First of all it must touch agriculture. He has emails from Ms. Kaichi reinforcing what the discussions were in 2009. The premise of the system we have now is that the electricity goes to KAA provides power at a lower rate to our farmers and the excess goes to KIUC under a power purchase agreement. KAA already has a power purchase agreement for the excess coming out of the two existing hydros. KAA is digging their heels in because they want the power directly. They do not want to share or have it go through any of our systems first. KIUC can come in and say they will do the exact same thing that KHP is doing and we will not let them because we cannot. That is how it all got started and that is why it is. KIUC does not like it. They are asking for a ROE for a power storage project which involves our land and we have to justify that it benefits agriculture before we can let them do it.

Ms. Rosehill clarified that they are not against the irrigation system. The issue arises on the part of the agreement. In their analysis, the mission of KIUC is a coop to provide power to the entire community on Kauai with the cheapest rate possible. To be able to do that it does not make sense for them to have to buy power through a middle man. When they looked at the price competitiveness it makes more sense for them to develop those projects themselves and pass that savings to their customers directly. The price differential between what KHP can provide and what they would have to pay versus what they can provide by doing it themselves makes sense to them to do it themselves. That is in the best interest of the Kauai community and that is why they have been pursuing this and is not interested in looking at a power purchase agreement with KHP.

Mr. Lau asked in the absence of a power purchase agreement update or renewal, what would the status of the project be. Mr. Luckett replied basically this project is founded on the sale of the revenue from the sale of hydro generation. So without the sale of power there is no means to pay for the seven miles of steel pipe that is going into the ground. Unless you want to charge an absorbent amount for irrigation water.

Mr. Lau stated this is for 437 arable acres that have to show agricultural activity. What was the intended activity for the 50%? Mr. Luckett replied paying operation with no bail of all of the existing grass that was submitted to ADC and would not happen without the power purchase agreement.

Mr. Enright asked if there would be time to send this to the land development committee. Mr. Rietow felt that we should go through with the extension and then get to the issue of the power purchase agreement. The two are tied together and to hold them hostage on the extension when we have not resolved the power purchase agreement. Mr. Enright stated that we could still have this conversation for another two years which is not what he wants. We can't get the parties together. Mr. Rietow replied there is some hope and

that is why he is suggesting we go ahead with the extension. Mr. Enright stated that if we give KHP a two year extension, we are tied in for another two years. He suggested we give an extension to the end of the year and ask KHP to come back to give a real assessment to where they are at. We value Mr. Rietow's opinion on this project and also Mr. Ignacio's too. At this point, he feels we need to have an extended conversation and if the land committee wants to give it and make that recommendation to the board after an extensive conversation.

Mr. Enright wants to amend the motion to send this to the land development committee to have them come back to the board at the next meeting with a recommendation as to what to do.

Ms. Kaichi commented if KHP cannot remain in compliance and terminates their license she hesitates to discuss breach options in an open meeting which is attorney client communications that should be closed.

Chair then called for an executive session to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities.

Mr. Enright moved to go into executive session per the chair's call; Mr. Kobayashi seconded the motion; motion carried unanimously.

Executive session at 10:05.

Out of executive session at 10:13.

Mr. Enright moved to amend the motion to give an extension to the end of this calendar year ending December 31, 2014 then take it up again; Mr. Schenk seconded the motion; Ms. Klutke opposed; motion carried.

Mr. Enright asked that this item be given to the land development committee for discussion.

D. Request for approval of a Right of Entry to Kauai Island Utility Cooperative on proposed West Kauai Energy Storage Project, Tax Map Key: [4]1-2-002:por 1, Kekaha, Kauai.

Mr. Kawamoto made the presentation for a right of entry to Kauai Island Utility Cooperative on the proposed West Kauai Energy Storage Project. The recommendation is approval for a ROE to KIUC for the purpose of site inspection and non-invasive studies in connection with the West Kauai Energy Storage Project and the Puu Opae Energy Storage Project from April 1, 2014 to April 1, 2015 in Kekaha, Kauai.

Mr. Enright moved to approve the ROE to KIUC; Mr. Schenk seconded the motion. Mr. Rietow moved to amend the date to end on March 31, 2015 and have coordination for the

ROE will go through KAA, Landis Ignacio or his representative for any visits to the site; Mr. Schenk seconded the motion; motion carried unanimously.

- E. Request for approval to renew revocable permit (RP) for Kekaha Agriculture Association (RP K1101), Tax Map Key: [4] 1-2-002:por. 1, Kekaha, Kauai.

Mr. Kawamoto made the presentation to renew revocable permit (RP) for KAA. The staff recommends approving the renewal of RP K1101 to KAA for one year commencing May 5, 2014, at the current monthly rent.

Mr. Enright moved to approve KAA's RP K1101 for one year commencing on May 5, 2014; Mr. Rietow seconded the motion ; motion carried unanimously.

- F. Request for approval of a Kekaha land license to Andros Engineering Corporation, Tax Map Key: [4] 1-2-002:por. 1, Kekaha, Kauai.

Mr. Kawamoto made the presentation of a Kekaha land license to Andros Engineering Corporation. The use would be storage of equipment, irrigation material, recycled irrigation materials on approximately 1.5 acres of land at the carpenter shop in Kekaha. The recommendation is to approve a license for 10 years for Andros Engineering Corporation with the conditions: license fee of \$800 per month or \$9,600 a year for 1.5 acres; no subletting to be permitted without ADC's prior approval in writing.

Mr. Enright moved to approve the request for a land license to Andros Engineering Corporation with the recommended terms; Mr. Rietow seconded.

Ms. Klutke stated that the lease is for 10 years but the fee stays the same for 10 years whereas with the other tenants it does increase every five years. Will there be an increase during this time. Mr. Rietow replied that this is a commercial lease and not an agricultural lease.

Ms. Klutke asked if we agree to this when will they start doing all of this work. Mr. Nakatani replied they are already on the property but want to formulize this work.

Mr. Andros was present and commented that they have been working for about three years. One of the reasons why they need to make improvements to the property is that they have been working out of broken concrete underneath a temporary building which they constructed about two years ago. About a year and a half ago there was a vandalism that caused damage to that building. They would like to repair that damage immediately and expand it at the same time. In addition the equipment they will be bringing in to grind and reduce the pesticide containers into chips to be recycled needs to be mounted on a foundation of substantial concrete. They want to begin immediately and as soon as he receives approval with a lease of more than 30 days then they have the assurance to make those improvements and would be able to utilize them in the foreseeable future.

Motion carried.

- G. Request for approval to Green Energy LLC (GE) for a license to exchange 45.78 acres – 8 (GE) acres land in Unit A and 37.78 (GE) acres of Unit B for 103.38 (ADC acres, Tax Map Key: [4] 3-9-002:002:020, Kalepa, Kauai.

Chair mentioned that a letter from the East Kauai Water Users' Cooperative was passed out with concerns on the land exchange.

Mr. Kawamoto made the presentation on the request to approve GE's license to exchange acres. The recommendation is that the board approve GE's proposal for a 35 year license in Kalepa, Kauai on the following terms and conditions: license fee of \$100 per acre per year or \$7838 per year for 78.83 net acres, and \$35 per acre per year or \$875 per year for 25 net acres for a total of \$8713 per year in Unit B for 35 years. Clear and prepare 15.62 acres of Unit B for farming purpose. Base rent increase every 5 years an additional 2.5% shall be added to the base rent and shall be the base rent for each subsequent rent increase. The licensee would be required to join the Kalepa Coalition (KK) or to pay a monthly maintenance fee to the KK that would support efforts in maintaining the infrastructure. The licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Chair asked Ms. Kaichi that to conduct these clearing, would a right of entry be required. Ms. Kaichi replied her understanding of this request is that GE does not have the 15.62 acres so they do not have any right to be on the land to clear it. So the amount being received back from GE is the 45.78 acres from the existing license and 15.62 acres of their own lands unlicensed also cleared. To allow GE to enter on to the premises to do this work, ADC should protect itself by entering into a ROE.

Mr. Rietow moved to amend the agenda for Item G to allow Green Energy to clear 15.62 acres and issue a ROE; Mr. Schenk seconded the motion; motion carried unanimously.

Mr. Rietow moved to approve to exchange these lands per the submittal; Mr. Schenk seconded.

Mr. Rietow stated that he had a conversation with Jerry Ornellas and he had concerns that at the East Kauai Water User's Cooperative who runs the water system are worry about losing payment for water that would build up farm lands. Originally it was decided that Units A, B, & C would be reserved for truck farming in agriculture that would provide food. That land is normally dry and not good for cattle and if we can put farmers on it that is the best use for it. Basically we are cutting a deal with Green Energy to give up 57 acres in return to having to us ADC back land that is already cleared and clear 15.62 acres which ADC does not have the money to clear and a farmer would not clear so it would not get any benefit. That is the trade off. His comments to Jerry were that ADC has been trying to get farmers on the lands since the beginning and no one has been on the land. This is a good trade off for ADC.

Mr. Nakatani stated that he staff and Ms. Klutke went out to look at the lands and it is land with tall grass and trees which would cost a lot of money to clear. He feels it is a

good trade off. We need to work on this because we need to get farmers on the lands before trees start growing again. We would get 61 acres with irrigation ready to go which is our next project. Ms. Klutke stated when they went to out to look at the land, the road is passable where they can bring down their produce, clear and flat and have some small farmers who are interested who now rent land in Anahola. Waiting for the Farm Bureau to move forward to get the farmers together because there is water.

Motion carried.

- H. Request for approval to Green Energy LLC (GE) for a license to include Unit N for 65 acres at \$30 per acre per year for 35 years, Tax Map Key: [4] 3-9-002:020, Kalepa, Kauai.

