

3. Name of Contractor(s):

Currently, the Department of Commerce and Consumer Affairs (“DCCA”) has contracts with the following PEG access organizations for the provision of PEG access services in the State:

- a. Olelo Community Television (“**Olelo**”) on Oahu;
- b. Akaku: Maui Community Television (“**Akaku**”) on Maui;
- c. Hoike: Kauai Community Television (“**Hoike**”) on Kauai; and
- d. Na Leo O Hawaii (“**Na Leo**”) on Hawaii.

| 6. Original Contract Price Received in 2010 | Amended Contract Price for period Anticipated fees for 6 months |
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| a. Olelo -- \$4,604,495 | \$2,713,747 |
| b. Akaku -- 1,162,576 | 662,958 |
| c. Hoike -- 522,726 | 296,629 |
| d. Na Leo -- 1,052,125 | 588,562 |

7. Reason: This/These amendment(s) are necessary because:

In late 2005, it was determined that DCCA's PEG access services contracts were subject to the State's Procurement Code (“**Code**”) unless one of the exemptions in HRS section 103D-102(b) applied.

In February 2006, and in light of that determination, DCCA held public comment meetings throughout the state to obtain public input on whether to issue an RFP or seek an exemption from the Code for PEG access service contracts. After considering the public comments received, DCCA submitted a “Notice of and Request for Exemption from Chapter 103D, HRS” to the State Procurement Office (“**SPO**”) on April 10, 2006. The SPO reviewed DCCA's exemption request and subsequently determined that the PEG access services contracts should be awarded in accordance with the Code. However, to ensure that PEG access services would continue to be provided to the public until the new contract(s) were awarded, the SPO approved DCCA's exemption request from July 1, 2006 to June 30, 2007 to complete the competitive procurement process in accordance with HRS chapter 103D.

On November 22, 2006, on behalf of DCCA, the SPO issued a Request for Information (“**RFI**”) to obtain the public's comments on and suggested amendments to a draft Request For Proposals (“**RFP**”) for PEG access services. In December 2006, DCCA held public comment meetings on

Oahu, Hawaii, Maui, Molokai, and Kauai to obtain the public's input on the draft RFI and PEG access services.

After considering the public's input and comments, DCCA requested that the exemption be extended for another six-month period (i.e., from June 30, 2007 to December 31, 2007) to allow DCCA to issue a second RFI. On March 16, 2007, the SPO issued a second RFI. The public was again invited to submit written comments on and suggested amendments to a second draft of the RFP. On March 27, 2007, SPO approved DCCA's request for an extension of the exemption to December 31, 2007.

After reviewing the comments to the second RFI, DCCA and the SPO issued the final RFP on July 30, 2007. Protests were filed shortly thereafter, and the RFP was subsequently postponed on or about August 14, 2007, until further notice.

On August 3, 2007, Akaku filed three (3) lawsuits against DCCA in Maui regarding the RFP. In one of the lawsuits, Akaku v. Lawrence Reifurth, et al., Civil No. 07-1-0278(1) ("Akaku v. Reifurth") in the Circuit Court of the Second Circuit, Akaku argued that the method DCCA uses to designate and select a PEG access organization is a "rule" and that DCCA's RFP was invalid because DCCA failed to follow the rulemaking requirements of HRS chapter 91.

Akaku subsequently filed a Motion for Preliminary Injunction against DCCA, which was heard by the Honorable Joel E. August on October 4, 2007. In his November 15, 2007 Order, Judge August denied Akaku's Motion for Preliminary Injunction. However, Judge August also stated his belief that DCCA needed to adopt a rule that specified the method, factors and criteria that DCCA would use to designate and select a PEG access organization.

Accordingly, to comply with Judge August's suggestions, DCCA commenced the rulemaking process. On December 4, 2007, DCCA requested a further extension of its procurement exemption to July 15, 2008 to allow DCCA to complete the rulemaking process before proceeding with the RFP. The SPO approved this extension request on December 13, 2007.

