

NELHA BOARD BOOK
November 19, 2024



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism



BOARD OF DIRECTORS MEETING AGENDA*
Natural Energy Laboratory of Hawaii Authority
November 19, 2024
10:00 a.m.

An Hybrid Interactive Conference Technology Meeting will be held
via Zoom and one location.

Board Directors and members of the public may attend the meeting
at the location listed below or via Zoom using this link:

<https://us06web.zoom.us/j/81306658206?pwd=DDnqz33LC7hHFMBImXm7aj04tawnDE.1>

Meeting ID: 813 0665 8206
Passcode: 310631

Members of the public can also join via the toll-free telephone numbers listed below:

+12532050468,,81306658206#
or
+12532158782,,81306658206#

NELHA OceanView Conference Room 208
Hale Iako Building
73-970 Makako Bay Drive
Kailua-Kona, HI 96740

1. Call to Order.
2. Approval October 15, 2024, NELHA Board of Directors' Meeting Minutes.
3. Public Testimony.
4. Old Business.
 - a. Report from the Permitted Interactive Group for the Hiring of the NELHA Executive Director Position – No Discussion or Decision making. **

5. New Business.

- a. Approval and Decision Making for Kona Limu Co. 2-acre Seaweed Project.
- b. Approval and Decision Making for the Assignment of a Portion of Sublease K-32 from Shrimp Improvement Systems Hawaii LLC to Jamestown Point Whitney Venture, LLC.
- c. Approval and Decision Making for the Assignment of Sublease K-40 from Blue Ocean Barns, Inc. to Kona Sablefish Company Ltd.
- d. Discussion and Decision Making regarding NELHA CIP Needs, and Approval for the Removal of the 24" Shallow Water Kau Pipeline and a portion of the 18" Deep Water Kau Pipeline.

6. Informational Presentation.

- a. Overview of NELHA Distributed Energy Resources Activities and Recommendations presented by Dr. Terry Surlles from Hawaii Natural Energy Institute.
- b. Update on HATCH Aquaculture Accelerator, Venture Builder and Ocean Foundry programs presented by Wayne Murphy from HATCH.

7. Executive Director's Informational Status Report on ongoing projects including: 2025 Legislative session, research campus leases, new leases under discussion; water quality and seawater system maintenance; offshore deep seawater pipe removal planning and design; regional seawater air conditioning planning and design; new potable water supply update; aquaculture accelerator and investment fund initiative; grant applications; new Mauka Research Campus; renewable distributed energy resources initiative for microgrid; and, solar desalination; Executive Director Search; contracts and agreements including master plan and EIS update.*

8. Announcements.

- a. Date of next regularly scheduled NELHA Board of Directors meeting is Tuesday, January 21, 2024, at 10:00 am.
- b. A NELHA Special Board of Directors meeting is tentatively scheduled for December 3, 2024, at 10:00 am.

- c. A NELHA Research Advisory Committee (RAC) meeting is tentatively scheduled for December 3, 2024, at 9:00 am.

9. **Adjournment.**

- * On any of the above items the Board may convene in Executive Session pursuant to section 92-5(a), HRS, to consult with the Board's attorney on issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities pursuant to section 92-5(a)(4), HRS, to discuss business trade secrets of confidential or proprietary commercial or financial information of tenants or prospective tenants pursuant to section 227D-3.5, (HRS), or to receive information that is proprietary to a particular enterprise pursuant to HRS 227D-6.
- ** The Board may enter Executive Session pursuant to section 92-5(a)(2), HRS to consider the hire, evaluation, dismissal, or discipline of an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held.

In the event a location loses its audiovisual connection, the meeting will be automatically recessed to restore communications as described in section 92-3.7(c), HRS.

Members of the public may submit written testimony on this agenda via e-mail no later than 2:30 p.m. on Friday, November 15, 2024, addressed to: laurence.sombardier@hawaii.gov Alternatively, members of the public may mail written testimony on this agenda to Laurence Sombardier, Natural Energy Laboratory of Hawaii Authority, 73-4460 Queen Kaahumanu Hwy., #101, Kailua-Kona, Hawaii USA 96740-2637.

Internet Access:

To view the meeting and provide live oral testimony during the meeting, please use the link shown on page 1 of this agenda. You will be asked to enter your name in order to access the meeting as an attendee. We request that you enter your full name, but you may use a pseudonym or other identifier if you wish to remain anonymous. You will also be asked for an email address. You may fill in this field with any entry in an email format, e.g., *****@***mail.com.

As an attendee, your microphone will be automatically muted during the meeting unless you are providing testimony. For each agenda item you wish to testify on, please click the "Raise Hand" button found on your Zoom screen. Board staff will individually enable each testifier to unmute their microphone. When recognized by the Board Chair, please unmute your microphone before speaking and mute your microphone after you finish speaking in

order to prevent audio feedback. When testifying, you will be asked to identify yourself and the organization, if any, that you represent.

Telephone Access:

If you cannot get internet access, you may get audio-only access by calling the Zoom telephone number listed on page 1 of this agenda.

Upon dialing the number, you will be prompted to enter the Meeting ID which is also listed on page 1 of this agenda. After entering the Meeting ID, you will be asked to either enter your panelist number or wait to be admitted into the meeting. You will not have a panelist number, so please wait until you are admitted into the meeting.

When the Board Chair asks for public testimony, you may indicate you want to testify by entering "*" and then "9" on your telephone's keypad. After entering "*" and then "9", a voice prompt will let you know that the host of the meeting has been notified. When recognized by the Board Chair, you may unmute yourself by pressing "*" and then "6" on your telephone. A voice prompt will let you know that you are unmuted. Once you are finished speaking, please enter "*" and then "6" again to mute yourself.

If you need an auxiliary aid/service or other accommodation due to a disability, contact Ms. Faustine Edge at 808-327-9585 or faustine.x.edge@hawaii.gov as soon as possible, preferably three (3) working days prior to the meeting so arrangements can be made. If a response is received three (3) working days or less before the meeting, we will try to obtain the auxiliary aid/service or accommodation, but we cannot guarantee that the request will be fulfilled. Upon request, this notice is available in alternate formats such as large print, Braille, or electronic copy.

The next NELHA Board of Directors meeting is currently scheduled for Tuesday January 21, 2024.

Issued November 12, 2024, in compliance with Sunshine Laws

Item 2.

Approval of October 15, 2024
NELHA Board of Directors' Meeting Minutes



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism



BOARD OF DIRECTORS MEETING MINUTES

DRAFT

October 15, 2024
10:00 a.m.

An Interactive Conference Technology Meeting was held at
NELHA OceanView Conference Room
Hale Iako Building
73-970 Makako Bay Drive
Kailua-Kona, HI 96740
and via Zoom Video Conferencing Software.

Members/Designees in Attendance

Noelani Kalipi (Gov. Appointee/Chair)
Cyd Miyashiro (Gov. Appointee/Vice Chair)
Gordon Bruce (Gov. Appointee)
Alan Hilton (RAC Chair)
Dr. Philip Bossert (RAC Secretary)
Doug Adams (County of Hawaii)
Gregory Kim (HTDC)
Nathan Tsao (Tenant Representative)
Russell Tsuji (DLNR)
Mark Glick (DBEDT)

Board Members Not Attending and Excused

Dr. Vassilis Syrmos (University of Hawaii)
Dick Jones (Tenant Representative)

Guests/Staff Present

Laurence Sombardier (NELHA)
Alexander Leonard (NELHA)
Keith Olson (NELHA)
Pam Madden (NELHA)
Jennifer Rasmussen (NELHA)
Rae Nguyen (NELHA)
Sherry Ortiz (NELHA)
Faustine Edge (NELHA)
Delanie Prescott-Tate (AG)
Gerald Heslinga (Indo-Pacific Sea Farms)
Mark Ladao (Hawai'i Public Radio)
Tom Fee (HHF)
David Anton (Member of the Public)
Jeff Zimpher (National Park Service)

Full Board meeting recording available at: <https://youtu.be/jKuqFEkDau0>

73-4460 Queen Kaahumanu Hwy., #101, Kailua-Kona, Hawai'i USA 96740-2637
Phone: (808) 327-9585 Fax: (808) 327-9586 Email: nelha@nelha.org Website:
<http://www.nelha.hawaii.gov>

- **Item 1. (10:01 am; video run time 0:00.47) Call to Order.**

The meeting was called to order by Chair Noelani Kalipi (Chair Kalipi) at 10:01 a.m. Chair Kalipi asked Interim Executive Director (ED) Sombardier for a roll call of Board members and NELHA staff. Reference to Act 220. 10 members present and 2 excused.

- **Item 2. (10:06 a.m. video run time 06:04) Approval August 27, 2024, NELHA Board of Directors' Meeting Minutes.**

Chair Kalipi entertained a motion to approve the August 27, 2024, minutes. The motion was made by Director Bruce and seconded by Director Tsao (10:07 a.m. video run time 0:06:11). The minutes were approved at (10-0) (10:07 a.m. video run time 0:06:40).

- **Item 3. (10:07 a.m. video run time 06:44) Approval September 3, 2024, NELHA Board of Directors' Meeting Minutes.**

Chair Kalipi entertained a motion to approve the September 3, 2024, minutes. The motion was made by Director Hilton and seconded by Director Bruce (10:07 a.m., video run time 0:06:57). The minutes were approved at (10-0) (10:08 a.m. video run time 0:07:30).

- **Item 4. (10:09 a.m. a.m. video run time 08:12) Public Testimony.**

Chair Kalipi opened the floor to any public testimony or any open items not on the agenda. No one came forward.

- **Item 5. Old Business.**

None.

- **Item 6. New Business.**

None.

- **Item 7. (10:09 a.m., video run time 0:09:39). Financial Report: Approval and Decision Making**

ED Sombardier presented a financial overview for July 1, 2024 through August 31, 2024. Director Bruce moved to approve the Financial Report and Director Bossert seconded (10:17 a.m. video run time 0:16:55). The Financial Report was approved (10:0) (10:18 a.m. video run time 0:17:25).

- **Item 8. (10:18 a.m., video run time 0:17:41) Informational Presentation.**

- a. Update on HATCH Aquaculture Accelerator, Venture Builder and Ocean Foundry programs presented by Wayne Murphy. (10:18 a.m., video run time 0:17:54)

Mr. Murphy was unexpectedly absent and did not present.

- b. Overview and State of the Offshore Corridor Pipelines presented by NELHA staff. (10:19 a.m., video run time 0:18:17)

ED Sombardier and Dr. Alex Leonard, NELHA's Administrative and Projects Manager presented the overview of the Offshore Corridor Pipelines. The Board members and meeting attendees were provided with the opportunity to ask questions.

- **Item 9. (11:13 a.m. video run time 01:12:13) Executive Director's Informational Status Report on ongoing projects including: 2025 Legislative session, research campus leases, new leases under discussion; water quality and seawater system maintenance; offshore deep seawater pipe removal planning and design; regional seawater air conditioning planning and design; new potable water supply update; aquaculture accelerator and investment fund initiative; grant applications; new Mauka Research Campus; renewable distributed energy resources initiative for microgrid; and, solar desalination; Executive Director Search; contracts and agreements including master plan and EIS update.***

ED Sombardier presented this agenda item. (11:13 a.m. video run time 1:12:13)

- **Item 10. (11:32 a.m. video run time 1:32:09) Announcements.**

- a. NELHA Board of Directors will meet monthly until the NELHA Executive Director position is filled. Next meeting is scheduled for November 19, 2024, at 10:00 a.m.

- b. NELHA 50th Anniversary open house community event is on Saturday, October 19, 2024 at 10:00 a.m. to 3:00 p.m.

- **Item 11. (11:33 a.m. video runtime 1:33:12) Adjournment.**

Chair Kalipi adjourned the meeting at 11:33 a.m. (video runtime 1:33:12).

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Item 3.

Public Testimony

Item 4.
Old Business

- a. Report from the Permitted Interactive Group for the Hiring of the NELHA Executive Director Position
– No Discussion or Decision making. **

Agenda Item 4.a.

Report from the Permitted Interactive Group for the Hiring of the NELHA Executive Director Position

DATE: April 19, 2024

SUMMARY:

On July 16, 2024, the NELHA Board created a Permitted Interactive Group (PIG) for the purposes of making recommendations to the Board for recruitment of new Executive Director (ED). This PIG presented a revised position description (PD) and a search process on August 27, 2024. The PD and the search process were subsequently discussed and approved at the following September 3, 2024 meeting.

A new PIG consisting of the same members (Chair Kalipi, Vice-Chair Miyashiro, Director Bruce, Director Wicker, Director Tsao, Director Jones, Laurence Sombardier and Faustine Edge) was constituted on September 3, 2024 to carry out the search process and present three top ranking candidates to the full Board for final selection. This item constitutes the PIG's Report.

As per State rules governing Board interactions, any discussion or decision making regarding this item must take place at a subsequent meeting (tentatively planned for December 3, 2024).

Some of the candidates have expressed the desire for confidentiality regarding their candidature, therefore the candidates' specific information such as names, resumes and other information shall be presented in Executive session pursuant to HRS Section 92-5(a)(2) (Attachment 1).

36 resumes were received in response to the advertisement for NELHA ED Position, which was placed on HireNet, State Executive Branch non-civil service Job Listing site, Indeed, NELHA site, Social Media and broadcast through email lists between September 9 and October 10, 2024.

Each PIG member separately reviewed and ranked the 36 resumes. The PIG met on multiple occasions to discuss the submittals and select the most promising candidates. Of the top 6 candidates, one dropped out and the PIG interviewed the remaining five in person except for one candidate from the mainland which was interviewed via Zoom. The interviews were all conducted over the course of a single day on November 13.

The top three candidates will be presented at the next Board meeting to provide the full Board with the opportunity to ask questions directly of the candidates. The Board will also be able to discuss the matter and take decisions at that time.

Attachment No. 1: Top Candidate Personal Statements and Resumes
CONFIDENTIAL

Item 5.
New Business

- a. Approval and Decision Making for
Kona Limu Co. 2-acre Seaweed Project.

Agenda Item 5.a.
Approval for Kona Limu Co. 2-acre Seaweed Project

DATE: November 19, 2024

SUBJECT: Request for Approval for expansion of a technical pilot scale operation from research campus to a 2-acre facility aiming to commercialize seaweed products.

A. SUMMARY AND REQUEST

Kona Limu Co. (KLC) is seeking approval to scale R&D efforts from Ocean Era’s makai research campus to 2 acres in an area previously occupied by Forever Oceans Corporation (Attachment 1), for the purpose of growing seaweed for local Hawaii consumption, and possibly development of markets in continental USA, and Asia. The project is intended to be a 5-year commercialization project.

B. BACKGROUND

Kona Limu Co. (KLC) is currently operating as a DBA of Ocean Era. If the expansion is approved, KLC plans to create a separate legal entity using the KLC name which is expected to be a wholly owned subsidiary of Ocean Era.

KLC plans to sell primarily wholesale and unprocessed seaweed to the local Hawaii market, but may also expand to develop markets in continental USA, and Asia. This project aims to prove out the technical scale up and develop a market for the seaweed products, and achieve profitability (business plan deck in provided in Attachment 2).

The project fits well with NELHA’s mission and the State of Hawaii’s current emphasis on developing sustainable aquaculture and food products in Hawaii. HOST Park provides the ideal growth conditions for seaweed and microalgae growth. Much of the technical work providing the basis for this project took place in the makai research campus, and graduating the project out into the tech park is the typical next step for successful projects at HOST Park.

While there are a few challenges inherent to scaling up, this project has a very good chance of success for the following reasons:

- 1) **Experienced team:** Neil Sims is leading this effort. Mr. Sims is a HOST Park veteran who has started and has been involved in multiple successful projects at the park. Ocean Era’s staff is also experienced. Mr. Sims is joined by Rob Pettit, co-founder of NewSeas (<https://new-seas.com/>), an aquaculture development

company that aims to scale marine aquaculture production opportunities that are profitable and sustainable. Gavin Key has recently assumed the COO role with Ocean Era. Gavin was previously with Kona Blue Water Farms, and was biology lead for Forever Oceans. Jennica Lowell-Hawkins is Ocean Era's Research Director. Jennica was also previously with Kona Blue Water Farms, Blue Ocean Mariculture, and was also a contractor for NOAA's National Ocean Service, Coastal Aquaculture Program, at Beaufort NC.

- 2) Significant technical work already completed: the scale up and selection of species/products results from a multi-year ARPA-E grant. Kona Limu Co. has optimized growing the selected seaweeds under HOST Park conditions. The scale up process is less likely to experience large scale failures that are sometimes experienced by projects lacking extensive preliminary work in the park.
- 3) Grant Leveraging: Grant funding has been used to develop the products and will continue to be leveraged in the path to commercialization. This means R&D efforts will continue assisting the scale up and expert staff is already on board and ready to work on the project. Most significantly, many of the upfront technical development costs have already been covered.
- 4) Utility needs: KLC has provided NELHA staff with their utility needs. Negligible amounts of freshwater will be needed, and the electrical and seawater needs (surface and deep) are well within NELHA's ability to provide.
- 5) Native species: Only native species are being utilized. This means that there are no DOA permits required. These can be time consuming and have been a barrier for certain projects in the past.
- 6) Low capital needed: The project will be utilizing water return systems that already exist on the property and have been in use by Forever Oceans. Much of the equipment is already in KLC's possession and no long-term structures need to be built. The land is already graded and there are no high price construction ticket items. Luas will be rented so no septic system is needed. In addition, KLC has received much unsolicited interest in funding, proving that there is significant interest and excitement generated by their products.
- 7) Minimal processing: KLC will not be processing the seaweed other than packing it for delivery. This means minimal equipment will be needed and no specific Department of Health requirements need to be met. Of note, KLC is currently working with SeaGrant to develop a set of "Best Practices" for seaweed culture for human consumption.
- 8) Demand for the product: With what appears to be minimal marketing effort, KLC has experienced significant demand for their products. They have been selling the limu that is in excess of their research needs to the local market (mostly to high end food operations and some to KTA). Sales since 2023 have been between \$500 and \$2,600 per month. These sales have been limited by the capacity to produce. Ocean Era provided over 500 tasting samples of each of their two top species (seagrapes and red sea kale) to visitors at the recent NELHA 50th anniversary open house event.

- 9) Ability to start immediately: The property selected is turnkey for this project. Much of the equipment is on hand. No permanent construction expected and therefore no county construction permits are needed.

The two acres for this project would be carved out of the current 6.792 acres facility that was originally occupied by West Hawaii Explorations Academy and until recently leased by Forever Oceans Corporation. Forever Oceans terminated their sublease in the summer of 2024. Most recently, NELHA rented some of the space to Ironman World Championship organizers to stage their marathon supplies.

NELHA staff has explored a variety of projects for this site, but none are ready to start currently and the most advantageous use of this property seems to combine a variety of smaller scale businesses that need to graduate out of the makai research campus in order to fulfill their commercial potential. Access to the Kona Limu site and other projects that end up locating here will be through the front gate off Makako Bay drive.

NELHA staff does not see any major risks in allowing this project to go forward. A boiler plate rental agreement which is typically used for shorter term projects (5 years or less) has been reviewed and agreed upon and the standard rental fees will be applied for productive use.

In April 2024, when the project was first proposed, NELHA staff reached out to immediate neighbors (Ke Kai Ola and Shrimp Improvement Systems) and confirmed that there are no biosecurity issues (none of these companies are seaweed centered). Shrimp Improvement Systems has provided Blue Ocean Barns with temporary space to grow a seaweed, *Asparagopsis taxiformis*, in the past but they have since moved out of the SIS space.

Limited funding is needed to get started and Ocean Era has cash on hand to get started. As ramp up takes place, a combination of debt and equity avenues will be utilized for funding needs. It is expected however that sales will start almost immediately to assist with cash flow.

Ocean Era is in good standing with NELHA. Ocean Era was recently highlighted as a success story in the new [hostpark.io](https://www.hostpark.io/client-stories/ocean-era) website (<https://www.hostpark.io/client-stories/ocean-era>).

Should this pre-commercial project prove successful, Kona Limu Co. plans to present a longer-term commercial proposal to the NELHA Board for consideration of a longer term (ie 30 year) commercial project sublease.

Scaling up beyond the 2 acres will depend on the success of the commercialization efforts on the 2 acres. A distant future scenario may include an offshore growth component, the R&D for which is part of the existing ARPA-E grant.

Of note to the Board, NELHA implemented an additional section regarding impact on cultural practices to its proposal review process in January 2024. This section examines the extent to which cultural practices will be affected by or impaired by the proposed project. Subsistence fishing would be the main practice taking place in the near vicinity of the project. This project is on an existing graded and fenced space and does not reduce access to the shoreline. No archaeological or other cultural resources are present on the 2 acres property.

Mr. Sims has had multiple conversations with KUA representatives regarding their limu work (<https://kuahawaii.org/>) as well as discussions with an authoritative limu cultural expert, and believes the project is being viewed favorably. NELHA staff believes there may be some sensitivity towards the commercialization of native limu. At the same time, companies such as Royal Hawaiian Sea Farms have been producing limu for local consumption for decades and are providing a healthy source of limu for traditional dishes such as poke, playing a part in helping to keep food culture alive by making raw ingredients more readily available to Hawaii's people.

Boiler plate agreement and standard leasing clauses would apply, and the short term lease agreement has been reviewed and approved by Kona Limu and NELHA AG (Attachment 3). The RAC evaluation which took place in April 2024 when the project was first proposed is provided in Attachment 4.

C. NELHA STAFF RECOMMENDATION

Staff recommends that the NELHA Board provide an approval for Kona Limu Co.'s proposed activities on two acres shown in attachment 1. This would be an approval for a 5-year term.