Mr. Kawamoto made presentation. The recommendation is for the board to approve Green Energy's request for a 35-year license in Kalepa, Kauai on the following terms and conditions: license fee of \$30 per acre per year or \$1,950 per year for 65 acres in Unit N for 35 years. Base rent increase every 5 years, an additional 2.5% shall be added to the base rent and shall be the base rent for each subsequent rent increase. The licensee would be required to join the Kalepa Coalition (KK) or to pay a monthly maintenance fee to the KK that would support efforts in maintaining the infrastructure. The licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Mr. Kawamoto stated the Unit N is given to ADC which was Kalua Reserve Land and have documents showing that it was given to ADC. The acreage on the documents read 54 acres which GE came up the 65 acres through a google map and drew the perimeter and came up with the acres. We did identify a memo to Alfredo Lee from Morris Atta, DLNR land division stating that a survey would be completed by 2011 so at the moment we are trying to find out if the survey was completed to get a copy to verify the acreage of this particular parcel.

Ms. Klutke asked who owns the lands above Unit N. Mr. Kawamoto replied that he did not know but could find out. Ms. Klutke stated that she did go to the lands with Les Milnes and saw a lot of trees. The road in front of Unit N goes to the Waialua Reservoir. There are poachers going in. If GE gets the land may be they could fence it off.

Mr. Rietow moved to approve the request subject to determining the correct acreage; Mr. Kobayashi seconded the motion; motion carried unanimously.

- I. Request for approval to Green Energy LLC (GE) for license to include unit HSPA #1 for 2 acres for building a workshop for 35 years at market value, Tax Map Key [4] 3-9-002:020, Kalepa, Kauai.

Mr. Kawamoto made the presentation for approval to GE to include Unit HSPA #1 for 2 acres for building a workshop for 35 years at market value. The recommendation is that the board approves Green Energy's request for a 35-year license in Kalepa, Kauai on the

following terms and conditions: License fee at fair market value for 2 acres in Unit HSPA #1 for 35 years. The licensee would be required to join the Kalepa Koalition (KK) or to pay a monthly maintenance fee to the KK that would support efforts in maintaining the infrastructure. The Licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Ms. Kato moved to approve the GE's request; Mr. Schenk seconded the motion.

Mr. Lau asked to coordinate the dates on their licenses to coincide with each other so the dates are not all different. The reply was that it will be worked out with Green Energy.

Motion carried.

J. Request for approval of a Galbraith revocable permit (RP) to Lazy L. Ranch, LLC, Tax Map Key: 1-7-1-001:012 (por), Whitmore, Oahu.

Mr. Kawamoto made the presentation for a RP to Lazy L. Ranch, LLC which was brought up at the last meeting and deferred to the land development committee. The recommendation is that the board approves a RP to Lazy L. Ranch, LLC with the following conditions: A RP rate of \$15 an acre per year for 31 acres. The permit shall automatically terminate one year from the commencement date, unless earlier revoked under the RP conditions. The Board may allow the permit to continue on a month-to-month basis for additional one-year periods. Require the parcel to be fenced to prevent the livestock from roaming. No subletting to be permitted without ADC's prior approval in writing.

Mr. Enright moved to approve the RP to Lazy L. Ranch, LLC which came with recommendation from the land development committee; Mr. Rietow seconded the motion; motion carried unanimously.

K. Approval of the license rent adjustments.

Mr. Rietow commented that the land development committee came up with guidelines for creating rent adjustment for long term licenses. This is a general policy and if and it can be amended when ever needed.

Mr. Enright asked for Mr. Nakatani's comments. Mr. Nakatani replied it is good to have a policy and he did look it over which is a good policy. Farmers should be happy with the land development's recommendations.

Mr. Schenk moved to approve the guidelines; Ms. Klutke seconded the motion; motion carried unanimously.

L. Presentation by Todd Low, DOA's Aquaculture Program Manager, on Development Sustainable Aquaculture in Hawaii.

Mr. Low made the presentation. Mr. Low mentioned that there will be a workshop this Saturday on aquaculture/aquaponics at Kapiolani Community College.

Mr. Lau asked if the issue was solved on produce raised in aquaculture water. There were customers concerns because of the perception on possible ecoli. Mr. Low replied that is why they are designing it to ozonate the water. Ozone kills off everything. Part of the project will be trusting within the system so there is a baseline to show there is no vector for food safety.

M. Investigative Committees – Updates and Reports: NONE

1. Land Development (Infrastructure Protection)
2. Marketing and Promotion
3. Emerging Opportunities

N. Executive Director’s Reports and Updates.

1. Legislative Bills

Mr. Nakatani said he will send an update on the bills which changed after the report was made. Also by the end of the week, we should know whether the bills will be moving forward.

Chair asked the board on setting regular board meeting dates. We should try to set a fixed date of the month so the board members can hold that date. Staff will send out an email regarding the availability of dates.

Mr. Kurisu passed out two articles on papaya that was in the Hawaii Tribune Herald on papaya and in the Star Advertiser a story on Ulu.

Mr. Kurisu mentioned that on April 28 and 29 at Sheraton Waikiki there will be a performance base manager. There will be 20 high schools competing and one of the sectors is agriculture. He invited everyone. If you are interested, please contact him.

O. Adjourn.

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

Meeting adjourned at 11:47 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of April 23, 2014
1849 Auiki Street, Honolulu, Hawaii 96819

Members:

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

Guests:

Landis Ignacio, KAA	Joe Munechika, Wines of Kauai
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Staff:

James Nakatani
Ivan Kawamoto
Lynn Owan
Cindy Doi

Council:

Myra Kaichi, Deputy Attorney General

A. Call to order.

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

B. Approval of minutes from the March 19, 2014 meeting.

Mr. Enright moved to approve the March 19, 2014 minutes; Mr. Rietow seconded the motion; motion carried unanimously.

C. Request for approval of a Right of Entry to Central Oahu Chief Petty Officers Association for use of the Whitmore 24-acre parcel parking lot on May 17, 2014 for the 39th Annual Pineapple Run, located in Wahiawa, Oahu, Hawaii, Tax Map Kay 7-1-002-009.

Ms. Evans moved to approve the staff recommendations for the right of entry to Central Oahu Chief Petty Officers Association for use of the Whitmore 24-acre parcel parking lot on May 17, 2014 for the 39th Annual Pineapple Run; Mr. Rietow seconded the motion; motion carried unanimously.

D. Request for approval of a Right of Entry to Helemano Elementary School for use of the Whitmore 24-acre parcel parking lot on May 9, 2014 for its annual Ho'ike event, located in Wahiawa, Oahu, Hawaii, Tax Map Key 7-1-002-009.

Mr. Rietow moved to approve the right of entry to Helemano Elementary School for use of the Whitmore 24-acre parcel parking lot on May 9, 2014 for its annual Ho'ike event; Ms. Evans seconded the motion; motion carried unanimously.

- E. Request for approval to amend the term of license to Wines of Kauai, LLC (LI-K0804) in Kekaha, Kauai, Tax Map Key: (4) 1-2-002-001 (por) from 20 to 35 years.

Mr. Kawamoto reviewed the request to amend the term of Wines of Kauai, LLC (LI-K0804) license from 20 years to 35 years. Today Wines of Kauai is ready to invest and is requesting a 21-year extension to their land license. Because Wines of Kauai only has 14 years left on their current license, they are unable to obtain financing to construct an \$850,000 winery. An extension of the land license from 20 years to 35 years would ultimately allow Wines of Kauai to finance the facility. Staff recommends approval of Wines of Kauai, LLC request for a license extension for 21 years with the following conditions; a license fee of \$105.88 per month or \$1,270.56 a year for 126.96 acres; no subletting to be permitted without ADC's prior approval in writing.

Ms. Evans moved to approve the staff recommendation request to amend the term of license to Wines of Kauai LLC from 20 to 35 years; Mr. Enright seconded the motion.

Ms. Evans asked what happens if Wines of Kauai defaults on its loan and the property is returned to ADC. Would the improvements of the land be returned to ADC? Ms. Kaichi replied it would depend on the terms of financing. If the lender requires that ADC agree to give them an interest in the crops then the lender would be entitled to the crops. If the lender doesn't take a financing statement then it would belong to the landowner by default. It depends on terms of financing.

Mr. Munechika made a short report on Wines of Kauai. He stated that Wines of Kauai is a family owned LLC. He submitted a business plan in 2008. They have been doing experimental processing on wine. In the business plan the processing plant was to be on the property of unusable lands close to the highway. Since time involved the entry road proposed was to be less so the route is shorter. The reason to change the entry point is that the line of site is a traffic hazard. If they do this they would go further down and the line of site is much safer. They would like to have the processing plant on the property and go through all the process of environmental concerns, rendering of the building, soil content, working with the soil conservation people, etc. They would then come back to the board for approval.

Chair asked Mr. Munechika of the 126 acres, how many acres is currently in production. Mr. Munechika replied in plant stock he has 10 acres and are using approximately 6 acres. This has all been experimental and has been testing many different varieties. They finally came up with a variety that he feels will work very well. It is in the ground now and the potential is there. Now they are starting the whole process again. In the meantime, 7 years has gone by and has 14 years left for Wines' license. For financial

purposes a longer term license would be feasible. He reviewed the past on how Wine of Kauai was first started.

Mr. Rietow stated we are the land partners with Wines we need to benefit from some of the increases in revenue over the 35 year period. He feels that we should not be leasing the land at the same rate for the entire 35 years. When they first started, ADC did give Wines a break because they were just getting started with the business. He stated that he had no issue with granting the 35 year lease, but how do we meet Wine's needs for a low up front lease rent so ADC can get money over the long haul in partnering with Wines and making a profit. He asked how we tailor the lease rent so it starts where it is now and works its way up. Mr. Munechika replied he agreed but in their current business plan and with the lease Wines has with ADC there is 5 year increments. Every 5 years it is suppose to be reviewed and the rates would increase as deem appropriate which did not happen. They have 6 acres in grapes. ADC at the time considered it to be experimental therefore that is why he received the lower rate. In five years it will not be considered experimental and will be a process therefore the rent could possibly increased. It has taken Wines almost 8 years to find out what will grow. Five years from now when Wines is producing grapes, ADC could come to him and say an increase should be made then he would be agreeable. But from now everything is in an experimental stage. The grape Wines selected will be put into the ground and he will not see any thing for another 5 years from now. He wants to hire people to do the rendering, location, soil so when he comes back to the board to do the construction, he will have all the information that the board needs to make a decision.

