

TESTIMONY OF GERALD A. SUMIDA, ESQ.
ON BEHALF OF OCEANLINX HAWAII LLC
OCEANLINX HAWAII LLC
BEFORE THE
COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
AND
COMMITTEE ON WATER, LAND, OCEAN RESOURCES & HAWAIIAN AFFAIRS
HOUSE OF REPRESENTATIVES
ON
S.B. NO. 2034 AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS
TO ASSIST OCEANLINX HAWAII LLC
MARCH 17, 2008

Honorable Chairs and Members of the Committees:

I am Gerald A. Sumida, Of Counsel in the Hawaii law firm of Carlsmith Ball LLP. I am very pleased to appear before you on behalf of Oceanlinx Hawaii LLC, a Hawaii limited liability company ("Oceanlinx"), and to present testimony in favor of S.B. No. 2034 to authorize the issuance of up to \$20,000,000 of special purpose revenue bonds ("SPRBs") to Oceanlinx.

Oceanlinx is a recently formed company whose purpose is to undertake the development and operating of a wave energy conversion facility offshore of the Island of Maui. This facility will have a capacity of 2.7 megawatts and will provide electricity to Maui Electric Company, Limited ("MECO") on Maui to help meeting Maui's electric energy demand. Oceanlinx is a subsidiary of Oceanlinx Ltd., based in Botany, Australia, which is engaged in developing wave energy conversion systems throughout the world. I am pleased to provide an overview of Oceanlinx's wave energy project in Hawaii (the "Project").

PROJECT DESCRIPTION

The Project is a 2.7 megawatt wave energy conversion system, which will be located about 1/2 to 3/4 of a mile offshore of Maui's Pauwela Point. It will consist of 2 or 3 wave energy conversion units, depending on the outcome of our wave logging analysis. These units will float on the ocean surface and, by use of a patented Oscillating Water Column device, will generate electric energy from the motion of the ocean waves. The Project's total electricity out will be 2.7 megawatts and will be sold to MECO for distribution to Maui's general public. There will be no emissions or other discharges from this Project.

The Project will be located offshore of Maui's Pauwela Point. This location has been chosen after an analysis of the wave energy potential in this area. This location is far away from any commercial or recreational boating and shipping routes, any surfing and wind surfing areas, and any fishing locations. The coastal area of Maui at this location is one of high cliffs, and the land area above the cliffs is comprised of agricultural lands.

Oceanlinx has been in preliminary discussions with MECO for arrangements to provide Maui with electricity generated from one of Maui's, and Hawaii's, most plentiful renewable energy resources. The electricity generated by the Project will be delivered from the Project to MECO's grid through undersea electric transmission cables. These cables will be buried once they reach the shore area.

PROJECT STATUS

Oceanlinx has held ongoing information meetings with Maui's community, including Maui's governmental officials, and is pleased to have substantial support from the community. We have also had similar meetings with persons from the State Government, the University of Hawaii and the business and environmental communities, and have received strong support for our technology as well as our plans to harness Hawaii's ocean wave energy resources.

Oceanlinx is in the process of obtaining the necessary permits, which includes an environmental assessment. We hope to complete the Project and begin operations by late 2009.

BENEFITS FROM THE PROJECT

Oceanlinx's Project will provide many benefits to Maui and also to the State of Hawaii and beyond:

- The Project will provide electric energy to Maui's public that will be generated by one of Hawaii's most abundant renewable energy resources, the power inherent in the energy of the ocean's waves. This will help in furthering the County of Maui's goal and the State of Hawaii's goal of using Hawaii's renewable energy resources to generate electric energy, reduce Hawaii's dependency upon very expensive imported fossil fuels, and increase Hawaii's energy self-sufficiency.

- The Project will use a proven, innovative technology that is environmentally sound and clean, with no emissions or other discharges that would raise environmental concerns. It will also showcase renewable energy development initiatives on Maui and Hawaii, and provide an important example for other areas in the world that have the potential for wave energy conversion projects.

- The communities and leaders in Maui, and in Hawaii, have expressed their strong support for this Project and Oceanlinx's efforts, and Oceanlinx will continue to work closely with them.

BACKGROUND ON OCEANLIX LIMITED

Oceanlinx Limited is an international renewable energy company based in Australia, with headquarters in Botany, New South Wales, Australia. Oceanlinx Limited is currently developing wave energy conversion projects, using its own technology, in Australia, Rhode Island, the United Kingdom, Namibia and Hawaii.

The company was originally founded in 1997 and was initially called Energetech Australia Pty. Ltd., and changed its name in 2007 to Oceanlinx Limited.

PROJECT COST AND SPRB AUTHORIZATION REQUEST

The total cost of the Project is estimated to be some \$20,000,000 to 30,000,000. Of this, Oceanlinx desires to fund approximately \$20,000,000 through the issuance of SPRBs to assist in developing the Project. As the Committee is aware, the repayment of these types of bonds is guaranteed by either the borrower or a financial institution, and the interest paid to the bondholders is exempt from taxation. This enables the borrower to pay an interest rate which is lower than interest rates on non-exempt taxable borrowings. Section 39A-161 of the Hawaii Revised Statutes specifically provides that SPRBs are not an obligation of the State of Hawaii and are payable solely from the revenues pledged from the Project for the repayment of the SPRBs.

Given Oceanlinx's development schedule, Oceanlinx is currently planning to seek to issue the authorized SPRBs during 2008 to assist in financing the Project's development.

We thus respectfully request your favorable action on S.B. 2034, since this will greatly assist Oceanlinx in the development of this innovative and important renewable energy project to assist MECO and the Island of Maui's public as well as assist in furthering the State's policy to developing and harnessing Hawaii's indigenous renewable energy resources and reducing Hawaii's dependency upon oil.

I would be very pleased to respond to any questions that you and the Committee members may have.

Thank you very much for the opportunity to appear before your Committee.

Gerald A. Sumida, Esq.
Of Counsel
Carlsmith Ball LLP
ASB Tower, Suite 2200
1001 Bishop Street
Honolulu, Hawaii 96813
Tel: (808) 523-2528
Fax: (808) 523-0842
Email: gsumida@carlsmith.com

Company Contact:

Dr. Peter Kalish
Advisor
Oceanlinx Limited
Level 2, 2A Lord Street
Botany, NSW 2019, Australia
Tel: +61 2 9549 6300
Fax: +61 2 9475 4761
Email: peter.kalish@oceanlinx.com