

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII 96814

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL TO NEGOTIATE A LEASE FOR A
LAND LOCKED VACANT LOT; TMK: 1ST DIV/8-5-001:033;
WAIANAE-KAI, WAIANAE, ISLAND OF OAHU, HAWAII

Authority: Sections 171-18 and 166-E, Hawaii Revised Statutes (HRS), and Chapter
4-158-22, Hawaii Administrative Rules (HAR); Governor's Executive
Order No. 4534

Area: 114.8 gross acres, more or less

Tax Map Keys: 1st Div/8-5-001:033 (see attached Exhibit "A")

Land Status: Vacant and Unencumbered

Character of Use: Pasture

BACKGROUND:

The subject lot was set aside for management purposes from the Department of Land and Natural Resources to the Department of Agriculture by Governor's Executive Order No. 4534 dated July 21, 2017.

The subject lot is landlocked with limited access over adjacent fee simple properties owned by David and Carol Souza.

Mr. and Mrs. Souza own and operate Island Farm's LLC since 2010 at their Waianae fee simple properties where they raise cattle and hogs. The Souzas expressed interest in leasing the state-owned VACANT lot on which to pasture their cattle, thereby improving and optimizing their cattle operation by increasing their production capacity.

An independent appraisal report was completed pursuant to Section 4-158-21, HAR, for the purpose of determining the fair market rental for the initial 10-year period of the long-term lease term. The fair market annual rental rate has been determined at \$665.00 per year.

The Souza's qualify as bona fide farmers and meet residency eligibility requirements. David Souza grew up on a dairy farm in Waianae and as a young adult started his own cattle ranching business. Eventually he established his own farm in Waianae, along with his wife, Carol Souza.

Recently, the Souza's were approved for an \$837,000.00 loan from the Department of Agriculture, Agricultural Loan Division, to construct a certified slaughterhouse facility on their fee property. They have been working with the Safeway food chain to sell their products.

It is in the State's best interest to authorize disposition of this property by direct negotiation to David and Carol Souza as the subject lot is landlocked with limited access through fee simple properties owned by the Souza's.

RECOMMENDATION:

That the Board of Agriculture:

1. Find that the public interest demands that TMK No. (1) 8-5-001:033 be disposed through negotiation pursuant to §4-158-22(a), HAR, as the subject lot is landlocked with access available over fee simple properties owned by David and Carol Souza;
2. Authorize the Department of Agriculture to dispose of TMK No. (1) 8-5-001:033 by negotiation pursuant to §4-158-22(a), HAR, and issue a lease for a term not to exceed 65 years;
3. Authorize the Department of Agriculture to issue a Right-of-Entry to the party engaged in negotiation for the property to conduct due diligence and prepare the site for occupation subject to prior approval by the Department for such preparation activity, which Right-of-Entry shall terminate six months from the date of issuance or upon execution of the general lease for the property, whichever is earlier;
4. Subject all related documents to the review and approval as to form by the Department of the Attorney General; and

5. Delegate and reserve to the discretion of the Chairperson, the authority to prescribe such other terms and conditions to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

Attachment – Exhibit “A”

APPROVED FOR SUBMISSION



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

FIRST	DIVISION
ZONE	SEC PLAT
8	5 01
CONTAINING PARCELS	
Scale 1 in = 300 ft	

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR CONVERSION OF GENERAL LEASE NO. S-3993; RONALD MATSUMURA AND SHANE MATSUMURA, LESSEE; TMK: 4th Div/4-6-005:009, LOT 37, KAPAA HOMESTEADS; KAPAA, KAWAIIHAU (PUNA), ISLAND OF KAUAI, HAWAII

Authority: Section 166E-4, Hawaii Revised Statutes ("HRS"), and Section 4-158-8, Hawaii Administrative Rules ("HAR")

Lessee/Assignor: Ronald Matsumura and Shane Matsumura

Land Area: Approximately 3.00 gross acres, more or less

Tax Map Key: 4th Div/4-6-005:009 (see Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 4527 to the Department of Agriculture ("DOA") for non-agricultural park land purposes issued February 7, 2017

Lease Term: 60 years; July 14, 1966 to July 13, 2026

Annual Rental: \$3,008.00 per year

Character of Use: Diversified Agriculture

BS

Bk

REMARKS:

General Lease No. S-3993 was awarded by the Board of Land and Natural Resources to Ichiji Matsumura and Masako Matsumura, husband and wife, on July 14, 1966. By mesne assignment, in 2015 said lease was assigned to Ronald Matsumura and Shane Matsumura, son and grandson, respectively, of the Lessee. At a meeting held on December 3, 2019, the BOA approved extension of the lease which had expired while awaiting transfer from DLNR to DOA per Act 90, HRS. The lease was extended from July 14, 2016 to July 13, 2026. The Matsumura's produce avocado, lychee, ginger and orchids on their farm.

The Lessee has requested a conversion of said lease in accordance with Section 4-158-8, HAR, to a new 35-year lease term, subject to the requirements of the administrative rules which are stated, in pertinent sections as follows:

The department shall:

- Require an appraisal of the parcel in accordance with Section 4-158-21, HAR;
- Impose other lease terms provisions, restrictions, and conditions as provided in this chapter as may be required to protect the State's interest;
- Require the payment of annual lease rent by appraisal and a premium computed at twenty-five percent (25%) of the annual base rent for each year of the lease equal to the number of years that person occupied the land, but not to exceed four (4) years; and
- Require those qualifying under subsection (a) to meet the bona fide farmer criteria as defined in section 4-158-1, HAR.

An appraisal has been ordered pursuant to Section 4-158-21, HAR, for the purpose of determining the fair market rental for the subject parcel. The new appraised annual rental for this lease shall be set for the first ten years of the term versus 1.5% of gross sales, whichever is greater. The appraised annual rental will be applied to the converted lease as of the new date of commencement. Additionally, in accordance with the administrative rules, the Lessee will pay a premium equal to 25% of the rental for the new lease for a period of four (4) years from the commencement of the converted term. The fair market annual rental rate has been determined at \$3,375.00 per year.

Further, the Board and Lessee mutually agree to cancel the existing General Lease No. S-3993 by executing a Mutual Cancellation of existing General Lease No. S-3993 subject to execution of the converted general lease documenting the effective date, so that only one lease is in full force and effect. Since the mutual cancellation of lease is agreed upon and executed by the parties and is not due to breach or default by Lessee, Lessee is eligible and qualified for the new general lease, in this respect only. All other eligibility terms must be met to the satisfaction of the Board.

RECOMMENDATION:

That the Board of Agriculture:

1. Approve Lessee's request to convert General Lease No. S-3993 to a new Non-Agricultural Park Lands lease of not more than thirty-five (35) years for its initial lease term subject to the conversion provisions of Chapter 4-158, HAR.
2. Approve the Mutual Cancellation of General Lease No. S-3993, subject to the execution of the effective date of the new general lease.

All documents are subject to review and approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,

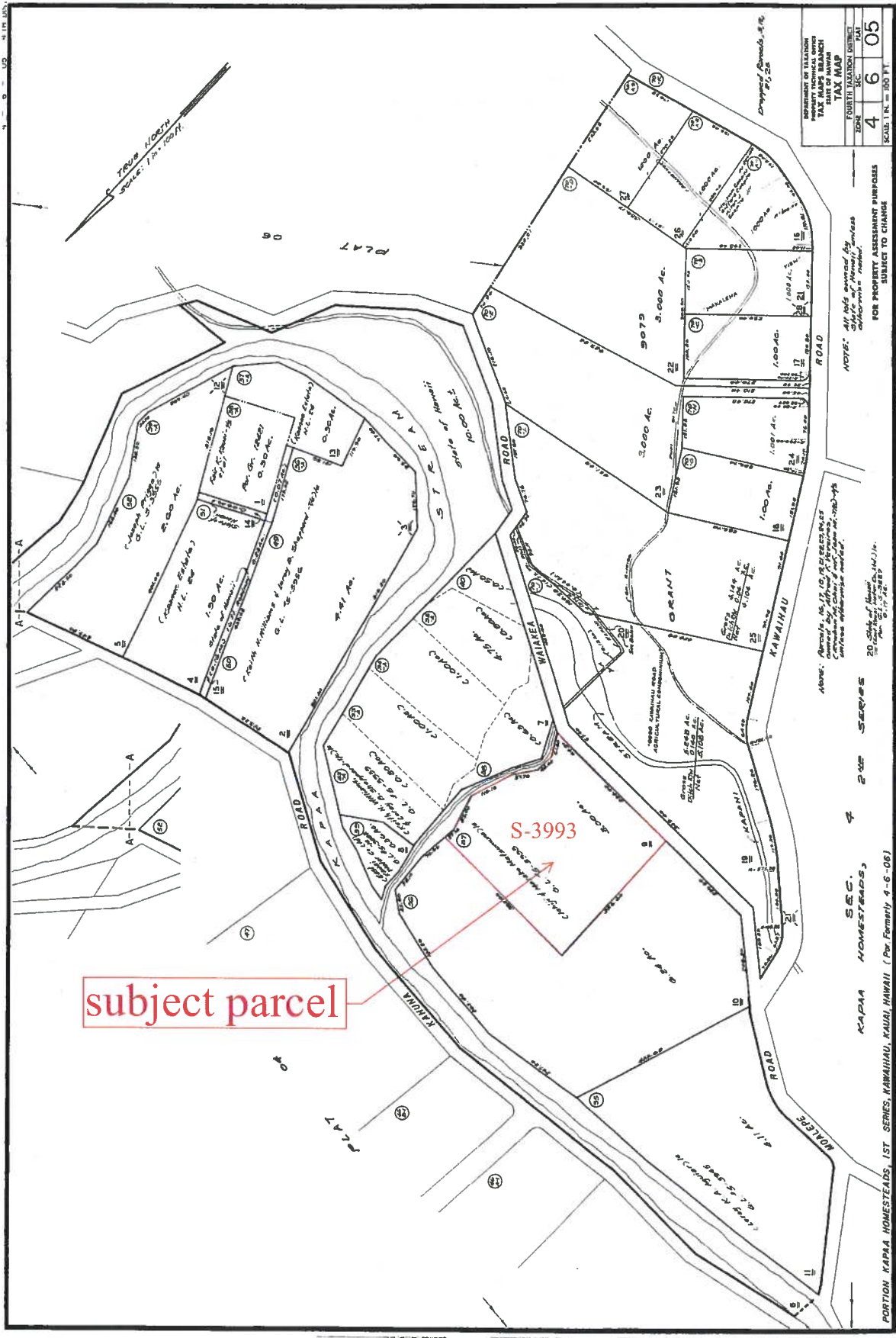


BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

Attachment – Exhibit "A"

APPROVED FOR SUBMISSION


PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture



STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL FOR ISSUANCE OF PERPETUAL NON-EXCLUSIVE UTILITY EASEMENT AND IMMEDIATE RIGHT-OF-ENTRY; GENERAL LEASE NO. S-4913-A; PIONEER HI-BRED INTERNATIONAL, INC. LESSEE; TMK: (4) 1-2-002:006; KEKAHA, WAIMEA, ISLAND OF KAUAI, HAWAII

Authority: Section 166E-6, Hawaii Revised Statutes ("HRS"), and Section 4-158-2(a)(8), Hawaii Administrative Rules ("HAR")

Lessee: Pioneer Hi-Bred International, Inc.

Applicant: Kauai Island Utility Cooperative, a consumer cooperative associate formed pursuant to the provisions of chapter 421C

Land Area: 32.929 gross acres

Tax Map Key: (4) 1-2-002:006 (see Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 4259 to the Department of Agriculture ("DOA") for Non-Agricultural Park Lands purposes

Lease Term: 12/29/1983 through 9/30/2030

Current Rent: \$10,730.00 per year

Permitted Use: Diversified Agriculture and Intensive agricultural purposes

B9

BACKGROUND:

General Lease No. S-4913-A was originally awarded to Pioneer Hi-Bred International, Inc. (Pioneer) by the Board of Land and Natural Resources, and transferred by Governor's Executive Order No. 4529, effective January 26, 2009, to the DOA's Non-Agricultural Park Lands Program for management purposes.

Pioneer is a wholly owned subsidiary of Corteva Agriscience, one of the world's largest organizations focusing on seed production and crop protection. Pioneer uses genetic research to develop hybrid seeds designed to increase the quality, quantity and sustainability of crop yields to farmers. The company produces Pioneer brand corn hybrid and soybean varieties, sunflower, canola, rice and wheat, as well as forage and grain additives.

In 2018, Pioneer received Board approval to construct up to twenty-four (24) new shade houses on the premises. To provide power to irrigation pumps and control, and equipment needed to support the shade house project, the Lessee, has requested approval of a non-exclusive utility easement in favor of Kauai Island Utility Cooperative (KIUC) for the purpose of extending an underground power line. The non-exclusive easement will provide KIUC the privilege and authority to construct, use, maintain, repair, replace and removed electrical transmission lines, poles, guy wires and anchors, over, under and across State-owned land, including the right to trim and keep trimmed any trees in the way to its appliances and equipment.

Pioneer is also requesting issuance of an immediate right-of-entry agreement to KIUC, their consultants, contractors, and/or persons acting for or on their behalf for temporary ingress and egress for access to the premises for activities related to the utility project.

RECOMMENDATION:

That the Board of Agriculture:

1. Approve the issuance of a non-exclusive utility easement to KIUC for the purpose of extending an underground power line to provide power to irrigation pumps and controls, and equipment needed to support the Lessee's shade house project;
2. Approve the issuance of a Right-of-Entry to KIUC, which Right-of-Entry shall terminate one year from date of issuance or upon execution of the non-exclusive easement, whichever is earlier;
3. Authorize the Chairperson to continue the right-of-entry agreement for additional one-year periods for good cause shown;

All related documents shall be subject to review and approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson, to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

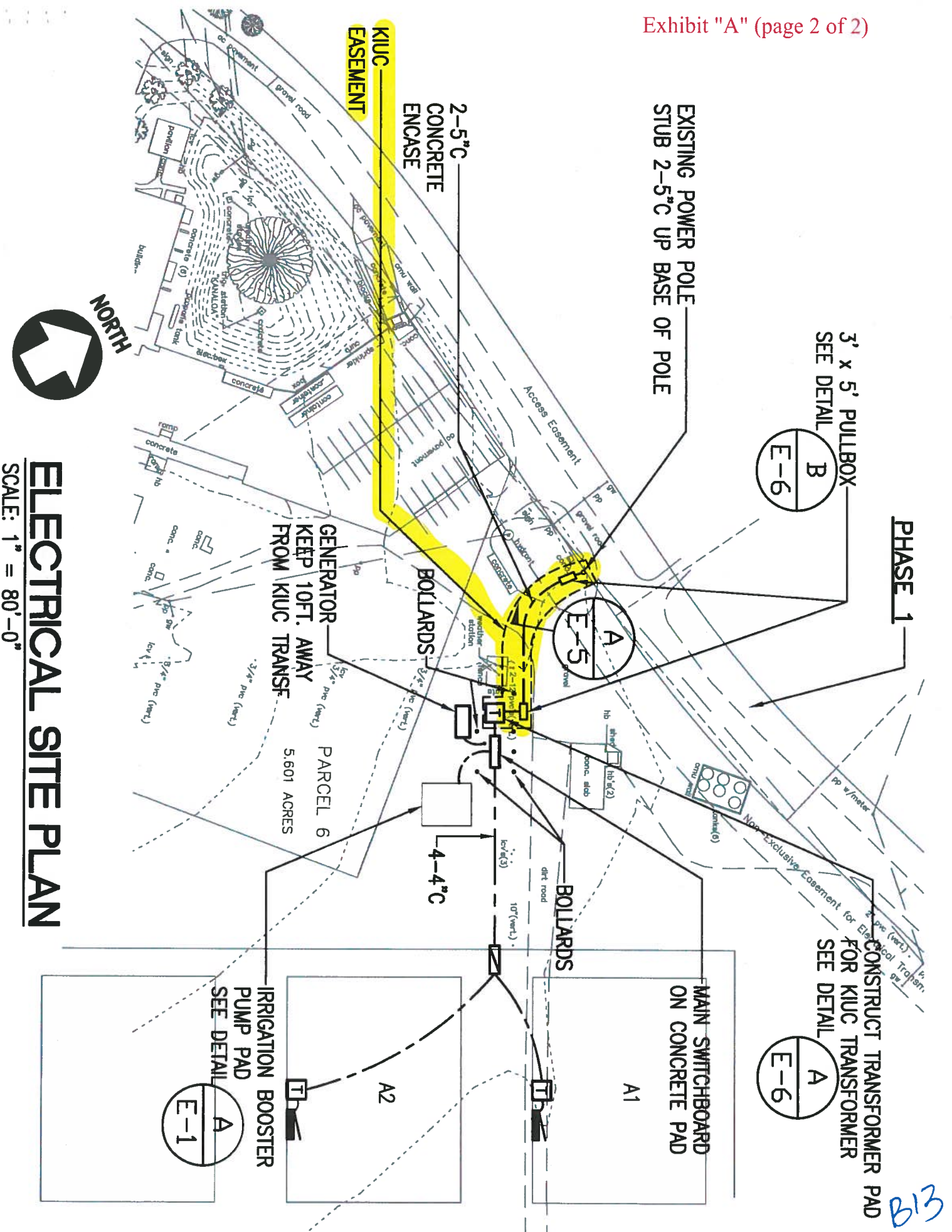
Attachment – Exhibit “A”