Motion carried unanimously.

- F. Request for approval of after-the-fact extension for five years, of sublicense from Syngenta Hawaii, LLC to BASF Plant Science LP for 5.4 acres of Field 120, TMK (4) 1-2-002-001 (por), Kekaha, Kauai, Hawaii.

Ms. Owan made the request for approval of after-the-fact extension for five years, of sublicense from Syngenta to BASF for 5.4 acres of Field 120. On May 22, 2008, the Kekaha Committee of the ADC Board of Directors approved sub-licensing by Syngenta to BASF of 5.4 acres a portion of the total 107.09 acres in Field 120. The sub-license, effective May 27, 2008, was a five-year agreement for BASF's use and responsibility for the 5.4 acre parcel. The five-year period expired on May 26, 2013 but BASF continues to possess the premises, and is otherwise in compliance with the terms of the sublicense. Syngenta has requested to extend the sublicense under L-08202 to BASF for another five-year term. The sublicense should terminate on May 26, 2018.

Mr. Rietow moved to approve the request to extend the after-the-fact sublicense for five years from Syngenta Hawaii, LLC to BASF Plant Science LP for 5.4 acres of Field 120; Ms. Klutke seconded the motion, Mr. Tam recused himself; Chair Uyehara, Mr. Takemoto, Mr. Kurisu, Mr. Rietow, Mr. Lau, Mr. Kobayashi, Mr. Enright, Ms. Kato-Klutke and Ms. Evans voted to approve the motion.

- G. Request for approval to issue a 30-day notice to Kapaa Banana Co., Inc. to terminate HSPA #1 from revocable permit No. S-7453 in Kalepa, Kauai, Hawaii, Tax Map Key (4) 3-9-002-002 (por), effective June 1, 2014.

Ms. Owan made the request for approval to issue a 30-day notice to Kapaa Banana Co., to terminate HSPA#1 for revocable permit No. S-7453 effective June 1, 2014. Kapaa Banana Company was issued a revocable permit from the DLNR on February 23, 2001 for Unit F and Unit HSPA #1. On August 20, 2013, the ADC Board approved issuance of a license to KBC for Unit F for pasture and diversified agriculture use but not for Unit HSPA #1. On March 19, 2014, the ADC Board of Directors approved issuance of a license to Green Energy LLC for Unit HSPA #1 for use as a workshop to repair and store equipment. RP 7453 was renewed until November 30, 2013 and is in hold-over status until a license for Unit F is issued. HSPA #1 must be terminated from RP 7453 before a license can be issued to Green Energy LLC. The recommendation is to approval of issuance of a thirty day notice to terminate HSPA #1 from revocable permit No. S-7453, effective June 1, 2014.

Mr. Rietow moved to approve the staff recommendation to approve issuance of a thirty day notice to terminate HSPA #1 from RP No. S-7453 effective June 1, 2014; Mr. Kobayashi seconded the motion.

Mr. Kurisu stated that Mr. Esaki was here but he had to leave.

Mr. Enright recommended that this item be sent to the land development committee for further review. Ms. Klutke commented that she looked at this parcel which is on the main road. Green Energy wanted to put their base yard on that parcel. She stated that Kapaa Banana had that small parcel to do retail sales of their bananas but she has only seen the stand once and does not seem to be put in use as Kapaa Banana had intended. She wanted to know what Kapaa Banana's intension was for that land. The use for Green Energy is greater for Kauai than Kapaa Banana to have it for future use and when they decide to have a retail store. She recommended leasing it to Green Energy.

Mr. Rietow asked why Kapaa Banana did not put HSPA #1 in his application when it came to the board. Mr. Nakatani replied Mr. Esaki would need to answer those questions. His request should have been put in his application which it was not.

This item was deferred and sent to the land development committee for further discussion and report back to the board at the next meeting.

- H. Request for approval to amend Cholena Bray and Ginger Bray's application for license of Kalepa Unit L to Hanahanapuni Farm as licensee, Tax Map Key: (4) 3-9-002-001, Kalepa, Kauai.

Ms. Evans moved to approve to amend Cholena Bray and Ginger Bray's application for license of Kalepa Unit L to Hanahanapuni Farm as licensee; Mr. Enright seconded the motion; motion carried unanimously.

A 5 minute recess was called at 9:45 am.

Item I on Bodell construction was moved to the end of the agenda.

J. Investigative Committee – Updates and Reports:

1. Land Development (Infrastructure Protection)

Mr. Rietow said he met with Mr. Ignacio from KAA and Mr. Lockett from Pacific Light and Power about KIUC. At that point in time they said they were making good progress in negotiations and has a good working relationship and moving forward. After speaking to both of them recently they suggested to hold off. Progress is being made and if they need ADC's help they will let us know.

Mr. Kurisu commented that he enjoyed the recent aquaponics field trip and was very impressed with the operation. He would like to speak to Fred Lau further. He recommended scheduling more tours.

Ms Klutke asked if the Department of Agriculture's aquaponics division could bring their booth to the Kauai farm fair which is scheduled for the third week of August. She did speak to Todd Low about this but if the DOA could follow up she would appreciate it.

Mr. Rietow stated about two or three years ago, ADC had a meeting on Kauai and he suggested going to Kauai again to do a site visit of the projects and the lands that ADC manages.

K. Executive Director's Reports and Updates:

1. Legislative

Mr. Nakatani reported on the legislative bills of this session. Session is not over yet so nothing is final. Appropriation bills should be known by Monday.

I. Report on the status of and dispute concerning Contract for Goods and Services Based Upon Competitive Sealed Bids with Bodell Construction Company, Contract No. 62087, effective as of June 28, 2013, for the replacement of the existing diesel engine at the Bott Well Pump Station, located in Wahiawa, Oahu, Hawaii.

Ms. Klutke moved to go into executive session; Mr. Tam seconded the motion; motion approved unanimously by vote.

Executive session on Item I was called at 9:55 am to consult with its attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities.

Out of executive session at 10:13 am.

Chair reported that biotechnology continues to be a big issue in the state. There is a website that CTAHR has called Biotech In Focus. Ctahr.hawaii.edu/Biotechinfocus. There has been seven issues completed and can be found on their website. It talks about biotechnology in action and she feels we would all benefit from reading it and referring people to it.

Mr. Tam asked to tour CTAHR and possibly have our meeting at one of their conference rooms. He feels this would be useful to see what CTAHR is doing. Chair agreed that may be it could be set up when our agenda has fewer items to be discussed.

Adjourned at 10:15 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of June 25, 2014

Plant Quarantine Conference Room – 1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	David Rietow
Sandra Kato-Klutke	Derek Kurisu
Patrick Kobayashi	Mary Alice Evans, DBEDT

Guests:

Steve Lupkes, BASF	Steve Pianowski, Phoenix Farms
Landis Ignacio, KAA	Kasha Ho, Hawaii Center for Food Safety

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 9:15 am.

Chair mentioned that this will be David Rietow's last meeting today. David has great institutional knowledge of ADC and thanked him for his many years of service and hopes he would continue to help the industry. She wished him well from all the board members including Scott Enright who is not present today.

Mr. Rietow stated that a group of them have formed "Farmers and Friends LLC" and have put together a monthly on-line magazine which will be out soon. They are still working out the business details. The initial issue has already gone out to a few people and that Derek Kurisu has been featured on that issue. He has enjoyed his eight years serving on the ADC Board. Ms. Evans thanked Mr. Rietow for helping educate her when she first became a member of the ADC.

B. Approval of Minutes of the April 23, 2014 meeting.

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

C. Request for approval to BASF Plant Science LLC to grant a 3-year sub-license of a portion of License No. LI-0801 to Stephen Pianowski, dba Phoenix Farms, of Field 314 for green bean farming and crop rotation, Kekaha, Kauai, Tax Map Key, (4) 1-2-002-001 (por).

Mr. Kawamoto made the presentation on the request for approval to BASF Plant Science LLC to grant a 3-year sub-license of a portion of License No. LI-0801 to Stephen Pianowski, dba Phoenix Farms, of Field 314 for green bean farming and crop rotation, Kekaha, Kauai. Staff recommends to sub-license base rental fee of \$150 an acre per year, plus \$350 an acre/year maintenance fee to the KAA which is intended to cover water daily charges, and other incidental, administrative and infrastructure costs. The sub-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 recommendations; Mr. Kobayashi seconded the motion; motion carried unanimously.

Mr. Kurisu asked what will be done with the off grade produce. Mr. Pianowski reply there will not be very much off-grade. It will be distributed back on the land used for organic matter.

Ms. Evans asked in Mr. Pianowski's research has green beans been grown in similar soil, light and temperature conditions as Hawaii with good results. Mr. Pianowski in his findings he has not found any problems. Since he arrived here last November he has been planting varieties on his own property in Kapaa and has been very successful.

Ms. Evans asked how many planting cycles would Mr. Pianowski get in a year. Mr. Pianowski replied potentially five in a year.

Ms. Klutke asked what would he do after his three year lease. Mr. Pianowski replied he did not have an answer at the time. Mr. Nakatani stated that we had to put a number on the submittal and this is like Taiwan Gu's license. So we are trying to figure out the best way to do this. After three years we should figure out what would be the best. We can always come back and revisit. Ms. Klutke stated that Kauai community would like to know what we are doing and they would like the idea of that ADC is diversifying and would like to know because we might be asked these questions. The option could be that they could work with BASF, KAA to increase and extend Mr. Pianowski's lease.

Mr. Ignacio stated that the intent was to get Mr. Pianowski established and he would test the market to see what develops. The intent is also to rotate him into other fields and is only in Field 314 for the three year period then come back in another area.

Motion carried unanimously.

D. Request to approve a corporate resolution to authorize the executive director to grant rights of entry where necessary to implement ordinary operations.

Chair stated this item is a request to approve a corporate resolution to authorize the executive director to grant rights of entry where necessary to implement ordinary operations.

