

KEWALO BASIN TENANT MEETING

Re: HCDA Proposed Rules

Friday, April 27, 2007

3:00 p.m.

HCDA Large Conference Room, 677 Ala Moana Boulevard, Suite 1000

Attendance: Richard Kuitunen, Alex Kagawa, Gary Dill, Frank Mento, Tom Hattemer, Wade Vaiciulis, Reg White, Mila Delay, Michael Bishop, Bob McCoward, Greg Longnecker, Bryan Ho, Robert St. Romain

Richard (RK): Why don't we go ahead and get started because I know you guys got places to go and things to do, parts to pick up.

FM: Richard did you hear from Bryan Ho?

RK: Bryan Ho? No. Was he going to be here?

FM: He was supposed to be here with Greg and data.

RK: I'll just start off with house cleaning, some stuff we've heard. House Bill 250, that's the one transferring or whatever the language was giving Aloha Tower Development Corporation, DOT and HCDA to work together on I think it said development of it. Anyway Kewalo Basin, I was informed today, has been taken out of that bill. The capital improvements, what I'm getting at is the budget, we've been advised that the \$5.53 million is still being funded under the "B" funds which is the special funds for DOT. They are not showing anything in HCDA's budget for Capital Improvements and they weren't optimistic that it would be able to change at this date. Which basically means if it goes through as it is set up now, we're jointly - the boat owners and HCDA, are really going have to lobby DOT to spend that money on Capital Improvements because they've stated they have no desire to. And I understand that because it's a special fund that comes out of stuff monies they are able to use elsewhere.

Frank Mento (FM): Richard I'm sorry may I interrupt. You said the money is being allocated to DOT for the Capital Improvements?

RK: Correct.

FM: Okay.

RK: But in their \$800 thousand whatever is still in their operating account. So that's going through. DOT is still not interested to stay on board there. We've been talking to them at the higher the Executive Director levels and they are agreeable to stay on an interim basis until we get our rules in place. And that's where we are with them right now. We've asked them about the reciprocity and haven't gotten a "yay" or a "nay" from them.

FM: Reciprocity meaning?

RK: Where the buses, where the boats going between the harbors, inclement weather and on the Honolulu Harbor side I guess the fishing boats, sometimes they got more boats than they got slips for them to go in, so there's a benefit there.

So that may be one that again we should jointly go into to DOT and sit down and see if we can hammer something out to cooperate. I don't know what their level of interest is, how much of a benefit may mean to them. Certainly if we can put on a unified front I think we can get some mileage out of it. That's it on the news.

How are you guys coming along with your association, corporation?

FM: We're coming along fine. I guess also on the news is the public hearing scheduled for May 29th?

RK: Yeah. Everybody should have gotten an e-mail. Cal sent out yesterday or this morning actually not only to everyone in this group but everybody that we have an e-mail from the February 13th meeting. The hearing is, what was it?

Reg White (RW): May 29th.

RK: May 29th and it's going to be at the Ward Warehouse, they have a conference room on the second floor and we'll get better directions on that. I don't think I've ever been there but we wanted somewhere close but we also wanted it after business hours. I know it's hard for your guys to come to meetings like this, so we figure we'd get more participation if we have it later in the day.

FM: Are the time set already for that?

RK: 7 were it or 6?

AK: 6:00

FM: That's a pretty big room up there.

RK: I think they said it would hold at least 50 people in size. Bigger than this room obviously.

FM: I had a couple of sort of the status of where we were at. By your records, how many meetings have we had about these revision to these proposed rules?

RK: 4, 5. Does that sound right Alex? Just this group not including monthly meetings we were having. [Update: This meeting is 3rd (3/9, 3/19, 4/27) 4/5/07 meeting was cancelled at request of KOA]

FM: Just with the people since the 3/9, March 19th was the first meeting we had that I could find?

RK: No.

MD: After the Public Hearing

RK: It was 2 days after the public hearing, was the first meeting we had and that's right, you were on a charter that day. Then March 19 and then the April 7th is the one I think you canceled. So this must be our third unless I'm missing one. I can look it up on record.

FM: I'm not showing the meeting on 2/7 but what I did have out of the minutes on the meeting on 3/19, was that that meeting was about the structure to and the process to develop these revisions and that we weren't going to get into the nitty gritty. Is that something you recollect?

RK: That was the first meeting.

FM: That was the March 9th meeting?

RK: Yes. That purpose of that first meeting was more just to bring everybody together and agree on how to proceed and not get into any of the details at that time.

FM: I don't know if I agree with that. I thought I have something here on the meeting.

RK: We can pull up the minutes.

FM: Okay. It seems like this is really the first meeting we have to really discuss in this group the true revisions and the things we want to talk about. The first thing that I got a problem with is why do we seem to be in such a crisis mode and why is there such urgency to get these revisions done?

RK: Crisis mode, I don't know if that's the right word. We need to get them in place before we can transition from DOT to us. There's been a lot of uncertainty of what was going to happen from July 1, so that was a crisis. It seems to be working its way out now that we're going to be having some breathing room with DOT, but anything can happen. They can change their minds very quickly and once we get the rules approved, it still takes time. It's got to go back to the SBRRB and then up to the Governor for her signature. And it took us close to a year from when we first started the process to get the Governor's approval to have that initial public hearing. So hopefully we are not going to have problems but it's better to move forward as opposed to wait until DOT says we're out of here in 6 months or 3 months and then go into a crisis mode.

FM: It still feels as though we're rushing to get revisions to these proposed rules when I believe it's been stated through the Attorney General that HCDA can adopt in mass all of DOT rules to run the harbor themselves. So the only reason we are trying to get these

revisions is so that HCDA can have another company or somebody else to come in to manage the harbor. Is that correct?

RK: No. Even if we adopted in mass DOT rules, we'd have to go through the same process. We'd have to have a public hearing, you can't just takes someone else's rules and say there mine now. And it would probably contradict more problems trying to take their rules because there so much that doesn't apply to us. So a lot of the complaints, issues, concerns everybody has would be a whole new set of concerns that we would be both saying, "why is that in there, you don't have any cargo shipping or anything." So if we are going to do it, we might as well do it right. That's how we perceive it.

FM: So, will HCDA actually manage the harbor or are they still going to turn it over to someone else?

RK: We'll be hiring a property manager that'll handle the day-to-day affairs and would report to us.

FM: I guess that leaves kind of the next problem that I have is the basic structure of these proposed rules changes traumatically the relationship between the Kewalo Users and the State. Right now we are under permits and under the proposed rules, we'll be under leases. I guess I'm not clear as to the reason HCDA wants to do leases versus permits.

RK: Generally in all our transactions we use revocable leases. DOT in all their transactions are it land based or water based uses revocable permits.

FM: When you do these leases do you provide leases with Administrative Rules prior to a lease?

RK: For land based?

FM: When your customer use of leases do you provide leases with Administrative Rules prior to a lease.

RK: Generally "no", because these are specialized for Kewalo Basin.

FM: Specialized Rules?

RK: Yeas.

FM: These rules dictate toward some of the terms that the lease. Do you have leases that we can look at?

RK: We haven't drafted them up yet. Yes, the leases will certainly refer to the rules and incorporate all of the rules.

FM: I think that's one of the major problems that I see at least for myself and maybe other people share the sentiment is this structure moving towards a lease versus a permit it creates a lot of the rules and the framework that will be specified within the lease that we haven't seen. It would leave us at a something of a disadvantage as negotiating with those leases since we have rules that already pertain too many of the specifics. All the unknowns that will be addressed in the lease that are referred to in Administrative, I'm very uncomfortable with that. Is there anything similar to done in any other kind of lease situation with tenants that you provided with any kind of, "We will get to a lease at a later date", situation and have them agree that they are going to be tenants?

RK: Most of them agree to be tenants before they get the lease.

FM: Before they get the lease.

RK: Yes. And all of our revocable leases are month-to-month leases so once they get it if the issue is not to go forward, they can change their mind. But for the most part, because our standard revocable lease is approved by the attorney general except for the business points, there's no change to the boiler plate language.

FM: So these Administrative Rules that you've drafted, is this the first time you've done these rules any kind of rules for a harbor.

RK: For a harbor, yes. Because we've never owned a harbor before.

FM: As part of drafting these Administrative Rules, HCDA did a Small Business Impact Statement and that was submitted and that was some of the basis of the Administrative Rules and some of the terms and the rates.

RK: Whenever you go to a Public Hearing you have to go to SBRRB is my understanding and they have the impact statement that you have to fill out.

FM: This impact statement that was done, who did the impact statement?

RK: We did.

FM: In-house HCDA did the impact statement. What was the basis for the impact statement?

RK: It's required by SBRRB.

FM: What was the information that was provided to answer those questions? Where was the information gained from?

RK: From the rules.

FM: From the rules. Were people within the industry that are being impacted, were they talked to, surveys?

RK: No. Except for the original survey that was sent out to all the tenants and that was not specific to the Impact Statement.

FM: Would you say at this point knowing how much of an impact these rules have had in regards to the public hearings that we've had, would you say that impact statement is still valid?

RK: Yes.

FM: Really?

RK: Yes.

FM: Even with all the outcry of people about rates and such, that impact statement.

RK: That was pointed in the impact statement. That it would have an impact on the users because of the fees.

FM: That it would have an impact?

RK: Yes.

FM: I believe there are things in there that said it wasn't going to have any impact on the users. Like the indirect expenses was one of the questions on the Small Business Impact Statement and the effect that it would have on the Small Businesses was checked as none. Just an example.

RK: I don't have the statement in front of me, do you have a copy of that available?

Gary Dill (GD): I was looking at that Richard do you recall or do you know who actually prepared that Impact Statement, what person?

RK: We did in the office, I drafted it up, other's reviewed it.

GD: You did it?

FM: Question #9, number C, "Description of any increase in indirect cost, an estimated dollar amount to Small Business such as reporting, record keeping, equipment, construction labor, professional services, revenue lost or other cost associated with compliance." At the time that these rules were drafted, you had major insurances expenses, CAM, percentage rent increases and the answer to that was "none".

