

har2-Samantha

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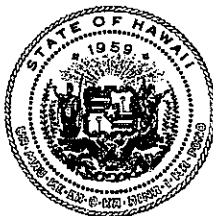
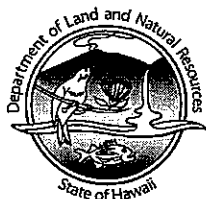
**From:** mailinglist@capitol.hawaii.gov  
**Content:** Thursday, January 26, 2012 8:09 AM  
**To:** WLOtestimony  
**Cc:** moana.bjur@hawaii.gov  
**Subject:** Testimony for HB1793 on 1/27/2012 9:00:00 AM  
**Attachments:** HB1793\_LNR\_01-27-12\_WLO.pdf

Testimony for WLO 1/27/2012 9:00:00 AM HB1793

Conference room: 325  
Testifier position: Comments Only  
Testifier will be present: Yes  
Submitted by: Guy Kaulukukui  
Organization: Department of Land and Natural Resources  
E-mail: [moana.bjur@hawaii.gov](mailto:moana.bjur@hawaii.gov)  
Submitted on: 1/26/2012

Comments:

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII**  
**DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of**  
**WILLIAM J. AILA, JR.**  
**Chairperson**

**Before the House Committee on**  
**WATER, LAND AND OCEAN RESOURCES**

**Friday, January 27, 2012**  
**9:00 AM**  
**State Capitol, Conference Room 325**

**In consideration of**  
**HOUSE BILL 1793**  
**RELATING TO CONSERVATION AND RESOURCES.**

House Bill 1793 establishes penalties for the destruction or harvesting of native sandalwood trees; requires replanting for trees harvest; bans the export of raw or unprocessed sandalwood timber; and established Department of Land and Natural Resources (Department) policies regarding sandalwood. The Department supports this measure with amendments.

Over the past 200 years, there has been a steady decline of all native sandalwood species (*Santalum*) in Hawai'i. The decline in abundance of sandalwood can be attributed to the harvesting of *Santalum* species for the high international demand for the sweet-smelling qualities of the wood, as well as impact by non-native mammals, insects, and diseases that limit regeneration and grow of the existing trees. While protection of *Santalum* is afforded on state lands and within the state conservation district, there is no regulation or oversight on the harvest, sale or destruction of the sandalwood on private owned or managed lands outside of the conservation district.

The Department agrees that additional protection of the native sandalwood species is needed through regulatory controls of sandalwood harvesting as proposed in this measure. However, the Department offers the following comments and suggested amendments to the measure:

1. §183-B(a)-(c), regulations on destruction or harvesting of sandalwood species existing prior to 1778 and replanting an amount equal to the total estimated age of all trees destroyed or harvested (§183-B(c)) will be difficult and highly expensive to determine and monitor. Discerning the age of any tropical tree is challenging using traditional methods, such as tree rings, and is difficult with a lot of variability. Rather the Department recommends a requirement that harvest or destruction of sandalwood species be done by permit or license from the department and in a sustainable manner as determined by the Department.

WILLIAM J. AILA, JR.  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI  
FIRST DEPUTY

WILLIAM M. TAM  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

2. §183-B(d), the Department recommends that the export of raw or unprocessed timber out of Hawai'i be allowed only by permit from the Department.
3. §183-C, in addition to the stumpage fee, a fee for processing permit requests for the harvest of *Santalum* species is needed. Fees and fines collected should be deposited into the Forest Stewardship Special Fund under §195F-4 to support forest management and restoration and then be available to the Department to carry out the duties under this section.

The Department comments that there is limited information on any recent comprehensive surveys determining the extent, health or regeneration of *Santalum* species across the Hawaiian Islands. Additionally, with more than one sandalwood species in question there is great variability in its growth potential and habitat. The Department will require sufficient staff time and resources to determine if harvesting or destruction of sandalwood is sustainable and to support permitting activity.

4. §183-D. The illegal harvest of sandalwood should include both criminal penalties and general administrative penalties as provided by §183-5 and §183-18.
5. §183-A. Additional funding support should be provided for the incentives identified under §183-A(2) and (3). Reforestation for native sandalwood species can be funded and encouraged with increased support of the Forest Stewardship Program (Chapter 195F). Support for research and development of restoration and commercial production techniques is necessary to restore sandalwood to historic range and support a sustainable harvest program. Significant improvement in the status of *Santalum* in Hawaii will require a combination of both incentives for good stewardship and deterrents against bad behavior.

## har2-Samantha

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, January 26, 2012 3:59 PM  
**To:** WLOtestimony  
**Cc:** lwdoo4u@gmail.com  
**Subject:** Testimony for HB1793 on 1/27/2012 9:00:00 AM  
**Attachments:** SKMBT\_60012012603000.pdf

Testimony for WLO 1/27/2012 9:00:00 AM HB1793

Conference room: 325  
Testifier position: Support  
Testifier will be present: Yes  
Submitted by: leigh-wai doo  
Organization: Individual  
E-mail: [lwdoo4u@gmail.com](mailto:lwdoo4u@gmail.com)  
Submitted on: 1/26/2012

Comments:  
please call me if needed  
tel 721-0006 or 737-0008  
lw doo

## The FOUNDATION FOR ISLANDS OF HARMONY

## H.B. 1793 Relating to SANDALWOOD

Hawaii State Legislature,, House of Representatives, Committee On Waterr , Land and Ocean  
January 27 , 2012 Testimony of Leigh-Wai Doo...Thank You for this Hearing.

We advocate the adoption of HB 1793.. It would establish a process to reforest Sandalwood species endemic , found only in Hawaii ILIAHI .

Briefly, HB 1793 entrusts a duty to a State agency, DLNR . to 1. preserve old growth Iliahi, 2, develop incentives for entrepreneurs to cultivate Iliahi  
3. support the sustainability of commercial sandalwood operations in Hawaii 4. encourage Hawaii wood craftsmen to carve and fashion Hawaii made mementos, spiritual icons, oils and perfumes, and thus boost a true home based cottage industry.