APPROVED FOR SUBMISSION



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

B11



STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL OF EXTENSION OF LEASE TERM, GENERAL LEASE NO. S-5599, TMK: (3) 5-9-003:002 & 004, (3) 5-9-001:004, (3) 5-9-004:001 & 008, AND GENERAL LEASE NO. S-5655, TMK: (3) 5-9-002:006; PONOHOLO RANCH, LIMITED, LESSEE; MAKILOA, NORTH KOHALA, ISLAND OF HAWAII AND PAHINAHINA-KIIOKALANI TRACT, SECTION 1, NORTH KOHALA, ISLAND OF HAWAII

Authority: Section 166E-5, Hawaii Revised Statutes ("HRS"), and Section 4-158-9, Hawaii Administrative Rules ("HAR")

Lessee: Ponoholo Ranch, Limited

Lease Term: GL S-5599: 20 years, February 23, 2000 to February 22, 2020
GL S-5655: 20 years, August 28, 2002 to August 27, 2022

Current Rent: GL S-5599: \$22,810.00 per year
GL S 5655: \$1,630.00 per year

Land Area: GL S-5599: 5,135.475 acres
GL S-5655: 138.000 acres

Tax Maps: Exhibit "A": (3) 5-9-003:002 & 004
(GLS-5599) (3) 5-9-001:004
(3) 5-9-004:001 & 008
Exhibit "B": (3) 5-9-002:006
(GLS-5655)

Land Status: Encumbered by Governor's Executive Order No. 4579, dated February 17, 2019, set aside for control and management by the Department of Agriculture for pasturing purposes.

Permitted Use: Pasture

B14

B15

BACKGROUND

General Lease No. S-5599 was previously encumbered under Revocable Permit No. S-6958 to Ponoholo Ranch, Ltd. (PRL) for pasture purposes. At its meeting of January 10, 1998, DLNR approved the sale at public auction of the pasture permit resulting in the approval of a direct lease to PRL. General Lease No. S-5599 will expire on February 22, 2020.

General Lease No. S-5655 was previously encumbered under Revocable Permit No. S-6490 to Ponoholo Ranch, Ltd., (PRL), for pasture purposes. At its meeting held on March 12, 1999, the Board of Land and Natural Resources (DLNR) approved the sale at public auction of the pasture permit resulting in the approval of a direct lease to PRL. General Lease No. S-5655 will expire on August 27, 2022.

Ponoholo Ranch continues to maintain both properties for pasture use on Kohala Mountain and are reported to have the second largest herd of cattle on the Island - 6,000 to 8,000 head. Ponoholo Ranch is known for its natural beauty with views of the Pacific Ocean, the Kohala and Kona coastline.

The Lessee is requesting the extension period expiration dates be coterminous for both leases as follows:

General Lease No. S-5599: February 22, 2020 through August 31, 2065

General Lease No. S-5655: August 27, 2022 through August 31, 2065

The Lessee qualifies and meets all requirements of Sections 4-158-9 and 4-158-10, HAR, stated, in pertinent sections, as follows:

- The tenant must hold a current lease for use of lands transferred to the department;
- The holder of an encumbrance shall be satisfactorily performing in full compliance with the terms and conditions of the existing lease, permit, or license;
- The holder of the encumbrance shall not be in arrears in the payment of taxes, rents, or other obligations owed to the State or any county; and
- The holder of an encumbrance's agricultural activity or farming operation shall be fully and economically viable as specified in section 4-158-11, HAR.
- All extensions shall require the determination of the base rent and additional rents. The rental value shall be based on the appraisal conducted by a disinterested appraiser or appraisers contracted by the administrator. In no case shall the base annual rent of the existing encumbrance be reduced from its current rate.

An appraisal has been ordered pursuant to Section 4-158-10(b), HAR, for the purpose of determining the fair market rentals and additional rents for the subject parcels. The

new appraised annual rental for the leases shall be set for the first fifteen years of the term versus additional rents, whichever is greater.

RECOMMENDATION:

That the Board of Agriculture approve the request for extensions of General Lease No. S-5599 and General Lease No. S-5655 with the coterminous expiration dates of August 31, 2065 for both leases.

All documents shall be subject to review and approval as to form by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

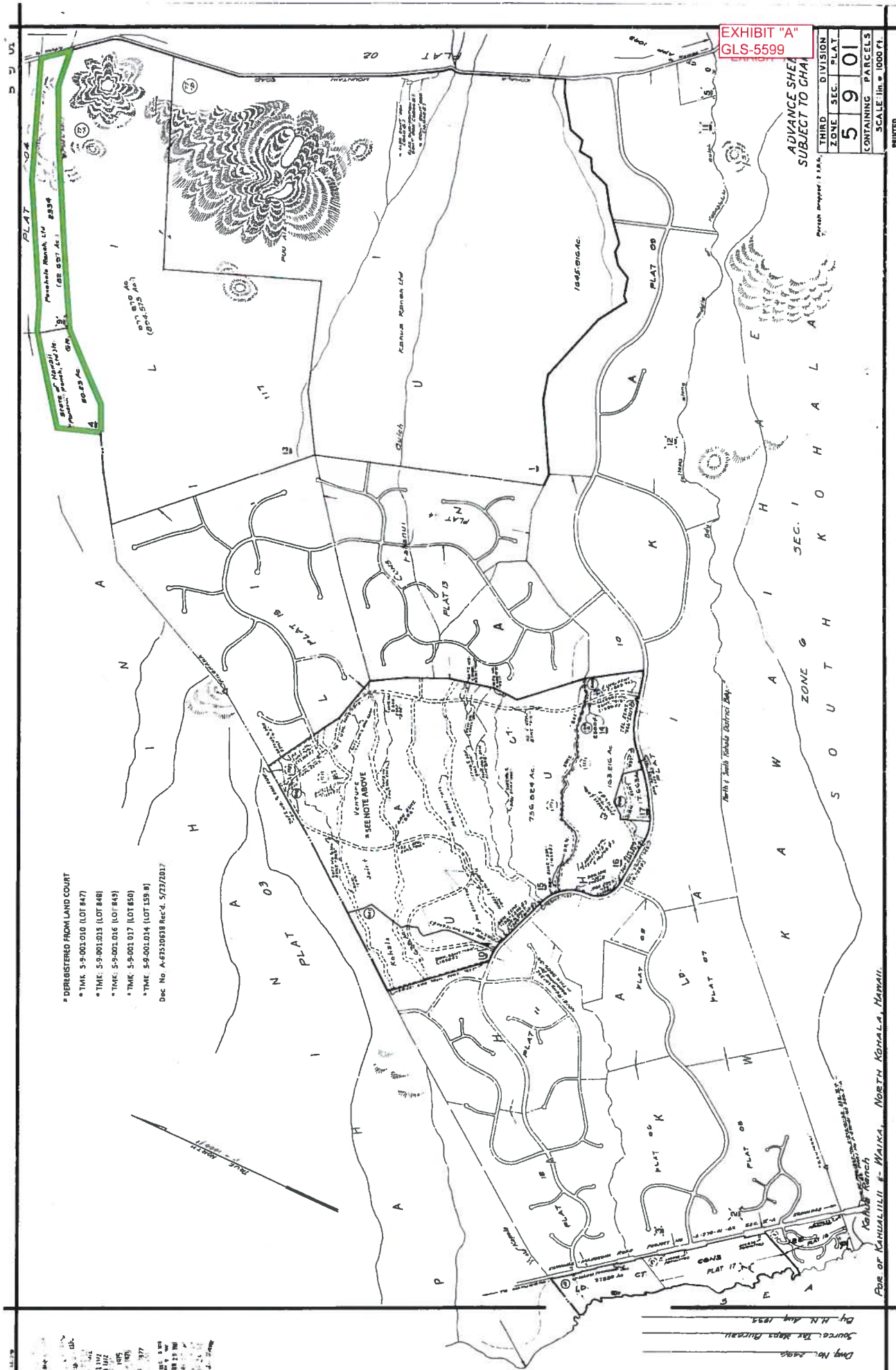
Attachments – Exhibit “A” and Exhibit “B”

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

B16



- * DEREGISTERED FROM LAND COURT
- * TMAK 5-9-001.010 (LOT 847)
- * TMAK 5-9-001.012 (LOT 848)
- * TMAK 5-9-001.016 (LOT 849)
- * TMAK 5-9-001.017 (LOT 850)
- * TMAK 5-9-001.014 (LOT 159 B)

Doc No A-67520938 Rec'd 5/23/2017

EXHIBIT "A"
GLS-5599

ADVANCE SHEET
SUBJECT TO CHAIN

THIRD DIVISION	ZONE	SEC.	PLAT
	5	9	01
CONTAINING PARCELS			
SCALE: 1 in = 1000 ft			

PRINTED

Kahuna Ranch
Opp of KUALAILU E. Waike, NORTH KAHALA, HAWAII

B17

EXHIBIT "A"
GLS-5599

THIRD	DIVISION	
ZONE	SEC.	PLA
5	9	03

CONTAINING PARCELS
SCALE: 1" = 1000'

**ADVANCE SHEET
SUBJECT TO CHANGE**

PRINTED



Kauai Rapa
Roa of Kihala Hawaii
Pahinania
North Kihala Hawaii

Dwg. No. 2505

Source: The Maps Bureau

By RR Aug 1955

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B18

819

**ADVANCE SHEET
SUBJECT TO CHANGE**

PRINTED

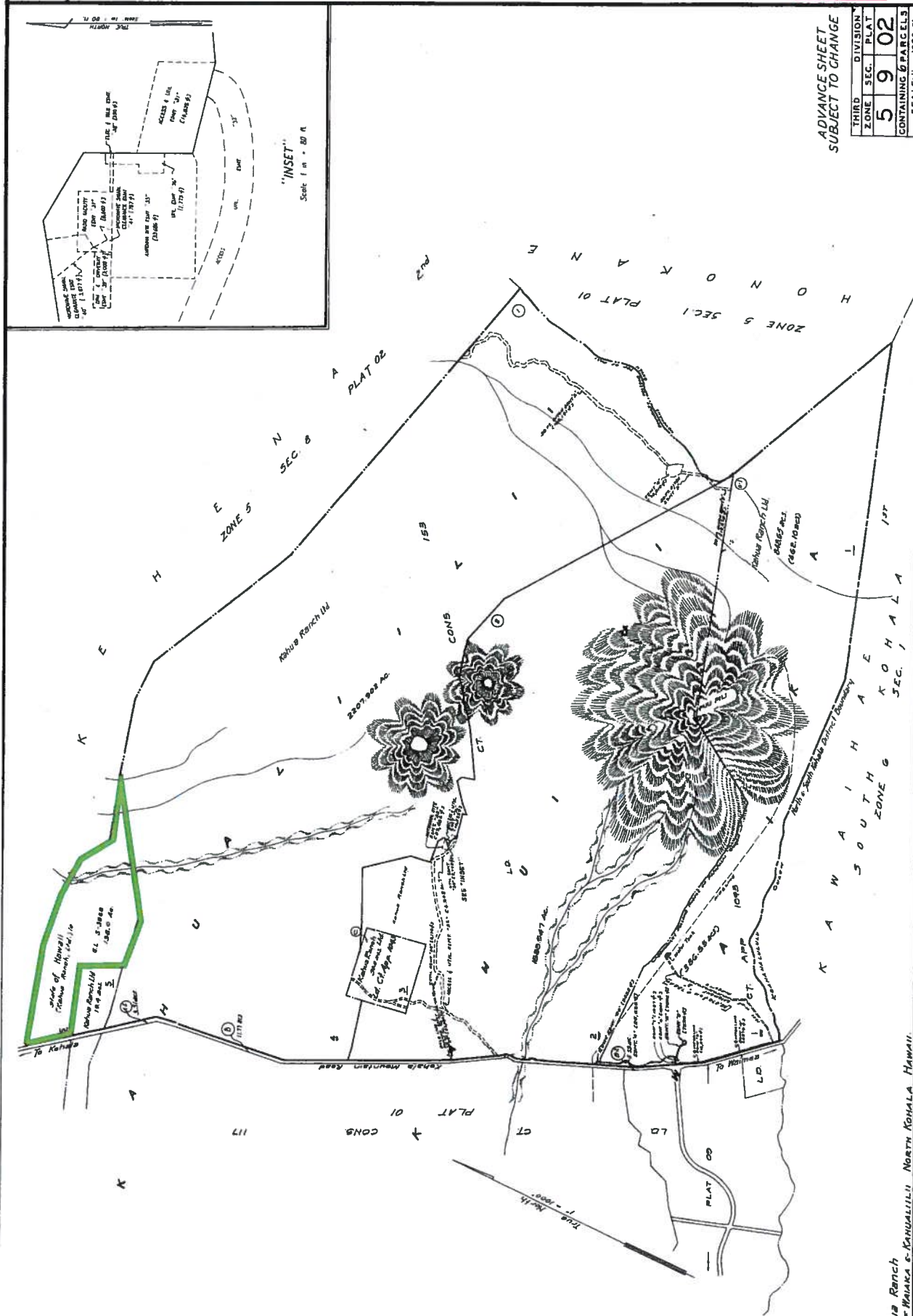
FOR OF KIOKALANI & MAKILOA NORTH KOHALA HAWAII.

Drug No. 2501
Source: Joe Meigs Bureau
By H.N. Aug 1935

THIRD	DIVISION	
ZONE	SEC.	PLAT
5	9	02

CONTAINING 6 PARCELS
SCALE 1 in. = 1000 ft.

PRINTED.



Kahua Ranch
FOR OF WAIAKA & KAHUALILII NORTH KOHALA HAWAII.

B20

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL TO CONSTRUCT FOUR (4) GREENHOUSE STRUCTURES; GENERAL LEASE NO. S-5905; GREEN POINT NURSERIES, INC., LESSEE; LOT NO. 15, TMK: 3RD DIV/2-4-049:029; WAIAKEA, SOUTH HILO, ISLAND OF HAWAII, HAWAII

Authority: Section 166E-4, Hawaii Revised Statutes (HRS), and Section 4-158-20 (e), Hawaii Administrative Rules (HAR)

Lessee: Green Point Nurseries, Inc.