Ms. Kaichi reported that on projects staff does not ask for authorization to grant rights of entry and anything that needs to be done to facilitate the approval. Item D is to give Mr. Nakatani the discretion to grant these rights of entry or whatever is needed so that the Board doesn't need to keep coming back for approval. She forgot to do a corporate resolution so the issue is whether

the board wants to see the actual resolution before the Board gives Mr. Nakatani that approval or just give him that approval trusting that we will create a proper corporate resolution probably for Chair to sign. If the Board wants to see the actual resolution then we would need to defer this item. But if the Board trusts that we can put together a proper corporate resolution, the Board can authorize it today and Chair can sign it.

Ms. Evans said the way it is described it seems like a ministerial implementing action of projects that have been approved by the Board she would approve. She would like to see a copy of the corporate resolution after it is drafted.

Ms. Kaichi stated if the corporate resolution is approved today then the Board could see the written resolution later. If needed, the board can amend the authority.

Mr. Rietow moved to approve the request for corporation resolutions to authorize the executive director to grant rights of entry; Ms. Klutke seconded; motion carried unanimously.

Chair asked that the resolution be brought to the next meeting.

E. Request for approval of a right-of-entry to the Japanese Cultural Center of Hawaii for the purpose of visiting the commemorative stone at Gate 31 of the Waiahole Water System, Waiahole, Oahu, Tax Map Key (1) 4-8-013-001 (por).

Ms. Owan made the presentation for a request of a right-of-entry to the Japanese Cultural Center of Hawaii (JCCH) for the purpose of visiting the commemorative stone at Gate 31 of the Waiahole Water System. Staff recommends approving the issuance of a right-of-entry to the JCCH for the requested purpose.

Ms. Evans moved to approve the request; Mr. Kobayashi seconded the motion; motion carried unanimously.

F. Update and Discussion from the Land Development Committee on HSPA #1 and HSPA #2 in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por).

Mr. Rietow reported on the land development committee's comments on the HSPA #1 and #2 parcel. At the last committee meeting, the discussion was the best use for the four small parcels along Maalo Road: (1) HSPA #1 consists of 2 acres, and is encumbered by a RP to Godwin Esaki; (2) HSPA #2 also consists of 2 acres and is currently vacant; (3) Parcel #383 consists of 18 acres and is currently encumbered by an executive order to the County of Kauai for Motocross track (and therefore is not under the jurisdiction of the ADC); and (4) Parcel #583 which is set aside by executive order to DLNR, Division of Aquatic Resources for fishing use (and is also therefore not under the jurisdiction of the ADC). The only parcels that we have access to jurisdiction over are HSPA #1 and #2. Green Energy is willing to take HSPA #2 and clear it to store their equipment. Godwin Esaki still wants HSPA #1. The issue with Godwin is that we are dealing with commercial land not agricultural land.

Mr. Nakatani said because it is commercial and not agricultural, ADC will do an appraisal. The rationale behind taking HSPA #1 was because it was not being used by Mr. Esaki and because it

was a commercial venture. HSPA #3 went to Laurie Ho. The debate was whether to give up the lands for commercial use. Demand for the land and demand for farming are two different issues. That was the rationale to consider but if the Board wants to do that staff will come back to the board to withdraw HSPA #1 from Green Energy and give them HSPA #2. Hopefully we would have the appraisal done.

Ms. Klutke commented that HSPA #1 is prime real estate land because it is on Maalo Road that goes into Kalepa farm land. It is a great location to have a fruit stand or to sell drink but if it would be used to store equipment it could get stolen because it is on the highway. Green Energy's biomass plant will be starting to harvest the albizia trees in October or November and would need a staging area for their equipment.

Mr. Rietow explained that ADC did agree to give Green Energy HSPA #1 and in order to do that we had to revoke the RP which we choose not to do at that point. It was suggested to go back to the Land Committee. So we had two people on HSPA #1. Green Energy said they were okay with HSPA #2. The parties are okay with this. The Board needs to come together and agree what we want to do.

Ms. Evans asked if this would work in the overall master plan for Kalepa. Mr. Nakatani replied yes it should fit and good to have discussion.

At the next meeting, staff will do a write up and the Board could decide at that meeting.

G. Investigative committees – Updates and Reports:

1. Land Development (Infrastructure Protection)
Nothing further.
2. Marketing and Promotion

Mr. Kurisu made a video on Mari's Garden where the Board members visited earlier and showed it to the Board members. He said if the video needs to be edited he could do that.

H. Executive Director's Reports and Updates.

1. Kekaha, Kauai

Mr. Nakatani reported that Taiwan Gu started planting sweet potato and ginger root. He has a meeting with him on Friday to see how things are working out.

2. Waiahole Water System, Oahu

The steel siphon replace project design and planning work has been completed. Construction should begin in November to replace four steel siphons. Legislature appropriated \$6.75 million in general obligation bonds in FY 14-15 to make improvements to the system. For Reservoir 155 and 225 lining project, HDR design consultants will complete the design work by August 29, 2014. Construction could proceed in summer of 2015. Waiahole ditch will be one hundred years old in 2016 and thought to do a video on the history of the ditch. He will try to collect briefing materials.

3. Whitmore 24-acre parcel, Wahiawa, Oahu
ALTA survey has been completed on May 22, 2014. A contractor was hired to perform environmental consulting services. The legislature appropriated \$1.5 million in general obligation bonds in FY 14-15 to master plan the Whitmore 24 acre parcel. Also Senator Dela Cruz asked if the members were interested in going on a tour of the property may be at the August meeting.

4. Legislature
A list of the some of the bills that passed and failed were given to the board members.

Mr. Rietow stated with new members coming on board he suggested taking a tour to all the project sites like Kekaha, Kalepa and Waiahole.

Mr. Kurisu asked Mr. Ignacio on the marketing side of Kauai. How difficult is it to get the products to like Oahu markets. Mr. Ignacio replied from Kekaha which is about 26 miles from airports or ports is one obstacle. Transportation cost to market is another. Ms. Klutke stated that Kauai has mostly small farmers and is only grown for consumption on Kauai. Most farmers go to farmers market to sell their produce.

Ms. Klutke stated that the Hawaii Lodging and Tourism Kauai chapter just did a rice and sake event and the proceeds went to culture and culinary scholarship. She thanked Steve from BASF for providing live rice plant which was the center point of the whole event. People on Kauai were amazed that they were doing an experimentation of rice production.

Chair thanked David Rietow for his years of serving on this Board. Also this would have been Duane Lau's last meeting and thanked him for his years of serving on the ADC but he was unable to be here today.

Chair mentioned that the little fire ant is a serious threat and there is a need to educate everyone. For her company, they were educated and are aware of the fire ant situation.

Thank you to Ms. Klutke for the dessert, melons from Chair and watermelon from Larry Jefts farm.

I. Adjourn.

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

Meeting adjourned at 10:35 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of August 27, 2014

Plant Quarantine Conference Room – 1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara
Sandra Kato-Klutke
Scott Enright, DOA

Alan Takemoto
Douglas Schenk
Mary Alice Evans, DBEDT

Absent: William Tam, DLNR

Guests:

Jason Hines, Joule/KIUC
Dawn Huff, Joule/KIUC
Norman Sakamoto, DHHL
Doug Codiga, Schlack Ito

Linda Rosehill, Rosehill & Associates
Mike DuPonte, CTAHR-UH
Allan Smith, KIUC

Staff:

James Nakatani
Ivan Kawamoto
Ken Nakamoto
Lynn Owan
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chair Uyehara called the meeting to order at 9:07 a.m.

B. Approval of minutes of June 25, 2014 meeting.

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

C. Request to accept land for agricultural purposes from the Department of Land and Natural Resources, Land Division, via executive order, located in Waikele, Ewa, Oahu, Tax Map Keys (1) 9-4-012:001 and 003.

Mr. Nakamoto made the presentation of the request to accept land for agricultural purposes from the DLNR via executive order located in Waikele, Oahu. The land consists of a net area of 578.265 acres, currently set aside to the HDOA, which includes this 91.216 acres request. Hawaii Renewable Resources (HRR) has shown an interest in developing and operating a facility to produce animal feed from food waste. The ADC is interested in exploring a potential partnership with HRR to produce a local, reliable source of animal feed. The type of operation HRR is proposing is not compatible with the HDOA Agricultural Park operations. Therefore, the BLNR approved and recommended to the governor that the 91.216 acres be withdrawn from governor's EO No. 4403, and re-set aside to the ADC. Staff recommends accepting the approximately 91.216 acres of land in Waikele, Oahu.

Ms. Evans moved to approve the request to accept land for agricultural purposes from the DLNR via executive order; Mr. Enright seconded the motion.

Ms. Evans asked if the DLNR did an environmental assessment on this parcel because the ADC needs to make sure that any hazardous materials were disclosed so the ADC is not liable. Staff will go back and double check but the report coming from the DLNR should have an environmental assessment.

Motion carried unanimously.

D. Request to accept land for agricultural purposes from the Department of Land and Natural Resources, Division of State Parks, via executive order, located in Mokuleia, Waialua, Oahu, Tax Map Keys (1) 6-9-001:002, 003 and 036.

Mr. Nakamoto made the presentation of the request to accept land for agricultural purposes from the DLNR via executive order located in Mokuleia, Waialua, Oahu. The land consists of 147.646 acres located near the Dillingham Airfield at the former Dillingham quarry site. In January 1992, the BLNR approved the conservation district use permit for a commercial aquaculture facility. The Hawaii Fish Company (HFC) has utilized roughly 18 acres near the requested area for a fish farm under a revocable permit from the DLNR. Subsequent to the issuance of a new executive order, the ADC plans to issue a long-term license to HFC for aquaculture purposes. Such a long-term license would enable HFC to qualify for a loan to make the necessary improvements and to expand aquaculture research and productions. Staff requests approval to accept the approximately 147.646 acres of land in Mokuleia, Waialua, Oahu from the DLNR for agricultural/aquaculture purposes.

Mr. Enright moved to approve the request to accept land for agricultural/aquaculture purposes from the DLNR via executive order; Ms. Evans seconded the motion; motion carried unanimously.

