

**MINUTES
FOR THE MEETING OF THE
BOARD OF LAND & NATURAL RESOURCES**

DATE: OCTOBER 24, 1997
TIME: 9:00 A.M.
PLACE: Honokaa Sports Complex
45-515 Pakalana Street
Honokaa, Hawaii 96727

Chairperson Michael D. Wilson called the meeting of the Board of Land and Natural Resources to order at 9:17 a.m. The following were in attendance.

Members: Michael Wilson
Chris Yuen
Colbert Matsumoto
Willie Kennison
Lynn McCrory
Kathryn Inouye

Staff: Gil Coloma-Agaran
Dean Uchida
Glenn Taguchi
Charlene Unoki
Aulani Wilhelm
Kim Keliihoomalu

Others: Ray Enos
Tokio Kawamura
Shinji Kakui
Cliff Miller
Peter Garcia
John Michael White
Kenji Mizobe
Minoru Hirasaku
David Kuriyama
Masaru Shibata

Approval of the minutes of September 26, 1997:

The minutes of the meeting September 26, 1997 was unanimously approved as submitted. (Yuen/Inouye).

ITEM K-1: SPECIAL FACILITY AIRLINE LEASE HONOLULU INTERNATIONAL AIRPORT, OAHU (CONTINENTAL AIRLINES, INC.).

Peter Garcia representing the Department of Transportation (DOT), requested the approval of a special facility lease of Honolulu International Airport, Oahu to Continental Airlines for a large maintenance hangar. Garcia amended the square footage to 186,986 sq. ft. of improved, unpaved land. He said the staff's recommendation is that the Board approve the Special Facility Lease.

There was discussion about the fixed 30 year lease and the step up rate of 130% every five years or 6% per year. Member Colbert Matsumoto was concerned that if Continental sold the lease, how would the State be assured of receiving a fair value for the accrued premium. Garcia said the standard provisions in the lease provide for a premium evaluation policy to have DOT to look into whether or not the State receives a premium.

Unanimously approved as submitted. (Matsumoto/McCrory).

ITEM K-2: AUTHORIZING THE DEPARTMENT OF TRANSPORTATION TO DISPOSE OF HIGHWAY REMNANT PARCELS 73A (PORTION), 78, 78A (PORTIONS), 79 AND L-208, INTERSTATE HIGHWAY, FEDERAL AID PROJECT NO. I-HI(1), 1ST AVENUE TO KOKO HEAD AVENUE, HONOLULU, OAHU (ROBERT E. HAZARD).

Garcia said DOT has determined that the remnant parcels are surplus to highway needs and request that it be authorized to subdivide and dispose of the subject parcels to Robert Hazard, the owner of the abutting property. The remnant parcels were appraised at \$102,500 by an independent appraiser. The staff's recommendation is that the Board authorize DOT to convey the fee title to Robert Hazard subject to conditions.

Unanimously approved as submitted. (Matsumoto/Kennison).

ITEM H-1: DIRECT LEASE OF THE HAMAKUA FOREST PLANTATION PROJECT AREA TO OJI/MARUBENI, PORTIONS OF THE GOVERNMENT LAND, STATUETTE NORTH HILO AND HAMAKUA, ISLAND OF HAWAII.

Gil Coloma-Agaran, Deputy Director of the Department of Land and Natural Resources (DLNR) said the notion of shifting the agricultural use of former sugar lands from cane to some other kind of agriculture including commercial forestry arose with the bankruptcy of Hamakua Sugar Company, Ltd. which made 6,500 acres of public lands available for other use.

Michael Buck, Administrator of DLNR's Division of Forestry and Wildlife (DOFAW) talked about sustaining forest management. He said some of the U.S. delegation's criteria for sustainable forest management include conservation of biological diversity, maintenance of forest ecosystem, health and vitality, conservation and maintenance of shore water resources, and maintenance of long term multiple benefit effects for the communities to meet their needs. One of the criteria that the international community has agreed to is the maintenance of the productive capacity of forest ecosystems. He said if the State of Hawaii wants to be sustainable, it needs to do a better job in providing the wood sources for their use.

Buck said when Hamakua Sugar went out [of business] there were discussions on what would be the appropriate use of these lands. He said forest management is being promoted because it can be a desirable land use to the Hamakua Coast, if "done well and done sustainably". The potential for growing forest products is excellent; there is a wide range of forest product options ranging from short rotation to long rotations. Sustainable forest management could enhance the environment, preserve the world lifestyle and become compatible to the forest industry.

Buck said other Department policies that have driven the process is the primary long term goal to maximize domestic processing of high quality wood products that are grown in the State to ensure the greatest number and quality of jobs for the residents of this State. He said the mutual benefits of two or more companies with wood processes starting at the same time are the acceleration of the reforestation of vacant sugar lands, the optimal use of existing wood resources, the creation of immediate employment, increase private sector investment to the State and once the market is set up, the ability for both large and small landowners to participate.

Coloma-Agaran said to advance the development of the forestry industry, the Department proposed an Invitation for Bid (IFB) process to dispose of portions of the government lands north of Hilo and Hamakua by direct negotiations. At its November 18, 1994 meeting, the Board; 1) found the disposition by way of direct negotiation was in the public's interest because of the bankruptcy of Hamakua Sugar Company, 2) found that the lands in question were a viable economic unit pursuant to Section 171-33(3) Hawaii Revised Statutes (HRS), 3) adopted a proposed IFB process and gave notice according to statute, 4) established feasible criteria for selection of the lessee, 5) determined a selection of criteria process and a process to notify all applicants in writing of the determinations on their proposals, 6) allowed that if only one proposal met the criteria, the Board, after notice, as provided in Section 171-16(a), HRS, may dispose of the lease by negotiation, and 7) allowed that if more than one proposal met the criteria, the Board shall select the lessee who submitted the highest offer contained in sealed bid deposited with the Board. The Board authorized the Chairperson to establish a selection committee to review and rank the proposals received through the IFB process, and once selected, negotiate a lease for final approval by the Board.

Coloma-Agaran said formal responses were received from Fletcher Challenge Ltd. of New Zealand and the Oji/Marubeni Corporation of Japan. Negotiations then proceeded with Fletcher Challenge in mid 1995. In February 1996, as a result of Fletcher Challenge failing to obtain additional private sector acreage for it's project, it terminated negotiations with the State and the Department began negotiations with Oji/Marubeni.

Initial negotiations with Oji/Marubeni resulted in an agreement in concept of many of the critical areas necessary to finalize the lease. A crucial hurdle in the negotiations occurred when Oji/Marubeni agreed to negotiate for the State lands without any contingent conditions on them obtaining other lands for the Project.