On May 30, 2008, DCCA submitted a Notice of Amendment to Exemption from Chapter 103D, HRS, Contract to SPO, requesting that its procurement exemption be extended for an additional six-month period (i.e., from July 15, 2008 to January 15, 2009). On June 24, 2008, SPO granted the exemption to December 31, 2008 on the condition that DCCA

complete the rulemaking process before December 31, 2008 and submit to SPO monthly status reports on its progress.

Accordingly, DCCA proceeded with the rulemaking process and submitted monthly status reports on the progress of the rulemaking process to SPO. The new rule amendment, Hawaii Administrative Rules section 16-131-70, became effective on December 3, 2008.

On December 12, 2008 DCCA submitted a Notice of Amendment to Exemption from Chapter 103D, HRS, Contract to SPO, requesting that its procurement exemption be extended for an additional six-month period (i.e., from January 1, 2009 to June 30, 2009) during which time the three pending protests could be addressed. SPO granted the exemption to June 30, 2009.

By letter dated February 19, 2009, SPO denied the three pending protests. On February 27, 2009, Akaku filed a request for hearing with the Office of Administrative Hearings on the denial of its protest, and a hearing on a joint DCCA and SPO Motion for Summary Judgment was scheduled for July 13, 2009. Prior to the hearing, the parties however agreed to dismiss the action, and the case was dismissed on August 14, 2009.

On August 20, 2009, Judge August granted DCCA's Motion for Summary Judgment and denied Plaintiff's Renewed Motion for Summary Judgment and Permanent Injunction in Akaku v. Reifurth. Final Judgment was filed in this case on December 8, 2009, and Akaku subsequently appealed this case to the Hawai'i Appellate Courts on January 7, 2010. This matter is currently being briefed.

On December 4, 2009, RFP-07-043-SW was canceled by the SPO. A new RFP to operate, maintain, and manage PEG access channels, funds, facilities and equipment for the State of Hawai'i (RFP-10-007-SW) was issued on May 20, 2010.

Akaku subsequently filed a protest which was denied by SPO on June 4, 2010. Akaku then requested an administrative hearing to review SPO's denial of the protest. By Decision and Order issued on July 9, 2010, the Hearings Officer affirmed the denial of the protest by SPO. This matter has been appealed to the circuit court by Akaku and is pending.

On July 21, 2010, RFP-10-007-SW was resumed and Addendum C was issued with revisions made to the RFP schedule and significant dates and by adding a section on vendor instructions for electronic procurement system. The revised schedule anticipated a contract award on November 29, 2010.

On July 28, 2010, Akaku filed another protest against RFP-10-007-SW, as amended by Addendum C (Protest II). On August 5, 2010, SPO denied Protest II. Akaku then filed another request for hearing with the Office of Administrative Hearings, August 11, 2010. On September 21, 2010, the Hearings Officer found that SPO's denial of Akaku's protest was not improper and affirmed SPO's denial.

On September 29, 2010, RFP-10-007-SW was resumed, and Addendum 06 was issued with a revised RFP schedule and significant dates. The revised schedule anticipated a contract award on January 1, 2011.

On October 6, 2010, two protests were filed pertaining to Addendum 06. SPO sustained one protest and as for the second protest, sustained the grounds for one issue but denied the other.

On November 9, 2010, RFP-10-007-SW was resumed, and Addendum 08 was issued with a revised RFP schedule and significant dates. The revised schedule anticipated a contract award on May 17, 2011.

To ensure the continued provision of PEG access services to cable television subscribers while the procurement process is completed and to accommodate scheduling adjustments, DCCA is requesting a six-month extension to the procurement exemption (i.e., from January 1, 2011 to June 30, 2011). During this period, DCCA anticipates SPO and DCCA will be working together to complete the RFP process and make contract awards.