RK: It's referring to your compliance reporting I believe.

FM: It just says with compliance.

RK: Yes. Which was already under the DOT rules?

FM: It doesn't say that. It says any indirect cost associated with its compliance. I personally find and I'd like to register a complaint that I find this Small Business Impact Statement completely inaccurate about our industry. Do you feel you know enough about the boating industry when you wrote this and this was done in-house? Or do you know nothing about the boating industry now to say that these impacts aren't major? It's a minor impact?

RK: The impact on the statement we indicated, I don't recall if it said major or insignificant or whatever but it said there was impact because of the rates. And where it was compliance matters that you're already doing, we didn't feel that there would be any additional burdens since we're requiring the same thing.

FM: Do you still feel the same way?

RK: Yes.

FM: That there won't be any additional burden?

RK: For filling out your sales reports and such, no, because you're already doing that.

FM: For filling out the reports, but as far as the rates and fees?

RK: Obviously if the rates go up, that would have an impact.

FM: So you don't feel a new Small Business Impact Statement is necessary.

RK: No.

FM: I disagree with that.

RK: Okay.

FM: I think a new one is necessary. What would be the procedures for us to request a new Small Business Impact Statement?

RK: That I don't know.

FM: Are there Administrative Rules that address that someplace that we could look at?

RK: Probably with the SBRRB.

FM: Alright, we'll probably proceed with that.

RK: Okay.

FM: Has HCDA gotten any kind of response from the Attorney General regarding the Maritime Transportation Security Act of 2002 and its statements that were prohibited much of what the HCDA is proposing in the new rates in fees. And I have a copy of that here as well.

RK: Okay. Yes, if I could get copy. We have asked Josh Niles at the meeting I think to give us a copy, that's the one he was referring to I assume.

FM: This is on is.

RK: Yes and we never received that from him.

FM: I'd like to read from this if I may.

§ 445: "There's a prohibition on navigation fees."

b: No taxes tolls or operating charges, fees or any other impositions whatever shall be levied upon or collected from any vessel except for;

2. Reasonable fees charged on a fair and equitable basis that:

a) Are use solely to pay the cost of the service to the vessel or watercraft.

Has an Attorney General opinion from the State or counsel particularly in light of the fact that this was used already in the State of Hawaii in a case on Kauai?

RK: We will ask them. I don't know if they issued an opinion or not.

FM: To return to the issue of lease and permits, under permits what is the procedure to raise rates and fees or to change rates and fees? What would the procedure be under permit?

RK: Under DOT's rules?

FM: Under DOT rules.

RK: You would have to ask DOT about that.

FM: I believe it's a hearing required

Reg White (RW): Yeah.

FM: Under a lessee proposal, what would be the procedure to raise or change rates and fees?

RK: In our case it's handled in the Admin Rules.

FM: And what is that?

RK: The Admin Rules?

FM: Yeah.

RK: The draft that you have that sets the rates.

FM: Could you specify for us here what the procedure would be? If HCDA wants to raise rates and fees based on a one month revocable lease, how would they do it?

RK: Amend the Administrative Rules.

RW: Do they have hearings for that?

RK: Public hearings, yes.

FM: So the rates in the lease could not be changed without a public hearing.

RK: That's my understanding.

FM: In your leases that you do in other landlord/tenant situations, do you raise rates and fees following Administrative Public Hearings or do you just change the lease at the end of the lease term offer a new lease with a new rate.

RK: For land based leases on a short term basis?

FM: If it's a customary practice that HCDA to use lease, for my purpose I prefer you didn't separate them from land based or water based. It seems you're giving the tenants less _____ and I have some issues about that. So, if your customary practice you refer to is to have leases for Real Estate and we're going to be following the same practice, I would assume they would be under the same thing, land based or water based it is still the same situation across. So if you want to raise a lease rent for a tenant on one of your properties which I guess we would still qualify as a property, would it be in the term of the lease simply announcing anything different?

RK: In your case, currently because your covered under the Administrative Rules. So in a month-to-month lease that lease rolls over every month. So we are not allowed to give a one year lease for the land based leases. The Administrative Rules will allow us to do that. So, had we kept you all on the month-to-month lease or required it in rules, than it would be different.

FM: Then the CAM charges that are specified in here is part of that. It's an unknown, correct?

RK: Until the contracts have been bid.

FM: How would the CAM be adjusted?

RK: Based on actual cost.

FM: And would we have access to those costs as a tenant board? Do we have access to contracts as a tenant board?

RK: Yes, there will be a review process. There'll be reconciliation. You'll pay an estimated CAM and then reconciliation to actual so generally the tenants have a right to see what that reconciliation is.

FM: And who reconciles that CAM would Administrative Expenses?

RK: All operating costs, yeah.

FM: It's a pretty broad category.

RW: So basically what we presently pay in our lease rent, you are now tripling and then adding on top an extra charge for everything we used to get in one-third of our lease rent that you're going to charge us. Is that correct?

RK: We're not tripling the charge. It's going up modestly from \$5 to \$6.24.

RW: Ten bucks.

RK: That's for new tenants coming in.

RW: And in 2 years it hits us. 2 years go by in a blink of a heartbeat in small businesses.

RK: The CAM charges are the actual out-of-pocket costs.

RW: But, I'm telling you that presently that's included in our permit fee. You are tripling the permit fee and charging all the expenses on top of that. So what are we getting for our tripled permit fee?

RK: Again it's not tripling, but we're operating the harbor, we're planning on improving the quality of the harbor, bringing in new tenant mix, taking care of the vacancies that are there.

RW: How does the tenant mix help our business?

RK: Tenant mix brings more business into the harbor.

RW: Like what?

RK: More bodies, more people, more attractions, more activities.

Mike DeRego(MD): What kind of mix are you intending to see? Being specific, I think we have a decent in the harbor so where would you go with that to help our businesses?

RK: Mike you were in the Committee when we came up with the Rules. So in there is that pleasure craft which right now is not allowed.

RW: But that doesn't help our businesses. We don't mind pleasure crafts, they are great guys but it doesn't help our businesses any.

RK: It could. That will remain to be seen.

MD: I don't see how it would help I mean it would help us pay for the harbor and make the harbor more financially secure but it's not going to help our businesses more than I owe them, I don't believe. If anything I mean, I think I spoke up to this in the meeting at one time or another, but if anything it could be a danger to our business because you know, personally I can side with long line charter to half our price and you know I mean it's up to one of us to be the bad guy to kick them out. I guess I'm saying I know I was the one that said we should put pleasure boats in it because we need to fill the holes and I still feel that way. But I don't think that it's going help our business any, it might help the harbor's business but _____ for the harbor.

FM: Richard, you know you um, you're bringing in someone to manage the harbor. Is this because HCDA is not experienced and doesn't know how to manage a harbor?

RK: HCDA is not staffed for managing a harbor, we'd have to bring someone in with the expertise.

FM: So, it's only a staffing issue?

RK: Staffing and bringing someone with the experience to handle it.

FM: I guess the question there that jumps to my mind, if you're not experienced in running a harbor are you experienced in writing the rules for the harbor?

RK: That's why we had the assistance of the people who are experienced with this.

FM: Which is?

RK: The representatives from the boaters. The representative from Department of Transportation, that's who runs the harbor.

FM: My understanding was that this was based directly from the DOT, the changes made as far as the rules. And I thought we were part of this process as well.

RK: Yes, correct.

FM: We are part of this process?

RK: You were and you continue to be. You've been part of it from day one.

FM: I think the representatives that were here very early on and I think some of the things that were done very early on were very misleading to people in the harbor. If we were having input into that, that survey that was part of the Small Business Impact Statement had questions on it about the trash rooms, about the drugs. There were no questions on there about rates other than one that I recall when I saw that survey and that one question simply said something to the effect of; "Are the rates, are the dockage fees market rate, lower than market rate, higher than market rate? And of the 6 that responded as I recalled that answered that survey, which is amazing that anybody in small business would even answer that survey; 4 said the rate were okay, 1 said they were high and 1 said they were low.

Given that and given some of the things that came out of SBIS and that survey and some of the things that entered into those in the beginning that we have had a fight about, I don't see how you can say that we've had real input into this. And I'd like to say that we are really here to cooperate and do what's best for the harbor, to do what's best for the user's of the harbor, the employees of those users, the State and the State Agencies, and the public. We're here in good faith and we want to be part of this process. But I think we are rushing things along and I think even in the purpose that you guys wrote for the Kewalo plan, was to proceed and act on this systematic in an informed manner. And I don't think that's been going on. Do you?

RK: Yes, we do. The representatives when we drafted the rules represented the charter, the tour and the fishing tenants.

FM: Who was part of this first SBIS, when you were first talking about that? There were two people you referred to in the meeting, I believe on January 10 where the SBS 2006 was presented, SBIS I'm sorry, was presented to the Small Business Review Board, you referred to two people that were part of that Committee. Remember who they were?

RK: Part of which committee?

FM: That was the ADHOC Committee advising you as to the Small Business Impact Statement and to the rules. As who was prior to the presentation to the Small Business Regulatory Review Board on January 10, 2006.

RK: The people that participated in the rules included Mike DeRego, Thom Hahn and Kapiolani Gomes.

MD: _____ everybody else. In the rules or in the statement there, Richard, it says something about two individuals that participated in this survey. That wasn't me because I came on after three or four people.

RK: Are you talking about the survey or the rules?

MD: The SBR stuff.

FM: It says here that, this is minutes of the meeting of the Small Business Regulatory Review Board January 10, 2006, Section 5 New Business Review and Discussion of HAR Chapter 15-21, "Rules for Kewalo Basin (DBEDT/HCDA) Mr. Richard Kuitunen, Asset Manager explained that these rules previously with the Department of Transportation was transferred to be managed by HCDA. In order to work on these rules, HCDA established and AD-HOC Advisory Committee comprised of DOT, HCDA employees and two harbor users with an invitation has also been extended to a charter boat operator.

RK: That's the group.

