

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Division of Boating and Ocean Recreation
Honolulu, Hawaii 96813

July 10, 2015

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Oahu

Termination of Boating Lease No. BO-13120 dated December 6, 2013 between the State of Hawaii, Lessor, and Honey Bee USA, Inc., Lessee; Cancellation of BLNR Approval of Non-Exclusive Term Easement to Honey Bee USA, Inc.; Honolulu, Oahu, Hawaii, Tax Map Keys (1) 2-3-037:012 (por) and 020; (1) 2-6-010:003 (por), 005 and 016

APPLICANT:

Department of Land and Natural Resources, Division of Boating and Ocean Recreation ("DOBOR").

REQUEST:

1. Termination of Boating Lease No. BO-13120 dated December 6, 2013 (the "Lease") between the State of Hawaii, Lessor, and Honey Bee USA, Inc. ("Honey Bee"), Lessee
2. Cancellation of Approval for Non-Exclusive Term Easement (the "Easement") to Honey Bee approved by BLNR on November 9, 2012 as Agenda Item J-1

LEGAL REFERENCE:

Section 171-20, 21, 39, and other applicable sections of Chapter 171, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands, fast and submerged, situated at the Ala Wai Small Boat Harbor ("AWSBH"), Kalia, Honolulu, Oahu, Hawaii, identified as Tax Map Keys (1) 2-3-037:012 (por) and 020; (1) 2-6-010:003 (por), 005 and 016. The fast lands consist of the "Boatyard Repair Site", the "Fuel Dock Site" and the "Easement Area", which are shown on the attached Exhibits "A" and "B".

AREA:

Fast Lands:	1.260 acres, more or less (0.973 acres at Boatyard Repair Site; 0.287 acres at Fuel Dock Site)
Submerged Lands:	1.035 acres, more or less (0.500 acres adjacent to Boatyard Repair Site; 0.535 acres adjacent to Fuel Dock Site)
Easement (Fast):	0.121 acres, more or less

TRUST LAND STATUS:

Sections 5(a) and 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

CHARACTER OF USE:

Fast lands: Fuel dock facility, vessel haul-out/repair facility, commercial uses, wedding facilities, vessel storage facilities, training and support facilities, office space for DOBOR, parking, and any uses permitted under applicable laws, ordinances, rules.

Submerged lands: Mooring purposes

Easement: To be incorporated as part of the redevelopment of the adjacent Boatyard Repair Site.

TERMS OF LEASE AND EASEMENT:

Lease: 65 years, commencing on January 1, 2014 and expiring on December 31, 2078.

Easement: Not yet commenced, but approved for up to 65 years, to be co-terminus with the Lease

ANNUAL RENTAL:

Lease: \$821,652.49 (fast lands: \$551,130.49; submerged lands \$270,522.00)¹

Easement: \$55,494.11

REMARKS:

A. Background.

On December 17, 2009, DOBOR entered into a development agreement with Honey Bee for the redevelopment of two parcels at the AWSBH (the “**Development Agreement**”).² The Development Agreement granted Honey Bee the right to conduct predevelopment activities in pursuit of its proposed redevelopment project known as “Waikiki Landing”. In exchange, Honey Bee agreed to pay DOBOR a development fee of \$150,000.00 per year for the first year, and thereafter \$15,000.00 per month.

The Development Agreement also provided for DOBOR to issue Honey Bee a long-term lease upon Honey Bee’s satisfaction of all the Development Agreement conditions.

On November 9, 2012, as Agenda Item J-1, the Board approved: (1) a 65-year ground lease from DOBOR to Honey Bee for the redevelopment of the AWSBH’s “Boatyard Repair

¹ This figure represents the annual lease rent from years two through six. The annual lease rent for the first year is \$682,614.35

² The Development Agreement resulted from DOBOR’s selection of Honey Bee pursuant to a Request for Qualifications / Request for Proposals issued on November 25, 2008, and a subsequent Development Agreement between DOBOR and Honey Bee dated December 17, 2009.

Site”, “Fuel Dock Site”, and the submerged lands adjacent to the two sites (“Lease”); and (2) a 65-year term easement to Honey Bee for an adjacent parcel of fast lands (“Easement”).