At the meeting of February 14, 1997, the Land Board authorized the Chairperson to finalize the "Non-binding" Letter of Intent between Oji/Marubeni and the State regarding the IFB. The "Non-binding" Letter of Intent was executed by the parties on February 26, 1997.

Coloma-Agaran said as part of the State's due diligence, four meetings were held in the North Hilo, Ookala and Honokaa communities to explain the intents of the Project and gather further input for the final lease negotiations. Overall reactions from the communities were negative, especially in light of the aerial spraying and burning activities of the Hamakua Timber Company. The major concerns expressed were public health related issues, especially aerial spraying of pesticides, the possible construction of a pulp mill on the Island. Other areas of concern included the condition of lands upon return to the State, public access, soil erosion, impacts of increased traffic, the loss of land for other forms of diversified agriculture, and the absence of Oji/Marubeni during the informational meeting process.

Coloma-Agaran said the negotiating team also participated in a well attended community meeting at Paauilo on October 14, 1997, presenting a draft summary of the lease terms and answering questions. Overall reaction remained negative to the Project with many of the same concerns voiced as before. He said the importance of the State's conclusion of this negotiations has magnified as the County of Hawaii has announced that it would "piggy back" on the State lease for its own upcoming land disposition proceeding with Oji/Marubeni. Coloma-Agaran made it clear that this negotiating team has not been negotiating on behalf of the County. He said the Team and Department has attempted to deal with community concerns within the scope of the lease, incorporated responsible safeguards to ensure no environmental degradation, optimized the economic returns to the State and its associated beneficiaries, and attempted to further the role of commercial forestry by diversifying Hawaii's agricultural sector.

Buck said the creation of a wood chip market early on in the development of a forest industry allows other landowners to plant trees for a longer term ensuring a comfort level for people who are interested in a strategic mix in both long and short term rotations.

Buck referred to a map and explained the different areas of the State lands that were used by the Hamakua Sugar Company. He said it was felt that commercial forestry should not compete with other forms of higher value diversified agriculture and that lands that were small could be leased more readily to smaller landowners, and that the lands that were makai of the Highway, be removed from the forestry lease and made available for diversified agriculture. Buck said consideration was given for large blocks of land that had higher rainfall and that would not be well suited for diversified agriculture.

Coloma-Agaran withdrew from consideration the following parcels which were originally listed in the IFB and the Non-binding Letter of Intent for the Hamakua Forest Plantation Project. TMK: 3rd/3-4-03:11, 14, 38 and 39; 3rd/3-5-02:27; 3rd/4-1-02:1; 3rd/4-1-03:17, 18, 19 & 32; 3rd/4-4-03:47; 3rd/4-5-01:7, 13 & 16; 3rd/4-6-02:1 & 7; 3rd/4-7-02:18; 3rd/4-7-04:09 and 11.

Coloma-Agaran reviewed some of the conditions of the effectiveness in the lease. On or before February 28, 1998, Oji/Marubeni is to have applied to the Land Board for classification of the property as a tree farm, to have submitted by that date a forest management plan and a conservation plan prepared with input from the U.S. Dept of Agriculture, the Natural Resources Conservation Service and the appropriate Hawaii Island Soil & Conservation District.

The Forest Management Plan is to cover the following topics: Species and provenance selection; nursery activities; planting design and timetable; methods of site preparation including detailed plans for using herbicides and burning; weeding and fertilization techniques and timetables; erosion control measures; road layout and maintenance schedules; insect and disease monitoring schedules and control methods; fire plans, including pre-suppression capability; harvesting and processing operations; soil management plans for nutrient retention; replanting plans; planting schedule for long-term seedlings; maintenance of roads within the Land; and responsibilities of person or organization designated by the Lessee to act as a liaison with the Hamakua region community.

The Conservation Plan should include but not be limited to Oji/Marubeni plans for land clearing and noxious weed control, a description of the Lessee's crop, irrigation, and drainage systems, and a description of other practices needed to protect certain portions of the premises against deterioration and environmental degradation.

The Land Board will have 90 days to either approve or reject the plans, if no other approvals are needed, the lease is effective on the date of the Land Board's approval.

Coloma-Agaran said on or before February 28, 1998, the Lessee shall have submitted an application to other Government agencies, and any other permits and approvals for the Lessee's occupancy of the land excluding any applications or requests related to the Special Use Facilities. Each of the other agencies have 90 days to review and process the application(s).

Coloma-Agaran said the Agreement also provides for any extensions at the request of Oji/Marubeni provided lease rent is paid for the extension. The rent for the extension can be offset for any costs incurred by Oji/Marubeni in the clearing of existing trash and abandoned cars on the property.

Coloma-Agaran summarized some of the terms. He noted that the proposed lease is a package of negotiated terms and are in the nature of compromises: terms shouldn't be seen only in isolation without considering a number of concessions by both parties which were made during discussions. Oji/Marubeni also requested that they have an opportunity to make up the acreage that are being recommended for withdrawal from the proposal and it is their option to withdraw from the Lease if they do not get enough replacement lands. They have been informed of what lands are available.

The term of the Lease is fifty-five (55) years with Oji/Marubeni having the right to cancel the Lease at the end of the 8th, 35th and 45th lease years. Coloma-Agaran reviewed the terms of the Lease for the net plantable acres and the rent for special use areas. He said the terms for reopeners provide that the rent determined shall not be less than the rent of the preceding periods. Coloma-Agaran said royalties of \$.50 per cubic meter are to be paid at the time of harvest.

Buck said the Environment Assessment calls for a strategic mix of the short and long term hardwood and the State felt it was very important that part of this land be planted in high value, longer term growth trees that would be available for the local community for the forest industry. He said the Lessee will plant in an area of 10% of the land base in which the State would provide the seedlings and Oji Paper would plant the trees and care for them for 2 years. It would then be turned over to the State with the State having full access for management and harvesting. He said there were discussions for the size and configuration of the growth areas, with a minimum width of approximately 100 feet was agreed upon. Buck said presently there are 60 experimental acres that have been planted on one of the growth areas with approximately 16 different species to determine which would be the best high value hardwood tree that would grow on these low elevation sugar lands. Another consideration was landscape buffers of at least 30 feet width along the Highway Belt Road on any of the lands that are adjacent. These would be managed and maintained by the Oji Paper Company.

Coloma-Agaran said the Lessee shall not build or use any pulp mill in the State for the processing of woodchips produced from pulpwood trees grown on the land. He said it is also required of Oji/Marubeni to comply with the Best Management Practices and Good Husbandry program.

