

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

DATE: FRIDAY, MAY 13, 2005  
TIME: 9:00 A.M.  
PLACE: KALANIMOKU BUILDING  
LAND BOARD CONFERENCE ROOM 132  
1151 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813

Chairperson Peter Young called the meeting of the Board of Land and Natural Resources to order at 9:06 a.m. The following were in attendance:

MEMBERS

Mr. Peter Young  
Mr. Ted Yamamura  
Mr. Toby Martyn (arrived at 10:15 a.m.)

Mr. Timothy Johns  
Mr. Gerald DeMello  
Mr. Ron Agor

STAFF

Mr. Harry Yada, Land  
Ms. Athline Clark, Aquatics  
Ms. Lauren Tanaka, State Parks  
Mr. Paul Conry, DOFAW  
Mr. Eric Hirano, Engineering  
Mr. Mike Shinozuka, DOT

Mr. Sam Lemmo, OCCL  
Mr. Dan Quinn, State Parks  
Mr. Jim Springer, State Parks  
Mr. Francis Oishi, Aquatics  
Mr. Andy Monden, Engineering

OTHER

Mr. William Wynhoff, Deputy Attorney General  
Mr. Russell Tsuji, Deputy Attorney General  
Mr. Steven Lim, K-1  
Mr. Randall Urasaki, K-4  
Mr. Robert Klein, M-2  
Mr. Ken Harada, D-21  
Mrs. Linda Orosco, D-17  
Mrs. Kelly Griffin, D-11  
Mr. Clyde Namuo, F-1

Mr. Walton Hong, K-3  
Ms. Sandy Padaken, D-6  
Mr. Mitchell Miyoshi, D-2  
Mr. George Orosco, D-17  
Mr. Glenn Griffin, D-11  
Mr. Steve Toukildson, D-9  
Mr. Henry Curtis, F-1

Mr. Roy Morioka, F-1  
Ms. Cindy Hunter, F-1  
Mr. Paul Achitoff, F-1  
Mr. Jim Cook, F-1  
Ms. Mariann Anderson Kelley, F-1  
Mr. Wadsworth Yee, F-1  
Ms. Cha Smith, F-1  
Ms. Linda Paul, F-1  
Ms. Anela Maunakea, F-1  
Ms. Ellen Tong, F-1  
Ms. Stephanie Fried, F-1  
Mr. Craig Chapman, E-1

Senator Fred Hemmings, F-1  
Mr. Dave Rainey, F-1  
Dr. Jim Anthony, F-1, E-1  
Ms. Kim Timiny, F-1  
Mr. Buzzy Agard, F-1  
Ms. Carol Wilcox, F-1  
Mr. David Smith, F-1  
Ms. Aulani Wilhelm, F-1  
Mr. Jeff Mikulina, F-1  
Mr. William Aila, F-1  
Ms. Vickie Holt Takamine, F-1

{Note: language for deletion is [bracketed], new/added is underlined}

**Item A-1: Minutes of November 22, 1996, Item D-14**

The Board made the following change to page 13, Item D-14 with reference to the TMK number, which should read TMK: 1<sup>st</sup>/ 1-2-23 (various).

**Unanimously approved as amended (Johns/Yamamura).**

**Item A-2: Minutes of February 25, 2005, Item A-1**

The Board changed the title of Item A-1 to read:

**“Minutes of February 11, 2005”**

**Unanimously approved as amended (Johns/Yamamura).**

**Item A-3: Minutes of March 11, 2005, Item A-1**

The Board changed the title of Item A-1 to read:

**“Minutes of February 25, 2005”**

**Unanimously approved as amended (Johns/Yamamura).**

**Item A-4: Minutes of April 1, 2005**

**Unanimously approved as submitted (Johns/Yamamura).**

**Item A-5: Minutes of April 22, 2005**

**Unanimously approved as submitted (Johns/Yamamura).**

Shannon Olivado, representing Windward Plants Incorporated informed the Board they are part of the irrigation system and are currently paying the Department of Agriculture for water used.