Land Area: 10.103 gross acres

Tax Map Key: 3rd Div./2-4-049:029

Land Status: Encumbered by Governor's Executive Order No. 4430 to the Department of Agriculture for non-agricultural park land purposes

Lease Term: 30 years, 1/19/2007 through 1/18/2037

Current Rent: \$1,730.00 per year

Additional Rent: 1.5% of the gross proceeds from the sale of commodities produced on the demised premises which exceed the base annual rent

Permitted Use: Intensive agriculture purposes

B21

B22

BACKGROUND:

In 2007, General Lease No. S-5905 was awarded to Green Point Nurseries, Inc. by the Department of Land and Natural Resources (DLNR). In addition, they hold title to General Lease No. S-4445; both leases are in the Panaewa Subdivision Farm Lots. Owned and operated by the Tanouye family, Green Point Nurseries cultivates a variety of tropical flowers, orchids and anthuriums.

Green Point Nurseries, Inc. is requesting approval to construct four (4) greenhouse structures to further expand on the production and cultivation of orchids and anthuriums. All construction on the premises shall be in accordance with all applicable federal, state, and county laws, ordinances, and rules.

RECOMMENDATION:

That the Board approve Lessee's request to construct four (4) greenhouse structures, subject to such terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State; and further, the Lessee shall indemnify, defend, and hold harmless the Lessor from and against any claim or demands for loss, liability, or damage, including claims for property damage, personal injury, or wrongful death, arising out of Lessee's construction, installation, and use of said improvements and appurtenances.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

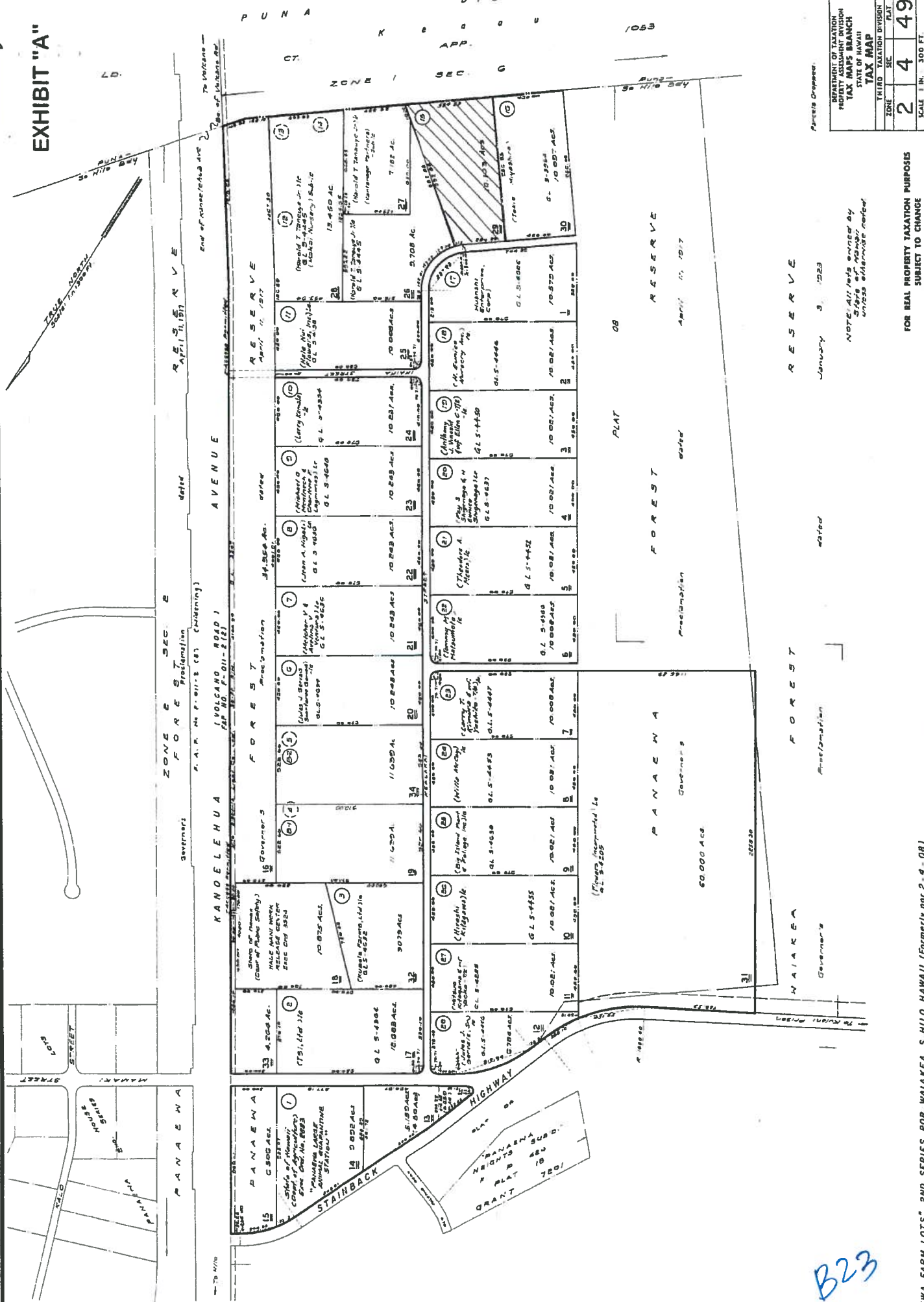
ATTACHMENT – EXHIBIT “A”

APPROVED FOR SUBMISSION:



PHYLLIS SHIMBUKURO-GEISER
Chairperson, Board of Agriculture

EXHIBIT "A"



B23

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL TO CONSTRUCT A
STORAGE/PROCESSING SHED; GENERAL LEASE NO. S-
3119; MICHAEL PATRICK FAIRALL, LESSEE; LOT NO. 10,
TMK: 1ST DIV/4-1-010:041; KOOLAUPOKO, WAIMANALO,
ISLAND OF OAHU, HAWAII

Authority: Section 166E-4, Hawaii Revised Statutes (HRS), and Section 4-
158-20 (e), Hawaii Administrative Rules (HAR)

Lessee: Michael Patrick Fairall

Land Area: 4.094 gross acres

Tax Map Key: 1st Div/4-1-010:041

Land Status: Encumbered by Governor's Executive Order No. 4239 to the
Department of Agriculture for non-agricultural park land purposes

Lease Term: 35 years, 8/1/2015 through 7/31/2050

Current Rent: \$5,400.00 per year until 8/1/2025 reopening

Additional
Rent: 1.5% of the gross proceeds from the sale of commodities produced
on the demised premises which exceed the base annual rent

Permitted Use: Diversified agriculture purposes

B24

B25

BACKGROUND:

The original lease (General Lease No. S-3758) was awarded to Kazuto Yamada, unmarried, ("Lessee"), in 1963. In 2005, Lessee assigned the subject lease to Glenn Joseph Robert Griffin and Kelly Lei Griffin, husband and wife, and in 2015, the Griffin's were granted a conversion of lease to General Lease No. S-3119. In 2018, due to financial hardship and their son suffering from a chronic illness, the Griffins assigned the lease to Michael Patrick Fairall where he produces lychee, avocado, and taro.

Michael Fairall is requesting approval to construct a storage/processing shed where he can store and secure his farming equipment and supplies and process his products for market. With the high number of theft and burglary incidences in the Waimanalo area, an enclosed shed that can be locked is added security for protecting the Lessees investments. All construction on the premises shall be in accordance with all applicable federal, state, and county laws, ordinances, and rules.

RECOMMENDATION:

That the Board approve Lessee's request to construct a storage/processing shed, subject to such terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State; and further, the Lessee shall indemnify, defend, and hold harmless the Lessor from and against any claim or demands for loss, liability, or damage, including claims for property damage, personal injury, or wrongful death, arising out of Lessee's construction, installation, and use of said improvements and appurtenances.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

ATTACHMENT – EXHIBIT "A"

APPROVED FOR SUBMISSION:



PHYLLIS SHIMBUKURO-GEISER
Chairperson, Board of Agriculture

Date: 03/15/2016 10:46:49 AM

FOR WAIKANA O, KOOLAUPONO, OAHU, HAWAII (Formerly par 4-1-08)

COPYRIGHT CITY & COUNTY OF HONOLULU. ALL RIGHTS RESERVED 2016
FOR PROPERTY ASSESSMENT PURPOSES. PARCELS MAY NOT BE LEGALLY SUBDIVIDED LOTS. SUBJECT TO CHANGE.

(UNOFFICIAL) OF SECTION 1 PLAT 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000			
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SCALE: 1"=200' - 01/1/17



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DATE: 03/15/2016

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DATE: 03/15/2016

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR APPROVAL TO CONSTRUCT STORAGE
/PROCESSING SHED; GENERAL LEASE NO. S-4935, RD
ENVIRONMENTS, LLC, LESSEE; LOT NO. 14, TMK: 1ST
DIV/4-1-035:014; WAIMANALO AGRICULTURAL PARK;
KOOLAUPOKO, WAIMANALO, ISLAND OF OAHU, HAWAII

Authority: Section 166-9, Hawaii Revised Statutes (HRS), and Section 4-153-
32 (e), Hawaii Administrative Rules (HAR)

Lessee: RD ENVIRONMENTS, LLC

Land Area: 4.665 gross acres

Tax Map Key: 1st Div/4-1-035:014

Land Status: Encumbered by Governor's Executive Order No. 3464 to the
Department of Agriculture for agricultural park purposes

Lease Term: 8/1/1986 through 7/31/2021

Current Rent: \$3,150.00 per year until 7/31/2020

Permitted Use: Nursery purposes

BACKGROUND:

General Lease No. S-4935 was awarded to Paul H. Mayeda ("Lessee") in 1986. In 2008, the subject Lease was assigned to RD ENVIRONMENTS, LLC, owned and operated by Robert Dunn. Mr. Dunn grows ornamental potted plants and trees on the premises which he uses to supplement his landscaping business.

B27

B28

RD Environments is requesting approval to construct a storage/processing shed where supplies and equipment can be stored and secured as well as provide an area for processing products for sale.

With the high number of theft and burglary incidences in the Waimanalo area, enclosed sheds that can be locked is added security for protecting the Lessee's investments. Construction on the premises shall be in accordance with all applicable federal, state, and county laws, ordinances, and rules.

RECOMMENDATION:

That the Board approve RD Environment, LLC's request to construct a storage/processing shed, subject to such terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State; and further, the Lessee shall indemnify, defend, and hold harmless the Lessor from and against any claim or demands for loss, liability, or damage, including claims for property damage, personal injury, or wrongful death, arising out of Lessee's construction, installation, and use of said improvements and appurtenances.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

ATTACHMENT – EXHIBIT “A”

APPROVED FOR SUBMISSION:



PHYLLIS SHIMBUKURO-GEISER
Chairperson, Board of Agriculture

EXHIBIT "A"



DROPPED PARCELS: 15/15

DEPARTMENT OF FINANCE
PROPERTY TAX MAPS SECTION
TAX MAP
CITY & COUNTY OF HONOLULU
SCALE: 1 IN. = 200 FT

ZONE	4	1	35
PLAT			

FOR PROPERTY ASSESSMENT PURPOSES
SUBJECT TO CHANGE

Notes: All lots owned by State of Hawaii are shown in green.

15
DROPPED PARCELS
SHOWN IN GREEN
ON THIS MAP

WAIMANALO AGRICULTURAL PARK, PHASE I, P. 1850 WAIMANALO, KOO LAUPOKO OAHU, HAWAII (FORMERLY PDS 4-108, 4-109, 4-110, 4-111, 4-112, 4-113, 4-114, 4-115, 4-116, 4-117, 4-118, 4-119, 4-120, 4-121, 4-122, 4-123, 4-124, 4-125, 4-126, 4-127, 4-128, 4-129, 4-130, 4-131, 4-132, 4-133, 4-134, 4-135, 4-136, 4-137, 4-138, 4-139, 4-140, 4-141, 4-142, 4-143, 4-144, 4-145, 4-146, 4-147, 4-148, 4-149, 4-150, 4-151, 4-152, 4-153, 4-154, 4-155, 4-156, 4-157, 4-158, 4-159, 4-160, 4-161, 4-162, 4-163, 4-164, 4-165, 4-166, 4-167, 4-168, 4-169, 4-170, 4-171, 4-172, 4-173, 4-174, 4-175, 4-176, 4-177, 4-178, 4-179, 4-180, 4-181, 4-182, 4-183, 4-184, 4-185, 4-186, 4-187, 4-188, 4-189, 4-190, 4-191, 4-192, 4-193, 4-194, 4-195, 4-196, 4-197, 4-198, 4-199, 4-200, 4-201, 4-202, 4-203, 4-204, 4-205, 4-206, 4-207, 4-208, 4-209, 4-210, 4-211, 4-212, 4-213, 4-214, 4-215, 4-216, 4-217, 4-218, 4-219, 4-220, 4-221, 4-222, 4-223, 4-224, 4-225, 4-226, 4-227, 4-228, 4-229, 4-230, 4-231, 4-232, 4-233, 4-234, 4-235, 4-236, 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STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: REQUEST FOR CONSENT TO ASSIGNMENT OF GENERAL
LEASE NO. S-5498; RACHEL KUULEI HAILI,
LESSEE/ASSIGNOR, GARY E. JOHNSON, ASSIGNEE; TMK: 1ST
DIV/4-1-010:104, PORTION OF THE GOVERNMENT (CROWN)
LAND OF WAIMANALO, WAIMANALO, KOOLAUPOKO,
ISLAND OF OAHU, STATE OF HAWAII

Authority: Sections 166E-6 and 166E-8(b)(5), Hawaii Revised Statutes
(HRS), and Section 4-158-19(a)(4)(b), Hawaii Administrative
Rules (HAR)

Lessee/Assignor: Rachel Kuulei Haili

Assignee: Gary E. Johnson

Land Area: 3.320 Gross Acres

Tax Map Key: 1ST Div/4-1-010:104 (Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 4243 to the
Department of Agriculture (DOA) for non-agricultural park land
purposes issued in October 9, 2008

Lease Term: June 15, 1996 through June 14, 2031 (35 Years)

Annual Base Rental: \$4,935.00 Per Year

Character of Use: Diversified agriculture purposes

Consideration: \$150,000.00

B30

BACKGROUND:

General Lease No. S-5498 was awarded by the Board of Land and Natural Resources to Rachel Kuulei Haili on June 26, 1996. General Lease No. S-5498 was transferred by Governor's Executive Order to the DOA's Non-Agricultural Park Lands Program for management purposes in 2008. Ms. Haili produced breadfruit, mango, and taro. Ms. Haili is experiencing extreme economic hardship due to age and personal issues. She is requesting approval to assign General Lease No. S-5498 pursuant to Section 4-158-19(a)(4)(B) to Gary E. Johnson.

Gary Johnson wants to expand the operation and grow additional products to include banana, coconut, ginger, turmeric, and moringa (kalamungay). Mr. Johnson qualifies as a bona fide farmer with more than two years of full-time farming experience and meets the eligibility residency requirement of three years, commensurate with Sections 4-158-1 and 27, HAR.

Pursuant to the terms of General Lease No. S-5498 and Section 4-158-19(a)(4)(B), HAR, an assignment of lease is permitted due to extreme economic hardship.

There is a consideration of \$150,000.00 for the assignment of lease. In accordance with Exhibit "C" ASSIGNMENT OF LEASE EVALUATION POLICY of General Lease No. S-5498, any net proceeds are subject to a Premium Percentage charge benefiting the Lessor. In this case, calculations in accordance with this provision net \$22,500.00 to the Lessor (see attached Exhibit "B").

RECOMMENDATION:

That the Board of Agriculture consent to the assignment of General Lease No. S-5498 from Rachel Kuulei Haili, Lessee/Assignor, to Gary E. Johnson, Assignee, subject to the approval as to form of the assignment and consent documents by the Department of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.