FM: That's the group. Who were those two harbor users, please?

RK: Thom Hahn and Kapiolani Gomes.

FM: Does anybody know them?

RK: Thom Hahn is the head of the Korean Long liners.

FM: Were both of them aware of all the different rates and structure changes that you were talking about prior to this thing?

RK: We didn't discuss those until Mike came on board.

FM: And the basic structure change of permits to leases, was all discussed?

RK: The permits to leases, like I said we use the leases if you check with your attorney, it probably would be the preferred way to go.

FM: Preferred for whom?

RK: For the tenants to achieve greater property rights.

MD: One of the things that bothers though about that is at the meeting that was held on January 10, is that right?

FM: Yeah.

MD: And this two people ____ I don't know that _____ just say upfront here that if we didn't have a good mix on that board to support that scale rating now _____ correct if I was at that meeting _____. I know I wasn't at that meeting.

RK: The January 10 meeting that you're referring to is the SBRRB. The meetings that you were involved in preceded that.

MD: Preceded that?

RK: Yes. We started in December.

MD: And I wasn't involved in the meetings, it says two people and I wasn't there.

RK: No. The two people when we got the approval from the Authority to put the ADHOC Committee together, we had identified two people. And your name came up subsequent to that and that's why your listed there as an invitee, you're not an official because the board didn't approve you as an official member of the ADHOC Committee. You were invited to join because we didn't have a representative for the charter fisherman.

FM: So Richard, you had two people who were part of an Advisory Committee. There's something close to 30 or 40 people here to testify at the public hearing with quit a bit of outrage. And you're still going to tell me that the Small Business Impact Statement is valid.

RK: We believe so. Based on the information we had.

FM: Small Businesses that were impacted were here with public testimony testifying that they couldn't survive under those rules and I think we still got a lot of issues about the basic structure of how this lease and permit is and whether or not there's federal law issues involved here. We have come up in good faith here and said it on more than one occasion that we are okay with the DOT Rules. We don't understand this rush forward and if HCDA can adopt those DOT Rules or something close to it and manage the harbor themselves without bringing an outside person then the fundamental structure doesn't have to change to release. Or can we operate under the permits and leave the structure the way it is and you rewrite the rules somewhat but the structure remains the same instead of permit and still have somebody come in and operate the harbor for you. Or you could then define different options in your plan too shouldn't this be in the best interest of everybody remain with DOT, at least temporarily?

RK: Temporarily it is with DOT it's my current understanding that they've agreed to have a transition period until our rules are in place. How long or how short is that going to take, you know nobody's crystal ball knows exactly. We have a little bit of time before DOT loses enthusiasm if we just ignore them. There's another problem they have said they will not put any money in Capital Improvements. They will not address any of the life and safety issues. So you have a deteriorating harbor that is not going to get any better with DOT staying on board and the worse it gets the more expensive it would be to fix.

That creates a sense of urgency to get it done and to transition so that the cost is contained to a degree. It's not a sense of urgency just to make it happen for the sake of making it happen.

FM: I think the sense of urgency is you're on a deadline of July 1st.

RK: Which hopefully will come and pass, it could happen to anybody. We have no assurance of that so you know we'd rather have the rules in place and not need them then vice versa with no rules there.

FM: I think we can understand and agree that we would like to have rules in place. We are just not sure with the structure of these rules is where we want to go and a lot of this is coming at us fairly quickly. What we are trying to say is that even though there's a process of these very lengthy leading up to the writing these rules, there were very few of us involved in that process. And when that revelation of what those rules were going to do became apparent to all of us, you saw what of an outcry here. Where you had a year plus to prepare all of those stuff, we're trying to do everything very much on a fast track. So going back to that idea, if we implement these rules or if you implement these rules on July 1st we've changed the basic structure of the relationship it's gone from a permit to a lease. It's gone from an agency of the State to a quasi agency to a private company. There is a lot of structural things in there that I think need to be looked at in our best interest as well as the public's best interest.

RK: I encourage you to have your attorney review the rules from that light. I don't think that going from a permit to a lease has any negative impact on you. And it's not going from a State agency to a quasi State agency, it's going from a State agency technically to our body corporate and instrumentality of the State with people perceive about the same as an agency and it's not going to a private agency at all. The property manager will be working for us.

FM: For example, say the Property Manager was a company like ALMAR. They've got a history of starting off low and finding expenses and raising those expenses. That could be a real problem with this thing, the can is so wide open and with the history with a company like that our best faith is not going to be served there. And chasing them around and trying to get accountability on the CAM and other issues about, it's going to be very difficult for us if it's not in the public venue.

RK: It will be in the public venue because we'll be supervising, they won't be able to make any changes without our approval.

FM: So we would have to trust HCDA.

RW: Why would we want to do that?

RK: Because we're a good agency.

RW: I see HCDA as stabbing us in the back at every turn. We ask a question and we kinda get flimed flamed or we get partial answers, we don't get all answers. People we want to trust that we would like to trust don't answer us fully, they give us partial answers that are self serving to their individual goals. So you're not an agency that's on our side, you're on the other side and that's not where we need you to be we need you to be on our side. You're write in here you're going to do all these good things for us, but it doesn't give us a warm feeling at all because the way you go about it which is less open handed and above board. We're used to straight shooting people. We go to sea for our living. We are not used to people who use smoke screens and aren't real.

RK: I'm sorry you feel that way because I've been very candid on the things I know. If there's something I don't know obviously I can't answer you and I'll tell you I don't know the answer. There's a lot I don't know with what's going on with this thing.

Greg Longnecker (GL): Richard, I want to say one thing. With Reggie saying that, I mean basically what he's talking about, you just said you had two people in this survey. One was a Korean Long liner representative and one was Ms. Gomes whatever she is. I mean the basic premise of you guys wanting to raise the rates and do these things to fix up the harbor, which are saying is going to increase people coming into the harbor, which right now we're in the third day in "Golden Week" and I was just training a Captain from Maui to drive one of our boats. And you know what he said to me, "I can not believe how many boats are tied up in this harbor." So I find it real hard to understand how you are going to, they took the stop light away, when the stop light comes back I'm going to assume that's going to be State money, not HCDA money, correct?

RK: That hasn't been discussed, considering HCDA's money is State's money.

GL: But when you talk about increasing traffic in harbor as far as pedestrians and that kind of thing, most of us in here represent businesses and all we do is market our businesses and try to get more people to our businesses. So we're pretty decent at it or we wouldn't be here right now. Now you guys are telling us if you fix the harbor up that that's going to increase the pedestrian. I don't get it. I'm missing it somewhere. I mean we pay thousands of dollars for advertising, we have vans, buses, all kinds of these different things trying to get people to the harbor and yet with a few improvements, we're going to see more customers?

RK: That's our hope. Obviously that's a crystal ball that I can't see through but.

MD: It's just like the University of Hawaii's Quarterback you know wanting to play Notre Dame, it's the same deal.

- GL: Well the numbers that were brought up from Mr. Hahn and Ms. Gomes in this survey or whatever when you guys first came out with your first set of rules and your numbers were just off the chart. Go spend a day in the harbor, in your air conditioned car and look at how many boats are tied up. I have one of the newest boats in the harbor and let me tell you what, we are struggling.
- FM: Greg you make a great point. I don't know much about soccer, I don't like soccer. I could watch some soccer games, but if you make me rewrite the rules for soccer, we've got a real problem.
- GL: No, I just don't understand, Reggie has a great point when he brings up. You know you wonder why we feel like you guys have been smoke screening this and this and that. You're giving us false hope because you're telling us, hey we're going to make the docks nicer and this and that. Are you going to take a plan and drive through Waikiki and say, "hey, the docks are brand new at Kewalo Basin." Unless you do something that's going to tell the tourist to come down here or give them a free shuttle or something, I don't buy it. You're not going to increase the pedestrian traffic in that harbor. It took away the stop light, worst thing they ever did and that thing was done like that. No one hadn't even notice and it was done. My vans have to break the law every hour to get into the harbor that's ridiculous. We are providing a service to the tourist. We need to be able to do it. This is only going to hurt the individuals we are trying to do that. And it's going to hurt the State because the State is in the middle of the Pacific Ocean and the ocean plays a major role in the tourism of the State. The harbor needs repairs, no doubt. But promising us that you are going to get more people to the harbor by fixing up the condition that it's in right now, that's like trying to save it, I don't get that. Excuse me for saying that, but I just don't get it.
- RW: I want to point out too the Fisherman's Wharf in San Francisco, which is very successful at bringing people in giant numbers, is funky as funky can be. It is not glitzy and fixed up. And Lahaina, The Lahaina Historical Society would have a heart attack if you mentioned you were going to fix up Lahaina Harbor and make it glitzy.
- RK: We never said glitzy and the improvements we want to put in, I agree with you totally Greg with the ingress/egress and I believe it was HCDA that did that and I don't know why they did that.
- GL: That was the biggest mistake.
- RK: People are no longer here that did it so we can't find out why they did that.
- MD: It's just like the parking meters they put along our boats that was HCDA's idea too.
- GL: See Reggie you got to understand when you say that over here, but over here you want us to trust.
- MD: Inaudible.

RK: In our plan we called for basically going back to the old layout in the ingress/egress and getting rid of the parking stalls, getting rid of the bus staging areas. Putting in the parking, open up the service drive that had been closed in which Dan, both Frank and Mike wasn't something he was inclined to do. But I told him that this is what you guys wanted, so we are trying to be above board and help. And you indicated the improvements when we look at those, you said a plane flying over. Those improvements are not going to happen over night. DOT is tearing up Ala Moana. There's a one year moratorium of tearing up again so we are not going to be able to do that. But we probably won't be able to help the ingress/egress within a year anyway because we're probably going to have to do traffic studies, EIS, you know.

GL: Well, I mean with that being you know, the light is a big issue. But I think at the end of the day which you got to ask yourself, is if you do these increases and you cram it down our throats and we're trying to work with you and tell you what we can live with, what we can't. If you have these huge increases, five years from now or ten years from now, you're going to see two-thirds less people operating in this harbor, which is going to affect your tourism, which is going to affect your job, which is going to affect the government. All these things are going to trickle down because when people go out of business it will ultimately affect the State of Hawaii.