The Board amended the Recommendation Section to add the following:

**“3. The Lessee shall be responsible for acreage assessment and water charges to the Department of Agriculture for the Waimanalo irrigation system.”**

Unanimously approved as amended (Johns/DeMello).

**Item D-11: Consent to Assign General Lease No. S-3758, Kazuto Yamada, Assignor, to Glenn Joseph Robert Griffin and Kelly Lei Griffin, Assignee, Consent to Mortgage and Extension of Lease Term, Waimanalo, Koolaupoko, Oahu, TMK: 4-1-010:041.**

Mr. Yada briefed the Board and recommended the Board consent to the assignment of General Lease No. S-3758, Consent to the mortgage between Glenn J. Griffin, Mortgagor, and First Hawaiian Bank, Mortgagee and authorize the extension of General Lease No. S-3758 up to and including December 1, 2018 subject to the terms and conditions listed in staff's submittal.

The Board made the following changes:

**1) Rental reopenings**

**“Reopening in the original term was done on April 7, 1987. The last rental reopening occurred on April 7, 1977 [~~when the tenant requested for a lease extension of 23 years~~].**

**Reopening for the extended term shall be on May 13, 2005 (immediate reopening), May 13, 2015 (approximately 10<sup>th</sup> year of additional term).”**

**2) Consideration**

**“~~[\$10,000.00]~~ \$50,000.00”**

**3) Recommendation 2)**

**“Consent to the mortgage between Glenn J. Griffin, Mortgagor, and First Hawaiian Bank, Mortgagee not to exceed \$40,000.00, subject to the following:”**

**4) Add the following to the Recommendation Section**

**“3.D. The Lessee shall be responsible for acreage assessment and water charges to the Department of Agriculture for the Waimanalo irrigation system.”**

Unanimously approved as amended (Johns/Agor).

**Item D-9: Consent to Amendment to Lease Agreement between Simpson Manor, Inc. and John Henry Felix; Amend Grant of Non-Exclusive Easement S-5610, Honolulu, Oahu, Tax Map Key: (1) 3-6-02:05 Seaward.**

Mr. Yada reminded the Board previously in 2000 an easement for fast lands was issued to Simpson Manor, Inc the fee owner of TMK: (1) 3-6-2:5. Currently the subject lands are being leased to John Henry Felix. Based on the language of the easement such transfer of rights to utilize the easement area to other parties requires the consent of the Board. Mr. Yada recommended the Board consent to the Amendment to Lease Agreement between Simpson Manor, Inc. and John Henry Felix and amend Grant of Non-Exclusive Easement S-5610 to include a condition that the easement shall run with the land.

**Unanimously approved as submitted (Johns/Agor).**

**Item C-4: Report on Implementation of Timber Land License No. H-101 held by Tradewinds Forest Products, LLC and a Request to Approve Assignments of Ownership and Amendment of License No. H-101.**

Paul Conry, Administrator of the Division of Forestry and Wildlife (DOFAW) conveyed that at the January 28, 2005, meeting Board requested a status report on Tradewinds Forest Products, LLC (TFP) implementation of a Timber Land License as well as their ability to raise capital for the project. In his presentation, Mr. Conry addressed four areas of interest: Securing Startup Funding of \$1,000,000, Assignment of Ownership, Amendment of Section 10.4 of the Timber Land License and plans to change the State of incorporation of the Company. Addressing the issue of securing startup funding, Mr. Conry pointed out TFP has provided copies of signed memorandum of understanding for \$650,000. Mr. Bryan also reported receipt of \$60,000 in cash, a letter of intent for \$400,000 and a verbal commitment of \$350,000. As far as the Assignment of Ownership issue, TFP's license states if the sale or transfer of 20% or more of the ownership occurs the State has the right to terminate this License. In November 2004, Mr. Bryan purchased 50% of TFP's ownership therefore TFP is asking for an after-the-fact approval of this assignment. The third issue discussed was TFP's request to amend section 10.4 of the Timber Land License. TFP is requesting that further approval regarding the transfer of ownership be triggered only when the transfer of ownership equals 50% or more of interest in the company as this will shift control of the company. Lastly, Mr. Conry made mention of Mr. Bryan's intention to change the State of incorporation of the company from Washington to Oregon, where its headquarters and employees are located and its legal investment and accounting counsel reside. Mr. Conry suggested the Board take up this action as a separate submittal when details are known and provided. Mr. Conry recommended the Board approve the Department's continued partnership with TFP, approve the after-the-fact assignment of 50% ownership interest in the company, approve the assignment of approximately 34% ownership interest to Al Jubitz, Michael Clark, Michael Haglund, Gayle Veber, Bob Hansen and Jack Schifferdecker for financing purpose and approve and amendment to Section 10.4 of the Timber Land License by the Department that allows a Board approval process for the assignment of interest in the company of 20% or more, subject to review and approval of the Department of the Attorney General.