On December 6, 2013, the Lease was executed (effective January 1, 2014) and requires Honey Bee pay an annual minimum base rent of \$821,652.49 (\$68,471.04 per month), with periodic rent increases through the first 30 years of the Lease. The Easement has been drafted, but to date has not been executed.

In the third quarter of 2014, Honey Bee encountered financial difficulties when it unexpectedly lost its source of funding and fell delinquent on its October 2014 lease rent payment.

In October 2014, DOBOR met with Honey Bee and Honey Bee’s general contractor, Hawaiian Dredging Construction Company, Inc., at which time, Hawaiian Dredging provided DOBOR with its updated construction schedule and confirmed its commitment to Honey Bee and to the construction of the Waikiki Landing project.

However, when Honey Bee failed to make its November 2014 lease rent payment, DOBOR issued a Notice of Default dated November 26, 2014 for:

1. failure to keep lease rental payments current;
2. failure to post required performance bond; and
3. failure to remain free of encumbrances.

The Notice of Default demanded that Honey Bee cure the delinquent rents within 30 days and all other defaults within 60 days. Honey Bee failed to cure any of the defaults within the cure periods.

Despite the uncured defaults, DOBOR continued to meet with Honey Bee because Honey Bee indicated it was working on securing a new source of funding. As evidence, Honey Bee provided DOBOR with copies of various proposals for new funding, which included potential equity investors, lenders, and a combination of both.³

However, Honey Bee ultimately failed to secure the necessary funding and cure the defaults, and on March 13, 2015, staff submitted a recommendation to the Board that the Lease be terminated. (See BLNR March 13, 2015, Agenda Item J-3).

The Board, after receiving an update from Honey Bee, elected to defer action for 60 days on staff’s recommendation to terminate the Lease, subject to the following conditions:

1. Honey Bee shall submit a fully executed letter of intent for equity funding of \$5,000,000.00 by no later than the close of business on March 13, 2015;
2. Honey Bee shall pay all past due rents, service charges, and interest by no later than March 18, 2015;
3. Honey Bee shall keep lease rent payments current; and

³ Over the past two years, Honey Bee has provided DOBOR with copies of at least six separate funding proposals from various entities, including one proposal in July 2013 (\$19.8M), two proposals in November 2013 (both for \$21.5M), two proposals in October 2014 (\$7M and \$31M) and one proposal in March 2014 (\$5M).

4. Honey Bee shall submit the required performance bond and cure all defaults of the Lease within ninety (90) days, i.e., by June 11, 2015.

B. Current Status.

1. Compliance with Conditions Imposed by Board on March 13, 2015.

The following is a status report on Honey Bee's compliance with the four conditions imposed by the Board. Honey Bee has substantially complied with Conditions 1 and 2, but has failed to comply with Conditions 3 and 4.

Condition 1 (submit letter of intent for \$5M). On March 13, 2015, Honey Bee technically complied by submitting a fully executed letter of intent with Next Realty LLC for \$5,000,000.00 in equity funding. Honey Bee, however, did not meet the intent of this condition in that it never pursued or acquired the \$5,000,000.00 in funding from Next Realty LLC.

Condition 2 (pay all past due rents/amounts owed). On March 17, 2015, Honey Bee substantially complied with this condition by submitting a payment of \$417,661.77, which represented almost the entire balance of past due rents, service charges and interest. After applying the payment, Honey Bee had an outstanding balance of \$14,813.21.

Condition 3 (keep rent payments current). Honey Bee has not complied with this condition and has not made any lease rents payments since the \$417,661.77 payment on March 17, 2015. Honey Bee is past due for a portion of the March rent, and for the April, May, June and July 2015 rent. As of July 1, 2015, Honey Bee owed a total of \$288,697.37 in lease rent, plus late charges and interest.

Condition 4 (submit performance bond and cure all lease defaults). Honey Bee was required to submit the required \$938,605.15 performance bond and clear title of all encumbrances (including tax liens, a mechanics lien, a judgement, and a mortgage) within 90 days, i.e., by June 11, 2015. Honey Bee has not complied with this condition. Excerpts from a preliminary title report dated October 28, 2014 listing the encumbrances is attached as **Exhibit "C"**.

2. Notice of Default dated May 7, 2015.

On May 7, 2015, DOBOR issued a second Notice of Default to Honey Bee for its failure to keep its lease rent payments current in accordance with the Lease and the conditions imposed by the Board on March 13, 2015. A copy of the Notice of Default is attached as **Exhibit "D"**.

