

AGRICULTURE DEVELOPMENT CORPORATION

Minutes of the Board of Directors Meeting held Virtually on June 23, 2021

Via Zoom Teleconference

Considering the evolving COVID-19 situation, protecting the health and welfare of the community is of utmost concern. As such, the meeting was held remotely with Board members, Staff and Applicants, and the Public participating via Zoom meeting venue.

Members Present, virtually:

Sandra Kato-Klutke, Kauai County Member (Chairperson)
Mary Alice Evans, Designated Representative, DBEDT, Ex-Officio member (joined at 9:08 a.m.)
Lloyd Haraguchi, Member-At-Large
Kevin Hopkins, Hawaii County Member
Frederick Lau, City & County of Honolulu Member
Kaleo Manuel, Designated Representative, DLNR, Ex-Officio Member
Douglas Schenk, Maui County Member
Karen Seddon, Member-At-Large
Phyllis Shimabukuro-Geiser, Chairperson, DOA, Ex-Officio Member
Warren Watanabe, Member-At-Large
Glenn Hong, Member-At-Large (joined at approximately 10:08 a.m.)

Counsel Present, virtually:

Jodi Yi, Deputy Attorney General

Staff Present, virtually:

James Nakatani, Executive Director
Myra Kaichi, Sr. Executive Assistant
Ken Nakamoto, Project Manager
Lyle Roe, Property Manager
Stephen Dalton, IT Specialist, DOA

Guests Present, virtually:

Representative Amy Perruso
Thora-Jean Cuaresma

A. Call to Order

Chairperson Kato-Klutke called the meeting to order at 9:09 a.m.

B. Roll Call

Mr. Roe conducted a roll call of the Board: 9 of 11 members present. Chair announced that the roll call would serve as the basis for subsequent votes. For each vote, the Chair will ask if there are any objections. If there are none, the motion will be carried on the same basis as the initial roll call.

C. Approval of Minutes

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1. Board of Directors Meeting

i. April 28, 2021

Motion to approve by Ms. Shimabukuro-Geiser; second by Mr. Watanabe

Chair asked if there was any discussion from the Staff: none.

Chair asked if there was any discussion from the Public: none

Chair asked if there was any discussion from the Board: none.

Hearing no objections, Chair announced that the motion had passed.

2. Executive Session

i. December 16, 2020

Motion to approve by Ms. Shimabukuro-Geiser; second by Mr. Schenk

Chair asked if there was any presentation by the Staff: none.

Chair asked if there was any discussion from the Public: none.

Chair asked if there was any discussion from the Board: none.

Hearing no objections, Chair announced that the motion had passed.

ii. February 24, 2021

Motion to approve by Ms. Shimabukuro-Geiser; second by Mr. Watanabe

Chair asked if there was any presentation by the Staff: none.

Chair asked if there was any discussion from the Public: none.

Chair asked if there was any discussion from the Board: none.

Hearing no objections, Chair announced that the motion had passed.

iii. April 28, 2021

Motion to approve by Ms. Evans; second by Ms. Shimabukuro-Geiser

Chair asked if there was any discussion from the Staff: none.

Chair asked if there was any discussion from the Public: none.

Chair asked if there was any discussion from the Board: none.

Hearing no objections, Chair announced that the motion had passed.

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- D. Request for Approval to Issue Amended Revocable Permit to The Davey Tree Expert Company and the Davey Tree Surgery Company for 21,393 Square Feet of Space, More or Less, in Whitmore, Oahu, Tax Map Key (1) 7-1-002-004

Ms. Evans moved to approve the staff recommendations; second by Mr. Hopkins.

Staff rested on written submittal; Mr. Roe was available for questions.

Chair asked for comments or questions from staff, public, and Board.

Ms. Shimabukuro-Geiser asked for clarification regarding the square footage, noting that the agenda and the submittal listed different numbers. Mr. Roe acknowledged the mistake and noted that the correct number was 21,393 square feet.

Mr. Hopkins asked if ADC had contracted out the services that Davey Tree Expert Company had been providing in lieu of rents. Mr. Roe explained that Davey Tree would be providing groundskeeping services in June but that ADC would need to procure services for groundskeeping afterward

Hearing no further objections or questions, Chair announced that the motion had passed.

- E. Request for Approval to Renew Revocable Permit No. RP20-20 Issued to Kelena Farms, Inc. for 345.38 Acres, More or Less, in Waialua, Oahu, Tax Map Keys (1) 6-5-002-011, (1) 6-5-002-006, (1) 6-5-002-008, and (1) 6-5-001-046

Ms. Evans moved to approve staff recommendations, second by Mr. Schenk.

Staff rested on written submittal; Mr. Roe was available for questions.

Chair asked for comments or questions from staff, public, and the Board.

Mr. Roe noted that the Board had approved the issuance of a license for this property to Kelena Farms but that the license was not yet ready to be executed. As such, in the interest of keeping the land rights properly documented, staff recommends renewing the revocable permit.

Mr. Manuel asked for clarification that the Board had approved the issuance of a license but that it was not yet executed. Mr. Roe confirmed and noted that the license has been sent but that Kelena Farms was holding off on execution pending confirmation that ADC has successfully purchased easements to certain wells owned by Dole Food Company.

Hearing no further objections or questions, Chair announced that the motion had passed.

- F. Presentation by Michael Crowley of Sacred Bungalows and HempVek Corp.

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Presenter was unable to present.

- G. Request for Approval to Amend the Water User Agreement for Bott Well Pump Station in Wahiawa, Oahu

Mr. Manuel moved to approve staff recommendations; second by Mr. Haraguchi

Staff rested on written submittal; Mr. Nakamoto was available for questions.

Chair asked for comments or questions from staff, public, and the Board.

Mr. Nakamoto noted that when ADC first executed the Water User Agreement with tenants, the cost of diesel fuel was \$1.70 per gallon. As of last week, the cost of diesel fuel is \$2.44 per gallon. ADC does not foresee the cost of diesel going down in the near future and requested the price adjustment to cover costs. Mr. Nakamoto acknowledged past requests to conduct a water study and noted that this was the first year that ADC has been gathering data while operating the well at near maximum capacity. He also noted that ADC had conducted a cost analysis to verify the cost of providing water to Galbraith users and it was attached as Exhibit B of the submittal.

Mr. Lau asked if ADC had been in contact with users regarding the amount of increase and if any feedback had been received. Mr. Nakamoto noted that staff had sent out a notice to users advising of rising costs and making them aware that a rate increase may be forthcoming. He acknowledged that the increase would not be easy but that staff did not foresee the cost of diesel going down in the near future and that ADC could not afford to continue to subsidize the cost.

Ms. Shimabukuro-Geiser asked if ADC had considered incremental increases over time as opposed to one steep jump in the price of water. Mr. Nakamoto responded that an incremental increase was not considered.

Ms. Shimabukuro-Geiser asked if the Board chose not to pass this increase, did ADC have budget reserves to continue to cover the costs of providing water. Mr. Nakamoto noted that ADC had a purchase order for a bit over \$30,000 for fuel and that would help cushion the price increase. Mr. Nakatani added that the fuel was a direct cost of the price of fuel. ADC is not inclined to operate a system where we absorb that amount of loss. He also noted land rents at Galbraith were low because water costs were anticipated to be high.

Mr. Hopkins asked if it might be more appropriate to institute a fuel adjustment charge that didn't necessitate Board action. Mr. Nakatani acknowledged that staff may need to come to the Board again for a future adjustment and that staff were looking at other systems, as well, to levy water delivery costs. He noted that the alternative to expensive water was no water.

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Mr. Manuel noted that he strongly recommended conducting a water study to help defend the rate increase. He asked what the average monthly water invoice to tenants was. Mr. Nakatani explained that Galbraith farmers were planting and were making money, but that there were a couple tenants who were behind. He also noted that water was an unavoidable cost of farming. Mr. Manuel asked again about the average monthly cost to users. Mr. Nakatani said that he did not know.

Mr. Manuel noted the various costs of delivery and average water use of the tenants and asked if the goal was to break even for costs. Mr. Nakatani said that there were multiple expenses associated with operating and maintaining the well, but that ADC was trying to run the well with very minimal costs. Mr. Manuel noted that based on the discussion, he had reservations about the increase.

Mary Alice Evans asked if the cost of operating the well took into account water theft. Mr. Nakamoto said it did not and that ADC did not currently have a problem with water theft. He also noted that ADC could provide the average water cost to tenants to Mr. Manuel.

Ms. Evans asked if it would be cost prohibitive to set up a meter for each farm. Mr. Nakamoto noted that each farm was metered for water use. He noted our maintenance contractor provides meter reading services and our operator, Kelena Farms, monitors the meters, as well.

Ms. Shimabukuro-Geiser asked to confirm that multiple notices had been sent to users regarding the rate increase. Mr. Nakamoto responded that he didn't know about multiple notices, but that users had been made aware that an increase was possible. Mr. Roe noted that tenants at Galbraith had been noticed approximately three weeks ago that a rate increase was likely and that water rationing may be necessary in the summer months. Ms. Shimabukuro-Geiser asked if any indication had been given of how much the increase might be. Mr. Roe responded that a specific amount was not mentioned in the email but that in his conversations with tenants, he had made some aware and that there was concern about a steep hike.

Ms. Kato-Klute asked how many tenants this rate increase would affect. Mr. Roe responded that it would affect 10-11 tenants at Galbraith.

Hearing no further questions, Chair noted that there may be objections to the motion and asked for a show of hands of Board members who approved the motion.

Chair announced the motion was passed with six (6) members voting yes, and four (4) members voting yes with reservations.

Chair acknowledged a member of the public.

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Ms. Cuaresma addressed the Board and requested they follow-up on conducting a water study.

- H. Notice of Appeal from Denial of Access to General Records (U APPEAL 21-27) by Ms. T.J. Cuaresma on ADC's responses to 7 of 10 document requests made by Ms. Cuaresma on behalf of Representative Amy Perruso.

Chair noted that the Board may go into executive session pursuant to HRS §92-5(a)(4), to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities.

Chair asked if there was any testimony from the community on this matter; there was none.

Motion by Mr. Manuel to enter executive session; Second by Mr. Schenk.

Chair asked for comments or objections from staff, the public, and the Board. Hearing none, the Board went into executive session at approximately 9:40 a.m.

Board returned from executive session at approximately 10:12 a.m.

- I. Update on Legislative Investigative Committee to (a) follow up on the audit of ADC, Report No. 21-01, (b) examine the recommendations made in those audits, and (c) for purposes of improving the operations and management of ADC, its funds, and any other matters

Mr. Nakatani noted that he didn't have an update except to note that the House of Representatives had announced the committee members.

Chair asked for comments from the public; there were none.

Chair asked for comments from the Board.

Mr. Schenk asked if the Investigative Committee had noted when committee work might begin. Mr. Nakatani noted that no information had been received.

Ms. Shimabukuro-Geiser noted that the House had issued a press release on June 14, 2021 announcing the Speaker's appointees to the investigative committee. Chair noted that she had also received the notice, and advised the Board that they would likely all be called to testify before the committee.

- J. Update on the Progress of the Investigative Tenant Review and Recommendation Committee

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Chair recognized Mr. Nakamoto who updated the Board on the progress of the Investigative Tenant Review and Recommendation Committee. ADC received 33 land applications by locations. The committee reviewed the applications to rate the applicants but has asked for clarification from the Board on a number of questions: (1) whether proposed uses such as photovoltaic, industrial hemp, sod production, or subletting is intended; (2) how to approach concerns about an applicant who intends to farm diversified crops who requested parcels with little to no access to water. The committee would like assurances that applicants are aware of the nature of the parcels for which they are applying.

Mr. Watanabe, chair of the committee, concurred with Mr. Nakamoto's presentation and noted that the committee wanted some assurance from the applicants that they understood their responsibilities should they be awarded certain lands, as well as confirmation that the applicant is aware of the nature of the parcel for which they applied.

Mr. Lau noted the work the committee put into the application process and acknowledged the quality of the applicants. He also observed how much more there was to evaluating applicants than the face-value of their applications. The committee will be following up with interviews of the applicants and will need clarification from the Board regarding certain uses.

Mr. Manuel asked for clarification on the strategy for offering parcels to particular applicants. Mr. Lau noted that the committee had not made a decision on that. He is concerned because he wants to be certain that the applicants are aware of the nature of the parcels for which they applied.

Chair asked, before any further discussion from the Board, if there were any questions or concerns from the public.

Representative Perruso asked about how the farmers were informed about the conditions of the property, noting that she felt incomplete information about the parcels was made to the public, particularly that information related to abandoned vehicles and challenges to irrigation water access was lacking. Mr. Lau stated that was not correct and noted that the request for applications included detailed information about the various parcels. Further, that applicants had multiple opportunities to meet and view the parcels. Mr. Nakamoto noted that ADC sent out requests for applications to individuals who had submitted expressions of interest, gave notices to local, state, and federal organizations, printed a notice in the Star Advertiser, as well as posted the press release and request for application prominently on ADC's website.

Ms. Cuaresma stated that she went through the ADC website and the request for application documents and said that she believes that some of the information was inaccurate. She requested the name of the agencies with whom ADC made public notice. Mr. Nakamoto agreed with Ms. Cuaresma that some portions of certain properties are difficult to access.

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Chair re-opened discussion to the Board.

Ms. Shimabukuro-Geiser offered to follow up and provide Hawaii Department of Agriculture's land use policies on allowing photovoltaic installations and industrial hemp on prime agricultural lands. She also noted that the Department has also experienced situations when applicants who apply for all advertised parcels, and that unless ADC has a policy that limits the number of parcels for which an applicant may apply, then the applications should be accepted.

Mr. Hong observed that the rating process was a quantitative process and that the current discussion was about qualitative issues that need to be considered. He suggested that the qualitative ranking be used to pare down the list of applicants, then to evaluate the finalists through a qualitative process to ensure we have the best applicants.

Mr. Manuel asked if the Board was being asked to formally respond to the questions of permitted uses. Mr. Watanabe said he wasn't sure how prepared the Board was to offer guidance immediately on these questions but that he wanted to move the application process forward as soon as possible. Mr. Manuel asked about the process for making this decision and the need to adhere to the principles of sunshine laws. Ms. Evans noted that she felt now was a good time for the Board to have this discussion. Mr. Lau noted that he wanted the discussion to occur at the meeting, and that the committee wanted confirmation from the Board regarding the minimum parcel size of 100 acres.

Ms. Shimabukuro-Geiser noted that hemp-production is considered legal as long as the farmer has a federal license. On other issues: photovoltaic should be allowed as an accessory use, but not as the primary purpose of the land use, and that solar utility operations are not allowed on A-rated agricultural lands and should be discouraged on A and B lands.

Ms. Evans said that she agrees with having larger parcels on Oahu. A majority of consumers live on Oahu and in order to double local food production by 2030, ADC should limit Oahu leases to food production and there are plenty of C, D, and E lands available for solar utility production.

Mr. Manuel noted that he supports Ms. Shimabukuro-Geiser's and Ms. Evan's ideas from a state policy perspective. ADC should focus on farming and local food production and hemp and sod are not food. He also noted that he might allow subletting but it would need Board approval, and 100 acres minimum lot size is consistent with ADC's approach.

Ms. Shimabukuro-Geiser said that for subletting, HDOA requires Board approval and such a provision should be included in any ADC license that permits sublicensing.

Mr. Manuel asked if a farmer would need land before they qualified for a federal hemp license. Mr. Nakatani said staff would follow up.

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Mr. Hopkins noted that lessees should be required to manage any sublessees so that staff is not further burdened. Mr. Nakatani agreed and noted that the Board would have oversight of any sublease approvals and that we could draft a license that would prevent such a situation.

Mr. Lau asked if now was a good time to get into the particulars of one application that requested to sublease. Mr. Nakatani recommended only a general discussion on the broader policy of subleasing. Ms. Kato-Klutke said that farmers want to know as soon as possible after applying if they would get the land.

Mr. Hong said he supports food production as a priority. If solar is an ancillary, he could support it. He also noted that on Oahu, production should be located near the consumption. He also suggested a future discussion on ADC's strategic plan.

Mr. Lau noted that the applicants who were proposing sod production were also proposing 75% food production and asked if no less than 50% in food production was something the Board agreed with.

Mr. Watanabe noted that shipping played a significant part of food costs and that while he recognized that production should occur near consumption, that was true for the neighbor islands, as well.

The chair asked that the committee make a recommendation for the approval of tenants at the next meeting in August.

K. Executive Director's Update

Mr. Nakatani noted that Tamura's warehouse had been mostly cleaned up and that a ground-breaking was happening as the Board was meeting. He reported that the HONU project in Whitmore has been successful in helping a number of local families find permanent shelter. On the Big Island, ADC previously awarded a \$7,000 grant to Hawaii Agricultural Research Center for papaya research which led to a farmer who has been able to produce papaya in seven months. He also noted that the landfill and shooting range proposals under discussion for Kalepa have footprints which overlap.

Ms. Kato-Klute noted that the landfill and shooting range proposals are for lands rated B and asked why ADC would consider such uses for good agricultural land. Mr. Nakatani noted that these are not ADC's projects and that DLNR had ultimate oversight of those lands.

Chair asked for any questions from the public on the Executive Director's report; there were none.

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Mr. Hopkins asked for clarification on the lands that were being requested for the landfill and shooting range. Mr. Nakatani noted that the Kalepa lands were DLNR lands which had been set aside to ADC via executive order.

Ms. Evans asked if the EO listed a purpose and what it was. Mr. Nakatani said staff would check on it but that current uses included food production and energy production.

L. Regular Election to the Offices of Chairperson and Vice-chairperson

Chair noted that the chairperson and the vice-chairperson shall be elected by the Board of Directors from among its members provided that neither of them shall be an ex-officio member. The terms of office shall be for 12 calendar months from July 1 – July 30 [sic] of the following year, or until their successor is duly elected.

Note: the correct term of office is July 1 – June 30 of the following year.

Chair opened the floor for nominations to the office of Chairperson and Vice-chairperson.

Mr. Watanabe nominated Mr. Lau for Chairperson.

Mr. Hopkins nominated Ms. Seddon for Chairperson.

Mr. Haraguchi moved that the nominations be closed; motion was seconded by Mr. Hopkins.

Chair asked for a show of hands to vote for Mr. Lau or Ms. Seddon; Chair announced that Mr. Lau was elected.

Chair opened the floor for nominations for the Vice-chairperson.

Mr. Haraguchi nominated Mr. Watanabe for Vice-chairperson.

Mr. Lau moved that the nominations be closed; motion was seconded by Ms. Evans.

Chair asked if the public had any comments on the nominations; there were none.

Chair announced that Mr. Watanabe had been elected as Vice-chairperson and offered her congratulations.

Chair announced Hawaii Golden Farm and Zhao's Produce, Inc had been awarded grants by the Hawaii Department of Agriculture.

Chair recognized Mr. Schenk who is retiring after 8 years of service as a Board member with ADC, and thanked him for his work. Mr. Nakatani thanked Ms. Kato-Klutke and Mr.

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Schenk for their years of service with ADC. He also thanked former ADC Executive Secretary Lori Nakamura for all of her contributions to ADC, as well.

Various Board members expressed their thanks and appreciation to Ms. Kato-Klutke and Mr. Schenk for their years of service.

Mr. Hong recommended an agenda item for the next meeting to discuss ADC's strategic direction, to include goals and objectives.

Chair noted a vacancy on the policy committee due to Mr. Schenk's retirement and said she would leave the vacancy appointment to Mr. Lau.

M. Adjourn

Motion to adjourn by Mr. Haraguchi; second by Mr. Schenk.

Motion was approved without objection; meeting adjourned at 11:39 p.m.

Respectfully Submitted,

Lyle Roe
ADC Property Manager

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM D

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval for the Referral of License No. LI-K1701 Issued to Rong Seng Chen DBA Funing Farm to the Department of the Attorney General for Possible Legal Action

Applicant: Rong Seng Chen dba Funing Farm

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 62.25 Acres, More or Less, in Kekaha, Kauai

Field No(s).: 106, 206

Tax Map Key: (4) 1-2-002-001

Land Status: Set Aside by Governor's Executive Order No. 4007, as modified by Executive Orders No. 4034 and 4165, to the Agribusiness Development Corporation for Agricultural Purposes

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution Yes

Character of Use: Agricultural

Land Doc. Type: License

Term: 35 Years (currently in year 4)

Base Rental Rate: \$150 per acre per year (Annual Rent: \$9,337.50)

BACKGROUND:

Rong Seng Chen dba Funing Farm ("Licensee"), a Hawaii sole proprietorship, was approved by the Board of the Agribusiness Development Corporation

("ADC") for a land license at their meeting on January 25, 2017. License No. LI-K1702 was issued on April 1, 2017 for 150 acres, more or less, and included Fields 106, 206, and 207 (see "Exhibit A") in Kekaha, Kauai for vegetable and papaya production. ADC began billing upon execution of the license, however Licensee failed to make a payment until June 18, 2018, at which point they had already accrued over \$34,000 in rent charges. Failure to make full and timely payments continued. At the request of staff, the Board approved the withdrawal of 88 acres, more or less, of Field 207 at their meeting on October 8, 2019 due to the Licensee's inability to fully utilize the premises. Additionally, on August 12, 2020, ADC forgave the rents accrued for Field 207 in the amount of \$37,810.69. Failure to make full and timely rent payments continued.

ADC staff met with the Licensee in April 2021 to discuss various issues with the farm. At that time, Licensee was advised that continued failure to make full and timely rent payment, as well as full payment of past-due rents may result in the referral of their license to the Department of the Attorney General for possible legal action, and the eventual termination of their license. Additionally, staff requested a written repayment plan to deal with the past due balance (\$28,563.66 at the time) and requested that the Licensee make regular rent payments to avoid even larger past-due accruals. In June 2021, Licensee began making \$3,000 payments, although no written payment plan was received. ADC received another \$3,000 payment in August.

In July, the Licensee requested that ADC consent to a landowner concurrence document to obtain a loan for a high-tunnel system and associated irrigation infrastructure through USDA, Natural Resources Conservation Service programs. Staff declined the request on the basis that the accrual of additional debt was inadvisable with such a significant past-due rent balance, and that the request was not in the interest of either ADC or the taxpayer.

As of August 12, 2021, Licensee maintained a balance of \$24,118.18 (see "Exhibit B")

ISSUES & CONCERNS:

Considering ADC's past forbearance and the Licensee's past and continuing failure to make full and timely rent payments, staff is concerned that extraordinary measures may be required to ensure that ADC and the State will be made whole.

PAYMENT PLAN:

On August 9, 2021, Licensee emailed a proposed framework for the payment of current and past-due rent balances (see "Exhibit C"). The framework specifies

monthly payments of \$3,000 against ADC's monthly rent assessments of \$778.13, with the balance to be applied to the past-due amounts. If successfully implemented, the full payment of the past-due balance could be remediated in approximately 11 months.

DISCUSSION:

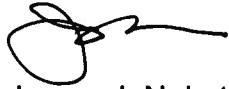
Staff believes that the potential for full payment of current and past-due balances is possible, and that the tenant intends to fully utilize the premises. However, out of an abundance of caution, ADC feels this matter should be referred to the Department of the Attorney General to ensure compliance with their obligations under the license and to ensure full payment of their rental obligations.

Staff is currently working with our Deputy Attorney General to draft an enforceable settlement agreement to which the Licensee would be required to consent in order to avoid more substantial actions, such as a Notice of Default and Demand and the potential for subsequent termination of the license and eventual eviction.

RECOMMENDATION:

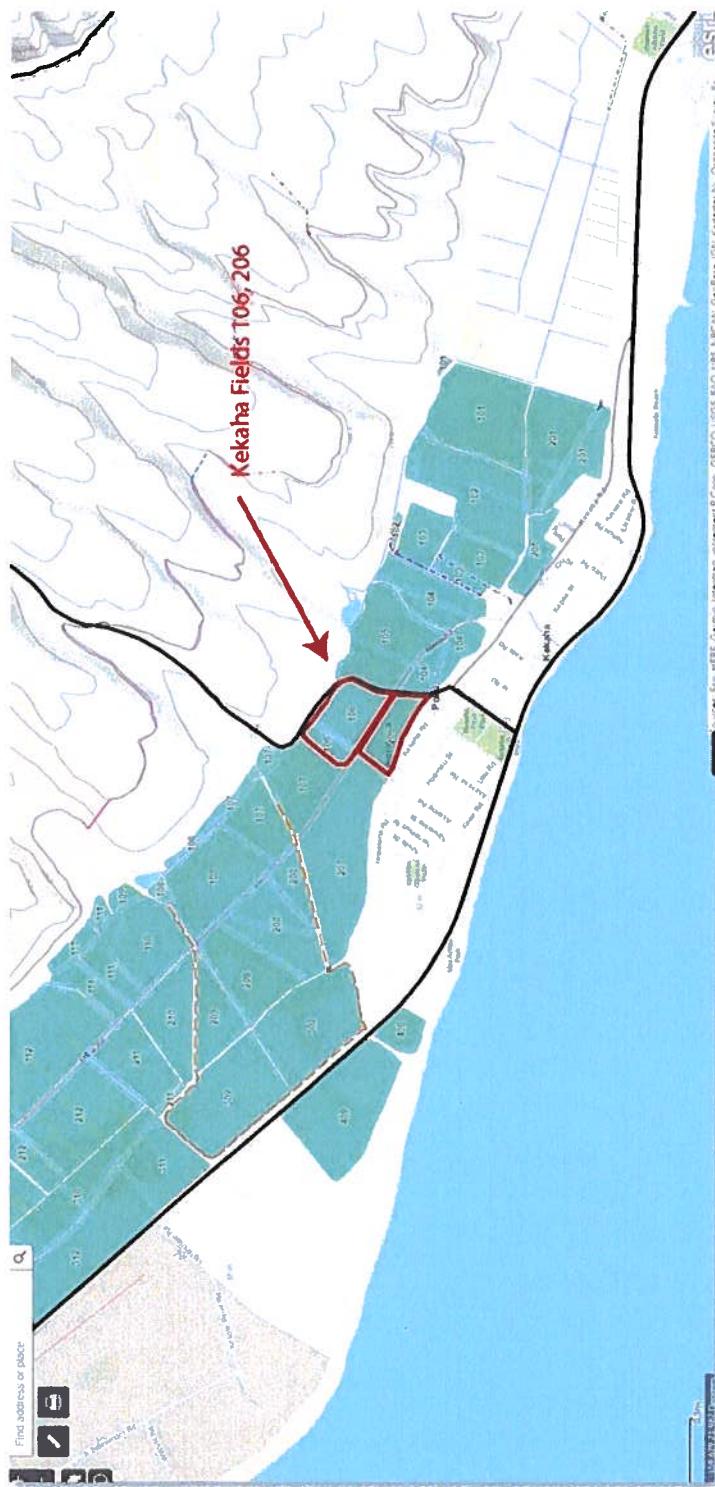
Staff recommends that the Board approve the referral of License No. LI-K1701, issued to Rong Seng Chen dba Funing Farm, to the Department of the Attorney General for possible legal action.