The Board noted its concern with TFP being able to obtain the necessary funding for Phase Two of the project when they're having problems with securing the startup funding.

Don Bryan came forward to testify on behalf of TFP. Mr. Bryan communicated that his requirement was to secure commitments for the funding and he believes they've accomplished this objective. Mr. Bryan went on to explain the process of obtaining funding for this project (startup funding as well as funding for Phase Two). Mr. Bryan let it be known TFP will have to obtain at least seventeen permits for this project and feels it should take a year to accomplish this task.

The Board instructed Mr. Bryan when obtaining future funding it does not mean letters of intent, conditional letters of intent or verbal commitments instead it should be something concrete.

The Board amended the Recommendation Section by adding the following

- “5. Approve an amendment to correct the name of Licensee on the Timber Land License No. H-101 from Tradewinds Forest Products LLC to Tradewinds LLC.”**
- 6. The Licensee shall provide documentation of securing signed legally binding subscription agreements for start-up funding of \$1,000,000 by July 1, 2005.”**

Unanimously approved as amended (DeMello/Agor).

**Item C-1: Request for Approval to Enter into Five Contracts to Implement Landowner Incentive Program Projects.**

**Item C-2: Request for Approval to Enter into Contracts or Purchasing Agreements to Implement Seventeen Hawaii Invasive Species Council Research and Technology Grant Program Projects: with the University of Hawaii for “Methods to Control Alien Algae”; with the USDA Inst. of Pac. Islands Forestry or University of Hawaii for “The Acceleration of Miconia Biocontrol”; with the University of Hawaii for “Biocontrol of Snowflake Coral”; with the USDA Pac. Basin AG. Research CTR for “Nettle Caterpillar Pheromone Study”; with the University of Hawaii for “Coastal Impacts of Invasive Ants”; with the University of Hawaii for a Study on the “Ecology of Snowflake Coral”; with the University of Hawaii for a Pilot Study “Detection & Reporting of Invasives”; with the USDA Inst. of Pac. Islands Forestry or University of Hawaii for the “Testing of Miconia Biocontrol”; with the Bishop Museum for a “Reptile & Amphibian Risk Analysis”; with the USDA Inst. of Pac. Islands Forestry or University of Hawaii for the “Testing of Tibouchina Biocontrol”; with Utah State University for a Study on “Ecological Consequences of Coqui”; with the University of Hawaii for a Study on “Control of Veiled Chameleon” with Leilani Nursery on “Thermal Treatment for Coqui”; with the Hawaii Agriculture Research Center for “Twig Borer Attractants & Repellents”; with the University of Hawaii for a “Study of the Red-Masked Conure”; with**

**the Hawaii Department of Health for a Study to “Map a New Invasive Mosquito”; with the University of Hawaii for a Study on “Fountain Grass Management”**

**Item C-3: Request for Approval of Muzzle Loader Hunting for the Control of Sheep Numbers in the Kaohe Game Management Area, Big Island.**

**Unanimously approved as submitted (Johns/Agor).**

**Item F-1: Request for Final Approval for New Hawaii Administrative Rule, Chapter 13-60.5, Northwestern Hawaiian Islands Marine Refuge.**