Without HB 1973 and its associated licensing and penalties , the remaining stands of ILIAHI may be destroyed on private lands as there are no controls in Hawaii. A case in point is the Sandalwood logging very actively going on today on the Big Island by a company in bankruptcy , the company's consultant reported the company's resource of Sandalwood at about 8 million tons , that is 2000lbs/ton times 8 million tons or 16 trillion pounds of sandalwood to be clear cut and uprooted with no plan yet for replanting. See attachment 1, Environment Hawaii October 2009 newsletter. The logger is in bankruptcy reorganization with payment disputes . There was no legal prohibition for the logging of Hawaii's ILIAHI. Hawaii's endemic species of Sandalwood, is in immediate threat of destruction of a high percentage of the last remaining stands, Trees, hundreds of years old. may be cut today without legal impunity.

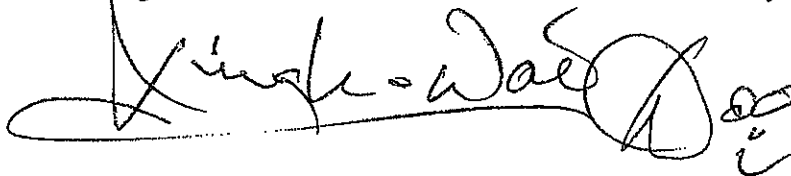
Hawaii is far behind other nations in protecting and reforesting its Sandalwood. Examples of the regulations are available. See the regulations of Queensland, Australia, India, Vanuatu and others provided in research compiled by Danica Harbaugh Renaud, PhD and the proceedings of a Sandalwood Conference held at the East West Center over a dozen years ago. An international conference on sandalwood is now planned for October 20 to 24, 2012 in furtherance of the earlier conference. That will provide as excellent opportunity to review and refine the best practices of the regulations to be drafted upon adoption of HB 1793.

Sandalwood is precious. Historically, Spiritually, and for Hawaii's future. Historically, sandalwood trade was the turning point of Hawaii from a self sufficient economy to a commercial economy. It was Hawaii's first source of revenue , and major debt. Credit secured by payment in sandalwood saddled the Hawaiian Chiefs. Harbor portaged fees was learned . Hawaii.s present flag was designed for Hawaii's trade of sandalwood with China. See the June 9, 2009 DVD of the Save Sandalwood Symposium held at the UH, KCC Campus and shown 4 times on OLELO TV,

Spiritually, Sandalwood is revered. By Hindus, By Buddhist, By Catholics of Southeast Asia, and was By Polynesians used .

Hawaii's future economy , as it relates to the Chinese tourist and branding , may greatly be strengthened by the goodwill of caring for our namesake,Sandalwood Mountain. In the Chinese language, oral and by written characters, over a billion people know of Hawaii's name, particularly Honolulu's name, as Sandalwood Mountain. Yet where can a sandalwood tree, iliahi, be seen? What does it look like? There are no , not one, ILIAHI trees to be found in any of Honolulu;s 5 Botanical Gardens on Oahu.

HB 1993 is a ray of hope that the wrongs of mankind's decimation of our native forests, may now be corrected. Please pass HB1793





# US – China Peoples Friendship Association O'ahu Chapter

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## Save Sandalwood Symposium *Ho'okanu Iliahi*

Monday, June 8, 2009

4 pm to 6 pm at Kapi'olani Community College, Ohia Building Room 118

- I. Planting and Cultivation
    - Anna Palomino, Hawaiian Plant Propagator
  - II. History of Sandalwood
    - King Kamehameha I to III
    - Chinese Use and Purchase
      - John Clark, President, Hawaiian Historical Society
      - Leigh-Wai Doo, USCPFA, O'ahu Chapter
  - III. Iliahi Planting Experience / Punahou Mentoring
    - James Haley, Iliahi Foundation
  - IV. Sandalwood Symbolism to China
    - Gregg Andermann, Filmmaker, "Finding Sandalwood Mountain"
- A 220 + 30 = Two-Fifty Project
- 220<sup>th</sup> Anniversary of Chinese in Hawai'i
  - 30<sup>th</sup> Anniversary of USCPFA
  - 50<sup>th</sup> Anniversary of Hawai'i Statehood
  - 50<sup>th</sup> State of the United States
  - Commencement of King Kamehameha Week 2009



# US – China Peoples Friendship Association O`ahu Chapter

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## Saving Sandalwood: The Significance of Our Name

Aloha

Tan Xiang Shan is the original Chinese name for Hawai`i and is presently used as the name for Honolulu. Sandalwood, Iliahi in Hawaiian, was so abundant when Kamehameha I shipped it to China that the Chinese named Hawai`i “Sandalwood Mountain”. Today, Iliahi has been so depleted that few know what it looks like; yet, it is probably the world’s most expensive and valuable wood and it is a symbol of Hawai`i to the Chinese.

On this 220<sup>th</sup> Anniversary of the arrival of Chinese in Hawai`i and the 30<sup>th</sup> Anniversary of the US-China Peoples Friendship Association, the O`ahu Chapter seeks to promote throughout Hawai`i the re-planting of sandalwood, Iliahi, in your backyard and in the forest. Iliahi seedlings have been propagated and are ready for distribution. Please place an order and see that Iliahi is properly cared or think of making a donation and we will ensure an Iliahi is planted in your name.

On Monday, June 8, 2009, from 4-6pm in the Ohia Building of Kapi`olani Community College, a symposium will be held on the care and planning of Iliahi as well as its significance in Hawaiian history. Ordered seedlings will be distributed thereafter. Please plan to join us.

Names have meaning. Sandalwood is our name. Iliahi needs reforestation throughout Hawai`i. *Ho`okanu Iliahi*. Please help to restore native Hawaiian plants, reforest as our legacy and live up to our name, Sweet Sandalwood Mountain.

Mahalo,

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Jane Pang, Secretary  
Member, National Board USCPFA

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Leigh-Wai Doo, President  
[lwdo04u@gmail.com](mailto:lwdo04u@gmail.com)



## US – China Peoples Friendship Association O'ahu Chapter

Today you are receiving 'Iliahialo'e, *Santalum ellipticum* (a Hawaiian endemic) in dibble tubes. These plants are approximately one year old and were propagated from fresh seed. It is best to plant this seedling as soon as you are able to, they will not last longer than a few months in the dibble tubes. To keep the seedling happy while you find a good planting site you'll need to keep it upright in bright light and water daily. You can achieve this by placing the dibble in a larger pot, making sure there is no standing water at the bottom when it is watered.