ATTACHMENT 1: APPROXIMATE LOCATION



ATTACHMENT 2: PROPOSAL (CONFIDENTIAL)

ATTACHMENT 3: DRAFT AGREEMENT

STATE OF HAWAII
NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

NELHA LEASE NO. RA-0041

RENTAL AGREEMENT

This AGREEMENT, made this _____ day of _____, 2024, and superseding all prior agreements related to the subject property, by and between the NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY, a body corporate and politic and an instrumentality and agency of the State of Hawaii organized pursuant to Hawaii Revised Statutes, Chapter 227D, hereinafter “NELHA,” whose business and post office address is **73-4460 Queen Kaahumanu Hwy., #101, Kailua-Kona, HI 96740**, and **KONA LIMU CO.**, whose business and post office address is **P.O. Box 4239 Kailua-Kona, HI 96745**, hereinafter referred to as the “TENANT”;

WITNESSETH:

WHEREAS, the TENANT desires to utilize certain facilities of NELHA located at Keahole Point, Kailua-Kona, Island of Hawaii in order to **grow-out and sell limu for food service and retail customers in Hawaii and elsewhere** as generally described in Exhibit ‘C’ attached hereto;

WHEREAS, NELHA is the Lessee, and the Board of Land and Natural Resources is the Lessor under that certain master lease No. S-5619; and

WHEREAS, at a meeting of the Board of Land and Natural Resources held on June 22, 2001, the Board authorized its chairperson to review and approve on behalf of the Board requests made by NELHA to enter into subleases (including Facilities Use Agreements), and related matters;

WHEREAS, at a meeting of the Board of Land and Natural Resources held on June 23, 2006 and October 27, 2006, the Board has approved the amendment to General Sublease S-5619 for the purpose of waiving the lease requirement to obtain prior approvals for subleases, from the Board of Land and Natural Resources, its Chairperson, or its authorized representative.

WHEREAS, NELHA recognizes TENANT’s benefits to the public and NELHA;

NOW, THEREFORE, the parties mutually agree as follows:

1. Description of Property. NELHA shall provide the facilities and services as generally outlined herein and in Exhibits "A" and "B" attached hereto. Alterations in the project scope and alterations in the use of the facilities, utilities, resources, and services requirements as outlined herein shall be requested in writing and approved in advance by NELHA's Executive Director.
2. Quiet Enjoyment. Upon the observance and performance of each of the terms, covenants and conditions herein, the TENANT shall peaceably and quietly hold and enjoy the premises for the duration of the lease without hindrance or interruption by NELHA.
3. Term. The term of this lease shall be from **December 1, 2024** to and including **November 30, 2029**.
4. Facilities Use Fees. In consideration of the facilities and services provided by NELHA, TENANT agrees to pay to NELHA:

(a) Fixed fee.

A fixed rental fee, calculated at a rate of **FIVE HUNDRED THREE AND 63/100 (\$503.63)** per acre per month or **SIX THOUSAND FORTY-THREE DOLLARS AND 56/100 (\$6,043.56)** per acre per year for the open space occupied, payable in advance, without notice or demand, in twelve equal installments on the first day of each and every month. The fixed rental fee shall be based upon the entire area of the rental space, as shown on the map attached hereto as Exhibit "B". Based upon the gross area of 3.955 acres and the net area of **TWO (2) acres** as shown on Exhibit "B," TENANT shall pay a total monthly fixed fee of **ONE THOUSAND SEVEN DOLLARS AND 26/100 (\$1,007.26)**.

The percentage rent shall be subject to the following:

- (i) If TWO AND A HALF percent (2.5%) of TENANT's gross sales for any calendar year exceeds the amount of fixed rental fees already paid by TENANT for such period, then TENANT shall pay Percentage Rent equal to TWO AND A HALF percent (2.5%) of TENANT's gross sales less the amount of fixed rental fees already received by NELHA for said calendar year. The

amount of fixed rental fees to be subtracted from the percentage rent due in any calendar year shall not exceed an amount equal to twelve (12) months of fixed rental fees.

(ii) For purposes of this agreement “gross sales” shall be defined as all income and revenue derived by TENANT (or any of TENANT’s subsidiaries, sister companies, parent company, related companies, affiliates, officers, directors, shareholders, investors, owners, principals, managers, members, employees, partners or joint venturers) from, relating to, or connected with the production, operation, sales, or services rendered under this Agreement as described in the project proposal attached hereto as Exhibit “C” and incorporated herein, whether for cash or credit, whether paid or unpaid, and whether the income or revenue is generated on or off of the subleased premises, or whether the order is placed by mail, telephone, fax, internet or otherwise; provided, however, the following shall be excluded from the computation of gross sales; (i) shipping costs to a foreign destination from the State of Hawaii; (ii) import tariffs; (iii) brokerage commission for foreign sales; and (iv) the State of Hawaii general excise tax.

(iii) Within ninety (90) days of the end of each calendar year during the rental term, TENANT shall submit to NELHA an annual report prepared by its certified public accountant (or an independent public accountant that is acceptable to NELHA) showing its gross sales calculations less any exclusions as provided herein. TENANT shall also submit to NELHA any other information and evidence requested by NELHA related to TENANT’s gross sales. TENANT shall within one hundred and twenty (120) days of the end of each subject year pay NELHA any percentage rent due without further notice or demand. TENANT shall also submit to NELHA a copy of the completed annual State of Hawaii general excise tax form for each calendar year included within the term of this Agreement which shall be due at the same time it is due to the State of Hawaii.

(b) Variable charges.

In addition, TENANT agrees to pay NELHA accumulated variable fees which are based on actual and/or estimated TENANT usage multiplied by the rates established by NELHA, subject to change by NELHA Board action, plus applicable common area maintenance charges.

(c) Other fees and charges.

TENANT shall pay a penalty fee of 1% per month (12% per annum) plus a service charge of FIFTY AND NO/100 DOLLARS (\$50.00) per month for each month of delinquency will be charged on any unpaid balances which are thirty (30) days past due. TENANT shall also pay a service fee of FIFTY AND NO/100 DOLLARS (\$50.00) for each check returned due to insufficient funds.

(d) Invoices.

Invoices will be mailed after the 15th day of each month beginning on the commencement date of this Agreement and are payable within thirty (30) days. All payments shall be made at, or mailed to, NELHA business office in Kailua-Kona. Checks shall be made payable to: State of Hawaii/NELHA.

5. Annual rent review. Monthly rent may be reviewed annually against fair market value rent and costs to NELHA and may be increased annually as of July 1 of every year; provided, however, in no event shall an increase in monthly rent be more than at a rate equal to the 12-month change in the Honolulu consumer price index or five percent (5%), whichever is greater.
 6. Holdover. Any holdover at the expiration of the lease, with the consent of NELHA, shall be on a month-to-month basis, which tenancy may thereafter be terminated as provided by the laws of the State of Hawaii. During such holdover tenancy, the TENANT agrees to pay rent monthly to NELHA. The rental rate shall increase by 5% every month until an extension or a new agreement has been executed.
 7. Security Deposit or Performance Bond. TENANT shall provide NELHA with either a security deposit or evidence of a performance bond, as described below, prior to entry and use of the premises or within fifteen (15) days from the effective date of this Agreement, whichever is sooner.
- (a) TENANT shall deposit with NELHA a security deposit of an amount equal to the cost of two months' rent. The whole or a portion of the deposit will be returned to the TENANT upon termination of this Agreement, but only after all of the terms and conditions of this Agreement

have been observed and performed to the satisfaction of NELHA.

- (b) TENANT shall, at its own cost and expense, procure and deposit with NELHA and thereafter keep in full force and effect during the term of this Agreement, a good and sufficient surety bond, conditioned upon the full and faithful observance and performance by TENANT of all the terms, conditions, and covenants of this Agreement, in an amount equal to two times the sum of the fixed annual rental fee, the estimated annual accumulated variable charges, and estimated additional rental then payable. The bond shall provide that in case of a breach or default of any of the Agreement terms, covenants, conditions, and supplemental agreements, the full amount of the bond shall be paid to NELHA as liquidated and ascertained damages and not as a penalty.
8. Installation Costs. TENANT agrees to pay any costs incurred by NELHA that result from the installation of TENANT's seawater systems, utility systems, metering and monitoring devices. These costs will be billed to the TENANT in monthly invoices described in paragraph 4 of this Agreement and are payable on the same date as the payments described in said invoices.
9. Service and Utilities. TENANT shall at its own expense bear any and all service and utility costs and expenses connected with the TENANT's use of the premises and right herein granted, including but not limited to, utility charges, waste or garbage disposal and other similar charges. The service and utility charges shall be determined by NELHA from time to time to reflect increases in fees or charges.
10. Compliance with Laws. TENANT shall observe and comply with all laws, ordinances, rules and regulations of the federal, state, municipal or county governments (including, but not limited to the observance of and compliance with the Americans with Disabilities Act) affecting the premises or improvements. NELHA will provide the TENANT with a copy of its Facilities Use Manual (FUM) which outlines the day-to-day operating policies, guidelines and procedures, and expected conduct at NELHA. All discharges including waste discharges from the TENANT's project shall be included in and comply with existing NELHA permits at the site. TENANT shall obtain and be responsible for all required species importation permits and copies of all permits shall be submitted to NELHA prior to introduction of any species to the premises.

TENANT shall comply with and obey all policies, guidelines and procedures pertaining to the use and enjoyment of the premises and facilities, including, but not limited to, the full compliance with NELHA's Facilities Use Manual and the Aquatic Species Health Management Program, as may be amended from time to time. NELHA may, in its sole and absolute discretion, amend any existing policies, guidelines and procedures, and promulgate or otherwise impose additional policies, guidelines and procedures at any time. TENANT's breach of any of the aforesaid policies, guidelines and procedures shall be deemed a material default under this Agreement, and NELHA may, in its sole and absolute discretion elect to terminate this Agreement.

11. Construction within NELHA. The TENANT shall not make or cause to be made any additions, alterations, or improvements, or install or cause to be installed any buildings, structures, electrical, or plumbing fixtures, except upon the prior review and written consent of NELHA. All allowed structures or improvements shall comply with applicable County building codes and construction permits. Copies of all required permits shall be submitted to NELHA prior to initiating any construction activities. Upon the expiration, surrender or termination of this Agreement all improvements shall, at the option of NELHA, remain and become the property of NELHA or shall be removed by the TENANT at TENANT's expense. All buildings, structures, and landscaping shall express the island character and be of high quality, but natural in appearance emphasizing the outdoor environment. The TENANT shall provide sufficient landscaping, satisfactory to NELHA, to make the project site visually attractive.

The TENANT shall not at any time during said term construct, place, maintain and install on said premises any building, structure or improvement of any kind and description whatsoever except with the prior written approval of the Department of Transportation, Airports Division, and upon such conditions as the Board of Land and Natural Resources may impose.

12. Repairs to Improvements. TENANT shall, at its own expense, keep, repair and maintain all buildings and improvements now existing or hereafter constructed or installed on the premises in good order, condition and repair, reasonable wear and tear excepted.
13. Taxes and Assessments. The TENANT shall pay when due all taxes and assessments which may be assessed to the premises or any improvements during the term of this lease.

14. Inspection by TENANT. The TENANT acknowledges that it has examined the premises prior to the execution of this lease, and knows the condition thereof, and that no representation as to the condition or state of repairs of the premises has been made by NELHA, except those which are specifically stated in this lease. TENANT hereby accepts the premises in the condition existing on the date of the execution of this lease and hereby releases and discharges NELHA of and from any and all claims, demands or causes of action which the TENANT may have arising or alleged to arise out of the condition in which the premises are provided or turned over to the TENANT.

15. Covenant Against Discrimination. The use and enjoyment of the premises shall not be in support of any policy which discriminates against anyone based upon race, creed, sex, color, national origin, religion, marital status, familial status, ancestry, physical handicap, disability, age or HIV (human immunodeficiency virus) infection.

16. Utilities. NELHA will make reasonable efforts to accommodate TENANT's requirements for utilities at the site. NELHA shall not be responsible for the inability to provide utilities to TENANT. In the event that the electrical power furnished to TENANT must be interrupted or diminished by NELHA on a scheduled basis, NELHA will provide TENANT with reasonable notice thereof.

TENANT recognizes that potable water is in limited supply in the North Kona-Kohala area and shall be conserved whenever possible. Provision of potable water will be on a non-guaranteed basis and is subject to the provisions of the County Department of Water Supply. NELHA will attempt to provide TENANT with reasonable notice in the event that potable water furnished to TENANT must be interrupted or diminished. NELHA shall not be liable for any and all claims, loss, costs, damages, or expenses arising out of any interruption or diminution of utility services to TENANT.

TENANT may install its own telephone equipment using existing utility conduits.

17. Seawater, Brackish Water, Potable Water and Groundwater. NELHA will make reasonable efforts to maintain seawater flow at the times and rates required by TENANT, but because of the unpredictable conditions relating to the seawater delivery, NELHA does not guarantee a continuous delivery of seawater. NELHA shall not be responsible for inability to provide seawater to TENANT. NELHA shall not be liable for any and all claims, loss, costs, damages, or expenses arising out of any interruption or diminution of utility services to TENANT.

TENANT acknowledges that NELHA cannot warrant, guarantee, or represent that the quality of its seawater, brackish water, potable water and groundwater is free from contamination. TENANT agrees that it assumes all risk of loss for personal injury or property damage which may result from contamination of seawater, brackish water, potable water and groundwater.

18. Seawater Systems and Utility Connections. It shall be the responsibility of the TENANT to make the necessary connections to the existing NELHA seawater, potable water, electrical, process air and utility systems. All connections and service lines shall be installed in accordance with all applicable rules, regulations, laws and codes. TENANT shall discuss with and obtain the written concurrence of NELHA or its designated representative as to the method proposed for each connection and line, and the days and time that any proposed connection may cause disruption to NELHA's operations, utilities or services. NELHA shall inspect and approve the installation of all connections and service lines.

19. Equipment and Apparatus. All equipment and apparatus provided and operated by the TENANT shall be the sole responsibility of the TENANT and not NELHA. All equipment and apparatus that will be connected to the seawater systems and the electrical systems at the facility shall be inspected by NELHA or its designated representative prior to any connection. The testing of equipment and apparatus shall be accomplished in accordance with applicable standards, regulations, codes and sound engineering practice. NELHA or its designated representative may request inspection and certification by outside experts, professional engineers, or both. TENANT shall, at its own expense, keep, repair and maintain its equipment and apparatus in good order, condition, and repair, reasonable wear and tear excepted.

20. Seawater Discharges. It is the intent of NELHA to minimize adverse environmental effects in the return of water to the ocean. TENANT shall submit discharge water quality and quantity characteristics to NELHA for review and approval. Return ocean water discharged into any disposal system shall meet the basic water quality criteria applicable to waters as described in the State Department of Health rules relating to water quality standards. TENANT shall be responsible for pretreating its return ocean water discharge to meet these standards.

NELHA may require the TENANT to monitor, record and report the quality of the TENANT's return ocean water discharge, and NELHA may enter the TENANT's premises at any time for the purpose of taking samples of the TENANT's return ocean water discharge for independent water quality analysis. In the event that monitoring by the TENANT or NELHA indicates the discharge of substances or water quantities at levels which exceed the predetermined water quality standards, NELHA shall have the authority to order the TENANT to cease operations until the discharge problem has been corrected to the satisfaction of NELHA. TENANT shall be liable for any property damage or environmental damage that may result from such action.

21. Hazardous Materials. TENANT shall not cause or permit the escape, disposal, or release of any hazardous materials except as provided by law. Unless the TENANT requires the use of any hazardous materials in the ordinary course of TENANT'S business, the TENANT shall not allow the storage or use of any hazardous materials on the premises or allow any hazardous materials to be brought onto the premises. In the event TENANT requires the use of any hazardous materials in the ordinary course of TENANT's business, TENANT shall provide written notice to NELHA that identifies the hazardous materials required, and TENANT shall secure prior written consent from NEHLA before bringing the hazardous materials on to the premises or using the hazardous materials on the premises. NELHA reserves the right to withhold consent at its sole and absolute discretion. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials by TENANT, the TENANT shall be responsible for the costs thereof. In addition, TENANT shall execute affidavits, representations and the like from time to time at NELHA's request concerning TENANT's best knowledge and belief regarding the presence of hazardous materials on the premises placed or released by TENANT.

TENANT agrees to indemnify, defend and hold NELHA harmless, from any damages and claims resulting from the release of hazardous materials on the premises occurring while TENANT is in possession, or elsewhere if caused by TENANT or persons acting under TENANT. These covenants shall survive the expiration or earlier termination of the Agreement.

For the purpose of this Agreement, "hazardous material" shall mean any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, or oil as defined in or pursuant to the Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental Response, Compensation, and Liability Act as amended, the Federal Clean Water Act, or any other federal, state, or local environmental law, regulation, ordinance, rule, or by-law, whether existing as of the date hereof, previously enforced, or subsequently enacted.

22. Level One (1) Hazardous Waste Evaluation. Prior to the termination of this Agreement, TENANT shall conduct a Level One (1) Hazardous Waste Evaluation and conduct a complete abatement and disposal, if necessary, satisfactory to the standards required by the Federal Environmental Protection Agency and the Department of Land and Natural Resources. The termination will not be approved by the Board of Land and Natural Resources unless this evaluation and abatement provision has been executed. A Level One Hazardous Waste Evaluation shall not be required prior to termination if the tenant facility is located within the Research Campus

23. Title. Title to any and all leasehold improvements and furniture, fixtures, furnishings, equipment and other personal property of the TENANT constructed or installed by the TENANT at its own cost and expense shall remain in the TENANT during the term of this lease. At the expiration or termination of this lease, the title to any and all leasehold improvements shall vest in NELHA, and the disposition of the personal property of the TENANT shall be pursuant to Section 35 hereof. Nothing contained in this paragraph shall prevent the TENANT from removing all office machines and equipment and trade fixtures customarily used in its business.

24. Leasehold Improvements.

1. Definition. For the purposes hereof, the term "leasehold improvements" shall mean and include any installation of walls, partitions, doors and windows; any electrical wiring, panels,

conduits, service connections, receptacles or lighting fixtures attached to walls, partitions, ceilings or floors; all finish to floors, walls, doors, windows, or ceilings; all wall or floor treatments or coverings (other than draperies or carpeting) that are affixed to the surface.

For the purposes hereof, the term "personal property" shall mean and include any and all trade fixtures, furniture, furnishings, carpeting, draperies purchased or installed by the TENANT, and any other items not defined as leasehold improvements above.

2. Cost Accounting. Within thirty (30) days after the commencement of the operations of the business, or promptly after the subsequent construction or installation of any leasehold improvements by the TENANT, the TENANT shall submit to NELHA a certified statement of the in-place cost of any and all leasehold improvements constructed or installed by the TENANT at its expense on, or at any portion of the premises.

25. Signs. No signs or symbols shall be placed in or upon the premises, except on the main entry into the office. The number, type, size and design of any signs or symbols shall be subject to the approval of NELHA or its designated representative. Any signs or symbols placed on the premises shall be removed by TENANT at the expiration or sooner termination of this lease. TENANT shall repair, at the TENANT's expense, any damage or injury to the premises caused by the placement of any sign or symbol. If TENANT fails to remove any sign or symbol as required in this agreement, NELHA may have the signs or symbols removed at TENANT's expense.

26. Access. NELHA shall during the term hereof (except when the TENANT may be in default) furnish to TENANT, its permitted officers, employees and invitees the right to ingress to and egress from (a) the building in which the premises are located during reasonable business hours, and (b) such other areas as may be necessary, provided that such persons shall be required to carry or wear appropriate identification devices to be provided by NELHA and shall be subject to such examination as Federal or State officials may deem necessary.

27. Rights of Entry Reserved. NELHA, by its officers, employees, agents, representatives, and contractors shall have the right at all reasonable times to enter upon all portions of the premises for the purpose of inspecting the same, for observing the performance of the TENANT of its obligations under this lease, and to service, post or keep posted thereon notices provided by any

law or rules or regulations of the State of Hawaii which NELHA deems to be for the protection of NELHA and the premises.

28. Maintenance. All portions of the premises shall at all times be maintained in good repair and in a clean, orderly and sanitary condition. All repairs and replacements shall be made with the material and workmanship by and at the expense of TENANT. If, however, the said premises is not kept in good repair and in a clean, sanitary and orderly condition by the TENANT, as aforesaid, NELHA, by its officers, employees or agents, may enter the premises without causing or constituting a termination of this lease or an interference with the possession of the premises in order to repair, replace or restore the premises to the previous condition, cleanliness, orderliness and healthiness. TENANT agrees to pay to NELHA, in addition to the rent, the expenses of any repair, replacement or restoration. Title to any replacements shall vest in NELHA at the time of replacement.
29. Independent Contractor. TENANT shall be considered an independent contractor. All persons hired or used by TENANT shall be considered TENANT's agents and employees, and TENANT shall be responsible for all services performed by its agents and employees. Further, TENANT intentionally, voluntarily, and knowingly assumes the sole and entire liability for any of its agents and employees, and to third persons for all loss, cost, damage, or injury caused, either directly or indirectly, by TENANT's agents and employees in the course of their employment.
30. Indemnity. TENANT shall indemnify, defend, and hold the State of Hawaii and NELHA as Lessor harmless from and against any claim or demand for loss, liability, or damage including claims for bodily injury, wrongful death, or property damage, arising out of or resulting from: (1) any act or omission on the part of TENANT relating to TENANT's use, occupancy, maintenance, or enjoyment of the premises; (2) any failure on the part of TENANT to maintain the premises and sidewalks, roadways, parking areas and drainage facilities adjacent thereto in TENANT's use and control, including any accident, fire or nuisance, growing out of or caused by any failure on the part of TENANT to maintain the premises in a safe condition; and (3) from and against all actions, suits, damages, and claims by whomsoever brought or made by reason of TENANT's non-observance or non-performance of any of the terms, covenants, and

conditions of this Agreement or the rules, regulations, ordinances, and laws of the federal, state, municipal or county governments.