MD: It will be 3-5 years. Inaudible.

GL: It would probably be much quicker, but what I'm saying is you may think you are getting a really great thing right now. But the effect that it's going to have is going to be tremendous and it's not going to be a pretty scene.

FM: Well, we could always be replaced by the 900 boats looking for slips or mega yachts. Is mega yachts considered?

RK: For?

FM: Kewalo.

RK: I don't see mega yachts being able to fit in Kewalo's, I'm no boater so I couldn't tell you.

RW: You know why mega yachts go somewhere?

RK: Why they go? Because it's not nice to stay.

RW: Do you know why they go to a destination?

RK: For what?

RW: They pick a destination because it's the "in" place to go with the very wealthy people. Hawaii is not one of those places.

FM: And then they are usually with in one or two days on of the next exciting scene.

RW: Oh, usually 6-8 hours.

Bob?: I would just like to make one statement here and again we go back and forth. I just feel like I'm sitting in that very first meeting except we've been cut back a little bit and a little bit sped here and a little bit sped there but in reality we're exactly where we were before. Most of us can't even begin to live with what you're saying is going to happen in the two years under those rates if it goes up at that point. And so consequently my opinion is I just say we got to fight it right now and not have it happen because if we do we are all going down the tubes, I know I'm going down the tubes. So the very high volume people might be able to hang on for a little while but all the six pack charter boats are out of business. Anybody who doesn't do a tremendous high volume of business is going to have a hard time being there, so I'm all for it. These folks wants us to be nice but my opinion is, I say from this appearance happens I'm going to be there and there's going to be a lot of there and we're not going to be nice because we don't want it to happen. What you're proposing is absolutely, we can not live it.

FM: You know Bob I agree with, while we don't want this to occur maybe we should ask if HCDA has a plan B. Should that happen or there's a nice cash flow projection you're showing a profit by the year 2013, \$1.1 mil, I'm not sure who receives that profit. Would that go to HCDA for operations?

RK: For operations, capital improvements.

FM: Within all of HCDA's jurisdiction or strictly to the harbor?

RK: It's not earmarked in the revolving fund first thing.

FM: So does HCDA have a back-up plan, plan B?

RK: For?

FM: For if this plan is a failure that we're telling you that it will be. Now that we're telling you all of our businesses disappear from Kewalo if we can't comply with all the various financial restrictions, what is "Plan B" for HCDA?

RK: If the financial restrictions are too much of a burden, financial restrictions need to be relaxed.

RW: But that's after you kill off, we are asking you (inaudible....too many talking at the same time) that's why we have the indigestion with you.

Tom H(TH): That's \$10,000 a slip. Is the _____ 130 slips.

FM: That's the projected revenue base rent for year 2013 is \$2.1 mil. The common area of maintenance is listed at \$687,000. Then the total gross income is \$2.78 mil.

TH: So if they put a ____ trails in \$10,000 a year for HCDA and then what ever the common area maintenance they get from it and then pay the slip rental.

FM: Well it's a 130 slips divided by I guess that's it because this says it excludes Fisherman's Wharf's rent, Honolulu Marine, NOAA and Simply Ono. This income is based on rent roll excluding those factors. So that really is just.

GL: Simply Ono is already gone.

RK: No. That's the slip fees; it's got to be incorrect.

RW: And there may be less slips because in the rebuilding earlier they said that they were going to build for larger boats so that's would mean less slips. So it would be divided amongst a smaller number such as you did.

RK: For larger slips, the ones that we're replacing are pretty large as the area.

RW: In one of our earlier meetings you said that you would be building things to accommodate larger vessels when you were going for the mixed use. Those were your words.

RK: Like Catamarans you mean?

RW: No you didn't say that particularly. You were talking about yachts and stuff and you said larger vessels.

RK: I don't recall that. Getting back to your revenue stream Bill, the footnote there excludes the existing land tenants. In our projection, you have to read that in conjunction with the business plan. The business plans propose putting in land based improvements, a 12,000 ft. commercial building, and a second story on the other building. That rental kicks in with the land based it's not just the slips.

Robert St. Romain (RS): Has HCDA every considered grandfathering in the rules they have for the people that are here right now and maybe targeting the next generation, next group of people coming in with higher volumes and things like that where all of us would be happy? And then you start targeting the new guys that come in at that rate, at your ridiculous rates and see how that goes. You know what I mean and just grandfather in. Has anybody like even thought about anything like that?

RK: That's the proposed rules that we have on the table.

Group: Inaudible. Too many talking at the same time.

RS: Another concern I have is let's say somebody needs to repair their boat and it takes more than these yearly gross revenues you need to repair your boat to try and pass a Coast Guard inspection or something like that and you can't meet that gross. Are you going to target those people that are under pressure by the Coast Guard to rebuild their decks, it takes a year and a half to do this project or a year or six months or something and they can't make that gross or come up with the gross income for those months. And are you going to target the people that maybe have two boats that are similar so maybe they can have a back up boat, one of them sitting there for when they have Coast Guard inspections or they're broken and they have to use their other boat but it's generally not their main boat. You can't have a back up boat, you know it's like safety things you need to think about. Or maybe a boat that doesn't make any money maybe somebody needs a tender or something like that, how is this supposed to come up with the gross? You're excluding a lot of issues in those departments.

RK: We've improved those. Right now the DOT does not allow you to put in the substitute boat, our rules allow the substitute boat. The minimum sales that we've put in there are the DOT's minimum sales.

RW: We've been putting substitute boats in our slips every year for 50 years. We've been doing it for 50 years.

GL: Yeah, Dennis is very aware of it. We've been doing it for long time.

RW: We've been in that basin for 50 years last month.

RK: How can you put a substitute because the slip is for the boat?

GL: You may have a temporary slip for the same kind of boat. You can rotate boats in and out of the slip (inaudible...too many talking)

MD: Dennis was explaining to me, he wouldn't let me do it I had all the reasons. He said, and I don't know if this is just my experience with him but I wasn't going to ask him that question there, but in my experience I think when the Maggie Joe broke down and I wanted to put another one in there, he wanted to _____.

GL: Yeah the front row is real difficult.

MD: But I mean what's the difference, to me if I decide that I need to put in a boat to support my income because my big boats down I think that should be my prerogative because I'm already the lease holder or permittee.

Group: Inaudible. All talking at the same time.

Rob: It's a safety issue. You're trying to fix your boat right? You're trying to comply with the Coast Guard. You're trying to fix your boat and you need time.

MD: Let me give you an example, when I'm trying to use the _____ to bring in _____ onto the charter he wouldn't let me do it.

RK: I think there's provision in DOT too that if your boat is out for 14 days or something like that, they could put somebody else in there. So maybe that's the way you're getting around it, is they're giving you a new permit for another boat to come in since your other boat is out.

Rob: You'll have a lease. That's what I did when my stuff was vacant I just leased to other boats so you technically could have just leased the "Alacazam" and brought it in.

MD: I understand that. (Inaudible – too soft)

Rob: That's because he likes you.

RW: Yeah. You didn't buy him something nice for Christmas.

MD: No. I used it up in Vegas this year.

RW: See that's it.

Gary: I'd like to express a little bit of something in here too Richard to remind you that a small percentage of the permittees in the harbor now are commercial fisherman. I'm one of them; I'm the only one that can say how it is. A large number are long line guys and the rest of us are small boats that are hand glider, long fisherman. In addition to what you said earlier about the charging more to fix up the harbor to bring more people and all that obviously it doesn't affect us at all. So why are our rates going up? Because even if this times _____ you've got about bringing all kinds of bodies in and the new refurbished Honolulu Kewalo Basin seems to work it isn't going to affect some of the boats in the harbor. So why are our rates going up? This is not to divide us because we're not dividing but the point is that if you're failing to see the picture and the reality of the businesses that are in there and the mix that's already in there. I think you've come down from up stratosphere to just an atmosphere of we don't know anything but this is our best shot. And what this group is sitting here saying and what the commercial fisherman haven't really weighed in yet on is that this best shot of yours is unworkable for everybody, whether they're your tourist going into the harbor or whether you're just catching some fish. This isn't about to go down. Okay we really really seriously want you to reconsider several points; insurance and percentages, linear footage and rates and the whole bit because it really won't work. When you consider us commercial boats where do we go? Where does the long line fisherman go out of Kewalo? Of course it's got to back in Honolulu Harbor right? Wrong. Homeland Security wants them to keep more of those long line boats out of Honolulu Harbor now and put them somewhere else. The only other somewhere else there is Kewalo Basin. And you want to bring a bunch of

sailboats and pleasure boats in towards these boats. You know it's really, I beg you on the _____. At least us guys. We consider this stuff, this isn't going to go.

RK: Well the commercial fishermen are favored under the rate structure that DOT has continuous under the rate structure that we have and the increase was just a CPI increase for the 10 years that DOT has never increased the rates.

?? Under the CAM.

RK: And DOT is considering an increase in their rates now. I don't know when they are going to propose amending the Administrative Rules.

MD: Again Richard. One thing that you got to understand with our business and we've discussed it several times, we're not, you can't really say in role, I hear what you're saying but our businesses aren't comparable to people in DLNR harbors. So when you put us at \$15/foot, paying twice what someone else is in our same business. So no matter what you say, how you justify how DOT justifies or how you think they are going to justify, we're still are 100 percent greater than our neighbors in Waianae, Haleiwa, Lahaina or any place else in the State. So my point to you is that we're not charging any more money, we're charging in some cases less money than they are. So it doesn't compute.

RK: Alright.

RW: DOT stated target increases is 20%.

MD: Which is less than _____?

RW: And no CAM. And no extras.

RK: I heard they are doing an appraisal on it. But I haven't seen anything yet.

RW: It's already stated.

Wade: I think this State needs to look at too is this harbor actually brings half the people that come into Hawaii, come through our harbor to go diving, fishing, whatever. They eat the fish that you guys are catching. I think this State should look at somehow helping us out.

