



NELHA BOARD BOOK
August 19, 2025



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

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



SPECIAL BOARD OF DIRECTORS MEETING AGENDA*

Natural Energy Laboratory of Hawaii Authority

August 19, 2025

1:00 p.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/88287040093?pwd=7OYOsapvq07oZSs7v4I78zKLWNWPHC.1>

Meeting ID : 882 8704 0093

Passcode: 312989

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

+17193594580,,88287040093#

or

+12532050468,,88287040093#

NELHA OceanView Conference Room 208

Hale Iako Building

73-970 Makako Bay Drive

Kailua-Kona, HI 96740

- 1. Call to Order.**
- 2. Approval of NELHA Board of Directors' July 15, 2025, Meeting Minutes.**
- 3. Approval of NELHA Executive Session July 15, 2025, Meeting Minutes.**
- 4. Public Testimony.**

5. Old Business.

- a. Discussion and Decision Making regarding Request for Rent Adjustment for Symbrosia, Inc. Sublease K-41.

6. New Business.

- a. Discussion and Decision Making regarding Assignment of Kowa Premium Foods Hawaii Corporation dba Big Island Abalone Sublease K-6 to Akatsuki International Corporation.

7. Executive Director's Informational Status Report on ongoing projects including Water Quality, OTA Well and Tsunami Event.*

8. Announcements.

- a. Date of next regularly scheduled NELHA Board of Directors meeting is Tuesday, September 16, 2025, at 1:00 pm.

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, August 15, 2025, addressed to: riley.m.saito@hawaii.gov

Alternatively, members of the public may mail written testimony on this agenda to Riley Saito, 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
September 16, 2025.

Issued Wednesday, August 13, 2025, in compliance with Sunshine Laws

Item 2.

Approval of NELHA Board of Directors'
July 15, 2025 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

July 15, 2025
1:00 p.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)
Ian Hirokawa (DLNR)
Benson Medina (County of Hawaii)
Neil Sims (Tenant Representative)
Nathan Tsao (Tenant Representative)
Dr. Chad Walton (University of Hawaii)
Dane Wicker (DBEDT)
Dr. John Wiltshire (RAC Secretary)

Board Members Not Attending and Excused

Jaclyn Kaina (HTDC)
Alan Hilton (RAC Chair)

Guests/Staff Present

Riley Saito (NELHA)
Laurence Sombardier (NELHA)
Keith Olson (NELHA)
Alex Leonard (NELHA)
Jennifer Rasmussen (NELHA)
Faustine Edge (NELHA)
Bryan Babbitt (NELHA)
Rae Nguyen (NELHA)
Sherry Ortiz (NELHA)
John Cole (AG)
Mitch Ewan (HNEI)
Aaron McCall (HNEI)
Tom Fee (HHF)
Mark Ladao (Hawaii Public Radio)
Jamie Matsukawa (Shrimp Improvement Systems)
Ian Sandison (Watanabe Ing LLC)
Joyce Tam-Sugiyama (Watanabe Ing LLC)
Dr. Jim Wyban
Jeff Zimpher
Member of the Public (Go Law)

Full Board meeting recording available at: Video Part A <https://youtu.be/e-rIs8Yvw2I>
and Video Part B https://youtu.be/dztB_zVzmw4

- **Item 1. (1:00 p.m. video run time 0:01:38) Call to Order.**

The meeting was called to order by Chair Noe Kalipi (Chair Kalipi) at 1:00 p.m. Chair Kalipi asked Deputy Director (DD) Sombardier for a roll call of Board members and NELHA staff. Reference to Act 220. Ten members present and two excused.

- **Item 2. (1:07 p.m. Video Part A run time 0:06:35) Approval of NELHA Board Directors' May 20, 2025 Minutes.**

Chair Kalipi opened this item for discussion. Director Bruce moved to approve the May 20, 2025 Meeting Minutes, and the motion was seconded by Director Medina (1:07 p.m. Video Part A run time 0:06:56). The minutes were approved. (10-0) (1:07 p.m. video run time 0:07:09).

- **Item 3. (1:07 p.m. Video Part A run time 0:07:14) Approval of NELHA Board of Directors' May 20, 2025 Executive Session Meeting Minutes.**

Chair Kalipi opened this item for discussion. Director Wicker moved to approve the May 20, 2025 Executive Session meeting minutes, and the motion was seconded by Director Medina (1:08 p.m. video run time 0:07:34). The minutes were approved. (10-0) (1:08 p.m. video run time 0:07:55).