31. Costs of Litigation. In the event NELHA and the State of Hawaii as Lessor are, without any fault on its part, made a party to any litigation commenced by or against TENANT (other than condemnation proceedings), TENANT shall pay all costs, including reasonable attorney's fees, and expenses incurred by or imposed on NELHA and the State of Hawaii as Lessor. Furthermore, TENANT shall pay all costs, including reasonable attorney's fees and expenses which may be incurred by or paid by NELHA and the State of Hawaii as Lessor in enforcing the covenants and agreements of this Agreement, in recovering possession of the premises or in the collection of delinquent rents, taxes and any and all other charges.

32. Liability Insurance. TENANT shall procure and maintain, at its sole cost and expense and acceptable to NELHA, in full force and effect throughout the term of this Agreement, commercial general liability insurance, in an amount of at least \$1,000,000.00 per person per occurrence and \$2,000,000.00 aggregate, and commercial general property damage insurance in an amount of at least \$50,000.00 for each occurrence and \$100,000.00 aggregate, with an insurance company or companies licensed to do business in the State of Hawaii. If surplus insurance is obtained by the Sublessee for liability insurance, Sublessee shall procure the surplus insurance in accordance with the applicable laws of the State of Hawaii. The policy or policies of insurance shall name NELHA and the State of Hawaii as additional insured. The insurance shall cover the entire premises, including buildings, improvements, grounds and all roadways, sidewalks and drainage facilities on or adjacent to the premises in the use or control of TENANT. TENANT shall provide a copy of any insurance policy required by this agreement to NELHA upon demand.

TENANT, prior to entry and use of the premises or within fifteen (15) days from the effective date of this Agreement, whichever is sooner, shall furnish NELHA with a copy of the insurance policy or policies obtained, and a certificate for each policy showing the policy to be initially in force. TENANT shall keep all certificates during the entire Agreement term, and furnish a copy of the insurance policy and a certificate upon each renewal of any policy. The insurance shall not be

canceled, limited in scope of coverage, or nonrenewed until after thirty (30) days' written notice has been given to NELHA.

TENANT agrees that, with respect to any contractors or subcontractors performing services on TENANT's behalf on the premises, the aforementioned liability insurance requirements shall also apply. The TENANT shall provide copies of the required insurance policy or policies and any certificates of insurance to NELHA prior to the commencement of those services.

NELHA shall retain the right at any time to review the coverage, form and amount of the insurance required by this Agreement. If, in the opinion of NELHA, the insurance provisions in this Agreement do not provide adequate protection for NELHA, NELHA may require TENANT to obtain insurance sufficient in coverage, form, and amount to provide adequate protection. NELHA's requirements shall be designed to assure protection for and against the kind and extent of the risks which exist at the time a change in insurance is required. NELHA shall notify TENANT in writing of any changes in the insurance requirements, upon which TENANT shall have thirty (30) days to provide NELHA with copies of an acceptable insurance policy or policies and any certificates thereof.

The procuring of any required policy of insurance shall not be construed to limit TENANT's liability under this Agreement nor to release or relieve TENANT of the indemnification provisions and requirements of this Agreement. Notwithstanding any policies of insurance, TENANT shall be obligated for the full and total amount of any damage, injury, or loss caused by TENANT's negligence or neglect connected with this Agreement.

It is agreed that any insurance maintained by NELHA will apply in excess of, and not contribute with, insurance provided by TENANT's policy.

33. Withdrawal. NELHA shall have the right to withdraw at any time during the term of this lease all of the premises or any portion thereof with reasonable notice and without compensation when required by legislative or executive mandate.

34. Damage or Destruction. If NELHA premises or buildings are damaged by fire or other casualty, and if such damage is not attributable to the negligent, reckless or intentional acts of TENANT, its officers, agents or employees such that no fault lies with said TENANT, its officers, agents or employees, the damage shall be repaired by and at the expense of NELHA, provided such repairs can be made within sixty (60) days after the occurrence of such damage without the payment of overtime or other premiums, and until such repairs are completed the rent shall be abated in proportion to the part of the premises which is unusable by TENANT in the conduct of its business (but there shall be no abatement of rent by reason of any portion of premises being unusable for a period equal to one day or less). NELHA's election to make repairs must be evidenced by written notice to TENANT within thirty (30) days after the occurrence of the damage. If NELHA premises are damaged through the fault of TENANT or its agents, rent shall not abate, and TENANT will have sixty (60) days within which to repair the damage at its own expense and to the satisfaction of NELHA. Failure of TENANT to complete the repairs in the time allotted will give NELHA the right to re-enter the premises, make any repairs and charge TENANT for the cost thereof. However, if TENANT fails to complete repairs within sixty (60) days or if TENANT fails to pay the costs of any repairs by NELHA, NELHA shall have the option of terminating this lease.

If NELHA does not so elect to make such repairs which cannot be made within sixty (60) days, then either party may, by written notice to the other, terminate this lease. A total destruction of premises shall automatically terminate this lease.

35. Waiver. No waiver granted by either party on account of any violation of any covenant, term or condition of this lease shall constitute or be construed in any manner as a waiver of the covenant, term or condition or right to enforce the same as to any other or further violations.

36. Surrender of Premises. TENANT shall yield and deliver peaceably to NELHA possession of the premises and leasehold improvements thereupon on the date of the cessation of the letting, whether such cessation be by termination, expiration or otherwise, promptly and in a condition similar to that which existed at the commencement of the letting, except for reasonable wear and tear arising from use of the premises to the extent permitted elsewhere in this lease and damage resulting from causes over which TENANT had no control.

Unless required by TENANT for the performance of its obligations hereunder, TENANT shall have the right at any time during the term of this lease to remove, and on or before the expiration or earlier termination of the letting, shall remove its equipment, trade fixtures, and other personal property from the premises in such a manner as to cause no damage to the premises. In the event of any damage, TENANT agrees, at its own cost and expense, to repair the damage. NELHA and TENANT shall agree upon a written inventory of such removable equipment, trade fixtures, and personal property, within thirty (30) days after the commencement of operation of the business and promptly after any subsequent installation thereof. A copy of the list shall be filed with NELHA.

If and in the event TENANT fails or neglects to remove all or any portion of its equipment, personal property or trade fixtures upon the expiration or termination of this lease, NELHA, at its sole option, may either remove and dispose of the same and charge the cost of such removal and disposal to TENANT, which cost TENANT hereby agrees to pay, or consider the same to be abandoned and take title thereto in the name of NELHA.

37. Early Termination. NELHA or TENANT may elect to terminate this lease early without cause and without liability by providing the other party with thirty (30) days advance notice in writing with the date the early termination will be effective. Notwithstanding the foregoing, paragraph 38 "Termination by NELHA" shall remain in full force and effect. The early termination of this lease shall not relieve the TENANT of its obligations to pay any rent, fees, or charges due and owing, or to perform any act required under this lease, at the time of termination.

38. Termination by NELHA.

A. Termination Events. NELHA shall have the right to terminate this lease if and in the event any one or more of the following events shall occur:

1. TENANT becomes insolvent, or shall take the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement or its reorganization or the readjustment of its indebtedness under the Federal bankruptcy laws or under any other law or statute of the United States of America or of any State thereof, or consent to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property; or

2. A petition under any part of the Federal bankruptcy laws or an action under any present or future insolvency law or statute shall be filed against TENANT and shall not be dismissed within thirty (30) days after the filing thereof; or

3. The letting or the interest of TENANT under this lease shall (without the approval of NELHA) be transferred to, pass to or devolve upon, by operation of law, stock transfer, assignment, or otherwise, any other person, firm or corporation; or

4. TENANT, if a partnership, corporation, LLC, LLP or other entity, is dissolved as the result of any act or omission of its partners or any of them, or by operation of law or the order or decree of any court having jurisdiction, or for any other reason whatsoever; or

5. By or pursuant to, or under authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board, agency or officer, a receiver, trustee or liquidator shall take possession of all or substantially all of the property of TENANT, and such possession or control shall continue in effect for a period of fifteen (15) days or longer; or

6. TENANT shall voluntarily abandon, desert or vacate the premises, or after exhausting or abandoning any right of further appeal, TENANT shall be prevented for a period of ninety (90) days by action of any governmental agency from using the premises, regardless of the fault of TENANT; or

7. Any lien is filed against the premises because of any act or omission of TENANT that is not discharged or contested by TENANT in good faith by proper legal proceedings, within twenty (20) days; or

8. TENANT fails to duly and punctually pay the rent, or to make any other payment required hereunder, when due to NELHA within the time set forth in subsection 38.A.9 hereof; or

9. TENANT fails to keep, perform and observe each and every other promise, covenant and agreement set forth in this lease, such as the payment of rent, fees, or charges, on its part to be kept, performed or observed, and the failure continues for a period of more than twenty (20) days after delivery by NELHA of a written notice of such breach or default by personal service, registered mail or certified mail to TENANT, provided that where fulfillment of its obligation requires activity over a period of time, TENANT shall have commenced in good faith to perform whatever may be required for fulfillment within ten (10) days after receipt of said notice and continues such performance without interruption except for causes beyond its control. NELHA may terminate this lease without prejudice to any other remedy or right of action for arrears of

rent or for any preceding or other breach of lease; and in the event of such termination, all leasehold improvements on the premises shall remain and become the property of NELHA.

B. Prior Events. If any of the events enumerated in Section 38.A hereof shall occur prior to the commencement of the letting, TENANT shall not be entitled to enter into possession of the premises, and NELHA, upon the occurrence of any such event, or at any time thereafter, during the continuance thereof, by twenty-four (24) hours' notice, may cancel the interest of TENANT under this lease. The cancellation will be effective upon the date specified in the notice.

C. Right of Re-Entry. NELHA shall, as an additional remedy upon the giving of notice of termination as provided in Section 38.A hereof, have the right and option to re-enter said premises and every part thereof upon the effective date of termination without further notice of any kind, and may regain and resume possession either with or without the institution of summary or any other legal proceedings or otherwise. Any re-entry or regaining or resumption of possession pursuant to this section, however, shall not in any manner affect, alter or diminish any of the obligations of TENANT under this lease, and shall in no event constitute an acceptance of surrender.

39. Acceptance of Fees Not a Waiver. The acceptance of any fees under this Agreement by NELHA shall not be deemed a waiver of any breach by TENANT of any term, covenant or condition of this Agreement, nor of NELHA's right to declare and enforce a forfeiture for any such breach. The failure of NELHA to insist upon strict performance of any such term, covenant or condition, or to exercise any option herein conferred, in any one or more instances shall not be construed as a waiver or relinquishment of any such term, covenant, condition or option.

40. Liens.

A. NELHA's Lien. NELHA shall have a lien upon all trade fixtures, furniture and office equipment of TENANT upon the premises to the extent permitted by law for the purpose of securing NELHA for the payment of all sums which may be due from TENANT under this lease. Warehoused goods may not be removed prior to settlement of monetary obligations owed by TENANT to NELHA. In the event that overdue rent, fees, or charges are not paid by TENANT within sixty (60) days after notice of default given by NELHA, NELHA may take possession of any and all property of TENANT as may be sufficient to pay such rent, fees or charges. A sale

under this lien may be made either publicly or privately, upon the notice given to TENANT as herein provided.

B. Other Liens Prohibited. TENANT shall not commit or suffer any act or neglect whereby the premises, including improvements of TENANT thereupon or therein, or the estate of TENANT in the same, at any time during the term of this lease shall become subject to any attachment, lien, charge or encumbrance whatsoever, and shall indemnify and hold harmless NELHA against all liens, charges and encumbrances and all expenses resulting therefrom, including reasonable attorneys' fees. It is expressly understood that TENANT shall have no authority, expressed or implied, to create any lien, charge or encumbrance upon the said premises, or any portion thereof.

41. Notices. NELHA may give notice or deliver any document hereunder to TENANT by mailing the same by registered mail addressed to TENANT's address above or by delivering the same in person to any officer of TENANT. TENANT may give any notice or deliver any document hereunder to NELHA by mailing the same by registered mail addressed to NELHA's address above or by delivering the same to NELHA in person. For the purpose of this paragraph, either party may change its address by written notice to the other. In case of any notice or document delivered by registered mail, the same shall be deemed delivered when deposited in any United States post office, properly addressed as herein provided, with postage fully prepaid.

42. Governmental Permits. TENANT shall comply with all applicable federal, state and county permitting requirements including those relating to shoreline management area, shoreline setback requirements, state conservation district requirements, subdivision permits and building standards. NELHA does not warrant or guarantee that the applicable federal, state or county authority will permit the construction or installation of improvements that may be required by TENANT. All costs associated with obtaining the building and other permits or approvals shall be borne by TENANT.

43. Archaeological Sites. In the event any unanticipated sites or remains such as shell, bone, charcoal deposits, human burials, rock or coral alignments, pavings or walls are found on the premises, TENANT and TENANT's agents, employees and representatives shall immediately stop all land utilization and work and contact the Historic Preservation Office in compliance with Chapter 6E, Hawaii Revised Statutes.

44. Environmental Regulations. TENANT shall comply with all applicable federal, state and county environmental impact regulations, including but not limited to Chapter 343, Hawaii Revised Statutes, as amended, and regulations governing historic preservation.

TENANT shall also comply with NELHA's Aquatic Species Health Management Program, as may be amended from time to time in NELHA's sole and absolute discretion. The current version of NELHA's Aquatic Species Health Management Program is attached hereto as Exhibit "D" and incorporated herein by this reference. A violation of NELHA's Aquatic Species Health Management Program shall be deemed a material default under this Agreement, and NELHA may, in its sole and absolute discretion elect to terminate this Agreement.

45. Devolution of Covenants. The covenants, terms and conditions of this lease shall be binding upon the successors and permitted assignees of the parties hereto.

46. Assignment and Subletting. TENANT shall not mortgage, hypothecate or otherwise encumber or assign the rights herein created, nor shall TENANT sublet or sublease the premises in whole or in part without the prior consent of NELHA. Any attempted assignment, mortgaging, hypothecation or encumbering of the rights, or any subletting or subleasing of the whole or any part of the premises, or other violations of the provisions of this section shall be null and void and shall confer no right, title or interest in or to this lease, or right of occupancy of the whole or any portion of the premises, upon such assignee, mortgagee, encumbrancer, pledgee or other lienholder, subtenant, successor or purchaser.

47. Force Majeure. NELHA shall not be liable for any failure, delay or interruption in performing its obligations hereunder due to causes or conditions beyond its control, including, but not limited to, fires, flooding, acts of God, strikes, boycotts, picketing, work slowdowns, work stoppages, or labor troubles of any other type (whether affecting NELHA, its contractors or subcontractors).

NELHA shall be under no obligation to supply any service or services if, and to the extent and during any period that the supplying of any such service or services, the use of any component necessary therefor shall be prohibited by any federal, state, or municipal law, rule, regulation, requirement, order or direction, and if NELHA deems it in the public interest to

comply therewith, even though such law, rule, regulation, requirement, order or direction may not be mandatory on NELHA as a public agency.

No abatement, diminution or reduction of the rent or other charges payable by TENANT shall be claimed by or allowed to TENANT for any inconvenience, interruption, cessation or loss of business or other loss caused, directly or indirectly, by any present or future law, rule, requirement, order, direction, ordinance or regulation of the United States of America, or of the state, county or municipal governments, or of any other municipal, governmental or lawful authority whatsoever; or by priorities, rationing, or curtailment of labor or materials, or by war or any matter or thing resulting therefrom, or by any other cause or causes beyond the control of NELHA, nor shall this lease be affected by any such causes.

Nothing in this section contained shall preclude nor be construed to preclude the enforcement by TENANT of any of its rights contained in Sections 34 hereof.

48. Amendments. This lease shall not be amended in its terms by any oral agreement or representation, or otherwise except by an instrument in writing of subsequent date hereto executed by both parties by their respective officers or other persons duly authorized.

49. Nonliability of Individuals. Neither the Director of the Department of Business, Economic Development, and Tourism, his designated representative, the Executive Director of NELHA or any such governmental agency of the State as may succeed to the duties, powers, or functions of such Division, nor any agent, officer, or employee of such agencies, shall be charged personally by TENANT with any liability, or be held liable to TENANT under any term or provision of this lease, or because of its execution or attempted execution, or because of any breach, or attempted or alleged breach, thereof.

50. Accord and Satisfaction. No payment by TENANT or receipt by NELHA of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and NELHA may accept such check or payment without prejudice to NELHA's right to recover the balance of such rent or pursue any other remedy provided in this Agreement.

51. Entire Agreement. This Agreement and the Exhibits attached hereto and forming a part hereof set forth all the covenants, promises, agreements, conditions and understandings between NELHA and TENANT concerning the premises, and there are no covenants, promises, agreements, conditions or understandings between them other than what is set forth herein. Unless otherwise provided for herein, no subsequent alteration, amendment, change or addition to this Agreement shall be binding upon NELHA or TENANT unless reduced to writing and signed by all parties.
52. Governing Law. This Agreement shall be construed, interpreted, and governed by the laws of the State of Hawaii.
53. Exhibits - Incorporated in Agreement. All exhibits referred to are attached to this Agreement and hereby are deemed incorporated by reference.
54. Partial Invalidity. If any term, provision, covenant, or condition of this Agreement should be held to be invalid, void, or unenforceable, the remainder of this Agreement shall continue in full force and effect and shall in no way be affected, impaired, or invalidated thereby.
55. Time is of the Essence. Time is of the essence in the performance of each and every provision of this Agreement.
56. Headings. The article and paragraph headings herein are inserted only for convenience and reference and shall in no way define, describe or limit the scope or intent of any provision of this Agreement.
57. Extension of Time. Notwithstanding any provision contained herein to the contrary, wherever applicable, NELHA may for good cause shown, allow additional time beyond the time or times specified herein to TENANT, in which to comply, observe and perform any of the terms, condition and covenants contained herein.

58. No Warranties. TENANT agrees that the facilities covered by this Agreement are provided “AS IS” and “WITH ALL FAULTS.” TENANT acknowledges that no warranties of fitness or merchantability for any particular purpose are to be implied in this transaction.

59. Reserved.

60. Agreement subject to master lease. This lease is subject to the terms and conditions of the master lease S-5619 between the Board of Land and Natural Resources of the State of Hawaii and NELHA, copies of which are attached hereto as Exhibit “E.” Any conflicts between the provisions of this lease and the forgoing master lease shall be resolved in favor of the master lease.

DEFINITIONS

61. The use of any gender shall include all genders, and if there is more than one TENANT, then all words used in the singular shall extend to and include the plural.

62. As used herein, unless clearly repugnant to the context:

(a) “County” means the County of Hawaii and any governmental agencies or authorities thereof.

(b) “TENANT” means and includes the tenant, its officers, employees, invitees, successors or permitted assigns.

(c) “Holder of a security interest” means any person who is the owner or possessor of a security interest in the subject land and who has filed with the Natural Energy Laboratory of Hawaii Authority and with the Bureau of Conveyances of the State of Hawaii a copy of such interest.

(d) “Premises” means the subleased land and all buildings and improvements now or hereinafter constructed and installed on the subject land.

- (e) "Common area property" means those areas of NELHA property not leased to a tenant, such as utility corridors and common roadways.

- (f) "Improved land" is defined as land that has been leveled or filled to allow the construction of tenant facilities. The installation of utilities into the property is not a requirement to categorize the property as improved.

- (g) "Unimproved land" is defined as land that has not been leveled or filled to allow the construction of tenant facilities. The installation of utilities to the boundary of the property alone does not categorize the property as improved.

- (h) "Upstream" means the direction towards NELHA supply source when describing NELHA seawater and potable water supply systems.

- (i) "Downstream" means the direction away from NELHA supply source and/or towards the tenant's property when describing NELHA seawater and potable water supply systems.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

NATURAL ENERGY LABORATORY OF
HAWAII AUTHORITY

By _____

GREGORY P. BARBOUR

Its Executive Director

Date: _____

APPROVED AS TO FORM:

Deputy Attorney General

Date: _____

KONA LIMU CO.

By _____

NEIL ANTHONY SIMS

Its CEO

Date: _____

FACILITIES USE FEES

Keahole Point Facility

A. FIXED FEES	RENTAL RATE <u>\$/acre/month</u>	QUANTITY	MONTHLY AMOUNT	YEARLY AMOUNT
Unimproved/Improved land	\$503.63	2	\$1,007.26	\$12,087.12
TOTAL FIXED FEE (A)			\$1,007.26	\$12,087.12
B. ESTIMATED VARIABLE CHARGES	USE RATES <u>\$/Kgal</u>	ESTIMATED QTY./MO.	ESTIMATED \$AMOUNT/MO.	ESTIMATED \$AMOUNT/YR.
1. Water				
a. Surface seawater/Deep seawater				
Research / Aquaculture	\$0.2000	24,000	\$4,800.00	\$57,600.00
c. Freshwater	\$5.0000	small		
SUBTOTAL WATER CHARGES			\$4,800.00	\$57,600.00
SUBTOTAL OTHER VARIABLES			\$0.00	\$0.00
TOTAL VARIABLE CHARGES (B)			\$4,800.00	\$57,600.00
C. ADJUSTMENTS				
D. GRAND TOTALS			\$5,807.26	\$69,687.12
E. OTHER FEES (separate checks required)				
1. Security Deposit (<i>Two months rent</i>)				\$2,014.52

NELHA rates are subject to change

Makako Bay Drive

Kona Limu Co

Gross: 3.955 Ac

Net: 2.000 Ac

125' Shoreline Setback

40' Shoreline Setback

Certified Shoreline

Natural Energy Laboratory of Hawaii Authority

HOST Park - Kona Limu Company

March 2024

ATTACHMENT 4: RAC Evaluation

Date: 3 April 2024

To: Chair, NELHA Board of Directors

From: Alan C. Hilton, NELHA Research Advisory Committee (RAC) Chair

Re: RAC Evaluation for approval of project proposal from Kona Limu Company (KLC).