Administrator and Chief Engineer
Agricultural Resource Management Division

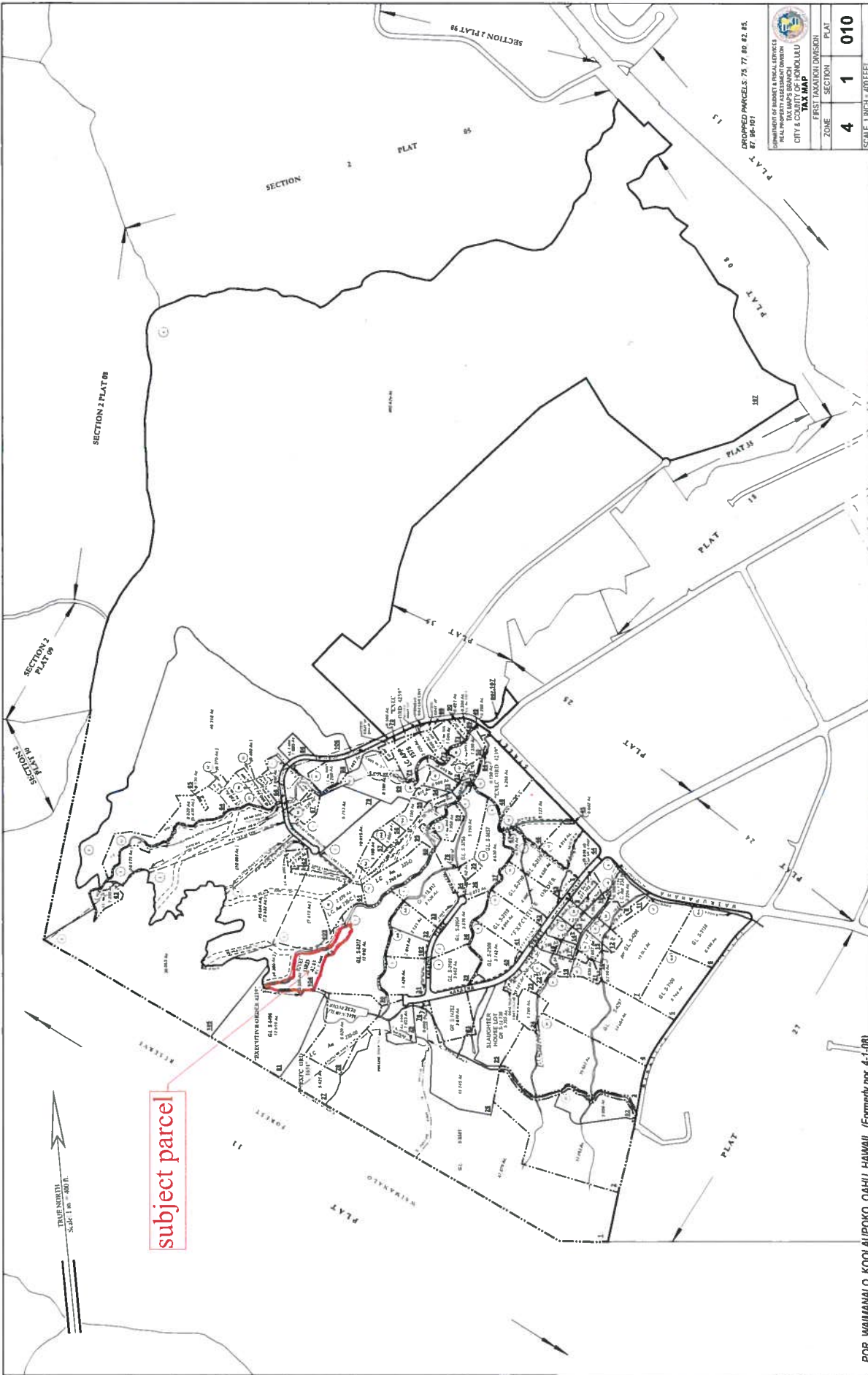
Attachments – Exhibit "A" and "B"

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

Exhibit "A"



B32

B33

EXHIBIT "B"

ASSIGNMENT OF LEASE CALCULATIONS FOR
GENERAL LEASE NO. S-5498

Adjusted Depreciation Cost of Improvements or Renovations

Actual Cost:	\$0.00
CCI (most recent):	0
CCI (base):	0
Expired Term:	285
Whole Term:	420

1. Adjusted Cost of Improvements or Renovations:

Actual Cost x CCI (most recent)/CCI (Base)

CCI (recent)	0
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CCI (base)	0
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CCIR/CCIB	-
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Actual Cost x CCI(R)/CCI(B) =

\$0.00	0.00	\$0.00
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2. Depreciation:

Adjust. Cost Impr./Whole Term x Expired Term =

\$0.00	420	285	\$0.00
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3. Adjusted Depreciated Cost of Improvements:

Adjust cost - Depreciated cost =

\$	-	\$	-	\$	-
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1. TOTAL NET CONSIDERATION		\$ 150,000.00
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2. Adj Cost of Imp/Renov	\$ -	
	\$ -	\$ -

3. Adj. cost of Trade Fixtures	\$ -	
	\$ -	

4. Excess		\$ 150,000.00
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5. Premium	Percentage: 15%	\$ 22,500.00
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Total Consideration: \$ 150,000.00

Less: Inventory \$ -

Net Consideration: \$ 150,000.00

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAII

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: RESUBMITTAL REQUEST TO TERMINATE GENERAL
LEASE NO. S-3109, ISSUE CANCELLATION DOCUMENT,
AND DISPOSITION OF LOT; TMK: 1ST DIV/4-1-018-048,
KOOLAUPOKO, WAIMANALO FARM LOTS, WAIMANALO,
ISLAND OF OAHU

Authority: Section 166E-5 and 8, Hawaii Revised Statutes ("HRS"), as
amended, Subchapter 4, HAR, and Sections 4-158-2(a)(8) and 33,
Hawaii Administrative Rules ("HAR"), as amended

Lessee: Milton Coleman, Jr.

Land Area: 1.4 acres

Tax Map Key: 1st Div/4-1-018:048

Land Status: Encumbered by Governor's Executive Order No. 4408 to the
Department of Agriculture for non-agricultural park land purposes
in 2012

Lease Term: 35 years, 5/1/2014 to 4/30/2049

Current Rent: \$12,340 per year until reopening (2024)

Additional
Rent: 1.5 % of the gross revenue

Permitted Use: Diversified agriculture purposes

BACKGROUND:

The subject lease was awarded to Milton Coleman, Jr. effective May 1, 2014 by way of a public auction. The lessee had planned to farm native Hawaiian crops and establish an aquaculture system. The Department has not received payment on the lease rent since August 30, 2019 nor has he paid real property taxes since August 2016, according to City

B34

B35

and County of Honolulu records. Various unfortunate personal family issues contributed to financial and stressful situations prohibiting development of the farm and delinquencies of financial obligations.

The Lessee currently is in default with a lease rent balance of \$55,252.90 as well as owing delinquent property taxes. Numerous notices have been sent to the Lessee demanding payment to remedy the delinquencies including issuance of monthly invoices showing accumulating balances due with interest fees, and letters demanding remedy of various lease violations have been sent. All efforts to contact the Lessee have been exhausted with no payments received from Mr. Coleman since 2019.

The Lessee has failed to remedy the various violations of the lease within the given times allowed or such additional periods allowed for good cause, to correct the violations.

RECOMMENDATION:

That the Board of Agriculture:

1. Approve the cancellation of General Lease No. S-3109 pursuant to section 4-158-2 (a) (8), HAR, and terminate all right, title, and interest granted to the Lessee therein effective as of the date of approval of this submittal;
2. Authorize issuance of a lease cancellation document to be executed by the chairperson and recorded at the Bureau of Conveyances; and
3. Authorize staff to prepare TMK: (1)4-1-018:048 for disposition to the public, pursuant to Subchapter 4-158-24 and 29, HAR.

All related documents are subject to approval as to form by the Office of the Attorney General, and such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

ATTACHMENT - EXHIBIT "A"

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture



State of Hawaii
Department of Agriculture
Plant Industry Division
Plant Quarantine Branch
Honolulu, Hawaii

March 24, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: (1) Request for Review of the Petition from Lise Madson to Initiate Administrative Rule Making and Rule Amendment to Chapter 4-71, Hawaii Administrative Rules, to Change the List Placement of Vasa Parrot, *Coracopsis vasa*, From the List of Restricted Animals (Part B) to the List of Conditionally Approved Animals.

I. **Background:**

A. **Procedural Background**

In April 2019, the Plant Quarantine Branch (PQB) was contacted by Ms. Lise Madson regarding her interest in importing a Vasa Parrot as an Emotional Support Animal (ESA). In July 2019, PQB received a Petition from Ms. Madson, requesting that the Hawaii Board of Agriculture (Board) initiate rulemaking to amend the Hawaii Department of Agriculture's (HDOA) administrative rules, to change the list placement of Vasa Parrot, *Coracopsis vasa*, from the List of Restricted Animals, Part B (RB List) to the List of Conditionally Approved Animals (CA List). The Petition was received in editable format (Microsoft Word) in September 2019 as Attachment A.

Ms. Madson's Petition for rule amendment is brought under the Board's Rules of Practice and Procedure, chapter 4-1, Hawaii Administrative Rules (HAR), which allows rulemaking to be initiated by petition of an interested person or agency upon Board approval. (§ 4-1-23, HAR, et seq.) Section 4-1-23(c), HAR, requires that within 30 days after filing such a petition, the Board must either deny the Petition or initiate rulemaking proceedings. Denial of a petition does not prevent the Board from acting on the petition's subject matter on the Board's own motion at a later time. (§ 4-1-24, HAR). If denied, the petitioner must be promptly notified of the denial and can seek judicial review.

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To be considered by the Board, a Petition for rule adoption or amendment under § 4-1-23(b), HAR, must contain certain substantive items, specifically: (1) a draft of the substance of the proposed rule or amendment or designation of the rule provisions to be repealed; (2) a statement of the petitioner's interest in the subject matter; and (3) a statement of the reasons in support of the proposed rule, amendment, or repeal. Ms. Madson's Petition appears to conform to these procedural prerequisites for Board consideration.

B. Factual Background of the Petition

In 2019, Ms. Madson initially contacted the Department's PQB and inquired about importing a Vasa Parrot, *C. vasa*, into Hawaii as an ESA. PQB staff informed Ms. Madson that under chapter 4-71, HAR, the PQB's Non-Domestic Animal Import Rules, the Vasa Parrot is currently listed on the Department's RB List. The PQB informed Ms. Madson that the import of animals on the RB List is not allowed for personal use and/or individual possession, such as an ESA, and is limited to certain purposes, such as private and commercial use, including research.¹ Ms. Madson was informed that an amendment to chapter 4-71, HAR would be necessary before the Vasa Parrot could be imported as an ESA and as a result submitted her Petition for placement of *C. vasa* on the CA List. Ms. Madson also provided her CV (attachment B), a letter from the founder of TTOUCH (attachment 1), and photos of her site and safeguards (attachments 2 and 3).

PQB NOTES: Ms. Madson has also submitted two import permit applications. The first application was to import *C. vasa* as an ESA. This application was subsequently denied because the PQB considers an ESA to be personal use/individual possession and an animal on the RB List is not allowed for personal use/individual possession. The second application was submitted to import *C. vasa*, to conduct TTOUCH research in collaboration with the University of Hawaii at Hilo. This request is being processed for advisory review.

II. Summary of Proposed Amendments to Chapter 4-71, HAR

Ms. Madson's petition proposes the following amendments to chapter 4-71, HAR to make the following changes:

¹ Species on the List of Restricted Animals (Part B) may be imported for "... private and commercial use, including research, zoological parks or aquaculture production. ..." § 4-71-6.5(b)(3), HAR.

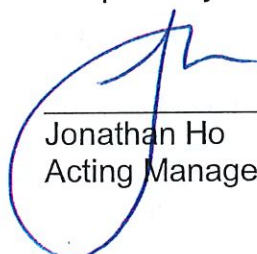
1. Section 4-71-6.5, List of Restricted Animals (Part B)

Removes "Scientific Name: *Coracopsis vasa* and Common Name: Parrot, Vasa".

2. Section 4-71-6.5, List of Conditionally Approved Animals

Adds "Scientific Name: *Coracopsis vasa* and Common Name: Parrot, Vasa

Respectfully Submitted,



Jonathan Ho
Acting Manager, Plant Quarantine Branch

CONCURRED:



Kevin M. Hoffman, Ph.D.
Administrator, Plant Industry Division

APPROVED FOR SUBMISSION:



Phyllis Shimabukuro-Geiser, Chairperson
Board of Agriculture

C4

COPY

State of Hawaii
Department of Agriculture
PLANT QUARANTINE BRANCH
1849 Auiki Street, Honolulu, HI 96819-3100

July 15, 2019

Re: Madson/Vasa Parrot

Dear Madam or Sir,

Enclosed please find \$2500.00 for the fee to ask that the Vasa Parrot, *Coracopsis Vasa*, be removed from the Restricted B List and added to the conditionally approved list.

I have inclosed the form provided from David Lingenfelter, Acting Land Vertebrate Specialist, Hawaii Department of Agriculture, Plant Quarantine Division.

My extensive research and interviews with Vasa parrot experts and scientist leads to the conclusion that Vasa parrots are less likely to have any destructive effect on any aspect of Hawaii environment, as compared to most on the conditionally approved list. Vasas are notoriously hard to breed, rare, not popular as pets (though very interesting to scientists and students), and in a 15 year study in the Mainland USA the only parrot type not observed in the wild was a Vasa parrot, again emphasizing that even if one did escape they are unlikely to survive in the wild. One specialist reported that after captivity wild caught Vasas nearly starved rather than going back to their "wild" diet.

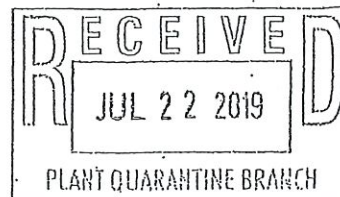
Further, no scientist can point to any reason with today's scientific knowledge as to why Vasa parrots were on the Restricted List in the first place. I suspect there was not much known about them at the time the rule was written: That has changed, and as they are not destructive to Hawaii, I ask that this rule change be expedited.

If there are other forms I need to submit for this rule change request, please let me know as soon as possible.

Yours Gratefully,



Lise Madson



Lise Madson lsemadson@gmail.com 541-403-1063 Vasa Parrot Permit Application

State of Hawaii
Department of Agriculture
PLANT QUARANTINE BRANCH
1849 Auiki Street, Honolulu, HI 96819-3100

Dear Hawaii Board of Agriculture,

I have submitted three applications to the HDOA, 1. I submitted my application to bring a Vasa Parrot to Hawaii for private and commercial uses. 2. I submitted another application July 1, 2019 to bring the vasa parrot in for private non-pet use as an Emotional Support Animal. And finally, after talking with the HDOA, I have also submitted \$2500 and a request that Vasa Parrot, Coracopsis Vasa, be removed from the Restricted B list and be placed on the conditionally approved list.

For the reasons explained in this letter, I cannot return to my home in Hawaii until I get permit approval. After five years on this project, I do not want to give up my research, my passion, my parrot, or my home in Hawaii. I am asking for your help expediting this process. This is just one male, hand-raised Vasa parrot and in no way destructive or detrimental to Hawaii, as I will show, but rather a benefit to Hawaii.

I am a disabled retired person with a degree in Environmental Law. Throughout my lifetime, I have been active in animal rescue.

When I was young, I trained as a vet tech, and worked at the Colorado State University Vet Hospital including in their raptor and bird rehabilitation areas. It was there that I fell in love with learning more about birds and caring for them. Also, early in my life, I worked in the vet area of the Denver Zoo. I studied Animal Science at the University of Massachusetts as an undergraduate. I was rancher, raised and rescued dogs, cats, parrots, cattle and horses. I earned an degree in Environmental Law from Lewis & Clark College. I served as Justice of the Peace. After becoming disabled, I began an affiliation with TTOUCH organization, founded by world famous Linda Tellington-Jones of Kailua-Kona, Hawaii. I competed in toward the 2012 Paralympics in Para Dressage, competed internationally in Para Reining. I run a social media site promoting the adoption of mustangs, and another for disabled riders, as well as promoting the TTOUCH organization.