Buck talked briefly about compliance with the Best Management Practices. Failure to comply with the guidelines shall not constitute a default under the Lease, provided that the Lessee has undertaken commercially reasonable efforts to implement the procedures described in the guidelines. He went on to describe the process of mediation and arbitration. Buck said the Department needs more time to refine the Best Management Practices and that the Lessee is willing to work with the Department.

Coloma-Agaran said Oji/Marubeni has agreed to provide \$30,000 for training and education programs and agreed to designate a person to act as a liaison with the Hamakua community. They are also required to comply with applicable zoning laws and other governmental approvals for the operations throughout the term of the Lease.

Coloma-Agaran said the State is reserving a non-exclusive easement for roadway purposes over two roads which provide access to government lands used for recreation and game management. He said the Lessee is responsible for the maintaining and repairing those easements in a condition suitable for general public use. Coloma-Agaran said the Department is reserving the right to discuss accesses that might be needed for other portions of the land as well as any hunting programs that might be entered into in the future. He noted that it is not being recommended that hunting be allowed on these lands. The Lease also provides for specific procedures by the Lessor for entry onto the lands for inspections with times based on the nature of need to enter the lands.

Coloma-Agaran said the Lease also contains a Force Majeure clause which provides for; rent abatement and cancellation of the Lease, requirement of a bond or a letter of credit in the amount of twice the annual rent, an extensive mediation/arbitration process, and the condemnation, surrender, withdrawal and removal of land during the course of the Lease.

Buck talked about the condition of land upon return to the State. He said the land would be at the final harvest and the stumps, which are approximately one foot above the ground, would be left in place after the application of herbicide by Oji. Buck said to remove the stumps would cause soil erosion and that within four to six years, the stumps would decompose.

Coloma-Agaran said other recommendations are that 1) The Board find that the area is presently unsuitable for hunting, nor will it become suitable during the lease term, 2) The Lessee shall not hunt on the premises except for animal damage control purposes and only after it first obtains written approval from the Department to do so, provided, however, that the Lessor and Lessee may, from time to time, enter into an agreement regarding game management which would allow the general public to participate in any animal control effort undertaken by the Lessee, 3) The original paragraph B of the recommendation becomes paragraph C, 4) Paragraph C be amended to include new condition 9, that the general lease document will be executed by the party on or before December 1, 1997 which may be extended by the Board; 5) Former condition 9 becomes condition 10 which reads, "Such other terms and conditions as may be prescribed by the Chairperson", 6) Original paragraph C becomes paragraph D, to amend to include new condition 2; 7) That the agreement regarding General Lease No. S-___ and Right-of-Entry shall be executed by the parties on and/or before the December 1, 1997, deadline and may be extended by the Board; 8) Former condition 2, Such other terms and conditions as may be prescribed by the Chairperson becomes condition 3. Coloma-Agaran said the Department is asking that the Board authorize the Chairperson to execute the Lease with Oji/Marubeni in accordance with negotiated terms and conditions.

Member Chris Yuen clarified that it was not necessary to amend the submittal since it was included in the original submittal except for the recommendations that were submitted in writing today.

Member Colbert Matsumoto asked whether other companies were invited to submit proposals and how were they contacted. Buck said a Forest Investment Memorandum was sent out to most of the major forest companies in the United States and outside of the United States. There was discussion regarding the Fletcher Challenge negotiations. The reason for the termination of negotiations with the State was the result of Fletcher failing to obtain additional private sector acreage they desired for the project.

There was discussion about the Oji/Marubeni Company engaging in any pulp mill activities. Buck said the Lease states that they cannot build a pulp mill in Hawaii and that no woods coming from State land would be used in a pulp facility in the State of Hawaii.

Member Lynn McCrory inquired about the training and education program and the \$30,000 contribution by Oji/Marubeni. She asked how the money will be used, how and who would administer the program. Buck said the Hawaii Forestry Communities Initiative spearheaded by Mike Robinson and is comprised of six State and

three Federal agencies will be utilized.

There was discussion about the long term seedlings to be planted at Oji's discretion or whether the State has a role in the designation of particular areas to be planted. Buck explained that it would be taken up as part of the negotiations, the minimal size configuration was already agreed to. The landscape buffer areas are excluded from the 10%. Member Matsumoto clarified that if there were 5,000 plantable acres of land to be cultivated with trees, 500 acres would be long term seedlings.

Member Matsumoto asked whether the Best Management Practices provides a clause which allows the Board to get a temporary restraining order (TRO) or an injunctive relief against Oji if the Board felt there was a violation of that clause. Coloma-Agaran said he would hope that the Department's Deputy Attorney General would be able to obtain a TRO with mediation and arbitration that Oji would agree to.

Member Matsumoto was concerned about the provision relating to the condition of the land upon the surrender of the Lease. One of the options to Oji is to leave the stumps in place and to apply herbicides on it. He said after herbicide is applied before the plant material disintegrates would result in a 67 year period in which the land is not usable for some alternative purpose. Member Matsumoto asked whether that period of time is going to be on the State's ticket or Oji's ticket. Buck said it would be on the State's ticket. He said if the land was to be used for intensive agriculture, the stumps would need to be ripped out and would need 4 to 6 years to allow for the decomposition. Buck said from an environmental prospective, carbon storage and soil erosion are legitimate issues of concern, however, if the State is going to make a long term commitment to forestry, that is the price it will have to pay.

Member Matsumoto asked in the economic analysis with respect to the value of the Lease, whether it took into account the fact that there will be limited economic benefit from the land, since it would be 65 years as opposed to a 55 year lease in which the land is going to be restricted. Buck said that was not considered in the economic analysis.

Member Kathryn Inouye asked whether the Force Majeure clause is a typical clause in State leases. Coloma-Agaran said it's an unusual clause and it is not normally found in State leases. Member Inouye was concerned about the clause since it essentially guarantees that if there is any stoppage of the lessee's activities, that there is a forgiveness of the lease rent. Coloma-Agaran explained that the Force Majeure operates in a way that the problem cannot be attributed to either party so if the lessee has something that causes a work stoppage for them, that does not apply.

Member Inouye clarified that what's before the Board is the approval of the Lease itself, not approving the woodchip processing facility. Coloma-Agaran concurred. His understanding is that Oji will begin to plant and that it would be 6 or 7 years before they begin to look for what kind of facility they would need.