- **Item 4. (1:08 p.m. Video Part A run time 0:08:02) Public Testimony.**

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

- **Item 5a. Old Business (1:09 p.m. Video Part A run time 0:09:04) Update and Discussion regarding Complaint filed by Keahole Point Hatcheries LLC on May 7, 2025***

Chair Kalipi stated they will be discussing this item in Executive Session to consult with the Board's Deputy Attorney General (AG) Cole on issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities pursuant to HRS § 92-5, subsection (a)(4). Director Wicker made the motion to move to Executive Session, Vice Chair Miyashiro seconded the motion (1:10 p.m. Video Part A run time 0:09:43). The motion passed (10-0) and Directors went into Executive Session at 1:10 p.m. (video run time, Part A 0:10:03).

Director Wicker left Executive Session and the Board Meeting at 1:45 p.m.

The Board Directors returned from Executive Session at 1:53pm (video run time Part B, 00:00:09).

Chair Kalipi asked AG Cole to provide a brief summary. AG Cole stated that the Directors were in Executive Session pursuant to Section 92-5(a)(4) to consult on issues pertaining to Board powers, duties and liabilities. An update was provided on a complaint that was filed in May but not served meaning there is no active litigation yet.

- **Item 6a. New Business. Discussion and Decision Making regarding Fiscal Year 2027 Supplemental CIP Request. (1:54 p.m. video run time 0:01:22): Approval and Decision Making.**

ED Saito presented this agenda item, and Board Directors asked questions throughout. After the report, the Public was given an opportunity to ask questions or discuss.

Director Sims moved to approve the requests, and the motion was seconded by Director Medina (2:14 p.m. video run time 0:21:04). The request was approved. (9-0) (2:15 p.m. video run time 0:21:44).

- **Item 7. Financial Report (2:15 p.m. Video Part B run time 0:21:53): Approval and Decision Making.**

DD Sombardier provided the Financial Report. After the report, the Public and Board was given an opportunity to ask questions or discuss.

Director Wiltshire motioned to approve the Financial Report and Director Tsao seconded the motion (2:24 p.m. Video Part B run time **0:21:53**). The motion was approved (9-0) (2:24 p.m. video run time **0:31:02**).

- **Item 8. (2:24 p.m. Video Part B run time 0:31:04) 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 Saito provided his summary, and the Board and public were given an opportunity to ask questions or discuss.

- **Item 9. (2:42 p.m. Video Part B run time 0:48:53) Announcements**

- a. Date of the next regularly scheduled meeting is Tuesday, September 16, 2025 at 1:00 p.m.

- **Item 9. (2:42 p.m. Video Part B run time 0:49:05) Adjournment.**

Chair Kalipi adjourned the meeting at 2:42 p.m. (video part B runtime **0:49:05**).

###

Item 5.
Old Business

- a. Discussion and Decision Making regarding Request for Rent Adjustment for Symbrosia, Inc. Sublease K-41.

**Agenda Item 5.a.
Request for Rent Adjustment for Symbrosia Sublease K-41
Request Submitted to NELHA on April 30, 2025**

DATE: August 19, 2025

A. SUMMARY AND REQUEST

Symbrosia, Inc. (Symbrosia) is requesting that NELHA provide a reduced rent for a longer period than was originally agreed upon, specifically until a County building permit is obtained allowing for construction to begin.

B. BACKGROUND AND DISCUSSION

Sublease K-41 Lease Specifics (see Attachment 2 for location):

<i>LEASE TYPE</i>	Sublease
<i>LESSEE</i>	Symbrosia, Inc.
<i>LEASE NUMBER</i>	K-41
<i>SUPPLEMENTAL</i>	Supplemental No. 1 dated 11/27/2024 adjusted the space under lease based on the finalized land survey.
<i>ACREAGE</i>	Gross: 15.137 acres. Net: 14.893 acres
<i>SUBLEASE TERM</i>	30 years starting January 1, 2024, through December 31, 2053.
<i>PROJECT DESCRIPTION</i>	Seaweed feed additive for cattle for methane reduction.
<i>RENTAL FEES</i>	Increasing fee over first year escalating from \$150/acre/month for 1 st 6 months to \$250/acre/month for the following 6 months. Current fee is \$357.17/acre/month with annual CPI increases. Percentage Rent is 2.5% of gross receipts.
<i>REOPENING</i>	Every 10 th year.
<i>NEXT REOPENING DATE</i>	01/01/2034.
<i>ASSIGNMENT HISTORY</i>	None.