Sandalwoods are hemi-parasitic, meaning that they photosynthesize on their own but need to grow in close proximity to another plant to get necessary growth nutrients. A host plant could be a grass, a groundcover or a small shrub, some plant that is easy to grow and will tolerate pruning so it will not over-shadow the sandalwood as it grows. Some suitable native host plants are : kawelu, ilima, ilie'e, pohinahina, 'aweoweo, 'akia and 'ulei. If you are considering a large tree such as koa, make sure that enough room is given between the plants so they are not competing for light and space.

'Iliahialo'e are considered large shrubs to small trees. Depending on soil conditions and climate trees average 12 -15 feet in height and about 8 feet in diameter. Please consider the mature state of the plant when choosing a suitable planting site. Iliahi plants do not transplant well because of their extensive root systems, therefore it is important to choose a spot where it can grow for the rest of its life.

Sandalwoods require well-draining soils and full-sun conditions to grow well. The addition of compost to clay soils will help with drainage. Compost added to nutrient deficient soils will also help with fertility and water retention. Acid to neutral soils (pH 4.0–7.4) are acceptable.

Dig a hole about 14 inches deep and about as wide as your shovel. Add one scoop of compost and mix well with the soil in the hole. Carefully remove the seedling from the dibble tube (this can be achieved by gently squeezing the sides of the tube and carefully extracting the rootball). Place the root-end in the dug hole and back-fill with soil making sure the plant is not placed too deeply or too shallowly in the hole. The soil should be at the same level it was in the dibble tube. Water well.

A shallow basin around the newly planted 'iliahi will help when it is irrigated. A mulch placed around the new plant will also help to smother weeds and retain soil moisture.

Since 'iliahi are dry land plants, it is important not to over-water. While plants are being established, a slight drying between waterings is beneficial, be careful not to have a water saturated soil present all the times.

'Iliahi are slow growers, please be patient and you will be rewarded with a very special tree.



FORESTRY DEPARTMENT - VANUATU GOVERNMENT

PLANT SANDALWOOD ON YOUR LAND

Lots of people have considered cutting sandalwood growing on their land in order to earn money. In some parts of Vanuatu, sandalwood is in short supply or has been completely exploited. For this reason, the Government has imposed a 5 year ban on sandalwood cutting which is from 1978 to 1992. During this period, an inventory will be conducted and research carried out. This will be a good time for sandalwood planting - don't wait until your sandalwood has disappeared !

1. Collecting Seeds

Sandalwood seeds ripen twice a year: sometimes in May and at about October - November. Collect only ripe seeds which are bluish in colour and are soft. Seed collection from trees or have just fallen are good. Old seeds which are on the ground are not suitable for planting.

2. Washing Seeds

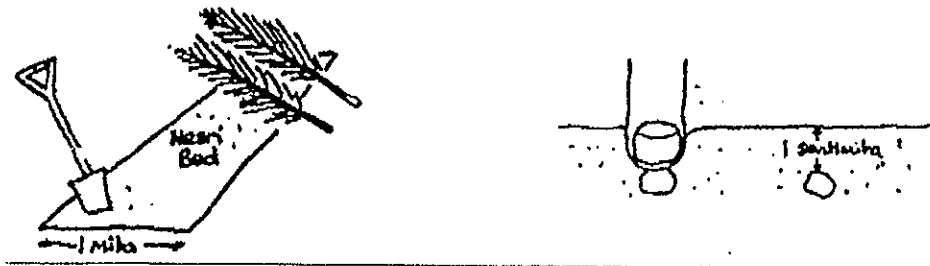
The seeds should be washed directly after collection to remove the flesh: the flesh should not be left to rot on the seeds. The seeds should be sowed directly after washing. If this is not possible, they should be stored in a dry, cool and well ventilated area. Plastic bags should not be used as they cause mouldiness to the seeds.

3. Establishing a Nursery

An area behind the house should be appropriate where the soil is easy to work with and accessible to water. The bed should be dug about 1cm wide. Work the soil until you have a fine tilth then smooth off the bed and water it.

4. Sowing in the Nursery

To sow, push the seeds into the bed one at a time, using your index finger to a depth of about 1cm, that is about to the top of your finger nail. Bury them lightly. Coconut fronds can be used for shade.

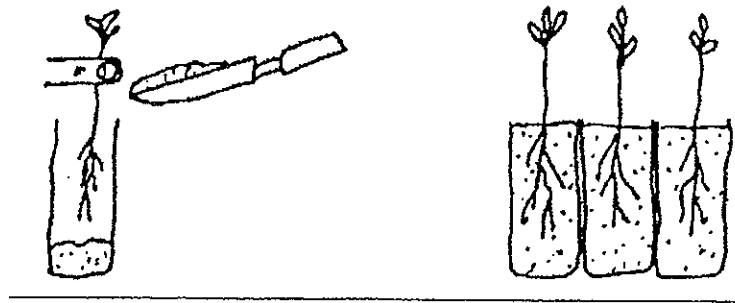


5. Containerising

Dig up some dark soil, but don't dig too deep to use red or solid material. Work the soil to a fine tilth removing roots, stones and hard lumps of soil. Pile the soil in the nursery. Get some small plastic bags which are about 15-20cm long and 5cm in diameter.

6. Transplanting

When the seeds germinate, dig them up and transplant them into the plastic bags. The transplanted seedling should have some soil attach to the roots. Holding the seedling in the plastic bag, start filling the soil. When filling make sure the roots are vertical for good support and anchorage. If potting is done first then planting, the roots may easily be damaged or anchorage would be poor. After transplanting, the seedlings may be watered and may be put under coconut frond shade.



7. Land Preparation

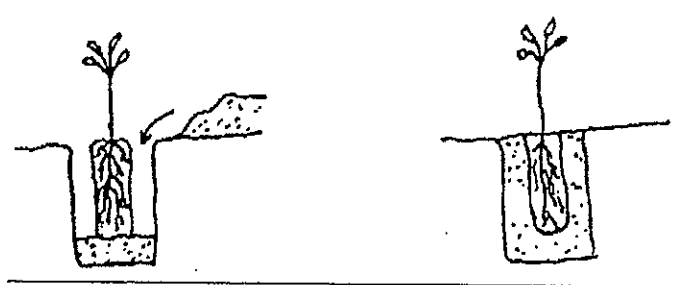
Select somewhere where the bush should not be too dense. The area should not be totally cleared because sandalwood grows well in proximity with other trees, such as among Acacias.