Member McCrory asked about the acreage of the blue gum lands. Buck explained that the blue gum lands are tree plantations approximately of 1,100 acres that were previously harvested about 20 years ago in the mauka Hamakua pastures in an existing pasture lease. He said the Lease allows the State to have access to the existing timber within the Lease. Coloma-Agaran said in the existing pasture lease, the State reserves the right to harvest and if Oji is interested in harvesting, it will need to be negotiated, subject to the existing leases and with the existing lessees. Buck explained that the trees were planted in 1940 and harvested in 1970 and that these are stumps that have grown back.

Member Matsumoto asked for clarification of the rent abatement provision in the event that Oji has any difficulties obtaining permits as provided in the Force Majeure provisions. Coloma-Agaran thinks that Oji will be required to pay the rent. He said the Lease also provides in some limited circumstances that if there is no processing plant Oji will be allowed to either use mobile chippers or to ship the unprocessed logs until they can find a processor. Coloma-Agaran said Oji would not be allowed to abate the rent at that instance. Member Matsumoto said he would like to be assured that there isn't going to be a rent abatement, that Oji would have to assume a certain amount of risk.

Buck said there are 600 species of eucalyptus that and this project is for an intensive forestry plantation on agricultural lands. He said this is not creating a native forest, not creating diverse forest in agricultural industry of trying to optimize wood production. Buck said the advantage trees have over other crops is their long lives even on short rotation, people will be on the ground four or five times every 6 years. They provide leaf litter and permanent root structures, especially on a short rotation. Buck said in the long run compared to the sugar industry on these lands, forestry will enhance the environment, and will improve soil infiltration in relation to the previous use to the land. He said the first eucalyptus trees were planted in 1880 on Maui. Buck said some of the claims of poisoning the soil or destroying the water table is not accurate.

Coloma-Agaran addressed Member Matsumoto's concern by retracting what he had said earlier. He said that the way the lease reads now, if for some reason Oji cannot get the chip facility, that would in essence affect the use of the property and that there would be some sort of rent abatement. Coloma-Agaran said

unfortunately at the time of the negotiations, this did not occur to the State's negotiating team.

Member Inouye's interpretation of the Force Majeure clause is that everything is up to the lessee's judgment. She felt it could result in a total forgiveness of rent if there is a delay in obtaining permits.

After a break was taken, the meeting was reconvened.

John Michael White introduced himself as the President of Hawaii Land Company, land consultant for Oji/Marubeni Ltd. He introduced Tokio Kawamura, Director of Oji Paper Company, and Clifford Miller and David Kuriyama of the law firm McCorriston, Miho, Miller, Mukai.

Tokio Kawamura thanked the Board and expressed gratitude and appreciation to the State of Hawaii and the Staff of DLNR. He said a bid for this Project was submitted in March 1995. Kawamura said Oji's project will create jobs in the community and provide a source of "safe and steady" revenue to the State of Hawaii. Oji looks forward to working with people and the State of Hawaii and would try their best to be good neighbors and support the community.

There was discussion about the shipping of the woodchips. Kawamura said the woodchips will be shipped out of Kawaihae by a woodchip carrier to Japan. Kawamura said the woodchips carriers are specially designed for carrying woodchips as they are very bulky and that they will carry woodchips only. The carriers will leave Japan empty and return to Japan with the woodchips. There are three other pulp mills in Canada.

Kawamura said in response to Member Inouye's inquiry regarding the creation of jobs, there will be 40 to 50 employees for the plantation and for the harvesting and processing of the woodchip, another 40 or 50 jobs.

White introduced the representatives from Japan, Kenji Mizobe, Director of Marubeni Company; Shinji Kakui, Hawaii Project Manager; Minoru Hirasaku, Hawaii Project Manager from Marubeni Company; and Dr. Masaru Shibata, Oji Company.

White proceeded to give a history of the Oji and Marubeni Companies. Oji Paper Company is the largest paper company in Japan, the third largest in the World. Marubeni Corporation is one of the largest trading companies in Japan. Oji/Marubeni in the mid 1970s, came to Hawaii to purchase woodchip products to evaluate potential for a Hawaii based forest industry. Trees were harvested from existing stands of eucalyptus that had been planted in the 1930s. The supply of trees were limited and the product quality of woodchips were marginal due to the age of the

trees and mixed species. As the supply diminished, Oji/Marubeni proposed development of a forest plantation project, however after a significant investment, it found that the project was considered to be premature for Hawaii at that time. They subsequently began tree plantations in Australia, New Zealand and other countries. Mayor Steve Yamashiro of the County of Hawaii invited Oji/Marubeni and other forestry companies to consider development of a forest industry on the Island of Hawaii, primarily on the Hamakua Coast lands becoming vacant as a result of the demise of the sugar industry. As interest in forest development increased in Hawaii, the State processed an environmental assessment study on some of its lands for forestry and agricultural development. As a result, the State advertised an IFB to seek companies interested in developing forestry projects. Oji/Marubeni responded to the invitation to the State and the Hawaii County.

Oji/Marubeni proposes to begin its Big Island forest project as soon as possible on approximately 10,000 acres of State and County former sugar lands. The lands must be cleared, and roadway and drainage systems must be repaired or installed. Oji/Marubeni hopes to develop a sustainable forest plantation project that may eventually comprise of 25,000 acres or more on the Hamakua Coast. Oji/Marubeni intends to commit \$30,000 to a State training program to educate members of the local community and the new forest industry. They intend to plant approximately 500 acres of long term growth seedlings provided by the State along public highways and project perimeters.

White said the Project includes the following items:

- 1) A diversified agriculture operation combining both short term and long term growth trees.
- 2) Project is not meant as a speculative or market driven venture. The short term growth trees are intended for processing on the Island of Hawaii with delivery on a regular and sustainable basis to Japan for manufacture of paper products.
- 3) Guarantee to purchase the plantation project is intended to ensure stability of the Project over the lease term.
- 4) The intended size of the Project area is expected to be approximately 25,000 acres. Oji intends to plant and harvest approximately 3,000 acres per year continuously which is expected to contribute to steady employment and stable economic activity in the community over the entire lease term.
- 5) Long term growth trees to be planted on approximately 10% of the State IFB lands may not be harvested for 20 or more years so after the land is clear for planting, few jobs would be required to maintain those trees. The planting of such trees is intended to be incorporated into Oji/Marubeni's planting program for short term growth trees as well.