Athline Clark, a Planner with the Division of Aquatic Resources (DAR) pointed out this new rule would create the Northwestern Hawaiian Islands (NWHI) Marine Refuge for the purpose of achieving long-term conservation and protection of the unique coral reef ecosystems and the related marine resources and species and to ensure their conservation and natural character for present and future generations. The new rule will allow no access without a permit. The entry permit program will be consistent with the management programs in the adjacent National Wildlife Refuge and the NWHI Coral Ecosystem Reserve. The Board will issue non-transferable permits for up to one year (maximum term allowed). Ms. Clark went over the prohibited as well as the permitted activities included in the refuge. Public hearings on the rules were held in January 2002 and July 2004 statewide. Ms. Clark recommended the Board approve the final draft of the new Hawaii Administrative Rule, Chapter 13-60.5, which creates the Northwestern Hawaiian Islands Marine Refuge.

Clyde Namuo, Administrator of the Office of Hawaiian Affairs (OHA) offered testimony in strong support of the proposed rules. Mr. Namuo also offered two minor amendments, which would clarify and enhance the protections proposed for these precious resources. Regarding the public comment on all permits, he asked the Board to revert back to the original DLNR wording (3-60.5-6) which states: “A public comment period of no less than thirty days.” This will ensure permits are only issued after the beneficiaries of the trust resources have had a change to consult on the issues raised. Secondly, OHA believes an independent permit review by recognized coral ecologist will effectuate the purposes of the refuge by determining if proposed activities may be harmful or degrade the ecosystem. In closing, Mr. Namuo called attention to the written testimony of Buzzy Agard who has extensive experience fishing in the Northwest Hawaiian Islands.

Henry Curtis, Executive Director of Life of the Land offered testimony to strongly support the proposed rule before the Board. Mr. Curtis reiterated the request by OHA, which asked for a public comment period of no less than thirty days. Mr. Curtis also suggested the Department post permit applications on the Departments website. Lastly, he noted his organizations support of the principle of doing no harm even if one believes that all scientific studies are not available.

Roy Morioka, Chairman of the Western Pacific Regional Fishery Management Council noted he supported the Departments effort in taking a proactive management approach by establishing a Marine Refuge in NWHI however, he is concerned that this proposal seeks to immediately

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Division of Forestry and Wildlife  
Honolulu, Hawaii 96813

May 13, 2005

Chairperson and Members  
Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Land Board Members:

**SUBJECT:** Report on Implementation of Timber Land License No. H-101 held by Tradewinds Forest Products, LLC and a Request to Approve Assignments of Ownership and Amendment of License No. H-101

**Background:** At its January 28, 2005 meeting, the Board of Land and Natural Resources had a status report on Tradewinds Forest Products, LLC (TFP) efforts to implement Timber Land License H-101 (TLL). TFP reported status in implementing the license and provided information on: 1) favorable strength test results on Hawaii grown timber products, 2) the hiring of Veber Partners to raise capital for the project, 3) a revised project schedule, 4) letters of intent from a third party to provide access to timber sources, 5) letters of interest to purchase TFP products, 6) an agreement to lease a mill site, and 6) the hiring of a Community Liaison and establishment of a Community Liaison Board.

TFP requested an amendment in the Timber license to extend the deadline for mill construction by 3 years, to provide a deadline of September 1, 2005 to apply for state and federal permits, and to index the price schedule for stumpage payments, based on the increase in the consumer price index since 2001. The Board approved Staff recommendations to continue and amend the license agreement with TFP as requested, and to add specific deadlines for performance. The following deadlines were added to the license (Attachment 1):

1. The Licensee provides documentation of securing \$1,000,000 in startup funding by March 31, 2005.
2. The Licensee applies for state and federal permits by September 1, 2005.
3. The Licensee provides documentation of securing required construction funding by October 31, 2005.
4. The Licensee begins construction of the mill facility prior to July 1, 2006.
5. The Licensor reserves the right to terminate the TLL if the facility is not substantially completed by January 1, 2007.

ITEM C-4

6. The Licensor agrees not to unreasonably terminate the TLL if the Licensee is making good faith efforts to complete the facility, and the completion date is expected by January 1, 2008.

This Board submittal reports on progress in meeting the first milestone of securing the \$1,000,000 in startup funding. TFP is also requesting approval of assignment of ownership as required under Section 10.4 of the License, and an amendment in Section 10.4 to provide a Board approval process for further assignments anticipated for financing purposes.