GL: Roger that.

Wade: When we're gone the tourist aren't coming here. People come here to go to the ocean; they come to our harbor to do it.

MD: And you know something Richard _____ experience in _____ I think this _____ where Reggie says 12% our numbers are down.

RW: Yes.

MD: Okay, we've seen decreases in our tourism in the last four months. What's going to make that change, no offense to you, but I don't see anything that you can do to make those numbers change. I think it might even decline in our actual industry as Hawaii as a destination. So now you want us to deal with the dying or no dying of the small dominant industry and tripling our rates or doubling our rates, I guess what I'm saying is you know _____ more. I think I tried to explain it to you before is that you know it's complicated you know you got to look at it.

RW: Use just January and compare it to last year. In one year the average is down 5 ½% Japanese, for the guys who spend are down 15.3%. Since 2000 our own passenger counts are down 23% from 2000. It's a continuing down slope where the original matured market.

GL: And everything is inflated.

RW: Yes.

GL: Fuel. Insurance.

RW: Hotel rates are higher. Air rates are higher because of fuel. So people have less money to spend and so those people who are here are spending less. Now in 2000, the average Japanese visitor who arrived here was purchasing 6.4 optional activities while they were here on their vacation they are now purchasing 1.2. That affects our businesses here directly. Now the American/Western arrivals, Europeans, theirs isn't quite such a dramatic drop but it is a drop the same way.

GL: The other thing too I think you should consider is that if you have 30 or something business owners that this is going to major affect. You can't out of those 30 businesses, let's count all the employees, let's count all the spouses and children, you're going to affect thousands of people. Thousands of people are going to be affected by this and you're going to have to sit there and go, "I push this through, these guys are all out of business, their kids can't eat." You're going to have to live with some serious stuff.

FM: That's a good point. It took a year and a half to get to those rules that had tremendous amounts of mistakes and we're trying to revise that we're saying to you that we're rushing, we can make mistakes that can seriously _____.

GL: Prolong it. You're not affecting 30 people. You need to take that number 30 and multiply like by 50. He has the most employees.

MD: The University of Hawaii study about the charter boat industry, what it does to this State's industry. You would just blow your mind. The numbers that she generated and some of them were done on my boats, a lot of them done Kona and a lot of them done on I think Hudson's boats on Maui. So I know the _____, the numbers that she showed

would blow your mind and that's just the fishing industry, it has nothing to do with the parasail guys who haul up 10 times the passengers load.

RK: In what line?

MD: Huh?

RK: What _____?

Group: Inaudible....too many talking.

GL: It trickles down.

MD: I _____ it was that much money that we were looking in at all the things that these people just to go fishing. You know. Amazing.

RW: Have you ever read about 2002 I think mark rich report of the passenger boat operations in Hawaii?

RK: No.

RW: I'll get you a copy.

RK: Yes that would be nice.

GL: I think we all understand business and we're all pretty much business minded people who understand what your goal is on what you're trying to achieve but I think you're going about it in a very rushed fashion. I think you need to look at all the effects because these are major effects, you're not talking about; I mean you're saying these are minor impact but this is a major impact. I mean you've heard from Tom and Bob and these guys and we're all pretty much family, every body down there knows everybody. Some of these guys have been down 30, 40, 50 years. What are you going to do when they just say, "Man, I just can't make it." I mean how are you going to sleep at night? That's my question.

RK: Well that's why we are discussing the rules and we've changed it.

GL: They don't need to be discussed, they need to be completely shredded and relooked at. Because the ones you all are proposing, I mean I'm not trying to say that we're in an opposition to everything that we've seen but pretty much what we're looking at we've meet on a lot of occasions. None of us can accept what we're looking at. You guys in agreement?

FM: Yeah. And I think the reality is as long as HCDA's going to step in to be in charge of the harbor, that there will always be another layer of expense for us because HCDA is saying, "We don't know how to run a harbor, we need someone whose got the expertise

to do it." And our main argument is to slow things down, let the state, let everybody get involved, to do whatever we have to do to postpone changing the basic structure down there until the Governor, the agencies involved and everyone including us can decide which agency in the State, does this make the most sense. How does the public benefit the most and what is in the best interest to support the existing businesses and residence.

RK: I disagree that there's going to be another layer. Just like you can say Dennis and Diane are an extra layer, we're hiring the onsite people.

FM: The CAM is an extra layer.

RK: Well you're talking people versus expenses. They are two different items.

FM: To small business the biggest issue is finances.

RK: Okay. But you were just talking about an additional layer of management. There's not an additional layer of management.

Bryan Ho (BH): There is, there's a third party.

RW: HCDA is not managing us. HCDA is not managing us, they are having someone else manage it for them.

RK: DOT is not managing it for you now.

GL: Nobody right now. It's dilapidating, nobody's doing anything.

RK: Dennis and Diane are managing for it. So we're basically replacing Dennis and Diane with the managing agent. So the managing agent would report to us.

BH: Aren't Dennis a DOT employee.

RW: Yeah.

BH: He is. Okay so that doesn't cost them any more money.

RK: But the Management Employee would be our agent.

MD: But DOT is keeping all the cash. So you know we are saving money there.

RK: For what?

MD: For the trash services, oil pick-up, ground keeping and all, that's all part of DOT's. You're bringing in another ALMAR for example or whoever you bring in or whatever company you bring in you have to pay them to do these services for us.

RK: DOT pays for their services.

RW: Plus they are not just collecting salaries, they are collecting profit to run their company. Which is what a company is all about and it's only right. But we can't afford to pay that layer, we don't need to pay that layer.

FM: And does that layer increase a company like ALMAR.

RW: Of course it does.

BH: Of course it does.

Wade: Here's the question too. We had this survey done in the harbor, I think there's 37 businesses in the harbor and that was based on two people or something. They wouldn't do another survey that involves everybody as far as impact on the businesses. Let's get a form out to everyone in the harbor and do it, two people or three people to make it.

RK: The survey was sent to every tenant in the harbor.

?? And I didn't get one.

FM: The survey I don't think was really a good basis, the formulated rules.

RK: Well, it was more to check the pulse on how things are going.

Group: Inaudible. Too many talking about different things.

RK: But on the rules, there were actually three people. They had nothing to do with the survey.

Wade: Is there a way we can do another survey because I know I didn't get one personally and I know quite a bit of people didn't get one.

FM: That survey didn't connect with the main points. That survey talked about the pulse of it.

MD: You have six surveys you said from 6-7 owners, to me that can't be.

RK: We had about 19 surveys that was returned.

RW: Well, I sent one back but I couldn't figure out what it was about. To me it didn't apply to any sensible thing about running the harbor.

Wade: If we were to do a survey that is directly related to the proposed rules, chapter versus system. Maybe we can develop our own and hand it out to everyone else our self and give it back to you.

FM: So that we can respond to that stuff in a format that's on.

Wade: A written format.

FM: A written format, rather than sitting here and talking about this stuff.

RK: I thought that's why the Association was being formed so that you could speak on behalf of everybody else.

RW: That's why we're here and that's some of the things that we're saying.

Wade: That's what we're saying, we'll give it to you in writing. 20 questions that pertain to every issue we're talking about, hand it to you in writing from all 37 tenants.

RK: We'll certainly look at that. But if you want to finish forming the Association and have your spokesman and have the spokesman poll the group of members and come before us as one person. I thought that's where heading.

Wade: We are.

FM: Richard in all fairness, we've been out in the fast track to try and get this done. If it took one and half years or however long it was to develop those rules, you're asking businesses that are friendly to suddenly take time away from that business that they run and start to become bureaucrats. And as friendly as we are this is a difficult process for people who are running businesses. People are taking time away from these businesses to do this. This is not the 8 hour a day job that these gentlemen have.

RK: I understand.

FM: We're asking for time, we have been asking for time. We're feeling very rushed by this process. And in that rush, we're feeling very I guess untrustworthy of our best interest being served.

RK: Well, we'll continue to speak with you and once rules are in place we'll continue to speak, and rules can be amended and revised.

MD: I think there are a number of objections that we have regarding to those rules. But I think we should probably play on because I don't think unless those things are changed at all, I know that there's no _____ that get anyone of us to agree to them, much as to anybody else in the harbor. So being realistic in good faith and stuff, if you want to get through that's one of the things you are going to have to address.

RK: Well, if you want to send it to me Brian you can look at now. We talked about being honest in this report. Now I've been advised that when you guys met there were no major problems with the rules. So what am I hearing today?

- FM: I said to you that the group that was there, the group that was there and I sent an e-mail that everybody here has seen that e-mail. The group that was there, there was no major problems, but it doesn't mean we're ready to support the rules.
- RK: Okay.
- FM: There were no major problems, part of it was has everybody had a chance to review those rules that have been emailed to them? Once again that thing came out, that meeting occurred within a few days, you're talking about 120 pages, people who are busy with their business. Some of them said, "No, I didn't even read them, I don't have a problem, I haven't seen them.
- RK: The rules were redlined, so you wouldn't have to go through 120 pages, they were about 8 pages I think that were affected as far as the changes.
- FM: Maybe that's how you would read it or maybe that's how other people would read it, that's not how I would read it.
- MD: And I think there was a couple of issues that we talked about and I think there were changes subsequently since our discussion. And our discussion was kind of informal it wasn't like we didn't come as far as a group to discuss that, we came to kind of sit down and talk in a group about where HCDA would be when DOT took it back over.
- RK: Yeah, you're right. Mike and Frank, when we sat down to discuss it you said you had, you didn't say no major problems, you said it sounded reasonable or something to that affect. Subsequently to that or that day we e-mailed it to everybody and you had a tenant meeting and that's where Frank emailed me back saying everybody there has no major problems but we go side tracked.
- FM: We spoke on the phone.
- RK: Oh, we spoke on the phone. We got side tracked on House Bill 250 and that was the majority of your discussion. I'm thinking no major problems meaning we're on the right track here but from what you guys are telling me that everybody is still out on this. Sounds like there's major problems there.
- FM: There are. And even as I wanted to review them as I said I had no major problems with them to. As I went forward and looked at thing, I started to see issues that were great concern to me. Changing the whole structure law that may be nothing, I want that looked at. The Federal Law, all the issues about the expenses going up and tourism and of the client, these are all relevant issues that our best interest is only going to be served by taking the time, adequate time, time for us as users to review this stuff. We're involved in this process; I think it's only fair to give us some courtesy of a fair amount of time similar to the time that was taken to by HCDA to develop these rules. Especially an area where you said, "We're not familiar with the harbor." We're not familiar with bureaucracy. We should be having some time and getting some advice from competent lawyers and

competent people to teach us how this whole process works. And I think that's only a fair request here. But the rush that we're feeling is part of why I think I'm feeling very untrustworthy of this process and the idea behind the rush.