E. Request to accept land for agricultural purposes from Department of Land and Natural Resources, Land Division, via executive order, located in Honouliuli, Ewa, Oahu, Tax Map Key (1) 9-1-031:037.

Mr. Nakamoto made the presentation of the request to accept land for agricultural purposes from Department of Land and Natural Resources, via executive order, located in Honouliuli, Oahu. The land consists of approximately 3.630 acres located within Campbell Industrial Park. As part of a condemnation action by the State against Campbell Estate, the property was leased to Parker Ranch who then subleased the land to Island Commodities Corporation for operation of the rendering plant located on-site. The technology of rendering converts rich but useless waste by-products of carbon and nitrogen into useful and marketable products like feed and fertilizer. The ADC is interested in exploring a potential partnership with Island Commodities Corporation to produce feed locally to support Hawaii's growing agricultural industry. Although the HDOA received two adjacent properties as part of the condemnation action with Campbell Estate, it is reluctant to include this property in their land inventory because of concerns that a rendering plant would not be compactable with the Kalaeloa Agricultural Park operations. For these reasons, the HDOA supports the request to transfer the property to the ADC instead. Staff requests the Board's approval to accept approximately 3.630 acres of land in Honouliuli, Oahu from the DLNR for agricultural purposes.

Mr. Schenk moved to approve the request to accept the land for agricultural purposes of approximately 3.630 acres; Ms. Klutke seconded the motion.

Ms. Kaichi mentioned that the EO has already been signed; therefore, this presentation is primarily for information purposes. The ADC already has the land by EO. The EO states that there is a reservation of the easement in favor of the DLNR. It is odd because a landowner cannot get an easement on its own property. We will treat that reservation of an easement by the DLNR as a "wish list" so that if the DLNR needs better access to areas surrounding this property, discussions can be held between the agencies at the appropriate time.

Mr. Nakatani mentioned that more details of the lease would be presented at another meeting. This is just to accept the land for agricultural purposes.

Motion carried unanimously.

F. Request from Shredco to amend sub-license agreement and consent with Sunrise Capital, Inc. Lease Agreement No. LI-K1001 for proposed additional grinding activities of a portion of field 309, Kekaha, Kauai, Tax Map Key (4) 1-2-002:por. 1.

Mr. Kawamoto made the presentation of the request from Shredco to amend its sub-license agreement with Sunrise Capital, Inc., and the ADC's consent thereto, License Agreement No. LI-K1001, to allow additional grinding activities of a portion of field 309, Kekaha, Kauai. The ADC Board approved a three year sub-license agreement on February 19, 2014 between Sunrise Capital and Shredco. On June 23, 2014, the ADC received a letter from Shredco requesting approval of additional grinding activities. The additional grinding activities include shredding bulky items from the landfill. The ADC is hesitant to bring trash from the landfill to its property. The proposed grinding activity is considered a non-agricultural activity and there are no additional benefits to the ADC. The Kekaha Agriculture Association does not support the additional grinding activity. Staff does not recommend approving Shredco's request.

Mr. Enright moved to approve the staff recommendation to disapprove Shredco's request to amend their sub-license agreement and consent with Sunrise Capital for the proposed additional grinding activities; Ms. Evans seconded the motion.

Ms. Evans asked if the board does not approve the amendment to the sublease, how soon could this be brought back to the board. Any limitations? Mr. Kawamoto stated that the ADC has no restrictions, so the request could come back again.

Mr. Nakatani mentioned that he sent Shredco's letter to Earl Yamamoto from the HDOA for his comments. Mr. Yamamoto replied that there could be an issue with the additional activity as a permitted use. It is a private company so it is a question mark. The biggest concern is bringing trash from the landfill. It is non-conforming operation right now.

Motion carried unanimously; Shredco's request was not approved.

A 5 minutes recess was called at 9:37.

Item J was moved up on the agenda.

J. Updates on Kauai Island Utility Cooperative's pumped storage project field studies.

Jason Hines made the presentation of the KIUC's pumped storage project field studies. He recapped that the KIUC is looking at a 25 megawatt pump storage project that would allow the KIUC to store excess solar energy generated during sunny daytime hours, and use that energy in the evening or rainy days. It is a closed loop system that uses a fixed amount of water and shuffles that water back and forth so it does not divert more water or take water away from agriculture. The KIUC is looking at two different projects on the west side of Kauai--the Puu Lua/Haeleele project, and the Puu Opae/Mana project. Both projects involve the Kokee Ditch system and possibly portions of the Kekaha Ditch system. The Puu Lua and Puu Opae project both involve the ADC on the lower end, and the DHHL and the DLNR on the upper end. There will be sufficient quantities of water for irrigation with the reservoir at all times. There will also be potential to provide pressurized irrigation, and improved access to recreational activities. The KIUC has made three site visits on the ADC/KAA lands since executing the ROE on May 19, 2014. The purpose of the site visits was to better understand the land to do the initial work for geotechnical, cultural and archaeological studies, and to figure out boundaries.

For the Puu Opae project, the choice for the lower reservoir was the Mana. KIUC has refined what needs to be done for studies to the dam to bring it to current safety standards and extend its life. KIUC also found an ideal location for a powerhouse building and access roads on the ADC lands, and alternatives for pipeline alignment on the DHHL lands.

The Puu Lua project has two reservoir alternatives: One is on the north end of the fields (New Haeleele 30 MG reservoir alternative) and the other is the existing Polihale reservoir alternative. The KIUC is looking at both of these reservoirs to determine what studies are necessary to get to the bottom line and see if there are any fatal flaws. They have not come up with any firm recommendation of what the best reservoir alternative is. Hopefully at the end of this round of work, they would be in a better position to make a recommendation of which reservoir is the preferred alternative. A series of community meetings have been going on the last three months held in Waimea. The KIUC laid out the initial project and introduced it to the public and brought the concept forward looking for comments and input. The meetings were very positive and brought a lot of good questions and concerns. The KIUC also met with representatives from the PMRF who are neighbors of the project and has been keeping the PMRF up to speed. They continue to have small group meetings with individuals, stakeholders, community leaders and Kekaha Hawaiian homesteaders, the DHHL and the DLNR divisions. Some of the next steps are: archaeological survey, USACE jurisdictional determination, community and stakeholder discussions, gathering and assessing existing engineering information on Puu Lua, Puu Opae and Mana Reservoirs, early stage Geotech survey, selection of optimal pipeline alignments, initial survey and creation of base maps, revised project assessment and identification of best project. Also, the KIUC is looking towards a land lease or license for a lower reservoir and powerhouse site.

Ms. Dawn Huff added that they have been progressing with the idea that the KIUC would make an additional expenditure to do enough work to eliminate vital flaws and get a higher level of confidence in their cost estimates. That is their next steps and then once they get to that place they are ready to make a recommendation on the powerhouse location for the pipeline alignment. Then they would want to open discussion on a request for a land license. She introduced Allan Smith who is the chairperson of the KIUC board. Mr. Smith

commented that KIUC has returned \$30 million dollars to the community over the years. This project would allow KIUC to almost 70% of sustainable energy on the island.

Mr. Hines stated that this project benefits the ADC by using KIUC capital to rehabilitate existing irrigation structures on the west side, fixing up dams and portions of ditches that would extend the life and improve irrigation flexibility and take some of the safety and liability concerns off of the State and put it on the KIUC's shoulders.

Ms. Klutke asked what would be the existing agricultural acreage being taken away for reservoir and infrastructure. Mr. Hines replied most of the three alternatives would be about 25 arable acres to be removed of that 35 acres total for the project.

Ms. Klutke asked where they are with the other state agencies. Ms. Huff replied they are working with the Land Division of the DLNR to get an approved concept on the project. They have been working with the DHHL for a number of years on a lot of alternatives which are still in discussions.

Mr. Enright asked Mr. Norman Sakamoto from the DHHL if they were on board with this project. Mr. Sakamoto replied that, in general, the project makes sense for the DHHL but there are issues with the DLNR on the water which is pending. Ms. Huff stated that they have been working through Mr. Tam who has been very supportive and have invited others in the department to these discussions. They did receive the right of entry to get to the reservoirs.

Mr. Enright asked about the timelines on the lease. Mr. Hines replied that sooner is better than later because of KIUC's fiduciary responsibilities to its members; KIUC is headed down a path with an end as they continue to spend money on the effort but they still have work to do. They would like to start discussions in October.

Ms. Klutke felt another meeting is needed to get the grassroots people who are more aware of power utilization to better understand what they are actually going to be doing on the land. The land is for agriculture. So when you put power generation on it, the use is very different. She believes there should be more meetings out there so the people would understand the ramifications--not just cutting electrical costs, but what will happen to the lands that will never revert back to agriculture. Ms. Huff replied she agreed with more meetings and had a difficult time with the big agricultural meetings in getting people to come. They have had more success with small group meetings where you invite friends and family and build on that which has been successful. They will keep that in mind.

Ms. Evans asked about getting the assurance needed to make expenditures for the due diligence items. If this board authorized an exclusive right to negotiate for some period of time, early on, when they are not quite sure what alternative they would recommend yet, would that provide assurance that we are on track for a lease but yet some of the details are unknown and therefore still remains in negotiation phase but certain for a right of entry. Mr. Hines replied that any executed agreement, where they begin to narrow it down on paper instead of discussion, is positive. Sooner is better and if there was a way to get to a lease or license that had a footprint to be determined later with contingencies that would probably be more ideal where there is an agreement of where the sticking points are needed to be executed then no one is committed to doing something incorrectly. But what was suggested might be a good intermediate step to be acted on more easily.

A 5 minutes recess was called at 10:25.

G. Request for approval of 35-year land license to Taiwan Gu for 68 acres in a portion of Unit C, Kalepa, Kauai, Tax Map Key (4) 3-9-002:020 (por).