- 6) Oji/Marubeni has no plans to build a pulp mill in Hawaii as it's proposed Hawaii operations are based on the processing of plantation trees into woodchips for delivery to the existing mill facilities in Japan.
- 7) Oji is aware of community concerns regarding aerial spraying of herbicides and does not intend to use such methods on State or County lands.
- 8) Addressing increases in traffic in the area. The traffic is estimated to be less than that generated by former sugar operations.
- 9) Oji/Marubeni may find it necessary to burn some of the existing overgrowth on the land during the clearing process. Burning will be minimal compared to sugar operations and would be on a one time only basis. White noted that the Prudential and Hamakua Timber Companies have burned less than 20% of the lands they have planted today.
- 10) Oji/Marubeni has requested a long lease term in order to amortize substantial upfront costs of starting up the Project. Reduced lease rents during the first four years for lands that are not planted will help Oji/Marubeni offset a portion of the high cost of land clearing, initial planting, equipment, and facilities. An estimate of 40 million dollars will be required to establish the Project much of which will benefit the community. White noted that they have been advised that the existing companies are spending from \$200 to \$350 per acre to clear their lands. He also noted that the longer the time goes by that the land remains uncleared, the clearing costs increases.
- 11) Oji/Marubeni intends to establish a Hawaii company backed by Oji Paper Company and Marubeni Corporation.

White addressed the discussion of reduction or withdrawal of lands in the IFB area. He said Oji/Marubeni and the DLNR Staff discussed for a number of months with respect to the concept of re-evaluating whether some of these lands might be more appropriate for use by independent farmers. There were discussions of the possibility of substituting the blue gum lands that were discussed earlier. The lands that have been withdrawn from the Proposal are withdrawn with the support of Oji/Marubeni. In addition, after looking over the environmental studies conducted by Belt Collins and Associates, other parcels of land have been identified to be withdrawn and made available to independent farmers.

White said in response to Member Matsumoto's concern regarding the aerial spraying of herbicides and pesticides, Oji/Marubeni has no intention of doing any aerial spraying. Kakui said herbicides will be used approximately 3 to 4 times after planting depending on the growth of the grass. The cycle for the planting is 7 years.

Member McCrory asked when the Company is at the point to operate the woodchip mill, what hours and what days would it be in operation, and how close to residences or highways would the mill be located. White said from past experience 20 years ago, a woodchip mill was operating near the port of Kawaihae and also in field. The operations are during normal business hours. However, in some instances, if the operation was shut down due to inclement weather, they would go into additional hours. The plan for the project is to locate the woodchip processing facility at the port of Kawaihae. It is more practical to have the facility located near to where the woodchips would be stored and where they would be placed upon the carrier. The normal operation would be 8 hours a day.

Member Yuen questioned the proposed reopening of the lease and how it will be calculated. He said the current language says that the reopening would be based on appraised fair market value of the Lease as a pulp wood plantation with the proviso that the lease rent could not be less than the preceding term which is \$40 per plantable acre. He asked if Oji had any idea what the fair market value would be if it were appraised today and how would the fair market value be determined as a pulp wood plantation? White said they did not obtain an appraisal to come up with the \$40 per acre figure. He said Oji/Marubeni was asked to make the best proposal and the figure was based on economics for the Project. The negotiations for the rent reopenings and the process by which the rent would be re-evaluated were also based on their economics of the Project.

Member Yuen asked what the appraisal value for pulp wood plantation would be. White said they can only look at other agricultural uses which are widely varied. In most States, diversified agricultural leases call for a reopening based on the fair market value for agricultural property. One of the factors would be the size of the property. If that were the basis for the reopening, that would provide for something that could be calculated and appraised within 15 years time. Member Yuen's opinion is that pasture leases are too low and the diversified agricultural leases have been too high. The reason the pasture leases go down is because they are appraised at the reopening as use as a pasture and that is because the beef market has been appraised quite low.

Member Yuen brought up the notion that the Lease would be issued to some subsidiary of Oji/Marubeni as it is in the Lease now that guarantees the obligations under the Lease such as the condition of the land upon surrender. Would Oji/Marubeni have difficulty in guaranteeing the obligations under the lease. Cliff Miller said currently, there is no guarantee in the Lease. The subsidiaries will be capitalized with 12 million dollars. In answer to the guarantee of performance, Corporate policy is not to do so and there's been no exception made in this case. Member

Yuen said one of the inducements to dealing with a corporation like Oji/Marubeni is it is a very large corporation which has the money to fulfill its obligations, so it can come in and do the job. Under this Proposal, the State is not actually dealing with Oji/Marubeni, it's dealing with a subsidiary company. In 55 years time, if the Lease is in fact approved, there may be substantial expenses under the obligations of the Lease necessary to restore the land to the condition called for. Member Yuen said he is very concerned about going ahead when it is not known, who the State will be dealing with. He asked what is the connection between Capital Chips and the Oji Company. White said the Capital Chip Company was an independent corporation formed in California who contracted with the State of Hawaii to harvest and purchase woodchips. Marubeni was the trading company and Oji Paper Company was the buyer. White said the Capital Chip Company had financial problems with their mainland operations and eventually went bankrupt. There was discussion about the fire that occurred with the Capital Chip Company and how the County tried to recover the cost of putting out the fire and was not able to do so.

Member Yuen addressed the removal of the stumps in the provision of the Lease that says that Oji would leave the property with the stumps in the condition of Oji's normal practices. Member Yuen asked specifically what that meant. Kakui said it would be tidy stumps. After normal harvesting, 1 foot of the stumps will remain. Member Yuen asked whether Oji would have any objections to saying that in the Lease. Kakui replied no.

Member Yuen talked about the properties identified by Oji that they felt could be withdrawn. White named the TMKs: 3-4-03: 16, 3-5-01: 7, 3-5-1: 46, 3-5-2: 6, 3-9-1: 18, 4-1-3: 26, 4-3-03: 32, 4-3-04: 04, 4-4-03: 24, 4-4-03: 25, 4-4-03: 26, 4-6-01: 09. The 12 parcels range from .228 acres or approximately 1/4 of an acre to 14.2 acres in size.

Member Yuen said there are a number of set deadlines in the letter of agreement that extend beyond February 28, 1998, but there is also a provision in the agreement that says that the benefit is entirely to the benefit of the lessee. This suggests that the lessee can extend those deadlines further on their own. Member Yuen asked if it is the lessee's ability to extend on their own option limited to the set extension periods. David Kuriyama said they have a 60 day extension to submit permits and up to a 90 day extension to obtain permits from non-state agencies.