There is another vehicle for HCDA to control that harbor and that's adopting those rules in mass. The stuff that doesn't apply, doesn't apply. The attorney general already said that could be done but HCDA would have to run it and someone from HCDA would have to ride around on the scooter around the harbor.

Bob: And what is so difficult about just saying, "You know what folks we talked to all these guys over there I'll tell you I think we just need to back up and look at things that you folks did." You would come across looking liking that your caring, want things to be done properly and all this other kind of stuff because if you go the other way, then we have this battling situation. If you take the lead and just say, "It doesn't look like this July 1st thing is going to work; let's just back off for 6 months or a year whatever to make sure we continue with these things so we do have to do things that right way." So we can proceed on in an orderly fashion where everybody's in agreement instead of being like this and it would be so much better that you guys would look like a thousand times better than if you continue to take this course that you're taking right now. Because we gotta either live or die with the rules, so that's what it's going to end up being. But if you were to back off and give us the extra time so that everybody can come together as a group, it would be a very positive thing.

FM: And that's what we thought we were doing when we came to talk to you and Dan Dinell, when we went to talk to Barry Fukunaga, we thought when we went to talk to the policy team at the Governor's office. That we were requesting that this just be held as status quo just as is, whatever we got to do to get that done rather than force rules that we aren't comfortable with, not at all and we've explained a lot of them. The idea to this thing, why is that so difficult to do?

RK: Okay. I hear your concerns and I'll bring it to management.

RW: What's the date and the time that you thought we had no problem with it? I'm missing something here.

RK: I think you were.

RW: Is that when I was gone? Cause at Fisherman's Wharf I thought I made it real clear, I had a lot of problems with it. I'm sure you understood that.

BH: It wasn't limited to that one time either.

RK: You said that the current draft of the rules that you had tenant meeting two weeks ago or something like that was it longer than that?

FW: I don't know, it was April 13 I think.

BH: That was the date of the last group meeting with HCDA that was cancelled.

RK: That was after that, like within a week after that.

BH: It was sometime after that.

FM: A lot of the focus of what we had and it was a very small turnout that we had that day, there were people that were there and there wasn't much discussion.

Tom: Whatever was said was said obviously but let's get back to our original point. What would be so hard about just stepping back and say we need more time? Is there a possibility of that being done prior to this May 27 meeting or whatever? Or are you guys so focused on trying to get this done by July 1st if that's the course you're going to keep? Because I mean, I'd just like to take it to whoever your superiors are and explain it, hey there are still a lot of issues, and we're going to have a battle we might as well wait a little bit. And they'd go "damn Richard that's a good idea because we don't want to go through that crap we went through a little while ago". And then that happens and then everyone will be happy, if it goes the other way everybody is going to be banging heads again. So it seems to me like it's the best out that keeps you guys in good faith and good standing, it makes you look as an Authority representing the government as someone who cares about the regular people and all that kind of stuff. And it gives us the time so we can try to put together everything that happened so whatever changes need to be made, let's make um together so that we gotten the problem away. And everyone comes out looking like they know what they are doing without banging heads.

GL: I second that motion.

Wade: Here's something else. Would HCDA do that to try and find some money and cover it something, there's no way these 37 business can pay to fix the harbor up. Can HCDA try to get some money somewhere else out of the government?

MD: It's not our responsibility because that's a public area.

Wade: 37 companies here is not going to be able to, you are not going to be able to it would swamp everyone up in price to redo that harbor. And when we're gone, somebody is going to have the harbor that we fixed up.

RK: We had planned on five million dollars that was passed on to DOT.

Wade: What can we do to help you get that in our benefit?

RK: We'll have to hope for DOT to spend the money. From what I've been told by they will be reluctant to spend the money. So we would have to collectively lobby them to spend it.

Wade: Cause I mean really its going to sink the 37 companies there to rebuild it, when we're all gone someone else is going to walk into a brand new harbor but we won't be there to enjoy it.

GL: Why are they, what was the reasoning for that? Why are they reluctant to spend it? I don't get it.

RK: It's coming out of their special fund which basically is the fund that is used to pay for everything in all of their harbors.

RW: But it is earmarked as Kewalo money.

RK: It's earmarked but if they don't spend it stays in the special fund. And the special fund, if the legislature and when the earmarked if that's the cap of what they could spend on the particular harbor, they don't have to spend that on the harbor. But say the legislature on all their harbors gives them \$150 mil to spend on the harbors but they only have \$100 mil in the special fund, DOT will pick and choose which harbor gets the money spent on.

Rob: That about the theory about slowing things down. What is the reason to rush this thing anyway? Just out of curiosity, why are you so hot to push this? Is there anything we need to know about?

RK: July 1 when DOT walks off site.

Rob: That's the only reasoning?

RK: Originally, they were going to walk off July 1 of 2006. We got them to stay. Well now it's July 1 of 2007. They've extended it but they haven't committed just because the legislature in funding is giving them for the biennium but whether they'll stick around for the biennium is questionable. If DOT walks off and we have to walk in and there's no rules and there's no management.

GL: Then you just take DOT rules and adopt them and regroup and let's all get on the same page before you make 1,000 or 1,500 enemies.

RK: You have to go through the public hearing process for that too. We can't just operate under DOT's rules.

Group: Too many talking at the same time.

FM: But that public hearing would be, we're going to adopt them in mass.

Bob: Can we take their rules in full we support um.

FM: It would be a different public hearing.

RK: There may be other people protesting at those.

FM: Let them come. We'll eat um.

GL: I mean Richard you have to agree that when you get on a plane to come to Hawaii a lot of the stuff you see in the in-flight magazines is pertaining to water. Whether it be submarine rides, fishing, parasailing, whatever it is, right? The harbors have been neglected which one of the biggest tourist stream of money is coming into the State because the tourist want to do these different water activities. Why it is so hard for them to keep up what is such a good and vital resource for the State of Hawaii? Why not take care of that resource, make it shine with the money where it should come from instead of trying to get us to pay for it because it's been neglected for 50 years, or whatever? Right?

RK: I agree totally.

GL: What you can agree with us on that is wonderful and we all need to get on the same page as Bob was saying and slow everything down and get the support to where we need so that we can get the money from the State, get the harbors where we need to be. So the tourist can come here and say, "You know what I went on a fishing trip in Hawaii and Kewalo Basin is one of the nicest harbor's I've ever been at." Instead of, "I went fishing and I went on a boat, the boat was beautiful but the harbor was pitiful. Couldn't even use the bathroom, afraid I was going to get Hepatitis C going in there."

Bob: It doesn't have to be modern it just have to be safe and nice. I don't like that modern pier at all so make it so it's nice. We don't need another Maili Beach _____.

RK: We're all in agreement on that and Mike confirmed when we had the rules committee, those are exactly the things we talked about.

Bob: But keep it old. Make it new but make it look old. And that's great.

RK: It's got to be functional. It's got to be legal ADA compliant but you have the services, you have to have the amenities. The two miserable bathrooms that you have there are deplorable.

Wade: Yeah that's a great point, the bathrooms we are always ashamed to send our guest in there, which I'm afraid to go in there myself.

Group: Too many talking.

RK: As we go forward though too you know this coming together we're going through our hard times now. I'm sorry if you guys still don't trust us. We are looking out and trying to make everything better for everybody. Let's think wonderful thoughts that the rules are behind us know and we're working together. We want to see this group continue and we want to see participation. You got some of the improvements, the amenities and have a say so. The intersection, you know you should have been there.

?? That just happened without us knowing.

RW: No, no. We were there. We were there and the planning of the plans.

RK: You should have been participating.

RW: No, no, no. We did and we had the plan that we all agreed on, that's not what they built. They did not build that plan. They virtually turned it upside down, down there. They did not build that plan. We had all seen the plan and we all agreed on the plan, we all went to meetings and worked with the Engineers. One engineer came down and sat in his car night after night, I forget his name, Chinese guy, sat in his car night after night and watched the traffic flow so he could make a good pattern that would work and he did and it was great. That's not what they built.

FM: Another great example of how this stuff jump on us, is May 20th there's a triathlon. We got a notice that we can't get in the harbor between 6am and 8am. Well, did we miss the permit? Did we even know about this? When was the hearing for this?

RK: First I've heard about it.

FM: We can't get into our own harbor for business.

MD: We need extra people can you help us carry supplies for me?

RK: What about coming in through the access driveway?

RW: Cannot. You can't cross Nimitz/Ala Moana from Aloha Tower on.

RK: So you can't cross over?

FM: Once again a permit that was issued for him to have his, there was probably a hearing; there was probably an opportunity for businesses to comment.

GL: They do it for all the Marathons. Honolulu Marathon, Aloha Marathon.

FM: And now we have a voice. Because of this group and because of our awareness.

RK: It's on your calendar.

Bob: I have another question. So when we leave this meeting, because I don't want us to get running off like we so often do _____ cause we're still on the most important point and that is whether or not by the time we have this meeting on May 29, that HCDA is going to be more cooperative in terms of trying to slow this thing down or not. So when you leave here I would assume then that you go talk to your board of directors or whoever in charge of that situation.

RK: We run it up the chain of command. I don't talk directly with the board. I talk to the Executive Director.