Mr. Kawamoto made the presentation of the request for a 35-year land license to Taiwan Gu for 68 acres in a portion of Unit C, Kalepa, Kauai. The ADC Board previously approved the issuance of sub-license to Taiwan Gu from various licensee in Kekaha to grow sweet potato and ginger. Initial plantings have commenced and are progressing fairly well with leaf growth. However root growth shows black spots, and splitting was discovered on the potato skin surface. With the unforeseen potential crop loss in Kekaha, Mr. Gu has requested 100 acres of farm land in Kalepa, Kauai. The ADC will make available a portion of Unit C which Mr. Gu found to be good for his operation. Unit C consists of 247 acres. Of the 247 acres, 68 acres was previously earmarked by the DLNR to license to Green Energy Team (GET) for its biodiesel crops. However, the ADC elected to keep that area for crop farming due to good soil quality and the availability of gravity-fed irrigation. GET received 68 acres elsewhere instead. Of the 247 acres in Unit C, 179 acres were assigned to the Bunaos and the remaining 68 acres was set aside for future use. Staff recommends the approval of the issuance of a 35-year license to Taiwan Gu with the following conditions: a license fee of \$6,800 per year or \$100 per acre per year, base rent to increase every 5 years, at an increase rate of 2.5%. The licensee would be required to join the Kalepa Coalition (KK) or to pay a monthly maintenance fee to the KK to defray the cost of maintaining the infrastructure. No subletting would be permitted without the ADC's prior approval in writing.

Ms. Evans moved to approve the staff recommendation of the issuance of a 35-year license to Taiwan Gu; Mr. Schenk seconded the motion.

Ms. Evans asked whether a shorter license would be better in case Mr. Gu is not successful in Kalepa. Mr. Nakatani replied that Mr. Gu has done his due diligence this time. This is a different type of soil and is good lands. The best thing this board can do is to give him an opportunity. There will be quarterly inspections and Ms. Klutke could inspect the operation, too. A cancellation cause in licenses could be looked into.

Mr. Enright asked whether Mr. Gu is still interested in staying in Kekaha. Mr. Kawamoto replied that he is still interested in staying in Kekaha but may be moving to another field. It was recommended that Mr. Gu follow the rotation of the corn growers. On the other hand, if the problem is a nematode problem with the corn, Mr. Gu may not be successful without treating it for nematode.

Motion carried unanimously.

H. Request to withdraw prior board approval on March 19, 2014 of Kalepa land license to Green Energy Team LLC for HSPA #1, consisting of 2 acres and to approve a land license for HSPA #2, also consisting of 2 acres for the same purpose of building a workshop, for 35 years at market value, located in Kalepa, Kauai, Tax Map Key (4) 3-9-002:020 (por.).

Ms. Owan made the presentation to withdraw the March 19, 2014 board approval of a 2-acre Kalepa land license to Green Energy Team LLC for Unit HSPA #1, and to approve a land license for Unit HSPA #2, also consisting of 2 acres, for the same purpose of building a workshop, for 35 years of market value, located in Kalepa, Kauai. Mr. Esaki, the existing tenant on HSPA #1, who has been on a revocable permit (RP) raised some concerns that

under his RP he was entitled to the “first right of refusal” in the event a long-term license for the land was offered. Consequently, the ADC allowed Mr. Esaki to remain on the property. The Land Committee recommended that GET receive HSPA #2. GET expressed an interest in Unit HSPA #1, but acknowledged it could build a workshop/storage facility on HSPA #2. Staff recommends the Board’s approval of Green Energy Team’s 35-year land license for HSPA #2, located in Kalepa, Kauai with the following terms and conditions: a license fee of \$1,250 per acre per year or \$2500 per year for 2 acres in Unit HSPA #2 for 35 years; rent to be re-opened every 10 years, at a rate to be determined at fair rental value; licensee shall not sublicense the whole or any portion of their premises without the prior written approval of the ADC Board.

Mr. Schenk moved to approve the staff recommendations to withdraw prior board approval of Kalepa land license to Green Energy for HSPA #1 consisting of 2 acres and to approve land license for HSPA #2 also consisting of 2 acres for the same purpose for 35 years at market value; Ms. Klutke seconded the motion.

Mr. Nakatani stated that the Land Committee would need to discuss setting policy on revocable permits.

Motion carried unanimously.

I. Request to amend prior board approval on July 24, 2013 of Kalepa Land License to Aurora Bunao, alone, of a portion of Tax Map Key (4) 3-9-002:020 to approve land license to both Aurora Bunao and Arnold Bunao.

Ms. Owan made the presentation to amend a prior board approval of a Kalepa Land License to Aurora Bunao alone, to include both Aurora and Arnold Bunao, for 179 net acres of Unit C for 5-years. In a letter dated June 10, 2014, Ms. Bunao requested that her son, Arnold Buano, be added as a co-licensee to her land license agreement. Consequently, the Bunaos submitted a new application for a 5-year term for Unit C. Staff recommends that the Board approve Ms. Aurora Buano and Mr. Arnold Buano as co-licensees for a 5-year license in Kalepa, Kauai with the following conditions: a license fee of \$50 per acre per year or \$8,750 per year for 175 acres, \$100 per acre per year or \$400 per year for 4 acres, for a total of \$9,150 per year for 179 net acres; licensees would be required to join the Kalepa Coalition (KK) or to pay a monthly maintenance fee to the KK to defray the cost of 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. Enright moved to approve the staff recommendations to amend prior board approval for a land license for both Aurora and Arnold Bunao; Ms. Evans seconded the motion.

Ms. Klutke asked if this is only for 5 years. Mr. Nakatani replied yes, parcels A, B and C have been reserved for diversified agriculture at \$50 an acre for five year license. If the Bunaos wants to convert that portion of land to diversified agriculture then they can come back to the board to request a 35 year license.

Motion carried unanimously.

K. Standing Committee – Updates and Reports:

Land development

Chair appointed Mr. Schenk as chair for the land development committee.

L. Executive Director's Reports and Updates:

1. Kekaha, Kauai

Mr. Nakatani reported on the clean up of the soil contamination in Kekaha which should be done in about a month.

2. Kalepa, Kauai

Mr. Nakatani stated that he would like to send the vacant RP lands issue back to the land development committee and also the common roads issue in Kalepa.

3. Whitmore 24-acre parcel, Wahiawa, Oahu

The ADC hired SSFM as a property management to look at our land policies and procedures for managing its statewide real estate assets.

The Alta survey is completed. Funds of \$1.5 million from the legislature for the master planning have been submitted to Budget and Finance. Mr. Nakamoto is working on the recommendations that shall be included in the master plan that will be given to the contractor in the next couple of months.

Chair mentioned that all the awardees of the Galbraith lands would need to attend training sessions on food safety, land conservation issues and pesticides. ADC is working on those training sessions together with the UH Extension.

Chair mentioned that at the last board meeting, the board adopted a corporate resolution giving the executive director authority to grant rights of entries on properties that the ADC controls, subject to their review of the written resolution. A copy of that written corporate resolution was given to the board members.

M. Adjourn.

Meeting adjourned at 11:05 am.

Respectfully submitted,

Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting of October 29, 2014

Plant Quarantine Conference Room – 1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Alan Takemoto
Scott Enright, DOA	Sandra Kato-Klutke
Mary Alice Evans, DBEDT	William Tam, DLNR
Lloyd Haraguchi	Yukio Kitagawa

Guests:

David Penn, DLNR-DOFAW
Mark Takemoto, Pioneer Hi-Bred
David Cho, Senator Dela Cruz's office

Staff:

James Nakatani
Ivan Kawamoto
Lynn Owan
Ken Nakamoto
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chair Uyehara called the meeting to order at 9:20 a.m.

Chair welcomed new board members Lloyd Haraguchi and Yukio Kitagawa.

Items G and H were taken out of order.

G. Standing Committee – Updates and Reports:

1. Land Development (Infrastructure Protection)
 - a. Board policy regarding common area roads

Mr. Nakamoto presented a short report on the common area roads, addressing an ongoing dispute between Kalepa Koalition (KK) members. The committee members agreed that a primary access road should be a common area. Some Kalepa tenants believe that the issue is the maintenance and not ownership. It was proposed that the committee members conduct a site visit to inspect current road conditions and meet with KK members to discuss this issue before making any decisions.

b. Board policy regarding revocable permit

Mr. Nakamoto presented a report covering the general terms and conditions of remaining on a revocable permit. A complaint was made by a tenant, asserting that the tenant had a right of first refusal when a long-term license for the parcel was offered. Staff recommended the establishment of a policy that any parcel currently disposed under a revocable permit may be awarded to any interested party seeking a long-term license. In addition, staff requested the authority to inform the complainant of his options to remain on the RP, but that the parcel may be awarded to any interest party requesting a long-term license, subject to Board approval.

c. Land acquisition, Whitmore 257.811 acres

This item will be discussed under Item E.

H. Executive Director's Reports and Updates:

1. Kekaha, Kauai

Mr. Nakatani reported on Taiwan Gu's progress in Kekaha with his first crop of sweet potato which he harvested on October 10th. Unfortunately, crops grown on 20 acres was unsellable due to poor size and quality. His ginger crop is disease-free; however the root size appears to be small due to warm temperature in Kekaha.

The emergency generator installation site began in July 21, 2014 and is almost completed. However a bill from the County for tipping fees for dirt removed from the site was received. Mr. Nakatani is working with Mike Dahilig on this. There will be an update at the next meeting.

The Whitmore 24 acre parcel environmental hazard evaluation and environmental hazard management plan is almost done. We have a good consultant and do not anticipate any problems.

Recess called at 9:35.

B. Approval of the minutes from the August 27, 2014 meeting.

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

C. Request for after-the-fact approval of renewal of BASF Plant Science LP sublicense to Pioneer Hi-Bred International, Inc. in Kekaha, Kauai, Tax Map Key (4) 1-2-002:001 (por).

Ms. Owan reported on the request for after-the-fact approval of renewal of BASF sublicense to Pioneer Hi-Bred on Field 101 of 71.38 acres. The ADC Board approved an after-the-fact one year sublicense from BASF to Pioneer on February 19, 2014 for a period October 1, 2013 to September 30, 2014. On September 15, 2014 the ADC received a letter from BASF requesting

approval to extend the subject sub-license for one more year. Staff recommends to extend the sublicense to Pioneer Hi-Bred of Field 101 for one year retroactively to October 1, 2014 to September 30, 2015. Also, any future sublicense extension request be made in writing no less than 90 days prior to the termination date.