The Notice of Default gave Honey Bee 30 days to bring its lease rent current by remitting \$154,232.37 for its March (partial), April and May rent payments, service charges, and interest. The 30-day cure period expired on June 10, 2015, and to date, Honey Bee has failed to make any payments towards the past due amounts.

3. Proposed Financing.

On June 16, 2015, Honey Bee provided DOBOR with a copy of a Funding Agreement with ICON Commercial Lending ("ICON"), which proposes \$35,000,000.00 in construction financing. The Funding Agreement provides for ICON to acquire a 50% equity interest in Honey Bee and is subject to Honey Bee's payment of a \$50,000 deposit into escrow.

Honey Bee notified DOBOR it intended to pay the \$50,000 deposit by June 19, 2015, but has failed to make the payment.

As mentioned above, Honey Bee has previously provided DOBOR with copies of numerous funding proposals such as this one with ICON. None of the previous proposals came to fruition, and it does not appear that any of the proposals progressed beyond the initial proposal phase or that Honey Bee ever remitted a deposit towards obtaining the funding. DOBOR has not been contacted by any of the proposed lenders or investors with inquiries about the status of the Lease or about any other standard due diligence issues (e.g., site control, status of the Easement, encumbrances and liens). Based on this past history, DOBOR is not optimistic the current funding proposal will result in actual project financing.

4. Sewer Connection Permit.

On June 16, 2015, Honey Bee paid the City and County of Honolulu \$74,832.00 for a sewer connection permit.

C. Summary.

In 2009, when Honey Bee was originally selected as the developer, the company's principals included individuals with extensive development experience in Japan and considerable financial resources. The company's development team also included well established local planning, engineering, environmental and architectural firms and consultants with extensive development and construction experience in Hawaii. Since then, however, Honey Bee has lost one of its primary principals and financing sources and no longer resembles the entity originally selected by DOBOR as the developer.

DOBOR acknowledges Honey Bee's past efforts and the work it has put into the project, and as such, has been extremely patient as Honey Bee continued to pursue alternative sources of funding and commence construction of the project.⁴ At this point, however, DOBOR is not confident that Honey Bee can successfully develop and operate its proposed Waikiki Landing project. It would not be prudent for DOBOR to continue to grant extensions to Honey Bee and allow the site to remain undeveloped. DOBOR believes it has given Honey Bee more than enough time to commence construction of the project, and given the cyclical nature of the real estate industry and economy, DOBOR needs to move forward and begin the process of seeking a new developer for this prime Waikiki property.

RECOMMENDATION: That the Board:

1. Authorize the termination of Boating Lease No. BO-13120 in the manner specified by law;
2. Cancel the Board's prior approval of, and terminate Honey Bee's rights to, the Easement;
3. Authorize the retention of all sums heretofore paid or pledged under Boating Lease No. BO-13120 to be applied to any past due amounts;

⁴ To date, Honey Bee has paid to DOBOR approximately \$1,580,000.00 in development agreement fees (\$690,000.00) and lease rents (\$890,000.00).

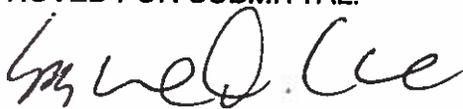
4. Terminate the Lease and all rights of Lessee and all obligations of the Lessor effective as of July 10, 2015, provided that any and all obligations of the Lessee which have accrued up to said effective date or which are stated in the lease to survive termination shall endure past such termination date until duly fulfilled, and further provided that Lessor reserves all other rights and claims allowed by law;
5. Require Honey Bee to deliver copies of all reports, studies, files, due diligence materials, permits and approvals, related to the Waikiki Landing project to DOBOR within thirty (30) days of the date of this Board meeting; and
6. Authorize the Department of the Attorney General, the Department of Land and Natural Resources, or their agents to collect all monies due the State of Hawaii under Boating Lease No. BO-13120 and to pursue all other rights and remedies as appropriate.