If there is cattle morning around, the area should be fenced off.

When the trees are ready for planting, the area should be marked out and use a spacing of 3 x 3m. At each location (only), the site should be slightly cleared.

8. Planting

Allow the trees to grow to about 20-25cm in height, which by then they should be ready for planting. Hardening-off should be done 1 or 2 weeks before planting, but if scorching is seen, shading should be placed back. At each location marked for planting, a hole should be dug to about 30-40cm deep and 20cm across. The plastic bag must be removed before planting. Put some soil back into the hole in order that the seedling root collar is level to the surrounding ground. Fill the hole up and press with your hand to ensure that the seedling is firm.



# Environment



# Hawai'i

a monthly newsletter

Price: \$5.00

## Cash Crop

**S**andalwood Forest. That's the description of the wooded area drawn in above the ahupua'a of Hokukano in a 1901 map of Hawai'i island by territorial surveyors W.D. Alexander and W.D. Wall. It is the only sandalwood forest to be noted on the map and its unique designation suggests just how distinctive the area must have been to the surveyors.

Over the last century, cattle, logging, and depredation by rats have taken a toll, and what remains today is almost certainly a faint shadow of what used to be. Whether restoration of the land's former glory can be achieved by a company taking down most of the remaining trees over the next year and a half, or is best done by the ranch's former owner, who has a record of logging himself, is a question that, unfortunately, is not before the bankruptcy judge hearing the dispute.

The issue that he needs to decide is whether to let the logging company move forward with its reorganization plan—a plan that, inevitably, entails cashing in on an insatiable global demand for sandalwood trinkets—or to let it dissolve and have the company's assets (primarily the land and trees) be liquidated to satisfy creditors.

## Dispute over Hokukano Sandalwood Logging Ends up Before Federal Bankruptcy Judge

**T**wo hundred years ago, the trade in sandalwood was a tragic chapter in Hawaiian history. It devastated upland forests across the archipelago and forced native people into involuntary servitude.

In the last few months, the sandalwood trade has been rejuvenated on a large scale, in one of the last areas of the islands where old-growth trees remain in some abundance: the mauka lands of Kona, on the slopes of Mauna Loa high above Kealahou Bay.

According to the loggers, they have received orders for nearly \$15 million in sandalwood from companies in Sri Lanka, Dubai, and China. Their orders for koa from within the state pale in comparison—about \$25,000 worth, as reported in documents submitted to the U.S. Bankruptcy Court. Most of the wood to fill those orders is being taken from about 2,900 acres of what used to be Hokukano Ranch. Tom Pace, who sold the land to the loggers, is now trying to foreclose

on the property after the loggers defaulted on their mortgage in June.

Pace's efforts to stop the logging through a foreclosure action, filed in state court July 19, are on hold for the time being. On July 21, less than two hours before a request for a temporary restraining order was scheduled to be heard in a Kona courtroom, the loggers filed for bankruptcy in Honolulu. Two days later, U.S. Bankruptcy Judge Robert J. Faris denied Pace's motion for a restraining order preventing further logging. Although attorneys for Pace and his company, Hokukano Ranch, argued that the value of the land secured by the mortgage was diminished by the logging, attorneys for the logging company, called Jawmin, won over the court by noting that nothing in the deed that Pace gave to Jawmin prevents Jawmin from conducting any legal activity and, further, that Pace and Hokukano Ranch had no secured interest in the trees.

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*'Aina Le'a Asks LUC For More Time*



Sandalwood fruit (*Santalum paniculatum*)

PHOTO: J. B. FRIDAY

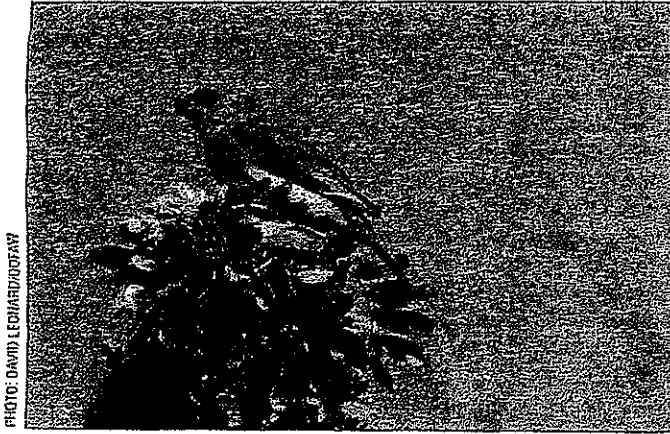


PHOTO: DAVID LEONARD/DOFAW

The Palila, shown here on a mamane tree, has a heavy finch-like bill for breaking open seeds, and a striking yellow head and breast. It is one of 17 surviving members of the Hawaiian honeycreeper family, a diverse group of birds that evolved from a single ancestral species.

and is more elaborate and, therefore, more expensive, than what he would have built to control his cattle.

"The fence is overbuilt for my needs. It's not fair to me. I don't want to be stuck with the maintenance of a fence that is more than I need," he said. One of the terms of the lease requires keeping fences in good repair.

At-large board member David Goode argued for some kind of compromise. Because Moniz actively works the land, Goode said, "He's going to be the most cost-effective fence repairer." To Moniz, he said, "Why

don't you maintain the fence and [have the DLNR] adjust your rent accordingly [when rent is re-opened]?"

But an exchange between DOFAW administrator Paul Conry and Moniz suggested that collaboration will be a challenge.

Erosion and runoff have compromised the fence in the past, but Conry informed Moniz that if his cattle were to damage the fence, he

would be responsible for fixing it.

Moniz responded, "I don't know how you're going to determine that. We've already been accused of being in the mitigation area."

Despite Moniz's complaints, board chair Laura Thielen reminded him that the board does not have the power to amend the lease terms (other than its duration). The board then unanimously approved the Land Division's recommendations.

The department underscored the need to aggressively protect palila habitat a few

days later in a September 14 joint press release with the FWS and the American Bird Conservancy (ABC).

They announced that a recent survey by the U.S. Geological Survey indicates that the palila population has decreased by nearly 75 percent over the last seven years from about 4,400 birds in the core area in 2003 to about 1,200 birds at present.