Ms. Klutke moved to approve the after-the-fact renewal of BASF sublicense to Pioneer Hi-Bred for one year; Mr. Enright seconded the motion; motion carried unanimously.

D. Request to renew revocable permits for one year located in Kalepa, Kauai, Tax Map Key (4) 3-9-002:020 for:

1. William Sanchez, Unit A

Ms. Owan made a presentation to renew William Sanchez's revocable permit for Unit A at \$15 an acre per year for 598 net acres or \$8,970 a year, with the restriction that the permittee shall not sublicense or sublease the whole or any portion without the prior written approval of the ADC Board.

Ms. Evans moved to approve to renew William Sanchez's revocable permit for one year; Ms. Klutke seconded the motion; motion carried unanimously.

2. Kapaa Banana Co., HSPA #1

Ms. Owan made the presentation to renew Kapaa Banana's revocable permit for HSPA #1 at \$30 an acre per year for 2 acres or \$60 a year effective December 1, 2014, with the restriction that the permittee shall not sublicense or sublease the whole or any portion without the prior written approval of the ADC Board.

Mr. Enright moved to approve to renew Kapaa Banana's revocable permit for one year; Ms. Klutke seconded the motion.

Ms. Klutke asked if there is a requirement that the tenant must have activity on the parcel. Mr. Nakatani replied not so much on a RP because it is not long-term. When the tenant has a RP, they must understand that it can be leased to someone else who wants a long term license. Ms. Klutke asked if Mr. Esaki does not agree to the \$30 an acre a year, do we open it up to other people. Mr. Nakatani replied yes, regardless if he agrees or not. Any RP may be terminated and disposed as a long term license upon request of an applicant.

Motion carried unanimously.

Item F was taken up before Item E.

F. Request for approval of land lease for warehouse and auxiliary land to AgTech Pacific, located in Whitmore, Oahu, Tax Map Key (1) 7-1-002:009 (por.).

Mr. Nakamoto made a presentation on the land lease for warehouse and auxiliary land to AgTech Pacific ("Ag Tech"). Ag Tech is asking for 11,500 square feet which includes a 4,500 square

foot storage facility. Ag Tech wants to convert into a commercial office space, and has agreed to contribute the water and sewer infrastructure. The proposed cost of improvements totals \$15,000, none of which is to be borne by ADC. The area they are requesting is on the 24 acres which ADC is in the process of master-planning. The 11,500 square feet area is off to the side so it would not impact the rest of the master plan. The terms of the lease would be for three years with a two year option to extend. Staff recommended a base rent of \$0.45 per square foot for the warehouse and \$0.10 per square foot for the auxiliary land for a total monthly rent of \$2,525, and a rent waiver for 4 months to facilitate the proposed improvements.

Mr. Enright moved to approve the land lease to AgTech Pacific; Mr. Tam seconded the motion.

Ms. Kaichi corrected the submittal on page one under land status: acquired December 2013 not 2012.

Mr. Tam asked that there be language in the easement or lease reserving the right of access to the improvement installation. Mr. Nakatani replied yes that can be done. Mr. Tam inquired whether, at the end of five years, there is no right of renewal so a new lease would need to be negotiated. Mr. Nakatani replied yes.

Mr. Enright stated that the \$7,500 to create office space is very small. Would ADC be getting the design plans before AgTech builds the facility and checking that they have permits. Mr. Nakatani replied yes.

Motion carried unanimously.

E. Approval to negotiate and purchase the fee simple interest in 257.81 acres of land located in Whitmore, Oahu, Tax Map Keys (1) 7-1-002:004 & 023.

Mr. Enright moved to go into executive session; Mr. Tam seconded the motion.

Chair stated that the Board would go into Executive Session under HRS 92-5(8) is 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.

Motion carried unanimously.

Ms. Evans moved to get out of executive session; Mr. Takemoto seconded; motion carried unanimously.

Recessed at 11:05 am.

Mr. Tam moved to amend to authorize the executive director and or his designee to negotiate the purchase of the fee simple interest in 257.811 acres of land located in Whitmore, Oahu, tax map keys (1)7-1-002:004 & 023 subject to the approval of the board; Ms. Evans seconded the motion.

Motion carried unanimously.

Meeting adjourned at 11:15 am.

Respectfully submitted,



Cindy Doi
secretary

AGRIBUSINESS DEVELOPMENT CORPORATION
Minutes of the Board of Directors meeting of December 17, 2014
Plant Quarantine Conference Room – 1849 Auiki Street, Honolulu, Hawaii 96819

Members:

Letitia Uyehara	Alan Takemoto
Douglas Schenk	Sandra Kato-Klutke
Yukio Kitagawa	Lloyd Haraguchi
Denise Albano	Scott Enright, DOA
Margarita Hopkins	

Guests:

Palo Lockett, PLP	Linda Rosehill, Rosehill & Associates
Douglas Codiga, KAA	Jason Hines, KIUC/Joule Group
Dawn Huff, KIUC/Joule Group	
Gerald Sumida, Carlsmith/Green Energy Team	
David Cho, Office of Senator Dela Cruz	

Staff:

James Nakatani
Ivan Kawamoto
Lynn Owan
Ken Nakamoto
Cindy Doi

Counsel:

Myra Kaichi, Deputy Attorney General

A. Call to order.

Chairperson Uyehara called the meeting to order at 9:05 a.m.

Chair welcomed the new board members Margarita Hopkins and Denise Albano.

B. Approval of minutes from the October 29, 2014 meeting.

Ms. Klutke moved to approve the minutes; Mr. Enright seconded the motion; motion carried unanimously.

C. Request for approval to amend the Right of Entry to Kauai Island Utility Cooperative for the purpose of conducting field survey and invasive studies in connection with West Kauai Energy Storage Project from Kekaha, Kauai, Tax Map Key: (4)1-2-002(por. 1).

Mr. Kawamoto made the presentation. Staff recommended the amendment of the right of entry to KIUC for conducting field survey and invasive studies in connection with the West Kauai Energy Storage project for two years in Kekaha, Kauai.

Mr. Enright moved to approve the request to amend the right of entry to KIUC; Mr. Haraguchi seconded the motion.

Jason Hines from Joule Group, representing KIUC, updated the progress of the project. The project is coming together and meets their needs. The timeline of the project, if everything goes according to plan, should be completed in 2018. As far as doing the ground studies, KIUC plans to start in February and complete that work in approximately four months, concluding with a report from which Joule Tech and Engineering will be able to better move the project forward.

Ms. Klutke asked how often the Joule Group will be conducting their surveys. Mr. Hines replied that it will be intermittent. There will be a period of time where the geologist as well as a group of them will be on the ground for two weeks, then another period a week long where they will have a local contractor, himself, Ms. Huff and KIUC present on the premises. Then surveys should be done and it would be desk and lab work. They will be informing KAA and other tenants that they will be coming onto the property.

Motion carried unanimously.

D. Konohiki Hydro Power, LLC's request for approval of a two-year extension of time under License No. LI-K1101 within which to complete an environmental assessment and within which to show agricultural activities in 50% or more of the total arable acreage on licensed lands in Kekaha, Kauai, Tax Map Key: (4) 1-2-02(por.1).

Mr. Kawamoto made the presentation. KHP requested an additional two-year extension of time within which to comply with the requirements of: (1) the preparation and processing of any and all environmental assessments and environmental impact statement, if necessary; and (2) showing agricultural activities in 50% or more of the total arable acreage. Pursuant to its terms, the EA and the agricultural activities should have been completed no later than April 14, 2014. At its March 19, 2014 meeting, the board approved a first extension to December 31, 2014 to allow KHP to comply with the requirements of the two term. On October 21, 2014, Mr. Luckett requesting a further two year extension to comply with the requirements. The additional time was needed to finalize a power purchase agreement ("PPA") with the KIUC. The PPA is required to complete the EA process and to initiate agricultural activities on the licensed lands.

KHP and KIUC have met a few times to discuss a PPA. However to date, the parties have not reached an agreement. KIUC representatives have informed the ADC that they will not enter into any PPA with KHP. Because the PPA is necessary to complete the EA, it appears the KHP will be unable to continue. Additionally, no agricultural activities has taken place on the 877.48 arable acres.

Staff recommended denial of the request based upon: (1) KHP's lack of progress; (2) its failure to submit a progress report addressing its completion of a draft EA in the last nine months; (3) the lack of any agricultural activity on the parcel since April 15, 2011; and (4) its inability to reach an agreement on terms for a PPA with KIUC in over three years.

Mr. Enright moved to deny KHP's request for a two year extension; Mr. Kitagawa seconded the motion.

Mr. Enright asked Palo Luckett why the ADC Board should consider an extension when they have been unable to perform the work for an extended period of time. Mr. Luckett replied this project started jointly with the Kekaha Agriculture Association five years ago as part of the general plan to improve the irrigation system for the Kekaha lands. The project basically provides all of the pipe to conduct irrigation water into a pressurized system. From the outset, KIUC objected to this project. By foreclosing on the land license, ADC will eliminate that option for the ag association and the state of Hawaii. These are improvements that will remain with the state. As the project developer, they have created a project that will provide benefits, not just to the KIUC membership and the KAA, but also to the ADC and other relevant stakeholders, including the DHHL. By foreclosing on this option, ADC would eliminate that possibility for any foreseeable future.

Mr. Enright asked about the ability to perform. Konohiki could not move forward and could not secure a PPA through KIUC which was a condition that had to be met. This board can negotiate with whomever might decide to do a pressurized irrigation system. The Board is talking about KHP's ability to perform. They have been unable to secure a PPA which is a condition so that is why this board would not move forward at this time.

Mr. Luckett thanked everyone for their patience and for supporting the project for as long as it has.

Mr. Kitagawa said he can see the need for irrigation but KHP has not fulfilled their commitment as set forth. He did not know if there would be any other opportunity to work with KHP. Mr. Luckett replied he did not think so. The only means would be to pursue a complaint with the Public Utilities Commission. That would be a long judicial process.