Respectfully Submitted,


Edward R. Underwood
Administrator

Attachments: Exhibit A
Exhibit B
Exhibit C
Exhibit D

APPROVED FOR SUBMITTAL:


Suzanne D. Case, Chairperson

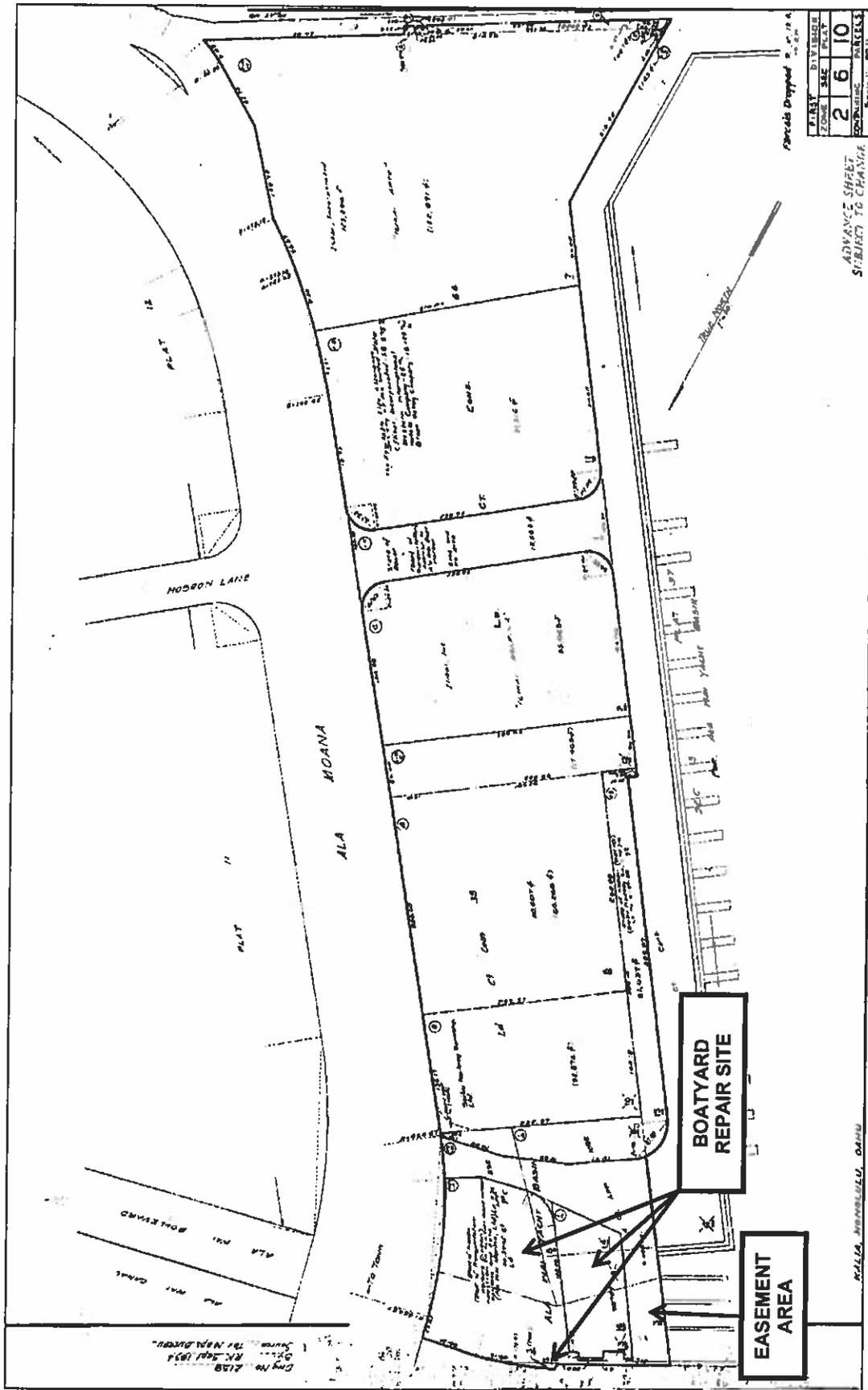


EXHIBIT "B"

Item J-2



OLD REPUBLIC
TITLE & ESCROW OF HAWAII

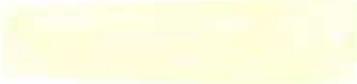
900 Fort Street Mall, Suite 1900
Honolulu, HI 96813
808-566-0100 Fax: 808-522-1375

PRELIMINARY REPORT

KEITH M. KIUCHI, A LAW CORPORATION
1001 Bishop Street, Suite 985
96813, HI

Our Order Number 6707001942

Customer Reference Honey Bee U.S.A., Inc.