NELHA staff have reviewed a request for approval to expand a technical pilot scale operation from the research campus to a 2-acre facility in the HOST park, with the goal of commercial production of local seaweed, including multiple limu species such as: Kona Seagrapes (*Caulerpa*), Red Sea Kale (*Halymenia*), Ogo (*Gracilaria*), and Sea Lettuce (*Ulva*). The company, Kona Limu Co. (KLC), has conducted successful R&D efforts in Ocean Era's makai research campus space. The expanded project would be directed towards establishing marketable products from these seaweed stocks for local consumption in Hawaii, and possibly extending to markets in continental USA and Asia, over the course of the proposed plan for a five-year commercialization project. KLC is currently operating as a DBA of Ocean Era, but with this approval to expand, KLC would likely migrate to separate legal entity as a wholly owned subsidiary of Ocean Era.

Summary of RAC member inputs:

A RAC review of KLC's proposal and the NELHA staff recommendation was requested by the NELHA ED on March 1st, 2024, anticipating it would be reviewed at the BoD meeting previously scheduled for March 19th. As the BoD meeting has since been delayed until April 9th, the RAC members received some additional time to complete their review. Eight current RAC members have responded (including our two newest members who were confirmed at the last meeting of the BoD), with their various inputs summarized below:

The NELHA staff recommendation, supporting approval of KLC's plan for a 5-year commercialization project on the 2-acre site in the HOST Park, is consistently supported by all responding RAC reviewers. In agreement with NELHA staff, RAC reviewers found that project is well aligned with the NELHA mission and appropriate use categories, leveraging R&D successes to date, and notably, taking account of local cultural interests for such a project, through consultations with local community organizations and individuals with knowledge of traditional limu harvesting and stewardship practices, along with modern approaches to maintaining and promoting limu as a viable local resource benefitting the cultural and economic well-being of local communities in Hawai'i.

Additional positive comments from RAC members about the project include the following:

>>> I strongly support this well thought out and documented proposal. Kona Limu Company has an excellent chance of success. It has already successfully grown seaweed and sold it commercially in KTA (who would happily buy more if more could be produced). The native seaweed does not need an import permit and is a well-recognized and loved product in Hawaii. Growing it in tanks reduces the pressure on over-harvesting of species in the wild. This both supports the native culture and preserves the precious Hawaiian environment.

>>> I fully support the Kona Limu Co project. Neil Sims has been working with local macro-algae for years and has a good R&D track record. Also, the project is in line with HDOA's [Hawaii Department of Agriculture] focus on restorative aquaculture.

>>> This project has no significant downsides. It is modest in scale, falls directly in line with NELHA's mandate, has an excellent chance of success and provides good jobs for local people. The future of limu in Hawaii as a nutritious source of food can only grow. The ability to move offshore in the future is exciting, giving the company the potential to be a player on the world stage in coming years.

>>> This is an interesting proposal and is presented by an experienced (and successful) aquaculturalist who has long and broad experience dealing with aquaculture issues here in Hawaii. Clearly, there are a number of positive aspects to the proposal: an existing local market that is already receptive to the product being generated, a modest footprint, a seawater demand that can be met within current capacity, etc.

>>> It is an expansion of an existing R&D project into an early commercial phase. The innovation will be in the business operations with technical innovation adapting to the market requirements.

>>> The project documents reviewed indicate that multiple conversations regarding cultural practices have been conducted.

>>> It is notable to see that consultations are being made between KLC project personnel and Kua'āina Ulu 'Auamo – KUA [the former Hawai'i Community Stewardship Network (HCSN)] – serving our local communities as an organization dedicated to improving the quality of community life through active stewardship of the biocultural (natural and cultural) heritage of Hawai'i, and by supporting the abundant and healthy ecological systems in Hawai'i that are vital to the well-being of our local communities.

>>> Kona Limu Co.'s intent to produce indigenous limu at the NELHA site represents a good use of available resources and a sustainable approach to food production.

>>> project has merit and the NELHA Board should grant "final approval" to Kona Limu Co.'s request for a 2-acre commercial project.

In some cases, questions raised with NELHA staff were answered in the process of RAC review (such as which KUA and Sea Grant personnel had been consulted thus far about the project). While KLC's proposal and business plan has overall RAC support for recommending approval by the NELHA Board, some comments, questions, and suggestions on particular issues were raised during the review. RAC reviewers comments included below are of this general category, and are raised here for awareness of the NELHA staff, KLC project leaders, and the NELHA Board members, for potential future review and considerations as this project moves forward from planning to execution:

>>> I have no questions or concerns about this project other than from the financial projections it looks like they hope to be up and running (selling limu) already next month (April 2024) which seems ambitious.

>>> The business plan may be in the range of reasonable to optimistic, in terms of the projected production capacities, costs, and revenues.

>>> While researchers and staff from Ocean Era have a good track record pursuing novel aquaculture objectives, I am concerned about the ceiling of the market for the species of limu that Kona Limu Co. wants to grow.

>>> The local market, as recognized by the proponent, is limited in extent and a substantial expansion of production will need to overcome some significant barriers.

>>> According to NELHA's web site (<https://nelha.hawaii.gov/our-clients/royal-hawaiian-sea-farms-inc/>), Royal Hawaiian Sea Farms, Inc. produces ogo "with sales of over two tons per week." Is Royal Hawaiian Sea Farms still in business, is it growing, and to what extent will they compete with Kona Limu Co. for the local ogo market?

>>> Having a breakdown between Hawai'i versus out-of-state ratios when it comes to sale/consumption would be very helpful. I think NELHA, if not already, should strive for a number between 50-80% of food is grown for Hawai'i consumption, with a kama'āina cost rate for Hawai'i residents.

>>> My biggest concern is about the ceiling of the market for the species of limu that Kona Limu Co. wants to grow. It would be valuable to review relevant market data available for these local limu species, and what future projections are for local limu consumption. Based on the "production economics" presented in the materials provided for review, "cash cost of production" does not reach less than \$15 /kg until production reaches more than 120 tons per year. That would require local consumption to reach 0.2 pounds *per capita*. Intuitively, I don't know if that is realistic. Clearly, there will be some limu consumption by tourists, as well as sales to the mainland and elsewhere. But I am concerned about the ceiling of the market, if the market is primarily the fresh market for direct human consumption.

>>> One of the largest expenses is electrical use: how will the HELCO's new time of day rate structure impact the anticipated cash flow (positively or negatively)?

>>> It appears that the effluent water will be discharged into a sump for disposal. Given the proximity to the shoreline of the proposed project, NELHA will need to be especially vigilant in the offshore region of this project for any impacts associated with nutrient rich water entering the water column.

>>> Are there opportunities to use nutrient rich effluent waters from other operations as a water supply (two bites at the apple to make most efficient use of the water pumped)? (My recollection is that some operations [Cyanotech?] are using the water almost strictly for temperature control without using the nutrients present in the water).

>>> The NELHA site provides access to nutrient-rich seawater and high solar insolation. These resources represent two of the three inputs limu needs to grow. The third resource is carbon (often in the form of carbon dioxide). It would be interesting to know if Kona Limu Co. anticipates carbon being a limiting resource in intensive limu production and, if yes, what strategies they envision deploying to increase carbon dioxide concentrations in their "onshore" production systems. There are nanobubble technologies which effectively enhance the mass transfer of carbon dioxide in liquid media and may represent a cost-effective strategy to increase limu production if carbon is a limiting resource. Supplying supplemental carbon for a future "offshore" production system would be more problematic.

>>> If nutrients are a limiting resource in intensive limu production, it may be possible for Kona Limu Co. to use effluent from other NELHA tenants who are producing nutrient-rich wastewater. Effluent or wastewater from shrimp ponds and tanks typically are nutrient rich (i.e. high concentrations of dissolved nitrogen and phosphorus) and could serve as an effective growth medium for limu. However, there may be logistical or other challenges transporting effluent from a nearby shrimp tank (e.g. SIS, Taylor Shellfish) to Kona Limu Co.'s "onshore" production systems. Another challenge associated with using shrimp effluent as a nutrient source for limu relates to the potential for biofouling, where limu strands can get overgrown by other marine organisms, including sponges, bryozoans, and hydrozoans.

>>> It is unclear where Kona Limu Co. will get new limu stocks from over time. Will they use vegetative propagation as the sole source of new stocks or will they attempt to create new stocks via sexual reproduction, which requires specific content expertise and technology? It may be important to note that Ānuenue Fisheries Research Center (AFRC; a facility of Hawai'i's Division of Aquatic Resources, Department of Land and Natural Resources), may receive significant federal funding to support the Living LIMU (Living Indigenous Macroalgae Unit) project. Through this project, staff at AFRC will maintain a variety of indigenous and endemic limu species and distribute limu stocks to community stakeholders interested in growing limu (see link at <https://case.house.gov/news/documentsingle.aspx?DocumentID=2336>). It is possible that Kona Limu Co. can obtain new limu stocks from AFRC in the future, if they need to replenish their existing stocks.

>>> Limu has a special place in Hawaiian culture, as a source of food and medicine and for ceremonial use. In fact, former Governor Ige proclaimed 2022 as the Year of the Limu. Because of limu's cultural significance in Hawaii, and in light of NELHA's interest in protecting and preserving native Hawaiian culture, history, and resources, it might be a good idea for Kona Limu Co. to donate a small portion of their limu production to local limu hui (see <https://kuhawaii.org/limu-hui/>). These hui outplant limu into nearshore waters in an attempt to replenish wild populations for local limu "pickers" and to provide a variety of ecosystem services (e.g. take up nutrients, sequester carbon, serve as food for honu, etc.). This small donation could go a long way in helping secure native Hawaiian support for both NELHA and Kona Limu Co., and for helping protect native limu species and other nearshore marine resources.

Recommendations:

RAC reviewers support the NELHA staff recommendation for approval of the Kona Limu Co. proposal and business plan, through the request to lease the 2-acre parcel at NELHA. Continued due diligence by NELHA staff, in cooperation with KLC staff, should be consistently applied for any challenges or issues that may come up in the course of executing this promising project, as it advances towards its goals for commercial and cultural success for cultivating limu and related products here in Hawai'i.

Item 5.

New Business

- b. Approval and Decision Making for the Assignment of a Portion of Sublease K-32 from Shrimp Improvement Systems Hawaii LLC to Jamestown Point Whitney Venture, LLC.

Agenda Item 5.b.

**Assignment of a Portion of Sublease No. K-32 from Shrimp Improvement Systems Hawaii LLC to Jamestown Point Whitney Venture, LLC
Request Submitted to NELHA on October 19, 2024**

DATE: November 19, 2024

A. SUMMARY AND REQUEST

Shrimp Improvement Systems Hawaii LLC (SIS) desires to sell the portion of their current facility corresponding to the “old” High Health Aquaculture facility and assign it to Jamestown Point Whitney Venture, LLC (JPWV). This agenda item requests NELHA Board approval for this transaction. Request is provided in Attachment 1.

B. BACKGROUND

SIS Sublease No. K-32 Lease Specifics (see Attachment 2 for location):

<i>LEASE TYPE</i>	Sublease
<i>LESSEE</i>	Shrimp Improvement Systems Hawaii LLC (SIS)
<i>LEASE NUMBER</i>	K-32
<i>SUPPLEMENTAL</i>	Supplemental Agreement No. 1 dated 3/17/2023 addresses the first rent reopening.
<i>ACREAGE</i>	10.877 acres
<i>SUBLEASE TERM</i>	30 years starting January 18, 2013, through January 17, 2043.
<i>PROJECT DESCRIPTION</i>	SPF shrimp
<i>RENTAL FEES</i>	Original fee was \$570.31/acre/month. Current fee is \$736.60/acre/month. Percentage Rent is 2% of gross receipts.
<i>REOPENING</i>	Every 10 th year.
<i>NEXT REOPENING DATE</i>	01/18/2033.
<i>ASSIGNMENT HISTORY</i>	Land was assigned from Pacific Aquaculture and Biotechnology LLC in 2013. Due to complexity (3 separate sites), a new sublease was executed.

Sublease No. K-27 Lease Specifics (see Attachment 2 for location):

<i>LEASE TYPE</i>	Sublease
<i>LESSEE</i>	Jamestown Point Whitney Venture, LLC
<i>LEASE NUMBER</i>	K-27
<i>SUPPLEMENTAL</i>	<p>Supplemental Agreement No. 5 dated 2/20/2018 reflected the assignment from Marine Aqua LLC to Jamestown Point Whitney Venture LLC and added annual CPI adjustments.</p> <p>Supplemental Agreement No. 4 dated 12/15/2014 reflected the name change from Troutlodge Marine Farms Kona LLC to Marine Aqua, LLC.</p> <p>Supplemental Agreement No. 3 dated 3/4/2013 reduced the net acreage leased from 3.215 to 1.068 acres.</p> <p>Supplemental Agreement No. 2 dated 11/20/2009 reduced the net acreage leased from 10.367 to 3.215 acres.</p> <p>Supplemental Agreement No. 1 dated 11/07/2008 reflected the change of name of the sublessee from Unlimited Aquaculture LLC to Troutlodge Marine Farms Kona LLC.</p>
<i>ACREAGE</i>	Initially 12.746 acres gross/ 10.367 acres net. Reduced to 1.068 acres net through supplemental agreements.
<i>SUBLEASE TERM</i>	30 years starting July 1 st , 2007 through May 31 st , 2037
<i>PROJECT DESCRIPTION</i>	Initially, sablefish, moi and oyster hatchery and production. Currently oyster and clam hatchery.
<i>RENTAL FEES</i>	Initially \$500/acre/month. Currently, \$700.82/acre/month. Percentage Rent is 2% of gross receipts.
<i>REOPENING</i>	Every 5 years.
<i>NEXT REOPENING DATE</i>	7/1/27
<i>ASSIGNMENT HISTORY</i>	<p>The original sublessee changed its name from Unlimited Aquaculture LLC to Troutlodge Marine Farms Kona LLC in 2008.</p> <p>Troutlodge Marine Farms Kona LLC assigned its interest in the sublease to Marine Aqua LLC in 2014.</p> <p>Marine Aqua LLC assigned its interest in the sublease to Jamestown Point Whitney LLC in 2017.</p>
<i>MORTGAGE HISTORY</i>	Consent to mortgage was given in 2008 for

	\$569,260. The sublease is not currently subject to a mortgage.
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C. DISCUSSION

SIS occupies three separate locations at HOST Park covering a total of 10.877 acres. One of the locations is the site of the original High Health Aquaculture (HHA) SPF shrimp production facility at the north end of the park. SIS consolidated operations over a year ago and as a result, has not had any activity at the old HHA site since that time. JPWV, a neighbor of SIS at this site, is interested in acquiring the assets on that site to expand their current activities. SIS and JPWV facility locations are illustrated in Attachment 2.

JPWV currently leases 1.068 acres and is a neighbor to the SIS’s north property of 2.27 acres. JPWV has completed significant electrical and other improvements on their existing property and needs more space to expand their oyster and clam rearing activities. Acquiring the old HHA property will allow JPWV to meet their goals as outlined in an update on their business plan document provided in Attachment 3.

There are no substantial changes in either of the SIS or JPWV land uses or business plans, therefore a RAC review was not necessary. JPWV plans to develop the lot adjacent to their existing property to produce microalgae to serve as feed for their shellfish.

NELHA implemented an additional section regarding impact on cultural practices to its proposal review process in January 2024. This section examines the extent to which cultural practices will be affected by or impaired by the proposed project. This project is on an existing graded and fenced space and does not reduce access to the shoreline. There are no archaeological features on this property that require special attention.

JPWV is majority owned and managed by the Jamestown S’Klallam tribe from the State of Washington. They do everything with 7 future generations in mind. As such we believe this group is aligned with native Hawaiian cultural values.

JPWV is very active with respect to community outreach. Most recently, they spearheaded the Pacific Coast Shellfish Growers Association effort at NELHA’s 50th anniversary open event on October 19th. JPWV provided significant resources to showcase Hawaii Island shellfish growers. This included showcasing oyster/clam seed, educate and provide 3 types of oysters and clams for the the community to taste. The display and offerings by this group which included Taylor Shellfish, Pacific Hybreed, JPWV (all at HOST Park) and Hawaiian Shellfish LLC from Kea’au, East Hawaii Island, were a big success with the community.

There are no new biosecurity issues as JPWV is already in operation in the area and has the same neighbors as SIS. Staff has reached out to and received feedback from Taylor (no concerns) and Indo Pacific Farms (concerns with disposal amounts and methods that Jamestown understands and is willing to continue addressing in the future).

JPWV is fully aware of the NELHA water quality issues as they are a part of the larval group that meets on a regular basis since 2023. JPWV stated at an October 17 larval group meeting that they had a great larval run in May, but bad runs in June and July. It is NELHA staff understanding that other locations in the world are also susceptible to issues and that many of the companies hedge their bets by having facilities both in Hawaii and on the west coast.

A draft Asset Purchase Agreement along with information on improvements, trade fixtures and consideration for the purchase was provided, and it has been determined that no premium would be owed to DLNR in accordance with DLNR's Assignment of Lease Evaluation Policy. The next step after NELHA Board approval is to request BLNR approval and Buyer/Seller have provided the DLNR application for NELHA to submit on their behalf. Based on the information provided, no premium would be due.

Of note, DLNR and NELHA are currently revisiting the consent to assignment and mortgage obligations. In 2006, BLNR waived the requirement to obtain prior BLNR approval before entering into subleases at HOST Park but consents to assign or mortgage were still required and remained in the sublease boiler plate. There have been consistent delays on getting these BLNR consents. DLNR and NELHA staff are currently evaluating the possibilities of waiving the obligation to request consent for assignments in general and what will be required to do so.

Documents relating to the assignment (Supplemental Agreement No.2 for SIS Sublease No. K-32, Supplemental Agreement No. 6 for JPWV Sublease No. K27, and Consent to Assignment) have been reviewed and generally agreed upon by all parties. However, non-substantive language changes were requested and are currently under review by NELHA AG.

Both subleases are already generally aligned with boiler plate. The biggest impact to NELHA regarding the purchase is a net decrease in rent of approximately \$80 per month due to a difference in lease rents associated with the fact that one of the subleases is a bit older than the other.

Both SIS and JPWV are in good standing with NELHA.

C. NELHA STAFF RECOMMENDATION

Staff recommends that the NELHA Board grant approval to the assignment of 2.27 acres currently under SIS Sublease No. K-32 to JPWV and add that space to Sublease No. K-27 as described in this summary and execute the necessary documents to complete the transfer. NELHA staff will work with NELHA AG as well as SIS and JPWV attorneys to finalize and execute the documents to reflect the assignment.

ATTACHMENT 1: SIS Letter Requesting Assignment



**Shrimp
Improvement Systems**
Hawaii LLC

August 30, 2024

Laurence Sombardier
Deputy Director
Interim Executive Director
Natural Energy Laboratory of Hawaii Authority (NELHA)

Dear Ms. Sombardier,

I hope this letter finds you well. I am writing on behalf of Shrimp Improvement Systems (SIS) to formally request the consent of the Natural Energy Laboratory of Hawaii Authority (NELHA) for the assignment of our lease to Jamestown Seafood.

After careful consideration, SIS has decided to consolidate our operations and no longer requires the facility located at the former HHA site (High Health Aquaculture) TMK: 3-7-3-043-068-0000-003, 3-7-3-043-069-0000-003, 3-7-3-043-070-0000-003

We have determined that we can efficiently fulfill our production requirements using the other leases we currently hold. This strategic decision allows us to optimize our resources and focus on enhancing the productivity and sustainability of our remaining operations.

To this end, SIS has entered into an agreement to sell the former HHA facility to Jamestown Seafood. We believe Jamestown Seafood, with its strong commitment to sustainable aquaculture practices, is an ideal candidate to take over the facility and further develop its potential. Their proposed business plan includes significant investments in infrastructure and innovation, which align well with NELHA's mission to support sustainable economic development in Hawaii.

As outlined in paragraph 29 of the sublease K-32, SIS will serve as the assignor for this transaction. We understand that both NELHA Board and Department of Land and Natural Resources (DLNR) Board approvals are necessary to complete the assignment. We are prepared to provide all necessary documentation, including the draft sales/purchase agreement, Jamestown Seafood's business plan for the property, and the completed DLNR application for assignment.

We are targeting the October 15 NELHA Board meeting for this request and will ensure all required materials are submitted by the deadline of September 18.

We kindly ask for your consideration and support in approving this lease assignment. Should you require any additional information or have any questions, please do not hesitate to contact us.

Thank you for your attention to this matter.

Sincerely,

CEO/President
Shrimp Improvement Systems (SIS)

73-4460 Queen Kaahumanu Highway #108, Kailua-Kona, Hawaii 96740
Phone 808 334 9737

ATTACHMENT 2: LOCATION MAP

Google Earth Overview of locations of interest

Image 1: JPWV property (yellow) and 2.27 acres SIS property to be transferred (red).



Image 2: Remaining SIS property after transfer (red).