Member Yuen said there were discussions about royalties for the blue gums and he felt that it was vague in the agreement. He asked whether Oji agrees that the ultimate royalty for the blue gums is that Oji is allowed to go in and negotiate this item in the future? Kuriyama replied that it would be part of the

negotiations and all of the license terms for the blue gum lands. Member Yuen said in the provision of the Lease where the State warrants an environmental assessment (EA) has been done, his concern is that when one warrants something it is in the nature of a promise or a guarantee. He didn't think that the State should be liable for any kind of damages to Oji if a third party lawsuit should later invalidate the EA. He asked whether that was their understanding. Kuriyama stated that their understanding is what is in the Lease. He said everyone's understanding is that the EA does cover the Project that Oji intends to do and if it's beyond that, then it's contrary to what their understanding is as well as it is to the State. Member Yuen said his question is whether it is intended to create liability for the State if a judge decides that the EA process was not followed. Kuriyama felt it is a valid interpretation.

Member Yuen said another provision in the Lease states that the establishment of a chipping mill on the lease property is allowed and sets a time frame for submitting it to the Chair and the Chair of DLNR can reject the location. It also states that an EA has to be done. Member Yuen's view is that the State cannot promise that it would allow a chipping mill on the lease property because an EA has not been done. He further explained that the EA is not a matter of paper work, it's part of a decision making process and that there cannot be an ultimate agreement by the State or promise that it would allow it until the EA has been done. Kuriyama concurred.

Member Yuen said when the IFB was responded to by Oji and also based on a number of things that have occurred since, it's apparent that Oji is looking for larger acreage. If the State agrees to lease the property to Oji and Oji cannot obtain the other acreage, what are Oji's plans? Kuriyama said Oji responded to the IFB which covered 136 acres and understands that a good portion of it can and should be withdrawn for small scale diversified agriculture. However, Oji believes that the State has additional lands which might be suitable for this purpose and Oji would like to insure that they get enough suitable lands to compensate for the withdrawn lands. If not, Oji would need to re-evaluate the Project. Kuriyama said once the Lease has been signed, it calls for a 90 day period in which this issue would be resolved and if it is not resolved then, Oji has the cancellation rights.

Member Inouye asked whether the terms of this Lease provides for the State to be able to call for a bond of some sort to assure performance. Kuriyama concurred. Member Inouye asked what the minimum amount of acreage that is required to go forward and what is the minimum lease term? Kuriyama said Oji submitted its bid on the basis that there would be 5,136 acres and that is the minimum acreage that Oji is looking at. He said the term of 55 years on the lease was proposed by the State in the initial IFB.

Kuriyama said Oji is willing to consider a shorter lease term.

Member Inouye asked whether it is typical to insure against crop damage and what kinds of other events would the insurance cover. Kuriyama said the insurance would be for insects, crop failure, fire, hurricane, windstorm, and tsunami. The insurance would be covered under the Force Majeure clause. Member Inouye asked whether Oji would be willing to consider withdrawing the rent abatement for occurrence of these events. Kuriyama felt that there is confusion on the rent abatement provision. He said their interpretation of the Lease is that it covers a situation when there is substantial damage to Oji's land and in that case to the extent that Oji has insurance which covers, not really crop damage, but a business interruption. He believes that the Lease says that if Oji's business interruption insurance covers them, then there would be no rent abatement. Member Inouye referred to the Draft General lease, {page 51 and 52, paragraph 3.30.1 and 3.30.2} and asked about the "delay or interruption in the observance or performance of any obligation required to be observed or performed" and the rent abatement referring to, "notwithstanding anything contained herein to the contrary, if any event of Force Majeure occurs" so it covers all of the above. Miller directed Member Inouye to read the balance of the sentence. He said the key is that there has to be "damage to or destruction of five percent or more of the aggregate Net Plantable Acres and Net Planted Acres". There also has to be the five percent damage to any improvements before the rent abatement kicks in. It only kicks in as to the affected areas.

Member Matsumoto asked whether the interpretation of the rent abatement is only operable in the event physical damage or destruction to the plantable acres. Miller said that is correct. Member Matsumoto clarified that the extent that the Force Majeure provision incorporates a provision relating to the failure to obtain governmental approval, that would not be applicable with respect to the paragraph. Miller concurred and added that it does cover improvements for physical damage.

Member Inouye referred to 30.3.1 (i), "fire, earthquake, flood, tsunami, volcanic activity, any crop failure caused by tree disease or insects not caused by the Lessee's silvicultural practices or lack thereof, or any delays resulting from an inability, despite a party's reasonable efforts, to settle, adjust and receive payment of any insurance proceeds payable...", she asked whether that was considered a Force Majeure event if there was a delay in receiving any insurance proceeds and whether there would be a rent abatement. White said that is correct.

Member McCrory asked about access to ocean and recreational areas for the public. The Lessor will have the right to restrict or stop any access granted to the extent that it would interfere with the normal business operations. She asked for an example of

what the restriction would be. White said the concerns would be raised during harvesting operations due to falling of trees and the use of heavy equipment.

White clarified previous discussions regarding the 60 and 90 days extensions by saying that Oji/Marubeni's objective is not to take advantage of extension provisions, that they are anxious to begin the planting of trees as soon as possible. He said the only reason for asking for extensions is in anticipation not being able to obtain the necessary permits in timely fashion.

Member Matsumoto said there were many concerns expressed regarding the potential of a pulp mill being established in Hawaii to process woodchip from this forest and the lease contains a simple prohibition against the pulp mill. "The Lessee shall not build or use any pulp mill in the State for the processing of woodchips produced from pulp wood trees grown on the land." In earlier question to Coloma-Agaran, he indicated that it is not only Oji's intent not to build and use a pulp mill in this State but also that this provision would restrict from selling to a third party for the purpose of processing woodchip at a pulp mill plant in Hawaii. Member Matsumoto asked White if that was correct. White said there has never been a thought or an idea of putting a pulp mill in Hawaii and it would not be economically feasible for them to do so. With respect to what the Lease says, White deferred to Miller or Kuriyama. Member Matsumoto said he wanted it make it very clear so that there is no misunderstanding. Prudential Timber has a much larger operation and the State has no control over what they may or may not do. It may be possible that they may choose to establish a pulp mill facility. He wanted to make sure under this Lease that Oji will not have the option of selling woodchip produced from State lands to Prudential Timber for processing in their pulp mill facility. White deferred to Miller and Kuriyama.

Miller referred to section 3.9.5 and said it would not prohibit the sale to a third party. Member Matsumoto asked whether the applicant had any objections to incorporating language which would clarify that because he understands that the applicant's intent and plan is to export all of the woodchip back to Japan or somewhere outside of Hawaii for processing and felt that there would be no problems with including explicit prohibition. Miller said he did not know what the applicant's position is as there has been no discussions on this issue but that it could be caucused and a response back given.