Sincerely,



James J. Nakatani
Executive Director

EXHIBIT A



Request for Approval for the Referral of License No. LI-K1701 Issued to Rong Seng Chen dba
Funing Farm to the Department of the Attorney General for Possible Legal Action
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EXHIBIT B

Licensee's "Statement of Account" is withheld pursuant to
HRS 92F-14(b)(6-7)

EXHIBIT C

From: Lordlyh Chen
To: Roe, Lyle T
Subject: [EXTERNAL] Funing farm
Date: Monday, August 9, 2021 1:05:41 PM

**Me.Lyle T Roe Junly 19,2021
ADC**

Dear Mr.Roe

I am sorry for not responding to you sooner after our meeting on April 8,2021.

My current monthly rent calls for the payment of \$775. Starting tin June,2021,I paid \$3,000 and will continue to pay a total of \$3,000 monthly until I become current on my obligation.

My family is wholly dependent on the income generated from the farm.I have planted some wind breaker shrubs around the leased property and continue to do so to maximize productivity.

I hope also that soon after I will be allowed to operate a food stand to supplement my family income from farming.

Thank you

Funing farm

Rongsheng chen [REDACTED]

Min Chen [REDACTED]

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM E

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval to Issue a Revocable Permit to Ohana Hui Ventures, Inc. for 13,680 Square Feet, More or Less, of Warehouse Space in Whitmore, Oahu, Tax Map Key (1) 7-1-002-004 (por)

Applicant: Ohana Hui Ventures, Inc.

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 13,680 Square Feet, More or Less, at Whitmore, Oahu

Building ID(s): Building G

Tax Map Key: (1) 7-1-002-004

Land Status: Acquired in fee by the Agribusiness Development Corporation in 2015

Trust Land Status: N/A

Character of Use: Commercial/Agricultural

Land Doc. Type: Revocable Permit

Term: Month-to-Month, Annual Renewal

Base Rental Rate: \$0.10 per square foot per month (Annual Rent: \$16,416)

BACKGROUND:

Ohana Hui Ventures, Inc. ("OHV"), a domestic profit corporation, was established in 2018 by Scott Wong as the corporate entity to ventures engaged in Hawaii agriculture, multimedia production, training, and industrial hemp farmers and processors. OHV partners with local organizations such as Friends of Waimanalo ("FOW"), a non-profit 501(c)(3) entity, who focuses on community workforce

development in the areas of building trades, multimedia, and Hawaiian culture and agriculture.

LAND REQUEST:

OHV requests 13,680 square feet, more or less, of Building G (the "Premises") (see "Exhibit A"). The request does not include the exterior lean-to portions of the building.

WATER NEEDS AND SOURCE OF WATER:

Water needs for OHV will be minimal, restricted primarily to washing equipment. Building G has access to potable water via non-exclusive Board of Water Supply line within the building.

OPERATIONAL PLAN:

OHV intends to use Building G as a storage facility to house their tractors and training equipment such as a forklift, scissor lift, multimedia trailer, tractors, and a mobile workshop. These tools and equipment will be used for farming on ADC lands and the various training programs offered to Wahiawa and Whitmore community members and students.

OHV has partnered with another ADC tenant, Whitmore Economic Development Group ("WEDG"), to assist each other in their respective missions to support the local agricultural community by offering joint trade-based education, including commercial driver's license training, CPR, first aid, media, and agriculture drones. OHV plans to utilize their non-profit arm to educate the community in farm plans, soil remediation, seed banking, aquaponic, and aquaculture. They have plans to conduct classes on the safe operations of various farm equipment and vehicles, and further, to lend various farm equipment to community farmers to help assist in starting community farm plots after successfully completing their farm certification program (currently a work in progress with CTAHR, the College of Tropical Agriculture and Human Resources), as well as hold various meetings and symposiums to facilitate dialogue and connections between local farmers and manufacturers/distributors. Agro-tourism will also feature prominently into their activities and offerings, as well.

OHV will also conduct active outreach and dialogue with the surrounding community, as well as consult and present to the Wahiawa-Whitmore Neighborhood Board on plans which may affect the local community.

CONSERVATION PLAN:

A conservation plan is not required for this use or space.

DISCUSSION:

OHV's operational plan and activities align with ADC's mission and goals. Further, OHV intends to conduct rigorous outreach to the Wahiawa-Whitmore community. Approval of this revocable permit represents \$16,416/year in rental income.

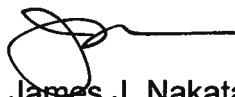
Staff notes that these premises are located within ADC's master planned area and that a long-term license is not recommended.

RECOMMENDATION:

Staff recommends the Board approve the issuance of a revocable permit for the land request noted above, subject to the following conditions:

1. OHV shall procure all appropriate policies of insurance pursuant to the terms of the permit, and as ADC deems necessary to cover any additional liabilities;
2. OHV shall consult and present to the Wahiawa-Whitmore Neighborhood Board regarding any and all activities which may affect the resident of Wahiawa and Whitmore Village;
3. OHV shall be responsible to dismantle, remove, and properly dispose of any abandoned property within the Premises;
4. All other terms and conditions of the standard permit shall remain unchanged.

Respectfully Submitted,

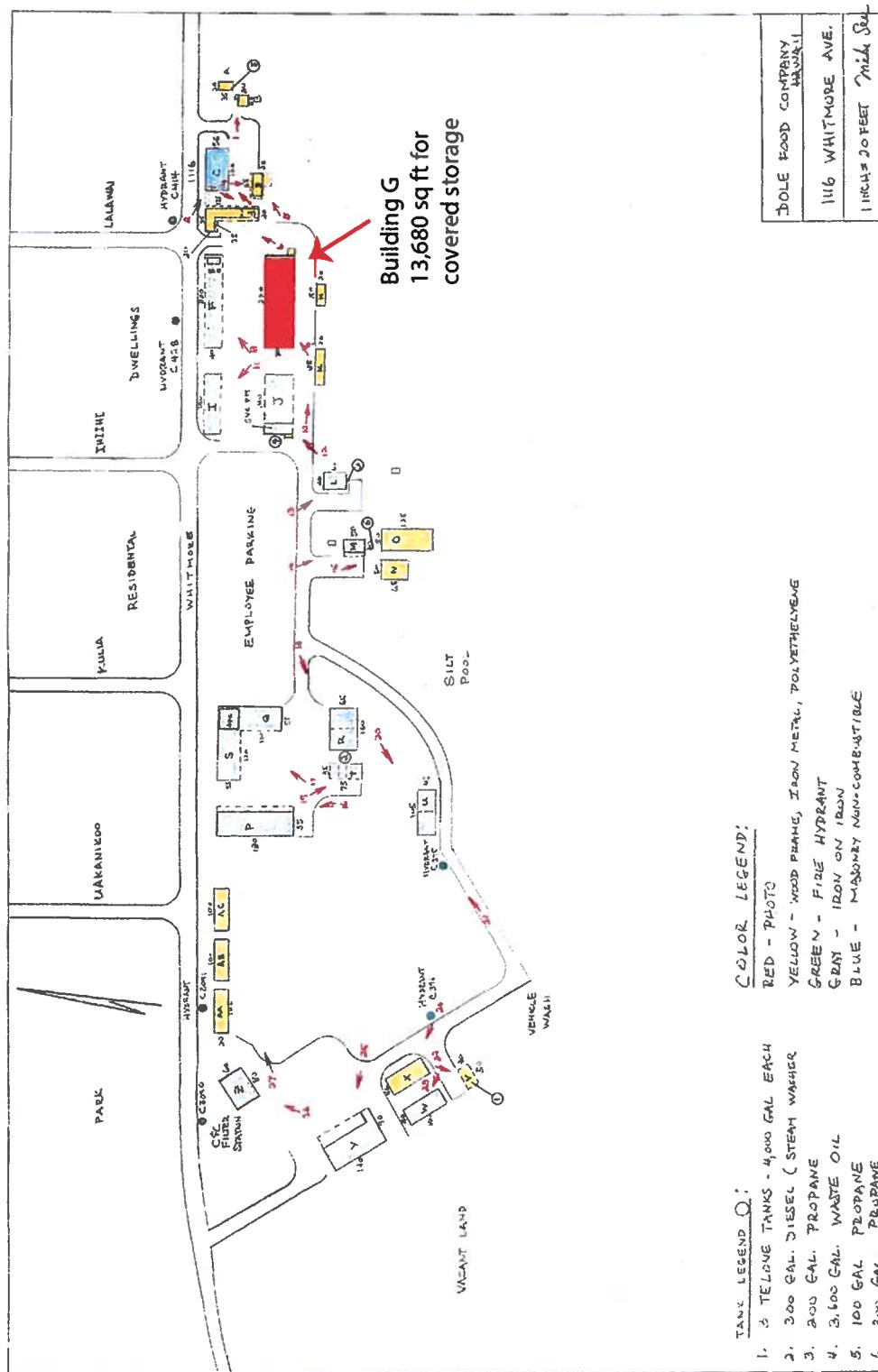


James J. Nakatani
Executive Director

Request for Approval to Issue a Revocable Permit to Ohana Hui Ventures, Inc. for 13,680 Square Feet, More or Less, of Warehouse Space in Whitmore, Oahu, Tax Map Key (1) 7-1-002-004 (por)
 August 25, 2021

Page 4 of 4

EXHIBIT A



DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM G

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval to Rescind License Approval Issued to Hawaii Xing Long Farm & Hawaii Golden Farm, Inc for 182 Acres, More or Less, in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por)

Applicants: Hawaii Xing Long Farm, Hawaii Golden Farm, Inc.

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 182 Acres, More or Less

Field No(s): Unit A-1

Tax Map Key: (4) 3-9-002-020 (por)

Land Status: Set Aside by the Governor's Executive Order Nos. 4328 and 4401 to the Agribusiness Development Corporation for Agricultural Purposes

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution Yes

Character of Use: Agricultural

Land Doc. Type: License

Term: 10 Years (never executed)

Base Rental Rate: \$100 per acre per year (Annual Rent: \$18,200)

Request for Approval to Rescind License Approval to Taiwan Gu & Hawaii Golden Farm, LLC for 182 Acres, More or Less, in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por)

August 25, 2021

Page 2 of 4

BACKGROUND:

On October 11, 2017, the Board of the Agribusiness Development Corporation (the "Board") approved the issuance of a Revocable Permit No. RP 1803 (the "RP") to joint tenants Taiwan Gu and Hawaii Golden Farm LLC (collectively, the "Farms") for approximately 200 acres of Unit A-1 (the "Premises") (see "Exhibit A") for purposes of diversified agriculture. Following the commencement of the RP, the Farms fenced the parcel, obtained an approved conservation plan, and successfully grew multiple crops of sweet potato and ginger.

Subsequently, the Farms requested a longer-term license for the Premises. At its meeting on May 20, 2020, the Board approved the termination of the RP as well as the issuance of a 10-year license to Hawaii Xing Long Farm (formerly Taiwan Gu) and Hawaii Golden Farm, Inc. (formerly Hawaii Golden Farm LLC) for 182¹ acres, more or less, of the Premises. Contemporaneous with the Board's actions, the business relationship between the business partners began to deteriorate and the license was never executed.

Until recently, Taiwan Gu has continued to farm the Premises as a holdover permittee, however the unit is now fallow with random pieces of equipment, irrigation pipe, and electric fencing strewn about.

LAND REQUEST:

Staff requests that the Board rescind its previous license approval issued on May 20, 2020 to Hawaii Xing Long Farm and Hawaii Golden Farm, Inc.

DISCUSSION:

Staff believes that the passionate and intractable nature of the dispute between the business partners strongly suggests that the license will never be executed. While staff has not, and will not, attempt to mediate the dispute, they have encouraged the parties to begin dialogue, and have also suggested that the parties avail themselves of mediation services. Nevertheless, the dispute continues. In the event the Board adopts staff's recommendations below, staff will seek a qualified farming operation to whom a license could be issued. Additionally, staff may seek to re-combine Unit A and A-1 as one contiguous Unit A, dedicated to diversified agriculture.

¹ Updated mapping of Unit A-1 indicated the actual acreage was 182 acres rather than the previous 200 acres.

Request for Approval to Rescind License Approval to Taiwan Gu & Hawaii Golden Farm,
LLC for 182 Acres, More or Less, in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por)

August 25, 2021

Page 3 of 4

RECOMMENDATION:

Staff recommends that the Board rescind the license approval given on May 20, 2020
to Hawaii Xing Long Farm and Hawaii Golden Farm, Inc. for 182 acres, more or less, of
Unit A-1 in Kalepa, Kauai, subject to the following conditions:

1. The termination of Revocable Permit No. RP18-03 shall not be rescinded.

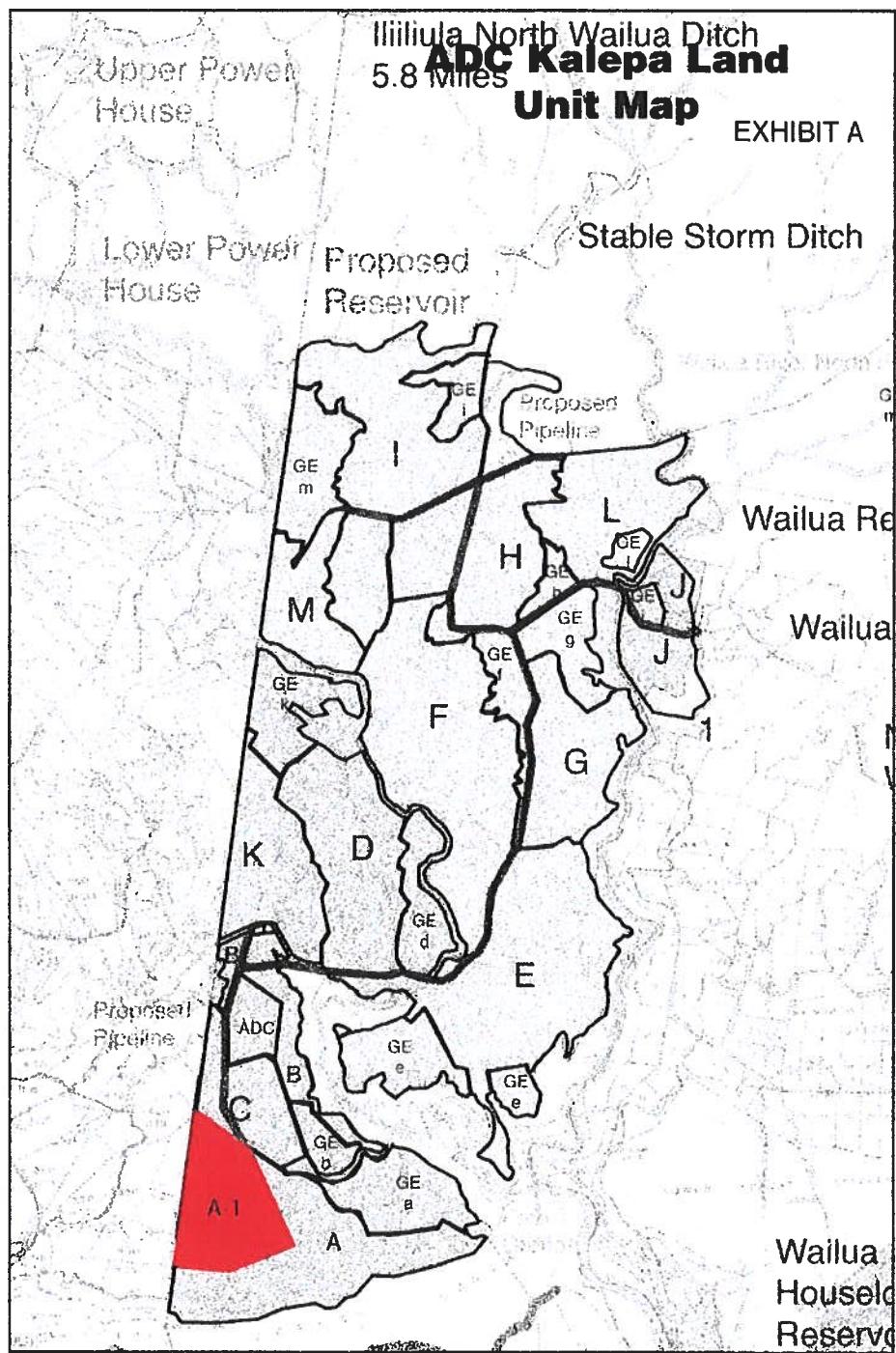
Sincerely,



James J. Nakatani
Executive Director

Request for Approval to Rescind License Approval to Taiwan Gu & Hawaii Golden Farm, LLC for 182 Acres, More or Less, in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por)
August 25, 2021
Page 4 of 4

EXHIBIT A



DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM H

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request to Approve or Approve-in-Concept the Proposed Assignment and Transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education for Agricultural Education Purposes of 10.0 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por), Pending Appraisal of Physical Structure

Applicant: Beck's Superior Hybrids, Inc., State of Hawaii, Department of Education

Authority: Section 163D-(a)(5), Hawaii Revised Statutes

Area: 10 Acres, More or Less

Field No(s): 309 (por)

Tax Map Key: (4) 1-2-002-001

Land Status: Set Aside by Governor's Executive Order No. 4007, as modified by Executive Orders No. 4034 and 4165, to the Agribusiness Development Corporation for Agricultural Purposes

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution Yes

Character of Use: Educational

Land Doc. Type: Lease

Term: 35 years (currently in year 9)

Base Rental Rate: \$710 per acre per year (Annual Rent: \$710)

Request to Approve or Approve-in-Concept the Proposed Assignment and Transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education for Agricultural Education Purposes of 10.0 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por), Pending Appraisal of Physical Structure

August 25, 2021

Page 2 of 7

BACKGROUND:

Lease No. LE-K1201 (the "Lease") issued to BASF Plant Science LP ("BASF") was approved by the Board (the "Board") of the Agribusiness Development Corporation ("ADC") at its meeting on March 15, 2012 for 10.0 acres of Field 309 (see "Exhibit A") "...to construct a farm equipment storage/office/administration building and certain other facilities to be used for seed processing and handling..." (LE-K1201, p. 3). In 2016, BASF requested the assignment and transfer of the Lease to Beck's Superior Hybrids, Inc. ("Beck's"); the Board approved the assignment and transfer at their meeting on September 28, 2016.

In March 2021, Beck's announced that they would cease operations in Hawaii and sought to find a buyer for their lease and license holdings in Kekaha. Subsequently, Beck's transmitted a Letter of Intent from the State of Hawaii, Department of Education ("DOE") for the assumption and assignment of Lease No. LE-K1201.

LAND REQUEST:

Beck's and DOE jointly request the assignment and transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education of 10.0 acres, more or less, for agricultural education purposes (see "Exhibit B" and "Exhibit C"), pending an appraisal of the physical structure.

WATER NEEDS AND SOURCE OF WATER:

Water needs for uses related to the transfer are currently unknown, though staff does not anticipate a significant change in demand. The premises have access to potable water from the Pacific Missile Range Facility, and access to Waiawa Reservoir water for groundskeeping purposes via Field 108 pump station.

OPERATIONAL PLAN:

The Letter of Intent from the DOE notes the proposed use for "...purposes of promoting agriculture and farming in public education" (see "Exhibit C", p.1).

CHAPTER 343:

This transfer is exempt from Chapter 343 pursuant to the "Comprehensive Exemption List for the Agribusiness Development Corporation State of Hawaii" dated May 1, 2018, Exemption Class 10(5): "Continuing administrative activities,

Request to Approve or Approve-in-Concept the Proposed Assignment and Transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education for Agricultural Education Purposes of 10.0 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por), Pending Appraisal of Physical Structure

August 25, 2021

Page 3 of 7

including, but not limited to, purchase of supplies and personnel-related actions. Appropriate exemptions may include: ... training and other educational activities."

CONSERVATION PLAN:

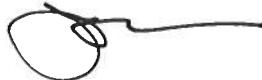
The proposed use does not require a conservation plan.

RECOMMENDATION:

Staff recommends that the Board approve or approve-in-concept the proposed assignment and transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education for agricultural education purposes, subject to the following conditions:

1. Sale price of the Premises and related equipment shall not exceed the appraised value as determined by a qualified appraiser;
2. Final approval of any sale shall be subject to the consent of the Board of the Agribusiness Development Corporation.

Sincerely,



James J. Nakatani
Executive Director

Request to Approve or Approve-in-Concept the Proposed Assignment and Transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education for Agricultural Education Purposes of 10.0 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por), Pending Appraisal of Physical Structure

August 25, 2021

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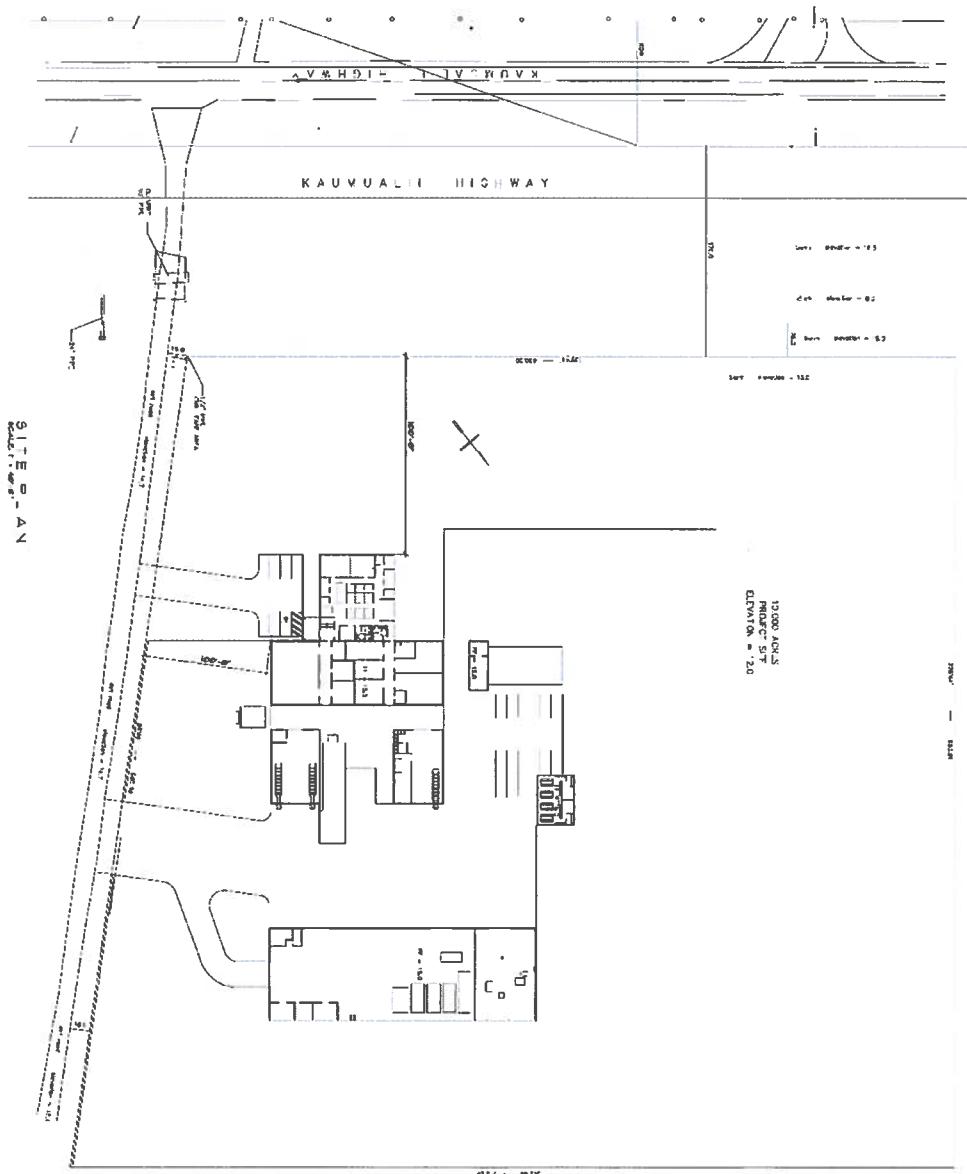
EXHIBIT A



Request to Approve or Approve-in-Concept the Proposed Assignment and Transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education for Agricultural Education Purposes of 10.0 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por), Pending Appraisal of Physical Structure

August 25, 2021

Page 5 of 7



SHEET NUMBER A-1 OF 4FT'S	REVISONS	BASF KEKHA FACILITY KUNIA FACILITY KEKHA, KAUAI, HAWAII SITE PLAN	JOB NO. SERIAL BY LS D-100000 LS	SDMA NO. LOCAL LOCATION OAHU, HAWAII S.D. AS NOTED DATE: FEB 201	LEO V. LIMA PROFESSIONAL REGISTERED HAWAII, U.S.A. THIS DRAWING IS THE PROPERTY OF THE STATE OF HAWAII AND IS TO BE USED FOR OFFICIAL PURPOSES ONLY. IT IS NOT TO BE COPIED OR Duplicated EXCEPT AS AUTHORIZED BY THE STATE OF HAWAII BY THE STATE OF HAWAII, DEPARTMENT OF EDUCATION, AGRICULTURE, AND HUMAN SERVICES, DIVISION OF EDUCATION, STATE OF HAWAII.	project DESIGN inc.	P
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Request to Approve or Approve-in-Concept the Proposed Assignment and Transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education for Agricultural Education Purposes of 10.0 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por), Pending Appraisal of Physical Structure

August 25, 2021

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EXHIBIT B



August 6, 2021

Agribusiness Development Corporation
235 South Beretania Street, Room 205
Honolulu, Hawaii 96813

Re: License Agreement No. LE-K1201 as assigned and amended

To Whom It May Concern,

Background: The State of Hawai'i Agribusiness Development Corporation ("ADC") and BASF Plant Science LLC executed that certain License Agreement No. LE-K1201 dated as of July 16, 2012, assigned with the consent of the ADC to Beck's Superior Hybrids ("Beck's) on or about September 30, 2016 (such license, as assigned, is referred to as the "License").