Five years ago I rescued a vasa parrot. Grover, then named Groucher, had been hand-raised and therefore bonds to people, in particular, me, rather than other birds. He had not been out of his cage in four years, a very small cage, and he swore and bit. After five years, he has turned into a reliable and gentle creature; I used the TTOUCH methods to rehab this Vasa.

Linda Tellington-Jones has authored 22 books which have been translated into 13 languages. In association with Linda, I am writing a book on Vasa parrots and TTOUCH, and Grover in particular. Linda has worked with animals like Keiko the killer whale and helped animals from dressage horses, to tigers, around the globe.

C6

After coming to Hawaii to help Linda with several seminars, I decided to sell my house in Oregon and move to the Big Island. After buying a property, I ran into difficulty getting a permit for Grover.

No one knows why Vasa Parrots are on the Restricted B list; it appears to be in error. Despite extensive research and consultations with scientists and aviculturists around the globe, no one can identify any way that a Vasa parrot could be dangerous or harmful to the flora or fauna, the people or aquaculture, or the environment of Hawaii. As a matter of science, Vasas are less of a threat to the environment, people, flora and fauna of Hawaii than a common cockatiel. One thought is that since Hawaii does not routinely update their rules, which were written in 1990, and since Vasas were brought to the USA in the 1980s, that maybe just the newness of the parrot landed it on the restricted list. I believe the concern was that if large amounts of Vasa were imported they could establish a colony, like cockatoos in Australia (Cockatoos, despite this risk, are conditionally approved to come to Hawaii). The risk of the Greater Vasa proved, once more was known about them, unfounded.

The Greater Vasa parrot is less a threat than the cockatiel for the following reasons: Vasas are rare. They are unpopular as pets because they are plain grey parrots and the females lose their head feathers and look like vultures during breeding season. The male, also during breeding season, has external genitalia. And while the adaptations of the Vasa, which are from Madagascar, make it fascinating to writers and researchers, scientists and students of evolution, it makes it unpopular as a pet. Along with its rarity, the Vasa parrot has proven hard to breed. Of the first 500 to come to the USA, only 30 chicks were produced in near ten years. Only a half dozen breeders in the USA have successfully produced vasa chicks those average one chick per year; a number so low it appears Vasas are becoming more rare in captivity. The zoo at Salt Lake City tried to breed these parrots and also failed. Most people have never seen a Vasa parrot. According to the HDOA, apparently one has never been imported to Hawaii, nor has anyone petitioned as far as the employee in charge knows. Another reason that the parrot is not a threat to Hawaii is because while there are some Vasas on the mainland, in a 15 year study by the University of Chicago on observations of birds in the wild on the mainland, not a single vasa was observed; every other parrot was. This may be due to their lack of popularity, their breeding challenges, or to an inability to survive and adapt to any environment after captivity; there are reports that wild caught Vasas, after being fed a commercial diet, will refuse to eat the native diet, and appear willing to starve rather than go back to foraging. It takes three to four males to one female to breed vasas: a UK study recently found that the male vasas were observed using tools, rocks, to grind shells into a calcium supplement for the females.

Hand-raised vasas, like Grover, are imprinted on people and unlikely to be successful or happy in an institutionalized setting like a zoo. He has been habituated to people and for all practical purposes views me as his flock. Hand-raised male vasas are unlikely to breed with female vasas.

Lise Madson lisemadson@gmail.com 541-403-1063 Vasa Parrot Permit Application

My research and writing addresses both TTOUCH in rehabbing animals but also the ethical and moral issues associated with hand-raising animals, from Vasa parrots to horses.

My research on Vasa parrots is centered on Grover, and stopping five years into my study of Grover is not an option. I attempted to have Grover cared for by others, but due to bonding issues he became overly vocal, started swearing again, and showed signs of stress. We have all seen parrots that suffer emotional and physical trauma when those they are bonded with desert them or die. This is one of the ethical issues I am addressing in my book: Parrots bond rather permanently with people if they are hand-raised, and will rip their feathers out, self-mutilate and scream, if bonds are broken.

Add to this that I, disabled, suffered a head injury and coma. This led to emotional regulation problems. Spending so much time studying Grover led me to return his bond. While perhaps not ideal for a "hard" scientist, with my degree in Environmental Law, Sociology and minor in Psychology, these are exactly the issues I am addressing in my work. Just as Grover gains support from me, I gain emotional support from Grover.

While I never wanted or intended to have an emotional support animal, which I view as a crutch and generally not needed, after my coma and head injury I found myself much better off with Grover than without. In fact, I would rather give up all my pets, my service dog and my horses, and my house in Hawaii rather than Grover. However, I am certain under the circumstances that the Board will reach the conclusion that Vasa parrots are not a threat to Hawaii, but rather can be beneficial for students to study, and enrich people's understanding of the unique ways animals evolve on islands.

Grover is not a pet. An emotional support animal is by definition, not a pet. It is more a medical or psychological device. As a research subject, Grover is also not a pet. However, I am also asking that ALL vasa parrots be reclassified as conditionally approved, under a separate petition. Because there is no reason that I can determine or that they should not be conditionally approved. Recent studies have shown that keeping parrots as companion animals may in some instances preserve a breed enough so that it can avoid extinction.

I am told that the Board takes six months to a year to process these applications. I ask that under the circumstances due to my home being in Hawaii and having to stay in a trailer, on a limited income, until the permit is granted, that it be expedited. I am optimistic that the Board will approve a permit because, frankly, there is no reason for this bird to be on the Restricted List B, scientifically.

Further, as an ESA, processing the application should be quicker and more streamlined than pet. To be clear I do not generally support exotics being ESAs. I think an ESA horse or monkey should not be allowed. However, parrots are often used for veterans with PTSD, and others with emotional regulations issues within their homes because

Lise Madson lsemadson@gmail.com 541-403-1063 Vasa Parrot Permit Application

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compared to a dog, they can be much different in there interaction with the person, and require less complicated care for a person who may not be able to venture out as often as another emotional support animal might require. As for me in particular, it would take years and suffering to transfer my emotional support to another animal. One reason parrots are ideal for this is because with excellent care, they can live as long as the human they are helping.

In this application I am asking that this Vasa be permitted for commercial and private purposes. Restricted list A is for exhibition. It would be, humbly in my opinion, arbitrary and capricious to ignore Restricted List B as a separate and broader category than exhibition. Indeed, private use is defined as "for non-commercial purposes, such as non-profit research, and does not include individual possession of an animal as a pet." Commercial purposes is not defined.

My using the bird as a medically prescribed emotional support animal is a private, non-pet use that should be recognized and permitted. Using the bird for research, even by a private individual, should meet the requirements; I believe "such as non-profit research" was intended in the admin rules as an example not as the only allowed private use, but in case of a more narrow interpretation, I am in the process of forming a non-profit corporation in Hawaii that will then clearly meet this definition. Using the bird for TTOUCH and the University of Hawaii at Hilo to teach students in the Tropical Bird Conservation and Environmental Studies programs should meet the letter of the law of the admin rules for commercial purposes, as should my writing a book.

I ask to be able to have the bird stay at my property in Mountain View, HI, and I ask to be able to use the bird at my location in Mountain View for University of Hawaii at Hilo's students, and also with TTOUCH, at the Mountain View address, including for social media, demonstrations and promoting TTOUCH.

I would as the Board to issue a permit promptly. Please ask your scientists. They will tell you what I have: A vasa parrot is less a threat than a cockatiel: they are hard to reproduce, carry no unique threats, they are merely a rare parrot of great interest to scientists and students, but unpopular as a pet.

In the meantime, in order to continue my research and because of my emotional reliance on Grover, I have a perfectly good home in Hawaii, that I am unable to live in (my daughter and her fiance live there with me so I can't just sell the house and move back to the mainland). Instead, I am living in a horse trailer in Oregon until this matter can get resolved. As a disabled person, with health issues, this is a huge burden.

I ask the the Board honors the objective of Chapter 150A of the Hawaii Revised Statutes with say that the objective is to restrict or prohibit importation of specific non-domestic animals that are detrimental to the agricultural, horticultural, and aquacultural industries, natural resources and environment of Hawaii. There is simply no scientific evidence that a Vasa parrot is detrimental. Indeed, the evidence is that by understanding the Vasa parrot, and using him for research and education that Vasas

Lise Madson lisemadson@gmail.com 541-403-1063 Vasa Parrot Permit Application

would benefit science and understanding of natural resources and environments, directly benefiting TTOUCH students and University of Hawaii students, but also indirectly leading to better understanding of island's evolution of birds, both birds from Hawaii and other islands such as Madagascar.

I am asking that you expedite this matter because of this unusual situation.

Gratefully


Lise Madson

ca

C10

Lise Madson
18-1989 Nau Nani Road,
(General Delivery)
Mountain View, HI 96771
Temporary Mailing Address:
26890 Sparta Lane,
Baker City, OR 97814
lisemadson@gmail.com
541-403-1063 (Cell)

RESEARCH INTERESTS

Greater Vasa Parrots, including tool use, and evolution; TTOUCH for rehabilitation of Vasa Parrot; Bonding between Vasa Parrots and people; The Effects of the long term well-being of animals that are hand fed or bottle raised, including Vasa parrots, other parrots, horses, dogs and cattle.

EDUCATION

CERTIFICATE, University of Reno, Courts of Special Jurisdiction, 2000
JURIS DOCTOR, ENVIRONMENTAL LAW speciality, Lewis and Clark College
Northwestern School of Law, 1993
BACHELOR OF SCIENCE, University of Wyoming, Major in Sociology, Minor in Psychology, 1990.
Attended University of Massachusetts, Animal Science classes, 1983-1984
Attended Bel-Rea Institute of Animal Technology, 1987

PROFESSIONAL EXPERIENCE

Assistant to Linda Tellington-Jones, TTOUCH.com, 2016 to present
Co-founder World Para-Reining, a non-profit in Texas, 2014 to present
Writer and Media: Adopt Oregon Mustangs, World Para Reining, contributor to TOUCH media 2009 to present
Justice of the Peace, 2006 to 2012, Baker County, Oregon.
Lawyer, 1993 to present.
Teaching Assistant and Instructor, University of Wyoming, 1989-1991
CSU Veterinary Teaching Hospital, 1980-1981
Denver Zoo, Volunteer, 1987

HONORS AND AWARDS

Honors Student at the University of Wyoming

Many Scholarships, including for first year of Law School

Kentucky World Para Reining Champion 2014

USPEA Paralympic Selection Trials ranked 19th overall, 2012

MEMBERSHIPS AND AFFILIATIONS

Oregon State Bar, 1993 to present

Federal Bar, 1995 to present

United State Para Equestrian Association 2009 to present

TTOUCH Community Member 2017 to Present

Tellington TTouch Training®

horses, companion animals & humans

Letter of Lise Madson's Affiliation with TTOUCH

Date: July 16, 2019

State of Hawaii
Department of Agriculture
PLANT QUARANTINE BRANCH
1849 Aukai Street, Honolulu, HI 96819-3100

Dear Hawaii Board of Agriculture,

I am Linda Tellington-Jones, founder of Tellington TTOUCH Training. The Tellington Method is currently being used by animal owners, trainers, breeders, veterinarians, zoo personnel and shelter workers on four continents. There are over 1600 certified Tellington practitioners teaching the Tellington Method in 36 countries.

I have written 22 books about TTouch, which have been printed in fifteen languages.

I am the 2019 Recipient of the Torch-Bearer Award for Peace for lifelong devotion to the development of a heart-based method that nurtures a unique, peaceful connection between animals and people, 2008 Honorary Doctorate degree from Wisdom University, ARIA Teacher of the Year for the American Riding Instructors Association, 2007 Inductee into the Massage Therapy Hall of Fame, 1994 Horsewoman of the Year Award from North American Horseman's Association, 1992 Lifetime Achievement Award from the American Riding Instructors Association, and 1989 Award for Creative Citizenship from the State of California.

Over the years there have been dozens of studies looking at the effectiveness of the Tellington TTOUCH Method, and its principles, with some fantastic results: These include: Lowering Stress Levels in Cattle, 2008; Reducing Avoidance and Stress in Cattle, 2012; Effects of TTouch on Dog Behavior 2003; Integrating the Tellington TTOUCH Method in Guide Dog Training, 2013; Horse Stress Reduction Study, 1985; EPM Horse Neurological Study, 1999; Horse Trailer Loading Study, 2001; Horse EEG Study of Equine Brain Waves, 2006; Immediate Benefit of TTouch Reflected in EEGs of Horses, 2009; TTouch Positive Results Documented in Horses, 2013; Horse and Human Mind Mirror Study, 1987; Is Tellington TTouch Nursing? Human Study, 2000; Youth, Nature and Critters, Human Study, 2000; Nursing Study, 2003; Therapeutic Intervention Study, Humans, 2003; Changing the World One TTouch at a Time, Human Study, 2007; TTouch for Traumatic Brain Injuries, 2007; Therapeutic Use of Tellington TTouch for Fibromyalgia, 2008; TTouch for Healthcare, 2008; Preliminary Tellington TTouch Study at the International Institute of Biophysics, 2009; Well-Being Study, Humans, 2010; Impact of TTouch Pain Severity of Patients with Angina Pectoris, Humans, 2017.

Lise Madson has been affiliated with TTOUCH for almost 6 years. Lise Madson has done social media, videos, photography, and writing for TTOUCH, as well as assisting me in trainings. Madson is a talented writer and is working on two books about TTOUCH. We are looking forward to the books and her research results on the effect of TTouch on the Behavior and Well-Being of Vasa Parrots.

Lise has unique connections with certain animals. She has worked with rescue parrots and Grover, a Vasa parrot, was a rescue. Madson has used TTOUCH to rehab the parrot from a biting, distraught, isolated bird, to bird that appears well adjusted, healthy, content, interactive and that no longer shows stress behaviors. Madson's book on TTOUCH relies on interactions and working with her skills with TTOUCH on Grover, the Vasa parrot, to show which TTouches work best on the Vasa parrot. Her research on TTouch with the Vasa Parrot will help further the science of the effectiveness of TTOUCH. Madson and her Vasa parrot are affiliated with the Tellington TTOUCH Training, and we look feel that Madson and her work with the Vasa Parrot are important to this organization. I join Lise in asking that her permit for this parrot be expedited.