Symbrosia was one of HATCH’s first cohort companies in 2019 and has had a presence at HOST Park since then. The startup aims to cultivate *Asparagopsis taxiformis*, known in Hawaii as limu kohu, for the purpose of producing a feed additive for cattle and other ruminants to reduce their methane production by over 80%. The company has

continued its R&D and commercialization work at HOST Park since the 2019 accelerator, first in the Makai Research Campus, followed by other locations as they partnered with other HOST Park clients. Symbrosia is currently subletting space and offices at Sea Salts of Hawaii while a commercial production facility is built on the 15-acre parcel which they started subleasing on January 2024 under Sublease K-41.

In the business plan presented to the NELHA Board in September 2023, Symbrosia was aiming to complete and start production within one year. The business plan approved by the Board in 2023 and made a part of the sublease was also planning for a \$30M USDA loan to build the facility which was expected to be commissioned July 2024. Sales in 2025 were projected to be \$4.5M.

While significant progress has been made, Symbrosia has also experienced delays, mostly regarding the start of construction of the commercial facility. Symbrosia has replaced their part time Construction Manager with a full-time person and has hired a local architectural firm which has started work but the planning and build out of the facility has taken longer than expected. Symbrosia has not yet submitted for permits, which are likely to take at least 9 months and possibly up to 2 years based on previous similar projects for approval once they are submitted.

NELHA had provided Symbrosia with a one-year rent fee escalation to assist with ramp up. For the first 6 months of the sublease term, Symbrosia paid \$150/acre/month; for the second 6 months Symbrosia paid \$250/acre/month. Symbrosia is currently paying the full rate (\$357.17/acre/month). Symbrosia has requested reduced rate until a building permit is obtained. It is suggested that \$150/acre/month rate be extended until a building permit is provided by the County. The formal request letter and other submittals are provided under Attachment 1.

While Symbrosia produces and sells out of their current R&D site, revenue is still minimal. The company has also experienced setbacks on the R&D side as federal grants have been placed on hold. This has resulted in employee layoffs, reducing the workforce by approximately 20%. The current investment environment is also not ideal for fundraising, particularly in Symbrosia's sector.

Significant progress has been achieved to secure a USDA \$36.5M loan (see application and April 2025 letter announcing approval for Phase II of the application process in Attachment 1). Symbrosia has also hired an architect and preliminary site plans are completed.

Symbrosia continues to be committed to build out at HOST Park and providing employment opportunities to West Hawaii. The company has a financial and scaling strategy to achieve this goal while managing risks and current challenges. The facility design is modular providing the opportunity to build out in phases.

As is typical with startups, the initial planned timeline was very aggressive. Other projects have taken up to two years to complete their Phase I facility buildouts. It would therefore be reasonable to provide additional time at a reduced rent to increase Symbrosia's chances of success. At the same time, it is also reasonable to provide an upper limit to make sure that there is an incentive to make continued progress. If continued and excessive delays are caused by the County processes, the rate can be reviewed again at a later time and further adjustments may be considered if warranted.

A draft Supplemental has been prepared and reviewed by both the client and NELHA AG. This draft supplemental is provided as Attachment 3. If the full two years rent reduction are utilized, the resulting revenue reduction to NELHA will be on the order of \$38,500.

Rent deferral was considered as an option but it is deemed more appropriate to adjust the ramp up given circumstances. In particular, the State of Hawaii has been actively working on softening the blow of current federal administration uncertainty and actions as they affect Hawaii residents and businesses. It is important to help stabilize the workforce.

Extending the initial rate of \$150/acre/month through June 2027 (or until a County of Hawaii construction permit is issued) will allow Symbrosia to pay any arrears due to NELHA and provide some necessary relief to the company to continue developing the 15 acre facility.