Enclosed with this letter is a copy of the Letter of Intention for the sale of structure and associated equipment between Beck's and the Department of Education, State of Hawai'i ("DOE"), dated as of July 20, 2021 regarding the License. As this structure is located on the land leased through ADC through LE-K1201, this transfer is on land subject to the consent of the ADC. We hereby request consent to such assignment of this lease to the DOE. This will allow for the DOE to utilize the facility for the development of the next generation of agriculturalists, helping ensure a successful agricultural future for Hawai'i.

The price for the sale of the structure and related equipment shall not exceed the appraised value as determined by Bobby Hastings of Colliers International, located in Honolulu. This appraisal has not yet occurred but is being scheduled. Once results of the appraisal are available, they will be shared with ADC. As the school year is already underway, the DOE has requested expediency, so they can develop their curriculum for implementation next semester. Beck's and DOE is asking for consent to transfer of land lease LE-K1201 to allow for sale and transfer to the structure, contingent upon a sale price to not exceed appraised value for the structure. No monetary or similar benefit will be exchanged in consideration of the lease transfer.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lawrence C. Beck".

Lawrence C. Beck
CEO

Request to Approve or Approve-in-Concept the Proposed Assignment and Transfer of Lease No. LE-K1201 from Beck's Superior Hybrids, Inc. to the State of Hawaii, Department of Education for Agricultural Education Purposes of 10.0 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por), Pending Appraisal of Physical Structure

August 25, 2021

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EXHIBIT C

[see following pages 1 – 9]

"Letter of Intent for Assumption and Assignment of 10 Acres of Land with Improvements in Kekaha, Kauai, TMK: (4) 1-2-002-001 por."



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF FACILITIES AND OPERATIONS

July 30, 2021

Beck's Superior Hybrids, Inc.
6767 E 276th Street
Atlanta, Indiana 46031

Attention: Mr. Sonny Beck
Chief Executive Officer

Re: Letter of Intent for Assumption and Assignment of 10 Acres of Land with Improvements in
Kekaha, Kauai, Hawaii, TMK: (4) 1-2-002-001 por.

Dear Mr. Beck:

The Hawaii Department of Education would like to express an intent to assume the lease for the Property described below from Beck's Superior Hybrids, Inc., for the purpose of promoting agriculture and farming in public education.

This letter of intent ("LOI") is presented by the Hawaii Department of Education ("Assignee") to Beck's Superior Hybrids, Inc. ("Assignor") in an effort to negotiate the assignment and assumption of Lease Agreement No. LE-K1201 ("Lease"), dated July 16, 2012, of the Property on the following terms and conditions:

1. Property: The leasehold interest in and to real property situated in Kekaha, Kauai, Hawaii, containing an area of approximately 10 acres more or less and identified as Tax Map Key: (4) 1-2-002-001 por. (the "Property") and a 13,000 square foot facility which includes offices, laboratory space, and storage.
2. Purchase Price: The purchase price (the "Purchase Price") shall be an amount to be mutually agreed upon between Assignor and Assignee, but in no event in an amount greater than the fair market value of the property in accordance with Chapter 171, Hawaii Revised Statutes ("H.R.S.") as determined by an independent and qualified appraiser mutually selected and agreed upon by both Assignee and Assignor. Within sixty (60) calendar days of the execution of the LOI by Assignor and Assignee, Assignee shall retain such appraiser to establish the fair market value of the Property, taking into account the highest and best uses of the Property. The cost of the appraisal shall be borne solely by Assignee. In the event Assignor believes, in good faith, that the fair

market value established by the appraiser is understated, Assignor shall have the option, in its sole and absolute discretion, to terminate this LOI or the AALA (defined below), as the case may be, by providing written notice thereof to Assignee, and thereafter the parties shall have no further obligations to each other, except for the parties' confidentiality obligations under Paragraph 9 below.

3. Deposit: Reserved.
4. Assignment and Assumption of Lease Agreement: The parties shall have ninety (90) days from the execution of this LOI by Assignor and Assignee to negotiate, in good faith, the terms of a definitive assignment and assumption of lease agreement ("AALA") which will incorporate the terms and conditions of this LOI, together with such additional representations, warranties, covenants, and conditions and other agreements between Assignor and Assignee as are mutually agreeable to the parties, consistent with the terms contemplated by this LOI. Each party will be responsible for its own attorney's fees and costs in negotiating, reviewing and preparing the AALA and any and all other documents and certificates related to the transaction. If the AALA is not executed on or before expiration of said 90-day period, then either party shall (unless and until a AALA is signed by both) have the option to terminate this LOI by providing written notice thereof to the other, and thereafter the parties shall have no further obligations to each other, except for the parties' confidentiality obligations under Paragraph 9 below.
- If necessary, Assignor reserves the right to access the facilities and property to finish current crop season. Assignor agrees to fully vacate the property within ten (10) days of completion of crop harvest.
5. Due Diligence Period: Assignee shall have a period of time (the "Due Diligence Period") to conduct its due diligence review of the Property. The Due Diligence Period shall commence upon the signing of the AALA and shall continue until the date which is two (2) calendar weeks prior to the closing of the transaction and recordation of all documentation required to effectuate the assignment and assumption of the Property. In its sole discretion, and as part and parcel of Assignee's Due Diligence, Assignor may provide such preliminary and initial information and documentation to Assignee prior to the execution of the AALA, which provision shall not constitute a waiver of any term or condition of this LOI. During the Due Diligence Period, Assignor shall cooperate with Assignee and any and all agents, representatives and contractors of Assignee, including any accountants, appraisers, surveyors, engineers, environmental experts, and environmental site assessment experts, and allow Assignee and its agents, representatives, and contractors access

to the Property on dates and at times mutually agreeable to both Assignor and Assignee.

If the Property is not suitable for Assignee's intended use, as determined by Assignee in its sole and absolute discretion, Assignee shall have the right to cancel this LOI and the AALA (if then in effect) and all other agreements relating to the transaction contemplated hereby or thereby by providing written notice of termination to Assignor prior to the end of the Due Diligence Period, and upon such notice, this LOI or the AALA, as the case may be, and the transactions contemplated hereby, shall terminate.

The parties recognize that, because documentary and other tangible evidence in the possession of Assignee, other than Assignor's proprietary business records, may be subject to disclosure to any requesting entity under Chapter 92F, H.R.S. and any other open record law of the State of Hawaii, including electronic files and electronic mail files, the preliminary information to be provided by Assignor to Assignee shall be limited until the parties can mutually agree to a Purchase Price. Therefore, within seven (7) days after the AALA has been signed by Assignee and Assignor, or such earlier time as Assignor, in its sole discretion and as part and parcel of Assignee's Due Diligence, shall elect to disclose, Assignor shall submit to Assignee all publicly available information and such other non-public information (other than information and documents that are confidential, privileged or proprietary) relating to the Property as Assignor determines in its sole and absolute discretion. Within seven (7) days after the Purchase Price has been agreed to by Assignee and Assignor, Assignor shall submit to Assignee, any and all remaining appraisals and title reports and existing ALTA title insurance policies, surveys and survey maps and plats, all blueprints, plans and specifications for existing and demolished improvements on the Property, environmental reports and audits of the Property, response actions and remediation actions, evidence of encumbrances, permits, licenses and other interests pertaining solely to the Property, and all correspondence and other tangible documents pertaining to compliance and land management and control of the Property that Assignor has in its possession and control, other than information and documents that are confidential, privileged or proprietary, and subject to the other limitations on due diligence obligations and materials set forth in this LOI (collectively, the "Due Diligence Documents). Notwithstanding the foregoing,

(a) Assignor undertake any obligation to conduct a search of the email

correspondence of its company or its employees or consultants;

(b) Assignor's obligations with respect to the production of and making available for inspection the Due Diligence Documents shall be limited to those materials affecting the Property only; and

(c) Assignor makes no representations, warranties, or covenants as to the Due Diligence Documents, including, without limitation, its accuracy or completeness, and Assignee acknowledges that Assignor shall not have any liability to Assignee resulting from the provision or use of Due Diligence Documents to or by Assignee. To the extent the documents provided to Assignee generate requests for further information necessary to Assignee's due diligence investigation which information Assignor has deemed to be confidential, privileged or proprietary, Assignor and Assignee shall negotiate the disclosure of such confidential, privileged, or proprietary information to Assignee in good faith and to further effectuate the purchase and transaction of the Property. In the event Assignee and Assignor are unable to reach a mutually acceptable agreement with respect to the disclosure of other written or documentary information which Assignee believes is critical to its due diligence, and which Assignor believes consists of such confidential, privileged or proprietary information, either party may, at its option, terminate the AALA, providing written notice of such termination to the other party, and upon such notice, this transaction shall terminate.

Assignor shall supplement and transmit any and all Due Diligence Documents over which Assignor may obtain possession until the closing of the transaction and recordation of all documentation required to effectuate the transaction of the Property.

6. Escrow and Closing:
- The Closing shall be handled by Title Guaranty Escrow Services, Inc. Assignor agrees to convey to Assignee good, marketable and insurable leasehold interest to the Property in accordance with the standards applicable in the State of Hawaii. Within fourteen (14) business days of full execution of the AALA, Assignor shall provide Assignee, at Assignor's sole cost and expense, with a preliminary title report from Title Guaranty of Hawaii, Inc. (the "Title Company") for the property in its then current configuration (i.e. prior to Subdivision Approval (defined below)). Assignee shall have until the end of the Due Diligence Period to examine all title reports. If title is defective, or if the Property is not suitable for Assignee's intended use, as determined by Assignee in its sole and absolute discretion, Assignee shall have the right to cancel the AALA and all other agreements relating to the transaction contemplated thereby. Subject to the satisfaction of all

conditions precedent, Closing shall occur within ten (10) business days after Assignor has provided an updated preliminary title report from the Title Company describing and covering the Property after Subdivision Approval has been obtained, or such other date as Assignee and Assignor may mutually agree in writing. Assignor shall transfer leasehold interest to the Property at Closing to Assignee via a limited warranty deed, free and clear of any and all existing liens, encumbrances, lawsuits, pending litigation, claims, tenancies and parties in possession known to Assignor, except as may be mutually agreed by Assignee and Assignor.

7. **Closing Costs:** The Closing costs shall be borne by Assignee and Assignor according to local custom in the State of Hawaii for commercial transactions.
8. **Agency:** Assignee and Assignor agree that there shall be no brokers involved in the transaction contemplated by this LOI.
9. **Confidentiality Obligations:** Except as otherwise provided by law or agreed to by Assignor, Assignee shall keep confidential all information obtained from Assignor. Assignor shall keep confidential all information obtained from Assignee. In the event that the transaction does not close, each party shall return to the other all confidential information received in the course of this transaction. Assignor understands and acknowledges that once the transaction of the Property closes, all documentary and other tangible evidence in possession of Assignee, other than Assignor's proprietary business records, may be subject to disclosure to any requesting entity under Chapter 92F, H.R.S. and any other open record law of the State of Hawaii, including electronic files and electronic mail files.

Additionally, the parties' obligations of confidentiality shall be subject to the following exceptions:

 - (a) if and to the extent the information is already a matter of public record;
 - (b) if and to the extent the information is acquired totally apart from the other party or its employees, agents, or representatives;
 - (c) if such disclosures are necessary to the disclosing party's attorney, accountant, architect, engineer, appraiser, or other consultant (collectively, "Permitted Representatives") on the conditions that such party shall require each of its Permitted Representatives to keep that information confidential; and
 - (d) if such disclosures are required by law or by any litigation

involving one or both of the parties hereto with respect to the Property; provided that prior to making any disclosure(s) required by law, the disclosing party shall give the other party as much notice thereof as is legally permitted, along with a copy of the proposed disclosure.

10. Assignor's Representations and Warranties: In addition to such other representations and warranties as may be agreed upon by Assignor and Assignee, Assignor shall warrant and represent that:
- (a) it will convey good and marketable leasehold interest to the Property to Assignee at Closing;
 - (b) leasehold interest to the Property at Closing shall be free and clear of any and all existing liens and encumbrances, and except as to those which the parties may otherwise mutually agree; and
 - (c) Assignor has the right, power and authority to enter into the AALA and to consummate the transaction contemplated therein. Such warranties and representations are and shall remain true and correct as of the date of execution of the AALA and the Closing Date, as applicable, and shall survive Closing.
11. Special Terms and Conditions: The Property will be transferred and sold subject to the following special terms and conditions:
- (a) Except in respect of any warranties as set forth above, the Property will be conveyed "as is", with all faults and defects (if any), including without limitation, as to existing environmental status as may be disclosed to or discovered by Assignee through its Due Diligence, and which environmental status is accepted by Assignee.

To the extent that the Property consists of land within the agricultural district with soil classified by the land study bureau's detailed land classification as overall (master) productivity rating class A or B, such portions of the Property are subject to the restriction on uses as prescribed in Section 205-4.5, H.R.S., and to the condition that uses be primarily in pursuit of an agricultural activity. These restrictions and conditions, to the extent applicable, shall be deemed encumbrances running with the land until such time that the land is reclassified to a land use district other than agricultural district. In addition, Assignee acknowledges and agrees that the Property was voluntarily submitted for and designated as important agricultural lands as governed by Chapter 205, H.R.S.. Assignee shall assume and accept at Closing all conditions, restrictions and obligations pertaining to such classification and designation of the Property.

12. Counterparts;
Electronic
Transmission:

Assignor and Assignee agree that this LOI and subsequent documents may be executed in counterparts, each of which shall be deemed an original, and together shall constitute one document. In addition, Assignor and Assignee agree that this LOI and future documents (except closing documents that need to be recorded or filed with any governmental or quasi-governmental agency) may be executed and the signatures transmitted electronically via the internet or facsimile; provided that original signatures shall be transmitted to the other party as soon as practicable thereafter.
13. Exclusive
Negotiations:

From the date of execution of this LOI by both parties, neither the Assignor nor its representatives shall market, offer for transaction or negotiate with other parties with respect to the transaction of the Property until the earliest to occur of the following:
 - (a) termination of this LOI;
 - (b) termination of the AALA; or
 - (c) Assignee's election not to proceed on or before the expiration of the Due Diligence Period.

Beck's Superior Hybrids, Inc.
July 30, 2021
Page 8

14. Non-Binding
LOI:

Assignee and Assignor agree that this LOI is an expression of the mutual interest of the parties in the transaction described herein and that this LOI is non-binding and does not create any legal obligation or liability on the part of either party; provided, however, that the terms of paragraphs 5 (Due Diligence Period), 9 (Confidentiality Obligations), 13 (Exclusive Negotiations) and this paragraph 14 (Non-Binding LOI) above shall constitute the legally binding obligations of Assignor and Assignee. This LOI contains only some of the terms and conditions that may be contained in the AALA. Accordingly, the AALA shall contain such other terms, conditions, representations, warranties and indemnities as are consistent with the terms of this LOI and agreeable to both parties. Except as set forth in the first sentence of this paragraph, this LOI is not intended to impose any binding obligation on either party. Neither Assignor nor Assignee will be bound by an agreement unless and until the AALA, in a form mutually acceptable to both parties in their sole discretion, is executed and delivered by both parties.

Should you find the foregoing acceptable, please indicate our agreement by signing in the space provided below and returning one (1) fully executed copy to:

Mr. Roy Ikeda
Interim Public Works Manager
3633 Waialae Avenue, Room C209
Honolulu, Hawaii 96816
Roy.Ikeda@k12.hi.us

Sincerely,



Randall M. Tanaka
Assistant Superintendent

RMT:ri

c: Office of Facilities and Operations
Facilities Development Branch

Beck's Superior Hybrids, Inc.
July 30, 2021
Page 9

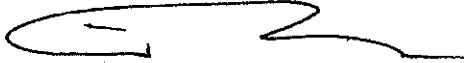
BECK'S SUPERIOR HYBRIDS, INC.

By Jam C. Barr
Its: CEO

DATE: July 31, 2021
"Assignor"

ACCEPTED AND AGREED TO:

DEPARTMENT OF EDUCATION,
STATE OF HAWAII

By: 
Its: Assistant Superintendent

Date: JUL 30 2021

"Assignee"

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM I

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval of Assignment and Transfer of License No. LI-K0801 from Beck's Superior Hybrids, Inc. to Hartung Brothers, Inc. for Agricultural Purposes of 1,312.16 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)

Applicant: Beck's Superior Hybrids, Inc. and Hartung Brothers, Inc.

Authority: Section 163D-(a)(5), Hawaii Revised Statutes

Area: 1,312.16 Acres, More or Less

Field No(s).: 101, 102, 105, 109, 116, 121, 123, 125, 216, 217 219, 222, 223, 225, 314, 324, 325

Tax Map Key: (4) 1-2-002-001

Land Status: Set Aside by Governor's Executive Order No. 4007, as modified by Executive Orders No. 4034 and 4165, to the Agribusiness Development Corporation for Agricultural Purposes

Trust Land Status: Section 5(b) Lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: Yes

Character of Use: Agricultural

Land Doc. Type: License

Term: 20 Years (currently in year 13)

Base Rental Rate: \$150 per acre per year for tillable (Annual Rent: \$120,396)
\$1 per acre per year for un-tillable (Annual Rent: \$6,509.52)
Annual Gross Rent: \$126,905.56

Request for Approval of Assignment and Transfer of License No. LI-K0801 from Beck's Superior Hybrids, Inc. to Hartung Brothers, Inc. for Agricultural Purposes of 1,312.16 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)

August 25, 2021

Page 2 of 7

BACKGROUND:

The Board (the "Board") of the Agribusiness Development Corporation ("ADC") approved the issuance of License No. LI-K0801 (the "License"), dated April 1, 2008, and issued to BASF Plant Science L.L.C. ("BASF") for 1,175.13 gross acres, more or less, in Kekaha, Kauai (the "Premises"), including 930.49 tillable acres and 244.64 non-tillable acres. In 2016, ADC consented to the assignment and transfer of the Premises to Beck's Superior Hybrids, Inc. ("Beck's"). Subsequent to a series of license amendments between 2012 – 2021, the Premises were adjusted to 1,312.16 gross acres, including 509.52 tillable acres and 802.64 non-tillable acres (see "Exhibit A").

In March 2021, Beck's announced that they would cease operations in Hawaii and sought a buyer for their lease and license holdings in Kekaha. Subsequently, Beck's transmitted that certain Assignment and Assumption Agreement transferring the License to Hartung Brothers, Inc. ("Hartung") (see "Exhibit B" and "Exhibit C").

LAND REQUEST:

Beck's and Hartung jointly request that ADC consent to the assignment and transfer of License No. LI-K0801 from Beck's Superior Hybrids, Inc. to Hartung Brothers, Inc., for agricultural purposes.

WATER NEEDS AND SOURCE OF WATER:

Water needs are currently unknown. Fields under the License access water from the following sources:

<u>Source</u>	<u>Fields</u>
Reservoir H	121, 123, 125, 222, 223, 225, 324, 325
Field 23 Reservoir	314, 217
Field 12 Reservoir	116, 216
Waiawa Reservoir	309
Huluhulunui Shaft	101, 102, 105

OPERATIONAL PLAN:

Hartung will continue to utilize the fields in the same manner as Beck's, for research and development and seed production.

Request for Approval of Assignment and Transfer of License No. LI-K0801 from Beck's Superior Hybrids, Inc. to Hartung Brothers, Inc. for Agricultural Purposes of 1,312.16 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)

August 25, 2021

Page 3 of 7

CHAPTER 343:

This transfer is exempt from Chapter 343 pursuant to Exemption Class 1 where the operation, repairs or maintenance of existing structures, facilities, equipment, or topographic features, involving negligible or no expansion or change of use beyond that previously existing.

CONSERVATION PLAN:

Hartung shall obtain a soil conservation plan for the lands under the License, or seek to have Beck's soil conservation plan transferred, as may be allowed.

DISCUSSION:

Beck's is the successor-in-interest of the subject ADC fields from BASF which in turn was the successor-in-interest from Far West Ag, Inc. ("Far West"). Far West was one of the original anchor tenants in Kekaha of the Department of Land and Natural Resources ("DLNR") soon after the closure of the Kekaha Sugar Company, both for Kekaha lands, and for use of irrigation water from the Kekaha ditch. Hartung Brothers, Inc. is also a successor-in-interest from another originating tenant, Syngenta Hawaii, Inc. These original tenants, in their capacity of both ADC tenants and as members of the agricultural cooperative, the Kekaha Agriculture Association, have been pivotal in creating an operations, maintenance and development system for the Kekaha lands.

The exit of Beck's will create a sizeable void in daily land stewardship and water use; Hartung has the capability to fill this void, and the need to use the lands. The transfer of the lands during this time of vacancy is crucial to the seamless continuation of the operations and production activities on ADC Kekaha lands.

ADC will continue to discuss the further diversification of crops and uses of these lands with these anchor tenants as well as the newer tenants, all of whom are small tenants at this time. In the meantime, this assignment ensures that the above-referenced fields will continue to be maintained and will not fall into disuse and become overgrown. Additionally, staff notes that there are only seven years remaining under the License.

RECOMMENDATION:

Staff recommends that the Board approve the proposed assignment and transfer of License No. LI-K0801 from Beck's Superior Hybrids, Inc. to Hartung Brothers, Inc., for agricultural purposes and authorize the executive director to execute a written consent to the same, subject to the following conditions:

Request for Approval of Assignment and Transfer of License No. LI-K0801 from Beck's Superior Hybrids, Inc. to Hartung Brothers, Inc. for Agricultural Purposes of 1,312.16 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)
August 25, 2021

Page 4 of 7

1. Hartung shall obtain a soil conservation plan for the lands under the License or seek to have Beck's soil conservation plan transferred under Hartung's license as the use will be the same, and as may be allowed;
2. Obtain the requisite policies of insurance pursuant to the License, naming ADC as an additional insured.