ATTACHMENT 3: JAMESTOWN BUSINESS PLAN UPDATE (Confidential)

ATTACHMENT 4: DRAFT AGREEMENTS

Draft Supplemental No.2 to remove 2.27 acres from SIS Sublease No. K-32 (to be finalized)

Draft Supplemental No. 6 to add 2.27 acres to JPWV Sublease No. K27 (to be finalized)

Draft Consent to Assignment (to be finalized)

NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

**SHRIMP IMPROVEMENT SYSTEMS LLC
SUPPLEMENTAL AGREEMENT NO. 2
TO MODIFY SUBLEASE NO. K-32
DATED February 27, 2013**

THIS SUPPLEMENTAL AGREEMENT NO. 2, is dated _____ but will not be effective until _____ ("Effective Date") and made by and between the NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY, STATE OF HAWAII , hereinafter referred to as "Sublessor," and **SHRIMP IMPROVEMENT SYSTEMS HAWAII LLC, a Hawaii limited liability company**, whose business and post office address is **73-4460 Queen Ka'ahumanu Hwy., #108, Kailua-Kona, Hawaii 96740**, hereinafter referred to as "Sublessee";

WITNESSETH:

WHEREAS, SHRIMP IMPROVEMENT SYSTEMS HAWAII LLC, a Hawaii limited liability company, as Sublessee, entered into that certain unrecorded SUBLEASE No. K-32 dated February 27, 2013, but effective as of January 18, 2013, as amended by Supplemental No. 1 dated March 17, 2023 ("Sublease K-32"), with the NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY, a body corporate and politic and an instrumentality and agency of the State of Hawaii organized pursuant to Hawaii Revised Statutes, Chapter 227D (as amended) as Sublessor, covering 10.877 acres of land at Kalaoa 1st to 4th and Ooma 1st, North Kona, Island of Hawaii, County and State of Hawaii, herein referred to as the "Primary Agreement"; and

WHEREAS, the parties hereto desire, among other things, to modify sections of the Primary Agreement, and specifically to relinquish all of Sublessee's right, interest and obligations in and to 2.27 acres of land identified in Sublease K-32 as Parcels A-1, A-2 and A-3,

SA-2 to modify Sublease K-32 dated February 27, 2013 for Shrimp Improvement Systems, LLC

described in Exhibit "B" and shown on Exhibit "C" to the Sublease (the "Removed Premises"), to JAMESTOWN POINT WHITNEY VENTURE, LLC, a Washington limited liability company, add the Removed Premises to SUBLEASE No. K-27 dated June 29, 2007, as amended ("Sublease K-27"), and adjust the corresponding rental fee charged to Sublessee under Sublease K-32; and

WHEREAS, Sublessee has agreed to assign to JAMESTOWN POINT WHITNEY VENTURE, LLC, a Washington limited liability company ("Assignee"), and Assignee has agreed to assume, all of Sublessee's interest in the Additional Premises and the improvements and personal property located thereon as of the Effective Date (the "Transaction"); and

WHEREAS, the Transaction will be effectuated by the execution and delivery, effective as of the Effective Date and with the consent and approval of Sublessor, of (a) this Supplemental Agreement No. 2, amending the Primary Agreement to remove the Additional Premises from the demised premises thereunder; and (b) a supplemental agreement to Sublease K-27 to amend the Sublease K-27 to add the Additional Premises to the demised premises thereunder;

NOW, THEREFORE, IT IS MUTUALLY UNDERSTOOD AND AGREED that the sublease premises identification and sublease paragraph 1.a and replacing Exhibits "B" and "C" of the Primary Agreement are hereby modified, amended and changed by deleting the words enclosed in brackets, and adding the words in underlined boldface text to read as follows:

1. Subleased Premises. The paragraph on page 2 of the Primary Agreement describing the subleased premises is hereby amended and restated as follows:

“Lease Parcel[s] [A-1, A-2, A-3 and] **A** being a portion of the NELHA site at Kalaoa 1st to 4th and Ooma 1st, North Kona, Island of Hawaii, County and State of Hawaii, as more

particularly described in Exhibit “B1” and as shown on the map marked Exhibit “C1,” hereto attached and made a part hereof for the only purposes and uses specified in the Sublessee’s project proposal attached hereto as Exhibit “A” (hereinafter “permitted uses”).

2. Rental Fees. Section 1.a. of the Primary Agreement is hereby amended and restated as follows:

1. Rental fees

In consideration of the property and services provided by the Sublessor, Sublessee agrees to pay Sublessor:

a. Fixed rental fee

Starting on the Effective Date of Supplemental Agreement No. 2, a monthly fixed rental fee, calculated at [SIX HUNDRED AND NINETY-ONE DOLLARS AND 64/100 (\$691.64)] **SEVEN HUNDRED AND THIRTY-SIX AND 60/100 DOLLARS (\$736.60)** per acre per month for improved/unimproved lands, payable in advance, without notice or demand, on the first day of each and every month. The fixed rental fee shall be based upon the entire area of the parcel, gross acreage of [10.877] **8.607** acres, as shown on the survey map attached hereto as Exhibit “C1”. Based upon the net acreage of [10.877] **8.607** acres as shown on Exhibit “C1,” Sublessee shall pay a total monthly fixed fee of [SEVEN THOUSAND FIVE HUNDRED AND TWENTY-TWO DOLLARS AND 92/100 (\$7,522.97)] **SIX THOUSAND THREE HUNDRED THIRTY-NINE AND 92/100 DOLLARS (\$6,339.92).**

The monthly rental fee shall be adjusted annually according to the published Hawaii CPI for a period of twenty (20) years following the commencement of this Sublease. In the event that the CPI declines, the rental fee shall remain the same as the previous year and shall not increase until cumulative CPI calculated as the sum of the declines plus subsequent gains become positive.”

3. Exhibits. Exhibits "B" and "C" to the Primary Agreement are hereby replaced with Exhibits "B1" and "C1", respectively, attached to this Supplemental Agreement No. 2.

IT IS FURTHER UNDERSTOOD AND AGREED that Sublessee is released from any and all responsibilities, obligations, liabilities, and claims respecting or arising under or out of the Primary Agreement for the Removed Premises upon the Effective Date.

IT IS FURTHER UNDERSTOOD AND AGREED that (a) this Supplemental Agreement shall No. 2 shall not be effective until, and the Effective Date of this Supplemental Agreement No. 2 shall be, the date on which the Transaction closes; and (b) this Supplemental Agreement No. 2 is supplemental to the Primary Agreement and all terms, conditions and provisions of the Primary Agreement, unless specifically modified, amended or changed herein, remain in full force and effect.

IT IS FURTHER UNDERSTOOD AND AGREED that this Supplemental Agreement No. 2 may be executed in counterparts, each of which shall be deemed an original, and all of which shall together constitute one and the same agreement, binding upon all of the parties hereto, notwithstanding all of the parties are not signatory to the original or same counterparts. For all purposes, duplicate unexecuted pages of the counterparts may be discarded and the remaining pages assembled as one document. Delivery of executed counterparts by telecopy, email or portable document format (PDF) shall be as effective as an original and shall constitute a representation that an original will be delivered if requested.

[Remainder of page intentionally left blank; signature page(s) follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Agreement No. 2 on the date as first written above but effective only as of the Effective Date.

NATURAL ENERGY LABORATORY
OF HAWAII AUTHORITY

BY _____
LAURENCE SOMBARDIER
Its Interim Executive Director

DATE _____

APPROVED AS TO FORM

BY _____

Deputy Attorney General

DATE _____

SHRIMP IMPROVEMENT SYSTEMS
HAWAII LLC,
a Hawaii limited liability company

BY _____
DAVID LEONG
Its President

DATE _____

*Signature page to SA-2 to modify
Sublease K-32 dated February 27, 2013 for Shrimp Improvement Systems, LLC*

Exhibit B1
Site Survey Description

Lease Parcel A

Land situated approximately 300 feet westerly of the Natural Energy Laboratory of Hawaii Authority access road, being a portion of Keahole Airport, Governor's Executive Order 3074, at Ooma 1st, North Kona, Island and County of Hawaii, State of Hawaii.

Beginning at the Southwesterly corner of Lease Parcel A, the coordinates of said point of beginning referred to Government Survey Triangulation Station "AKAHIPUU" being 10,486.57 feet South and 29,656.34 feet West and running by azimuths measured clockwise from True South:

- | | | |
|-----------------|--------|--|
| 1. 134° 30' 00" | 494.87 | feet to a point; |
| 2. 224° 30' 00" | 191.28 | feet to a point; |
| 3. 314° 30' 00" | 483.17 | feet to a point; |
| 4. 41° 00' 00" | 191.64 | feet along a gravel access road to the point of beginning and containing an area of 2.147 acres. |



KKM Surveys

Kevin McMillen

PO Box 2494
Kailua-Kona, Hawaii 96745
September 4, 2007

Kevin McMillen
Licensed Professional Land Surveyor
State of Hawaii Certificate No. LS-9040

9

Lease Parcel A Utility Easement

Land situated approximately 300 feet westerly of the Natural Energy Laboratory of Hawaii Authority access road, being a portion of Keahole Airport, Governor's Executive Order 3074, at Ooma 1st, North Kona, Island and County of Hawaii, State of Hawaii.

Beginning at the Southwesterly corner of Lease Parcel A, the coordinates of said point of beginning referred to Government Survey Triangulation Station "AKAHIPUU" being 10,486.57 feet South and 29,656.34 feet West and running by azimuths measured clockwise from True South:

- | | | | |
|----|--------------|-------|--|
| 1. | 134° 30' 00" | 15.00 | feet to a point; |
| 2. | 221° 00' 00" | 20.00 | feet along the remainder of Lease Parcel A to a point; |
| 3. | 314° 30' 00" | 15.00 | feet along the remainder of Lease Parcel A to a point; |
| 4. | 41° 00' 00" | 20.00 | feet along a gravel access road to the point of beginning and containing an area of 299 square feet. |



PO Box 2494
Kailua-Kona, Hawaii 96745
September 4, 2007

KKM Surveys

Kevin McMillen

Kevin McMillen
Licensed Professional Land Surveyor
State of Hawaii Certificate No. LS-9040

A handwritten mark or signature, possibly a stylized initial or a checkmark, located at the bottom right of the page.

RECEIVED
AUG 10 2005

**LEASE PARCEL
KONA BAY MARINE RESOURCES**

NELHA

Land situated on the Southwesterly side of the NELHA Access Road at Ooma 1st, North Kona, Island and County of Hawaii, State of Hawaii.

Being a portion of:

Natural Energy Laboratory Site; and
Government Land at Ooma 1st.

Beginning at a spike (set) at the Northernmost corner of this parcel of land, being also the Southeastery corner of Lot E of the Natural Energy Laboratory Site Subdivision and being a point on the Southwesterly side of NELHA Access Road, the coordinates of said point of beginning referred to Government Survey Triangulation Station "AKAHIPUU" being 10,164.01 feet South and 29,283.20 feet West and running by azimuths measured clockwise from True South:

1. 325° 36' 54" 284.20 feet along the Southwesterly side of NELHA Access Road to a spike (set);

Thence, for the next three (3) courses following along the remainder of Government Land (State of Hawaii):

2. 55° 41' 79.88 feet to a 1/2 inch pipe (found);

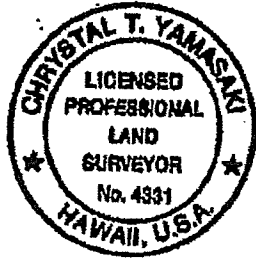
3. 322° 00' 40.54 feet to a spike (set);

4. 236° 57' 77.32 feet to a nail (set);

5. 325° 36' 54" 475.63 feet along the Southwesterly side of NELHA Access Road to a nail (set);

Thence, for the next four (4) courses following along the remainder of Government Land (State of Hawaii):

- 6. 41° 00' 391.62 feet to a nail (set);
- 7. 145° 36' 54" 472.00 feet to a spike (set);
- 8. 221° 00' 72.62 feet along Lot D of Natural Energy Laboratory Site Subdivision to a nail (set);
- 9. 131° 00' 319.32 feet along Lot D of Natural Energy Laboratory Site Subdivision to a spike (found);
- 10. 221° 00' 392.27 feet along Lot E of Natural Energy Laboratory Site Subdivision to the point of beginning and containing an area of 6.497 Acres.



WES THOMAS ASSOCIATES

Crystal Thomas Yamasaki

Crystal Thomas Yamasaki
 Licensed Professional Land Surveyor
 State of Hawaii Certificate No. LS-4331

75-5749 Kalawa Street
 Kailua-Kona, Hawaii 96740-1817
 TMK: 7-3-004: portion 042 (3rd Division)
 March 18, 2005

Handwritten mark resembling a stylized 'C' or '9'.

Exhibit C1

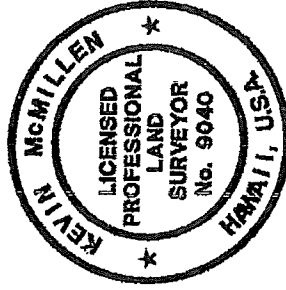
Site Survey Map

MAP OF LEASE PARCEL A
BEING A PORTION OF
EXECUTIVE ORDER 3074
NATURAL ENERGY
LABORATORY SITE
HSS PLAT 315-A (CSF 19,934)
GOVERNMENT LAND
(STATE OF HAWAII)

AT OOMA 1ST, NORTH KONA
ISLAND, COUNTY AND STATE OF HAWAII
Tax Map Key (3rd Division): T-3-43: Por. 42

Notes:

Azimuths and Coordinates are referred to Government
Survey Triangulation Station "AKAHIPIPIU" Δ



Exp. 4/30/08

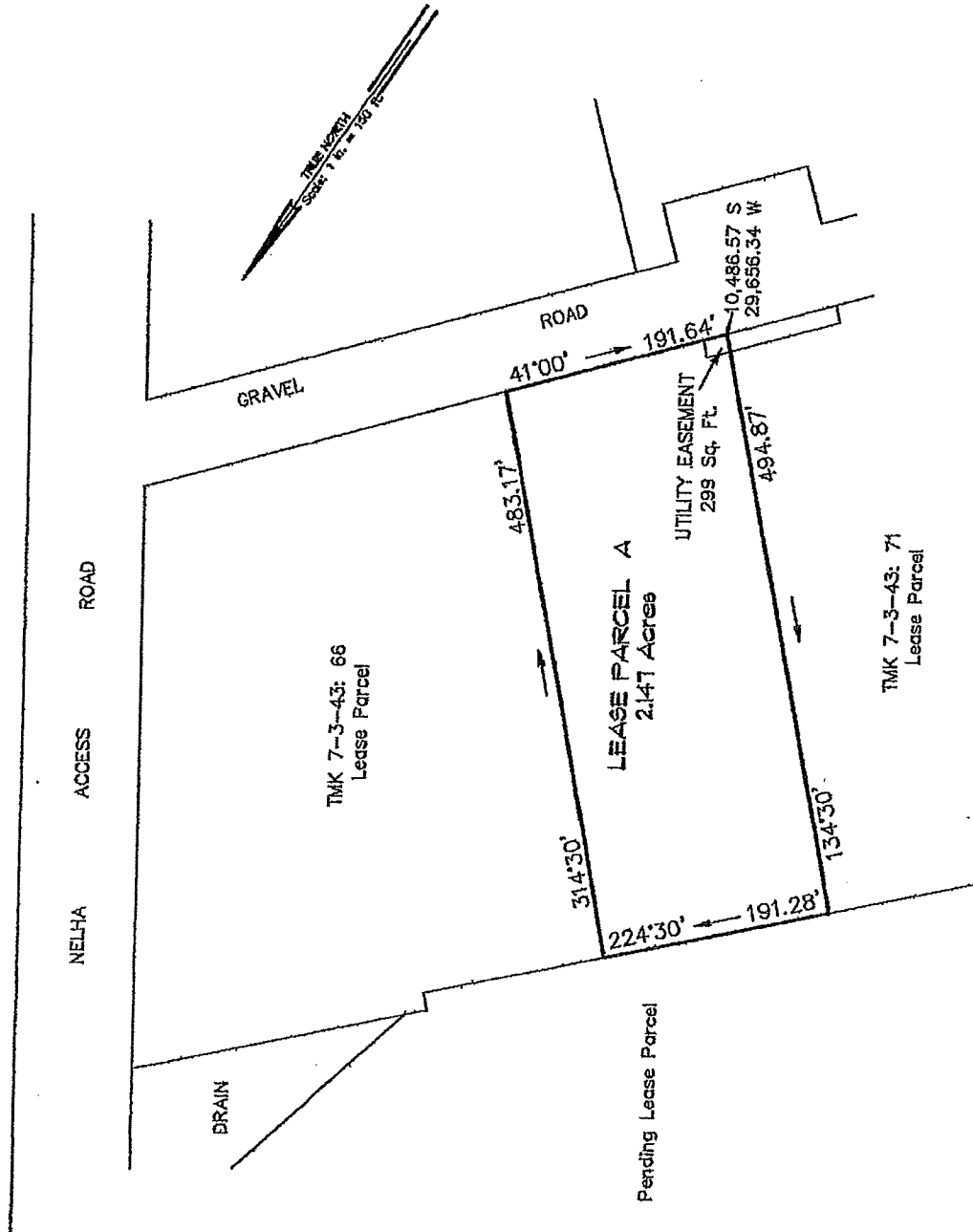
THIS WORK WAS PREPARED BY ME
OR UNDER MY SUPERVISION.

Kevin McMillen

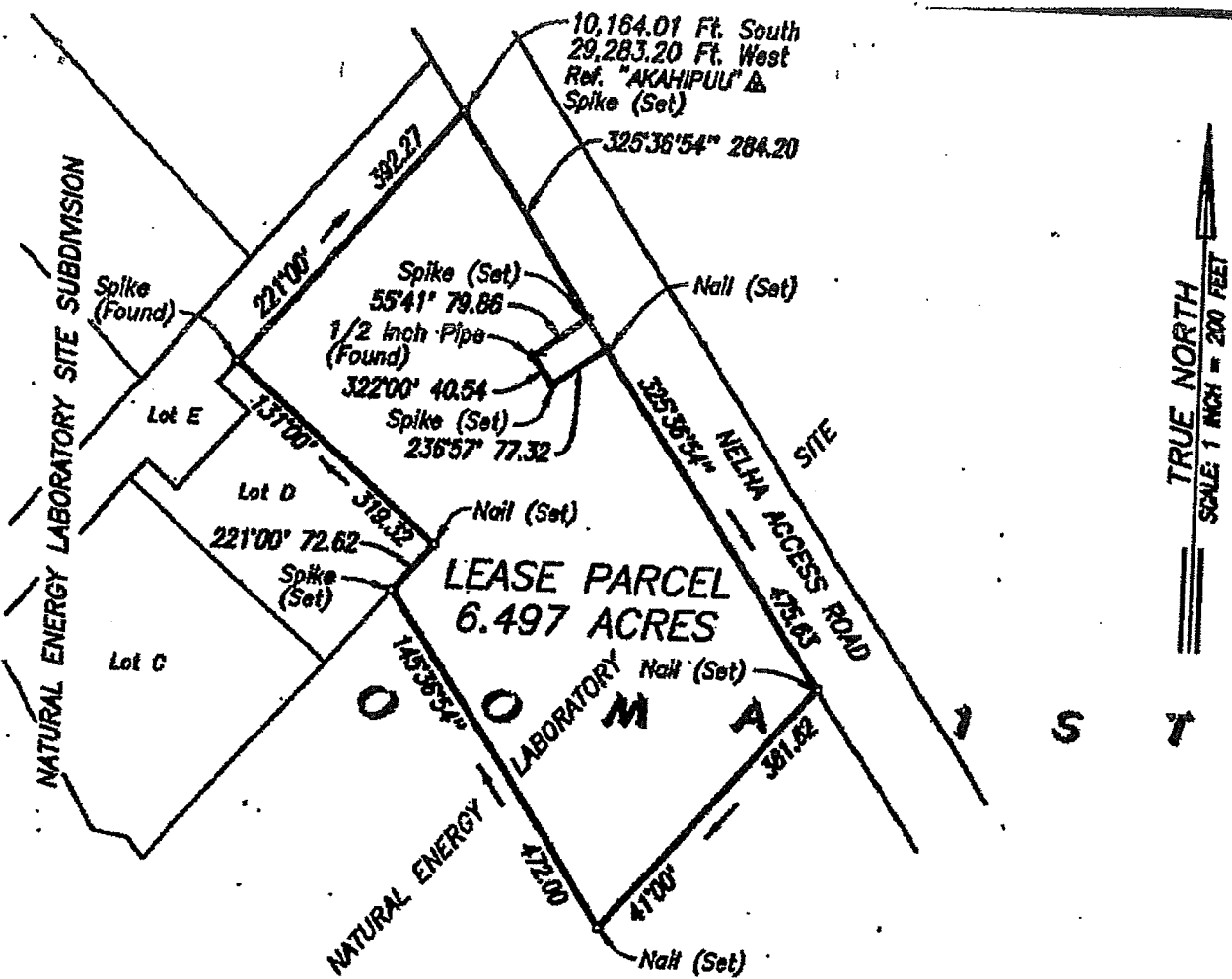
DATE: 9/14/2007

KKM SURVEYS

PO Box 2494
Kailua-Kona, Hawaii 96745
Phone (808) 325-4633 Fax (808) 334-0298



8



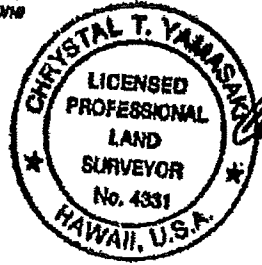
**MAP SHOWING
LEASE PARCEL**

Being a Portion of Government Land (State of Hawaii)

**At Oma 1st, North Kona,
Island and County of Hawaii, State of Hawaii**

NOTES:

1. This map was prepared from compiled record boundary information and from an actual survey on the ground done on February 23, 2005.