"We know what needs to be done to protect this species, and every day that goes by without those actions being implemented brings it one step closer to extinction," George Wallace, ABC vice president for oceans and islands, said in the release. DOFAW, with FWS support, has begun to fence the majority of palila critical habitat and has committed to eradicating ungulates once the fence is complete. The FWS gave \$900,000 to DOFAW in 2009 for fence construction, and recently committed to providing an additional \$1.47 million in 2010, the release states.

"The mamane-naio forest is also threatened by persistent drought conditions and the ensuing threat of wildfires, such as the one that burned 1,387 acres of Palila Critical Habitat on the southern slope of Mauna Kea during late August and early September of this year. DOFAW, FWS, the U.S. Army's Pohakuloa Training Area, and other stakeholders are working on a comprehensive fire management plan for this area," the press release states. — Teresa Dawson

### Hokukano (continued from page 1)

And so the logging continues. Documents submitted by Jawmin in the bankruptcy filing indicate that the actual removal of timber from the property is expected to last from 18 months to two years.

### Paces

The Pace family owns Hokukano Ranch and Kealakekua Ranch, two adjoining properties that have been subject to logging and cattle grazing for much of the last 200 years. Since the Paces took over ownership — Hokukano was acquired 23 years ago, and Kealakekua six — they have made much of their commitment to conserving the land. A planned subdivision and golf course in the lower part of Hokukano Ranch was dubbed "Hokukano Preserve," while some 9,000 acres of Kealakekua Ranch were proposed by the state Department of Land and Natural Resources for inclusion in the federal Forest Legacy Program, with Congress appropriating \$4 million for acquisition of a permanent easement on the lands.

Both the Hokukano subdivision and the Kealakekua Ranch conservation easement appear to be on hold for the moment. The Hawai'i County Planning Department has twice extended the deadline for submittal of a final plat map for Hokukano Preserve subdivision. Though originally due August 25, 2009, Pace now has until August 25, 2011, to deliver it. Records supplied by the U.S. Forest Service suggest that the Kealakekua conservation easement is held up by encumbrances on the land. Tom Pace, ranch manager, wrote in an email to *Environment Hawai'i* that he anticipates "completing the easement once all state requirements have been fulfilled. We hope this occurs shortly."

The Pace family fortune was made by John H. Pace Jr., who developed Pace Island, a gated community near Jacksonville, Florida, and founded Cardinal Investment Company. His son Tom, a 1972 St. Louis High graduate, has been active in Hawai'i since the 1980s in real estate and logging. In 1988, a year after acquiring Hokukano Ranch, Tom Pace came under fire for logging up to 1,700 logs of sandalwood from the mauka areas, shipping

as much as 300 tons of the wood to China — the sale of which, Pace later claimed, netted him just \$40,000.

For the last few years, John Pace and his wife, Gussie, made their home in South Kona. When the state announced approval of the Kealakekua conservation easement, the elder Paces were featured prominently in the press release of the Department of Land and Natural Resources, which portrayed them as avid conservationists. John Pace, age 91, died in July, making official Tom's de facto role as sole manager of the family's interests in Kona.

### Jawmin

Jawmin was registered as a limited liability company with the state last October. Principals are Wade Lee, his brother Arthur, "Jeff" Lee, Matthew Charbonneau, and Allen J. Gourley. (The name derives from the first-name initials of the parties, with an "in" suffix for ease in pronunciation, according to Wade Lee.) Three have backgrounds in logging and timber going back several years. Jeff Lee is a Kona businessman and owner of The Club, a fitness center in Kailua-Kona, among other

things. In a resume filed with the bankruptcy court, he lists interests in "highland game/habitat management" and hunting, and he claims "affiliations" with several Big Island ranches, including Hokukano and Kealakekua. Wade Lee has a history of involvement with several logging operations on the Big Island. He and Charbonneau are principals of Hamakua Framing and Structure, which, under an agreement with Jawmin, is carrying out the logging and warehousing activities associated with the Hokukano Ranch operation. Gourley, whose principal address is in Pennsylvania, has logging interests in Hawai'i and elsewhere. His company Ohana Sanctuary owns 3,137 acres of Conservation District land north of Hilo that at one time Kyle Dong proposed to log as part of Dong's Hawai'i Forest Preservation operation. (Gourley's land was withdrawn before Dong's application came before the Board of Land and Natural Resources — where it ultimately failed to win approval.)

At the start of 2009, Wade Lee says, the Jawmin principals saw an article in *West Hawai'i Today* that Tom Pace was wanting to sell off the lands in Hokukano and Kealakekua that remained in his ownership. By fall, they had narrowed down their interest to some 2,800 acres in three separate but contiguous parcels at the top of Hokukano Ranch, nearly eight miles above the Hawai'i Belt Road. Eventually, they agreed on terms of a sale. Jawmin would pay \$9 million for the property, with Pace accepting a purchase money mortgage, \$1 million down, and a promissory note for \$8 million. Terms of the note called for payment of no interest, but \$3.5 million would be due by June 13 and the remainder by August 12.

On February 18, the North Hawai'i Community Federal Credit Union, which appears to have been the source of the down payment, filed a financing statement with the state Bureau of Conveyances, claiming as security "all timber, timber byproducts, and proceeds from the sale of timber" taken from the land Jawmin intended to purchase. After documents convey-

ing the property were signed later that month and finally filed with the bureau on March 15, the credit union's so-called UCC (Uniform Commercial Code) secured claim on the timber-expired Hokukano Ranch could have — and, in hindsight, probably should have — filed a similar claim to the timber, but it did not do so. Instead, concurrent with the filing of the deed transfer and mortgage, it assigned the mortgage over to two other parties — Pacific Rim Bank and Entrust Hawai'i, Inc. — as security for other debts the ranch had incurred in recent years.

### The Logging

No sooner did Jawmin take title to the Hokukano land than it began to log the property. Or, rather, employees of Hamakua Framing and Structure began clearing what Wade Lee has described as "dead, dying, and diseased trees." On the internet, another company, Keala Ke Aloha (owned by Wade Lee) began advertising 15 million board feet of Hawaiian hardwoods for sale and "100 tons of Hawaiian sandalwood," including logs, heartwood, rootballs and chips, at prices ranging from \$4,000 to \$35,000 a metric ton (minimum order: 10 metric tons).