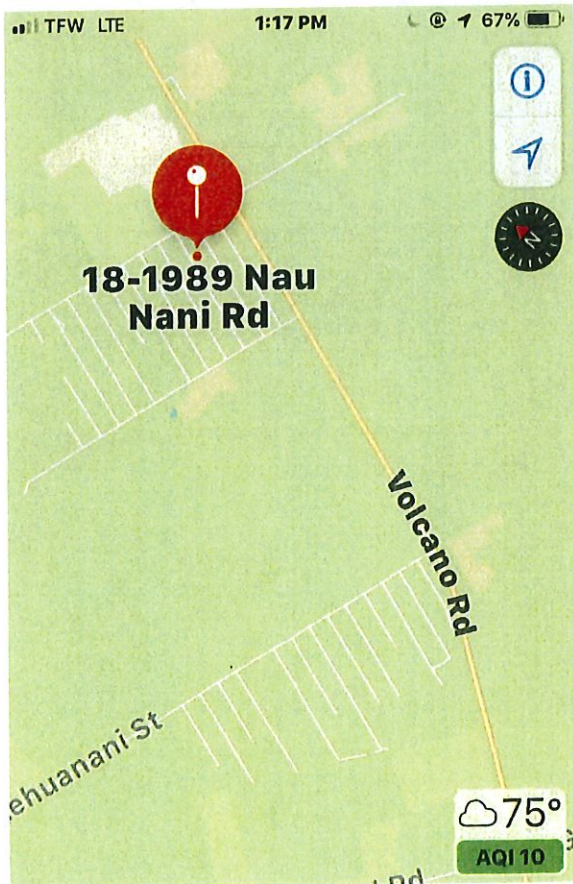
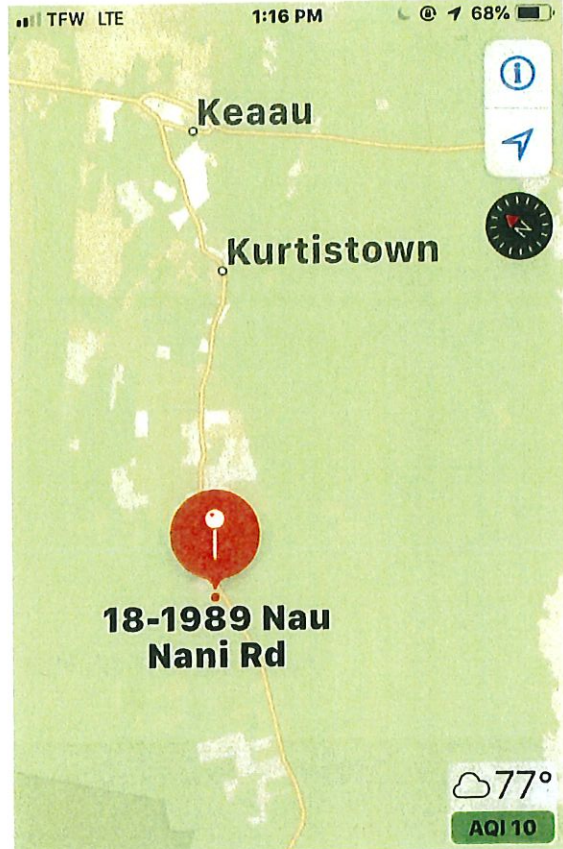
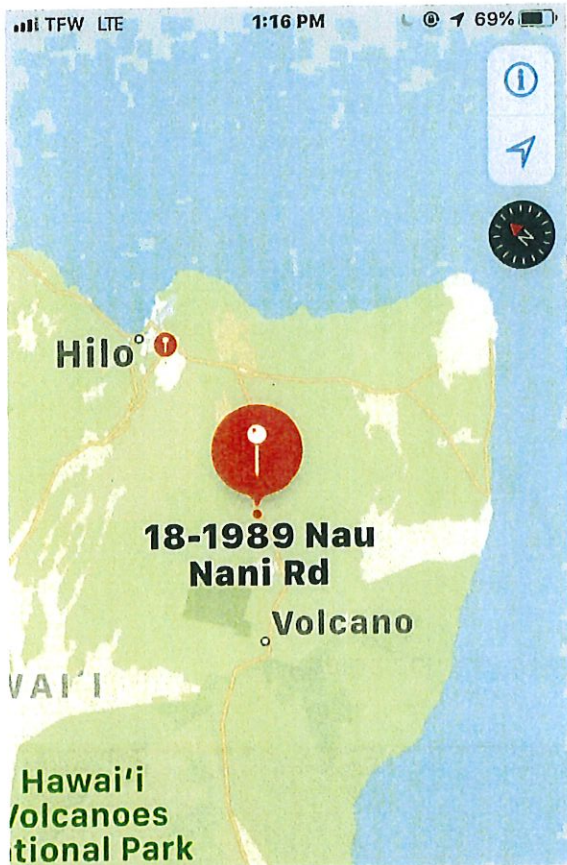
Sincerely,

Linda Tellington-Jones

Linda Tellington-Jones PHD (Hon)

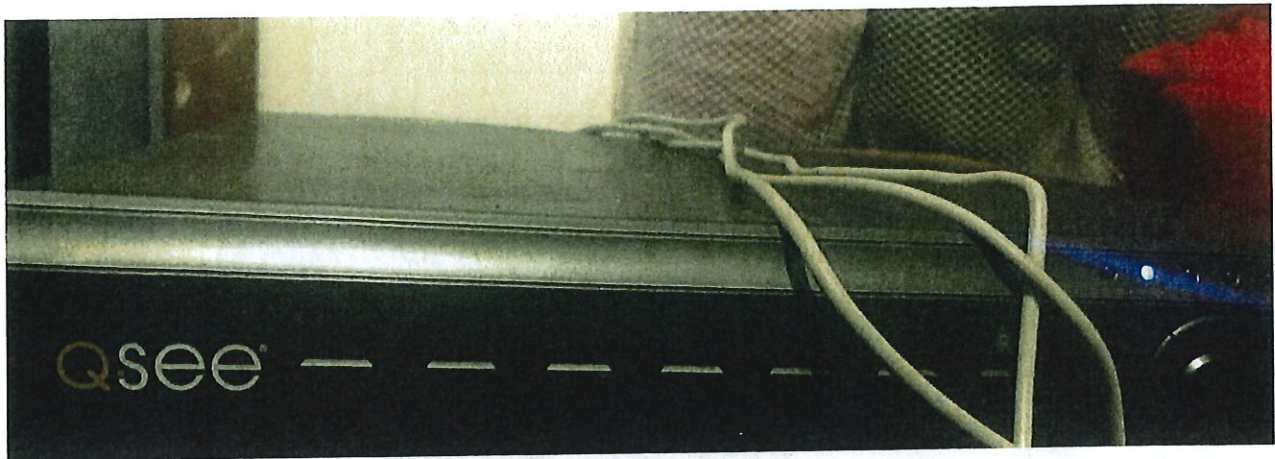
Linda Tellington-Jones, Founder

U.S.A. - 1714 N. Main Road #02, Santa Fe, NM 87506, USA Tel: 505.455.2945 info@TTouch.com
CANADA - 5435 Reebell Road, Vernon, BC V1B 9L6, 800.255.1436 or 250.545.2336 touch@shaw.ca
WORLDWIDE - Austria, Germany, Italy, Netherlands, South Africa, Switzerland, United Kingdom
www.TTouch.com





Photograph 1 of 9 depicts Lise Madson's Facility.



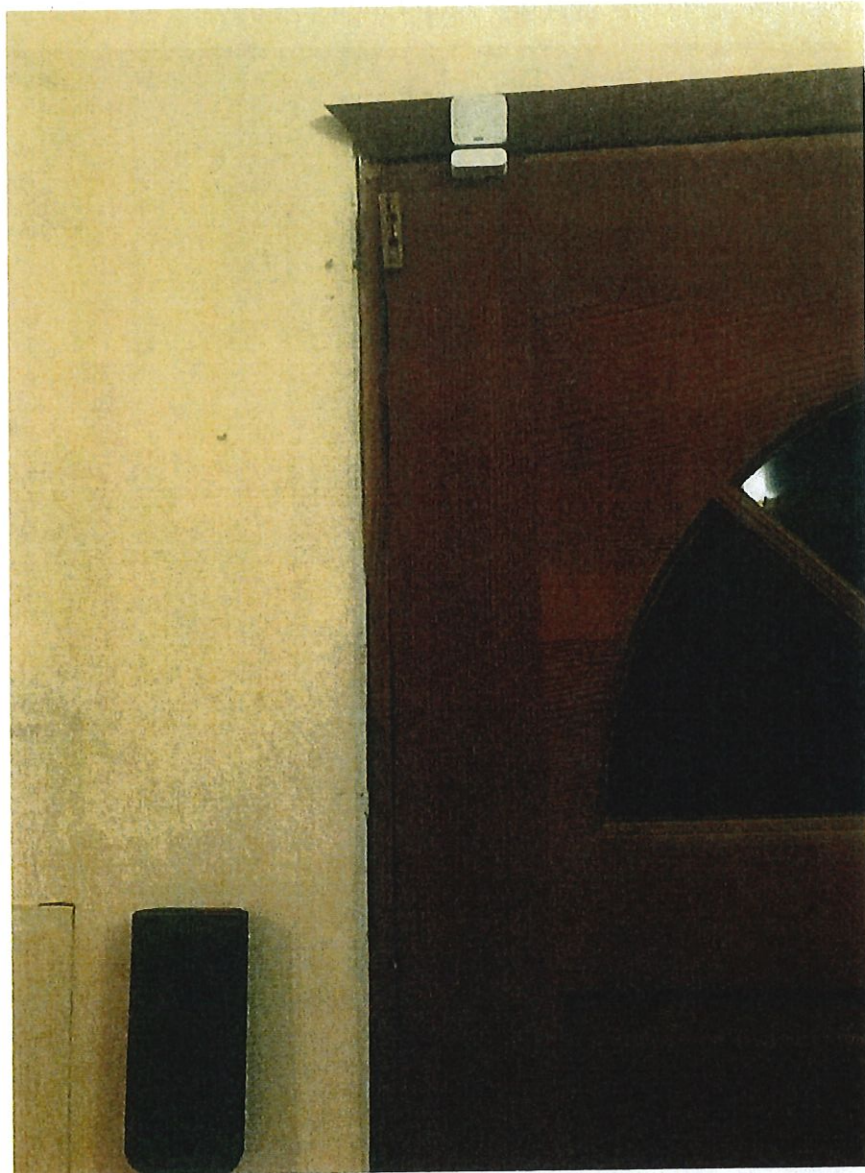
Photograph 2 of 9 depicts Lise Madson's DVR for outdoor cameras.



Photograph 3 of 9 depicts Lise Madson's Security System.



Photograph 4 of 9 depicts a wood door which has a lock, deadbolt, and door alarm.



Photograph 5 of 9 depicts a solid wood door with alarm pad and door alarm.



Photograph 6 of 9 depicts another exterior door with lock, deadbolt, and door alarm.



Photograph 7 of 9 depicts one of the day and night vision Qsee cameras.
The facility also has motion activated exterior lights.



Photograph 8 of 9 depicts the interior camera.



Photograph 9 of 9 depicts the cage where the bird will be housed.

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL LOAN DIVISION

LOAN PRESENTATION TO THE BOARD OF AGRICULTURE

Please review the attached loan presentation prior to the meeting of the Board.

To protect the privacy of the applicant, all confidential/proprietary information has been placed in EXHIBIT A. Please be aware that certain confidential/proprietary information cannot be discussed at the board meeting without the expressed prior consent of the applicant. Any discussion or reference to this information at the meeting may potentially result in all of the information becoming public record. Should you have any questions pertaining to any information contained in EXHIBIT A, please call Dean Matsukawa, Administrator, at (808) 973-9460, prior to the scheduled board meeting.

Please return all hard copies of each loan presentation to the Board Secretary prior to or at the adjournment of the meeting. Your cooperation is greatly appreciated.

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**OTHER STATE
AGRICULTURAL
LOANS:**

Loan No.	Approval Date	Loan Amt.	Status
Class D	11/19/92	\$150,000	*Paid in Full
Class C	11/19/92	\$87,500	*Paid in Full
DDC-6236	02/26/08	\$75,000	**Paid in Full
DA-6342	04/16/13	\$527,460	***\$441,177.24
DC-6343	04/16/13	\$100,000	***\$41,768.89
DC-6396	05/31/16	\$30,000	****\$15,526.23

* In 1992, State Agricultural Loan Division (SALD) participated with Bank of Hawaii and provided loans to consolidate operating debt as well as working capital. The loans were satisfactorily paid-off as agreed.

** SALD provided an emergency loan to repair damages incurred by heavy rain and high winds in 2017. The loan was satisfactorily paid-off as agreed.

*** In 2013, SALD provided Class A and C loans used to acquire 2 acres of land and for working capital for the nursery located at 41-695 Kaulukanu St. Please see below as the newly requested loans will pay off the existing DA-6342 and DC-6343 loans, respectively. The loans are being paid as agreed.

**** In 2016, the loan was provided to build a shade house to house ornamental plants. The loan is being paid as agreed.

**LOAN REQUEST
& PURPOSE:**

<u>Amount</u>	<u>Class</u>
\$800,000	A- Direct Ownership Loan
\$435,000	Purchase Price
<u>\$(77,000)</u>	(Less) Down Payment
\$358,000	Amount Financed
\$442,000	DA-6342 (as of 1/29/20)
\$800,000	Total Request

Loan proceeds of \$358,000 will provide permanent long-term financing on an agreement of sale used to purchase the 1-acre fee simple property located adjacent to the existing 2-acre parcel purchased back in 2013. The agreement of sale was

made back in August 2014 and will expire in April 2020. Remaining proceeds of \$442,000 will pay off the existing loan balance of DA-6342.

The 1-acre property has been consolidated with the existing 2-acres. The consolidated lot now consists of 3.103 acres and is identified as TMK: 1-4-1-024-116. It is located 41-695 Kaulukanu St., Waimanalo, HI 96795.

<u>Amount</u>	<u>Class</u>
\$250,000	C- Direct Operating Loan
\$42,000	Payoff existing loan
\$50,000	Renovate nursery infrastructure
\$50,000	Purchase supplies and small tools
\$108,000	Working Capital needs
\$250,000	Total Requested

Loan proceeds will be used to pay off the balance of DC-6343 (\$41,768.89 as of 1/30/20) and improve nursery infrastructure, purchase supplies as well as small tools, and working capital as needed. With adequate collateral, no specific security interest will be taken.

TERMS:

Class A

Loan Amount: \$800,000
 Term: 25 years
 Interest rate: 3.75% per annum, fixed
 Repayment: Monthly principal and interest payments of \$4,113.05 until maturity.

Class C

Loan Amount: \$250,000
 Term: 10 years
 Interest rate: 3.75% per annum, fixed
 Repayment: Monthly principal and interest payments of \$2,501.53 until maturity.

SECURITY:

The Class A loan will be secured by the following:

- 1st Position mortgage on the 3.1 acres of fee simple property located at 41-695 Kaulukanu St. in

Waimanalo, HI 96795 further identified as TMK: 1-4-1-024-116. The legal title and ownership is held under the Glenn S. Miyashita Trust and Esther R. Miyashita Trust.

- Junior position UCC-1 blanket filing on all crops, receivables, inventory, furniture, fixtures, equipment, supplies, etc. Currently, First Hawaiian Bank has senior position. With this new loan, a UCC-3 amendment will be filed to add Glenn's Flowers and Plants LLC. No valuation was included due to junior position status and the real estate collateral adequately covering the subject loan.

Class A Loan-to-Value (LTV):

$$\frac{\$800,000}{\$1,425,000 \text{ (Appraised Value as of 1/23/2020)}} = 56\%$$

This loan will be adequately secured by the collateral offered and meets the Class A LTV requirement of 85%.

The Class C loan will be secured by the following:

- 2nd position mortgage on residential property, which also houses their retail nursery and located at 41-511 Flamingo Street, Waimanalo, HI 96795 further identified as TMK 1-4-1-018-020. The legal title and ownership is held under the Glenn S. Miyashita Trust and Esther R. Miyashita Trust.
- Junior position UCC-1 blanket filing on all crops, receivables, inventory, furniture, fixtures, equipment, supplies, etc. Currently, First Hawaiian Bank has senior position. With this new loan, a UCC-3 amendment will be filed to add Glenn's Flowers and plants. No valuation was included due to junior position status and the real estate collateral adequately covering the subject loan. No specific security interest will be taken on small equipment and tools to be purchased.

Class C Loan-to-Value:

$$\frac{\$250,000 \text{ (Class C)} + \$235,273 \text{ (1st Mtg w/ FHB)}}{\$1,097,700 \text{ (2020 TAV)}} = 44\%$$

The Class C loan will be adequately secured by the collateral offered with an LTV of 44% based on 2020 Tax Assessed Value.

GUARANTORS:

None

**FINANCIAL
CONDITION:**

SEE EXHIBIT A (CONFIDENTIAL)

**REPAYMENT
ABILITY:**

SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

Class A: Commercial Liability Insurance with SALD listed as certificate holder.

Class C: Homeowners insurance with SALD listed as additional mortgagee.

