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WILLIAM M. TAM
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LAND
STATE PARKS

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
JUDICIARY

Friday, February 10, 2012
2:00 PM
State Capitol, Conference Room 325

In consideration of
HOUSE BILL 1793, HOUSE DRAFT 1
RELATING TO CONSERVATION AND RESOURCES.

House Bill 1793, House Draft 1, proposes to establishe penalties for the destruction or harvesting of native sandalwood trees; requires replanting for trees harvested; 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, but requests that House Bill 1793, House Draft 1 be amended to include other native forest resource that may in the future be similarly in need of conservation, in addition to sandalwood.

Over the past 200 years, there has been a steady decline of all native sandalwood species (*Santalum*) in Hawaii. The decline 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 is needed through regulatory controls. Rather than deal with regulating commercial exploitation on a case-by-case basis, the Department recommends the expansion of this measure to apply to native forest resources in general that may be subject to a similar decline as *Santalum*. The Department feels that the regulation of the commercial harvest of sandalwood is the appropriate level of regulation at this time. Should the species need further protection in the future, the Department has the authority under Chapter 195D, Hawaii Revised Statutes - Conservation of Aquatic Life, Wildlife, and Land Plants to implement a more restrictive level of protection for the species.

The Department offers the following amendments to House Bill 1793, House Draft 1, as attached.

Proposed amendments to House Bill 1793, House Draft 1

§183-A Commercial harvest of forest resources deemed in need of conservation; duties. In addition to duties listed in section 183-1.5, the department shall:

(1) Support the sustainable management and use of native forest resources throughout the State;

(2) Identify and protect native forest resources deemed in need of conservation for sustainable management and conservation of those species;

(3) Establish rules for designating forest resources in need of conservation and establish rules regarding the issuance of permits for commercial harvest of forest resources deemed in need of conservation;

(4) Provide incentives to local entrepreneurs to cultivate native species, especially those deemed in need of conservation, for reforestation programs or sustainable commercial operations; and

(5) Provide support for programs that ensure the sustainability of commercial operations for forest resources deemed in need of conservation in the State.

§183-B Harvesting of native forest resources deemed in need of conservation. (a) All commercial harvesting of native forest resources deemed in need of conservation on all lands shall be done in accordance with a harvest permit approved by the board, and in accordance with the provisions regarding conservation of aquatic life, wildlife, and land plants; and the provisions regarding environmental compliance.

(b) It shall be unlawful to harm, destroy or harvest any material of a forest resource, living or dead, deemed in need of conservation for commercial purposes without a harvest permit issued by the board.

(c) It shall be unlawful to export any material of forest resource, living or dead, outside of the State for commercial purposes except as granted under a harvest permit issued by the board.

(d) Native Hawaiian sandalwood, including all six *Santalum* species endemic to Hawaii, are hereby deemed forest resources in need of conservation.

(d) The department shall adopt rules pursuant to chapter 91 to effectuate the purposes of this section.

§183-C Permits. (a) Subject to chapter 91, the department shall adopt rules regarding the issuance of a permit to destroy, harvest or export for commercial purposes any material of a

forest resource, living or dead, deemed in need of conservation, described in section 183-B(a). The rules shall establish the provisions for board approval of a harvest permit:

(1) Requirements to obtain a harvest permit;

(2) Duration of a harvest permit;

(3) Terms and conditions of a harvest permit; and

(4) Disqualifications that will prevent the approval of a harvest permit.

(b) No harvest permit or license for the commercial harvest or exportation outside of the State of any material of a forest resources, living or dead, deemed in need of conservation shall be issued by any officer or agency of the State without the prior approval and concurrence of the board. In determining whether to grant or withhold such approval, the board shall be guided by the standards set forth in chapter 183.

§183-D Fees. (a) The board shall establish a processing fee for the harvest of forest resources deemed in need of conservation. Fees collected shall be deposited in the forest stewardship fund established under chapter 195F-4 to support forest management and restoration.

§183-E Criminal penalties. Any person who violates section 183-B, upon conviction thereof, shall be guilty of a misdemeanor and shall be fined $10,000 or no less that twice the current fair market value of the product, or imprisoned not more than one year, or both. In addition to any other penalty imposed under this section, fines and penalties in accordance with sections 183-5 and 183-18 shall be levied for each individual forest resource illegally harvested under section 183-B. Fines collected pursuant to this section shall be deposited into the forest stewardship fund established under section 195F-4.

§183-F Definitions. (a) As used in this part, "native forest resources deemed in need of conservation" means those forest species identified by the board as currently in decline and in need of conservation.