From March to June, Jawmin carried out its logging operations, apparently without protest from Pace — although Pace did say in a deposition he did not know of Jawmin's plans to log; instead, he said the principals indicated they were going to conduct hunts there and restore the forest through large-scale replantings.

Orders for millions of dollars worth of

sandalwood came in almost immediately, from three processors: in Dubai, Sri Lanka, and China.

While getting orders was easy, getting financing was not. Wade Lee told *Environment Hawai'i* that Jawmin had intended to obtain refinancing of the loan before the first payment came due. However, he said, because of changes in the financial regulatory picture, it became difficult to get a loan for raw land. As a result, Jawmin was not able to make the first mortgage payment of \$3.5 million when it came due.

After the deadline passed, the ranch presented Jawmin with a forbearance agreement, which would have set a new schedule for payment (delaying final payment until November); called for an additional one-time payment of \$300,000; provided for a \$10,000-a-day penalty if deadlines were missed; and allowed Hokukano Ranch to record a security interest "in and to all timber and timber byproducts located on or from the property, together with a security interest in the proceeds from the disposition of such collateral." No ban on logging was proposed.

Jawmin rejected the agreement and continued to log.

On July 14, Duane R. Miyashiro, attorney for the ranch, sent a demand letter for immediate payment of the total loan amount, as provided for in the promissory note.

Jawmin did not reply.

Five days later, the two Lee brothers and Charbonneau went to Hokukano Ranch headquarters for what they thought would

be a discussion of a re-scheduled payment plan with Pace. Pace was not there, but Gregory Hendrickson, one of the attorneys for the ranch, was — and he promptly served them with the foreclosure complaint and the motion for the temporary restraining order.

Two days later, and less than two hours before a hearing on a temporary restraining order to stop the logging, Jawmin trumped the state court by filing its Chapter 11 petition in federal bankruptcy court.

The logging continues.



Sandalwood (*Santalum paniculatum*)

PHOTO: J. B. FRIDAY

## Debt Catches Up with Hokukano Ranch

The Ranch needed the purchase price to pay its other creditors."

That quote, taken from a footnote to Jawmin's statement opposing Hokukano Ranch's motion asking the bankruptcy court to stop Jawmin's logging operations, sheds some light on possible motives for Hokukano Ranch's efforts to sell off not just the three parcels at the top of the ranch but much of the rest of the ranch's mauka acreage. According to the legal memorandum, Tom Pace acknowledged as much in a deposition taken July 20.

A review of records at the state Bureau of Conveyances bears out the view that Hokukano Ranch has serious cash flow problems. At the moment, it faces two lawsuits seeking foreclosure on properties purchased by the ranch — one, a lot in the stalled-out Hokuli'a subdivision, another, the house where John and Gussie Pace lived near Keauhou Bay.

The Hokuli'a lot was purchased by the ranch in 2004 for \$850,000 (the seller was the Pace-owned Cardinal Investment Co.); in 2007, the ranch pulled a building permit for

a new dwelling estimated to cost \$1.5 million, and then took out a construction loan of \$3 million from La Jolla Federal Savings Bank (now One West Bank). In July 2009, the bank sued the ranch, seeking to foreclose on the Hokuli'a property. The balance owed on the Hokukano loan, the bank claimed at the time, was \$3,663,570, with interest accruing daily.

Also in 2007, the ranch purchased the house in Keauhou for \$9.75 million, giving the seller, Margaret Joye of Australia, a promissory note for \$6 million at 6 percent interest (that's \$30,000 a month), with the principal amount due on or before August 2 of this year. Judging from other transactions recorded the same date as the Joye deed was transferred, the down payment appears to have come from a \$3.3 million loan and a line of credit of up to \$750,000 from Pacific Rim Bank. To secure the loans, the bank took a mortgage on three Hokukano Ranch lots, including one of the lots later sold to Jawmin.

A week after the note came due, Joye sued for foreclosure.

The Joye and One West loans together come to nearly \$10 million.

In addition to those loans and the mortgage for the Joye down payment held by Pacific Rim Bank, Hokukano Ranch lands are burdened by additional encumbrances.

Other lenders whose loans have ranged from the low six digits to more than seven, and which are secured by claims on ranch property, include Entrust Hawai'i (a private investment company for people wanting to "self-direct" their own IRA accounts) and, at times, Island Land Co., a real estate brokerage owned by Ed Rapoza. (As of last month, Rapoza included several of the mauka Hokukano lots among his listings: a 979-acre parcel was for sale at \$3.2 million, \$3.58 million was the asking price of a 481-acre lot, and the price of a 400-acre lot was pegged at \$2.98 million.)

Tom Pace told *Environment Hawai'i* that "economic conditions in general and the aging (and recent death) of members of the senior Pace generation have prompted the sale of ranch parcels. The foreclosure actions off the ranch have had little bearing on the sale of ranch parcels (the Joye foreclosure was filed just last month [August] and we are seeking to achieve a modification of the mortgage on the property at Hokuli'a." —P.T.

### Trading Accusations

Tom Pace has stated that Jawmin violated an oral agreement that it would not log the land. In a deposition taken the morning of the scheduled (but forestalled) TRO hearing, Pace was asked whether Gourtley had indicated any interest in the timber. "Our discussions were futuristic, for his family's trust in the future," Pace said. "[T]hey were going to reforest, and his children's children would be able to harvest timber from the reforestation efforts."

Wade Lee, Pace said, had told him that "the area, land they were working on in Hilo, they had already lost two bulldozers in, that the cost of restoration of conservation land over there was six to seven thousand or something in that range per acre to cut the waiawi that was taking over." (According to Lee, this is a reference to the efforts he undertook to restore 13 acres of Conservation District land that had been illegally logged by Kyle Dong. The money available for the project — \$22,000, Lee says — ran out after just seven acres had been restored.)

Pace said in his deposition that he was under the impression that Jawmin wanted the land for long-term forest restoration and that "they needed the top cabin area

because they were starting immediately with reforestation efforts and setting up a nursery and staff to manage the nursery." Pace told *Environment Hawai'i* that he had been informed "that the area was going to be used as a mitigation bank and we understood that a pre-existing restriction would make the property ineligible." In other words, Pace went on to explain, if the seller places a restriction on the property, such as a ban on logging, "then the new owner will not have the ability to negotiate the conservation or preservation status or tax deductions, as then the new owner is not giving up anything towards conservation" that has not already been given away.