Property Address:

Ala Wai Small Boat Harbor, Honolulu, HI 96815

In response to the above referenced application for a policy of title insurance, OLD REPUBLIC TITLE & ESCROW OF HAWAII, as issuing Agent of Old Republic National Title Insurance Company, hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in Exhibit I attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit I of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of October 28, 2014, at 8:00 AM

OLD REPUBLIC TITLE & ESCROW OF HAWAII
For Exceptions Shown or Referred to, See Attached

Page 1 of 7 Pages

OCT 31 5:44 PM '14

EXHIBIT "C"

**OLD REPUBLIC TITLE & ESCROW OF HAWAII
ORDER NO. 6707001942**

The form of policy of title insurance contemplated by this report is:

ALTA Loan Policy - 2006. A specific request should be made if another form or additional coverage is desired.

The estate or interest in the land hereinafter described or referred or covered by this Report is:

Leasehold

Title to said estate or interest at the date hereof is vested in:

HONEY BEE USA, INC., a Hawaii corporation

The land referred to in this Report is situated in the State of Hawaii, and described as follows:

See Legal Description Exhibit.

OLD REPUBLIC TITLE & ESCROW OF HAWAII
ORDER NO. 6707001942

At the date hereof exceptions to coverage in addition to the Exceptions and Exclusions in said policy form would be as follows:

1.
 - A. Taxes and assessments, general and special, for the fiscal year 2014 - 2015, County of Honolulu, a lien, but not yet due or payable.
Tax Map Key : (1) 2-3-037-012
 - B. Taxes and assessments, general and special, for the fiscal year 2014 - 2015, County of Honolulu, a lien, but not yet due or payable.
Tax Map Key : (1) 2-3-037-020
 - C. Taxes and assessments, general and special, for the fiscal year 2014 - 2015, County of Honolulu, a lien, but not yet due or payable.
Tax Map Key : (1) 2-6-010-003
 - D. Taxes and assessments, general and special, for the fiscal year 2014 - 2015, County of Honolulu, a lien, but not yet due or payable.
Tax Map Key : (1) 2-6-010-005
 - E. Taxes and assessments, general and special, for the fiscal year 2014 - 2015, County of Honolulu, a lien, but not yet due or payable.
Tax Map Key : (1) 2-6-010-016
2. Any adverse claim based on the location of the seaward boundary and/or shoreline setback line of the herein described property, as may be established under the laws of the State of Hawaii.
3. AS TO PARCEL FIRST:
 - A. Easement A for access purposes, as described in Boating Lease No. BO-13120 dated December 6, 2013.

OLD REPUBLIC TITLE & ESCROW OF HAWAII
ORDER NO. 6707001942

4. AS TO PARCELS THIRD AND FOURTH:

A. Any adverse claim based on the herein described property being submerged land, as may be established under the laws of the State of Hawaii.

5. Terms and provisions of that certain Boating Lease No. BO-13120 dated December 6, 2013.

6. COUNTY TAX LIEN

Recorded : June 16, 1998 in the Bureau of Conveyances, State of Hawaii, as Document No. 98-086222
Against : ALA WAI FUEL SERVICES INC. aka ALA WAI HARBOR FUEL SERVICES
In Favor of : Real Property Tax Collection Section
Real Property Tax Division - County of Honolulu
Real Property Tax, TMK : 1-2-3-037-020-0000
Amount : \$1,344.31

7. COUNTY TAX LIEN

Recorded : April 23, 2010 in the Bureau of Conveyances, State of Hawaii, as Document No. 2010-055939
Against : ALA WAI MARINE LTD
Real Property Tax Division - County of Honolulu
Real Property Tax, TMK : 2-6-010-016-0000
Amount : \$70,753.43

8. COUNTY TAX LIEN

Recorded : April 23, 2010 in the Bureau of Conveyances, State of Hawaii, as Document No. 2010-055940
Against : ALA WAI MARINE LTD
Real Property Tax Division - County of Honolulu
Real Property Tax, TMK : 2-6-010-005-0000
Amount : \$348,571.16