C. NELHA STAFF RECOMMENDATION

Staff recommends that the NELHA Board grant approval to adjust rent fee for sublease K-41 to allow for a longer period for ramp up. Staff recommends the return to the rate of \$150/acre/month starting on the effective date of the Sublease and until a permit to start construction is obtained or 42 months have passed since the Sublease effective date, whichever is sooner. NELHA staff will work with NELHA AG to finalize and execute the documents to reflect the assignment.

**ATTACHMENT 1: Symbrosia Letter Requesting Rent Adjustment and other submittals
(proprietary)**

ATTACHMENT 2: LOCATION MAP



ATTACHMENT 6: DRAFT AGREEMENTS

Draft Supplemental No.2 for Symbrosia Sublease K-41

NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

SYMBROSIA, INC.
SUPPLEMENTAL AGREEMENT NO. 2
TO MODIFY SUBLEASE NO. K-41
DATED December 18th, 2023

THIS SUPPLEMENTAL AGREEMENT NO. 2, made and entered into as of _____ day of _____, but effective as of _____ 2025, by and between the NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY, STATE OF HAWAII, hereinafter referred to as “Sublessor,” and SYMBROSIA, INC, a Corporation under the laws of the State of Delaware, whose business and post office address is 73-4460 Queen Ka‘ahumanu Hwy. Suite #111 Kailua-Kona, Hawaii 96740, hereinafter referred to as “Sublessee”;

WITNESSETH:

WHEREAS, SYMBROSIA, INC., a Corporation under the laws of the State of Delaware, entered into that certain unrecorded SUBLEASE No. K-41 dated December 18, 2023, as amended by Supplemental No.1 dated November 27, 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 10 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 parties hereto desire, among other things, to modify rental fees;

NOW, THEREFORE, IT IS MUTUALLY UNDERSTOOD AND AGREED that the sublease premises identification and sublease Paragraph 1.a 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. Rental fees.

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

a) Fixed rental fee.

A monthly fixed rental fee, calculated at THREE HUNDRED FIFTY-SEVEN AND 17/100 DOLLARS (\$357.17) per acre per month commencing on the [13th] **43rd** month of the sublease term **or on the date a construction permit is received from the County of Hawaii, whichever is soonest** 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 15.137 acres, as shown on the survey map attached hereto as Exhibit “C.” Based upon the net acreage of 14.893 acres as shown on Exhibit “C,” Sublessee shall pay a monthly fixed fee of TWO THOUSAND TWO HUNDRED AND THIRTY-THREE DOLLARS AND 95/100 (\$2,233.95) for the first [6] **forty two (42)** months of the sublease term or **until the date a construction permit is received from the County of Hawaii, whichever is soonest**, [THREE THOUSAND SEVEN HUNDRED AND TWENTY-THREE DOLLARS AND 25/100 (\$3,723.25) for the following 6 months of the sublease term] and FIVE THOUSAND THREE HUNDRED AND NINETEEN DOLLARS AND 33/100 (\$5,319.33) thereafter **and until the next reopening period date** [(or “ for the following 12 months”)].

Commencing on the [25th] **55th** month of the sublease term, the monthly rental fee shall be adjusted annually according to the published Hawaii CPI [for a period of eight (8) years following the commencement of this Sublease] **until the next reopening period date**. In the event that [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. 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.

IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Agreement No. 2 effective the date indicated above.

NATURAL ENERGY LABORATORY
OF HAWAII AUTHORITY

BY _____
RILEY M. SAITO
Its Executive Director

Date _____

APPROVED AS TO FORM

BY _____
Deputy Attorney General

Date _____

SYMBROSIA, INC.
A Corporation under the laws of the State of
Delaware

BY _____
ALEXIA AKBAY
Its Chief Executive Officer

Date _____

Item 6.
New Business

- a. Discussion and Decision Making regarding Assignment of Kowa Premium Foods dba Big Island Abalone Sublease K-6 to Akatsuki International Corporation.

Agenda Item 6.a. Assignment of Kowa Premium Foods Hawaii Corporation dba Big Island Abalone Sublease K-6 to Akatsuki International Corporation Request Submitted July 14, 2025

DATE: August 19, 2025

SUBJECT: Assignment of Big Island Abalone Sublease K-6

A. SUMMARY AND REQUEST

Kowa Premium Foods Hawaii Corporation (Kowa) dba Big Island Abalone (BIA) is planning for 100% change in ownership through a stock purchase agreement which triggers the assignment process as per Sublease K-6. Kowa is seeking approval for this assignment in accordance with the Sublease K-6 assignment clause. The use of the leased space and activities are not expected to change at this stage as the buyer intends to continue producing abalone and selling wholesale and retail including direct to consumer at the farm at HOST Park.