(b) As used in this part. "Hawaiian sandalwood" means the *Santalum* species endemic to the islands of Hawaii including *Santalum ellipticum* (Maui, Lana'i, Moloka'i, Kaua'i, O'ahu, Hawai'i); *S. freycinetianum* (O'ahu); *S. haleakalae* var. *haleakalae* (Maui) and *haleakalae* var. *lanaiense* (Maui, Lana'i, Moloka'i); *S. paniculatum* var. *paniculatum* (Hawai'i) and *paniculatum* var. *pilgeri* (Hawai'i); *S. involutum* (Kaua'i); and *S. pyrularium* (Kaua'i).

Testimony for HB1793 on 2/10/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

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Testimony for JUD 2/10/2012 2:00:00 PM HB1793

Conference room: 325
Testifier position: Comments Only
Testifier will be present: Yes
Submitted by: Lloyd Jones
Organization: Hawaii Forest Industry Association
E-mail: ljoneshi@gmail.com
Submitted on: 2/9/2012

Comments:

HAWAI'I FOREST INDUSTRY ASSOCIATION
P. O. Box 66 ❖ 'O'ōkala, HI 96774
Phone: 808-933-9411
Email: hfia@hawaiiforest.org
Website: www.hawaiiforest.org

February 9, 2012

TESTIMONY ON SB1793
RELATING TO CONSERVATION AND RESOURCES

Dear Chair Gilbert Agoran, Vice Chair Karl Rhodes and Members of the Committee on Judiciary,

Thank you for the opportunity to testify on SB179 - Relating to Conservation and Resources. Hawaii Forest Industry Association supports the overall goals of this legislation to increase the reforestation efforts through the State for all native sandalwood species. We support providing incentives to local entrepreneurs to cultivate sandalwood for reforestation or commercial operations.

However, we would like to express our concerns regarding the sections of the legislation which are strong disicentives to the planting and growing of Sandalwood on private land.. The current version of the legislation offers potential growers the prospect of criminal penalties; an unspecified value of the harvest going to the state and the Government regulating by an undefined permiting process, when a grower may harvest his trees. These are hardly incentives to grow sandalwood. We feel these conditions would be a major disincentive for a potential grower.

We are unclear as to the basis for DLNR's requirement of a permit to harvest and request clarification as to the purpose of the permitting. HFIA objects to DLNR's taking of a percentage of the dollar value of the sandalwood or sandalwood products harvested or sold.

As presently structured, Hawaii Forest Industry Association'f view is that the legislative action as presently drafted will have the opposite effect of the stated goal and will be a dicincentive, rather than an incentive to the growing of sandalwood in Hawaii.

We appreciate the Committee's consideration of our comments on SB1793. HFIA is a non-profit Hawaii organization, incorporated in 1989, which promotes a balance of forest land uses and sound management practices for all of Hawaii's forests. Our industry generates an estimated $30.7 million in business for the State. HFIA represents approximately 250 member companies and individuals. We have worked closely with the Division of Forestry and Wildlife (DOFAW) and the DLNR over the past 17 years to promote, foster and develop industry standards, initiate forestry research and development, and promote quality control and industry integrity in the State of Hawaii.

Sincerely,

Lloyd Jones
Legislative Chair

The Foundation for Islands of Harmony
999 Bishop Street, 23rd Floor, attn Dr. Li
Honolulu, Hawaii 96813 U.S.A.
Hawaii.Hainan.Hui@gmail.com

HB 1793, HD 1 Relating to SANDALWOOD

Hawaii State Legislature
House Committee on Judiciary
February 10, 2012
Testimony of Leigh-Wai Doo

Thank You for this Hearing.

We advocate the adoption of HB 1793, HD1. It would establish a process to protect and reforest the endemic Native Hawaii Sandalwood, ILIAHI . found only in Hawaii.

HD 1 amended HB 1793 to meet the suggested amendments of DLNR in its testimony dated January 27, 2012. The Department agreed that additional protection of the native sandalwood species is needed through regulatory controls of sandalwood harvesting as proposed in this measure.