OLD REPUBLIC TITLE & ESCROW OF HAWAII
ORDER NO. 6707001942

9. CIRCUIT COURT JUDGMENT filed in the Circuit Court of the First Circuit, State of Hawaii

In Favor of : MARUHAN CORPORATION, a Japan corporation
Against : HONEY BEE USA, INC., a Hawaii corporation; HIDEAKI SHIMAKURA;
MUNEYOSHI NAKANISHI; NOBUAKI YOSHINO; KEITH KIUCHI;
DERON AKIONA; and DOE DEFENDANTS 1-20
Case No. : Civil No. 13-1-1626-06 (KKS)
Amount : \$157,830.00
Recorded : September 12, 2013 in the Bureau of Conveyances, State of Hawaii,
as Document No. A-50030633
Attorney : JOHN P. MANAUT 3989

10. Action as follows:

Plaintiff : CHOATE CONSTRUCTION SERVICES, LLC
Defendant : STATE OF HAWAII; HONEY BEE USA, INC.; JOHN DOES 1-10; JANE
DOES 1-10; DOE PARTNERSHIPS 1-10; DOE CORPORATIONS 1-10;
DOE ENTITIES 1-10
Circuit Court : First Circuit
Case No. : M.L. No. 14-1-0010 KKS
Commenced : April 15, 2014
Purpose : Lienor to obtain a Mechanic's and Materialman's Lien against
Respondents in the amount of \$529,730.36

As Disclosed by or Notice of Which is

Dated : April 15, 2014
Recorded : April 16, 2014 in the Bureau of Conveyances, State of Hawaii, as
Document No. A-52190666
Attorney : KARIN L. HOLMA 5207-0
CHAD M. KUMAGAI 9563-0
For : Lienor

ORDER GRANTING IN PART AND DENYING IN PART LIENOR CHOATE CONSTRUCTION SERVICES, LLC'S APPLICATION FOR MECHANIC'S AND MATERIALMAN'S LIEN, filed August 28, 2014 in the Circuit Court of the First Circuit, State of Hawaii with M.L. No. 14-1-0010 (KKS), recorded November 10, 2014 in the Bureau of Conveyances, State of Hawaii as Document No. A-54270930.

OLD REPUBLIC TITLE & ESCROW OF HAWAII
ORDER NO. 6707001942

11. Mortgage to secure an indebtedness of the amount stated below and any other amounts payable under the terms thereof, with power of sale and assignment of rents.

Amount : \$1,450,000.00
Mortgagor : HONEY BEE USA, INC., a Hawaii corporation
Mortgagee : MELVIN AND JEAN NAKAGAWA FAMILY LIMITED PARTNERSHIP
Dated : May 21, 2014
Recorded : May 23, 2014 in the Bureau of Conveyances, State of Hawaii, as Document No. A-52560900

Old Republic Title and Escrow of Hawaii, Ltd. will require that a properly executed and valid Release of the Mortgage shown herein as exception no. 9 be recorded prior to or concurrently with any documents pertaining to the sale or mortgage of the property described herein unless said Mortgage is intended to be assumed.

12. Any unrecorded and subsisting leases.
13. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
14. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
15. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
16. Any encroachment, encumbrance, violation, variation, question of location, boundary and/or area, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
17. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.

18. Any lien or right to a lien for services, labor or material not shown by the public records.
19. The requirement that this Company be provided with a suitable Owner's Declaration (form ORT 174). The Company reserves the right to make additional exceptions and/or requirements upon review of the Owner's Declaration.
20. Satisfactory evidence furnished to this Company:
 - a) as to the due formation and continued existence of HONEY BEE USA, INC. as a legal entity under the laws of Hawaii; and
 - b) documents from its board of directors authorizing this transaction and specifying the officers who shall to execute on behalf of the corporation.

----- **Informational Notes** -----

- A. NOTE: Recorded transfers or agreements to transfer the land described herein within the last three years prior to the date hereof are as follows:

UNRECORDED BOATING LEASE NO. BO-13120
Dated : December 6, 2013
Lessor : STATE OF HAWAII, by its Board of Land and Natural Resources
Lessee : HONEY BEE USA, INC., a Hawaii corporation
Term : For the term of sixty-five (65) years, commencing on the 1st day of January, 2014, up to and including the 31st day of December , 2078, unless sooner terminated
- B. If This Transaction Involves A Construction Loan, we must inspect the subject property immediately prior to recordation to determine priority over potential mechanic's liens.