Member Yuen asked whether the determination of net plantable acres were ultimately up to Oji. Miller said initially the net plantable acres are all the lands and ultimately it will be net planted acres that will remain, that Oji will determine how much of the acreage can be planted and so it is unknown what will be leftover. Member Yuen said he was concerned since the State's

rent is based on that and asked why net planted acres would be less than 60% of the gross acreage. Miller said it is unknown what it would be. Member Yuen said he checked into all of the dedications in the County Tax Office on all of these properties and said as a general rule, the acreage that was in cane is about 75% of the total area of parcels. He asked whether any kind of analysis was done. Miller said the plan of Oji/Marubeni is to plant the maximum amount of acreage possible because that is what makes the Project economically feasible for them. Oji's representatives indicated they did not know the amount at this point.

Member Inouye said the agreement states that the royalties due the State is at fifty cents (\$.50) per cubic meter of the Lessee's harvested pulpwood logs during the term of the Lease and asked whether Oji would be willing to consider a reopening of the royalty amount. Kuriyama said the royalty is fixed throughout the term but the fixed rent would change depending on the fair market value which would take into account the fact that the royalty stays the same. Member Yuen disagreed. He said the fair market appraisal is the fair market value and the royalty is over and above the appraised fair market value. Member Inouye said since it is difficult to get a market appraisal on the existing use, that it would be much easier to determine a royalty based on market price of the pulp wood logs.

Chairperson Wilson explained the manner in which the public testimonies would be taken. Due to the number of people on the sign up sheet, testimonies will be limited to 3 minutes.

A representative for Representative Dwight Takamine read his written testimony. He requested the deferment of any decision making as there was not sufficient time to review the proposed lease agreement. He also testified that the public lands within the Hamakua area should be made to the community first instead of locking the land for 55 years which would deprive the use of a public asset for "potentially more productive uses".

Jimmy Nakatani, the Director of the Department of Agriculture (DOA) spoke in support of forestry and noted that forestry is part of diversified agriculture. He said it is an excellent opportunity to put vacant agricultural lands quickly into economic use and did not foresee commercial forestry adversely impacting the growth of traditional diversified agriculture along the Hamakua Coast. Written testimony was provided.

Member McCrory asked how the bankrupt of Hamakua Sugar's 1,400 acres that were placed into a Hamakua North Hilo Agricultural Cooperative was doing and whether it is fully developed. Nakatani said 6 or 7 months ago it was under-utilized and said he hadn't seen it recently and would like to reserve his comments at this time. Member McCrory asked whether the lands were of lesser

or better quality. Nakatani said the lands below the Ditch [Lower Hamakua Ditch] are better suited for diversified agriculture. He said the more productive lands were below the Hamakua Ditch.

Dr. Jim Anthony spoke as the Executive Director of the Hawaii Laieikawai Association. He said before this Lease is signed, it should be determined whether any of the officers of Oji/Marubeni has any criminal records. He also referred to [Michael] Buck's statement that 97% of the wood is imported into Hawaii. Dr. Anthony said 85% to 90% of the food that is consumed is also imported and said there should be some balance when food and wood is contrasted. He talked about the one foot stump that will remain in the ground and the studies of the pesticides that will be used. Dr. Anthony talked about the enforcement of the clean up at the end of the 55 year lease. He stated that the carriers coming in to pick up the chips carry contaminated water and that most of the water will be dumped near shore and create pollution. He said the herbicides should be studied in the public's interest.

Dr. Anthony submitted written testimony to strongly oppose the project. He stated that his group will take legal action if the Land Board signs the lease. He referred to Professor Ira Rohter's document which he endorses and wishes to incorporate into his own testimony.

Mayor Stephen Yamashiro submitted written testimony in support of the Project. He said diversified agriculture is important, forestry is diversified agriculture and is a major component in the economic mix.

Member Matsumoto asked Mayor Yamashiro to address his rejection of an earlier proposal by Fletcher Challenge to develop high value forestry on leased lands from the County. Mayor Yamashiro said they have not committed the land to Oji. What he has said is that if Oji is successful with the State that the County would "piggy back" with the State. He said this was the same representations that were made to Fletcher.

David Caccia testified in opposition to the project and submitted written testimony requesting for a new EA before the Lease be considered.

Brad Mossman, Deputy Director of the Department of Business, Economic Development and Tourism (DBEDT) spoke in behalf of its Director Dr. Seiji Naya. He said the DBEDT encourages the Board's approval of the proposed Lease. Mossman said the two most compelling arguments in favor are based upon the desire for more diversified agricultural lands and direct job creation.

Member Matsumoto asked for clarification on how a pulp wood forest industry helps add to the critical mass for the creation of high value timber industry. Mossman said there is a body of skilled workers, equipment available to support other elements of forestry industry and the opportunity for support technology and resources available that are essentially utilized by the pulp industry but can eventually be used by others.

Member Matsumoto asked if DBEDT has made any kind of quantitative analysis as to the value of this industry. Mossman said a study was conducted by a New Zealand consulting firm which indicated there was a substantial potential for Hawaii to participate in this industry. Member Matsumoto also asked whether any analysis has been done with the Department of Transportation to evaluate the infrastructural burdens that will be generated by this kind of activity. Mossman said yes, there has been discussions but is not familiar enough with the specifics to address it.

County Council Member John Ray spoke in favor of the proposal and submitted written testimony. He addressed the stump chipping equipment and said it is routinely used in South Africa. He said the lands are extensively returned from forest to sugar, in terms of time frame it is a matter of months not a period of years. Council Member Ray said the 65 year lease versus a 55 year lease, is not an accurate representation. He pointed out the herbicide application is exclusively for year one of cultivation and does not believe that it will be used in the rest of the cultivation period. Council Member Ray said the Oji/Marubeni Lease is potentially the key to the success of the forest products industry in Hawaii. For the forest industry to succeed, there has to be a strong, stable chipwood market to support the development of high value products.

Kevin Balog testified in favor of the proposal. When asked by Member Matsumoto where he is employed, he said he works for Deluz Trucking. The business deals with trucking, construction, coring and working for the timber company. He felt that the majority of the community is grateful for the employment opportunity. Member Matsumoto inquired about the impact of spraying of herbicides. Balog said he didn't know of any places in Honokaa that has been aerial sprayed. He said approximately 70 to 80% is mechanically applied. There was discussion on the impact of burning and the smoke that is generated, whether it was any different from burning sugar cane. Balog felt that it has less impact than cane burning.

A short break was taken and the meeting was later reconvened.