This map was prepared by me or under my direct supervision.
Chrystal Thomas Yamasaki
CHRISTAL THOMAS YAMASAKI
Licensed Professional Land Surveyor
State of Hawaii Certificate Number LS-4331

TAX MAP KEY: 7-3-043/POR 042 (3RD DIVISION)

PROJECT NO.: 13448.4
DATE: MARCH 18, 2005

March 18, 2005 p:\active\13000-13999\13448.4\dgn\1344841.dgn



WES THOMAS ASSOCIATES
— Land Surveyors —
75-5749 Kakaia Street
Kailua-Kona, Hawaii 96740-1817
TEL. (808) 329-2353 FAX (808) 329-5334 EMAIL: surveys@wtahawaii.com

RECEIVED
AUG 10 2005

NELHA

M

NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

**JAMESTOWN POINT WHITNEY VENTURE, LLC
SUPPLEMENTAL AGREEMENT NO. 6
TO MODIFY SUBLEASE NO. K-27
DATED June 29, 2007**

THIS SUPPLEMENTAL AGREEMENT NO. 6 is dated _____, but will not be effective until _____ (the "Effective Date") and made by and between the NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY, STATE OF HAWAII, whose business and mailing address is 73-4460 Queen Ka'ahumanu Hwy. #101, Kailua-Kona, Hawaii 96740, hereinafter referred to as "Sublessor," and **JAMESTOWN POINT WHITNEY VENTURE, LLC, a Washington limited liability company**, whose business and mailing address is 73-4460 Queen Ka'ahumanu Hwy. #116 Kailua-Kona, HI 96740, hereinafter referred to as "Sublessee";

WITNESSETH:

WHEREAS, the Sublessee, as successor in interest by mesne assignment to Unlimited Aquaculture LLC (the "Original Sublessee") currently subleases from the Sublessor certain leased land pursuant to SUBLEASE NO. K-27 dated June 29, 2007, between Sublessor and the Original Sublessee, as amended by Supplemental Agreements No. 1 through No. 5, currently covering 1.068 acres of land at Kalaoa 1st - 4th, Ooma 1st, North Kona, Island of Hawaii County and State of Hawaii ("Primary Agreement");

WHEREAS, prior to the Effective Date, SHRIMP IMPROVEMENT SYSTEMS HAWAII LLC, a Hawaii limited liability company ("Assignor"), leased from the Sublessor certain land pursuant to SUBLEASE NO. K-32 dated February 27, 2013, but effective as of January 18, 2013 ("Sublease K-32"), including approximately 2.27 acres identified as Lease Parcels A-1, A-2 and A-3, described in Exhibit "B1" and shown on Exhibit "C2" attached hereto (the "Additional Premises");

WHEREAS, Assignor has agreed to assign to Sublessee, and Sublessee has agreed to assume, Assignor's interest in the Additional Premises and the improvements and personal property located thereon effective as of the Effective Date (the "Transaction");

WHEREAS, the Transaction will be effectuated by the execution and delivery, effective as of the Effective Date and with the consent and approval of Sublessor, of (a) a supplemental agreement to Sublease No. K-32, amending Sublease No. K-32 to remove the Additional Premises from the premises demised thereunder; and (b) this Supplemental Agreement No. 6, amending the Primary Agreement to add the Additional Premises to the premises demised thereunder; and

WHEREAS, in connection with the Transaction, the parties hereto desire, among other things, to amend the Primary Agreement to reflect the addition of the 2.27 acres constituting the Additional Premises and adjust the corresponding rental fees;

NOW, THEREFORE, IT IS MUTUALLY UNDERSTOOD AND AGREED that the Primary Agreement is hereby modified, amended and changed effective as of the Effective Date as follows:

1. Subleased Premises. The paragraph on page 2 of the Primary Agreement describing the subleased premises is hereby amended and restated (new text is shown in underlined boldface text) as follows:

"Lease Parcels A-1, A-2, A-3 and F being a portion of the NELHA site at Kalaoa 1st - 4th, Ooma 1st, North Kona, Island of Hawaii, County and State of Hawaii, more particularly described in Exhibit "B1" and as shown on the map marked Exhibit "C1," hereto attached and made a part hereof for the only purposes and uses specified in the Sublessee's project proposal attached hereto as Exhibit "A" as updated by Exhibit "A1" (hereinafter "permitted uses").

2. Rental Fees. For the period commencing on the Effective Date of this Supplemental Agreement No. 6, until the rent is redetermined in accordance with the terms of the Primary Agreement, the fixed rental fee shall be as follows and the following shall be added to Section 1(a) of the Primary Agreement):

**“Starting on the Effective Date of Supplemental Agreement No. 6:
A monthly fixed rental fee, calculated at SEVEN HUNDRED AND 82/100
DOLLARS (\$700.82) per acre per month for improved/unimproved lands,
payable in advance, without notice or demand, on the first day of each and
every month. The fixed rental fee shall be based upon the entire area of Lease
Parcels A-1, A-2, A-3 and F, totaling a gross acreage of 3.338 acres, as shown
on the survey map attached as Exhibit “C1”. Based upon the net acreage of
3.338 acres as shown on Exhibit “C1,” Sublessee shall pay a total monthly
fixed fee of TWO THOUSAND THREE HUNDRED THIRTY-NINE AND
34/100 DOLLARS (\$2,339.34).”**

3. Exhibits. Exhibits A1, B1 and C1 attached to this Supplemental Agreement No. 6 are hereby added as Exhibits A1, B1 and C1, respectively, to the Primary Agreement.

IT IS FURTHER UNDERSTOOD AND AGREED that (a) this Supplemental Agreement shall not be effective until, and the Effective Date of this Supplemental Agreement No. 6 shall be, the date on which the Transaction closes; and (b) this Supplemental Agreement No. 6 is supplemental to the Primary Agreement, and all terms, conditions and provisions thereof, unless specifically modified, amended, or changed herein remain in full force and effect.

[The Remainder of This Page Intentionally Left Blank –
Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Agreement No. 6 as of the date first above written but effective only as of the Effective Date.

NATURAL ENERGY LABORATORY
OF HAWAII AUTHORITY

BY _____
LAURENCE SOMBARDIER
Its Interim Executive Director

DATE _____

APPROVED AS TO FORM

BY _____
Deputy Attorney General

DATE _____

JAMESTOWN POINT WHITNEY
VENTURE, LLC

BY _____
JAMES PARSONS
Its CEO

DATE _____

EXHIBIT B1

Site Survey Description

RECEIVED
FEB 12 2001

LEASE - PARCEL A-1

NELHA

LAND SITUATED ON THE NORTHEASTERLY SIDE OF
AN 80-FT. WIDE ROADWAY & UTILITY EASEMENT
(Main Road to Natural Energy Lab Site)
AND ON THE SOUTHWESTERLY SIDE OF A CONCRETE ROADWAY EASEMENT

AT KALAOA 1ST TO 4TH, NORTH KONA
ISLAND OF HAWAII, COUNTY OF HAWAII

BEING A PORTION OF PARCEL A (C.S.F. NO. 19968)
A PORTION OF GOVERNOR'S EXECUTIVE ORDER (C.S.F. NO. 19137)
A PORTION OF H.S.S. PLAT 315-A AND C.S.F. NO. 19934

Beginning at a set rebar-cap in concrete at the Northeasterly corner of this lease parcel of land on the Southwesterly side of a concrete roadway easement, the coordinates of said point of beginning referred to Government Survey Triangulation Station "AKAHIPUU" being 8,579.71 feet South and 30,309.67 feet West and running by azimuths measured clockwise from True South:

1. 303° 05' 49" 84.31 feet to a set rebar-cap in concrete at edge of concrete roadway;
2. 33° 15' 35" 62.31 feet to a set rebar-cap in concrete at a fence corner;
3. 302° 54' 27" 3.99 feet to a set rebar-cap in concrete at a fence corner;
4. 33° 02' 10" 162.78 feet to a set rebar-cap in concrete at a fence corner.
5. 123° 39' 18" 93.44 feet along main access roadway to a set rebar-cap in concrete;
6. 214° 24' 44" 224.22 feet along a dirt roadway to the point of beginning and containing an area of 0.462 acre.



DON McINTOSH CONSULTING, INC.

Donald C. McIntosh, L. P. L. S. #4968
Consultant-Planner, Developments

Kailua-Kona, Hawaii
January 23, 2001

DON McINTOSH CONSULTING, INC.
P. O. Box 58
Kailua-Kona, Hawaii 96745-0058

TMK: (3) 7-3-43:Por. 41

JOB NO: 2912-00

RECEIVED
FEB 12 2001

LEASE - PARCEL A-2

NELHA

LAND SITUATED ABOUT 200 FEET NORTHEAST OF
(The Main Road to the Natural Energy Lab Site)
AN 80-FOOT WIDE ROADWAY AND UTILITY EASEMENT
ON THE NORTHEASTERLY SIDE OF A CONCRETE ROADWAY BASEMENT

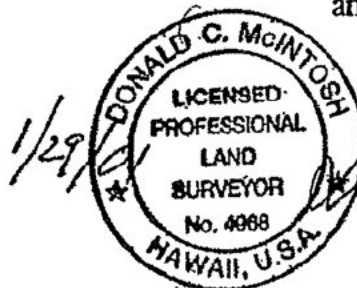
AT KALAOA 1ST. - 4TH, NORTH KONA
ISLAND OF HAWAII, COUNTY OF HAWAII

BEING A PORTION OF PARCEL A (C.S.F. NO. 19968)
A PORTION OF GOVERNOR'S EXECUTIVE ORDER (C.S.F. NO. 19137)
A PORTION OF H.S.S. PLAT 315-A AND C.S.F. NO. 19934

Beginning at a set rebar-cap in concrete at the Southeasterly corner of this lease parcel of land on the Southwesterly side of a concrete roadway easement, the coordinates of said point of beginning referred to Government Survey Triangulation Station "AKAHIPUU" being 8,572.89 feet South and 3,320.10 feet West and running by azimuths measured clockwise from True South:

Thence, along the remainder of Parcel A for all six (6) courses;

1. 34° 11' 04" 20.86 feet along a dirt road to a set 'PK' nail in a fence post concrete base;
2. 122° 05' 38" 44.82 feet to a set 'PK' nail in a fence post concrete base;
3. 212° 48' 26" 10.26 feet to a set 'PK' nail in a fence post concrete base;
4. 124° 23' 54" 28.15 feet to a set 'PK' nail in a fence post concrete base;
5. 212° 49' 58" 18.96 feet to a set rebar-cap in concrete at edge of concrete roadway;
6. 303° 16' 00" 73.65 feet along concrete roadway easement to the point of beginning and containing a lease area of 1,865 square feet.



DON McINTOSH CONSULTING, INC.

Donald C. McIntosh
Donald C. McIntosh, L. P. L. S. #4968
Consultant-Planner, Developments

Kailua-Kona, Hawaii
December 30, 2000
REVISED January 29, 2001

DON McINTOSH CONSULTING, INC.
P. O. Box 58
Kailua-Kona, Hawaii 96745-0058

TMK: (3) 7-3-43:Por. 41 & 42

JOB NO: 2912-00

RECEIVED
FEB 12 2001

LEASE - PARCEL A-3

NELHA

LAND SITUATED ABOUT 225 FEET NORTHEAST OF
(The Main Road to the Natural Energy Lab Site)
AN 80-FEET WIDE ROADWAY AND UTILITY BASEMENT
ON THE NORTHEASTERLY SIDE OF A CONCRETE ROADWAY BASEMENT

AT KALAOA 1ST. TO 4TH, NORTH KONA
ISLAND OF HAWAII, COUNTY OF HAWAII

BEING A PORTION OF PARCEL A (C.S.F. NO. 19968)
A PORTION OF GOVERNOR'S EXECUTIVE ORDER (C.S.F. NO. 19137)
A PORTION OF H.S.S. PLAT 315-A AND C.S.F. NO. 19934
AND A REMAINDER OF PORTION OF TAX MAP KEY PARCEL (3) 7-3-43:42

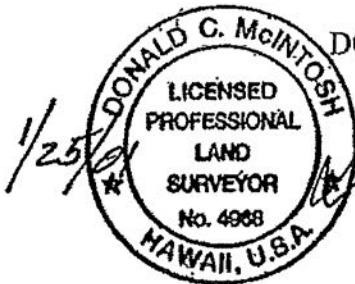
Beginning at a set rebar-cap in concrete at the Northwesterly corner of this lease parcel of land on the Northeasterly side of a concrete roadway easement, the coordinates of said point of beginning referred to Government Survey Triangulation Station "AKAHIPUU" being 8,545.53 feet South and 30,327.12 feet West and running by azimuths measured clockwise from True South:

1. 213° 24' 04" 200.56 feet along the remainder of Parcel A to a set 'PK' nail in a fence post concrete base;
2. 213° 21' 21" 302.37 feet along the remainder of Parcel A and the remainder of TMK: (3) 7-3-43:42 to set 'PK' nail in rock;
3. 303° 20' 27" 215.23 feet along the remainder of TMK: (3) 7-3-43:42 to a set 'PK' nail in rock;
4. 33° 20' 54" 230.04 feet along the remainder of TMK: (3) 7-3-43:42 to a set rebar-cap in concrete;
5. 123° 18' 56" 115.02 feet along the remainder of TMK: (3) 7-3-43:42 to a set rebar-cap in concrete;
6. 33° 21' 21" 272.44 feet along the remainder of TMK: (3) 7-3-43:42 and the remainder of Parcel A and passing over a 'PK' nail in a fence post concrete base at 71.97 feet to a set rebar-cap in concrete;

- 1 of 2 -

9

7. 123° 06' 45" 100.41 feet along the North side of a concrete roadway easement to the point of beginning and containing a lease area of 1.765 acres.



DON McINTOSH CONSULTING, INC.

Donald C. McIntosh
Donald C. McIntosh, L. P. L. S. #4968
Consultant-Planner, Developments

Kailua-Kona, Hawaii
January 23, 2001

- 2 of 2 -

DON McINTOSH CONSULTING, INC.
P. O. Box 58
Kailua-Kona, Hawaii 96745-0058

TMK: (3) 7-3-43:Por. 41 & 42

JOB NO: 2912-00

Lease Parcel F

Land situated on the northerly side of the Natural Energy Laboratory of Hawaii Authority (NELHA) access road, being a portion of Keahole Airport, Governor's Executive Order 3074, at Kalaoa 1st - 4th, North Kona, Island and County of Hawaii, State of Hawaii.

Beginning at the Southerly corner of this parcel of land, the coordinates of said point of beginning referred to Government Survey Triangulation Station "AKAHIPUU" being 8,756.39 feet South and 30,448.86 feet West and running by azimuths measured clockwise from True South:

1.	123° 29' 13"	184.00	feet along the NELHA access road to a point;
2.	213° 29' 13"	9.00	feet to a point;
3.	123° 29' 13"	28.00	feet to a point;
4.	213° 29' 13"	45.00	feet to a point;
5.	123° 29' 13"	22.50	feet to a point;
6.	213° 29' 13"	139.00	feet to a point;
7.	303° 25' 00"	50.44	feet to a point;
8.	212° 00' 00"	12.09	feet to a point;
9.	303° 45' 00"	145.30	feet to a point;
10.	33° 00' 00"	10.40	feet to a point;
11.	302° 00' 00"	45.00	feet to a point;
12.	33° 29' 13"	153.25	feet to a point;
13.	78° 29' 13"	8.49	feet to a point;
14.	33° 29' 13"	36.00	feet to the point of beginning and containing an area of 1.068 acres.



KKM Surveys

Kevin McMillen

Kevin McMillen
Licensed Professional Land Surveyor
State of Hawaii Certificate No. LS-9040

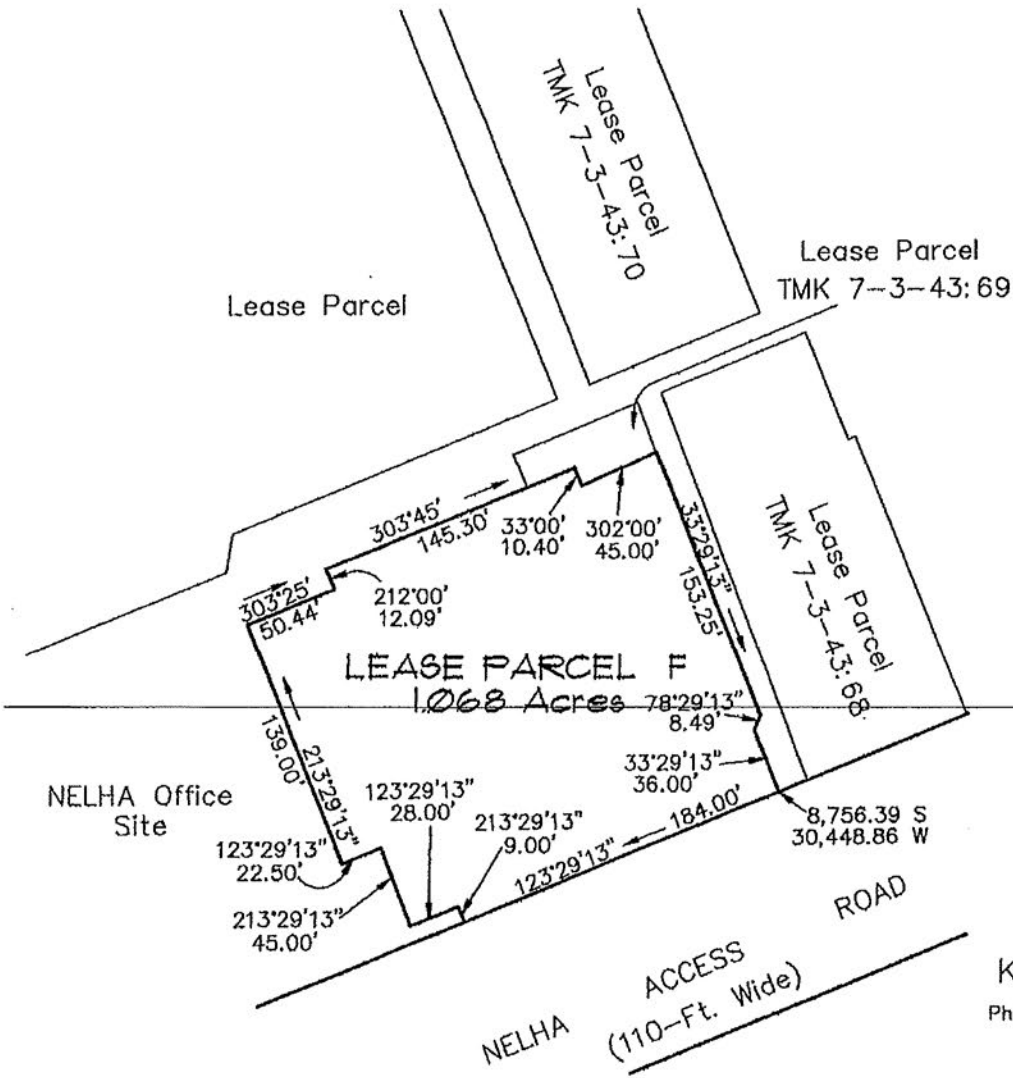
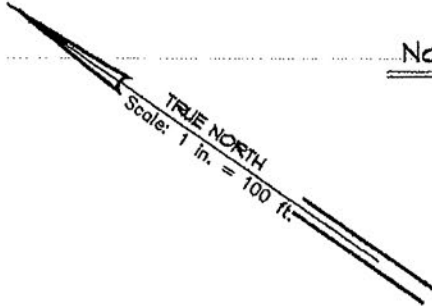
Po Box 2494
Kailua-Kona, Hawaii 96745
September 4, 2007

MAP OF LEASE PARCEL F
 BEING A PORTION OF
 EXECUTIVE ORDER 3074
 HSS PLAT 315-A (CSF 19,934)
 GOVERNMENT LAND
 (STATE OF HAWAII)

KALAOA 1ST-4TH, NORTH KONA
 ISLAND, COUNTY AND STATE OF HAWAII
 Tax Map Key (3rd Division): T-3-43: For. 42

Notes:

Azimuths and Coordinates are referred to Government
 Survey Triangulation Station "AKAHIPUU" Δ



Exp. 4/30/08

THIS WORK WAS PREPARED BY ME
 OR UNDER MY SUPERVISION.

Kevin McMillen

DATE: 9/4/2007

KKM SURVEYS

PO Box 2494
 Kailua-Kona, Hawaii 96745
 Phone (808) 326-4633 Fax (808) 334-0098

Hawaii 96740 as "**Assignee**", which assignment and release will be effectuated by (a) the execution and delivery concurrently herewith of a Supplemental Agreement No. 2 amending the NELHA Sublease to remove the Removed Premises from the NELHA Sublease and (b) the execution and delivery concurrently herewith of a Supplemental Agreement No. 6, amending Sublease No. K-27 currently between NELHA and Assignee ("**Sublease No. K-27**") to add to Sublease No. K-27 the Removed Premises; SUBJECT, HOWEVER, to the provisions of Section 171-21, Hawaii Revised Statutes, as amended, relating to the rights of holder of any security interest; PROVIDED, that nothing contained herein shall change, modify, waive or amend the provisions, terms conditions and covenants or the duties and obligations of the Sublessee under the NELHA Sublease for the remaining demised premises exclusive of the Removed Premises.

IT IS UNDERSTOOD that except as provided herein, should there be any conflict between the terms of the NELHA Sublease or Sublease No. K-27, and the terms of any agreement between Assignor and Assignee related to the assignment, the NELHA Sublease or Sublease No. K-27 shall control with respect to Assignor and Assignee respectively; and further, that except as provided herein, this consent shall not in any manner be construed as varying in any respect the terms and conditions of the NELHA Sublease or Sublease No. K-27, except as specifically set forth in the Supplemental Agreements referenced above; and also that no further assignment of any interest under the NELHA Sublease shall be made without the written consent of the Natural Energy Laboratory of Hawaii Authority being first obtained and endorsed thereon.

FURTHERMORE, Assignor hereby acknowledges that the Sublessor's consent to assignment contemplated herein, does not release the Assignor from any and all responsibilities, obligations, liabilities, and claims respecting or arising under or out of the NELHA Sublease with respect to the remaining demised premises under the NELHA Sublease exclusive of the Removed Premises, but NELHA specifically releases Assignor from any and all responsibilities, obligations, liabilities, and claims respecting or arising under or out of the NELHA Sublease for the Removed Premises upon the effective date of Supplemental Agreement No. 6, amending Sublease No. K-27 by Assignee and the Supplemental Agreement No. 2 amending the NELHA Sublease.

*[The remainder of this page left intentionally blank;
Signatures appear on the following page.]*

IN WITNESS WHEREOF, NELHA, Assignor and Assignee have caused these presents to be duly executed on _____, to be effective as of the execution and delivery of the amendments referred to above.

