

December 8, 2020

Mrs. Suzanne Case
Chairperson, Board of Land & Natural Resources
State of Hawaii – Department of Land & Natural Resources
1151 Punchbowl Street
Honolulu, Hawaii 96813

Re: Fuel Dock Harbor Lease H-83-2 Sublease Testimony

Dear Chairperson Case and Board Members:

The seven (7) Subleases being presented to you this week are all for currently existing tenants at the Fuel Dock property. They are being submitted to either renew unexpired Subleases or to follow up on Subleases that were previously submitted but never acted upon or, possibly, not previously submitted. The processing of Kona Marine Holdings' ("KMH") Subleases has not been entirely consistent over the years. Some Subleases have been rejected out of the shoot for being fully executed and others because they were not fully executed. Some were simply never acted upon. Due to a management change at the property, we were not able to locate prior submittals for two (2) of the Subleases (Sea Wife and Splashes) — the other five (5) were previously submitted. Renewing these Subleases serves to clean up any outstanding tenant issues and to ensure conformity regarding the use of the Fuel Dock property.

KMH is currently unwilling to modify/amend its Harbor Lease H-83-2 ("Lease") to place new operational restrictions in each of its Subleases as a condition to approval. The Lease does not contain any time restriction on the servicing of vessels or the management and operation of the Fuel Dock. Moreover, the requested 30-minute restriction has the potential to be both unduly burdensome and counter-productive. While the requested time limit is reasonable under most ordinary loading and unloading scenarios, there could be extraordinary situations that come up from time-to-time where adherence to this time limit could be challenging (and unnecessary during slow fueling periods). KMH does not wish to be under a further enforcement microscope that is not required under the Lease where DOBOR is monitoring the Fuel Dock with a stop watch looking for 31 minute "gotcha events."

On the other hand, placing a specific time limit on loading and unloading could undermine KMH's ability to prevent tenants from obstructing or interfering with fueling operations when the fueling operations are busy given the implication of a 30-minute "safe harbor" timeline that you are attempting to establish. While we do not anticipate tenants breaching the terms of their Subleases, the non-interference provision currently written in Section 28 of the Subleases is to account for the rare situations where the tenant is not working with KMH to ensure fueling priority, which priority is of the utmost importance to my business. Rather than agree to a significant and unnecessary change to the Lease, KMH will agree to continue to use very best

efforts to ensure that passenger loading and unloading activity does not adversely impact its fueling operation or cause undue congestion at the Fuel Dock, as KMH has done for the past 10 + years. This is just a good business practice and one that is directly aligned with the goals of the State and the terms of the Lease.

In all events, if the BLNR is set on attempting to mandate operational matters that are outside the terms and conditions of the Lease, in no event should any such timeline restrictions extend to our fueling operations or during times of emergency, such as a major weather event. With respect to fueling operations, many of the larger vessels can take well over 30 minutes to fuel.

We view the 30-minute loading and unloading restriction as an effort by the DLNR to unilaterally amend our Lease, and for what practical reason? What's driving this need? If the concern is that the passenger loading and unloading activity that has been going on for decades will start to create congestion that will in-turn limit fueling space availability, I can assure you that this will not be allowed to happen in any systemic way as the fueling activity is the life-blood of the entire business. The State of Hawaii, in this case, does not need to expend its valuable resources to regulate a business activity that is self-regulated by economics. If there is some other practical reason driving the need, I'd like to hear it and have the opportunity to address it.

Sincerely,

A handwritten signature in black ink that reads "Craig Stevenson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Craig Stevenson
Kona Marine Holdings, LLC