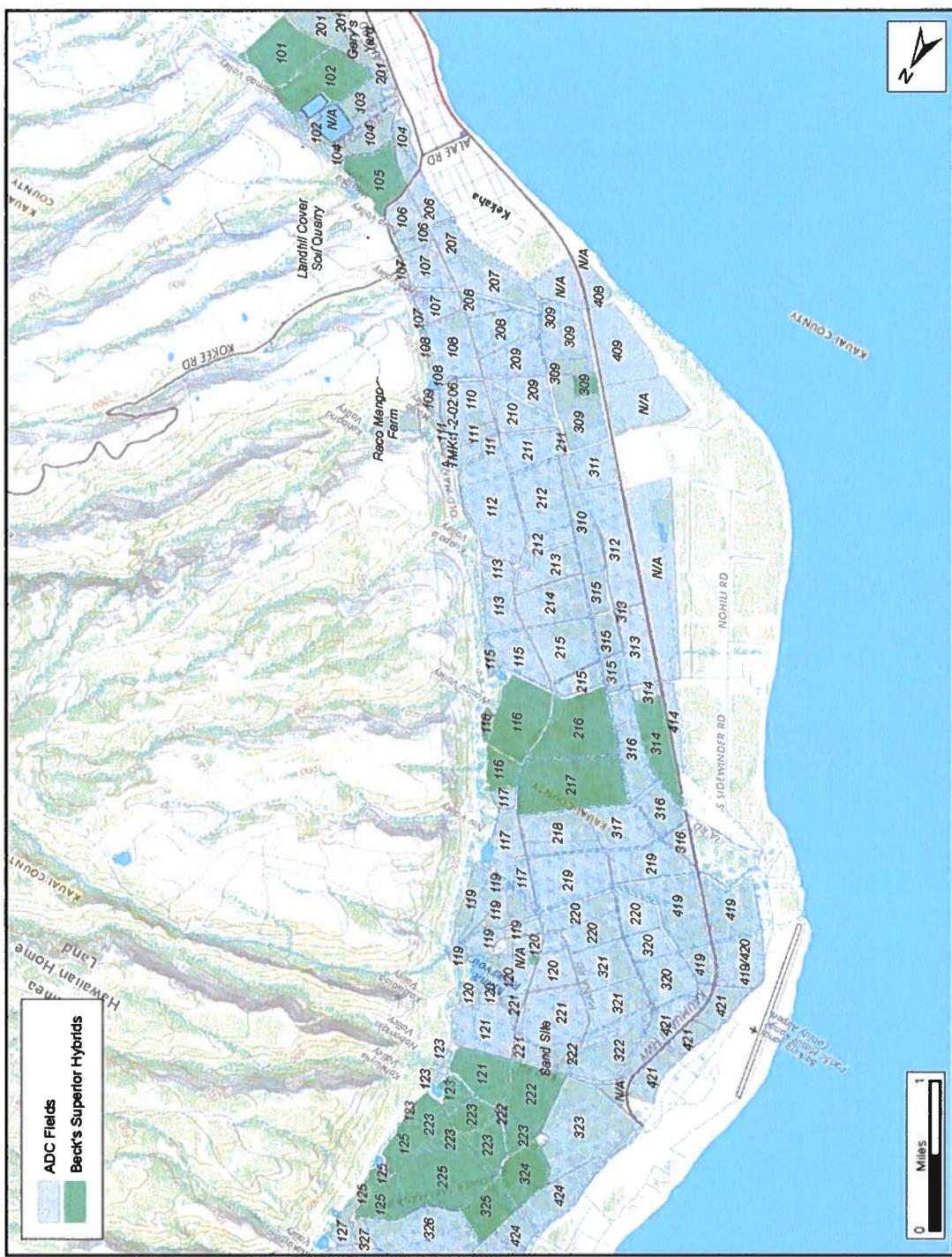
Sincerely,



James J. Nakatani
Executive Director

Request for Approval of Assignment and Transfer of License No. LI-K0801 from Beck's Superior Hybrids, Inc. to Hartung Brothers, Inc. for Agricultural Purposes of 1,312.16 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)
August 25, 2021
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EXHIBIT A



Request for Approval of Assignment and Transfer of License No. LI-K0801 from Beck's Superior Hybrids, Inc. to Hartung Brothers, Inc. for Agricultural Purposes of 1,312.16 Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)
August 25, 2021
Page 6 of 7

EXHIBIT B



August 6, 2021

Agribusiness Development Corporation
235 South Beretania Street, Room 205
Honolulu, Hawaii 96813

Re: License Agreement No. LI-K0801 as assigned and amended

To Whom It May Concern:

Background: The State of Hawaii Agribusiness Development Corporation ("ADC") and BASF Plant Science LLC executed that certain License Agreement No. LI-K0801 dated as of April 1, 2008, which license was amended April 2, 2012, assigned with the consent of the ADC to Beck's on or about September 30, 2016, and further amended pursuant to second and third amendments each dated June 24, 2020 (such license, as assigned and amended, is referred to as the "License").

Enclosed with this letter is a copy of the Assignment and Assumption Agreement between Beck's and Hartung dated as of August 4, 2021 regarding the License. You will note that the assignment to Hartung in the Assignment and Assumption Agreement is subject to the consent of the ADC. We hereby request consent to such assignment.

Although Hartung and Beck's have other relationships between them, including agreements relating to facilities on the mainland and relating to production and research to be performed on Hartung property on Hawaii and the mainland, the Assignment and Assumption Agreement is independent from such other agreements. There is no consideration being paid for the assignment and assumption of the License, under the Assignment and Assumption Agreement or under such other agreements, other than Hartung's willingness to take on the remaining obligations under the License, and Beck's desire to be released from further obligations under the License.

With the assignment of the land that is the subject of the License, Hartung hopes to grow its business on Kauai, including the possibility of work for Beck's and other new customers. Although the additional land will not guarantee such growth, the land is needed by Hartung to seek the growth opportunities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lawrence C. Beck".
Lawrence C. Beck
CEO

Request for Approval of Assignment and Transfer of License No. LI-K0801 from Beck's
Superior Hybrids, Inc. to Hartung Brothers, Inc. for Agricultural Purposes of 1,312.16
Acres, More or Less, in Kekaha, Kauai, Tax Map Key (4) 1-2-002-001 (por)
August 25, 2021
Page 7 of 7

EXHIBIT C

[see following pages 1 – 3]

"Assignment and Assumption Agreement"

ASSIGNMENT AND ASSUMPTION AGREEMENT

LICENSE NO. LI-K0801

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this “**Agreement**”) is made as of August 4, 2021, by and between **HARTUNG BROTHERS, INC.**, a Wisconsin corporation (“**HBI**”), and **Beck’s Superior Hybrids, Inc.**, an Indiana corporation, or assigns (“**Beck’s**”).

RECITALS:

The State of Hawaii Agribusiness Development Corporation (“**ADC**”) and BASF Plant Science LLC executed that certain License Agreement No. LI-K0801 dated as of April 1, 2008, which license was amended April 2, 2012, assigned with the consent of the **ADC** to **Beck’s** on or about September 30, 2016, and further amended pursuant to second and third amendments each dated June 24, 2020 (such license, as assigned and amended, is referred to herein as the “**License**”).

Beck’s desires to assign to **HBI**, and **HBI** is willing to assume, all of **Beck’s** rights and obligations arising under the **License** from and after the date of assignment.

In consideration of the foregoing premises, the mutual promises and covenants contained herein, the receipt and sufficiency of which consideration are hereby acknowledged, **Beck’s** and **HBI** hereby agree as follows:

1. **Assignment and Assumption.** Subject to **ADC** consent, **Beck’s** does hereby assign to **HBI**, together with all interests thereto pertaining, all of **Beck’s** right, title, and interest as licensee in and to the **License**, to have and to hold the same unto **HBI** for the rest, residue and remainder of the term of said **License**, upon and subject to the terms, covenants, conditions and provisions therein contained on the part of **HBI** to be observed and performed, and together with all rights and benefits thereunder and in respect thereof. Subject to **ADC** consent, **HBI** does hereby covenant and agree to and with **Beck’s** that **HBI** does hereby assume all of the obligations of **Beck’s** under the **License** arising from and after the date hereof, and shall faithfully observe and perform all of the covenants and conditions contained in the **License Agreement** which were to be observed and performed by **Beck’s**.

2. **ADC Consent.** **HBI** and **Beck’s** will, immediately following the date hereof, use all commercially reasonable efforts to assign and transfer the **License** to **HBI**, including without limitation obtaining the consent of the **ADC**. The parties will cooperate in obtaining the necessary consent.

3. **No Other Consideration.** The parties acknowledge and agree that there shall be no additional consideration owing or payable for the assignment of the **License** other than the mutual assignment and assumption described herein. This **Agreement** is not conditioned upon or contingent upon, any other agreement.

4. **AS-IS.** The **License** is being assigned “**AS-IS**”.

5. **Representations and Warranties.**

5.1 **Representations and Warranties of HBI.** **HBI** makes the following representations and warranties to **Beck’s** as of the date of this **Agreement** and as of the date of Closing:

(a) **Organization.** **HBI** is a corporation duly organized, validly existing and in good standing under the laws of the State of Wisconsin. **HBI** has all requisite power and authority to enter into this **Agreement** and the other documents and instruments to be executed and delivered by **HBI** pursuant hereto, and to carry out the transactions contemplated hereby and thereby.

(b) **Authority.** The execution, delivery and performance of this **Agreement** by **HBI** and the documents to be executed by **HBI** pursuant to this **Agreement**: (i) have been duly and validly authorized by all necessary action on the part of **HBI**; (ii) do not conflict with or result in a violation of **HBI**’s organizational documents or any

judgment, order or decree of any court or arbiter in any proceeding to which HBI is a party; and (iii) do not conflict with or constitute a material breach of, or constitute a material default under any contract, agreement or other instrument by which HBI or the Property is bound or to which HBI or any persons constituting HBI or the Property is a party.

5.2 Representations and Warranties of Beck's. Beck's makes the following representations and warranties to HBI as of the date of this Agreement and as of the date of Closing:

(a) Organization. Beck's is a corporation duly organized, validly existing and in good standing under the laws of the State of Indiana. Beck's has all requisite power and authority to enter into this Agreement and the other documents and instruments to be executed and delivered by Beck's pursuant hereto, and to carry out the transactions contemplated hereby and thereby.

(b) Authority. Beck's execution, delivery and performance of this Agreement and the documents to be executed by Beck's pursuant to this Agreement: (i) have been duly and validly authorized by all necessary action on the part of Beck's; (ii) do not conflict with or result in a violation of Beck's organizational documents or any judgment, order or decree of any court or arbiter in any proceeding to which Beck's is a party; and (iii) do not conflict with or constitute a material breach of, or constitute a material default under any contract, agreement or other instrument by which Beck's is bound or to which Beck's or any persons constituting Beck's is a party.

6. Covenants.

6.1 No Disclosure/Announcements. This Agreement and related transaction shall remain confidential pursuant to the non-disclosure agreement between the parties. Each party will consult with the other party prior to issuing any press release or otherwise making any public statement with respect to the transactions contemplated by this Agreement and will not issue any such release or make any such statement over the objection of the other party, except as required by law.

6.2 Use of the Licensed Land. The parties recognize that HBI will, in making its planting allocations for fall 2021 and thereafter, rely on the prompt availability of the land that is the subject of the License. In the event such land is not available to HBI by October 1, 2021, or in the event the License is not assigned to HBI by December 31, 2021, HBI will suffer economic harm due to the potential loss of business and/or misallocation of land resources.

7. Miscellaneous.

7.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be sufficiently made or given only when sent by (a) prepaid overnight commercial delivery service (such as FedEx or UPS) with proof of delivery, or (b) electronic transmission (with confirmation of receipt):

If to HBI:

Hartung Brothers, Inc.
708 Heartland Trail, Suite 2000
Madison, Wisconsin 53717
Attention: Daniel J. Hartung
Facsimile: 608-829-6001
Email: dan.hartung@hartungbrothers.com

If to Beck's:

Beck's Superior Hybrids Inc.
6767 E. 276th Street
Atlanta, IN 46031
Attention: Sonny Beck
Email: sonny@beckshybrids.com

or to such other address as any party hereto shall designate by like notice given to the other party hereto. All notices or other communications given or made as aforesaid shall be deemed to have been given and received on the date which is

the earlier of: (i) actual receipt; (ii) one (1) Business Day following deposit thereof with an overnight commercial delivery service when sent by overnight commercial delivery service; or (iii) upon confirmation of receipt as aforesaid if sent by electronic transmission.

7.2 Modification. Neither this Agreement nor any provision hereof may be modified or amended, except by an agreement in writing, executed and delivered by the party against whom enforcement of such modification or amendment is sought.

7.3 Successors, Assigns. This Agreement and all provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

7.4 Time of the Essence. Time is of the essence with respect to all times, dates and deadlines in this Agreement.

7.5 Severability. If any provision of this Agreement or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable under applicable law, then the remainder hereof and the application of such provision to persons, entities and circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby.

7.6 Litigation. In the event any litigation arises out of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party all reasonable costs incurred in connection therewith including, without limitation, reasonable attorneys' fees and all costs of appeal including, without limitation, reasonable attorneys' fees incurred on appeal. This provision shall survive Closing or termination hereof.

7.7 Governing Law. This Agreement and all of the terms and provisions hereof and of the various instruments executed and delivered pursuant hereto shall be governed by the laws of the State of Hawaii.

7.8 Non-Waiver. No waiver of any rights or obligations hereunder shall be deemed to have occurred unless in writing signed by the party against whom such waiver is asserted and no waiver shall be deemed a waiver of any other or subsequent rights or obligations.

7.9 Entire Agreement. This Agreement, together with exhibits referenced herein, integrates and supersedes all other oral or written agreements and understandings of the parties and comprises the entire agreement among them with regard to the matters herein.

7.10 Recordable Memorandum. The parties agree to execute a memorandum of this Agreement in recordable form for purposes of recording in the Hawaii real estate records.

IN WITNESS WHEREOF, HBI and Beck's have executed and delivered this Agreement as of the dates set forth below.

HARTUNG BROTHERS, INC.

By: _____
Name: Daniel J. Hartung
Title: President

BECK'S SUPERIOR HYBRIDS INC.

By: _____
Name: Lawrence C. Beck
Title: CEO

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM J

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval to Rescind License Approval to Zhao's Produce Inc. for 10 Acres at Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7-1-001-002 (por)

Applicant: Zhao's Produce Inc.

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 10.0 Acres

Field No(s): Lot 4

Tax Map Key: (1) 7-1-001-002

Land Status: Acquired in fee by the Agribusiness Development Corporation in 2012

Trust Land Status: N/A

Character of Use: Agricultural

Land Doc. Type: License

Term: 5 Years (not yet executed)

Base Rental Rate: \$200 per acre per year (Annual Rent: \$2,000)

BACKGROUND:

At its meeting on December 11, 2019, the Board (the "Board") of the Agribusiness Development Corporation ("ADC") approved the Land Investigative Committee's recommendations for the selection of applicants for ADC land licenses, one of whom was Zhao's Produce Inc. ("Applicant"). On May 20, 2020, the Board approved the issuance of a land license to the Applicant for 10 acres at Lot 4 ("Premises") (see "Exhibit A") of the small farmer lots in Wahiawa, Oahu.

August 25, 2021

Page 2 of 5

In July 2020, staff issued a Right-of-Entry to the Applicant for purposes of reasonable land preparation, soil conservation planning, and crop field tests. At the time, the Applicant was advised that ADC would only hold the property open for six to seven months while soil conservation planning was being completed.

Following months of subsequent inactivity and encouragement by staff, the Applicant began soil conservation planning. However, they were unable to make certain cropping decisions which would allow the conservation plan to be finalized and approved. (see "Exhibit B", Para. 1)

On July 14, 2021, the Applicant was advised that the license approval issued by the Board for Lot 4 would be included on the agenda of the next Board meeting and subject to possible recission.

LAND REQUEST:

Staff requests that the Board rescind its approval for the issuance of a land license to Zhao's Produce Inc. issued at its meeting on May 20, 2020.

DISCUSSION:

Following notice to the Applicant on July 14, 2021 that the license approval for Lot 4 would be up for recission, staff received a call from Oahu Resource Conservation District staff ("ORCD") who advised that they were working with the Applicant to finalize conservation planning.

On August 16, 2021, at staff's request, the Applicant submitted a letter detailing the history of their soil conservation planning and attempted to explain the delay in finalizing an approved plan (see "Exhibit B").

While there are some mitigating factors, the failure to begin conservation planning in a timely manner is the responsibility of the Applicant. Additionally, staff notes that at least two other Applicants who received license approval at the same time not only developed approved conservation plans¹ but secured the appropriate policies of insurance, executed a license, cleared their premises, constructed on-site irrigation infrastructure, tilled and amended the soil and planted crops, and have already begun to harvest those crops.

¹ Island Green Produce, Inc and Bounpheng Farm LLC submitted approved soil conservation plans dated May 2020.

Request for Approval to Rescind License Approval to Zhao's Produce Inc. for 10 Acres at Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7-1-001-002 (por)

August 25, 2021

Page 3 of 5

RECOMMENDATION:

Staff recommends the Board approve the following:

1. Grant the Applicant until October 31, 2021 within which to:
 - a. secure an approved soil conservation plan,
 - b. obtain the requisite policies of insurance, naming ADC as an additional insured, and
 - c. execute a land license agreement with ADC, and
2. Require that documentation evidencing the approved soil conservation plan and insurance coverage be provided to ADC immediately upon receipt by the Applicant; or
3. If all these conditions are not met by the date noted in recommendation 1, rescind the approval of the license granted to the Applicant on May 20, 2020, effective immediately; and
4. Terminate the Applicant's Right-of-Entry coterminous with the Applicant's license approval recission.

Sincerely,



James J. Nakatani
Executive Director

**Request for Approval to Rescind License Approval to Zhao's Produce Inc. for 10 Acres at
Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7-1-001-002 (por)**

EXHIBIT A

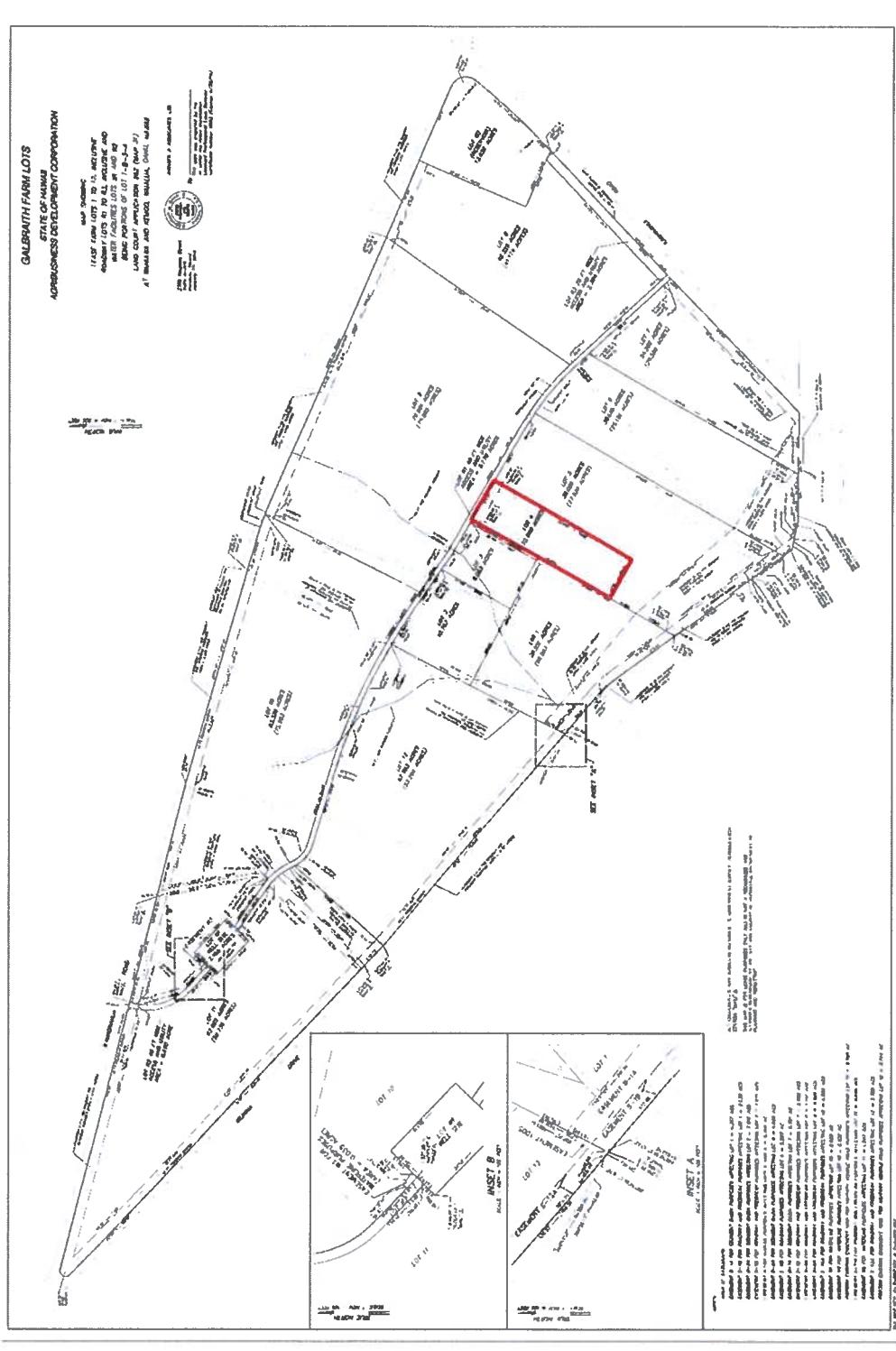


EXHIBIT B

To ADC Board:

On 12/30/2020, CTA planner Mandy and us met for the second time. Mandy gave us the drafted conservation plan and we had a discussion. We needed more time thinking about how to organize the farm and so finalize the plan. COVID then outbreak, we and our Chinese workers are the most worried ones, a lot of work therefore had been stopped and postponed.

From records of NRCS, Mandy was promoted to another position and her last day working on CTA plans was 4/9/21. The position was advertised for rehiring in March, with the objective of providing more service to Oahu producers, and a replacement was hired. Louise started in the position 05/03/21. She was allowed to report to the federal building 07/01/21 and began working with clients on CTA plans.

On 07/02/21, Mandy and Louise began email communication explaining the CTA planner change and to continue working on our conservation plan. A site visit with Louise and NRCS engineer was scheduled for 7/26/21. The engineer had to cancel due to illness, but Louise attended the planned visit to meet and go over practices. Louise is taking family leave in August but planned to schedule a site visit with the engineer in September.

The current status of our conservation plan is that we have the practices identified that we would like to implement which included irrigation reservoir, irrigation pipeline, access road, tree/shrub site preparation, and mulching. We have the necessary maps made for our conservation plan and additional documents considering cultural resources and Threatened and Endangered species drafted.

To complete our plan for NRCS approval, we need to have the NRCS engineer come out for an initial inventory and evaluation site visit. The NRCS engineer has to approve the engineering practices to go into the plan. Designs have to be drawn by a certified engineer that meet NRCS specifications for the practices. The tree/shrub site preparation and mulching implementation requirements have to be approved by staff with ecological sciences job approval authority. An environmental evaluation document that fulfills National Environmental Policy Act requirements has to be completed. This completed plan can then be signed off by the Oahu NRCS District Conservationist. Then we will present it to the board and, if approved, the plan would be complete and ready for work to be started.



Xianzhi Zhao
Zhao's Produce Inc.

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM K

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval to Issue License to Hawaii Golden Farm, Inc. for 237 Acres, More or Less, of Unit A in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por)

Applicant: Hawaii Golden Farm, Inc.

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 237 Acres, More or Less

Field No(s): Unit A

Tax Map Key: (4) 3-9-002-020

Land Status: Set Aside by the Governor's Executive Order Nos. 4328 and 4401 to the Agribusiness Development Corporation for Agricultural Purposes

Trust Land Status: Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution Yes

Character of Use: Agricultural

Land Doc. Type: License

Term: 10 Years

Base Rental Rate: \$100 per acre per year (Annual Rent: max \$23,700, subject to land survey to determine actual gross acreage, tillable, and untilable acreage)

Request for Approval to Issue License to Hawaii Golden Farm, Inc. for 237 Acres, More or Less, of Unit A in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por)

August 25, 2021

Page 2 of 4

BACKGROUND:

Hawaii Golden Farm, Inc. ("HGF") is a domestic for-profit corporation doing business in the State of Hawaii. HGF, currently a co-tenant with Taiwan Gu in Kalepa, Kauai, has been a tenant with the Agribusiness Development Corporation ("ADC") since 2016. Their jointly-utilized premises include 68 acres, more or less of Unit C (por) under License No. LI-KA1503 issued jointly to Taiwan Gu and HGF, and 80 acres, more or less, of Unit C (por) pursuant to that certain tripartite Crop & Cattle Rotation Agreement executed under LI-KA2101 issued to Aurora S. Bunao and Arnold S. Bunao.

In 2020, following the deterioration of their business relationship, which left HGF with functional access to only 40 acres, more or less, of Unit C under the Crop & Cattle Rotation Agreement, HGF requested a license for 237 acres, more or less, of Unit A. (See "Exhibit A").

Unit A is currently utilized by William Sanchez as a holdover tenant under expired Revocable Permit No. RP 1802 as pastureland for his cattle. Mr. Sanchez also has access to 235 acres, more or less, of Unit M under License No. LI-KA1404, although HGF has expressed a willingness to negotiate a crop and cattle rotation agreement with Mr. Sanchez for Unit A. Unit A is located at the base of the Kalepa Mountain Forrest Reserve and is relatively flat with some variation in topography. It has access to irrigation water via the Hanamaulu Ditch and is ideally suited for diversified crops.

LAND REQUEST:

HGF requests a land license for 237 acres, more or less, of Unit A for purposes of diversified agriculture to include sweet potato and ginger.

WATER NEEDS AND SOURCE OF WATER:

HGF estimates that 40 – 50 acres will be under cultivation at any given time; water demand is estimated at 150,000 GPD. Irrigation water for Unit A is accessed via Hanamaulu Ditch.

OPERATIONAL PLAN:

HGF supplies sweet potato and ginger to Hawaii markets and to mainland wholesalers and distributors including Aloha Produce, Aloun Farm, Armstrong Produce, Ham Produce & Seafood Inc., Times Supermarket, as well as continental markets in California, Texas, Louisiana, Florida, Massachusetts, New Jersey, and New York.

Their business plan calls for HGF to employ two full-time employees, as well as contract immigrant farm laborers.

Request for Approval to Issue License to Hawaii Golden Farm, Inc. for 237 Acres, More or Less, of Unit A in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por)

August 25, 2021

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CONSERVATION PLAN:

HGF will be required to finalize an approved conservation plan before a license may be executed.

CONCLUSION:

Given HGF's current tenancy with ADC and the current limited access to the premises jointly utilized with Taiwan Gu, staff believe that it is both desirable and appropriate to issue a land license to HGF. Additionally, given the current disposition of the premises, granting a license for purposes of diversified agriculture represents a step towards realizing the State's goal of doubling food production by 2030.

Such a license would represent a maximum rental income to ADC of \$23,700 per year, pending verification of gross, tillable, and untillable acreage.

RECOMMENDATION:

Staff recommends that the Board approve the issuance of a land license to Hawaii Golden Farm, Inc. for 237 acres, more or less, of Unit A in Kalepa, Kauai, subject to the following conditions:

1. The License term shall be 10 years;
2. Rent shall be \$100 per acre per year for tillable land; \$1 per acre per year for untillable land;
3. HGF shall secure an approved soil conservation plan and the requisite policies of insurance prior to the execution of a license;
4. HGF shall secure the services of a land surveyor, subject to ADC's approval, to verify the actual acreage of Unit A, and to determine which portions of the property are tillable and untillable.