**BACKGROUND/
MANAGEMENT
ABILITY:**

Glenn Miyashita has been successfully operating Glenn's Flowers and Plants since 1981. He has an excellent relationship with SALD which extends back to 1992. In 2013, Glenn's Flowers and Plants, LLC was established with Glenn Miyashita being sole member. The nursery offers various ornamental plants to cover large landscape customers to walk-in retailers. The retail shop is located on 41-511 Flamingo St. in Waimanalo and the 3-acre nursery is located on 41-695 Kaulukanu St. in Waimanalo. Over the years, Glenn has gone through some difficult situations only to succeed and sustain its nursery operation. Glenn has close to 40 years of experience in nursery operation and ownership and is supported by his wife, Esther and son, Travis. Currently, Glenn oversees all nursery operation with Esther performing all administrative duties and Travis managing the

commercial landscaping projects with 7 full-time and 1 part-time employees.

The nursery business is very competitive with numerous nurseries operating in the Waimanalo district. To battle heavy competition yielding price declines and thinning margins to move inventory, Glenn made a smart business decision to scale down to a smaller facility reducing its acreage to approximately 3.1 acres from more than 10 acres. The move was made to balance his nursery's plant offerings by increasing production of smaller ornamental plants catering to interior/exterior residential and business customers and reducing large landscaping trees/plants. The transition was successful and to find a permanent base, Glenn was able to purchase and secure 2 acres of land with financing assistance from the SALD back in 2013. In addition, in 2014, Glenn was able to secure the adjoining 1-acre with an agreement of sale from the seller which expires on April 30, 2020.

Travis manages the operation of the rental service as well as landscape contracting work. The retail sales are conducted at the Flamingo St. facility, which is also their residence, with help from a long-time associate. The commercial operation is located on 41- 695 Kaulukanu St., Waimanalo warehousing most of the inventory and catering mostly to the commercial clientele. One of the niche products Glenn's nursery offers is poinsettia plants and are in high demand during the Christmas Holiday season.

This request to provide permanent financing for the adjoining 1-acre property will alleviate the risk of losing a critically utilized space for sustaining its nursery operation.

COMMENTS:

The successful operation of the nursery business is attributed to Glenn's quick decision making and adapting to hostile environments threatened with competition, damaging weather, changing consumer demand and boom/bust economy. By successfully weathering numerous adversities, downsizing and securing its nursery operation, Glenn was able to continuously operate with balance and less vulnerability to extreme risks.

The new Class A loan will provide permanent financing to secure ownership of the adjoining 1-acre parcel which is

critical in sustaining its nursery operation. The requested Class C loan will provide funds to make improvements to the infrastructure of the nursery facility, purchase needed supplies/equipment and operating funds. Also, the permanent financing will allow the Miyashitas to build equity on the additional 1-acre of land and ultimately to full ownership. The Class A and C loans will be adequately secured with real estate. Glenn and Esther both have excellent overall credit history and satisfactory loan history with SALD. Repayment from the nursery operation is based on historical and projected farm performance.

TURNDOWNS:

The applicants have received turndown letters from USDA FSA and Central Pacific Bank for the reasons of:

- Unable to refinance agreement of sale
- Repayment source uncertain

RECOMMENDATIONS:

The loans are recommended for approval based on the strong real estate collaterals, adequate primary repayment source from the nursery operation, excellent credit history with prompt repayment and satisfactory loan relationship with SALD since 1992.

Date

2-21-20

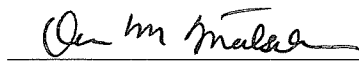
Recommended by:


Yong Pak
Business Loan Officer I

Date

2/24/20


Reviewed and concurred by:


Dean M. Matsukawa
Agricultural Loan Administrator

Date

3/9/2020

Approved for submission:


Phyllis Shimabukuro-Geiser
Chairperson, Board of Agriculture

AS

EXHIBIT A
CONFIDENTIAL

CREDIT HISTORY
GUARANTORS:

A Trans Union credit reports on Glenn Miyashita and Esther Miyashita dated January 6, 2020 showed a FICO score of +754 and +713, respectively, which is considered excellent. There were no reports of delinquent or late payments for both applicants. Overall, both Glenn and Esther credit ratings and repayment history were excellent with no derogatory remarks.

FINANCIAL
CONDITION:

Glenn and Esther Miyashita adjusted personal financial statement dated November 2019 is summarized below:

ASSETS		LIABILITIES	
Cash	6,920	RE – 41-511 Flamingo	235,273
RE – 41-511 Flamingo*	1,097,700		
Auto – 2010 Toyota	13,000	Personal Loan – BOH	15,000
Auto – 2014 Toyota	13,000		
Retirement – IRA**	291,372	C/C – Barclays	11,133
CSVLI – Glenn***	504,268	C/C – Discover	15,618
CSVLI – Esther***	37,054	C/C – Sears	4,550
		C/C – Business	80,194
TOTAL ASSETS	1,963,314	Total Liabilities	361,768
		Net Worth	1,601,546
		Total Liab. & N. W.	1,963,314
*2020 TAV			
** IRA statement 12/31/19			
*** Policy statement 2/6/20			

The personal financial statement was adjusted to include information from IRA and life insurance statements, Trans Unions credit reports and 2020 TAV. Miyashitas' personal financial standing show strong net worth of \$1,602K consisting of real estate equity of \$862K, cash surrender values of their life insurance of \$541K and retirement acct. of \$291K (penalty free). Miyashitas' major debt includes 1st mortgage loan of \$235K and total c/c and loan balances of \$127K of which approx. \$80K was used for business purposes. Although the business operation pays for the business used c/c expenses, Glenn and Esther are responsible for outstanding debt. The Miyashitas show strong liquidity

from their CSVLI and IRA for the down payment and strong net real estate equity to more than cover all their existing debt.

Balance Sheet as of 6/30/19			
Assets		Liabilities	
Cash	4,723	AP - Credit Cards	109,080
Inventory	185,000	NP - Auto	35,432
Machine & Equip.	167,712	NP - BOH LOC	41,182
Land - 41-695 Kaulukanu*	1,025,309	NP - Ag Loans	508,388
Improvements	152,264	NP - FHB TL	90,245
Auto	173,964	NP - FHB HUD	236,579
Accum. Depreciation	-387,787	NP - S. Kodama	435,000
		Total Liabilities	1,455,906
		Equity:	
		Capital	19,990
		Draw	-160,532
		Profit	5,821
		Total Net Worth	-134,721
Total Assets	1,321,185	Total Liabilities	1,321,185
		& Net Worth	

*Since a single member LLC is considered a disregarded entity with no filings of 1065 tax returns. The business income is filed under Schedule F in their 1040 Individual filings. The Miyashitas elected to report the assets under the LLC instead of their personal financial statements.

Glenn's Flower and Plants LLC business balance sheet as of 6/30/19 shows total assets of \$1,321,185 of which current assets were approx. \$190K mostly consisting of plant inventories of \$185K. Fixed assets accounted for approx. \$1,131K (net of depreciation) and the subject 3 acres land is stated at \$1,025K (\$590K for 2 acres and \$435K for 1 acre). It should be noted that the 2-acre land parcel has a higher value at \$1,138K (based on 2019 TAV) and the 1-acre land parcel is stated at its purchase price. Following advice from their CPA, the lower amount of \$590K was stated for the 2 acres due to 1031 exchange tax rules. The appraised value of the combined 3 acres came in at \$1,425,000 as of 1/23/2020. Also, the liabilities show notes payable of \$237k to FHB on the 1st mortgage of their residential and retail operation property. The Miyashitas stated the debt in their personal FS as well. Thus, the company's balance sheet with adjustments should reflect positive and higher net worth of approx. \$637,000 compared to negative net worth shown as of June 30, 2019.

REPAYMENT
ABILITY:

Shown below is the farm's historical performance based on the Federal Income Tax Returns and interim 6 months P & L. The historical performance shows sufficient cash flow to service all its debts with some cash available.

Year	2016 Tax	2017 Tax	2018 Tax	6/30/19 F/S
Sales	\$814,905	\$834,475	\$886,135	\$381,533
(1) Expenses	\$757,991	\$807,466	\$863,161	\$366,114
Add Back:				
(2) Loan DA-6342	\$32,096	\$32,096	\$32,096	\$16,048
(3) Loan DC-6343	\$12,899	\$12,899	\$12,899	\$6,450
(4) Agreement of Sale Interest Payment	\$22,836	\$22,836	\$22,836	\$11,418
Request Class A	\$49,357	\$49,357	\$49,357	\$24,679
Request Class C	\$30,018	\$30,018	\$30,018	\$15,009
Cash Available	\$45,370	\$15,465	\$11,430	\$9,647

- (1) Less Depreciation
- (2) Class A loan payment of \$2,674.69/mo., which will be paid-off with this new Class A request.
- (3) Class C loan payment of \$1,074.95/mo., which will be paid-off with this new Class C request.
- (4) Interest payment of approx. \$1,903/mo. made to the seller on the Agreement of Sale maturing on 4/30/2020.

As stated above, the nursery is showing steady increases in sales from \$815K in 2016 to \$886K in 2018. Per Glenn, the steady increase of sales was mostly aided from their long-time client base with offerings of superior plants and services and agreeable price points. For 2019, Esther was only able to provide in-house interim 6 months P & L as it takes her longer to reconcile the books. For the 6 months ending 6/30/19, the nursery reported sales of approx. \$382K and Esther anticipates full year results to be better than the prior year. Per Glenn, the poinsettia plant sales during the Winter Holiday season generates approx. 15% of their total sales and is the busiest time of the year. By providing a niche item such as the poinsettia plants, Glenn can continue to maintain and satisfy their clientele with product and service needs. Glenn and Esther with feedback from Trevor are always brainstorming to add new trendy items to its numerous inventories. According to Glenn, the nursery's total sales is comprised of wholesale (35%), retail (30%), rental service (30%) and rental equipment (5%). Some of the large wholesale and rental clients are HMSA, Straub and DFS Galleria.

Expenses showed increases in 2017 and 2018 mostly due to two factors. One was an increase in insurance expenses of approximately \$22K in 2017 and \$15K in 2018 as a result from a part-time worker claiming worker's compensation for work related injuries. Glenn states that a part-time worker was injured during a commercial project. According to the insurance agent, the insurance premiums will be lower based on a 3 to 4 years reassessment. Thus, going forward in 2020 and beyond, Glenn sees gradual lowering of the worker's comp. premium. The second factor was from the addition of two workers in 2018 increasing labor expenses from approx. \$180K in 2017 and 2018 to \$253K in 2018. Additional labor was needed to accommodate increased commercial jobs as well as in-house maintenance. Based on the historical expenses, the business is very generous to its employees as it offers medical insurance benefits costing approx. \$40K/yr. A beneficial expense to retain hard-working and skilled employees.

The P&L statement trend shows steady increases of sales along with higher expenses. However, the nursery operation showed an adjusted cash-flow to service its debts with positive cash available to spare. According to Glenn, the nursery operation has established itself with a reputation as one of the best in the industry by offering diversified products and services. As such, the nursery was able to sustain its steady operation and growth with its long-time loyal clientele who appreciate the quality and reasonable price points. Going forward, the gradual declining of worker's comp. insurance premiums will further improve its debt service ability and cash availability.

The Miyashitas' personal income sources are from Glenn's Social Security of approx. \$22K/yr., Esther's pension of approx. \$12K/yr. and occasional needed drawings from Esther's IRA. In addition, Esther is eligible for Social Security in June 2020, which will add additional \$22K/yr. The Miyashitas' personal incomes, including their drawable retirement fund, will be sufficient to service their personal debts and living expenses and also, provide a secondary source of repayment if required.

The 1-acre land parcel being financed with this Class A loan is already being fully utilized by the nursery as part of the operation since 2014. The following projection is based on 3 years historical averages of sales and minor adjustments to

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the expenses accordingly. According to Glenn, he does not see significant swings in expenses other than extraordinary incidents such as severe weather or major accidents.

Projected cash flow:

	Year 1	Year 2	Year 3
Income	909,135	932,135	955,135
COGS 20%	181,827	186,427	191,027
Gross Profit	727,308	745,708	764,108
New Class A	800,000	0	0
New Class C	250,000		
Total Avail.	1,777,308	745,708	764,108
Expenses:			
Auto.	19,000	19,000	19,000
Taxes	50,000	52,000	54,000
Employee Benefits	40,000	40,000	40,000
Depreciation	19,200	20,000	21,000
Interest*	85,000	85,000	85,000
Maint. & Repair	12,000	12,000	12,000
Rent & Lease	25,000	25,000	25,000
Insurance*	52,000	47,000	42,000
Labor	270,000	275,000	280,000
Supplies	1,000	1,000	1,000
Utilities	10,000	11,000	12,000
Various	125,000	135,000	145,000
1 Acre Land Purchase	358,000	0	0
Payoff DA-6342	442,000	0	0
Payoff DA-6343	42,000	0	0
Total Expenditures	1,716,200	722,000	736,000
Avail. For debt	19,108	23,708	28,108
Add:			
Depreciation	19,200	20,000	21,000
DA-6342	32,096	32,096	32,096
DA-6343	12,899	12,899	12,899
Interest Payment	22,836	22,836	22,836
Total Avail. For debt	106,139	111,539	116,939
Minus:			
This Class A	44,459	44,459	44,459
This Class C	30,018	30,108	30,108
Net cash	239,662	37,062	42,462

With his years of experience, Glenn was able to steadily increase sales by offering diversified products and services to

its wholesale, retail and rental clienteles. The projected sales are applied \$23K increase derived from an average of 3 years sales increase (2016 to 2018). Per interim 6/30/19 statements, gross margin was approx. 80% and Glenn concurs with few percentage swings. Expenses were adjusted based on historical figures with more pro-rata on the variable vs. fixed expenses. Also, as previously mentioned above, worker's comp. insurance premium will be lowered by approx. \$5K/yr. as advised from an insurance agent and reflected in 2020 and 2021.

Thus, with no extraordinary incidents occurring and taking account of historical cash flow, the above projection implies adequate debt service ability for both proposed Class A and C loans with positive cash available for reinvestment to the nursery operation. Glenn and Esther have established a strong and profitable nursery business since 1981 and with Trevor already contributing and managing a lot of the nursery operation, the transition of the ownership will be smooth when needed in the future.

**State of Hawaii
Department of Agriculture
Agricultural Loan Division**

March 24, 2020

**Board of Agriculture
Department of Agriculture
Honolulu, Hawaii**

Subject: Loan Presentation

APPLICANT: HAWAIIAN AGRICULTURAL PRODUCTS LLC.
KEN HIRATA & YUMIKO HIRATA, CO-BORROWERS
P.O. Box 952
Haleiwa, HI 96712

**CLASSIFICATION
& ELIGIBILITY:** Hawaiian Agricultural Products, LLC (HAP), dba Hawaiian Shochu Company, Ken Hirata and Yumiko Hirata meet the eligibility requirements of Chapter 155 of the Hawaii Revised Statutes as Food Manufacturers. Ken and Yumiko Hirata are citizens of Japan who possess valid USA E2 non-immigrant investor visas and has been brewing shochu in Hawaii for nearly 10-years. On 3/10/2010, Ken established Hawaiian Agricultural Products LLC as its sole owner/member and on 7/25/2017, Hawaiian Shochu Company was registered as HAP's trade name. Yumiko Hirata works full-time at the operation.

COMMODITY: Hawaii Manufactured Distilled Spirits: Traditional Japanese Shochu produced from Hawaii grown sweet potato.

CREDIT HISTORY: SEE EXHIBIT A (CONFIDENTIAL)

**OTHER STATE
AGRICULTURAL
LOANS:**

Hawaiian Agricultural Products LLC, Ken Hirata and Yumiko Hirata have the following loans with the State of Hawaii:

Loan No.	Approval Date	Amount	Balance	Status	Maturity
DEF-6310	11/2/11	\$25,000	\$5,732	Current	11/1/21
CEBD-1-11	12/17/11	\$25,000	\$6,633	Current	3/1/22
DEO-6322	6/14/12	\$125,000	\$21,882	Current	1/1/21
Total:			\$34,247		

*CBED (Community Based Economic Development) is a program of the Department of Business Economic Development and Tourism.

In November 2011, State Agricultural Loan Division (SALD) loan DEF-6310 for \$25,000 was approved for operational working capital.