NATURAL ENERGY LABORATORY OF
HAWAII AUTHORITY

By _____
Laurence Sombardier
Its Interim Executive Director

Approved by the Board of the
Natural Energy Laboratory of
Hawaii Authority at its
meeting held on

LESSOR

_____.

SHRIMP IMPROVEMENT SYSTEMS
HAWAII LLC, a Hawaii limited
liability company

By: _____
David Leong
Its President

ASSIGNOR

JAMESTOWN POINT WHITNEY VENTURE,
LLC, a Washington limited
liability company

By _____
James Parsons
Its Chief Executive Officer

APPROVED AS TO FORM:

ASSIGNEE

Deputy Attorney General

Dated: _____

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this _____ day of _____, 2024, before me personally appeared **LAURENCE SOMBARDIER**, to me personally known -OR- proved to me on the basis of satisfactory evidence, who, being by me duly sworn or affirmed, did say that such person(s) executed the foregoing instrument as the free act and deed of such person(s), and if applicable in the capacity(ies) shown, having been duly authorized to execute such instrument in such capacity.

Print name:
Notary Public, State of Hawaii
My commission expires:

NOTARY CERTIFICATION		
Date of Doc: _____	or <input type="checkbox"/> Undated at time of notarization	# Pages: _____
Name of Notary: _____		
Doc. Description:	CONSENT TO ASSIGNMENT AND RELEASE OF PORTION OF SUBLEASE NO. K-32 (LEASE PARCEL A-1, A-2 and A-3 FOR AN AREA OF 2.27 ACRES)	
(stamp or seal)		
Notary Signature _____	Date _____	
My commission expires: First Circuit, State of Hawaii		

STATE OF _____)
) SS.
)
_____)

On this _____ day of _____, 2024, before me personally appeared **DAVID LEONG**, to me personally known -OR- proved to me on the basis of satisfactory evidence, who, being by me duly sworn or affirmed, did say that such person(s) executed the foregoing instrument as the free act and deed of such person(s), and if applicable in the capacity(ies) shown, having been duly authorized to execute such instrument in such capacity.

Print name:
Notary Public, State of _____
My commission expires: _____

STATE OF _____)
) SS.
COUNTY OF _____)

On this _____ day of _____, 2024, before me personally appeared **JAMES PARSONS**, to me personally known -OR- proved to me on the basis of satisfactory evidence, who, being by me duly sworn or affirmed, did say that such person(s) executed the foregoing instrument as the free act and deed of such person(s), and if applicable in the capacity(ies) shown, having been duly authorized to execute such instrument in such capacity.

Print name:
Notary Public, State of _____
My commission expires:

Item 5.
New Business

- c. Approval and Decision Making for the Assignment of Sublease K-40 from Blue Ocean Bans, Inc. to Kona Sablefish Company Ltd.

Agenda Item 5.c.

Assignment of Sublease K-40 from Blue Ocean Barns, Inc. to Kona Sablefish Company Ltd

Request Submitted to NELHA on October 21, 2024

DATE: November 19, 2024

A. SUMMARY AND REQUEST

Blue Ocean Barns, Inc. (BOB) desires to assign their Sublease K-40 to Kona Sablefish Company Ltd (KSC) as part of an asset sale transaction. This agenda item requests NELHA Board approval for this assignment (BOB's request letter is provided in attachment 1).

B. BACKGROUND

BOB Sublease K-40 Lease Specifics (see Attachment 2 for location):

<i>LEASE TYPE</i>	Sublease
<i>LESSEE</i>	Blue Ocean Barns, Inc. (BOB)
<i>LEASE NUMBER</i>	K-40
<i>SUPPLEMENTAL</i>	Supplemental No. 1 dated 7/19/2021 corrected a typo in the sublease number. Supplemental No. 2 dated 6/20/2022 adds 3.989 improved acres (which was assigned by Blue Ocean Mariculture) to build out an R&D facility to assist with scale up. Supplemental No. 3 dated 5/25/2024 removes the original 10 acres.
<i>ACREAGE</i>	3.989 acres (current)
<i>SUBLEASE TERM</i>	30 years starting June 9, 2021, through June 8, 2051.
<i>PROJECT DESCRIPTION</i>	Seaweed feed additive for cattle for methane reduction.
<i>RENTAL FEES</i>	Original fee was \$342.75/acre/month. Current fee is \$390.65/acre/month due to annual CPI increases. Percentage Rent is 2.5% of gross receipts.
<i>REOPENING</i>	Every 10 th year.
<i>NEXT REOPENING DATE</i>	06/08/2031.
<i>ASSIGNMENT HISTORY</i>	Land was assigned from Blue Ocean Mariculture in 2022.

Blue Ocean Barns, Inc. (BOB, <https://blueoceanbarns.com/>), a Delaware public benefit company, produces an algae feed additive for cattle from *Asparagopsis taxiformis*, a seaweed also known as limu kohu in Hawaii, which reduces methane emissions from cattle by over 80%.

BOB, an Elemental Accelerator 2019 cohort company, started leasing office space in Hale Iako in March of 2020 as the pandemic was starting, a space they continue to occupy. They subsequently worked with various companies including most recently Shrimp Improvement Systems (SIS) at HOST Park to perform some initial R&D. Based on the R&D work, they obtained final approval from the NELHA Board to proceed with a 10-acre commercial facility in June 2021. A 30-year sublease was executed in June 2021 and BOB proceeded with completing the plan/design and permitting for the 10-acre facility built out.

In March 2022, the Board approved the assignment of 3.989 acres from Blue Ocean Mariculture to BOB for the purposes of accelerating their scaling up activities and generating product sooner. This space was added to the K-40 Sublease and BOB completed the full build out of this space late 2023.

In spring of 2024, BOB informed NELHA staff that they had decided to move their grow out operations to Baja, Mexico due to high costs associated with completing the Hawaii 10-acre facility and planned to return the initial 10 acres where construction had not yet started. A supplemental was executed in July 2024 to reflect this change. BOB initially intended to keep the built out 3.989 acres as their main R&D facility but recently requested to return that parcel in order to consolidate all operations in Mexico, including their R&D. At this point, BOB intends to only keep a small office presence at NELHA going forward.

An auction is currently underway to dispose of the equipment that KSC will not be purchasing.

C. DISCUSSION

The Kona Sablefish Company Ltd (KSC) project received an approval in concept September 2022 to build a 500 metric ton commercial sablefish production facility on 10 acres and a small pilot facility in conjunction with Pacific Planktonics, a HOST Park client. Sablefish is also known as black cod or butterfish in Hawai'i. In September 2023, KSC obtained an extension from the Board regarding the policy which requires presentation of a final plan within one year of approval in concept. The extension was to provide more time to raise funds for the project.

KSC has provided an updated final plan (Attachment 3) for final approval to build out a 600 metric ton commercial sablefish production facility on the approx. 4 acres that would be transferred from BOB. Purchasing existing assets and moving onto a graded lot (as opposed to the 10 acres mauka of Kona Deep Corporation) will help reduce capital outlay for KSC and expedite the project timeline. This also alleviates some of the staff and RAC concerns for this project regarding timeline, ability to improve entire property under lease, infrastructure upgrades that would have been needed at the booster station to accommodate large volumes of seawater delivery in that area of the park.

The 2022 RAC summary is provided in Attachment 4. Additional concerns by the RAC and staff (in addition to those listed above) included expected technical challenges associated with production of large fin fish, overly optimistic projections (not atypical of aquaculture projects), permitting, and wastewater disposal and funding.

To address some of these issues, KSC has provided information regarding ability to fund the project including a letter from SoftBank Corp. (Attachment 5). The principals are HOST Park veterans including folks involved in starting the business that is currently operated by Jamestown Whitney Point Ventures and Big Island Abalone. The team has a solid technical, business and marketing background. KSC has provided satisfactory responses to NELHA staff regarding DOA permitting and other concerns. NELHA staff will continue to work closely with KSC before any final approval to build out is provided. In particular, staff has requested additional information on the waste disposal resulting from fish processing. The fish will be sold whole so processing will be minimal.

There are no new biosecurity issues presented by this assignment as KSC would be producing finfish and thus would not present a risk to shrimp production by Shrimp Improvement Systems, the only neighbor. In addition, this site was originally developed for finfish production by a company called Uwajima, subsequently King Ocean Farms. SIS has been contacted and has no biosecurity concerns. It is also noted that KSC will also be working with SIS on contract basis for using some of their unoccupied space for work originally intended at eth Pacific Planktonics space.

KSC is fully aware of the NELHA water quality issues and understands that the seawater is provided “as is” and that no guarantee is made as to the quality of the seawater as per the standard clause in each in all of the NELHA subleases.

NELHA implemented an additional section regarding impact on cultural practices to its proposal review process in January 2024. This section examines the extent to which cultural practices will be affected by or impaired by the proposed project. This project is on an existing graded and fenced space and does not reduce access to the shoreline. There is an archaeological area at the center of the property with an associated burial treatment plan that KSC will be responsible for following as per the conditions outlined in the lease.

A draft Asset Purchase Agreement along with information on improvements, trade fixtures and consideration for the purchase was provided, and it has been determined that no premium would be owed to DLNR in accordance with DLNR's Assignment of Lease Evaluation Policy. The next step after NELHA Board approval is to request BLNR approval and Buyer/Seller have provided the DLNR application for NELHA to submit on their behalf. Based on the information provided, no premium would be due.

Of note, DLNR and NELHA are currently revisiting the consent to assignment and mortgage obligations. In 2006, BLNR waived the requirement to obtain prior BLNR approval before entering into subleases at HOST Park but consents to assign or mortgage were still required and remained in the sublease boiler plate. There have been consistent delays on getting these BLNR consents. DLNR and NELHA staff are currently evaluating the possibilities of waiving the obligation to request consent for assignments in general.

Documents relating to the assignment (Supplemental No.4 for Sublease K-40 to reflect the assignment, and the Consent to Assignment) have been reviewed, and agreed upon. No changes were requested to the NELHA boiler plate lease documents. These are provided in Attachment 6. The rate of sublease K-40 has been adjusted to be in line with NELHA's leasing policy and reflects a smaller land parcel under rent than BOB's initial 10 acres. The rental fee is \$452.48/acre/month providing a small increase of \$247 per month over the BOB tenancy.

BOB is in good standing with NELHA.

C. NELHA STAFF RECOMMENDATION

Staff recommends that the NELHA Board grant approval to assign 3.989 acres currently under BOB sublease K-40 to KSC and execute the necessary documents to complete the transfer. NELHA staff will work with NELHA AG to finalize and execute the documents to reflect the assignment.

ATTACHMENT 1: BOB Letter Requesting Assignment



**BLUE OCEAN
BARNs**

October 21, 2024

NELHA Interim Executive Director

To whom it may concern,

Blue Ocean Barns Inc. wishes to formally request the termination of its sublease of TMK (3) 7-3-43 por. 42 and to transfer the sublease to Kona Sablefish Company LTD.

In 2022, following the transfer of the sublease from Keahole Point Hatcheries, Blue Ocean Barns Inc. benefited greatly from the unique seawater infrastructure and the aquaculture community at NELHA. Over the past two years, NELHA has been instrumental in our ability to accelerate research and development and to scale production capabilities to the extent practical and possible.

Eighteen months ago, Blue Ocean Barns leased 50 acres of coastal land in Baja California that had previously supported an abalone operation. We did so because of actual and projected costs for construction, labor, electricity, supplies and equipment in our Hawaii operation. Our models indicated that the timeline to cash-flow positive manufacturing in Hawaii might be untenable. We began rapid design and construction late last year and began operating the Mexico farm in January. The rapid success and cost-effective operation of the Baja farm, led by a talented Mexican team with strong support from U.S.-based staff, necessitated a business decision to consolidate all algae operations and R&D at that facility. We are beginning a very promising new chapter for our company that has gained substantial support from our investors. Our current milestones would not have been achievable without the seawater infrastructure, facilities and support provided by NELHA, and we remain deeply grateful to NELHA for helping to ready us for dramatic scaleup.

Please let me know if there are any questions or additional information needed.

Sincerely,

Joan Salwen

CEO - Blue Ocean Barns

Email: joan@blueoceanbarns.com

ATTACHMENT 2: LOCATION MAP

Google Earth Overview of HOST park and general locations of interest



ATTACHMENT 3: KONA SABLEFISH COMPANY BUSINESS PLAN (Confidential)

ATTACHMENT 4: 2022 RAC Review

Date: 14 September 2022

To: Chair, NELHA Board of Directors

From: Alan C. Hilton, NELHA Research Advisory Committee (RAC) Chair

Re: RAC Evaluation for approval-in-concept of preliminary proposal from Kona Sablefish Company Ltd. (d.b.a. Kona Butterfish Company)

NELHA staff have reviewed a proposal received from Kona Sablefish Company Ltd. (d.b.a. Kona Butterfish Company), a startup company positioned to leverage prior experience and successes attained through other NELHA aquaculture projects in the recent past, and current projects underway in British Columbia, along with the partnership of a current NELHA tenant (Pacific Planktonics), to take a phased approach to the establishment of an aquaculture production facility for sablefish (*Anoplopoma fimbria*, known locally as butterfish) at NELHA Host Park. The proposed effort would start with a small pilot facility at the existing Pacific Planktonics (PP) site in the research campus, with the goal to scale up to a 6-to-10 acre facility at another site TBD on the south side of NELHA Host Park within three to five years.

Summary of RAC member inputs:

A RAC review of the Kona Butterfish Company proposal and NELHA staff recommendation was requested by the NELHA ED. Six current RAC members responded to this request for review, with their inputs summarized below.

The NELHA staff recommendation for approval-in-concept, along with some caveats about verifying project progress on overcoming certain potential challenges and achieving planned milestones before committing an entire 6-to-10 parcel on long-term lease for this project, is consistently supported by all RAC reviewers. Reviewers found that the principals in the project team appear to have sufficient experience and successful track records in similar operations elsewhere, and that the proposal is well aligned with the NELHA mission and appropriate use categories. There is also potential value for contributions to Hawaii's food security and the supply of our markets with a prized seafood product that is locally sourced, along with a potentially profitable share of the growing global market for fresh high-quality sablefish, if this project is able to meet its stated goals.

Additional positive comments from RAC members noted the following:

>>> The President and Vice President of Kona Sablefish Company not only have prior business and technical experience with the aquaculture sector, they have experience working at NELHA: Mr. Hiroshi Arai worked at Big Island Abalone, and Mr. Don MacQuarrie worked at Unlimited Aquaculture LLC which cultured halibut and sablefish.

>>> The project has a very knowledgeable and experienced management team and, for the most part, they are already doing a part of this with the butterfish hatchery in Canada. I assume the pilot project will determine whether the whole process is workable.

>>> I like the idea of being vertically integrated by including in their business model hatchery, grow-out, and processing capabilities.

>>> I fully support the pilot project. The team has extensive experience and should be able to address staff's concerns.

>>> The sablefish proposal is well thought out. The choice of fish is good in that it is of high value and is favored by chefs, at the same time that natural stocks are in a fished-out state. This bodes well for it commanding a high price.

>>> I concur with the comments and recommendation in the staff recommendation - approval in concept - recommending a go-ahead for the pilot at Pacific Planktonics to get some real-world data on production rates to see whether their projections are realistic.

>>> The proposal is clearly in line with NELHA's mission. The proposal will create jobs and help develop an already growing aquaculture industry in West Hawaii. It is not up to the NELHA board to prejudge the profitability of a new venture that is reasonably laid out, has facility demands that can be met and at least on paper has good staff and a cogent path forward.

>>> I like the idea of building modular facilities, both from a financial perspective and biosecurity perspective. By having staged, modular construction, Kona Sablefish Company can expand their facilities as they grow their company and they do not have to sink a lot of initial capital in infrastructure which may be vacant for several years as they ramp up production. Also, having modular facilities allows for better biosecurity in the event of a pathogen outbreak. Infected modules can be isolated and pathogens can be better contained to avoid a facility-wide disease outbreak.

>>> This project would take advantage of the unique resources at NELHA, is consistent with NELHA's mission, and has merit. In this context, Kona Sablefish Company should be encouraged to submit a full proposal/business plan, with an emphasis on producing data from the sablefish pilot project at the existing Pacific Planktonics facility which can inform decisions about a larger-scale build out.

>>> As a lover of miso butterfish, I hope that they are successful (!)

RAC members also provided some additional comments and open questions that should be reviewed and considered by NELHA staff as this project moves forward with its initial pilot project and subsequent expanded facility plans:

>>> Kona Sablefish Company plans to use existing infrastructure at Pacific Planktonics for importation and initial rearing of larval sablefish prior to moving juvenile fish to the production facility. It is not clear if they plan to initially quarantine any biological material (eggs, juveniles, adults) imported from the U.S. mainland or Canada and it is not clear what risk(s) sablefish pose to other NELHA tenants as potential disease vectors.

>>> The history of aquaculture of large species, such as this in relatively small tanks, is certainly one fraught with many failures. To offset this, the sablefish team has a wealth of experience and depth of engineering. They potentially have access to serious start-up funds. They think they can do it. Given the team, I feel they certainly have a good chance.

>>> As indicated in the NELHA staff review, "Land based production of large fish is notoriously difficult." This is especially true when trying to grow large, cold-water fish with slow growth rates. It is not clear from any of the documents what the expected sablefish growth rates and feed conversion efficiencies will be, or what type feed and unit feed costs will be. It is also unclear how long it will take for the fish to reach market size [and whether there are] plans to produce all-female populations of sablefish, as females grow faster than males.

>>> Concur with the staff recommendation on occupancy of land - not sure how that fits in with approval in concept... but recommend that the approval include trigger points where they would have to return land to NELHA if not developed by X date - possibly do that incrementally.

>>> Recommend a re-assessment of their infrastructure and initial build-out costs before final approval, [to include] some form of economic modeling of their profitability projections at varying costs of electrical supply for pumping water, and maybe a look at pumping to varying elevations in the park. I don't know how much flexibility there is for placement in the park, but their pumping costs are going to be directly related to the elevation - and, with their current projections, their electricity costs are second to their feed costs in the later

years. Given the significant increase in electrical costs we are likely to be bearing for the foreseeable future, controlling their overall demand may be the difference in making their project successful - or not...

>>> With respect to the cost of construction issue, I assume as they pursue their due diligence on permitting and contracting they will get the information they need to determine whether they can afford to build out their facility as they wish and still make a profit. Perhaps before committing to the lease, we ask them for a revised construction budget based upon some actual estimates from local companies.

>>> Kona Sablefish Company plans to use existing infrastructure at Pacific Planktonics for importation and initial rearing of larval sablefish prior to moving juvenile fish to the production facility. It is not clear if they plan to initially quarantine any biological material (eggs, juveniles, adults) imported from the U.S. mainland or Canada and it is not clear what risk(s) sablefish pose to other NELHA tenants as potential disease vectors.

>>> If Kona Sablefish Company's business model is predicated on importing sablefish germplasm (i.e. eggs, juveniles, adults) from the U.S. mainland or Canada, they need to articulate contingency plans in the event of supply-chain disruptions. It would also be important to know how many suppliers of sablefish germplasm there are currently and if Kona Sablefish Company has plans to produce their own germplasm by closing the life cycle of sablefish at their facility. According to a recent on-line article, "the larval stage of the fish was the most challenging in closing the loop on sablefish culture." It would be important to know if any of Kona Sablefish Company's staff have experience in larval rearing of sablefish.

>>> Eventually, wastewater is going to become an issue for NELHA. I honestly don't have any idea where all the water is going that gets dumped into the ground there by the tenants. As I understand it, no one has been able to identify impacts in the ocean from the onshore discharge of seawater - but, as soon as you do, you will almost certainly be in line for an NPDES permit (or possibly all of your tenants individually...) which would not likely be a good thing. It could very well be that a relatively shallow injection well - instead of the existing sumps - would ensure that the discharges will never be seen in the near shore environment. Something to think about...

Recommendations:

RAC reviewers support the NELHA staff recommendations for approval-in-concept, in particular for the pilot phase of the project to proceed with Pacific Planktonics, and that the company be encouraged to submit a full proposal/business plan incorporating results from the pilot phase and addressing the open questions and/or comments contained in the NELHA Staff Recommendation and in this report, on how best to proceed for long-term commitment of NELHA Host Park acreage for the fully developed hatchery, grow-out and production facility that is envisioned in this proposal on a multi-year timeframe.

ATTACHMENT 5: October 2024 Financial Letter of Intent

October 25, 2024

Ms. Laurance Sombardier

Deputy Director, Natural Energy Laboratory of Hawaii Authority (NELHA)

laurance.sombardier@hawaii.gov

Dear Ms. Sombardier,

This letter will serve as our Letter of Intent to continue working with Kona Sablefish Company (dba Kona Butterfish Co.) to fund their 600 metric tonne sablefish grow out and processing operation on the 4.3-acre Blue Ocean Barns site. KBC has an accepted offer to purchase their lease subject to NELHA and DLNR approval.

As you are aware from the meeting, we had with you on March 12th, 2024, at NELHA's office boardroom, our principal reason for supporting KBC's implementation of their state-of-the-art fish production, is to provide our Division of SoftBank with a facility to develop and test our technologies for advancing aquaculture monitoring and expansion. We are relying on others to fund a portion of the development for fish production and sale in conjunction with the Team from KBC.

We, together with KBC, respectfully request the NELHA Board's approval to allow us to further engage with other companies to secure the operating fund. We expect the completion of funding within the next several weeks and will keep you apprised of our progress.

Yours respectfully,

Kazuto Suda

Director

Advanced Technology Promotion Office

Information Technology & Architect Division

SoftBank Corp.