1. Securing Startup Funding of \$1,000,000. Mr. Don Bryan sent an email on March 31, 2005 reporting that TFP had obtained commitments for one million dollars in equity capital in round one financing and submitted a copy of a status letter from Veber Partners to document the report (Attachment 2). TFP has since provided copies of signed memorandum of understanding for \$650,000. Mr. Bryan reported receipt of \$60,000 in cash and a letter of intent for \$500,000, subject to the investor Board approval of the investment in June 2005. Gayle Veber also reported obtaining an additional verbal commitment of \$350,000 pending signing investment documents. Mr. Bryan and Veber Partner report that investment documents have been prepared and are under review by investors, with their finalization subject to obtaining the Land Board approval of the sale of ownership interest in the company greater than 20% as required by the TLL Section 10.4 on "Assignment".
2. Assignment of Ownership. Section 10.4 of the Timber Land License on "Assignment" provides that: "If the Licensee is a partnership, joint venture or corporation, the sale or transfer of 20% or more of ownership interest or stocks by dissolution, merger or any other means shall be deemed a transfer for purposes of this paragraph and subject to the right of the Licensor to terminate this License effective of the date of sale or transfer."

In November 2004, Donald Bryan purchased 50% of the membership units of TFP from three former members, Gordon Boyd, James Wood, and David McRae, bringing his interest in the company to 93%. This purchase constitutes a "transfer of 20% or more of ownership interest" of TFP and gives the State of Hawaii, as Licensor, the right to terminate the License in accordance with Section 10.4. TFP asks for an after- the-fact approval of the assignment of this 50% interest of the company to Mr. Bryan.

TFP also requests approval of its plans to raise Phase One capital through the sale of 34% of the membership units in the company to Round One investors. TFP is requesting Board approval of the assignment of 34% ownership interest in the company to Al Jubitz, Michael Clark, Michael Haglund, Gayle Veber, Bob Hansen, and Jack Schifferdecker.

**Analysis:** TFP has reported their progress in meeting the milestone to secure \$1,000,000 in startup funding, and has obtained letters of intent from investors totaling \$650,000, cash of \$60,000, a letter of intent for \$500,000 - subject to the investor Board approval in June 2005, plus an additional verbal commitment of \$350,000 totaling \$1,560,000 for Phase One startup. However, the commitment of funds by investors is dependent on Land Board approval of the

assignment in ownership that the investments would trigger. TFP reports they can proceed with the commitment of funds upon approval by the Board of the 34% assignment of ownership. The Department believes it is in the interest of the State to continue the partnership with TFP, as long as TFP continues to meet the remaining deadlines for performance previously approved by the Board. The approvals for changes in ownership requested by TFP at this time are appropriate to raise the capital needed to finance the project, and do not appear to affect the implementation of the license.

The financing plan that is being proposed by TFP for Phase 2 will provide additional equity capital needed to implement the construction phase of the License agreement, but will be accompanied by a change in the governance of the company. The Board of Managers is currently composed of Mr. Bryan and Mr. Veber, with Mr. Bryan serving as the Chairman. TFP plans to hire a CEO to reside in Hawaii and run the day-to-day management of the company. With the implementation of Phase 2 financing, the Board of Managers will be expanded and at liberty to elect a Chairman. Mr. Bryan will retain approximately 13% of equity of the company with 70% held by 5-10 Phase Two investors.

3. Amendment of Section 10.4. The current provision of Section 10.4 provides the State the right to terminate the license on transfer of 20% interest or more. Licenses usually have provisions for the assignment of the license with some form of an approval process. This License does not. TFP believes that it is prudent and in the interest of both parties to amend Section 10.4 to provide a process for State approval of further assignments of the License. TFP requests that Section 10.4 be amended to provide for assignment with approval of the Board. TFP further requests that the need for approval of an assignment be triggered only when the transfer of ownership equals 50% or more of interest in the company. They suggest 50% because it is the ownership percentage at which control of the company would change hands. TFP is also planning to move the corporation from Washington State to Oregon State and is requesting an amendment in the assignment provision that would allow that without further State review.