Jawmin's principals describe an altogether different scenario. In the same deposition of Pace, they note in a filing with the bankruptcy court, Pace acknowledged that although in other sales of Hokukano Ranch parcels he had included "preservation clauses," no such clause existed in the sales agreement with Jawmin because the ranch "needed the purchase price to pay its other creditors." Pace told *Environment Hawai'i*, however, that "we have had great success selling land to conservation-minded people...and have not restricted the land

we sold to them."

Furthermore, in a declaration filed with the bankruptcy court, Wade Lee depicted a forest that had been badly managed for years: "At the time that Jawmin took possession... many of the Debtor's [i.e., Jawmin's] sandalwood trees had already been weakened by fire, fires which either injured the sandalwood trees directly, or indirectly, because sandalwood trees being a parasitic species, require healthy host trees. The property in the spring of 2010 had an extremely high fire fuel load. Many decades of tree cutting and leaving the slash and scrap wood in the forest, accentuated by the dry kikuyu grass, had left the entire South Kona slopes of Mauna Loa vulnerable to fire. Hokukano Ranch in 2010 has lost over 2,000 acres to fire and the forest and trees that were present there a year ago have all but disappeared."

Tom Pace said in an email, "We have removed dead trees from the fire area on the ranch. We have also continued our practice of removing downed trees elsewhere on the ranch."

Wade Lee described the logging done by the ranch when it was owned by the Greenwell family: There were "huge harvests. The canopy that once existed is gone.

## Bank Financing Hokukano Deals Has Ties to Conservative Group

Pacific Rim Bank, which holds several mortgages secured by Hokukano Ranch land, is one of the newest lending institutions in Honolulu, having been founded in 2006. Its young age is not the only thing setting it apart from more established banks. Four members of PRB's board of directors (out of a total of seven) have close ties to the Hawai'i Family Forum, a group that has been active in advancing conservative social causes at the state Capitol:

◆ Austin Imamura, chairman and CEO of the bank, is vice president, treasurer, and a director of Hawai'i Family Forum, according to records at the state Department of Commerce and Consumer Affairs;

◆ Francis Oda, bank director and ex-

ecutive with Group 70 International, is chairman of Hawai'i Family Forum and was one of its founders;

◆ Kelly Rosati, another bank director, was executive director of HFF for 10 years before moving into the national spotlight, as a vice president of Focus on the Family, the group founded by James Dobson;

◆ Ernest Lum, a bank director and president of Ernest K.F. Lum Construction, Inc., is an HFF director as well.

When the bank opened, it announced that it would give 10 percent of its profits to nonprofit organizations. *Environment Hawai'i* asked Melvin Tanaka, a bank vice president, what criteria the bank used in deciding on which organizations would receive donations. Tanaka responded that

the bank was profitable only in its second year and that it gave some money to charities then – “not churches,” he said, but charities. He did not provide further details.

Tanaka said there were no links between the Family Forum and the bank. Rather, he said, the bank's directors were all respected businessmen and community leaders.

The bank holds the Jawmin note to Hokukano Ranch as security for other credit it has extended to the ranch. Tanaka was asked why the bank has not been represented in the bankruptcy proceedings. He indicated the bank was aware of Jawmin's bankruptcy petition and was confident the bank's interests would be protected by Hokukano Ranch attorneys.

(The Hawai'i Family Forum was in the news last month, when its annual filing with the Internal Revenue Service disclosed that it had to pay the IRS a penalty of \$20,741 for ‘excessive lobbying’ conducted in 2009.)

— P.T.

The slash pile of koa has gotta be a half mile long. Five saws were set up at one time on rail tracks, for the big koa logs. After that, all the trees were cut down, cut up in chunks and burned. They planted kikuyu grass. Up till the time that we bought it, the land was used for pasture. There are still several cattle up there,” which Lee is trying to get out.

In addition, he said, Hokukano Ranch has done nothing to control the rats that eat sandalwood seeds. When Jawmin took possession of the property, it “was inundated with rodents and the seed bank for sandalwood was nonexistent,” he said in the bankruptcy court declaration, adding that grazing livestock belonging to the ranch and feral sheep “have been consuming all of the native juvenile trees and seedlings on the property.”

What sandalwood trees remained, he continued, “were infected with fungus, which destroys the sandalwood tree, by rotting the tree from the inside out. Many of Jawmin's trees face a serious fungus issue, more than 60 percent of all adult trees show signs of fungus, causing severe rot in the pith and heartwood.”

“Jawmin has concluded that over time, healthy sandalwood trees will be more valuable than the current inventory of dead and diseased sandalwood trees,” Lee went on to say in the declaration. The company's “forest management plan” calls for removal of the diseased or weakened trees first, leaving the healthy, more valuable trees for “future

Timber Stand Improvement decisions.”

To that end, Jawmin has brought in as a consultant Randy Senock. From 1999 to 2004, Senock was an assistant professor in the College of Agriculture, Forestry and Natural Resource Management at the University of Hawai'i-Hilo. Senock is now an associate professor of environmental science at California State University-Chico. He is working for Jawmin in his capacity as owner of a private consulting firm, On Solid Ground. As of early September, Jawmin had paid him \$11,000 of a \$24,000 contract for his work. The bankruptcy court has approved payment of the full amount.

According to “Preliminary Check-Cruise Resource Inventory Results,” dated September 6, Senock wrote that his mean estimate of the “total property sandalwood” [sic] weight came to 3,579 metric tons (7.9 million pounds), though it could be as high as 4,437 metric tons or as low as 2,720 mt. Based on that, the estimated value of the timber was put at \$23 million.

Wade Lee told *Environment Hawai'i* that eventually, Jawmin hopes to obtain certification through the Forest Stewardship Council – but that this depends on whether it is even possible at this point to restore the forest. He anticipates having a forest management plan developed later this month.

### Bankruptcy

When Jawmin filed for bankruptcy, it did

so seeking protection from creditors under Chapter 11, which allows for reorganization instead of dissolution. Basically, Jawmin claims that whatever short-term credit problems it may have can be resolved if it is allowed to continue logging, fulfill the orders for sandalwood it has already received, and thus have millions of dollars in accounts receivable that it can use to pay off Hokukano Ranch.