Sincerely,



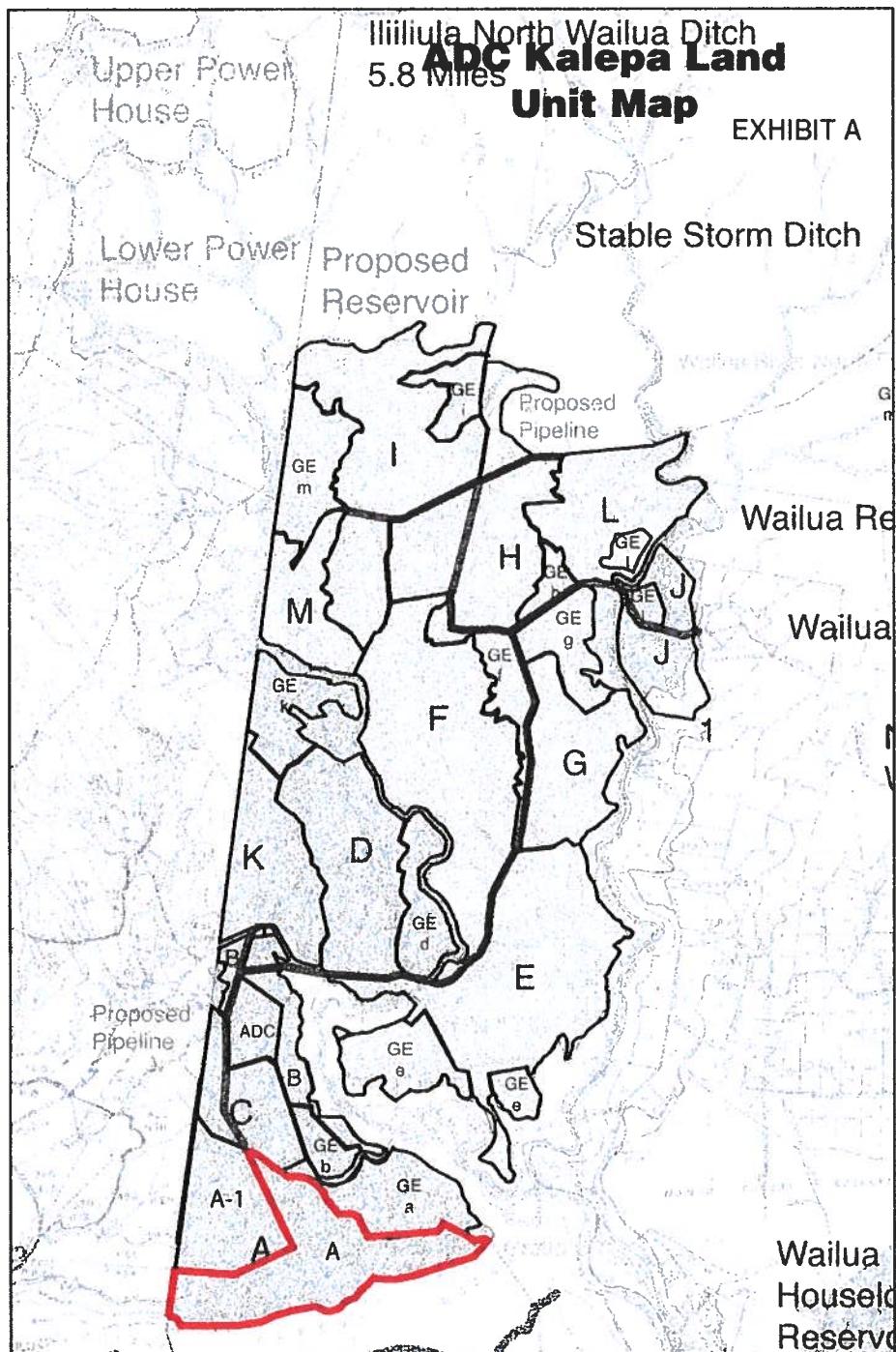
James J. Nakatani
Executive Director

Request for Approval to Issue License to Hawaii Golden Farm, Inc. for 200 Acres, More or Less, of Unit A in Kalepa, Kauai, Tax Map Key (4) 3-9-002-020 (por)

August 25, 2021

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EXHIBIT A



DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM L

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval to Rescind License Approval to Glory Herb Hawaii, LLC for 10.767 Acres at Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7-1-001-002 (por)

Applicant: Glory Herb Hawaii, LLC

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: 10.767 Acres

Field No(s).: Lot 2

Tax Map Key: (1) 7-1-001-002

Land Status: Acquired in fee by the Agribusiness Development Corporation in 2012

Trust Land Status: N/A

Character of Use: Agricultural

Land Doc. Type: License

Term: 5 Years (not yet executed)

Base Rental Rate: \$200 per acre per year (Annual Rent: \$2,153.40)

BACKGROUND:

At its meeting on December 11, 2019, the Board (the "Board") of the Agribusiness Development Corporation ("ADC") approved the Land Investigative Committee's recommendations for selecting applicants for ADC land licenses, one of whom was Glory Herb Hawaii, LLC (the "Applicant"). On May 20, 2020, the Board approved the issuance of a land license to the Applicant for 10.767 acres, more or less, at Lot 2 (the "Premises") (see "Exhibit A") of the small farmer lots in Wahiawa, Oahu.

Request for Approval to Rescind License Approval to Glory Herb Hawaii, LLC for 10.767 Acres at Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7-1-001-002 (por)

August 25, 2021

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Following the Board's approval of the Land Investigative Committee's recommendations, staff issued a Right-of-Entry to the Applicant, effective on February 4, 2020, for purposes of field preparation and soil conservation planning.

Following months of inactivity, staff contacted the Applicant on March 3, 2021 to seek an update on the status of their conservation planning and to request proof of insurance; a requirement of their Right-of-Entry agreement.

Following repeated unanswered inquiries on June 16 and July 12, staff advised the Applicant that the license approval issued by the Board for Lot 2 would be on the agenda of the next Board meeting and subject to possible recission.

Following the notice regarding possible recission, Applicant contacted both the Oahu Resource Conservation District and the United States Department of Agriculture, Natural Resource Conservation Service, seeking to begin conservation planning.

LAND REQUEST:

Staff requests that the Board rescind its approval of a land license to Glory Herb Hawaii, LLC issued at its meeting on May 20, 2020.

DISCUSSION:

As noted previously, the Board issued approval for a license to be issued to Glory Herb Hawaii, LLC at its meeting on May 20, 2020. Well over a year has passed and it appears that conservation planning has only just begun, and only after notice to the Applicant that staff had requested that the Board reconsider its previous license approval.

On August 16, at staff's request, the Applicant submitted a letter detailing the history of their soil conservation planning and attempted to explain the delay in finalizing an approved plan (see "Exhibit B").

The Applicant notes that they were planning to begin conservation planning shortly after they received their right-of-entry, and that pandemic-related issues caused complications to their plans. However, while there are some mitigating factors, the failure to begin conservation planning in a timely manner is the responsibility of the Applicant. Further, staff notes that at least two other Applicants who received approval at the same time not only developed approved

Request for Approval to Rescind License Approval to Glory Herb Hawaii, LLC for 10.767 Acres at Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7-1-001-002

(por)

August 25, 2021

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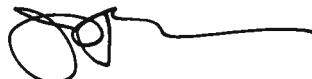
conservation plans¹ but secured the appropriate policies of insurance, executed a license, cleared their premises, constructed on-site irrigation infrastructure, tilled and amended the soil and planted crops, and have already begun to harvest those crops.

RECOMMENDATION:

Staff recommends the Board approve the following:

1. Grant the Applicant until October 31, 2021 within which to:
 - a. secure an approved soil conservation plan,
 - b. obtain the requisite policies of insurance, naming ADC as an additional insured, and
 - c. execute a land license agreement with ADC, and
2. Require that documentation evidencing the approved soil conservation plan and insurance coverage be provided to ADC immediately upon receipt by the Applicant; or
3. If all of these conditions are not met by the date noted in recommendation 1, rescind the approval of license to the Applicant granted on May 20, 2020, effective immediately; and
4. Terminate the Applicant's Right-of-Entry coterminous with the Applicant's license approval recission.

Sincerely,



James J. Nakatani
Executive Director

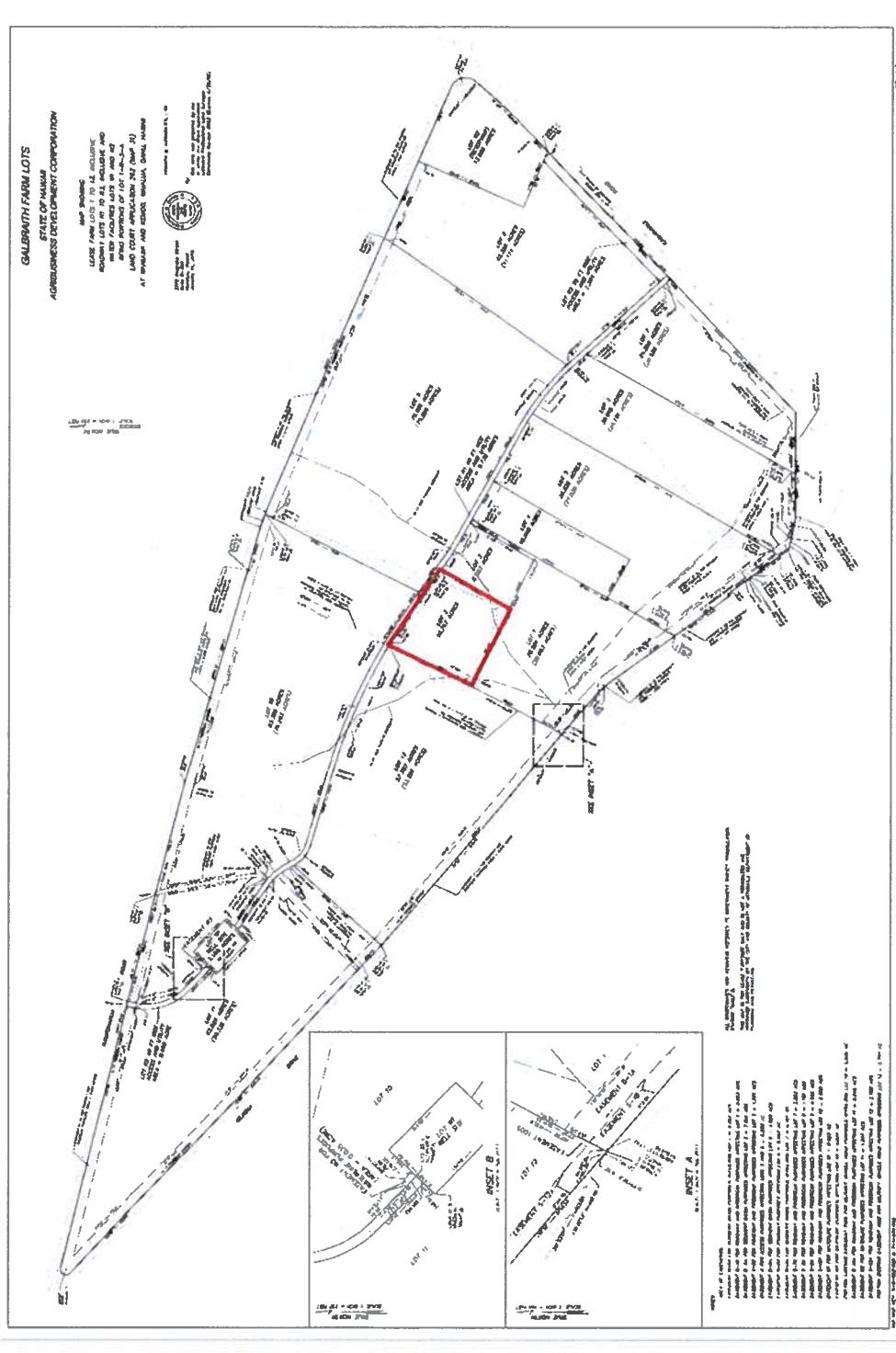
¹ Island Green Produce, Inc and Bounpheng Farm LLC submitted approved soil conservation plans dated May 2020

Request for Approval to Rescind License Approval to Glory Herb Hawaii, LLC for 10.767 Acres at Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7-1-001-002 (por)

August 25, 2021

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EXHIBIT A



Request for Approval to Rescind License Approval to Glory Herb Hawaii, LLC for 10.767 Acres at Galbraith Small Farmer Lots in Wahiawa, Oahu, Tax Map Key (1) 7-1-001-002 (por)

August 25, 2021

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EXHIBIT B



To the Board of Directors:

We humbly request an extension for the 10-acre parcel at Galbraith (TMK 7-1-001-002) that was granted to us. We admittedly started on our plan late, but there were reasons for this. When our operation was visited during the selection phase, we were farming at Mililani Agricultural Park. 3 months after the visit we were notified that our lease at Mililani Agricultural Park was being terminated early. This is due to almost all the lands at Mililani Ag Park being owned by Clearway Energy, which had already almost fully developed the land for a large solar farm. Our farmland was leased from Mililani Agricultural Park LLC, which was leased from Clearway Energy. They were going to take back our farmland so they could finish developing the rest of their solar farm plans.

We received and signed the ROE for the Galbraith land at the beginning of 2020 but due to this issue with our main operation, we were in the process of moving back almost 2 years early to our original farmlands at Waianae, which was being fallowed for soil health. During this period COVID hit, which disrupted our moving and cleaning process, our redevelopment of the land, and our overall business. At this point, we had to get our main operations back up and running as best and fast as we could, so we had to put our Galbraith plans on the side for now.

Now that things are running somewhat back to normal, we can focus on our plans for Galbraith. I have been in touch with Oahu RC&D and the NRCS for a conservation plan, but they told me they are backed up because many farmers are finally recovering from the COVID situation and are starting to work on their own plans. I'm currently in queue with them, and a conservation specialist with Oahu RC&D just recently told me they had rearranged their workflow and should be able to get started with me by the end of August or in September. We are also on the agenda with the August SWCD.

I very humbly request the Board of Directors for an extension, so we can get our conservation plan completed and start work at the parcel. Thank you for your time.

Sincerely,

A handwritten signature in black ink, appearing to read "Ericsson Hwang".

Ericsson Hwang
Glory Herb Hawaii, LLC.

DAVID Y. IGE

Governor

JOSH GREEN

Lt. Governor



JAMES J. NAKATANI

Executive Director

ITEM M

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval of the Agribusiness Development Corporation's Priority List and Recommendations to Implement the Legislative Auditors' Recommendations in Audit Report No. 21-01.

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

BACKGROUND:

Pursuant to Act 28, Session Laws of Hawaii 2019 (House Bill No. 1561, HD1, SD2), the State Office of the Auditor performed an audit of the Agribusiness Development Corporation ("ADC"), which was submitted to the Legislature on January 14, 2021. In his report, the auditor made 33 recommendations to improve oversight, efficiency, and the effectiveness of the organization. At its February 24, 2021 meeting, the ADC Board of Directors ("Board") instructed the Executive Director and ADC staff to prioritize the Auditor's recommendations and provide a matrix that establishes a methodology to track ADC's progress and ensure ADC's actions have been effectively implemented.

DISCUSSION:

On April 28, 2021, the ADC staff presented its priority list and matrix to the Board for review and discussion. The ADC staff found that of the 33 recommendations, 28 are directed at the Executive Director ("ED") and staff, and 5 are directed at the Board. Per the Board's request, ADC staff made a list of recommendations for the ED and staff – 1 being the highest priority and 28 being the lowest. Also analyzed was the amount of time it was anticipated would be required to implement each recommendation and, where possible, cost estimates and the lead entity that should be responsible for implementation. As this exercise progressed, it became apparent that there was a clear distinction between the activities that are high-level policy and planning acts and those that are more mundane and operational. Of the two levels of activities, there were those that the Board, ED, and/or staff have already begun or in some cases, completed. Additionally, several of the activities are duplicative of other agencies' activities. For these reasons, the 28 recommendations were separated into three groups – "executive", "administrative": and "other". (see "Exhibits A and B")

ADC's highest priority is to implement the administrative recommendations, which staff has already begun to address. This includes improving internal processes, paying greater attention to manpower and labor expertise and outsourcing where allowed, procuring appropriate software and equipment, and focusing more on management to enable a smoother transition to the constantly expanding demands made upon ADC going forward.

August 25, 2021

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The ADC staff did not analyze every recommendation in depth because several of the recommendations were already completed, contingent upon the implementation of another, or there's an ongoing effort by ADC and/or other agencies to address specific recommendations, which may only require updates or partnerships to implement. This includes developing financial and other programs, developing a statewide inventory of agricultural lands and infrastructure, and developing strategies to ensure adequate air and surface transportation and associated facilities.

RECOMMENDATIONS AND NEXT STEPS:

The ADC through its analysis has identified the next steps based on the priority list. The ADC's recommendations are summarized below for the Board's review and consideration:

Recommendation #1:

ADC recommends the Board provide guidance and/or approve the priority list to authorize the Executive Director and ADC staff to continue implementing the Auditors recommendations. Once the priorities are set, ADC staff can develop an implementation plan and expound upon the priority list and provide greater detail of the priorities, such as timeframes, challenges, and costs.

Recommendation #2:

With respect to the high-level executive activities, ADC requests assistance from the Board and, in the interest of time, recommends the formation of smaller committees that can vet the preliminary issues and concerns that will ultimately be addressed in an implementation plan. Upon presentation and recommendation of these smaller committees, the Board can have a greater understanding of the challenges and make better informed decisions for inclusion in the implementation plan.

Recommendation #3:

ADC recommends the Board authorizes the Executive Director to retain consultants or other outside technical assistance to develop a current Hawaii Agribusiness Plan, short- and long-term strategic plans, business and agricultural development plans, and assist in other tasks necessary to carry out the purposes of HRS Chapter 163D, as recommended by the Auditor and ADC Board members.

CONCLUSION:

This presents a summary of the ADC's analysis and prioritization of the Auditor's recommendations. ADC staff acknowledge there is much progress to be made in improving the effectiveness and efficiency of our organization and have already taken some of those steps as recommended by the state auditor. ADC staff is seeking guidance and approval from the Board to continue its ongoing efforts to address and/or implement the Auditor's recommendations in a timely manner.

August 25, 2021

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RECOMMENDATION

To approve the ADC's priority list and recommendations to implement the Legislative Auditor's recommendations in Audit Report No. 21-01.

Respectfully submitted,



James J. Nakatani
Executive Director

ADC Audit Recommendations Priorities
** Item numbers correlate to Auditor's recommendations; refer to matrix*

Executive	In order of priority	Administrative	In order of priority	Other	In order of priority
<ol style="list-style-type: none">1. Update and revise mission statement2. Develop goals, objectives, policies, and priority guidelines for an agribusiness development strategy9. Develop proposals to improve data collection of market demands12. Prepare short- and long-range strategic plans10. Develop strategies for federal and state legislative actions6. Develop financial and other programs13. For each project, prepare business and agricultural development plans7. Develop feasible strategies for the promotion, marketing5. Prepare an analysis of imported agricultural products	<ol style="list-style-type: none">14. Evaluate retaining consultants and other outside technical assistance21. Evaluate the retention of a private property management company26. Fill vacant staff positions20. Create a filing system (or electronic document management system)19. Create an electronic database18. Develop written policies and procedures24. Obtain an opinion from the State Procurement Office25. Attend training on the Hawaii Procurement Code, Chapter 103D, HRS27. Develop and document annual performance goals and measures for each staff28. Evaluate each staff's performance annually	<ol style="list-style-type: none">11. Prepare, and revise as required, the Hawaii Agribusiness Plan17. Twenty days before legislative session, submit a report to the Legislature and Governor3. Develop an inventory of agricultural lands with adequate water resources4. Develop an inventory of agricultural infrastructure23. Evaluate the need to procure insurance8. Develop strategies to ensure adequate air and surface transportation services and associated facilities15. Obtain and document approval by the Board of Agriculture before project implementation16. Obtain from the Board of Agriculture its policies and procedures for approval of ADC's projects22. Promulgate administrative rules to address the application process for ADC lands and other assets			

No.	Audit Recommendation	Priority	Status	Partners	Lead: Board/Staff/Consultant	Cost	Timeline or Due Date
1	Update and revise its mission statement to reflect the corporation's purpose more completely as intended by the Legislature to address, among other things, facilitating the development of Hawaii-based agricultural enterprises and strategies to promote, market, and distribute Hawaii-grown agricultural crops and value-added products in local, national, and international markets	Exec	Ongoing	HDOA; CTAHR; Board	Staff	n/a	3-5 months
2	Develop goals, objectives, policies, and priority guidelines that articulate and outline an agribusiness development strategy	Exec	Ongoing	HDOA; CTAHR; Board	Staff	n/a	3-5 months
3	Develop an inventory of agricultural lands with adequate water resources that are or will become available due to the downsizing of the sugar and pineapple industries or for any other reason that can be used to meet present and future agricultural production needs	Other	Completed. See "Statewide Agricultural Land Use Baseline Study" prepared for HDOA.	TBD	TBD	TBD	n/a
4	Develop an inventory of agricultural infrastructure that was or will be abandoned by the sugar and pineapple industries or by any other organization involved in the production of agricultural products such as irrigation systems, drainage systems, processing facilities, and other accessory facilities	Other	Completed. See "Agricultural Water Use Development Plan", which contains development plans for 13 major ag irrigation systems, and "North Kohala Agricultural Water Study."	TBD	TBD	TBD	n/a
5	Prepare an analysis of imported agricultural products and the potential for increasing local production to replace imported products in a manner that complements existing local producers and increases Hawaii's agricultural self-sufficiency	Exec	Ongoing	HDOA; CTAHR; Stakeholders; Consultant	TBD	TBD	3-6 months
6	Develop financial and other programs (such as advisory, consultative, training, and educational) to promote and facilitate the development of diversified agriculture and agricultural enterprises	Exec	Completed. Duplication of function of HDOA's Ag Loan Program, USDA Farm Services Loan Program, Farm Credit Services of Hawaii, and other financial institutions.	TBD	TBD	TBD	n/a
			Recommendation: Advisory, consulting, training, and education, should not be a function of ADC.				
7	Develop feasible strategies for the promotion, marketing, and distribution of Hawaii agricultural crops and value-added products in local, national, and international markets	Exec	Ongoing. Data collection is required before strategies can be developed.	HDOA; CTAHR; Stakeholders	TBD	\$30,000	4-6 months

No.	Audit Recommendation	Priority	Status	Partners	Lead:	Board/Staff/Consultant	Cost	Timeline or Due Date
8	Develop strategies to ensure the provision of adequate air and surface transportation services and associated facilities to support the agricultural industry in meeting local, national, and international market needs	Other	Completed. See "The Demand for Interisland Shipping and the Impact of Shipping Cost on Hawaii Agricultural Production" prepared for the ADC.	TBD		TBD	TBD	n/a
9	Develop proposals to improve data collection and the timely presentation of information on market demands and trends that can be used to plan future harvests and production	Exec	Ongoing. Propose reinstating data collection function at HDOA immediately. Positions needed: 2 Economist, 1 statistician, 1 clerk, and p/t assistant.	HDOA	TBD		\$330,000/yr	TBD
10	Develop strategies for federal and state legislative actions that will promote the development and enhancement of Hawaii's agricultural industries	Exec	Ongoing	HDOA; CTAHR; USDA-PEARC; TBD Stakeholders; Consultant		TBD	6-8 months	
11	Prepare, and revise as required, the Hawaii Agribusiness Plan	Other	Ongoing. Consider updating and adopting the "Increase Food Security & Food Self Sufficiency Strategy" from 2012.	HDOA; DBEDT; CTAHR; Consultant	TBD		10-12 months	
12	Prepare short- and long-range strategic plans to facilitate development of Hawaii-based agricultural enterprises to grow and export agricultural crops and value-added products	Exec	Ongoing. Data collection is required before strategies can be developed for export crops and value added products.	HDOA; CTAHR; Stakeholders; TBD Consultant		TBD	3-6 months	
13	For each project, prepare or coordinate the preparation of business and agricultural development plans, as required by 163D-7, HRS	Exec	Ongoing	TBD	Staff	TBD	6-8 months	
14	Evaluate retaining consultants and other outside technical assistance to develop a current Hawaii Agribusiness Plan, short- and long-term strategic plans, business and agricultural development plans, and other tasks necessary to carry out the purposes of Chapter 163D, HRS.	Admin	Ongoing. Pending appropriation.	Consultant	Staff	\$200,000	2-4 months	