TFP is requesting the following amendment to Section 10.4.

“Licensee shall not assign this Agreement without the written consent of Licensor, which consent will not be unreasonably withheld. Licensee shall provide Licensor written notice of any requested assignment, along with such additional information or material as Licensor may reasonably request to evaluate the assignee (the “Information Notice”). Licensor will provide License written notice of its approval or denial of such assignment within thirty (30) days after Licensee’s delivery of the Information Notice. For purposes of this Section 10.4, an “assignment” by Licensee shall include, without limitation, if Licensee is a corporation, partnership, limited liability company or other like entity, a change in the beneficial ownership of Licensee of greater than fifty percent (50%), whether by merger, sale of all or substantially all of Licensee’s assets, or the acquisition of voting securities of Licensee (whether in a single transaction or a series of transactions). Notwithstanding the foregoing,

the restrictions on assignment set forth in this Section 10.4 shall not apply to a merger or sale of all or substantially all of Licensee's assets for the principal purpose of changing the Licensee's state of domicile."

Analysis: The Department supports amending Section 10.4 of the license, to provide a process for assignment of interest in the company that is necessary to obtain financing. The Department recommends keeping the requirement for approval at a 20% transfer of interest, to allow the State the opportunity to evaluate the potential changes the assignment will cause in governance and day-to-day operation of the company and implementation of the license provisions. The Department recommends the following language for an amendment.

"Licensee shall not assign this Agreement without the written consent of Licensor, which consent will not be unreasonably withheld. Licensee shall provide Licensor written notice of any requested assignment, along with such additional information or material as Licensor may reasonably request to evaluate the assignee (the "Information Notice"). For purposes of this Section 10.4, an "assignment" by Licensee shall include, without limitation, if Licensee is a corporation, partnership, limited liability company or other like entity, a change in the beneficial ownership of Licensee of greater than twenty percent (20%), whether by merger, sale of all or substantially all of Licensee's assets, or the acquisition of voting securities of Licensee (whether in a single transaction or a series of transactions)."

4. Mr. Bryan also reports plans to change the State of incorporation of the Company from Washington to Oregon, where its headquarters and employees are located and its legal, investment, and accounting counsel reside. That action will involve an assignment of ownership and the Department recommends not amending the agreement as proposed by TFP, but that it be handled in a separate submittal when details are known and provided.

### RECOMMENDATIONS

That the Board of Land and Natural Resources:

1. Approve the Department's continued partnership with TFP as defined by the TLL.
2. Approve the after-the-fact assignment of 50% ownership interest in the company from prior partners Gordon Boyd, James Wood, and David McRae to Mr. Don Bryan that occurred in November 2004.
3. Approve the assignment of approximately 34% ownership interest to Al Jubitz, Michael Clark, Michael Haglund, Gayle Veber, Bob Hansen, and Jack Schifferdecker for financing purpose, as proposed in the Phase One financing plan.

4. Approve an amendment to Section 10.4 of the TLL as recommended by the Department, that allows a Board approval process for the assignment of interest in the company of 20% or more, subject to review and approval of the Department of the Attorney General.

Respectfully submitted,

  
PAUL J. CONRY  
Administrator

Attachments (2)

APPROVED FOR SUBMITTAL:

  
\_\_\_\_\_  
PETER T. YOUNG, Chairperson  
Board of Land and Natural Resources



AMENDMENT OF TIMBER LAND LICENSE NO. H-101

THIS AGREEMENT, made and entered into this 30<sup>TH</sup> day of MARCH, 2005, by and between the State of Hawaii, by its Board of Land and Natural Resources, hereinafter referred to as the "Licensor," and Tradewinds Forest Products, LLC, a Washington limited liability company, whose address is 2574 Northwest Thurman Street, Portland, Oregon 97210-2524, hereinafter referred to as the "Licensee";

WITNESSETH:

WHEREAS, Tradewinds Forest Products, LLC, a Washington corporation, is the present Licensee under Timber Land License No. H-101 ("TLL") dated August 8, 2001, covering timber harvest and replanting activities in the Waiakea area of the island of Hawaii; and

WHEREAS, the Licensee desires that the TLL be amended; and

WHEREAS, the Board of Land and Natural Resources, at its meeting held on January 28, 2005, has approved the amendment to allow for the continued partnership with Licensee;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby agree to amend the TLL as provided hereunder.