In the event of a loss of priority signed Indemnity Agreements and Financial Statements from all owners, developers and contractors must be submitted to the Title Department at least 3 days prior to the close of the escrow.
- C. Short Term Rate ("STR") does not apply.

LEGAL DESCRIPTION EXHIBIT

The land referred to in this Report is situated in the State of Hawaii, and described as follows:

All that certain leasehold estate created by the following:

UNRECORDED BOATING LEASE NO. BO-13120

Dated : **December 6, 2013**
Lessor : **STATE OF HAWAII, by its Board of Land and Natural Resources**
Lessee : **HONEY BEE USA, INC., a Hawaii corporation**
Term : **For the term of sixty-five (65) years, commencing on the 1st day of January, 2014, up to and including the 31st day of December, 2078, unless sooner terminated**

DAVID Y. IPI
(GOVERNOR OF HAWAII)



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

May 7, 2015

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
STATE OF HAWAII
KIPKA KALIHUWA
CHIEF COUNSEL
W. REY JARVIS
ACTION PLAN DEVELOPER - WATER
AGRICULTURE DIRECTOR
NATIONAL PROJECT DIRECTOR
DEVELOPMENT PARTNER
CYBERSECURITY AND INFORMATION
SYSTEMS DIRECTOR
POLICE DIRECTOR
FIRE AND PUBLIC
RELATIONS DIRECTOR
KAREN AMPEN DIRECTOR OF
LAND
STATE PARKS

Certified Mail
Return Receipt Requested

BOR-PM 164.15

Honey Bee USA, Inc.
c/o Keith M. Kiuchi, a Law Corporation
ASB Tower, Suite 985
1001 Bishop Street
Honolulu, Hawaii 96813

Attention: Mr. Keith M. Kiuchi

Re: Notice of Default and Demand for Cure regarding Boating Lease No. BO-13120 (the "Lease"), by and between the State of Hawaii ("Lessor") and Honey Bee USA, Inc., a Hawaii Corporation ("Lessee")

Dear Mr. Kiuchi,

You are hereby notified that the above-referenced Lessee is in material breach of: (1) its obligations under the above-referenced Lease; and (2) the conditions imposed by the Board of Land and Natural Resources ("BLNR"), at its meeting on March 13, 2015, as Agenda Item J-3.

Pursuant to the authority granted me by the Board of Land and Natural Resources, under Sections 171-20 and 171-21 of the Hawaii Revised Statutes and the breach provision contained in the Lease, you are hereby served this Notice of Default and Demand for Cure for failure to keep lease rental payments current in accordance with the following:

1. Pursuant to section A of the Lease, the Lessee is required to pay the annual minimum base lease rent as follows: "Annual minimum base rent shall be payable on a monthly basis, in advance, on the first day of each month of each and every year[.]"
2. On March 13, 2014, the BLNR deferred action on Agenda Item J-3, subject to certain conditions, including the condition that the Lessee keep all lease rent payments current.

EXHIBIT "D"

The Lessee has failed to make its March, April, and May 2015 lease rent payments in accordance with the Lease and the condition imposed by the BLNR. According to our records, the Lessee is in arrears in the following amount:

March 2015 Rent (portion):	\$14,830.71
April 2015 Rent:	\$68,471.04
Interest (1%):	\$833.02
Service Charge:	\$50.00
May 2015 Rent:	\$68,471.04
Interest (1%):	\$1,526.56
Service Charge:	\$50.00
Total Amount Past Due:	\$154,232.37

Demand is hereby made for full and complete payment of \$154,232.37 within thirty (30) days from the date of receipt of this letter.

Your failure to act on the above matter may result in the following:

1. Cancellation of Boating Lease No. BO-13120.
2. Retention of all sums heretofore paid under Boating Lease No. BO-13120 as liquidated damages.
3. Termination of all your rights as Lessee and the State of Hawaii's obligations as Lessor under Boating Lease No. BO-13120, except surviving Lessee obligations otherwise provided in the Lease.
4. Initiation of legal action to collect the delinquent rental amounts owed to the State of Hawaii under Boating Lease No. BO-13120.

Should you have any questions, please contact the Division of Boating and Ocean Recreation at (808) 587-1966.

Sincerely,


Suzanne D. Case
Chairperson

cc: BOR-PM
DOBOR Fiscal Office
Land Board Member