B. BACKGROUND AND DISCUSSION

Sublease K-6 Lease Specifics (see Attachment 1 for location):

<i>LEASE TYPE</i>	Sublease
<i>LESSEE</i>	Kowa Premium Foods Hawaii Corporation dba Big Island Abalone
<i>LEASE NUMBER</i>	K-6
<i>SUPPLEMENTAL</i>	Supplemental No.1 dated December 29, 2017, assigned the sublease from Big Island Abalone Corporation to Kowa and added annual CPI increases. Supplemental No.2 dated December 3, 2019, added 14 acres to the original 10 acres, allowed for extractive as well as productive uses with different rates applied for each use, and addressed various issues related to the expected retail uses such as ingress/egress, water usage and other items. Supplemental No.3 dated June 18, 2021, extended the term of the sublease, corrected typos and clarified rental rates. Supplemental No.4 dated January 27, 2025, removed 12.388 acres and adjusted fees accordingly.

	<p>On April 15, 2025, Kowa agreed via letter to the changes in the assignment and mortgage paragraphs to remove the requirement for BLNR approval.</p> <p>There are three agreements relating to sea water prices prior to assignment to Kowa: MOU dated 9/29/08, MOU dated 4/29/14 and LOA dated 8/24/16 providing reduction in sea water rates.</p>
<i>ACREAGE</i>	<p>Original sublease under BIAC: 10.37 acres gross, 10.0 acres net.</p> <p>Sublease under Kowa: 24.095 acres gross reduced to 11.707 acres gross in January 2025.</p>
<i>SUBLEASE TERM</i>	<p>Originally, 30 years starting January 1st, 1999, through December 31st, 2029.</p> <p>Extended to 50 years through December 31, 2048, by Supplemental No.3.</p>
<i>PROJECT DESCRIPTION</i>	<p>Abalone production including algae feed production for the abalone. BIAC also received approval to perform R&D for a second sea cucumber product to co-locate with abalone. Retail sales including tours and BBQ/food truck.</p>
<i>RENTAL FEES</i>	<p>\$100/acre/month from 1/1/99 to 12/31/08. \$342.75/acre/month from 1/1/09 to 9/8/19. \$316.19/acre/month for productive use and \$1,404.00/acre/month for retail use starting 9/9/19.</p> <p>Percentage Rent is 2% of gross receipts for productive uses and 5% for retail uses including tours, restaurant, retail sales.</p>
<i>REOPENING</i>	Every 10 years.
<i>NEXT REOPENING DATE</i>	1/1/29
<i>ASSIGNMENT HISTORY</i>	None.

Background and Discussion

Big Island Abalone Corporation (BIAC), a Washington corporation, executed Sublease K-6 with NELHA in November 1998. The corporation also entered around the same time into a short-term agreement for space within the research campus to utilize for an abalone hatchery which it operated for almost a decade. In 2007, the campus location was vacated, and hatchery operations were moved to the main grow out location covered by Sublease K-6 primarily to reduce operational costs. Since 1998, BIAC overcame many technical and marketing challenges to build a company that is well

known in the US and internationally for its excellent quality abalone product. BIAC was owned by Trident Seafoods when in 2017, BIAC was acquired by Kowa, a large Japanese corporation with worldwide activities in the food, liquor, consumer products, real estate, marketing and service industry sectors (<http://www.kowa.co.jp/eng/company/index.htm> with annual sales on the order of US\$1.4 billion in 2017 according to audited financials.

Kowa had planned to build a cannery at HOST Park to address abalone shelf life and shipping challenges. Kowa had also planned to build a restaurant and tour center to create a separate revenue stream in addition to abalone productions and wholesale/retail sales. Neither were completed due to high construction costs coming out of the COVID pandemic, although they did build out an open-air BBQ space and a food truck area for visitors to sample farm fresh abalone and other foods. The BBQ area is currently in the process of being expanded and improved.