In December 2011, Community Based Economic Development (CBED) program with the Department of Business Development and Tourism provided a loan CEBD-1-11 for \$25,000 that was approved for operational working capital.

In June 2012, SALD loan DEO-6322 for \$125,000 was approved for the purchase of brewing equipment to complete the distillery.

The total balance for state of Hawaii loans is \$34,247. All loans payments are current with HAP providing consistent payments since loan inception.

**LOAN REQUEST
& PURPOSE:**

<u>Amount</u>	<u>Class</u>
\$60,000	E – Food Manufacturer Facility Loan (SALD)
\$60,000	CBED Facility Loan
\$120,000	Total Request

<u>Loan Purpose</u>	
\$5,732	Payoff DEF-6310
\$6,633	Payoff CEBD-1-11
\$21,882	Payoff DEO-6332
\$25,000	Stainless Steel Still
\$25,000	Stainless Steel Steamer
\$10,000	Shipping from Japan
\$25,753	<u>Operational Funds</u>
\$120,000	Total

Companion loan requests by SALD and CBED will finance the purchase, shipping from Japan and installation of a new stainless-steel still and stainless-steel steamer.

TERMS:

Class E – Food Manufacturer (SALD)

Amount: \$60,000
Period: 10 Years
Interest Rate: 3.75%
Repayment: Monthly principal and interest payments of \$601 until maturity.

CBED – Facility Loan

Amount: \$60,000
Period: 10 Years
Interest Rate: 3.00%
Repayment: Monthly principal and interest payments of \$580 until maturity.

SECURITY:

The SALD Class-E loan and CBED Facility loans will be secured as follows:

Primary security:

- A specific security interest will be taken on the equipment (Still and Steamer) to be purchased. A first position blanket security interest in crops, accounts receivable, inventory, furniture, fixtures, equipment, deposits, general intangibles, trademarks and licenses. The existing equipment includes a still, holding tanks and vats, steamer and boiler with an appraised value of \$100,000 as of 11/21/2019. The total value of equipment with the new still and steamer is \$150,000.

Additional security:

- First position mortgage on a fee-simple Waikiki residential condominium known as “Waipuna” and identified as TMK (1) 2-6-013-002-0326. The 2bdrm 2bath condo is 948 sq.ft. and is located on Ena Road in Waikiki and is jointly owned Ken Hirata and his mother, Haruko Hirata. Ms. Hirata is willing to provide an accommodation mortgage as security for the proposed loan. The property has a 2020 tax assessed value of \$680,100.

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The loan-to-value (LTV) ratio of the proposed loans is calculated as follows:

$$\frac{\$120,000: \text{This Request}}{\$150,000 \text{ (equipment)} + \$680,100 \text{ (TAV)}} = 14.46\% \text{ LTV}$$

The loan will be fully secured by the equipment to be purchased and existing equipment. The loan will be further secured with the real estate offered.

GUARANTORS:

None

**FINANCIAL
CONDITION:**

SEE EXHIBIT A (CONFIDENTIAL)

**REPAYMENT
ABILITY:**

SEE EXHIBIT A (CONFIDENTIAL)

INSURANCE:

Condominium Insurance including hazard and liability. HAP to maintain commercial general aggregate liability coverage.

**BACKGROUND/
MANAGEMENT
ABILITY:**

Hawaiian Agricultural Products LLC, dba Hawaiian Shochu Company is a limited liability company established in March 2010 by Ken Hirata, its sole owner/member. The company was created to develop and produce shochu, a distilled alcoholic beverage that is native to Japan and made primarily from sweet potatoes and rice.

Mr. Hirata is a Japan resident living and working in Hawaii through a USA investment work visa. Mr. Hirata graduated with a bachelor's degree in Business Administration from Lewis & Clark College of Portland, Oregon. After graduation in 1995, Ken returned to Japan to work as an international money market broker before becoming a managing director for a design company in 1998. In 2003, Ken temporarily moved to Australia before returning to Japan in 2005 to oversee "koji" yeast production and shochu waste recycling at a shochu and sake distillery. This experience led him in 2006 to begin a three-year shochu apprenticeship with the founding brewmaster at Manzen Shuzo Co Ltd. located in Kagoshima, Japan. This distillery produces only premium shochu made with traditional recipes and methods. During his apprenticeship, Ken learned both the art of making shochu and the business skills of operating a distillery. Ken indicated that his brewmaster is one of the top six shochu masters in Kagoshima, an area known for sweet potato shochu production.

He chose to locate his new distillery in Waialua on the Island of Oahu on 11.95-acres of land leased from B. P. Bishop Trust Estate for 30-years and located in the North Shore Economic Development Zone. He chose this location since it shares a similar climate and soil as the birthplace of shochu in the city of Kagoshima, Japan. Ken and Yumiko work with two other HAP employees to produce the shochu. The process uses exclusively Hawaii grown sweet potatoes to produce its premium shochu. Ken is hoping to work with local farmers in the future to grow sweet potatoes on their 11.95-acre-site to supplement the distillery.

SUMMARY:

The Hiratas are hard workers, good managers and have invested significant time, money and knowledge to make Hawaii Agricultural Products a successful venture. Loans with SALD and CBED have been paid as agreed and the company's financial statements have shown consistent profits and strong net worth.

The company has been unable to keep up with demand for their shochu and the purchase of the new stainless-steel still will increase HAP's brewing capacity. The new stainless-steel steamer is ergonomically efficient and alleviates much of the back breaking physical demands of the current steamer. The new equipment will give HAP greater and more efficient production as well as allowing the development new products.

The loan will be well secured by the brewery equipment and personal real estate. The company's historic and projected cash flow is sufficient to service the proposed debt. The proposed loan will purchase brewery equipment to increase production and efficiency which will increase the operation's profitability and utilize more locally grown produce.

TURNDOWNS:

The borrowers have been denied credit from American Savings Bank and Bank of Hawaii for insufficient repayment income for the following:

- Loan request does not meet minimum business scoring parameters
- Average age of personal revolving accounts
- Ratio of balance to limit too high on revolving accounts
- Time since most recent account opening is too short
- Too many inquiries last 12 months

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RECOMMENDATIONS: This loan is recommended for approval based on the Hirata's excellent credit histories, their management and manufacturing experience, the distillery's historical and projected repayment ability and the collateral offered.

Date

Recommended by:

3/5/2020

Wayne S. Takamine
Wayne S. Takamine
Business Loan Officer I

Date

Reviewed and concurred by:

3/6/20

Dean M. Matsukawa
Dean M. Matsukawa
Division Administrator

Date

Approved for Submission

3/10/2020

Phyllis Shimabukuro-Geiser
Phyllis Shimabukuro-Geiser
Chairperson, Board of Agriculture

EXHIBIT A
CONFIDENTIAL

CREDIT HISTORY:

The Trans Union credit report dated 2/11/2020 on Ken Hirata indicated a credit score of 731, which falls in the higher range of the credit scores. All accounts were current and there were no collections accounts or negative remarks.

The Trans Union credit report dated 3/3/2020 on Yumiko Hirata indicated a credit score of 747, which falls in the higher range of the credit scores. All accounts were current and there were no collections accounts or negative remarks.

A Dun and Bradstreet business information report for Hawaiian Agricultural Products, LLC dated 2/24/2020 indicated that the limited number of transactions did not allow for a credit rating but noted a moderate risk in viability score, and in portfolio comparison with all US businesses in its database.

FINANCIAL
CONDITION:

The Hawaii Agricultural Products LLC, dba Hawaiian Shochu Company's financial statement as of 11/30/2019 is highlighted below:

ASSETS		LIABILITIES	
Cash	11,484	Credit Cards	4,614
Bank Accounts	67,166	Fed. Payroll Tax Payable	2,123
Receivables	5,060	Loan Wells Fargo	3,824
Advances to Hirata	64,650	Sales Tax Payable	1,351
Product Inventory	9,401	State Payroll Tax Payable	973
Estimated Tax HI	229	Wage Payable	3,411
Total Current	157,990	Total Current Liabilities	16,296
Accum. Depreciation	-189,854	Loan from Owner	-4,120
Building	159,133	Loan from State of Hawaii	34,964
Building Improvements	181,243	Total Long-Term Liability	30,844
Equipment	125,358	TOTAL LIABILITIES	\$47,140
Furniture	5,463	EQUITY	
Total Fixed Assets	281,343	Common Stock	50,000
Amortization. - Org. Costs	-31,532	Paid in Capital	323,502
Organization Cost M & E	5,901	Retained Earnings	29,790
Organization Costs	49,986	Net Income	13,256
Total Other Assets	24,355	NET WORTH	\$416,548
TOTAL ASSETS	\$463,688	NET WORTH & LIABILITIES	\$463,688

Hawaii Agricultural Products LLC, dba Hawaiian Shochu Company's "In House" financial statement as of 11/30/2019 shows the company having a sound financial position and good liquidity with \$78,650 in cash and bank deposit accounts. Liabilities are reasonable with term debt consisting of two (2) SALD loans and one (1) CBED loan with a balance of \$34,964 and total liabilities of \$47,140. Total assets reported is \$463,688 which includes \$281,343 in fixed assets for the distillery's building, equipment and facility improvements. Net worth of \$416,548 shows adequate financial stability to support this request.

Ken and Yumiko Hirata's personal financial statement as of 1/30/2020 is summarized below:

ASSETS	Amount (\$)	LIABILITIES	Amount (\$)
Cash in Bank Accounts	19,167	Revolving Credit	3,510
IRA Investments	12,750	Installment Loans	7,735
Vehicles	26,600	Total Other Liabilities	0
Real Estate	650,000	Total Mortgages	0
Other Assets	1,933	TOTAL LAIABILITIES	\$11,245
		NET WORTH	\$389,205
TOTAL ASSETS	\$400,450	NET WORTH & LIABILITIES	\$400,450

The Hiratas have good liquidity and decent net worth. Ken and Yumiko's major asset is a Waikiki Condo valued at \$650,000. The valuation may be overstated as the condo is jointly owned by Ken and his mother Haruko Hirata who resides in Japan. The property has 2020 tax assessed value of \$680,100 and is currently being rented. It was noted that the Hiratas did not include the value of their business with a net worth of \$416,548. Vehicles include a 2017 Subaru Outback SUV and 2011 Toyota Tacoma Pick-up. Debt is limited to credit card debt and a vehicle loan. It was noted that the credit report indicated higher balances, but this may be due to timing and as some of the credit card debt is reported on the company's balance sheet. Overall the Hiratas are in good financial condition.

REPAYMENT
ABILITY:

Repayment ability is based on the operation's historical and projected performance. Shown below is the past three-year performance based on 2017 and 2018 US Corporation Income Tax Returns and the Hawaiian Shochu Company's 2019 in house profit and loss statement for 11 months of 2019.

Hawaiian Shochu Company			
Year	2017	2018	2019 (11 mo)
Sales:	262,365	308,300	321,321
COGS	35,176	33,867	48,754
Gross Profit:	227,189	274,433	272,567
* Expenses	198,667	218,381	240,610
Available Cash:	28,522	56,052	31,957

* Expenses excludes interest and depreciation

The company sales continue to increase year over year and profitability has been maintained for all three years. The major expense continues to be salaries the bulk of which is paid to the Hiras. The Hiras' salaries for 2017 and 2018 averaged \$78,000 annually. Other major expenses are taxes and licenses, repairs and maintenance, building supplies and office expense. The company's three-year historical performance demonstrates the ability to service the proposed debt.

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The following is Hawaiian Agricultural Products three-year projection of income and expenses summarized below:

Hawaiian Agricultural Product LLC			
Year	Year 1	Year 2	Year 3
Sales	381,239	388,864	396,641
COGS	41,936	42,775	43,630
GROSS PROFIT	339,303	346,089	353,011
Expenses			
Salaries & Wages	112,776	115,032	117,333
Repairs & Maintenance	1,567	1,598	1,630
Rents	3,058	3,058	3,058
Taxes & Licenses	35,834	36,550	37,281
Charitable Contribution	1,229	1,254	1,279
Advertising	2,207	2,251	2,296
Employee Benefits	8,022	8,182	8,346
Other Expenses	99,257	101,242	103,267
Total Expenses	263,950	269,167	274,490
Available cash:	75,353	76,922	78,521
This SALD Request	(7,212)	(7,212)	(7,212)
CBED Request	(6,960)	(6,960)	(6,960)
DEF-6310			
CEBD -1-11			
DEO-6322			
Available cash:	61,181	62,750	64,349

* Expenses excludes interest and depreciation

Sales for the three is projected to increase 10% in Year 1 and 2% in Year 2 and 3. Projected increases in income are conservative based on historical increases in sales and are due to higher production and new products related to the new still and sweet potato steamer. One of the new products will be a "Hawaii based shochu gin with Hawaiian botanicals." The increased efficiency with the new steamer should also result in higher profits. The major expense remains salary and wages, however, Ken and Yumiko's salaries are also included. Taxes and License fees remain high due to taxes on liquor and distilled spirits. The major other expenses include delivery and freight, professional fees, office expenses and building materials, etc.

Projections appear reasonable when compared to the company's historical performance and the anticipated increase in production.

Cost of Goods Sold is projected at 11% of sales which is on the lower range of historical averages of 11%-15%.

Projected expenses as a percentage of sales are slightly higher than historical averages but could be attributed continuing increase in prices. The operation has good margins and if the salaries are included there should be no problems with cash flow and debt service. In addition, the Hiratas receive rental income from the Waikiki condo which can help cover their personal expenses should that be required.

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State of Hawaii
Department of Agriculture
Agricultural Loan Division

April 14, 2020

Board of Agriculture
Honolulu, Hawaii

Subject: Request for Approval to Activate and Set Parameters for DOA's
Emergency Loan Program to Provide Relief Due to COVID-19 Pandemic.

Governor David Y. Ige issued a proclamation on March 4, 2020 declaring a state of emergency with a relief period until April 29, 2020. The COVID-19 was rapidly expanding and was an international public health concern. A supplementary proclamation was issued by Governor Ige on March 16, 2020 to extend the relief period until May 20, 2020.

The Governor's proclamations allow for the activation of section 155-9(e), Hawaii Revised Statutes (HRS), which provides for emergency loans to provide relief and rehabilitation to qualified farmers without limit as to purpose who have suffered great economic losses in the stricken areas. Brian Miyamoto, Executive Director of the Hawaii Farm Bureau informed that the majority of the members were feeling severe economic impacts from the shutting down of farmers markets, public institutions and reduced tourism numbers. Perishable produce is in less demand as residents seek processed foods with long shelf life. Agri-tourism operations are facing double impacts as both revenues streams of agriculture and tourism are affected.

Section 155-9(e), HRS, requires that "the maximum amounts and period for such loans shall be determined by the board of agriculture; provided that the board shall require that any settlement or moneys received by qualified farmers as a result of an emergency declared under this section shall first be applied to the repayment of an emergency loan made under this chapter."

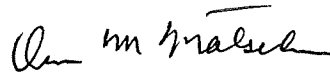
In this regard, the following loan amounts, terms, and parameters are recommended for board approval:

1. Maximum loan amount: \$150,000.00
2. Terms to be determined on a case-by-case basis as needed. Consideration will be based on historical farm performance and projected cash flow based on reasonable assumptions of revenue and expenses.
3. Interest rate: 3%

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4. The credit elsewhere requirement shall be waived for loans \$100,000.00 or less. Loans above \$100,000.00 shall require 1 credit denial.
5. The 3-years residency requirement for U.S. Citizens and permanent resident aliens shall not apply.
6. Collateral requirements may be modified or waived, as necessary, on a case-by-case basis. Wherever possible, the provisions of Section 155-11, Security for Loans, should be followed.
7. Emergency Loan Applications can be accepted until December 31, 2020.

It is hereby requested that the Board of Agriculture approve activation of the emergency loan program with the above recommendations.



Dean M. Matsukawa
Agricultural Loan Administrator

APPROVED FOR SUBMISSION:



Phyllis Shimabukuro-Geiser
Chairperson, Board of Agriculture