Mr. Kitagawa asked if KHP cannot get the PPA how would they proceed with the plan to pressurize the system. Mr. Luckett replied it would fall upon the KAA to pay for those improvements. It would take KHP out of the equation. Mr. Luckett asked that the consultants of KIUC consider utilizing this area to provide water at the appropriate place for the pressurized system. The storage project that is proposed at the Haeleele ridge is providing water. Perhaps the ADC would be interested in having KIUC consider that storage project so that it brings irrigation benefits to the property.

Mr. Schenk commented that he was troubled to see the project go away but he also noted that KHP did not perform. Mr. Luckett replied they invested about \$3 million dollars in

this project. There was a decision made, after their proposal to KIUC was rejected in June, to stop funding the EA process and that is why they have an incomplete EA. There has been a lack of communication because it has been polarized. Perhaps by KHP getting out, everyone will come together and complete a project that is beneficial to everyone.

Mr. Enright commented that the concept that KHP put together was a wonderful concept. There is nothing that precludes this board in the future to secure that. The concept is not exclusive to KHP. It is the failure to perform that we are taking up at this particular time and there is a condition that a PPA is needed. This is not going to happen based on history and the correspondence we have from KIUC. It is time to move forward and he believed that this board will put together a concept going forward that ties the energy generation that is available in Kekaha with a pressurized irrigation system. When the threat of lawsuits happens, that tends to polarize. He thanked Mr. Lockett.

Ms. Hopkins inquired about the development of the area into more agriculture activities through the water that would have been provided through this project. She thought we should develop infrastructure to be able to further the agricultural industry in the state of Hawaii. She is concerned why there was no movement on the conditions. Is it because of money or personal conflict. Mr. Lockett replied they have invested over \$3 million dollars in the project at this point because with an energy project you have a power purchase agreement as an underlying contract and they were unable to get that. But the project was attractive enough that they continued. In June, they made the decision not to continue funding further with activities of the EA. Ms. Hopkins asked if the two year extension was approved, would KHP be able to fulfill the requirements of this license. Mr. Lockett replied yes--as far as task and timeline, the two years would be more than adequate. But the power purchase agreement remains to be seen.

Chair asked that we go into executive session to address some of the legal issues surrounding this item under HRS §92-5(a)(4) to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities.

Mr. Enright moved to go into executive session; Ms. Hopkins seconded the motion; motion carried unanimously.

Executive session was called at 9:40 am.

Short recess at 10:00 am.

Motion carried unanimously to deny KHP's request for a two year extension.

E. Request for approval to renew revocable permits for one year located in Kekaha, Kauai, Tax Map Key: (4)1-2-002:001 (por. 1) for: Gary Smith and Senter Petroleum.

Ms. Owan made the presentation of the renewal for one year of RPs for Gary Smith and Senter Petroleum.

Ms. Klutke moved to approve the renewal of RP for one year for Gary Smith; Mr. Schenk seconded the motion; motion carried unanimously.

Mr. Enright moved to approve the renewal of RP for one year for Senter Petroleum; Ms. Hopkins seconded the motion; motion carried unanimously.

- F. Request from Green Energy Team LLC (GET) for approval of:
1. Assignment by way of Security of GET's Rights in License Agreement LI-KA1501, and consent, and
 2. Assignment by way of Security of GET's Rights in License Agreement LI-K1102, and Consent, after the fact.

Mr. Kawamoto made the presentation for a request from Green Energy Team LLC for approval of: (1) assignment by way of security of GET's rights in license agreement LI-KA-1501 and consent, and (2) assignment by way of security of GET's rights in license agreement LI-K1102, and consent, after-the-fact.

Staff recommended the approval of the assignments by way of collateral security of GET's rights in license agreement nos. LI-KA1501 and LI-K1102 and ADC's consent thereto as memorialized by documents mentioned in the submittal.

Mr. Enright moved to approve the request from GET; Ms. Hopkins seconded the motion.

Ms. Hopkins suggested adding at the end in the parenthesis "at the Bureau" to make it consistent with the others. She looked at the memoranda of license and the loan requests the assignment of all of the rights granted in the license. Would it be put as an attachment to the memoranda? Ms. Kaichi replied the documents are known as short forms and that we do not attach these leases but to the short forms.

Mr. Haraguchi asked if there is a rent amount. Mr. Kawamoto replied that there was, but that he did not know the amount at this time and would get back to him.

Motion carried unanimously.

G. Request to Amend Contract No. 62497 with USDA Agricultural Research Service, Pacific Basin Agricultural Research Center (PBARC) to add to the scope of work and compensation.

Ms. Owan made the presentation to amend contract no. 62497 to add to the scope of work and compensation. Staff recommends approval to amend the contract with PBARC to add tissue culture work to the scope for work and to add \$20,000 for year 2.

Mr. Schenk moved to approve the request to amend the contract to add to the scope of work and compensation; Mr. Enright seconded the motion.

Mr. Enright asked if this was enough money. Mr. Nakatani replied that it was because it was started as a pilot project and that PBARC and ADC are looking at another in depth project. But for now, the amount is enough to get started. Mr. Enright thanked Mr. Nakatani for this important work for the papaya industry.

Staff will send the new members the original scope of the project which is a three year project.

Motion carried unanimously.

H. Request for approval of the Purchase of fee simple interest in Dole Food Company's 257.811 acres of land located in Whitmore, Oahu, Tax Map Keys (1) 7-1-002:004 & 023 for \$5,600,000.

Mr. Nakamoto made the presentation for the purchase of fee simple interest in Dole Food Company's 257.811 acres of land. ADC can generate rental income immediately if Dole is allowed to lease the buildings. Allowing Dole to remain in the buildings also removes any uncertainty of finding a tenant to occupy the improvements during this transition period. ADC will gain access to an alternative water source for agriculture purposes and maintain security services at no cost to ADC. Dole has agreed to pay for the EA and ALTA survey which has a combined estimated value of \$112,900. Staff recommended the approval of the purchase of the fee simple interest approximately in Dole's 257.811 acres of land in Whitmore, Oahu, identified as Tax Map Keys (1) 7-1-002:004 & 023 for a purchase price of \$5,600,000.

Mr. Enright moved to approve the request of the purchase of fee simple interest in Dole Food Company's 257.811 acres of land for \$5,600,000; Mr. Haraguchi seconded the motion; Ms. Albano recused herself, disclosing that her father represents Dole in this sale. Although the state ethics commission opined there is no legal conflict of interest, for appearances, she would recuse herself. She was asked to leave the room.

Mr. Haraguchi inquired about the use of the well. Would it be advantageous to have a phrase to allow the use of the well in perpetuity? Mr. Nakatani replied that when the sale was negotiated, Dole wanted a 20 year lease-back, ADC offered a 10-year lease-back, and they agreed. The reason why it is not in perpetuity is because there is a lot of

unknowns and we could offer to purchase the well in the future. At this point, we are not sure about what we will do. Mr. Nakatani stated that he does not want to use that water because it is expensive and it is really a backup. Mr. Nakatani stated that he preferred to conduct surface water studies and develop a project to fit our needs within the ten year period. The water is tested every year by the Army for contaminants.

Ms. Hopkins asked who will do the repairs and maintenance of the infrastructure. Mr. Nakatani replied that Dole will take care of the maintenance of their facilities so long as they are leasing it from ADC and ADC will take care of all others. Ms. Hopkins commented that Dole agreed to lease the three infrastructures for 10 years; what happens after 10 years? Mr. Nakatani replied that is up to ADC to negotiate thereafter.

Mr. Takemoto asked if there were immediate expenditures. Mr. Nakatani replied ADC received funds to do master planning, which were already released by B&F. The priority (of the master plan) would be the adjacent 24-acres because it does not have any structures. He would like the chair to form a committee for planning purposes to see what is needed for the whole property.

Mr. Kitagawa informed the board that he is part of the organization called the Wahiawa Community Based Development Corporation that is trying to get funds for programs relating to agriculture. There may be instances where the organization could be using parts of Whitmore. He wanted to let the board know that he might not be able to participate in voting and decisions. Ms. Kaichi said that she did not see a conflict of interest in his involvement with the organization and being a board member to the extent that the board may approve use by the organization. But if Mr. Kitagawa would feel more comfortable, he could call the state ethics commission for an opinion.

Mr. Haraguchi inquired into the EA. Mr. Nakatani said it is done and the report shows that the oil on the ground is on the surface.

Mr. Enright thanked Mr. Nakatani and Ms. Kaichi for all their hard work on this project.

Motion carried unanimously.

Chair corrected Item D on conclusion no. 1, it should be "nine" months instead of none months.

I. Executive director's report and updates:

1. Kekaha, Kauai

Mr. Nakatani reported on Taiwan Gu's first harvest of sweet potatoes and ginger. This is an important project to demonstrate that agriculture can coexist with the bigger companies for food sustainability. Mr. Gu will also be farming on ADC lands in Kalepa. Also green beans will be harvested in Kekaha in January by farmer Stephen Pianowski.

Ms. Klutke stated that she heard Mr. Pianowski was ahead of schedule and harvested his first crop.

Ms. Hopkins commented that the skin blemishes would render it unmarketable for fresh produce. What is Mr. Gu's plan? Mr. Nakatani replied that he did talk to Mr. Gu about doing his homework. The UH has done mapping of Kekaha which shows where the different soils are located.

2. Whitmore 24-acre parcel, Wahiawa, Oahu

ADC received a letter from the DOH Hazard Evaluation Emergency Response Office approving ADC's Environmental hazard Management Plan for the Whitmore 24 acre parcel in Wahiawa, Oahu. No further action is required and ADC may proceed with future construction activities on the parcel.

Mr. Kitagawa suggested that ADC hold a workshop to go over all these projects that ADC is currently involved in, not only the new board members, but for all the board members who would like to attend.

The next meeting is tentative scheduled for Wednesday, January 28, 2015.

Meeting adjourned at 10:55 am

Respectfully submitted,



Cindy Doi
secretary