After 8 years of implementing cost reduction efforts and launching initiatives to increase revenue to move the company towards profitability Kowa continued to struggle in making the company profitable. Many of the cost reduction efforts involved deferring needed maintenance. An example of a recent revenue increasing concept was to import and distribute wild raised abalone from Korea as a lower cost product offered in addition to the superior BIA Hawaii grown product. This idea was ultimately not implemented due to the inability to obtain Department of Agriculture import permits. But other initiatives such as increasing food truck and onsite BBQ sales of abalone were more successful.

On June 9, 2025, Kowa closed the BIA facility doors, stopped selling product and started considering two options: liquidating and returning the land to NELHA or finding a buyer. Akatsuki International Corporation (Akatsuki) expressed interest in the business. In July 2025, NELHA staff was informed that due diligence on the part of the prospective buyer had been completed, and a Kowa submitted a request for assignment including the draft stock purchase agreement between Kowa and Akatsuki.

Akatsuki was established in Hawaii in 2023 for the purpose of developing food related businesses in Hawaii by Masakazu Idemitsu, the grandson of Sazo Idemitsu, founder of Idemitsu Kosan Co., Ltd. , a Fortune Global 500 company (<https://www.idemitsu.com/en/company/profile/index.html>). After working at Idemitsu Kosan for 34 years, Masakazu Idemitsu is now a part time Board member. Akatsuki has already invested in two food related projects on the Island of Hawaii, a planned high end Japanese restaurant in Kealahou and an existing dining establishment in Honokaa. Akatsuki's plans for BIA to become "a local provider of high-quality local sea creatures for the local people and community", is a departure from earlier BIA objectives aiming to increase exports to the mainland and/or international markets.

Akatsuki will initially focus on growing abalone, but they do plan to look at other species as opportunities for additional products and associated revenue sources. However, Akatsuki has not had time to perform extensive market research or plan these new activities out given the time sensitive nature of the sale. Therefore, the approval requested is to continue with the same activities that BIA has conducted in the past. Akatsuki understands that any other activities will require an update to the business plan presented as part of this request and will require future Board review and approval.

The current state of the BIA facility causes concern due to the lack of maintenance over the last several years. Areas of concern include a malfunctioning seawater disposal sump, large seawater leaks and general facility disrepair. Akatsuki is aware of the deferred maintenance issues and understands that they will become responsible for bringing the facility back to acceptable operating standards. To do so, they will consolidate abalone growing activities and its associated seaweed production and inactivate about a quarter of the 10-acre production facility. Akatsuki has outlined the immediate repair work to be conducted within the next 6 months of acquisition and will fund the approximately \$0.5M repair work through a cash infusion.

Akatsuki also plans to complete the BBQ upgrades which will cost approximately another \$1M, also funded through a cash infusion. Akatsuki has provided assurance that they will clean up the facility and dispose of defunct and unsightly equipment.

Kowa is in good standing. Various issues relating to real estate tax and Department of Agriculture permitting issues have been resolved (or are close to being resolved) to the best of NELHA's knowledge.

The sale process has been rapid and although for the purposes for the assignment, Akatsuki will continue past abalone production activities, staff did ask for and obtained a business plan update including financial projections to understand how Akatsuki plans to bring the company to profitability. Three years of income statements, balance sheets and cash flows were provided and reviewed by NELHA staff. Akatsuki was responsive in answering follow up questions. The information provided provides an acceptable transition plan to allow Akatsuki to move forward. In scaling down production, Akatsuki will reduce expenses, provide time to return the facility to reasonable condition and allow for development of revenue sources that will be necessary for profitability. The financial projections are included in the confidential business plan provided in Attachment 2 of this recommendation.

The revenue growth in the first three years will be primarily driven by expansion of agritourism activities such as farm tours, food services and farmers' market sales. Cost of goods is based on when the abalone were produced with a higher COGS for those produced in 2026.

Akatsuki plans to retain current key personnel who have been instrumental in resolving the technical issues to provide reliable production of abalone at BIAC. This includes Cecilia Viljoen and Jay Booth to stay on as R&D Director and Production & Engineering Director respectively. Akatsuki will appoint a new facilities Manager as well as new office manager.

Since this is a change of ownership as opposed to a new project, the NELHA RAC was not involved in reviewing the business plan update. Nor was it necessary to reach out to neighboring tenants.

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 projects. BIA is on an existing graded and fenced space and does not reduce access to the shoreline. There are no archaeological features on the property. In almost 30 years of operations, BIA has not had any issues with their imported Ezo abalone being released and affecting species of interest to native Hawaiian practitioners.