No.	Audit Recommendation	Priority	Status	Completed. See Feb 26, 2008 Board of Agriculture Meeting minutes delegating authority to the ADC Chairperson to approve ADC projects as permitted under section 26-16.	Partners	Board	Lead: Staff	Board/Staff/Consultant Cost	Timeline or Due Date
15	Obtain and document approval by the Board of Agriculture for agricultural projects, agricultural development plans, and project facility programs, before implementation, as required by Section 163D-8.5, HRS.	Other	Completed. See Feb 26, 2008 Board of Agriculture Meeting minutes delegating authority to the ADC Chairperson to approve ADC projects as permitted under section 26-16.					n/a	n/a
16	Obtain from the Board of Agriculture its policies and procedures for approval of ADC's projects under Section 163D-8.5, HRS, including any delegations of authority.	Other	Completed. See Feb 26, 2008 Board of Agriculture Meeting minutes delegating authority to the ADC Chairperson to approve ADC projects as permitted under section 26-16.			Board	Staff	n/a	n/a
17	Twenty days before each legislative session, submit a report of the corporation's plans and activities to the Legislature and Governor, as required by Section 163D-19, HRS.	Other	Ongoing			n/a	Staff	n/a	11/25/2021
18	Develop written policies and procedures relating but not limited to: a. ADC Board oversight. The policies and procedures should address, among other things, the matters of types of matters that must be presented to the Board for information, consideration, and/or action; criteria establishing the actions which the Executive Director may authorize without the Board's approval, including powers delegated by the Board to the Executive Director, if any, as well as the process to periodically review the delegated authority; and the recordation of actions taken by the Board, which may include, among other things, confirmation of the Board's approvals, approvals with amendments, rejections and/or deferrals; b. Land and other ADC-owned property disposition application processes. The policies and procedures should address, among other things, the internal processes for evaluating applications for use of ADC-owned property (license, permit, right of entry, etc.) including criteria upon which applications are evaluated; and checklists to document completion of each step of the process, receipt of required information and timely communication with the applicant c. Property management. The policies and procedures should address, among other things, the process to confirm the receipt of all required documentation and other information, such as certificates or other evidence of compliance with federal and state requirements, performance bonds or other security, certificates or other evidence of insurance; for inspection of ADC properties, including the information of types of information that should be documented and the frequency of inspections; for enforcement of license/permit/right-of-entry terms and conditions, including issuance of notices of default; to evaluate the need for an type of security measures for a specific parcel; and to document completion of required processes or activities. d. File and document management. The policies and procedures should address, among other things, the types of documents retained by ADC and organization of those documents; staff responsibility for performing each file and document management task; document retention; and report of any release or personal information.	Admin	Ongoing	Board	Staff	n/a	2-4 months		

No.	Audit Recommendation	Priority	Status	Partners	Lead: Board/Staff/Consultant	Cost	Timeline or Due Date
19	Create an electronic database that includes, among other things, an inventory of the corporation's lands, improvements, and other assets. The database should include all information reasonably necessary to manage those assets, such as the material terms of licenses, permits, rights of entry, and other agreements to use or occupy ADC assets; and should allow ADC to generate reports necessary for management of its assets, such as current tenant lists, vacancy rates, rent rolls, rent reopening dates, and license, permit, or right of entry termination dates	Admin	Ongoing	Consultant	Staff	\$65,000	12-18 months
20	Create a filing system (or electronic document management system) that maintains documents in an organized manner and allows for the efficient retrieval of documents and/or files.	Admin	Ongoing	Consultant	Staff	TBD	12-18 months
21	Evaluate the retention of a private property management company to manage some or all of ADC's properties	Admin	Ongoing	Consultant	Staff	TBD	2-4 months
22	Promulgate administrative rules to address, among other things, the application process for the use of ADC lands and other assets, including ADC's process for evaluating applications; ADC's administration and enforcement of the terms and conditions of licenses, permits, rights of entry, and other conveyance instruments, including those related to inspections, notices of default, termination, eviction, and appeal rights; criteria and other procedures to create subsidiaries; criteria and other procedures to co-venture, i.e., to invest in qualified securities of an agricultural enterprise, and to make direct investment in an agricultural enterprise; criteria and other procedures to apply and qualify for allowances and grants; criteria and other procedures to exercise ADC's right of withdrawal from licenses, permits, and rights of entry; and criteria and other procedures to apply and qualify for rent credits.	Other	Ongoing	Board	Staff	TBD	10-12 months
23	Evaluate the need to procure insurance against loss in connection with ADC-owned properties	Other	Ongoing	TBD	Staff	TBD	TBD
24	Obtain an opinion from the State Procurement Office as to whether the corporation's practice of offering negotiated rent credits to tenants and prospective tenants in exchange for services in common areas, unoccupied properties, or properties occupied by other tenants, such as road and reservoir construction, and/or materials is permitted under the Hawai'i Procurement Code.	Admin	Ongoing	ATG; SPO	Staff	n/a	TBD
25	Attend training on the Hawai'i Procurement Code, Chapter 103D, HRS.	Admin	Completed. Staff has completed all necessary procurement training.	SPO	Staff	n/a	1-2 months
26	Fill vacant staff positions with qualified persons in a timely manner.	Admin	Ongoing. Recruiting process in progress.	HDOA	Staff	n/a	24-36 months
27	Develop and document annual performance goals and measures for each staff.	Admin	Ongoing	HDOA	Staff	n/a	1-2 months
28	Evaluate each staff's performance annually and document that evaluation.	Admin	Ongoing	n/a	Staff	n/a	12/1/2021

No.	Audit Recommendation	Priority	Status	Partners	Lead: Board/Staff/Consultant	Cost	Timeline or Due Date
29	Develop and document annual goals and performance measures for the Executive Director that allow the Board to evaluate the Executive Director's work, annually, to ensure compliance by the corporation with statutory requirements and achievement of its statutory purposes, among other things.	Board			Board		
30	Evaluate the Executive Director's performance annually based on the annual goals, performance measures, and other relevant criteria; document that evaluation	Board			Board		
31	Document the specific authority delegated to the Executive Director, including, but not limited to, the types of access and use of ADC property for which the Executive Director can approve without notice to or approval by the Board; and the rent credits and other amendments to Board-approved contract terms for which the Executive Director can approve without notice to or approval by the Board	Board			Board		
32	Attend training on the State's open meetings law (the Sunshine Law) Part I of Chapter 92, HRS.	Board			Board		
33	Ensure that the Board's minutes sufficiently document "[t]he substance of all matters proposed, discussed, or decided," among other things, as required by Section 92-9(2)(3), HRS.	Board			Board		

DAVID Y. IGE

Governor

JOSH GREEN

Lt. Governor



JAMES J. NAKATANI

Executive Director

ITEM N

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval of the Agribusiness Development Corporation's Mission Statement, Goals, and Objectives

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

BACKGROUND:

Pursuant to Act 28, Session Laws of Hawaii 2019, the State Office of the Auditor conducted an audit (Report No. 21-01) of the Agribusiness Development Corporation (ADC), which was submitted to the Legislature on January 14, 2021. Among the recommendations contained in his report, the auditor recommended that ADC update and revise its mission statement to reflect the corporation's purpose more completely as intended by the legislature, and develop goals, objectives, policies, and priority guidelines that detail ADC's development strategy.

The creation of ADC was the result of the enactment of Act 264, Session Laws of Hawaii 1994. At that time, the Legislature found that the shutting down and downsizing of the sugar and pineapple industries, resulting in abandoning arable lands, along with miles of irrigation systems, roadways, and other agricultural facilities presented an opportunity to transition agriculture in Hawaii from a two-crop plantation industry to a multi-crop diversified industry. The ADC was to become the public corporation to administer an aggressive and dynamic agribusiness development program to achieve this goal.

In 2013, the Legislature began allocating funds to the ADC towards acquiring agricultural lands from private landowners such as the George Galbraith Estate, and other former plantation lands to transition these large tracts of land into smaller diversified farms. Since then, ADC began to shift its focus, which for decades consisted of asset management and research and development, to acquiring, developing, and making lands available to the agricultural community, the foundations that are fundamental to successfully expand diversified agriculture before it casts its wide net over other areas of agribusiness. Those foundations and therefore ADC's goals are to put its lands into commercial agriculture production, enhance postharvest services such as, cold storage, product packaging, and assist its farmers with meeting food safety regulations and requirements. These goals along with ADC's objectives to accomplish its mission are outlined in ADC's strategic plan, which was submitted to the Legislature and posted online on ADC's webpage.

DISCUSSION:

The ADC's mission statement is as follows: To acquire and manage, in partnership with farmers, ranchers, and aquaculture groups, selected arable lands, water systems and infrastructure for commercial agricultural use, and to direct research into areas that will lead to the development of new crops, markets, and lower production costs.

The following are ADC's goals and objectives:

<p>Goal 1: Acquire and develop productive agricultural lands for agricultural development.</p>	<p>Goal 2: Assure the continued availability of adequate, reasonably priced water to lands to accommodate present and future agricultural activities.</p>	<p>Goal 3: To improve the productivity of agriculture operations by providing brick and mortar facilities, as needed, and promote efficient profitability by enticing the development of applied research and innovation on State lands and in State owned facilities.</p>
<p>Objective 1: To maximize utilization (100% occupancy) of ADC agricultural land resources for diversified agribusiness.</p>	<p>Objective 1: To develop a master irrigation plan which incorporates system development, watershed management, and recycled water.</p>	<p>Objective 1: To identify and deploy viable new techniques and tools to improve crop and livestock yield and marketability.</p>
<p>Objective 2: To implement the State's goal to double local food production and consumption.</p>	<p>Objective 2: To maintain and improve the efficiency of existing irrigation systems.</p>	
<p>Objective 3: To reduce food imports.</p>	<p>Objective 3: To expand agricultural water resources.</p>	
<p>Objective 4: To acquire and make agricultural lands available for production.</p>		
<p>Objective 5: Educate the public on the importance of local agriculture and farming to our state and economy and food supply during the COVID-19 pandemic.</p>		

ADC's mission is the organization's identity and is the key enabler to what it does. Since 2013, the ADC has acquired over 3,300 acres of land and issued long-term agreements for over 2,000 acres of former plantation lands on Kauai and Oahu to commercial growers producing food for local consumption. It has also improved critical agricultural infrastructure to ensure these systems can support agriculture for generations to come. Simultaneously, the ADC has worked on the development of postharvest and value-added facilities and other zero waste initiatives that are beneficial to agriculture and the environment to avoid any resulting, potentially troublesome situations going forward.

The overall goal of ADC is to develop agriculture and increase production, which is what the farmers of ADC had in mind when they created the organization. To achieve this promptly, the ADC must attract and retain successful agriculture operations that are economically viable, and that possess the working capital to weather business risks. There has been a push by policymakers to dissolve the ADC and repurpose its staff and resources to promote non-commercial subsistence

farming and/or commercial farms on 10 acres and less. It's rare to find any assistance program that tackles both the large and small operations within the same program simply because different scales of operations require different types of assistance, and demand different levels of attention. While the ADC appreciates the productivity of very small or subsistence farming, its task is to re-develop agriculture as an industry rather than as an activity.

According to the University of Hawaii Economic Research Organization's (UHERO) report dated January 21, 2021, research shows that any program oriented toward reviving agriculture in Hawaii should be cautious about emphasizing starting up and assisting very small commercial farms. The report explains that while subsidizing such ventures could be politically attractive, it is unclear whether very small commercial farms can make a profit in Hawaii's globally open and competitive agricultural market. The report goes on to say that the mission assigned to ADC has already been accomplished for very small farmers by the state's Agricultural Parks program. According to the report, the ADC was designed to be a much larger scale program than the Agricultural Park program and its enabling legislation give it more flexibility than the Park program.

The ADC believes it can make a larger impact on moving Hawaii's agriculture industry by continuing to focus on commercial, or economically viable agriculture production. The ADC does not have the capacity or programs to develop startups and small farms as evident by the trials and tribulations it faced developing over 450 acres of the Galbraith Lands for small farmers, which is more than double the amount mandated by the City and County of Honolulu. Moreover, as the UHERO report pointed out, there are other successful established programs to assist subsistence farming and very small commercial farms like the Hawaii Department of Agriculture's Agricultural Park program.

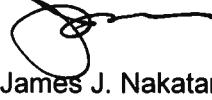
CONCLUSION:

Agriculture is continuing to evolve worldwide, and the ADC remains open to new ideas and/or technology. ADC's mission statement, goals, and objectives lay the foundation for expanding agriculture, which the ADC plans to build upon as it progresses towards its over-arching destination, which is to increase local agriculture production. The ADC believes that its mission statement, goals, and objectives, as currently drafted, accurately reflect the corporation's purpose as intended by the legislature. It clearly describes the purpose of the organization, the activities to accomplish our purpose, and identifies what we intend to accomplish on behalf of the State. For these reasons, the ADC recommends keeping it as is. However, ADC does plan to review and reevaluate its mission statement, goals, and objectives recurringly to ensure they are relevant and attainable.

RECOMMENDATION:

To approve the ADC's mission statement, goals, and objectives as is.

Respectfully submitted,



James J. Nakatani
Executive Director

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM P

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval to Issue a Request for Proposal to Construct a Livestock Feed Mill on the Island of Oahu and Authorize the Executive Director to Negotiate and Enter Into a Public Private Partnership to Construct and Operate the Facility.

Applicant: N/A

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

Area: Island of Oahu

Tax Map Key: N/A

Land Status: N/A

Trust Land Status: N/A

Character of Use: Livestock Feed Mill

Contract Term: TBD

BACKGROUND:

Pursuant to Act 88, Session Laws of Hawaii 2018, the Agribusiness Development Corporation ("ADC") received \$4,000,000 in Capital Improvements Project funds from the Hawaii State Legislature to construct and purchase equipment for the establishment of a feed mill that will be located on the Island of Oahu.

The Feed Mill Project is relevant to ADC's mission and the State's sustainability initiatives for three reasons. First, the Project builds upon ADC's collaboration with the United States Department of Agriculture ("USDA") Pacific Basin Agricultural Research Center ("PBARC") regarding zero waste conversion. The project is the initial step in reducing the growing food waste problem in Hawaii. Reducing waste entering Hawaii's landfills and creating value-added products is a foundational step towards community sustainability. The project will reduce waste by reclaiming the food waste, such as fish scraps from local fish processors, and converting it into protein meal – an essential protein source in aquatic and livestock feeds.

Request for Approval to Issue a Request for Proposal to Construct a Livestock Feed Mill on the Island of Oahu and Authorize the Executive Director to Negotiate and Enter Into a Public Private Partnership to Construct and Operate the Facility.

August 25, 2021

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Second, the project will introduce new technology and processing to support local agriculture. Working with USDA Agriculture Research Service, an initial recipe for freshwater aquatic feed was developed combining the protein meal from fish waste, macadamia nut fruit and shells obtained after oil removal, and flour. All the materials were locally sourced. The resulting feed showed great promise in aquaculture farm trials.

From an industry perspective, addressing the cost of importing feed is an immediate need. Feed costs equate to 60-70% of livestock production costs. Other than a segment of the pork industry which utilizes raw food waste, all feed is imported. Since the feed costs are dictated by outside market forces like ingredient availability and fuel prices, Hawaii farmers have seen steady increases in feed prices over the years. For example, corn (a main ingredient in animal feeds) prices increased 142% and shipping costs increased 50% during 2001-2011. Those costs have been passed on to the farmers.

Lastly, the Project's goal is to construct and maintain a small commercial feed mill on Oahu. It will allow HDOA and ADC flexibility in feed research and development and an outlet to test and distribute the resulting products. By immediately focusing on improving and producing aquatic feed, the mill can show an immediate return on investment and make a positive impact in the livestock community. The construction of the facility is expected to be completed by the end of 2022. Through the State's Request for Proposals process, a commercial partner will be selected to provide the site for the feed mill, an adequate building to house the equipment and the labor for feed manufacturing and sales to support ongoing operations. This relationship between the ADC and the private sector will define a new model for public / private partnerships.

REQUEST:

Pursuant to Chapter 163D-4(8), authorize the Executive Director to issue a Request for Proposal (see "Exhibit A") to construct a Feed Mill on the Island of Oahu and negotiate and enter into a public private partnership to construct and operate the facility.

RECOMMENDATION:

Based upon the above, the recommendation is to approve the request to issue a Request for Proposal to construct a Feed Mill and authorize the Executive Director to negotiate and enter into a public private partnership subject to the following conditions:

- 1) ADC will provide up to \$4 million for equipment required for producing the feed, installation of said equipment, as well as project support;
- 2) The term of the Contract shall be for a minimum 7 years, with the option to extend;
- 3) ADC shall own the equipment throughout the usable life (7 years) of the equipment;

Request for Approval to Issue a Request for Proposal to Construct a Livestock Feed Mill on the Island of Oahu and Authorize the Executive Director to Negotiate and Enter Into a Public Private Partnership to Construct and Operate the Facility.

August 25, 2021

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- 4) Prior to operating the Feed Mill, the Operator and the ADC shall memorialize an agreement whereby the Operator is responsible for the operation and maintenance, and liability of the facility; and
- 5) ADC shall receive, at minimum, a fee equivalent to 1% of any gross sales over the first \$1 million of gross sales generated by the Feed Mill operations.

Respectfully submitted,



James J. Nakatani
Executive Director

Request for Approval to Issue a Request for Proposal to Construct a Livestock Feed Mill on the Island of Oahu and Authorize the Executive Director to Negotiate and Enter Into a Public Private Partnership to Construct and Operate the Facility.

August 25, 2021

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EXHIBIT A

[see following pages 1 – 18]

"Request for Proposals No. RFP-2021 Oahu Feed Mill"

State of Hawaii
Agribusiness Development Corporation
235 S. Beretania St., Rm. 205
Honolulu, HI 96813
T: (808) 586-0186 F: (808) 586-0189

Release Date: July 30, 2021

**Request for Proposals
No. RFP-2021 Oahu Feed Mill**

Sealed Proposals

TO CONSTRUCT AND OPERATE A FEED MILL LOCATED IN THE ISLAND OF OAHU

Will be received up to 4:30 P.M. HST on August 28, 2021 in the Agribusiness Development Corporation (235 S. Beretania St., Room 205, Honolulu, HI 96813. Direct questions relating to this solicitation to Ken Nakamoto, Telephone (808) 586-0087 or Email at ken.t.nakamoto@hawaii.gov.

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Section One

Introduction, Terms and Acronyms, and Key Dates

1.1 Introduction

The Hawaii Department of Agriculture (HDOA), Agribusiness Development Corporation (ADC) is requesting proposals for an Offeror to construct and operate a feed mill located on the island of Oahu. The feed mill will focus on producing and distributing animal feeds on a commercial scale.

ADC will provide funding of up to Four Million Dollars (\$4,000,000) for equipment required for producing the feed, installation of said equipment, as well as project support. ADC will own the equipment; however, it will be operated, insured and maintained by the selected applicant. The selected applicant will be responsible for obtaining a suitable location, design, project management and construction of the feed mill building, utility infrastructure, and providing materials and labor for daily operations including sales and distribution. Moreover, the selected applicant shall be responsible for obtaining all required land use entitlements and government approvals/permits. In exchange, once the feed mill is operational, the selected applicant will provide distributions to ADC in the form of a percentage of the gross revenue from the sales of feed produced by the feed mill. Accordingly, ADC is seeking a private entity with the necessary development expertise to construct and equip the feed mill to industry standards, then manage and operate the feed mill, thereby serving as a demonstration model of an operational feed mill which maximizes sustainability while providing low cost, high quality feed to Hawaii animal operations.

Qualified applicants are invited to submit development proposals that may provide for any improvements and compatible uses that are permitted under applicable Hawaii laws, ordinances, rules and regulations.¹

ADC will select the applicant whose proposal best meets ADC's objectives and the RFP selection criteria.

1.2 Cancellation

The Request for Submission of Qualifications (SOQs) and Request for Proposals (RFP) may be cancelled and any or all proposals rejected in whole or in part, without liability to the State, when it is determined to be in the best interest of the State.

1.3 Terms and Acronyms Used Throughout The Solicitation

ADC	= Agribusiness Development Corporation, 235 S. Beretania Street #205, Honolulu, HI 96813
BAFO	= Best and Final Offer
CPO	= Chief Procurement Officer
DAGS	= Department of Accounting and General Services
GC	= General Conditions, issued by the Department of the Attorney General
GET	= General Excise Tax

¹ Applicable laws include, but are not limited to Hawaii Revised Statutes (HRS) Chapter 163D, the City and County of Honolulu Land Use Ordinances, and regulations set forth by the Association of American Feed Control Officials.

HAR	= Hawaii Administrative Rules
HDOA	= Hawaii Department of Agriculture, 1428 South King Street, Honolulu, HI 95814
HRS	= Hawaii Revised Statutes
Offeror	= Any individual, partnership, firm, corporation, joint venture, or representative or agent, submitting an offer in response to this solicitation
POC	= Point of Contact for Offeror
Procurement Officer	= Contracting Officer for the State of Hawaii, Department of Agriculture
RFP	= Request for Proposals
State	= State of Hawaii, including all departments and political subdivisions, employees, board members, and representatives

1.4 RFP Schedule and Significant Dates

The schedule represents the State's best estimate of the schedule that will be followed. All times indicated are Hawaii Standard Time (HST). If a component of this schedule, such as "Proposal Due Date/Time" date is delayed, then the rest of the schedule will likely be shifted by the same number of days. Any change to the RFP Schedule and Significant Dates may be reflected in and issued in an addendum. The approximate schedule is as follows:

Notice of Request for Proposals	July 30, 2021
Applicant Briefing	August 6, 2021, 9:00 am
Deadline to Submit Written Questions	August 11, 2021, 2:00 pm
State's Response to Written Questions	August 16, 2021, 4:00 pm
Submission of Qualifications Deadline	August 31, 2021 4:30 pm
Proposals Due Date / Time	August 31, 2021 4:30 pm
Proposal Evaluations	August 31 – September 7, 2021
Discussion with Priority Listed Offerors (if necessary)	September 9, 2021
Best and Final Offer Date / Time (if necessary)	September 15, 2021, 4:30 pm
Notice of Award	September 16, 2021
Notice to Proceed	October 20, 2021
Contract Start Date	October 20, 2021

1.5 Questions and Answers Prior To Opening of Proposals

All questions shall be submitted in writing and directed to Ken Nakamoto by 1) Mail: Agribusiness Development Corporation, 235 S. Beretania St., Room 205, Honolulu, HI 96813; or 2) Email: Please send a PDF version of your file to ken.t.nakamoto@hawaii.gov by the due date specified in Section 1.4, RFP Schedule and Significant Dates, as amended.

The State will respond to questions through Addenda by the date specified in Section 1.4, RFP Schedule and Significant Dates, as amended.

Section Two

Background and Scope of Project

2.1 Project Overview and History

The Hawaii animal industry consistently identifies the cost of feed as the most expensive component in operational costs. This concern is in line with the national and global effort to reduce feed costs by replacing high-cost ingredients with lower-cost alternatives. Hawaii's situation is exacerbated by the lack of local feed mills, which necessitates the importation of livestock feed. Years of research and local workshops to encourage and support the development of locally produced feed have not improved the deficient feed stock situation in the State.

In addition, local feedstock development will reduce the amount of viable waste streams (agriculture and food waste) entering into community landfills. The USDA's Zero Waste program (http://www.ars.usda.gov/research/projects/projects.htm?accn_no=420749) provides the framework for an effective agriculture system that repurposes waste into valuable products, such as feed. Both agriculture and food waste are promising feed ingredients and have not been leveraged to their greatest potential yet. More research must be conducted to match chemical profiles with livestock feed requirements.

The proposed feed mill will be able to implement the research feed formulas and quickly deliver quality products to the industry. By reducing feed costs and the environmental impact of waste streams, the State and livestock industry will benefit in multiple ways.

2.2 Scope of Project

The Feed Mill project will deliver the following objectives in accordance with this RFP, including its attachments and any addenda.

The Feed Mill will produce 1 to 3 tons per hour. There is no minimum production amount since this is a pilot project.

The project budget will not exceed \$4,000,000 and is limited to equipment and installation of equipment costs. Project implementation is dependent on the availability of funds. 10 to 15% of the contract amount will be withheld until completion of the contract, as determined by ADC.

The project is divided into two distinct phases.

Phase 1 – Construction and Equipment Purchase

The Offeror must provide the following items:

1. Location for the feed mill on the island of Oahu
 - a. Legal control of the area proposed (ownership or lease)
2. Renovation of an existing building or design and construction of a new feed mill building and commercial office space consisting of not less than 38,000 square feet, and which complies with federal, state and county laws and ordinances
3. Expertise in construction management of feed mills or similar operations
 - a. Proven ability to manage a construction project on time and within budget

- b. Ability to make all site work, repairs, improvements, and required remediation of hazardous materials, if any, upon the proposed location of the feed mill.
- 4. Ability to coordinate the purchasing and installation of feed mill equipment, as evidenced by prior projects (ADC will own the equipment, although Offeror will obtain appropriate insurance coverage)
 - a. Proven ability to manage a feed mill equipment purchasing and installation project on time and within budget

Phase 2 – Commercial Operations

- 1. Labor to operate the feed mill
 - a. Proven ability to hire and manage manufacturing-focused teams
 - b. Proven ability to develop and implement training and quality control/improvement programs in a manufacturing environment
- 2. Access to raw materials for feed ingredients
 - a. Proven ability to manage the physical movement of raw materials to the feed mill location
 - b. Prior relationships with feed ingredient providers and the ability to create and enforce legal agreements to secure materials
- 3. Equipment Maintenance
 - a. Ability to maintain purchased equipment per manufacturer's specifications and provide proof of maintenance or inspection records
 - b. Annual inspections must be performed by certified manufacturers' representatives
- 4. Financial Records
 - a. Obtain and provide to ADC audited financial records
- 5. Annual Fees
 - a. Proven ability to remit to the ADC, at minimum, a fee equivalent to 1% of any gross sales over the first \$1 million of gross sales generated by the feed mill operations, based on audited financial records.

The selected applicant will be expected to enter into a development agreement with the State that will set forth the terms and conditions under which the selected applicant shall perform. Development agreement negotiations will commence when the applicant has been selected.

2.3 ADC Responsibilities

ADC will provide the following assets to the project.

1. Funding up to Four Million Dollars (\$4,000,000), subject to appropriation and the availability of funds.
2. Project management and relevant information, if available, as requested.
3. Assistance with the coordination between State, County and Federal entities, which represents additional project support.