1. Section 3.1 of the TLL is deleted in its entirety and replaced with the following:

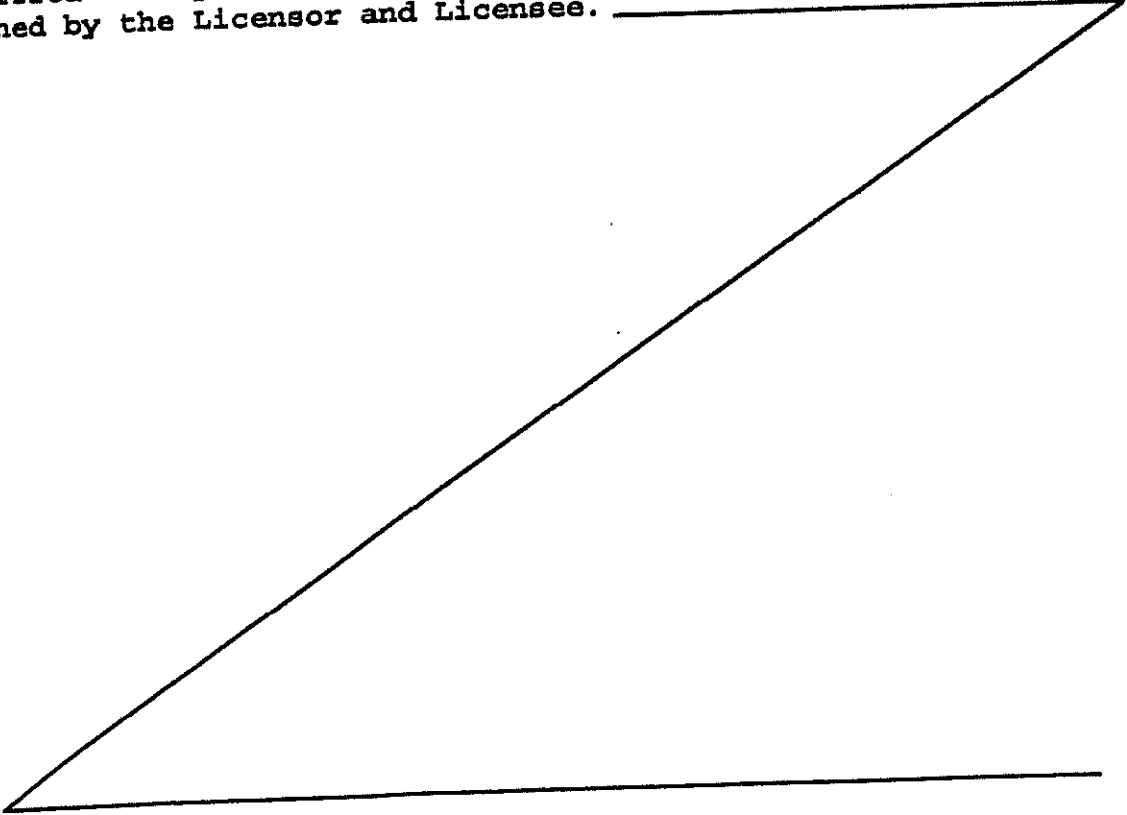
**Section 3.1. Startup investments, time frame and consumer price index.** The Licensee will provide documentation of securing \$1,000,000 in startup funding by March 31, 2005 and that failure to do so will be grounds for issuing a notice of default of the terms of the license. The Licensee will apply for state and federal permits by September 1, 2005. The Licensee will provide documentation of securing required construction funding by October 31, 2005 and that failure to do so will be grounds for issuing a notice of default of the terms of the license. The

Licensee will begin construction of the mill facility prior to July 1, 2006. The Licensor reserves the right to terminate the TLL if the facility is not substantially completed by January 1, 2007. The Licensor agrees to not unreasonably terminate the TLL if the Licensee is making good faith efforts to complete the facility in accordance with the schedule herein and the mill completion date is expected by January 1, 2008.