NELHA staff strongly recommends approval of this assignment as it will keep the BIA doors open. This would save approximately 10 jobs and most likely create additional jobs if successful. The willingness of the potential new owner to fund capital improvements and address deferred maintenance is viewed very favorably. The potential new owner is reputable, has significant resources, not the least of which is the ability to further develop the Asian markets for the abalone product.

A draft Supplemental and Consent based on boiler plate language has been reviewed and agreed upon by Akatsuki and NELHA AG (Attachment 5). Recently, the requirement for DLNR's consent to assignments or mortgages has been removed from all NELHA subleases. Therefore, execution of the draft consent and supplemental documents can take place immediately after the NELHA Board approves. With that approval, Kowa and Akatsuki plan to close on August 31, 2025.

After closing on the stock purchase sale, Akatsuki plans to change the name of the business. This name has not yet been finalized or registered with the DCCA yet, and therefore a placeholder name is being utilized in the draft agreements.

C. NELHA STAFF RECOMMENDATION

Staff recommends that the NELHA Board grant approval for 100% ownership change of Kowa Premium Foods Hawaii Corporation to Akatsuki International Corporation. It is expected that the Lessee name will change once the stock purchase has closed. The NELHA Executive Director will work with NELHA AG to finalize and execute the documents related to this transaction.

ATTACHMENT 1: LOCATION MAP



Big
Island
Abalone



ATTACHMENT 2: BUSINESS PLAN UPDATE (CONFIDENTIAL)

ATTACHMENT 3: DRAFT CONSENT

CONSENT TO CHANGE OF OWNERSHIP OF SUBLESSEE UNDER SUBLEASE NO.
K-6 (LEASE PARCEL FOR AN AREA OF 11.707 ACRES)

CONSENT is hereby given by the **Natural Energy Laboratory of Hawaii Authority ("NELHA")**, as "**Sublessor**" under that certain unrecorded Sublease No. K-6, dated June 9, 2021 ("the NELHA Sublease"), to the change of ownership of the Sublessee under the NELHA Sublease dated November 1, 1998 from "KOWA COMPANY LIMITED", a Japan corporation, who is the current stock owner of Sublessee in the Sublease No. K-6 to "AKATSUKI INTERNATIONAL CORPORATION", a Hawaii Corporation, the principal place of business and mailing address of which for purposes of this instrument being 1750 Kalakaua Avenue, #1206, Honolulu, Hawaii 96826; 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 NELHA Sublease K-6.

IT IS UNDERSTOOD that except as provided herein, should there be any conflict between the terms of Sublease No. K-6 and the terms of the ownership change, 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 change of ownership 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.

IN WITNESS WHEREOF, the Natural Energy Laboratory of Hawaii Authority has caused these presents to be duly executed this _____ day of August, 2025.

NATURAL ENERGY LABORATORY OF
HAWAII AUTHORITY

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

By _____
Riley M. Saito
Its Executive Director

LESSOR

KOWA PREMIUM FOODS HAWAII
CORPORATION
A Hawaii Corporation

By _____
Taishi Kurihara
Its Chief Financial Officer

SUBLESSEE

APPROVED AS TO FORM:

Deputy Attorney General

Dated: _____

ATTACHMENT 4: DRAFT SUPPLEMENTAL NO. 5 TO SUBLEASE K-6

NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

KOWA PREMIUM FOODS HAWAII CORPORATION

SUPPLEMENTAL AGREEMENT NO. 5

TO MODIFY SUBLEASE NO. K-6

DATED November 1, 1998

THIS SUPPLEMENTAL AGREEMENT NO. 5, made and entered into as of _____ day of _____, 2025 but effective as of _____, 2025, by and between the NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY, STATE OF HAWAII, hereinafter referred to as “Sublessor” and **KOWA PREMIUM FOODS HAWAII CORPORATION**, a Hawaii corporation, whose business and post office address is 73-4460 Queen Ka‘ahumanu Hwy. #115, Kailua-Kona, HI 96740, hereinafter referred to as “Sublessee”;

WITNESSETH:

WHEREAS, BIG ISLAND ABALONE CORPORATION, a Washington corporation (“BIAC”), entered into that certain unrecorded SUBLEASE NO. K-6 dated November 1st, 1998, 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 10.37 acres of land at Ooma 1st, North Kona, Island of Hawaii, County and State of Hawaii, herein referred to as the “Primary Agreement”;