2.4 Contract Administrator

For the purposes of this contract, Ken Nakamoto, Project Manager, Agribusiness Development Corporation (808) 586-0087, or authorized representative, is designated the Contract Administrator.

Section Three Proposal Format and Content

3.1 RFP Solicitation and Selection Process

Step 1: Submission of Qualifications

The RFP requires the submission of Statements of Qualifications (SOQs) from interested parties detailing their relevant real estate development experience, financial capabilities, and management experience. ADC will review the SOQs and determine which applicants meet ADC's qualification criteria detailed in Section Four. ADC may, at its sole discretion, form a short list of the most qualified applicants. The qualified applicants (or a short list of the most qualified applicants) will then be invited to participate in the proposal process. The required format and content of the SOQs are detailed in Attachment 1 and incorporated herein.

Step 2: Submission of Proposals.

The RFP solicits detailed development proposals for the construction and operation of the proposed feed mill from the invited qualified applicants. ADC will review the proposals and will recommend to the Board of the Agribusiness Development Corporation (Board) the applicant whose proposal best satisfies the ADC's development objectives and selection criteria as detailed in Section Four. The Board, at a meeting open to the public, must approve the recommended applicant and its development proposal. If approved by the Board, the selected applicant and ADC will commence exclusive negotiations of a development agreement. Any amendments or extensions to the development agreement or terms or pre-development approvals not previously anticipated, may require further Board approval. The required format and content of the proposals are detailed in Attachment 2 and incorporated herein.

3.2 Offeror's Authority to Submit an Offer

The State will not participate in determinations regarding an Offeror's authority to sell a product or service. If there is a question or doubt regarding an Offeror's right or ability to obtain and sell a product or service, the Offeror shall resolve that question prior to submitting an offer.

3.3 Competency of Offeror

Prospective Offerors must be capable of performing the work for which offers are being called. Either before or after the deadline for an offer, the purchasing agency may require Offeror to submit answers to questions regarding facilities, equipment, experience, personnel, financial status or any other factors relating to the ability of the Offeror to furnish satisfactorily the goods or services being solicited by the State. Any such inquiries shall be made and replied to in writing; replies shall be submitted with the signatures of the persons who sign the offer. Any Offeror who refuses to answer such inquiries will be considered non-responsive.

3.4 Required Review

1. Before submitting a SOQ or proposal, each Offeror must thoroughly and carefully examine this RFP, any attachment, addendum, and other relevant document, to ensure Offeror understands the requirements of the RFP. Offeror must also become

familiar with State, local, and federal laws, statutes, ordinances, rules, and regulations that may in any manner affect cost, progress, or performance of the work required.

2. Should Offeror find defects or questionable or objectionable items in the RFP, Offeror shall notify the Hawaii Department of Agriculture, Animal Industry Division in writing prior to the deadline for written questions as stated in the RFP Schedule and Significant Dates, as amended. This will allow the issuance of any necessary corrections and/or amendments to the RFP by addendum and mitigate reliance on a defective solicitation and exposure of proposal(s) upon which an award could not be made.

3.5 SOQ and Proposal Preparation Costs

Any and all costs incurred by the Offeror in preparing or submitting an SOQ or proposal shall be the Offeror's sole responsibility whether or not any award results from this RFP. The State shall not reimburse such costs.

Section Four Evaluation and Selection of Proposal

4.1 Evaluation Criteria of Submission of Qualifications

ADC staff will conduct a review of the SOQs for adequacy and completeness. ADC may ask any applicant for clarification of the information submitted or for additional information/materials to assist ADC in its review/evaluation of the applicant's SOQ. ADC may also conduct interviews of any of the applicants and/or members of the applicant's development team.

ADC staff will determine which applicants meet the qualification criteria below. ADC may, at its sole discretion, form a short list of the most qualified applicants. The qualified applicants (or short list of the most qualified applicants, if applicable), will then be invited to participate in the RFP process by submitting their development proposals in accordance with Section Three of this RFP.²

1. Qualification criteria. ADC shall evaluate the applicant's qualifications based on the following criteria:
 - a. Successful real estate development experience relevant to the construction of the proposed feed mill, including experience in community outreach and in obtaining land use entitlements and government approvals/permits.
 - b. Management experience relevant to the operation of a commercial feed mill.
 - c. Proof that bidder follows the [FAO published Good Practices for the Feed Industry](https://ifif.org/our-work/project/ifif-fao-feed-manual/) (<https://ifif.org/our-work/project/ifif-fao-feed-manual/>).
 - d. Financial capacity to fund the applicant's proposed operations.
 - e. Creditworthiness and past experience in similar projects.

All applicants will be notified of the qualification determination.

4.2 Evaluation Criteria of Proposals

The Procurement Officer, or an evaluation committee of at least three (3) qualified state employees selected by the Procurement Officer, shall evaluate proposals.

Evaluation criteria and the associated points are listed below. The award will be made to the Offeror whose proposal is determined to be the most advantageous to the State based on the evaluation criteria listed in this section.

The total number of points used to score this contract is 100.

1. Ability to access a suitable location for the feed mill on the island of Oahu (20)
2. Proven expertise in construction management as evidenced by prior installations, including feed mills (20)
3. Access to a source of raw materials for integration into commercial feeds (10)

² If there is only one qualified applicant, ADC may, in its sole discretion, waive certain RFP submission requirements as detailed in Attachment 2.

4. Ability to coordinate the purchasing and installation of feed mill equipment, as evidenced by prior projects (15)
5. Ability to source labor to operate the feed mill (10)
6. Project Proposal (25)
 - a. Methodology
 - b. Timeline
 - c. Expected Results – including, but not limited to the amount of feed produced, the amount of waste to be processed; the amount of waste to be diverted from landfills; costs, revenues, profits, and fees paid to ADC
 - d. Possible Shortfalls

ADC may make recommended changes to specifications or scope of project that may be necessary to yield the results sought by the HDOA

4.3 Development Agreement

ADC will enter into exclusive negotiations with the selected applicant. During exclusive negotiations, ADC and the selected applicant will negotiate in good faith a development agreement setting forth the terms and conditions under which the selected applicant shall perform.

The exclusive negotiation period shall be six (6) months and will be based upon the development proposal submitted by the selected applicant. If the development agreement is not executed by the expiration of the exclusive negotiation period, then all rights of the selected applicant to negotiate the development agreement shall terminate, provided, however, that the Executive Director of ADC may, in his sole discretion, extend the negotiation period by written notice to the selected applicant for up to an additional six (6) months.

Upon the expiration of the exclusive negotiation period (including any extension) this RFP process shall terminate and no rights to negotiate any development agreement shall accrue to the selected applicant or to any other applicant.

ADC reserves the right to negotiate with the selected applicant any additional terms, conditions or modifications to the terms set forth in this RFP or to the selected applicant's proposal if it is in ADC's best interest to do so. At a minimum, the development agreement shall include the following obligations:

1. **Environmental Assessments and Environmental Impact Statements.** The selected applicant shall, at its sole expense, prepare and process any environmental assessments and environmental impact statements required by HRS Chapter 343 and HAR Chapter 11-200 (as amended), if necessary.
2. **Government Approvals/Permits.** The selected applicant shall, at its sole expense, obtain all government permits/approvals necessary to construct its proposed project.
3. **Property.** The selected applicant shall have control (ownership or lease) of a suitable property for a minimum term of 10 years.

4. **Compliance with State Law.** The selected applicant shall comply with all laws governing entities doing business in the State including the following chapters and pursuant to HRS §103D-310(c):

- a. HRS Chapter 237, General Excise Tax Law;
- b. HRS Chapter 383, Hawaii Employment Security Law;
- c. HRS Chapter 386, Worker's Compensation Law;
- d. HRS Chapter 392, Temporary Disability Insurance;
- e. HRS Chapter 393, Prepaid Health Care Act; and
- f. HRS §103D-310(c), Certificate of Good Standing (COGS) for entities doing business in the State.

The State will verify compliance on Hawaii Compliance Express (HCE).

The HCE is an electronic system that allows vendors/contractors/service providers doing business with the State to quickly and easily demonstrate compliance with applicable laws. It is an online system that replaces the necessity of obtaining paper compliance certificates from the Department of Taxation, Federal Internal Revenue Service; Department of Labor and Industrial Relations, and Department of Commerce and Consumer Affairs.

Vendors/contractors/service providers should register with (HCE) prior to submitting an offer at <https://vendors.ehawaii.gov>. The annual registration fee is \$12.00 and the 'Certificate of Vendor Compliance' must be submitted for the execution of contract and final payment.

Timely Registration on HCE. Vendors/contractors/service providers are advised to register on HCE soon as possible. If a vendor/contractor/service provider is not compliant on HCE at the time of award, an Offeror will not receive the award.

5. **Insurance.** The selected applicant shall procure and maintain at its sole expense, insurance coverage acceptable to the State in full force and effect throughout the term of the Development Agreement, generally consisting of:

- a. **Commercial General Liability Insurance**
Commercial general liability insurance coverage against claims for bodily injury and property damage arising out of all operations, activities or contractual liability by the Contractor, its employees and subcontractors during the term of the Contract. This insurance shall include the following coverage and limits specified or required by any applicable law: bodily injury and property damage coverage with a minimum of \$1,000,000 per occurrence; personal and advertising injury of \$1,000,000 per occurrence; and with an aggregated limit of \$2,000,000. The commercial general liability policy shall be written on an occurrence basis and the policy shall provide legal defense costs, fees, and expenses in addition to the limits of liability stated above. The Contractor shall be responsible for payment of any deductible applicable to this policy.
- b. **Equipment Insurance**
Appropriate levels of insurance covering the processing equipment up to the replacement value.
- c. **Automobile Liability Insurance**
Automobile liability insurance covering owned, non-owned, leased, and hired vehicles with a minimum of \$1,000,000 for bodily injury for each person,

- \$1,000,000 for bodily injury for each accident, and \$1,000,000 for property damage for each accident.
- d. Appropriate levels of per occurrence insurance coverage for workers' compensation and any other insurance coverage required by federal or State law.

4.4 Debriefing

Pursuant to HAR §3-122-60, a non-selected Offeror may request a debriefing from ADC to understand the basis for the award.

A written request for debriefing shall be made within three (3) working days after the posting of the award of the contract. The Procurement Officer or designee shall hold the debriefing within seven (7) working days to the extent practicable from the receipt date of the written request.

4.5 Protest Procedures

Pursuant to HRS §103D-701 and HAR §§3-126-3 and 3-126-4, an actual or prospective offeror who is aggrieved in connection with the solicitation or award of a contract may submit a protest. Any protest shall be submitted in writing to the Procurement Officer at: Phyllis Shimabukuro-Geiser, Hawaii Department of Agriculture, Chairperson Office, 1428 South King Street, Honolulu, HI 95814. Email: Phyllis.Shimabukuro-Geiser@hawaii.gov; Phone: (808) 973-9553; Fax: (808) 973-9613.

A protest shall be submitted in writing. A protest based upon the content of the solicitation shall be submitted in writing prior to the date set for receipt of offers. Further, a protest of an award or proposed award shall be submitted within five (5) working days after the aggrieved person knows or should have known of the facts giving rise thereto, and in any event, within five (5) working days after the posting of the award, or if debriefing is requested, then within five (5) working days after the PO's debriefing was completed.

4.6 ADC Discretion and Reservation of Rights; Cancellation of RFP; Non-Liability and Waiver

ADC reserves the right to (1) request from any applicant a clarification of any information submitted or additional information/materials to assist ADC or ADC's evaluation committee in the review of the applicant's qualifications or proposal; (2) reject any and all submissions in whole or in part; (3) require amendments or modifications to the submissions; (4) waive any of the submission requirements; (5) cancel this RFP; and/or (6) re-advertise for new qualifications and/or proposals, all with no liability whatsoever, whether or not it is in ADC's best interest to do so. ADC also reserves the right to amend this RFP, including but not limited to, the deadlines and submission requirements, at any time prior to the applicable submission deadline.

The applicants, by submitting a response to this RFP, waive all rights to protest or seek legal remedies whatsoever regarding any aspect of this RFP.

Section Five
Attachments and Exhibits

- Attachment 1: SUBMISSION OF QUALIFICATIONS (SOQ)
- Attachment 2: REQUEST FOR PROPOSALS (RFP)

ATTACHMENT 1

SUBMISSION OF QUALIFICATIONS (SOQ)

TO CONSTRUCT AND OPERATE A FEED MILL LOCATED ON OAHU

INTRODUCTION

The purpose of this section is to solicit Statements of Qualifications from potential developers interested in constructing and operating an animal feed mill. ADC's review and evaluation of the potential developers' SOQ will help in ensuring that the selected applicant has the experience, expertise and financial capacity to successfully undertake its proposed development and successful operation of the feed mill.

Applicants will be responsible for all risks and for the payment of all costs and expenses in connection with the preparation of their respective SOQs, as well as any and all pre-development and planning costs incurred by the applicant. ADC assumes no risks or costs associated with any applicant's participation in this portion of the selection process.

APPLICANT BRIEFING

There will be a briefing on August 4, 2021 at 9:00 am, to explain ADC's development objectives and the RFP process. Considering the evolving COVID-19 situation, protecting the health and welfare of the community is the utmost concern. As such, the meeting will be held remotely via online meeting venue. Attendance by any prospective applicant is encouraged, but is not required.

SUBMISSION REQUIREMENTS

Each Applicant shall submit a Statement of Qualifications which shall include the information and materials described below. The SOQ shall be organized in a manner that is consistent with the headings and sequence presented below. Applicants shall submit three (3) hard copies and one (1) electronic copy of the SOQ to ADC.

1. Cover Letter. Submit a cover letter on the applicant's letterhead addressed to ADC and signed by an authorized representative of the applicant.
2. Applicant – Type of Entity and Ownership Interests. Provide the following information:
 - a. Name. The legal name of the applicant.
 - b. Type of Entity. Identify the type of entity (e.g., corporation, limited liability company, etc.), and the state or country of organization.
 - c. Owners. Identify all individuals or entities holding a 10% or more ownership interest in the applicant and their respective ownership interests. Provide any additional background information about any of the owners that may support the qualifications of the application with respect to this SOQ, including descriptions of any key roles that any of these individuals or entities will play in the applicant's development of the feed mill project. Any foreign corporation or business entity must obtain the appropriate certificate of authority to do business in the State of Hawaii.

- d. **Directors/Officers.** Identify the directors and officers of the applicant, including names and titles. Provide any additional background information about any of the directors and officers that may support the qualifications of the applicant with respect to this SOQ, including descriptions of key roles that any of these individuals will play in the applicant's development of the feed mill project.
- e. **Development Team.** Describe the organization of the applicant and the development team, and the role and responsibilities of each member of the development team, including major consultants (e.g., architect, planners, etc.), joint venture or limited partners, and legal counsel. Include members that may be added to the development team in the future to develop or manage the project and describe the arrangement or commitment, if any, between the applicant and the projected future development team members. Provide an organizational chart and the names, titles, and contact information of the principals of each member of the development team.

Describe any previous experiences of the development team with projects that are similar in type, size, and scope to the proposed feed mill and the status of those projects.
- f. **Other Experience.** Describe any other experience that may be appropriate to establish the applicant's qualifications.
- g. **Financial Capacity and Credit History.** Provide satisfactory evidence to support the financial ability of the applicant to develop and operate the proposed feed mill. Such evidence should include evidence of applicant's past or current debt or equity financing, applicant's financial statements for the past three fiscal years, current credit report(s), and evidence of capital resources or financing commitments. Describe any loan or lease defaults, bankruptcies, judgments or any litigation or other disputes that may potentially have an adverse effect on the applicant's current financial capability.
- h. **Other Information.** Provide any other information regarding the applicant, the development team, or its members that may be pertinent to establishing the applicant's qualifications.
- i. **References.** Provide references (including name, title, address, email address, phone number) that ADC may contact to confirm the applicant's and development team members' qualifications and any of the information provided in the SOQ.

ATTACHMENT 2
REQUEST FOR PROPOSALS (RFP)

TO CONSTRUCT AND OPERATE A FEED MILL LOCATED ON THE ISLAND OF OAHU

INTRODUCTION

If more than one applicant is determined by ADC staff to be qualified, ADC will invite the qualified applicants (or the short list of the most qualified applicants), to submit their respective development proposals in accordance with Section Three.

The Procurement Officer, or an evaluation committee of at least three (3) qualified state employees selected by the Procurement Officer, shall evaluate proposals. The evaluation will be based solely on the evaluation criteria set out in Section Four of this RFP.

Prior to holding any discussion, a priority list shall be generated consisting of proposals determined to be acceptable or potentially acceptable. However, proposals may be accepted without such discussions.

If numerous acceptable and potentially acceptable proposals are submitted, the evaluation committee may rank the proposals and limit the priority list to three Offerors who submitted the highest-ranked proposals.

ADC shall request the Board's approval of the selected applicant's proposal. Upon the Board's approval, ADC shall commence exclusive negotiations with the selected applicant of the development agreement.

Applicants will be responsible for all risks and for the payment of all costs and expenses in connection with the preparation of their respective SOQs, as well as any and all pre-development and planning costs incurred by the applicant. ADC assumes no risks or costs associated with any applicant's participation in this portion of the selection process.

RFP SUBMISSION REQUIREMENTS

Each Applicant shall submit a development proposal, which proposal shall include: (1) a development plan; (2) an economic proposal; and (3) a business plan. The development proposal shall include the information and materials requested below and shall be organized in a manner that is consistent with the headings and sequence presented below. Applicants shall submit three (3) hard copies and one (1) electronic copy of the SOQ to ADC.

1. Cover Letter. Submit a cover letter on the applicant's letterhead addressed to ADC and signed by an authorized representative of the applicant.
2. Executive Summary. Provide an executive summary of the critical aspects of the applicant's development proposal.
3. Development Plan. Provide the applicant's development plan for the feed mill, including the following:
 - a. Site Plan. A conceptual site plan showing the location, configuration, and approximate sizing of the proposed feed mill.
 - b. Narrative Description. Provide a narrative description of the development proposal, including, but not limited to the timeline of design and the construction.

4. Economic Proposal. Provide applicant's economic proposal, which shall detail the fees which the applicant proposes to pay to ADC, and shall include, at a minimum, the following:
 - a. Development Agreement Fees
 - b. Annual Fees. Provide the annual projected gross and net sales for the first 5 years after substantial completion of the feed mill, and the percentage of gross sales proposed as well as the projected dollar amount in fees to be paid to ADC.
 - c. Terms and Conditions. Describe the proposed commencement of payment in relation to the applicant's proposed development schedule. Identify which predevelopment events must occur prior to the commencement of payment. Describe any other critical terms and conditions, and the applicant's rationale for such terms and conditions.
 - d. Discounts, Credits and Offsets. Describe any proposed discounts, offsets, or other terms or conditions that the applicant believes are necessary or reasonable in consideration for the applicant's implementing its development proposal, including the applicant providing, maintaining, and/or managing any proposed public uses, improvements or facilities.
 - e. The depreciation schedule for all equipment shall be the total cost / useful life of 7 years, or manufacturer's expected life of the equipment, which ever lesser for financial reporting purposes. (E.g. \$1,000,000 total cost / 7 years useful life = \$142,857.14 depreciation per fiscal year over its useful life). When the equipment is no longer needed or needs to be replaced, the applicant must obtain disposition instructions and approval from the State.
5. Business Plan. Provide the applicant's business plan for the proposed project, including the following:
 - a. Reasonableness of the development schedule and understanding of the requirements necessary to implement the development proposal in a timely manner.
 - b. Market and financial feasibility of the development proposal.
 - c. Ability to finance the development proposal.
 - d. Planning for 7 years of operations, at minimum. If the applicant fails to operate the project for a minimum of 7 years, then ADC will own the equipment and may move it to another site and require the applicant to pay for all expenses associated with the moving.
 - e. Applicant may charge others to process their waste products; however, ADC retains broad discretion and oversight in order to ensure that all charges are fairly assessed.

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

ITEM Q

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

August 25, 2021

Subject: Request for Approval to Adopt the Tenant Review and Recommendation Committee's Recommendations for Selecting Applicants for ADC Land Licenses

Authority: Section 163D-4(a)(5), Hawaii Revised Statutes

BACKGROUND

On September 23, 2020, the Tenant Review and Recommendations Committee ("Committee") was tasked by the Chair of the Agribusiness Development Corporation ("ADC") Board of Directors with assisting ADC in 1) Developing criteria for the qualification and selection of potential tenants of vacant ADC agricultural lands on Oahu, 2) Developing a fair and effective solicitation processes for the submission of applications and 3) Upon completion of the solicitation process, review and evaluate the applications received in accordance with the qualification and selection criteria and select the best applicants.

On March 4, 2021, the ADC solicited applications (see "Exhibit A") from interested farmers and ranchers to fill five (5) non-contiguous parcels located in the Whitmore and Mililani area of Central Oahu. These noncontiguous lots range in size from 91 acres to 511 acres and have not been farmed in decades. In addition to the individuals who submitted expression of interest for land, the ADC expanded its solicitation outreach to include the Hawaii Department of Agriculture, USDA, Hawaii Farm Bureau, Hawaii Farmers Union Foundation, Go Farm, Office of Hawaiian Affairs, DHHL, UH-CTAHR, Kamehameha Schools Bishop Estate, Dole Foods, Hawaii Cattleman's Council, Star Advertiser, and various community groups in the area.

The ADC extended its deadline to receive applications citing more interest received after issuing its solicitation, the storm events in February and March 2021, and the COVID-19 pandemic as the reasons for the extension. The Committee completed its rating on May 25, 2021.

FINDINGS

Finding #1

In total, the ADC received 33 land applications. Of the 33 land applications received, three (3) were for cattle ranching, and five (5) was submitted after the April 27, 2021 deadline and would only be considered if the committee was unable to identify a suitable applicant amongst those who turned in their land application on time. The committee chose to accept and review all applications, including those that were incomplete (missing attachments, notary, etc.) because they did not want to eliminate any proposal on a technicality. If any incomplete applications were selected, the Committee would afford the applicant the opportunity to complete their application.

The 33 applications were placed in five (5) separate groups based on the five (5) different areas they applied for. The areas were listed in ADC's Request for Applications Spring 2021 notification along with pertinent information such as, the condition of the land, water availability, acreage, location, etc. It should be noted that several applicants applied for multiple parcels.

1. TMK 6-4-003-016 in Paalaa Uka – 10 Applicants;
2. TMK 6-4-004-006 & 008 in Whitmore – 9 Applicants;
3. TMKs 7-1-002-034 & 006, 7-1-002-041, 7-1-002-047, and 7-1-001-012, Whitmore Agricultural Lands – 14 Applicants;
4. TMK 9-3-005-007 in Mililani Mauka – 11 Applicants; and
5. TMK 7-1-001-005 Galbraith Agricultural Lands – 14 Applicants.

Using their discretion and expertise, the Committee evaluated the applications and awarded points for each of the following categories: a maximum score of 15 points for experience; a maximum score of 20 points for marketability of product; a maximum score of 40 points for finances; a maximum of 15 points for business plan; and a maximum of 10 points for farming practices. The maximum score an applicant could receive is 100 points per committee member for a total of 400 points. The following is a list of the top scores for each area/TMK:

TMK 6-4-003-016

- 1) Larry Jefts Farms
- 2) Cedar Grove Hawaii, Inc.
- 3) Hawaii Sustainable Agricultural Products, LLC

TMK 6-4-004-006 & 008

- 1) Larry Jefts Farms
- 2) Tony and Manyvone Law
- 3) Hawaii Sustainable Agricultural Products, LLC

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TMKs 7-1-002-034 & 006, 7-1-002-041, 7-1-002-047, and 7-1-001-012

- 1) Larry Jefts Farms
- 2) Hawaii Sustainable Agricultural Products, LLC
- 3) Sila Farms

TMK 9-3-005-007

- 1) Larry Jefts Farms
- 2) Tony and Manyvone Law
- 3) Hawaii Sustainable Agricultural Products, LLC

TMK 7-1-001-005

- 1) Larry Jefts Farms
- 2) Thomas Law
- 3) Tony and Manyvone Law

Finding #2

In addition to evaluating the individual land applications, the Committee also interviewed the top-rated applicants to help them formulate their recommendations. During the interview, the Committee reminded the applicants that the lands will be issued as is where is and that the preparation and development of the parcel, which includes land clearing and water infrastructure, are the sole responsibility of the applicant. The Committee also had concerns that the applicants were not fully aware of the conditions of the land and external factors that cannot be overlooked such as community engagement and security concerns because many of them did not attend the site visit. The following are the applicants the Committee Interviewed:

Larry Jefts Farms

Larry Jefts Farms is currently farming in Kunia, Oahu. Their major crops include cabbage, watermelon, bell peppers, bananas, and tomatoes, which is sold for local consumption. They are excellent operators and one of the largest growers of local produce in the State. They currently sell produce to large retailers and local distributors based on the customer's needs. Their request is for any available lands with adequate water supply.

Thomas Law

Thomas Law is currently farming in Kunia, Oahu. His major crops include basil, mint, taro, galonga, curry leaf, turmeric, malongai, and betel leaf. He has been farming in Hawaii since 1991 and are excellent operators. He currently sells produce to wholesalers and retailers in Hawaii, U.S. Mainland, and Canada based on the customer's needs. His request is for 200+ acres.

Cedar Grove Hawaii, Inc.

Cedar Grove Hawaii, Inc. have been operating in Hawaii since 1993 as Menehune Green, LLC dba Hawaiian Earth Products. They are the largest green and wood recycler in the State of Hawaii. Their major crops include sod, livestock feed/hay, breadfruit, citrus, taro, sweet potato and other root crops, turmeric, leafy greens, and a variety of fruits and vegetable. They also have a 60-acre farm in Redmond, Washington where they produce organic fruits and vegetables for local businesses and restaurants. The crops they produce include lettuce, kale, tomatoes, broccoli, carrots, squash, head cabbage, and other fruits and vegetables. Their request is for 500+ acres.