Howard Wright introduced himself and submitted written testimony opposing the project.

Julie Jacobsen said she is the Co-Chair of the Hawaii County Green Party and a teacher. The guiding principles of the Green

Party is grass roots democracy, ecology, social justice and non violence. She proceeded to cite specific points in the State Constitution: 1) All public natural resources are held in trust by the State for the benefit of the people, 2) The State shall have the power to promote and maintain a healthful environment including the prevention of an excessive demand upon the environment and the State's resources, 3) Each person has a right to a clean and healthful environment, 4) To protect the ground and surface water resources and watersheds in natural stream environments, 5) The State shall conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands, and 6) The public shall be used for the development of farm and home ownership. She asked that the Board keep these points in mind to make their decision. Jacobsen read from her written testimony and urged that the Board reject the Lease.

Member Yuen asked whether the Board can expect opposition to the leasing of lands to the vegetable and fruit farmers for diversified agriculture who uses herbicides and sprays. Jacobsen said it's premature to make a rule that herbicides cannot be used but that there are methods to look at incentives towards the use of more organic [products]. She said more time could be spent in educating people on how economically viable organics are.

Member Yuen clarified that the proposed State properties are located between Ookala and Paauilo and virtually no State property proposed for this Lease that is within 5 miles of Honokaa.

Robert Jacobson asked the Board to withhold approval of the lease of the State lands. He submitted written testimony.

David Perry testified against the proposed lease and submitted testimony. Member Matsumoto asked whether there is a minimum amount of acreage that is required to make it commercially feasible for a company to undertake a high value forestry project, if so, what is that number? Perry said several hundreds of acres makes it. He said, "this is a unique opportunity to get out of the old plantation mentality, then everyone will need to work together to do it".

Member Yuen in trying to assess fire hazard described the properties proposed to be leased. The biggest piece of property consists of 2,500 acres, roughly opposite of Ookala Town. The big chunk of property on the Hilo side is bordered by Kaawali'i Gulch, on the mauka side of the property is the State Forest Reserve, on the Honokaa side of the property is bordered by Kaula Gulch, the makai side is bordered by the Highway. He noted that these properties were sugar cane and were deliberately set on fire every 18 months for 100 years. Member Yuen asked if it is

a fire hazard and would the geographical boundaries serve as fire breaks for the spread of the fires to other properties? Perry said no and went on to explain that some highly volatile species would spark and travel a few hundred yards and begin another fire somewhere else. He felt in mixing species that are not so flammable with flammable species, that the less flammable species would block the fire from coming into the crowns of the flammable ones.

There was discussion about monoculture crops. Perry said mono culture/agriculture is high value crop which are affordable because the pests and insects can be managed, but with the low value crop, there is no economic margin to be able to manage it. Pulp wood is an example of low value crop.

Member Inouye asked about high value hardwood whether it would require the use of herbicides during the establishment period. Perry's opinion is that herbicides are over-used and is not convinced that herbicides are required to establish the eucalyptus. He said he would oppose the leasing of lands for diversified agriculture if the farmers were to use pesticides and herbicides. Perry would prefer organic agriculture.

Chairperson Wilson queried Perry's vision of forestry that it would be organic, include koa and mix other species. Perry replied yes and that it does not exclude alternative uses of the land. He said the high value forestry business generates enough income off a given piece of land that accommodates other land users so that it encompasses the whole community. Chairperson Wilson said one way to make it a reality is for the State to bring in an expert to look at the situation and give academic as well as practical explanation about why the vision can be a good one for the Hamakua Coast. The expert then can put together a proposal. He said the State put out a prospectus after looking at lands that were important for diversified agriculture not in a market level but as a way to subsidize diversified agriculture by creating a co-op and directly providing to people the opportunity for diversified agriculture. The other visionary idea has evolved to a point where Hawaii does have forestry and that forestry is partially represented by the Proposal that is before the Board by a company that is willing to invest \$40 million over time in this community. Chairperson Wilson said some of the principals are designed into the policies proposed by the staff. as an example, the Best Management Practices, making concepts of planting of hardwood for the future, which could include a chipping plant or a lumber mill to help stimulate local economy.

Perry asked that the Board think about what the fate of the 500 acres would be if the landscape that surrounds it catches fire and spreads. He said it is very risky landscape and if a stable landscape is desired, it should be a minimum of 60%.

Member Yuen commented that the State has over 1,000 acres of land between Pepekeo and Hakalau that is available if people can put together a project that makes sense. The Department would give as much assistance as they can to see something like that happen.

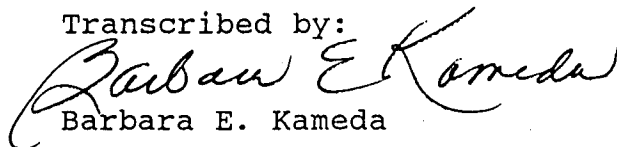
Earl Nakashima said he has been a farmer for 15 years and is contracted by Hamakua Timber to raise eucalyptus seedlings. He testified in favor of the Oji project and submitted written testimony.

Peter Simmons addressed the stump issue and said that there are machinery available to remove the stumps in 20 seconds, the cost being minimal. He said Kamehameha Schools/Bishop Estate (KS/BE) has always supported diversified agriculture and intends to use their property to its full economic potential. Member Matsumoto asked Simmons whether he was involved with the decision for KS/BE to lease to Prudential Timber, Simmons said he wrote the staff report recommending it. Member Matsumoto asked if proposals were solicited for high value hardwood forestry and Simmons said yes which were relatively parallel to the State's process. He said Fletcher Challenge and Oji/Marubeni were applicants. Simmons' opinion of the State going 10% in high value will show the way. Member Matsumoto referred to the testimony in regards to the application of agricultural farm subdivision of 200 acre parcel and asked whether there was a demand for more diversified agricultural land. Simmons said, "Absolutely, we need to encourage and nurture the diversified ag sector without overfeeding it". He said that regarding the suitability of the lands for diversified agriculture many people initially thought anything below the Ditch is gold but found out later that not all of the lands are ideal.

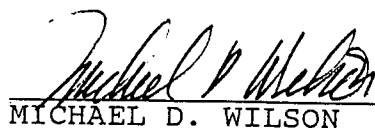
Chairperson Wilson explained that due to flight constraints for the Board members, the meeting would be recessed and reconvened on November 14, 1997 in Honokaa.

The meeting was adjourned at 3:40 p.m.

Transcribed by:


Barbara E. Kameda

APPROVED FOR SUBMITTAL:



MICHAEL D. WILSON
Chairperson
Board of Land & Natural Resources