WHEREAS, by that certain Assignment and Assumption of Sublease dated December 27th, 2017, and recorded in the Bureau of Conveyances of the State of Hawaii (the “Bureau”) on January 2nd, 2018 (the Assignment”), BIAC assigned all of its right, title and interest in and to

SA-5 to modify Sublease K-6 dated November 1st, 1998 for KOWA PREMIUM FOODS HAWAII CORPORATION

Sublease NO. K-6 to KOWA PREMIUM FOODS HAWAII CORPORATION, Sublessee, and Sublessee accepted the same from BIAC;

WHEREAS, Sublessor consented to the Assignment by that certain Consent to Assignment of Sublease No. K-6 dated December 29th, 2017;

WHEREAS, as of the 29th day of December 2017, but effective as of January 1, 2018, Sublessor and Sublessee entered into that certain Supplemental Agreement No. 1 to Modify Sublease No. K-6 dated November 1st, 1998 (“Supplemental Agreement No. 1”) to modify certain sections of Sublease No. K-6 and to bring Sublease No. K-6 in line with Sublessor’s current leasing policy.

WHEREAS, as of the 3rd day of December, 2019, but effective as of September 9, 2019, Sublessor and Sublessee entered into that certain Supplemental Agreement No. 2 to Modify Sublease No. K-6 dated November 1st, 1998 (“Supplemental Agreement No. 2”) to modify certain sections of Sublease No. K-6 and to allow for an expansion of the project;

WHEREAS, as of the 18th day of June, 2021, but effective as of June 9, 2021, Sublessor and Sublessee entered into that certain Supplemental Agreement No. 3 to Modify Sublease No. K-6 dated November 1st, 1998 (“Supplemental Agreement No. 3”) to modify certain sections of Sublease No. K-6 and adjust rental fees;

WHEREAS, as of the 27th day of January, 2025, but effective as of January 27, 2025, Sublessor and Sublessee entered into that certain Supplemental Agreement No. 4 to Modify Sublease NO. K-6 dated November 1st, 1998 (“Supplemental Agreement No. 4”) to modify certain sections of Sublease No. K-6 and specifically to relinquish 12.388 acres of land and

SA-5 to modify Sublease K-6 dated November 1st, 1998 for KOWA PREMIUM FOODS HAWAII CORPORATION

adjust the corresponding rental fees (Sublease No. K-6, as modified by Supplemental Agreements No.1, No. 2., No. 3 and No. 4, is herein referred to as the “Primary Agreement”);

WHEREAS, as of the 19th day of August, 2025, Sublessor consented to the 100% change of ownership in Sublessee from KOWA COMPANY LTD., a Japan corporation, who is the current stock owner of Sublessee in the Sublease K-6 to AKATSUKI INTERNATIONAL CORPORATION, a Hawaii corporation, under that Consent to Change of Ownership of Sublessee effective August 20, 2025;

WHEREAS, the parties hereto now desire to modify the Primary Agreement to reflect the sublessee’s name change from “KOWA PREMIUM FOODS HAWAII CORPORATION” to “Placeholder Name”;

NOW, THEREFORE, IT IS MUTUALLY UNDERSTOOD AND AGREED that the Primary Agreement as amended (“Primary Agreement”) is hereby modified, amended and changed to substitute the name “KOWA PREMIUM FOODS HAWAII CORPORATION” with the name “Placeholder Name” wherever the name appears in the Primary Agreement.

IT IS FURTHER UNDERSTOOD AND AGREED that this Supplemental Agreement No. 5 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. 5 effective the date indicated above.

NATURAL ENERGY LABORATORY
OF HAWAII AUTHORITY

By _____

RILEY M. SAITO

Its Executive Director

DATE _____

APPROVED AS TO FORM

By _____

Deputy Attorney General

Date _____

KOWA PREMIUM FOODS HAWAII
dba BIG ISLAND ABALONE CORPORATION
A Hawaii Corporation

By _____

MASAKAZU IDEMITSU

Its

Date _____

Item 8.

Announcements

- a. Date of the next regularly scheduled NELHA Board of Directors Meeting is Tuesday, September 16, 2025, at 1:00 p.m.

Item 9.

Adjournment