The price schedule for stumpage payments for tree species harvested under this License will be indexed to the consumer price index based on 2001, with annual adjustments.

IN CONSIDERATION THEREOF, the Licensor and Licensee further agree that this Amendment is subject to all the covenants and conditions in the TLL, except as herein provided.

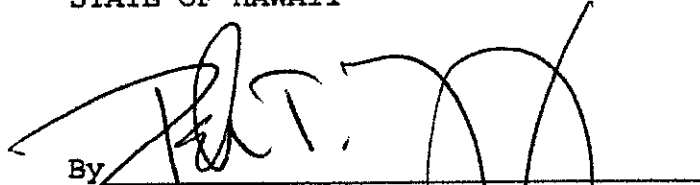
This Amendment, read in conjunction with the TLL sets forth the entire agreement between the Licensor and Licensee; and the TLL as amended and modified hereby shall not be altered or modified in any particular except by a memorandum in writing signed by the Licensor and Licensee.



IN WITNESS WHEREOF, the STATE OF HAWAII, by its Board of Land and Natural Resources, has caused the seal of the Department of Land and Natural Resources to be hereunto affixed and the parties hereto have caused these presents to be executed the day, month, and year first above written.

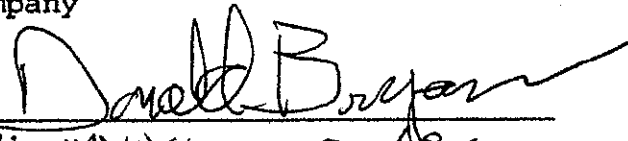
STATE OF HAWAII

Approved by the Board of Land and Natural Resources at its meeting(s) held on January 28, 2005.

  
By \_\_\_\_\_  
Chairperson  
Board of Land and Natural Resources

LICENSOR

TRADEWINDS FOREST PRODUCTS, LLC, a Washington limited liability company

By   
Its: Managing member

LICENSEE

APPROVED AS TO FORM:

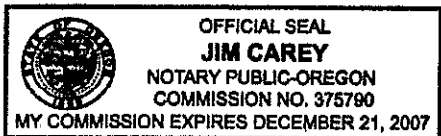
  
\_\_\_\_\_  
Deputy Attorney General

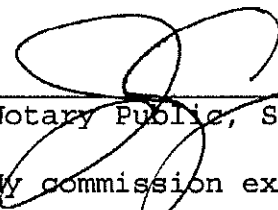
Dated: 3/17/05

ACKNOWLEDGEMENT

STATE OF OREGON )  
 ) SS.  
COUNTY OF Multnomah )

On this 24 day of March, 2005,  
before me personally appeared Donald P. Bryan, to  
me personally known, who, being by me duly sworn or affirmed,  
did say that such person(s) executed the foregoing instrument as  
the free act and deed of such person(s), and if applicable in  
the capacity shown, having been duly authorized to execute such  
instrument in such capacity.



  
\_\_\_\_\_  
Notary Public, State of Oregon  
My commission expires: 12/21/07

# VEBER PARTNERS

NASD Member

*Private Investment Banking  
For Northwest Companies*

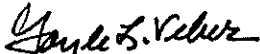
605 NW 11<sup>th</sup> Avenue  
Portland, OR 97209  
Phone: (503) 229-4400  
Fax: (503) 227-5067  
advisors@veber.com  
[www.veber.com](http://www.veber.com)

Mr. Don Bryan  
Chairman  
Tradewinds LLC  
2574 NW Thurman Street  
Portland, OR 97210

Dear Don,

As we discussed and you are aware, we have obtained signed letters of intent totaling \$1,000,000 to invest in Equity Round One of the Tradewinds Hawaiian eucalyptus veneer project subject to the investors approval of final documentation and completion of due diligence on the project.

Sincerely,



Gayle L. Veber  
Managing Partner

(1)

(2)

(3)