Kazuo Suda

ATTACHMENT 6: DRAFT AGREEMENTS

Draft Supplemental No.4 for BOB Sublease K-40
Draft Consent to Assignment

NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

**BLUE OCEAN BARNS, INC.
SUPPLEMENTAL AGREEMENT NO. 4
TO MODIFY SUBLEASE NO. K-40
DATED June 9th, 2021**

THIS SUPPLEMENTAL AGREEMENT NO. 4, made and entered into as of _____ of _____, 2024 but effective as of _____, by and between the NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY, STATE OF HAWAII, hereinafter referred to as “Sublessor,” and **BLUE OCEAN BARNS, INC., a Delaware Public Benefit Corporation**, whose business and post office address is **73-4460 Queen Ka‘ahumanu Hwy. #138, Kailua-Kona, Hawaii 96740**, hereinafter referred to as “Sublease”;

WITNESSETH:

WHEREAS, BLUE OCEAN BARNS, INC., a Delaware Public Benefit Corporation, entered into that certain unrecorded SUBLEASE No. K-40 dated June 9th, 2021, as amended by Supplemental No. 1 dated July 19th, 2021; Supplemental No. 2 dated June 20th, 2022, and Supplemental No. 3 dated July 25th, 2024 with the NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY, a body corporate and politic and an instrumentality and agency of the State of Hawaii organized pursuant to Hawaii Revised Statutes, Chapter 227D (as amended), as sublessor, covering 3.989 acres of land at Ooma 1st, North Kona, Island of Hawaii, County and State of Hawaii, herein referred to as the “Primary Agreement”;

WHEREAS, the Sublessee desires to transfer the Sublease K-40 from “Blue Ocean Barns, Inc.” to “Kona Sablefish Company Ltd.” and has represented that a change of ownership has occurred;

WHEREAS, the parties hereto now desire to modify sections of the Primary Agreement to reflect the Sublessee’s name change from “BLUE OCEAN BARNS, INC” to “KONA SABLEFISH COMPANY LTD.” and adjust the rental fees;

NOW, THEREFORE, IT IS MUTALLY UNDERSTOOD AND AGREED that the Primary Agreement as amended (“Primary Agreement”) is hereby further modified, amended and changed to substitute the name “Blue Ocean Barns, Inc.” with the name “Kona Sablefish Company Ltd.” wherever the name appears in the Primary Agreement. The Primary Agreement is further changed by deleting the words enclosed in brackets and adding the words in underlined boldface text to read as follows:

“Lease Parcel “E” being a portion of the NELHA site at Ooma 1st, North Kona, Island of Hawaii, County and State of Hawaii, more particularly described in Exhibit “B1” and as shown on the map marked Exhibit “C1,” hereto attached and made a part hereof for the only purposes and uses specified in the Sublessee’s project proposal attached hereto as Exhibit “A”, **as updated by Exhibit “A2”** (hereinafter “permitted uses”).

1. Rental fees

In consideration of the property and services provided by the Sublessor, Sublessee agrees to pay Sublessor:

a. Fixed rental fee

Starting on _____, a monthly fixed rental fee, calculated at [THREE HUNDRED AND NINETY DOLLARS AND 65/100 (\$390.65)] **FOUR HUNDRED AND FIFTY-TWO DOLLARS 48/100 (\$452.48)** per

acre per month for improved/unimproved lands, payable in advance, without notice or demand, on the first day of each and every month. The fixed rental fee shall be based upon the entire area of the parcel, gross acreage of 3.989 acres, as shown on the survey map attached hereto as Exhibit "C1". Based upon the net acreage of 3.989 acres as shown on Exhibit "C1", Sublessee shall pay a total monthly fixed fee of [ONE THOUSAND FIVE HUNDRED AND FIFTY-EIGHT DOLLARS AND 30/100 (\$1,558.30)] **ONE THOUSAND EIGHT HUNDRED AND FOUR DOLLARS AND 94/100 (\$1,804.94).**

The monthly rental fee shall be adjusted annually accordingly to the published Hawaii CPI for a period of ten (10) years following commencement of this Sublease. In the event that the CPI declines, the rental fee shall remain the same as the previous year and shall not increase until cumulative CPI calculated as the sum of the declines plus subsequent gains become positive."

IT IS FURTHER UNDERSTOOD AND AGREED that this Supplemental Agreement No. 4 is supplemental to the Primary Agreement and all terms, conditions and provisions of the Primary Agreement, unless specifically modified, amended or changed herein, remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Agreement No. 4 effective the date indicated above.

NATURAL ENERGY LABORATORY OF
HAWAII AUTHORITY

BY _____

LAURENCE SOMBARDIER

Its Interim Executive Director

DATE _____

APPROVED AS TO FORM

BY _____

Deputy Attorney General

DATE _____

BLUE OCEAN BARNS, INC.

A Delaware Public Benefit Corporation

BY _____

Joan Salwen

Its CEO

DATE _____

KONA SABLEFISH COMPANY LTD.

A Hawaii Profit Corporation

BY _____

Don MacQuarrie

Its CEO

DATE _____

interest; PROVIDED, that nothing contained herein shall change, modify, waive or amend the provisions, terms conditions and covenants or the duties and obligations of the Sublessee under NELHA Sublease K-40.

IT IS UNDERSTOOD that except as provided herein, should there be any conflict between the terms of Sublease No. K-40 and the terms of the assignment, the former shall control; and further, that except as provided herein, this consent shall not in any manner be construed as varying in any respect the terms and conditions of the sublease; and also that no further assignment of any interest under the sublease shall be made without the written consent of the Natural Energy Laboratory of Hawaii Authority being first obtained and endorsed thereon.

FURTHERMORE, Assignor hereby acknowledges that the Sublessor's consent to assignment of the sublease, does not release the Assignor from any and all responsibilities, obligations, liabilities, and claims respecting or arising under or out of said sublease. _____

IN WITNESS WHEREOF, the Natural Energy Laboratory of Hawaii Authority has caused these presents to be duly executed this _____ day of _____, 2024.

NATURAL ENERGY LABORATORY OF
HAWAII AUTHORITY

Approved by the Board of
the Natural Energy
Laboratory of Hawaii
Authority at its meeting
held on _____.

By _____
Laurence Sombardier
Its Interim Executive Director

LESSOR

BLUE OCEAN BARNS, INC.
A Delaware Public Benefit
Corporation

By _____
Joan Salwen
Its CEO

ASSIGNOR

KONA SABLEFISH COMPANY LTD.
A Hawaii Domestic Profit
Corporation

By _____
Don MacQuarrie
Its CEO

APPROVED AS TO FORM:

ASSIGNEE

Deputy Attorney General

Dated: _____



**BLUE OCEAN
BARNs**

October 21, 2024

NELHA Interim Executive Director

To whom it may concern,

Blue Ocean Barns Inc. wishes to formally request the termination of its sublease of TMK (3) 7-3-43 por. 42 and to transfer the sublease to Kona Sablefish Company LTD.

In 2022, following the transfer of the sublease from Keahole Point Hatcheries, Blue Ocean Barns Inc. benefited greatly from the unique seawater infrastructure and the aquaculture community at NELHA. Over the past two years, NELHA has been instrumental in our ability to accelerate research and development and to scale production capabilities to the extent practical and possible.

Eighteen months ago, Blue Ocean Barns leased 50 acres of coastal land in Baja California that had previously supported an abalone operation. We did so because of actual and projected costs for construction, labor, electricity, supplies and equipment in our Hawaii operation. Our models indicated that the timeline to cash-flow positive manufacturing in Hawaii might be untenable. We began rapid design and construction late last year and began operating the Mexico farm in January. The rapid success and cost-effective operation of the Baja farm, led by a talented Mexican team with strong support from U.S.-based staff, necessitated a business decision to consolidate all algae operations and R&D at that facility. We are beginning a very promising new chapter for our company that has gained substantial support from our investors. Our current milestones would not have been achievable without the seawater infrastructure, facilities and support provided by NELHA, and we remain deeply grateful to NELHA for helping to ready us for dramatic scaleup.

Please let me know if there are any questions or additional information needed.

Sincerely,

Joan Salwen

CEO - Blue Ocean Barns

Email: joan@blueoceanbarns.com

Item 5.

New Business

- d. Discussion and Decision Making regarding CIP Needs, and Approval for the Removal of the 24" Shallow Water Kau Pipeline and apportionment of the 18" Deep Water Kau Pipeline.

Agenda Item 5.d.

Approval for the Removal of the 24” Shallow Water Kau Pipeline and a portion of the 18” Deep Water Kau Pipeline

DATE: November 19, 2024

SUBJECT: Discussion and Decision-Making regarding contracting for recovery and removal of two NELHA pipelines from the Ocean.

A. SUMMARY AND REQUEST

Two of NELHA’s seawater intake pipelines supplying the Ka`u pump station at HOST Park have been severely damaged by storm activity. 200+ foot-long sections of each now sit on the seafloor, unattached and posing potential risks to the surrounding reef, as well as to ocean users. It is proposed that funding for this unbudgeted item would come from NELHA’s Special Fund in order to address the immediate safety concerns.

B. BACKGROUND

NELHA was notified by a University of Hawaii-Hilo dive team on 5/30/2024, that the nearshore end of one of the HOST Park pipelines - the “Ka`u 18-inch” Deep Seawater (18-DSW) pipe had broken free of the structures tethering it to the seafloor, and that a 40-foot-long section of the pipeline was floating offshore of Keahole Point in a high boat traffic area. The pipe was submerged just below the surface, making it hard to spot (especially at night) posing a significant threat to life and property. NELHA initiated an emergency response, and the floating section was recovered the following day on 5/31/2024.

To investigate the mechanism and extents of the failure, NELHA commissioned a follow-on underwater video survey of what remains of the shallow portion of the 18-inch pipeline (to a depth of 100-Ft), and of its sister - the Ka`u 24-inch Surface Seawater (24-SSW) pipeline. The inspection revealed that all metal hardware down to a depth of 70-Ft, including hold-down structures and embedded connections to the seafloor rock are heavily corroded, and that much of it has already or is close to failing:

- 1) 24-SSW -all 280 feet of this intake pipe show extensive damage. The shoreline end is no longer connected to anything and is floating just off the bottom at about 13 feet water depth, under an overhanging rock cliff face at the shore. All but four of the once many “pipe hold-down” assemblies that had previously held the pipeline in place, appear to have been either

disconnected from the pipe, the seafloor or both. Only four of them at the oceanward end of the pipe appear to still be connected as intended. There is at least one hole abraded through the side of the pipe.

- 2) 18-DSW – with the first 60 or so feet of this 2,000 foot-long intake pipe already having broken free, what is now the shoreline end of the pipeline is no longer connected to anything and is floating just off the bottom at about 30 feet water depth – weighted down only by remnants of some metal attachments on the pipe. This condition applies to approximately 200-ft of pipe, after which the hold-down mechanism changes to concrete ballasts. The first three of these are within scuba-depth range and shown by the video survey to be stable and holding. There is at least one hole abraded through the side of the pipe.

There is reason for concern that a large ocean swell might dislodge either of the pipelines, potentially causing damage to nearby reef structure and corals and/or freeing the buoyant polyethylene pipe to float to the surface and pose a hazard to navigation. There is no quick way to safely secure these pipes in an appropriate timeframe, therefore the damaged sections should be removed from the ocean as soon as possible.

Planned recovery of the pipelines is subject to Hawaii environmental protection regulations. Therefore, because both pipelines and the structures intended to hold them to the seafloor are heavily encrusted with marine life - including many coral colonies - some of them quite large, NELHA sought and has received recommendations from the Division of Aquatic Resources (DAR) for recovery and transplantation of coral colonies that must proceed prior to the pipe removal operation. A Special Activities Permit (SAP) approval for this mitigation work is required from the State Board of Land and Natural Resources prior to start of work. DAR staff have assisted by submitting for that approval and inform us to expect BLNR approval by early December.

Regarding other permit requirements, the pipe removal work falls under the coverage of an existing US-Army Corps permit (DA General Permit PODCO-O GP 86-1) and of Hawaii Conservation District Use permits CDUA HA-1862 and HA-1862A).

On 9/16/2024 NELHA issued a solicitation (HIePRO #Q25000504) for fabrication of custom steel hardware intended to be used during pipeline recovery. A small purchase contract for approximately \$10,808 was issued as a result, and delivery is expected by 1/3/2025.

On 9/18/2024, NELHA issued a solicitation (eIFB-24-03-NELHA) through the Hawaii State eProcurement platform, combining both the coral mitigation and the pipe recovery work. The scope of work in that solicitation includes:

- 1) Coral Recovery and Preservation, including photo documentation and transplantation of approximately 149 coral colonies and 10 heavily encrusted pieces of pipe hold-down hardware.
- 2) 24-SSW Pipeline Demolition and Removal, from approx. 10-ft to 45-ft water depth, including recovery and removal from the ocean of the entirety of the 24-SSW pipeline and all attached hardware.
- 3) 18-DSW Pipeline Demolition and Removal, from approx. 10-ft to 70-ft water depth, including recovery and removal from the ocean of the shoreward 200-foot (approximately) of pipeline 18-DSW and all attached hardware – leaving approximately 1,800 feet of pipeline in the ocean to be recovered later by others under separate contract.
- 4) Anchoring in-place the remainder of the 18-DSW Pipeline using hold-back hardware provided by NELHA.
- 5) Environmental Clean-Up to remove and dispose of all loose debris resulting from the degradation of the pipe hold-down structures, and the demolished section of the underwater pump station.
- 6) Video Documentation of prior conditions, daily work progress and final conditions - including the coral recovery and preservation work.

Three bids have been received in response to this solicitation:

- Pacific Underwater Construction, LLC. \$239,180.52
- Sea Engineering, Inc. \$455,759.00
- American Marine Corp. \$747,747.00

All three vendors appear to be compliant with the licensure and bidding requirements (including HCE compliance at bid-time) given in the solicitation. NELHA has prior experience working with all three and has no reason to exclude any of them for past performance issues. Valid bid bonds have been issued with all three bids.

Under state procurement rules, if a contract is awarded as result of the solicitation, it should go to the vendor offering the lowest responsive, responsible bid.

Funding for such a contract would come from NELHA Special Fund as an unbudgeted expense.

C. NELHA STAFF RECOMMENDATION

Staff recommends that the NELHA Board approve this expense which was not part of the FY25 budget approved by the Board in July 2024 and direct staff to award a contract to the lowest bidder, Pacific Underwater Construction LLC, according to the terms and conditions of solicitation eIFB-24-03-NELHA, and as soon as a required Special Activities Permit is approved by the Board of Land and Natural Resources, to issue a notice to proceed with the work.

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Item 6.

INFORMATIONAL PRESENTATION

- a. Overview of NELHA Distributed Energy Resources Activities and Recommendations presented by Dr. Terry Surles.

Draft Recommendations for NELHA's Program Plan in Support of State Energy Goals



Terry Surles

Hawaii Natural Energy Institute

November 19, 2024



Hawaii Natural Energy Institute

School of Ocean and Earth Science and Technology
University of Hawaii at Manoa

Different Set of Metrics Used as Compared to 2013 Plan by PICHTR

- Approach in 2013 focused on development of DER strategy
 - How best to make use of existing NELHA resources
 - Judicious approach to connecting to federal funding
- Current analysis is in response to legislative question
 - What can NELHA do to help state meet its energy goals?
 - Support from both state and federal resources is implicit for broadening capabilities



Implementation of 2013 DER Plan Resulted in a Number of Successes

- Department of Commerce funding to build Innovation Center
- Improved relationships and funding from Department of Energy national laboratories
- Development of solar-powered microgrid with support from Korea, state, and HNEI
- Led two energy storage workshops funded by the county and Sandia National Laboratory
- New carbon capture projects with private sector partners
- And others over the past decade



However, a Number of Problems Remain or Are Relatively New

- Ageing infrastructure is serious concern
- Issues with covering management and staffing costs with federal collaborative contracts
- Limited staff availability
 - Both in terms of technical expertise and enough staff
- Problem with demonstrations that could fail
 - Tenant companies need constant supply of water and electricity
- Perceived lack of connectivity to local community and to state academia



Possible Activities for Supporting State Energy Goals

- Continue to work with DOE laboratories and Department of Defense agencies
- Based on original statute, expand NELHA footprint
 - **Transfer some state lands to NELHA for geothermal development and demonstrations**
- Serve as exit point for undersea cable to Oahu
- Continue to link ocean sciences expertise with energy and climate change projects
 - **Ocean sequestration**
 - **Carbon capture from the ocean**
 - **New use of macroalgae to reduce cattle methane emissions**



Based on Legislative Question: NELHA Needs to:

- Work with other State agencies and legislature to better define its role
 - Is it a place to do small scale applied research whose success is moved to other locations outside the state?
 - Is it a place for small scale demonstrations that lead to deployment in other parts of the state?
- NELHA must continue to provide quality services to its tenant companies – water, electricity
 - Can demonstrations be effective in keeping and attracting new companies?
 - Issues surrounding ageing infrastructure must be resolved



Draft Recommendations Based on Analysis of Issues and Opportunities

- State funding to repair and upgrade critical infrastructure - now over 30 years old
 - Necessary to maintain ocean sciences capabilities with their linkage to energy and climate change projects
- NELHA should improve its interaction and coordination with DBEDT agencies and offices
 - NELHA should benefit from interaction with HSEO for its energy planning efforts.
 - Possible funding from HTDV due to successful federal funding efforts, although may now be questionable



Draft Recommendations Based on Analysis of Issues and Opportunities - continued

- State funding for making critical technical hires and covering required share of cost-shared projects
 - Adept at planning, communicating with potential clients and collaborators, and working across different organizations
 - Sufficient staffing to work with DOE laboratories and funds to pay for DOE required cost share
 - Allows for better skill set to manage demonstrations of new technologies
 - Allows for expansion of federal support to include DOD agencies



Draft Recommendations Based on Analysis of Issues and Opportunities - continued

- Expand NELHA's footprint by transferring DLNR state lands with potential for geothermal development on the Big Island
- Expand ways to work with local government, academia, and communities, recent examples:
 - Agreements with county concerning utilizing the hydrogen fueling station developed by HNEI
 - District cooling work – using ocean water - with Kailua/Kona

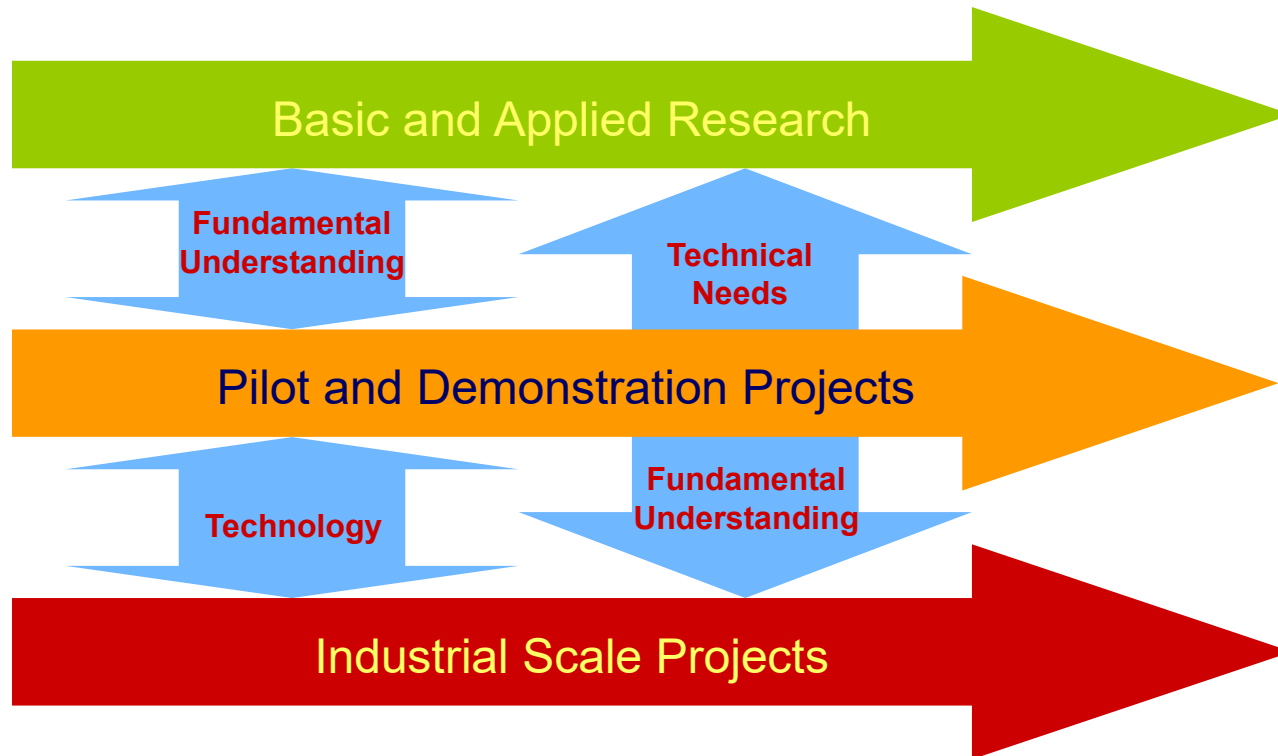


NELHA Board Should Consider:

- Creating a sub-committee focusing on energy projects and issues
- Primarily consisting of board members, but include at least one outside energy expert
 - Consistent with how national laboratories manage their Laboratory Directed R&D decisions
- Early SWAT analysis to determine the path forward for NELHA in the energy arena



Integration of RDD&D Initiatives: Need to Connect Basic, Development, Applied Activities with Public Policies – What Should NELHA’s Role Focus on for Hawaii?



Item 6.

INFORMATIONAL PRESENTATION

b. Update on HATCH Aquaculture Accelerator,
Venture Building and Ocean Foundry
presented by Wayne Murphy.

No Handout

Item 7.

Executive Director's
Informational Status Report

No Handout

Item 8.

Announcements

- a. Date of next regularly scheduled NELHA Board of Directors meeting is Tuesday, January 21, 2024, at 10:00 am.
- b. A NELHA Special Board of Directors meeting is tentatively scheduled for Tuesday, December 3, 2024 at 10:00 a.m.
- c. A NELHA Research Advisory Committee (RAC) meeting is tentatively scheduled for December 3, 2024 at 9:00 a.m.

Item 9.

Adjournment