Bob: So in other words it goes from here on up and then your recommendation I assume and maybe you may be tell us if it is or isn't, but if you're going to recommend after this meeting you had with us that your opinion would be that the best interest of HCDA and all the tenants of Kewalo Basin, let's try and slow down and not have this July 1st takeover and what can you do to facilitate that. Or are you going to go back and say well these guys are still fighting a little bit but I got it kinda going, it's up in the air that we can probably slide this by them. Let me tell you, don't laugh please, let me tell you that's not going to happen. If we have this meeting on May 29 that we don't have any of this postponement kind of idea that we're talking about then speaking for myself and I'm sure all the 6 pack guys and I'm sure everyone on this table that we're going to have a big giant bomb just like we did the last time.

FM: And I add one thing to that too, is that if they were to propose for this public hearing. This hearing is about having some rules in place by July 1st that HCDA adopts in mass at that public hearing the DOT rules and if stuff doesn't apply, it doesn't apply.

Bob: For a period of time. We're not asking you to say that's forever. We're just saying for a period of time so that we can come together with the rules.

GL: That is you're parachute. What he's saying.

Group: Too much people talking.

RW: I want to point one rule. One piece of evidence that's readily available to you. Go back through past Higa Audits of Ala Wai Boat Harbor which charges a lower fee even than we pay now. And Ala Wai Boat Harbor has for years until just recently produced \$1.6 mil surplus over it's operating cost at that low fee. And that's at half the cost because they don't double for their pleasure boats, it's a single fee. They're paying the \$4 a foot fee in there, \$4.50 a foot fee. And they had a \$1.6 mil surplus year after year. What they did with it is run off with the money and not fix the harbor and now it's falling down. But the money was there, it was paid there. This is the same here. I can't find the audit now, unfortunately. But if you can go back to the past audits, you find that Kewalo had the money there. We had already paid for those pier improvements. Now we are being told that we have to pay for them again. But when the money wasn't put back into the harbor, of course last 10 years since 1990, you can't blame them. It wasn't their harbor, we didn't know that. It wasn't their harbor so I can't blame them for not spending it on your harbor.

RK: The joys of fruits of the income of

RW: You know it'll be like me taking his business up for him.

GL: Yeah, I'm going to come paint your boat.

RW: Yeah, with my paint.

MD: Yeah but someplace along the line HCDA has to take responsibility for making sure that their management through DOT in this case maintained the harbor. And at this point.

RK: We should have. I agree.

MD: At this point you want the tenants, someone wants the tenants.

RK: That's why we have to fight for the \$5.5 mil.

Bob: Not only do we pay them, it's in DOT's coffers.

RK: We got to get it out of those coffers.

MD: As long as you guys understand and all that. If you get the \$5.5 mil we don't need no \$20 a foot earmarked. We need \$10 a foot, _____ that how we can make money, we've go our improvements.

RK: Ala Wai is just pleasure craft though, there's no commercial operations.

RW: That's right.

RK: No legal commercial operations.

RW: Oh, thank you. Those aren't his friends and family. I used to thought he had the world's biggest family.

Bob: Would it help any maybe if we put together a letter that would state this thing and recommending that they do this another way and send it to you board of directors or whatever HCDA big people? We've got to fight for this postponement.

FM: You're saying in other words, we have 3 choices come July 1st:

Choice A is a version of the revisions is hearing at the public hearing.

I'm sorry on May 29th we have three choices. That we're going to have a hearing on the revisions of the rules and we're going to oppose that.

Choice B is that some sort of memorandum of understand is done with the status of quos maintained between DOT and HCDA.

RK: Yes, but that would have nothing to do with the hearing.

BH: But that's not the public hearing notice.

- FM: But prior to the public hearing, if that is done there is no need for a public hearing or are you going still going to go forward with it.
- RK: The public hearing is scheduled.
- FM: If there's a memorandum of understanding with HCDA if DOT says they are going to hold status quo. DOT says we're going to stay on. Would you still have the public hearing?
- RK: Even if we have the memorandum of understanding, we're going to have to do the Administrative Rules eventually. So the message that I'm taking back to my boss is you guys want to slow it down, take your time, get it right the first time, that's not exactly what you said. But responding to what Greg said though, at the public we couldn't just adopt DOT's. The reason we're having a public hearing now is the rules as they stand are different from the rules that were presented at the public hearing. So we published these draft rules so if we went to public hearing and said forget this we want to adopt DOT. It's you know forget it, you need another public hearing.
- GL: Great. Let's have another public hearing.
- FM: Let's do that.
- RK: One of the options that we can do at the public hearing is continue to work towards language, rates, everything acceptable to everybody and present that as it's going to be more of a public information. Because again we're changing it, if we agree on it or change it from where it is now so the public hearing, well I have to talk to the AG. Before he said if we change it before the public hearing.
- BH: It's got to be published again.
- RK: He said before we didn't. Because we did make some changes the last time before it and he said so long as you present.
- BH: All the changes at the hearing.
- RK: The changes at the hearing, in the information item before the public testimony. You couldn't do the public testimony and then make your changes. So I think that's his distinction now. But if that's possible, we could do that. If we're still not there but we're getting there, we could treat it more as an information/public community forum to present here's where we are, get more community input on where we have to go from there. It wouldn't have to go to an action item after that because we're still working on it, but it's moving it forward. So that could be an option.
- BH: I admit we're always exposed to them voting on it for approval on May 29th. I mean there's no guarantee that you guys would treat it as an action item and keep working at it.

RK: We wouldn't. If we tell you that we're not going to take it as an action item, we won't take it as an action item. That's a lot of _____.

BH: Oh okay. So we would know that. No no. I'm just clarifying procedures and saying you guys are prepared to declare at this point then?

RK: Well, I'll talk to Dan but he says okay.

BH: Well, you got to talk to Dan and assuming he says okay then you'll make that public.

RK: If that's where we want to go. Depending, we have 30 days plus I guess to them if we can hammer it out and everybody's happy then we go forward. If we don't hammer it out but we're making progress, then we'll present that.

BH: I think there's some key issues that I can't see being overcome. CAM being one. Reg's original question was never answered which is if under DOT the slip fees cover everything and now we're paying or going to be paying CAM with higher slip fees plus you're bringing in a third party manager who has profit for themselves built in.

RK: It's not going to cost any more having a third party management.

BH: I don't see how you can mean that. Well, I don't see because they need to build in profit for themselves.

RW: If I hired someone to run my business, he'd make a profit off of me.

BH: So, I mean the CAM is going to cover that right?

RW: I hired George because I don't want to see a profit.

RK: You're not hiring a State employee. Wages State employee gets paid higher than wages private industries pay.

RW: Yeah, but they're not going to like ____ industries ____.

FM: Well, it may not cost HCDA more. It certainly sounds like the tenants are going to be paying more if our rates are up and the CAM is there, how?

RK: The property manager really was not increasing cost compared to DOT.

Alex Kagawa (AK): Okay hang on guys. You had a third point that you didn't get to bring up. Do you remember what it was?

FM: There were three options 3. The third option was that there's going to be some memorandum of understanding prior the May 29th and would we still proceed with a

public hearing. But he said there'd only be two things on the public hearing; either a revision or a public information. That's how I understand it.

BH: But your third option was going to be adopt DOT rules.

FM: en mass.

BH: en mass with no revisions.

FM: Which we couldn't do unless we announced.

BH: But that was the third option you were talking about.

FM: Yes, that's what I thought we could do on May 29 which I'm hearing we can't.

AK: So no getting back to Bob's question, where are we at? I think Richard has answered that and we would talk to Dan and get his response. And then we'll let all of you know.

RW: I still go to bring up another thought. If you are still going to try and work on these rules you got to understand a couple of things that still are missing here.

And I'm very concerned about the, we might try to get a MOU with the State regarding the buses and so forth.

BH: You got to have that before.

RW: We got to have more than a, "We'll try to do that." And we got to know how that's going to work because we're not really interested in paying your fee which is higher in order to be able to go into DOT harbors. We are interested in using our DOT stickers to enter your harbor. And then we've got this other case that I can't quite decipher and maybe you can straighten me out or maybe I'm way off curb here on it, about the taxi's. I have a hell of a time with the way the taxi's are written up in here because we have people who come in from Ko`olina and they come in a limo that they hire down at Ko`olina. Okay, there's nothing wrong in your rules that doesn't mention that they can't come in and drop them off but it does say they can't wait to pick them up and take them back. And yet they hired that guys a round trip down at Ko`olina when they picked them up. Where does that stand within this grey in that rules.

RK: My understanding of the rules, the taxi' staking out a stationary taxi there. Just like if you had your friend drop you off and pick you up that arrangement would not be charged.

RW: So a cab that has been pre-appointed.

RK: Pre-appointed is fine.

RW: And not soliciting.

RK: Now if he's going to sit there and solicit you as you get off the boat, "hey you want a ride", that's where he's going to have to pay.

RW: That's not a problem.

Bob: I still have one more question that I'm confused about what you and Brian were talking about there when you said that, see most of our concern is that we're going to have this meeting May 29th and we going to do the same thing like we're doing now. And then all of a sudden it's going to be July 1st and you're going to go okay here it is. And we're going to go Jesus, what's our recourse now and we're going to go well there aren't none because we just gone through this meeting, we did all these things we needed to and everything is done and now this is the final product. And we're feel that if that happens we're going to be screwed. So I would, to me I think we should know what your decision is prior to that meeting so we know what we want to do on that meeting for all in our best interest.

RK: Exactly. That's why we are going to meet and we will know before we get to the meeting what we're going into the meeting, what we have, where we are as far as the rules.

Bob: And we would know then if you guys saying you're still going ahead along the same lines that we are going to go in there ready to raise some hell. And if you guys are going to say, "okay we're going to do this", and you're really going to do that and you're going to live up to it, it's going to make it public knowledge and everybody is going to know what it is. So that we don't get any of this, "oh, well but we changed our mind," and next thing you know it's done. You know what I'm saying?