Tony and Manyvone Law

Tony and Manyvone Law began farming together in Kahuku, Oahu. In 2009, they moved their operation to the west side of Oahu. Their major crops include eggplant, daikon, curry leaf, squash, ginger, and banana. They have been farming in Hawaii for over 25 years and are excellent operators. They currently sell their produce to farmers market vendors, local supermarkets, restaurants, as well as retailers in the U.S. Mainland. Their request is for 90-200+ acres.

Hawaii Sustainable Agricultural Products, LLC

Hawaii Sustainable Agricultural Products, LLC have a combined 120 years of agriculture and business experience in Hawaii, Colorado, Missouri, and Africa. They have extensive agricultural husbandry and business acumen. Their major crops they are considering include cauliflower, Charentais melons, turmeric, alfalfa, tea, cacao, mamaki, citrus, and cashew. Their target market are local grocery stores and restaurants, and possibly export markets. Their request is for 90-500+ acres.

Sila Farms

Sila Farms is currently farming in Waialua, Oahu. Their major crops include Asian vegetables, banana, papaya, mango, and avocado. Sila Farm is a limited partnership comprised of family members who are excellent operators. They currently only sell wholesale to local retailers who makes their produce available at farmers markets, retail shops, and marketplaces in Chinatown. Their request is for 100 acres.

Phayvahn Inthisane

Phayvahn Inthisane and her husband are currently farming in Kunia, Oahu. Their major crops include Asian vegetable dragon fruit, lychee, longan, avocado, citrus, mango, and banana. They have 25 years of experience and are excellent operator. They currently sell their produce at a store front in Chinatown for local consumption. Her request is for 100-200 acres.

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Ohana Hui Ventures, Inc.

Ohana Hui Ventures, Inc. and their coalition of businesses and non-profit organizations, which include Friends of Waimanalo, Root-Wise, Hemp Robotics, New Pineapple, Ke Alaula Group, LLC, Freimegio, and Modern Brands of Hawaii, are currently farming in various locations on Oahu and Oregon. Their major crop is hemp, which can be used in a variety of value-added products such as CBD Wellness, CBD infused sodas, hemp milk, hemp honey, hemp grains, hemp wood, and hempcrete. The group has over 20 years of farming experience and community engagement in the areas of workforce development and trade certifications. In addition to farming, their focus is to provide communities with opportunities in workforce training and education. These are for profit companies newly engaged in the industrial hemp industry in Hawaii, but with many years of farming experience and currently have product out on the market. Their request is for 200 acres.

RECOMMENDATIONS

The committee through its evaluation has identified the top applicants based on their experience, marketability of product, finances, business plan, and farming practices. With this report are the full scoring results for each area, shown in Exhibit B. The committee's selection and recommendations are summarized below for the Board's review and consideration:

Recommendation #1:

Award 511 gross acres (385 usable acres more or less) identified as TMK 6-4-003-016 to Cedar Grove Hawaii, Inc. (CGH). Upon further review of parcels and confirming that the lands will be issued as is where is, the top scorer, Larry Jefts Farms, withdrew his application citing the development cost and market instability as the deciding factors. CGH received one of the highest scores overall and was the second highest scoring applicant for the area. Their plan includes producing sod and livestock feed, which include hay and alfalfa. Their plan also includes dedicating a portion of the land for small farmers and establishing a post-incubator for recent graduates from the University of Hawaii's Go Farm Hawaii program. Plot sizes will range from 1-5 acres.

Recommendation #2:

Award 234 gross acres (162 usable acres more or less) identified as TMK 6-4-004-006 and 008 to Hawaii Sustainable Agricultural Products, LLC. Upon further review of parcels and confirming that the lands will be issued as is where is, the top scorer, Larry Jefts Farms, withdrew his application citing the development cost and market instability as the deciding factors. The second highest score was Tony and Manyvone

Request for Approval to Adopt the Tenant Review and Recommendation Committee's Recommendations

for Selecting Applicants for ADC Land Licenses

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Law. They too applied for multiple parcels and informed the Committee that they preferred another area.

Recommendation #3:

Award 416 acres (280 usable acres more or less) identified as TMK(s): 7-1-001-012, 7-1-002-041, 046, & 047, and 7-1-002-034 & 006 to Ohana Hui Ventures, Inc. Upon further review of parcels and confirming that the lands will be issued as is where is, the top scorers, Larry Jefts Farms and Sila Farms, withdrew their application citing the development cost and market instability as deciding factors. The second highest scorer was Hawaii Sustainable Agriculture Products, LLC who informed the Committee that they preferred another area. The next highest scorer was Phayvanh Inthisane. The committee had concerns about her capability to develop an extensive area by herself in a timely manner. The Committee also had concerns about her aptitude to engage and work with the community, which is highly recommended for this area. For these reasons, the Committee did not recommend this application. The next highest scorer was Ohana Hui Ventures, Inc. whose proposal included working with community by providing workforce training and education. Ohana Hui Ventures, Inc. informed the Committee that it has a coalition of businesses to help develop the lands and have already begun building relationships within the community with groups like the Whitmore Economic Development Group who is assisting community members obtain trade certifications, such as Commercial Driver's License.

Recommendation #4:

Award 100 acres more or less identified as TMK: 7-1-001-005 (por) to Thomas Law and award 100 acres more or less identified as TMK: 7-1-001-005 (por) to Tony and Manyvone Law. Upon further review of parcels and confirming that the lands will be issued as is where is, the top scorer, Larry Jefts Farms, withdrew his application citing the development cost and market instability as the deciding factors. The second and third highest scores overall were Thomas Law and Tony and Manyvone Law. The brothers both applied for the same 230-acre parcel and informed the Committee that they are willing to share the parcel.

CONCLUSION

This presents the summary of the Committee's evaluation of the land applications. The recommended applicants acknowledged during the interviews that the lands will be issued as is where is and that they are solely responsible for developing the lands, which includes, but is not limited to, land clearing and water infrastructure. The Committee is still in the process of interviewing applicants who applied for the 91 acres in Mililani Mauka, identified as TMK 9-3-005-007 and will present its recommendation to the Board at a later date to be determined. The Committee made their selection in confidence based on their expertise and discretion and believes that the land application process has identified the most qualified

Request for Approval to Adopt the Tenant Review and Recommendation Committee's Recommendations
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RECOMMENDATION

Based on the finding above, the recommendation is to adopt the Tenant Review and Recommendation Committee's recommendations for selecting applicants for ADC land licenses.

Respectfully submitted,



James J. Nakatani
Executive Director

Request for Approval to Adopt the Tenant Review and Recommendation Committee's Recommendations

for Selecting Applicants for ADC Land Licenses

August 25, 2021

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EXHIBIT A

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRICULTURE DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

March 4, 2021

To: Interested applicants

RE: Request for Applications

The State of Hawaii Agribusiness Development Corporation (ADC) is accepting applications from interested farmers and cattle ranchers seeking land for agricultural production and pastural use. All interested applicants can go the ADC website at <http://hdoa.hawaii.gov/adc/land-application/> to obtain an application form, or they can contact the ADC office at (808) 586-0186. Office hours are 8:00am to 5:00pm, Monday through Friday, except holidays.

The ADC has available vacant lands for agricultural production on Oahu identified as Tax Map Keys: 6-4-003-016, 6-4-004-006 & 008, 7-1-001-005, 7-1-001-012, 7-1-002-034 and 006, 7-1-002-041, 046, & 047, and 9-5-003-007 (see attached general location map). Multi-year Licenses to farm these lands, or occupy for pastural use, will be issued based on merit. All applications will be rated and only the highest rated applicants will be selected. Cattle ranchers may apply for the available parcels, however, preference will be given to crop farmers. Accordingly, we are seeking farmers and ranchers with the following requirements:

- Minimum 5 years farming experience; or
- Owner-operator of an established farm conducting a substantial farming or cattle ranching operation.

It is not required, but highly preferred that applicants be trained and certified in food safety and Good Agricultural Practices.

All applications will be rated 0-100 points based on the following questions:

1. Does the applicant have farming experience? (Max score: 15)
2. Do the crops selected appeal to consumers and will they generate profit? (Max score: 20)
3. Has the applicant demonstrated adequate financial ability? (Max score: 40)
4. Has the applicant demonstrated adequate goals and strategies in their business plan to achieve them? (Max score: 15)
5. Does the applicant's operation meet basic regulatory requirements and industry standards regarding safety and sanitation? (Max score: 10)

The following are the available parcels:

Request for Approval to Adopt the Tenant Review and Recommendation Committee's Recommendations

for Selecting Applicants for ADC Land Licenses

August 25, 2021

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1. **Paalaa Uka, Kamehameha Hwy./Paalaa Uka Pupukea Rd., TMK: 6-4-003-016.**
 - A. Size: 511 Gross Acres, approximately 385 is usable for diversified farming. Minimum size lot for diversified agriculture operation is 100 acres.
 - B. Location: Paalaa Uka, Oahu, gates to the property located on Kamehameha Hwy and Paalaa Uka Rd.
 - C. Water source: A pump station owned by Dole is located across Kamehameha Hwy. approx. 500 yards from the property. A possible second water source is an irrigation ditch running on the northern end of the property. Licensee will need to procure an agreement from Dole to use water from the pump station or R2 ditch water. The Licensee is also responsible for the development of the irrigation water infrastructure, including transporting water and constructing its own water storage onsite.
 - D. Condition of property: The property has several abandoned vehicles on site, as well as debris and rubbish. The land is overgrown with grass and tall trees. The land will require clearing before any agricultural activities can begin and will be issued "as is." The Licensee is responsible for developing the land in accordance with applicable laws and license provisions. Access from Kamehameha Hwy on the West boundary for several hundred yards makes security a concern for the farmer. If Licensee chooses, Licensee may erect fencing as allowed in the license.

The following are the general license provisions for diversified agriculture:

- Starting at \$100-\$200/acre/year
- Up to 35-year term
- Licensee is responsible for the development of the water infrastructure
- Must submit an approved conservation plan
- No subletting, except as approved by ADC
- No permanent structure or residential dwellings shall be allowed
- Rent credit for improvements to the land may apply, if approved by ADC

The following are the general license provisions for cattle ranching:

- Starting at \$11-\$15/acre/year
- 5 years with an option to renew
- Licensee is required to install cattle fencing at its own cost
- Licensee is responsible for the development of the water infrastructure
- No subletting, except as approved by ADC
- No permanent structure or residential dwellings shall be allowed
- Rent credit for improvements to the land may apply, if approved by ADC

2. Whitmore Lands (North), Kamehameha Hwy., TMK(s) 6-4-004-006 & 008

- A. Size: 234 Gross Acres, approximately 162 acres is usable for diversified farming

Request for Approval to Adopt the Tenant Review and Recommendation Committee's Recommendations

for Selecting Applicants for ADC Land Licenses

August 25, 2021

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- B. Location: Whitmore Village, Oahu, Kamehameha Hwy access to the property is currently blocked by concrete jersey barriers. Access road via Saipan Rd is in poor condition due to muddy and uneven road.
- C. Water Source: Dole's Tanada Reservoir (surface water) located 200 feet more or less from the property line. Licensee will need to procure an agreement from Dole to use water from Tanada Reservoir. The Licensee is also responsible for the development of the irrigation water infrastructure, which includes a pump, filter station, waterlines, and a reservoir/water storage, and other equipment needed to transport water from Dole's reservoir to the site.
- D. Condition of property: Property is fairly clear of debris and rubbish, however, it is overgrown with grass and trees. The land will require clearing before any agricultural activities can begin and will be issued "as is." The Licensee is responsible for developing the land in accordance with applicable laws and license provisions.

The following are the general license provisions for diversified agriculture:

- Starting at \$100-\$200/acre/year
- Up to 35-year term
- Must submit an approved conservation plan
- Licensee is responsible for the development of the water infrastructure
- Licensee is responsible for obtain approvals or permits for ingress/egress
- No subletting, except as approved by ADC
- No permanent structure or residential dwellings shall be allowed
- Rent credit for improvements to the land may apply, if approved by ADC

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- Starting at \$11-\$15/acre/year
- 5 years with an option to renew
- Licensee is required to install cattle fencing at its own cost
- Licensee is responsible for the development of the water infrastructure
- Licensee is responsible for obtain approvals or permits for ingress/egress
- No subletting, except as approved by ADC
- No permanent structure or residential dwellings shall be allowed
- Rent credit for improvements to the land may apply, if approved by ADC

3. Whitmore Agricultural Lands, Whitmore Ave./Saipan Rd., TMK(s): 7-1-001-012, 7-1-002-041, 046, & 047, and 7-1-002-034 & 006. (These lands have been designated for green houses and orchards)

- A. Size: TMK: 7-1-001-012 (32 gross acres);
TMK: 7-1-002-041, 046 and 047 (205 gross acres); and
TMK: 7-1-002-034, and 006 (179 gross acres)
416 Gross Acres, 280 Acres, more or less, of relatively flat terrain

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- B. Location: Whitmore Village, Oahu, three (3) contiguous parcels with access via Whitmore Avenue and Saipan Road. Although contiguous these three (3) parcels could be considered as individual lots.
- C. Water source: TMK: 7-1-002-034 currently has a $\frac{3}{4}$ " water meter. The other two properties do not have access to a water source. The Licensee is responsible for the development of the lot's irrigation water infrastructure, including transporting water and constructing its own water storage onsite.
- D. Condition of property: Hawaiian Electric power source located on Whitmore Ave. All three of the properties will require clearing and removal of junk and abandoned vehicles before agricultural activities can begin. Lot 034 is relatively flat, but it will require removal of a lot of tree trunks that were left behind after cutting down hundreds of invasive Albizia trees. The property is adjacent to Whitmore Village along the West boundary so it could be susceptible to vandalism and theft. The lots will also require clearing of grass and trees before any agricultural activities can begin and will be issued as is. The Licensee is responsible for developing their individual lots in accordance with applicable laws and license provisions.

TMK: 7-1-001-012	32 gross acres
TMK: 7-1-002-041, 046, and 047	205 gross acres
TMK: 7-1-002-034, and 006	179 gross acres
Total:	416 gross acres, more or less

The following are the general license provisions for diversified agriculture:

- Starting at \$100-200/acre/year
- Up to 35-year term
- Must submit an approved conservation plan
- Licensee is responsible for the development of the water infrastructure
- No subletting, except as approved by ADC
- No permanent structure or residential dwellings shall be allowed, except as approved by ADC
- Rent credit for improvements to the land may apply, if approved by ADC

The following are the general license provisions for cattle ranching:

- Starting at \$11-\$15/acre/year
- 5 years with an option to renew
- Licensee is required to install cattle fencing at its own cost
- Licensee is responsible for the development of the water infrastructure
- No subletting, except as approved by ADC
- No permanent structure or residential dwellings shall be allowed
- Rent credit for improvements to the land may apply, if approved by ADC

4. Mililani Mauka, Kene St., TMK: 9-5-003-007.

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- A. Size: 91 Gross Acres, farmable acres TBD.
- B. Location: Mililani Mauka, Oahu, access is through a Board of Water Supply (BWS) gate on Kenei St.
- C. Water source: The property is adjacent to BWS Storage Tanks identified as Mililani 1150 Reservoirs 1 & 2. Licensee will need to procure an agreement from BWS to install a water meter. The Licensee is also responsible for the development of the irrigation water infrastructure, including water storage.
- D. Condition of property: The lot has not been farmed in decades and is overgrown with tall grass and trees. Access through two secure gates has deterred illegal dumpers and will stop most thieves. However, large trucks and equipment would have a difficult time accessing the property due to steep and narrow access road to the property. The lot will require clearing before any agricultural activities can begin and will be issued as is. The Licensee is responsible for developing the land in accordance with applicable laws and license provisions.

The following are the general license provisions for diversified agriculture:

- Starting at \$100-\$200/acre/year
- Up to 35-year term
- Must submit an approved conservation plan
- Licensee is required to pay BWS water meter installation cost
- Licensee is responsible for the development of the water infrastructure
- No subletting, except as approved by ADC
- No permanent structure or residential dwellings shall be allowed
- Rent credit for improvements to the land may apply, if approved by ADC

The following are the general license provisions for cattle ranching:

- Starting at \$11-\$15/acre/year
- 5 years with an option to renew
- Licensee is required to install cattle fencing at its own cost
- Licensee is required to pay BWS water meter installation cost
- Licensee is responsible for the development of the water infrastructure
- No subletting, except as approved by ADC
- No permanent structure or residential dwellings shall be allowed
- Rent credit for improvements to the land may apply, if approved by ADC

**5. Galbraith Agricultural Lands (North), Kamehameha Hwy., TMK: 7-1-001-005
(These lands have been designated for truck crops, no cattle ranching)**

- A. Size: 230 Gross acres, farmable acres TBD. Minimum size lot for diversified agriculture operation is 100 acres.
- B. Location: Whitmore Village, Oahu, Access through gate located on Kamehameha Hwy.
- C. Water source: There is a reservoir on the property connected to ADC's Bott Well Pump Station. The water line from Kamehameha Hwy to the reservoir has a saddle

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connection that the farmer may use for their operation. The licensee will need to procure an agreement from ADC to use water from the Bott Well Pump Station and install a water meter. The Licensee is responsible for the development of the lot's irrigation water infrastructure, including transporting water from a water meter designated by ADC and constructing its own water storage onsite.

- D. Condition of property: There are numerous abandoned vehicles and trash on a portion of the property that need to be removed. 90 acres, more or less do not have any abandoned vehicles or trash and has recently been cleared. The lot will require clearing of grass and small trees before any agricultural activities can begin and will be issued as is. The Licensee is responsible for developing the land in accordance with applicable laws and license provisions.

The following are the general license provisions for the Galbraith Agricultural Lands:

- Starting at \$100-\$200/acre/year
- Up to 35-year term
- Must submit an approved conservation plan
- Licensee is responsible for the development of the water infrastructure
- No subletting, except as approved by ADC
- No permanent structure or residential dwellings shall be allowed
- Rent credit for improvements to the land may apply, if approved by ADC

A site visit of the available parcels will be held on Tuesday, March 16, 2021 from 9:00am.-2:00pm. This will be the only site visit. However, due to Coronavirus (COVID-19) pandemic, we may schedule multiple site visits to comply with the state's rules and regulations. Interested applicants wishing to attend the site visit should RSVP at least 24 hours prior to the site visit. All interested applicants who wish to attend the site visit shall meet at 1116 Whitmore Ave., Building E, Wahiawa, HI 96786. For more information about the site visit, please contact the ADC.

Applications shall be received by the ADC Office before 2:00pm, Friday, April 9, 2021. The applicants are required to answer all applicable questions and complete all attachments as prescribed in the application. Any incomplete application will automatically be disqualified. All completed applications shall be mailed or delivered to 235 S. Beretania St., Room 205, Honolulu, HI 96813. For more information about the parcels, interested applicants can contact the ADC Office at (808) 586-0087.

/s/ James J. Nakatani
Executive Director

ADC does not discriminate on the basis of race, color, national origin, disability, age, or sex in administration of its programs or activities, and, ADC does not retaliate against any individual because they have exercised their rights to participate in or oppose actions protected by 40 CFR Parts 5 and 7 or for the purpose of interfering with such rights. (As prohibited under Title VI of the Civil Rights Act of 1964, as amended; Rehabilitation Act of 1973 §504; Age Discrimination Act of 1975; Title IX of the Education Amendments of 1972; and Federal Water Pollution Control Act Amendments of 1972 §13 (hereinafter referred to collectively as the federal non-discrimination statutes.)

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EXHIBIT B

Agribusiness Development Corporation
Board of Directors
Selection Committee

SCORING RESULTS

Project: TMK 6-4-003-016, Paalaa Uka. Oahu

Date: May 25, 2021

APPLICANT	RATER & SCORE				TOTAL	RANK
	Member 1	Member 2	Member 3	Member 4		
Cedar Grove Hawaii, Inc.	87	85	90	54	316	2
HSAP LLC	91	85	77	41	294	3
Hawaii Golden Farm LLC	67	65	81	61	274	
Larry Jefts	93	94	95	93	375	1
Tony Sybounmy	76	57	40	53	226	
Robert Rita Jr. (Livestock)	83	59	80	28	250	
Justine Robello (Livestock)	81	76	67	33	257	
Thoune Hongphao (LATE)	73	56	10	39	178	
Zachary Baccam (LATE)	59	35	70	33	197	
Ralph Fukushima (Livestock) (LATE)	62	44	25	30	161	

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Project: TMK(s) 6-4-004-006 & 008, Whitmore, Oahu

Date: May 25, 2021

APPLICANT	RATER & SCORE				TOTAL	RANK
	Member 1	Member 2	Member 3	Member 4		
HSAP LLC	91	85	77	41	294	3
Phaiboun Hongphao	35	26	12	13	86	
Phen Khaephutcha	75	54	55	33	217	
Tony and Manyvone Law	89	85	75	76	325	2
Larry Jefts	93	94	95	93	375	1
Tony Sybounmy	76	57	40	53	226	
Justine Robello (Livestock)	81	76	67	33	257	
Thoune Hongphao (LATE)	73	56	10	39	178	
Ralph Fukushima (Livestock) (LATE)	62	44	25	30	161	

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Project: TMK(s): 7-1-001-012, 7-1-002-041, 046, & 047, and 7-1-002-034 & 006, Whitmore, Oahu

Date: May 25, 2021

APPLICANT	RATER & SCORE				TOTAL	RANK
	Member 1	Member 2	Member 3	Member 4		
HSAP LLC	91	85	77	41	294	2
Phaiboun Hongphao	35	26	12	13	86	
Phayvanh Inthisane	78	74	60	56	268	
Phen Khaephutcha	75	54	55	33	217	
Weerasak Khotkham	75	68	55	37	235	
Langsy Farm LLC	70	54	61	64	249	
Larry Jefts	93	94	95	93	375	1
Ohana Hui Ventures, Inc.	85	75	75	27	262	
Sally's Farm	76	60	45	60	241	
Sila Farm	82	66	70	55	273	3
Natthawut Sinsom	69	59	68	60	256	
Tony Sybounmy	76	57	40	53	226	
Root Wise Hawaii (LATE)	77	56	22	20	175	
Ralph Fukushima (Livestock) (LATE)	62	44	25	30	161	

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Project: TMK 9-5-003-007, Mililani Mauka, Oahu

Date: May 25, 2021

APPLICANT	RATER & SCORE				TOTAL	RANK
	Member 1	Member 2	Member 3	Member 4		
HSAP LLC	91	85	77	41	294	3
Malama Aina Collective LLC	85	83	65	47	280	
Weerasak Khotkham	75	68	55	37	235	
Langsy Farm LLC	70	54	61	64	249	
Larry Jefts	93	94	95	93	375	1
Tony and Manyvone Law	89	85	75	76	325	2
Natthawut Sinsom	69	59	68	60	256	
Tony Sybounmy	76	57	40	53	226	
Justine Robello (Livestock)	81	76	67	33	257	
Zachary Baccam (LATE)	59	35	70	33	197	
Ralph Fukushima (Livestock) (LATE)	62	44	25	30	161	

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Project: TMK 7-1-001-005, Galbraith, Whitmore, Oahu

Date: May 25, 2021

APPLICANT	RATER & SCORE				TOTAL	RANK
	Member 1	Member 2	Member 3	Member 4		
Sisouphanh Chanhabandith	71	45	40	62	218	
George Fukumitsu	83	65	35	50	233	
HSAP, LLC	91	85	77	41	294	
Hawaii Golden Farms LLC	67	65	81	61	274	
Pahiboun Hongphao	35	26	12	13	86	
Phayvanh Inthisane	78	74	60	56	268	
Phen Khaephutchacha	75	54	45	33	207	
Larry Jefts	93	94	95	93	375	1
Thomas Law	89	91	95	74	349	2
Tony and Manyvone Law	89	85	75	76	325	3
Orathay Rasabout	76	85	65	38	264	
Tony Sybounmy	76	57	40	53	226	
Zhao Produce	80	75	85	44	284	
BLH Farm (LATE)	77	74	40	20	211	

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



Item T

JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION

235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

ADC Executive Director's Update
Auugust 25, 2021

1. Whitmore Project



TMK(s) 7-1-002-009, 004 (por), 022, and 023 in Whitmore Village, Wahiawa, Oahu

The ADC is proceeding with its plans to develop the Whitmore Food Hub in Whitmore Viillage and will be proceeding with a baseline study, which includes outreach to seek comments from the community and stakeholders. The complex will be designed to pool services for the aggregation, processing, storage, marketing, and distribution of locally produced foods by growers and manufacturers. The project aims to create post-harvest facilities that meet the requirements of the Food Safety Modernization Act (FSMA), while integrating the logistical spaces of the food hub. The project will encompass approximately 34 acres and includes TMK(s) 7-1-002-009, 004 (por), 022, and 023. The overall project was approved by the ADC Board in 2014.

2. HONU Project



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As of August 18, 130 unsheltered individuals that had come through HONU received assistance. According to an update from the Office of Councilmember Heidi Tsuneyoshi and the Honolulu Police Department, 59 individuals have been placed, 43 have transitioned into shelters, 10 found permanent housing, and several others were either reunited with family, or went into treatment for substance abuse. Not included in the stats is an unsheltered U.S. veteran who finally agreed to enter HONU to get help after living on the streets for years. The program was able to reunite him with his family in South Carolina and he was able to go back home and is doing well today. They believe the project has been a success and thanked the ADC for helping make this project possible.