Hokukano Ranch, however, wants to have the bankruptcy judge appoint a disinterested trustee to oversee Jawmin's operations, arguing that this is the only way in which the ranch's interests can be protected.

On September 13, a hearing was held on the bankruptcy petition before Judge Faris. Court minutes state that the judge was “not ready to appoint a trustee nor dismiss the case” – a decision sought by Hokukano Ranch. “Instead, there are concerns regarding heavy insider involvement [and] the need for updated reports.” The next hearing is set for October 18.

— Patricia Tummons

**Editor's Note:** Selected records from the bankruptcy court are available in the EH-Xtra column on our website: [www.environment-hawaii.org](http://www.environment-hawaii.org).

For more background on Kealakekua and Hokukano ranches, see the October and November 2007 editions of *Environment Hawai'i*. These are available online in the Archives section of our website.

## A BRIEF HISTORY OF HAWAIIAN SANDALWOOD EXPLOITATION

During the latter part of the 18th century and early part of the 19th century, a series of events occurred in the Hawaiian islands that had profound effects on both the natural environment and human social conditions. The third Pacific expedition of Captain James Cook arrived in Hawai'i in 1778, ushering in the historic period for the archipelago. Alien species, new materials, and novel ideas entered the remote islands and precipitated significant changes in many realms of activity, including politics and human ecology. Kamehameha the Great rose to power and progressively consolidated his rule over the islands. By 1810 he had successfully unified all the main islands, a feat never previously accomplished. During this period, the commercial value of Hawaiian sandalwood as an export item became known to various foreign traders and native chiefs.

Before the introduction of Hawaiian sandalwood onto the Canton market, most of the wood sold in China was "white sandalwood" (*Santalum album*), which was imported from India and the East Indies. Around the end of the 18th century, the supply of this Asian white sandalwood was becoming insufficient to meet market demands in China. This shortage resulted in an increasing market value of acceptable sandalwood from a variety of source areas, including Hawai'i. As the islands emerged as a major source of raw material, the remote archipelago soon became known in China as "Tahn Heung Sahn" or "the Sandalwood Mountains" (Kepler 1983).

In the very early years of the sandalwood trade, the American entrepreneurs dealt with the chiefs as well as Kamehameha the Great himself; however, Kamehameha eventually provided himself with an exclusive monopoly over the sandalwood trade. The sudden wealth and availability of many new material goods seem to have overwhelmed the paramount authority of Hawai'i in these frenetic years of Hawaiian sandalwood exploitation. Kamehameha accumulated large amounts of luxury goods.

The great burden of harvesting the sandalwood necessary to pay for the debts Kamehameha I had incurred was principally laid upon the common Hawaiian people. The King "...ordered men to go out in the mountains to cut sandalwood," and then to transport this heavy harvest "...to the landings" (Kuykendall 1938). Judd (1926) tells us that because of the lack of roads and vehicles the wood "...was carried down in the form of logs, 3 to 6 feet long, and from 2 to 18 inches in diameter, after the bark and sap[wood] had been chipped off with adzes."

Large numbers of people were involved in the harvesting and handling of the sandalwood. Frequent transport of

heavy loads of sandalwood often produced callused areas (*leho*) on the shoulders of male bearers. Men with these marks were called *kua-leho* or "callous backs" (Lydgate 1916).

Sandalwood harvesters were often gone for several days, sometimes for weeks, in the mountains collecting sandalwood. Many died of exposure and other misfortunes in the cold, often damp uplands. Kepler (1983) provides a graphic description of the obligate harvester: "It has been said that every piece of sandalwood cut during those boom years was stained with blood. Some villagers died in harness [carrying the ti leaf bound wood on their backs], crumbling motionless on the trails; others, less fortunate, turned into living skeletons, weak from the corroding effects of exhaustion, disease, malnutrition, and exposure to the chilly mountain winds without adequate clothing. To aggravate matters, much cutting was done at night with the aid of sandalwood torches."

For many years it was widely assumed that the sandalwood trees had become extinct due to the exploitative harvesting that had occurred for more than 50 years (e.g., Kuykendall and Gregory 1926, Mesick 1934, Cartwright 1935, Smith 1956). However, it has long been known by some botanists, foresters, and other naturalists—and more recently by the general public—that sandalwood species can still be found in Hawai'i. Nevertheless, except for some higher mountain areas, such as uplands in the Kona District of Hawai'i, the quantity of trees is generally much smaller than it was before the foreign trade.

The ecological impacts of removing the great majority of the sandalwood plants from the Hawaiian forests are not at all clear. According to Judd (1926), the "...damage to the forest consequent to the trade...was insignificant in comparison with the damage to the native forest wrought by cattle." As noted above, under natural conditions, the sandalwood species of Hawai'i are found in a mixed-association with a number of other species, primarily in the drier forest regions; and, while the selective removal of *Santalum* trees did not remove the forests themselves, the exploitative harvesting processes may very well have opened the way for an unknown number of alien species to become established. Certainly the impacts of human harvesting and the unprecedented grazing and trampling by newly introduced ungulates (e.g., goats and cattle), as well as the possible negative consequences of the introduced seed predators (rats and mice), did not provide ecological conditions conducive to the regeneration of the native vegetation.

Source: Merlin and VanRavenswaay 1990



har2-Samantha

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**From:** mailinglist@capitol.hawaii.gov  
**Content:** Thursday, January 26, 2012 2:41 PM  
**To:** WLOtestimony  
**Cc:** makaala@hawaiian.net  
**Subject:** Testimony for HB1793 on 1/27/2012 9:00:00 AM

Testimony for WLO 1/27/2012 9:00:00 AM HB1793

Conference room: 325  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Makaala Kaaumoana  
Organization: Hui Ho'omalu i ka Aina  
E-mail: [makaala@hawaiian.net](mailto:makaala@hawaiian.net)  
Submitted on: 1/26/2012

Comments:

Hui Ho'omalu i ka 'Āina is a taro root organization founded in the early 1980's by traditional practitioners of moku Halele'a to address threats and impacts to the natural and cultural resources of Kaua'i. Founded by farmers and fishermen, weavers and hunters, we seek to provide context for issues related to the ecology of our ahupua'a. The organization is an active advocate for those native things and ways that are disappearing. We strongly support this measure as it provides critical recognition and support of our cultural resources so desperately in need of financial support. Mahalo. Makaala