BH: Yeah, he said he's going to talk to the Executive Director, Dan Dinell and find out if this May 29th meeting is going to be review and approve this draft of rules or because of what we said today is it going to be a meeting for information and action to continue working on change. We'll know if it's for information purposes and not an action item.

RW: When will we know?

Bob: But how will we know about July 1st becoming the date? See in other words if that's not stated that that's not conveyed, when it's July 1st that could be the date and any damn thing we try to do wouldn't matter.

FM: Well, let me ask this question.

BH: There's a procedure that needs to be followed for the rules to get blessed and that requires 30 days notice for every public hearing before the Authority.

RK: The mechanics that we go through to do this, we have the public hearing and at the next Authority meeting if everything went good at that public hearing, at the next Authority

meeting we have what we call an action item. And that's presented to the Authority and the Authority votes to approve the Administrative Rules.

FM: The Authority has their Authority meeting first Wednesday of the month?

RK: First Wednesday of the month.

FM: So that would be early July?

BH: June maybe.

FM: June.

RK: From the Authority approval, it has to go back to the SBRRB for a post hearing report. And basically what we have to tell the SBRRB is summarizing the comments that were made at the public hearing and what changes in the Administrative Rules occurred because of that and then they have a Q & A. And that is a public meeting. And if we did the nasty, which hopefully you know you guys aren't thinking we work like that. We want to be able to work with you. If we reverse ourselves, you would have the Authority meeting which is a public meeting to come and say, "Now, wait a minute that's not what we agreed to," SBRRB meeting to come and say, "That's not what we agreed to," and writing your written testimony also.

RW: Do we see your submittal to the Authority before you send it in? Do you show it to us?

RK: The Action Item?

RW: When you submit after the hearing when you submit to the HCDA Authority?

BH: The recommendation or when he submits for approval?

RW: When you submit that to them. When do we see what you say?

RK: It's public record.

RW: Prior to the hearing?

RK: I don't think it's available.

RW: So it's almost impossible for us to comment on it at that hearing?

RK: No, after the presentation you can comment. But it's a good point. Let me ask Dan about. [Follow up: Action Item memos can be made available to the public when prepared]

RW: Yeah, that's a little short time to dig up a proper rebuttal if there is one required.

RK: Okay.

RW: I hate to tell you but I'm just assuming one would be required.

RK: After the SBRRB meeting, they make a recommendation to the Governor to sign or not sign the Administrative Rules and so it goes to the Governor and she signs or not signs. Once she signs it goes to the Lieutenant Governor who records it and I've seen 10 in 30 days after it's recorded is when the Administrative Rules become law.

MD: What if she doesn't sign it?

RK: Well, then it can't be recorded.

MD: Well obviously.

RK: There would be no rules.

BH: Back to the drawing board.

FM: So we could still be in position come July 1st since there's no rules in place.

RW: Well all they did when DLNR fee increased, they took almost a year to sign. She just let it sit on her desk for almost a year.

FM: So if we were sitting in this never never land between the first part of June when it's sent over to Small Business Regulatory Review. If we could partition them for a regulatory hearing on this stuff and come July 1st the Governor hasn't signed it and it's in never never land.

?? Free rent.

RK: No rules but that's why we're working with DOT to continue on a transition which right now I'm informed they've agreed to stay on an interim basis.

FM: We keep coming back to the same thing, if they can agree on a situation where there aren't any rules. Why do we have to rush these things? If that agreement can exist in an emergency that there's no rules in place, why can't we just be reasonably do that now?

Bob: Question is what's the rush.

BH That's why he's going to go back and talk to his people, before this meeting we're suppose to get an e-mail from your operation then, is that my understanding of what's happening?

RK: We'll pass it on.

- FM: If we get that, would you public hearing be cancelled.
- RK: That would be an option to cancel the hearing. But the DOT is the wild card in the transaction. So keeping them onboard for transition, I remember they told us on two occasions "I'm out as of July 1". First 2006 and then 2007. Right now they're saying "we'll stay on on an interim basis" and I have trust issues. I would not be surprised July 1; we're out at the end of July or August. Just kind of waiting for the shoe to drop, I don't know when its going to drop.
- FM: In a situation the Governor would intercede and say DOT you're going to stay?
- AK: I don't think we should talk about stuff like that.
- RK: I don't know what the Governor can and cannot do. But you know the question is when someone is forced to do something, what kind of job are they going to do?
- Group: Too many talking at the same time.
- Bob: We still can't take these rules as they are because we just can't do it.
- Wade: I would like to see DOT right in front get that \$5 mil, improve it, put the other slip people in there and you guys are running DOT and say you know what you are making \$400,000 a year profit, you need to put it back in the harbor. And all of us sit here and pay the exact same price to have a nicer harbor and no one going to pay a dime. That seems like the ultimate perfect fix. I don't know why we can't do that.
- RK: Does somebody have a summary what the concerns with this draft now or can you put that together and get it over to us?
- RW: No CAM, 20% increase in the fees.
- GL: Insurance items above for the 25 pack and larger going to \$2 mil, no need for that. Just get a \$1 mil.
- Group: Too many talking.
- MD: Richard there's something else in there that's new to us I think Brian brought up about the 80%.
- BH: You know that language you guys stuck in on the gross receipt minimums requirements. What does that mean?
- RK: The concern that came up when we met with Frank and Mike is the economies were up and down two years ago. Even the rates we had proposed or the minimum sales we had proposed would have been okay but today they are down. So if we look at everyone is

going to rise and fall in the same economy, roughly the same. If we based the minimum sales on 80% of the year, we can't say 80% of one guy because one guy may be a super star or something. Taking the average of the good, the bad, and the ugly and saying 80% of that.

GL: In each class. So you would be able to set-up the 6 pack vessel, set up all the charter fishermen.

MD: One guy is not doing well I hear.

RK: Well, that's the issue. You want to make sure everyone is on track.

MD: My boat holds over 25 passengers but I'm going to be held by the same class as people who carry 49. That's a big difference.

FM: My understanding on the language was DOT was that they're only to insure that people were commercial operators.

BH: The gross receipt language.

FM: There was never a mechanism to determine whether someone's permit was going to be renewed.

RW: It was entirely to keep the pleasure boat gang out of commercial slips.

FM: And it's never been used in that way as far as I know.

RK: There are other rules too though.

RW: There were people who tried to move in there.

BH: No but if he's going to make it a mixed use harbor, we need the language.

RK: You need it in there because you don't want the pleasure guys taking the Ala Moana frontage and if their taking the frontage and their not doing any sales that should not be commercial frontage so they should be moving back to the back.

FM: Well that language could be in there, to no renew. The guy who doesn't achieve that number.

RK: But again DOT its not a discretion, if you didn't make those sales you're not renewed period. Whether they enforce them or not, I don't know. Our rules we changed "shall not" to "may not", so there is discretion in there and if you're the guy that's not doing good, your boat was out of service or something you know then the "may not" is not enforced.

BH: But you know that language that we were talking about, what happens in a year where everybody is producing a lot but somebody decides, "Oh I want to take a sabbatical or I just want to make my you know what ever the published minimum is but everybody else is performance and time. How does that language work to punish that person? Are you going to require him to produce that entire number?

RK: Everybody should be within the 80%

BH: I know but what if someone wants to take a sabbatical.

RK: Well if he wants to take a sabbatical maybe he should look at not having that slip then.

BH: But he can take a 6 month sabbatical and still make the published rate. Let's say they publish in \$35,000 minimum.

AK: Okay hang on. I think some guys want to take off. So are we okay with the issues that were brought up so far? And the main thing is that we express our concerns to the Executive Director and then say we can back off and then we can discuss more of these.

BH: As long as we have an opportunity to discuss it.

AK: Right. I think that's the main thing.

BH: I mean if the May 29th meeting is an action item meeting then we're screwed.

RK: Well, it couldn't be an action item.

Wade: Maybe we could get a meeting again before that date here?

Bob: I thought we already agreed that was going to happen they were going to notify us as to what the intent of this meeting was prior to.

AK: What you're saying is that if it comes out not acceptable, then if we could meet again.

BH: Hey Frank can on our side we do this list. I can do what Greg has hired me to do. I'm sorry I can't represent everybody; I can only represent who pays me.

BH: Can we do a list; get it to them by Tuesday? And then give them a certain amount of time to get back with the comments on our list as well as talking to Dan or with our list.

RK: We'll arrange a time to sit down and go face to face.

BH: What I'm thinking is you get the list by Tuesday; you go with that list to Dan. Try and get a commitment out of him relatively quickly afterwards to say is the 29th meeting an

information meeting, is it an action meeting, what are we doing? And then I don't know depending what it is that depends on how soon we come back for another meeting.

AK: I think when Richard if you want to talk to Dan anyway on Monday or whenever. I think you'll do that anyway.

RK: I'll talk to Dan about the list.

FM: The list, will we find out if it's going to be an action, is it going to be a public hearing?

RK: Well, that's why we have to get together. We have to get the list first. Then we have to get together, is there a meeting of the minds unless your saying the list is a "take it or leave it" situation. Which I don't think we've been having that discussion

FM: You don't think Dan can make a decision till he sees the list?

RK: Well "No", we have to know what we are going to present at the meeting. So if we get reasonable terms for everybody and the AG is right that we can change the draft rules before the public hearing, present it at the public hearing and then vote on it then it's a public hearing. If we get the list and between now and then we're still far apart, then my recommendation would be to make an information hearing so that as the community can come together to further discuss it and since it's in the evening hopefully all the tenants can be there so we can air it out a little better.

BH: Let's just get our list in by Tuesday.

RK: So until we take all the steps, we won't know where we are May 29.

Tom: I'd like much better that it's either yes we've decided that we're going to back off and we are going to

__: But it's not our decision.

BH: Tom, I think this is the process we need to do in the next week to get it to get that answer.

Tom: Prior to this May 27th meeting.

BH: We will know. We'll know for sure. Probably within the next week or 2 at the longest.

RK: Yeah. Probably a couple of days after you get the list; I'll get an answer from Dan.

RK thanked all participants for their time and comments