HB 1793, HD1 entrusts a duty to a State agency, DLNR, to:develop regulations and for all of us to strive to

1. Preserve old growth ILIAHI;
2. Develop incentives for entrepreneurs to cultivate ILIAHI;
3. Support sustainable commercial Sandalwood operations in Hawaii with replantings by plan
4. Encourage Hawaii's wood craftsmen to carve and fashion Hawaii made mementos, adding greater value to a scarce resource;
5. Provide a means of financing DLNR regulation and oversight by licensing and processing fees for Sandalwood commercially logged

Without HB 1973 and its associated licensing, penalties and regulations 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 actively occurring today on the Big Island by a company recently in bankruptcy. The company reportedly held 7.9 million tons of Sandalwood that may be clear-cut and uprooted. (Attachment 1: *Environment Hawaii*, Oct 2010, Vol.21 No.4)

As of yet, there is no legal control nor statewide plan specific for the protection and replanting of Hawaii's ILIAHI; On conservation land there is only generic potential regulation. . On private agriculture land.there are no regulations nor supervision. A filed injunction to halt thie above company's logging practices was not fulfilled. Hawaii's endemic species of Sandalwood is in threat of extinction, when a high percentage of its remaining stands are cut, uprooted, milled or chipped raw and sold overseas to an insatiable international market.. Without legal controls or supervision on private agricultural land, heritage legacy trees hundreds of years old may, and probably are, cut today. All Native Hawaiian Sandalwood endemic species are now designated and listed as AT Risk utilizing formal standard criteria by United Plant Savers. Attachment 2.

A million years ago, perhaps 1.5 million years ago, a sandalwood seed probably first arrived in Hawaii in the gut of a bird from southeast asia or australia. Over tens of thousands of years in Hawaii's soil ILIAHI evolved into at least six independent species, the process of evolution adapting to the unique environments of lanai, haleakala, kauai, oahu, big island and known to formerly be in the Northwest Hawaiian Islands. Many millenium of ILIAHI evolution can not be allowed , by intent or neglect, to be exploited.

Hawaii lags far behind other nations in protecting and reforesting its Sandalwood. See the regulations of Queensland & South Australia, India, Indonesia, Vanuatu, New Hebrides, and others, compiled in the research by Danica Harbaugh Renaud, PhD, as well as proceedings of a Sandalwood Conference held at the East West Center over 12 years ago.

An International Sandalwood Symposium is now planned for October 20-24, 2012 to further developments of the earlier EW Center conference. This upcoming symposium will provide an excellent opportunity to review and refine the best practices for DLNR regulations to be drafted upon adoption of HB 1793,. (Attachment 3: Announcement of the International Sandalwood Symposium EW Center)

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, one of global commerce. ILIAHI was Hawaii's first source of revenue, as well as major debt: Credit secured by payment in sandalwood saddled the Hawaiian Chiefs. Harbor portaged fees were learned. Hawaii.s present flag was created for Hawaii's trade of Sandalwood with China. (Attachment 4: *History of Sandalwood Trade* by John Clark; also, see DVD of Save Sandalwood Symposium, held 6/9/2009 at UH KCC Campus and shown four times on OLELO TV.)

Spiritually, Sandalwood is revered: Hindus noted its place in the Ramayana 3000 years ago; Buddhists described how the air was scented with Sandalwood when Siddhartha rose to Nirvana; Muslims designated Sandalwood incense among the few formally approved for Islamic rituals; Catholics of Southeast Asia use the incense smoke for services; Polynesians used it medicinally and as a preservative. European demand is for its oils, perfume scents. Taoist and Confucian rites use sandalwood incense to spiritually connect.

For Hawaii's Future Economy. As we seek the Chinese Tourist, Hawaii's goodwill and conscienciousness may be related to our name in their language. The brand, image and character of our State is in our name. "Sandalwood Mountain" - to Chinese for over 200 years - has been the literal translation for Hawaii and now "Honolulu" when the Chinese speak of our community. Over a billion people today know Honolulu , orally and through written Chinese characters, as Sandalwood Mountain.. (Attachment 5: written statement; also, see DVD *Finding Sandalwood Mountain* and the Olelo showing Save Sandalwood Symposium, June 2009.

Yet where can a Sandalwood tree, ILIAHI, be seen? What does one look like? Accessible mature ILIAHI trees can not be found on Oahu today, though Oahu was once a mountain of sandalwood- everywhere- around the island.

Sandalwood defines the origins of Hawaii - the life, long before people arrived. Kinilau, Kini Akua- its roots are in our islands' spiritual origins. Sandalwood. ILIAHI is endemic, found only in Hawaii. Through evolution, at least six unique species have evolved on different islands. That evolution required tens of thousands of years in Hawaii's soil. Hemiparasitic, ILIAHI was a major pillar in Hawaii's ecological community; as a companion plant. Evolving in Hawaii over a million years, ILIAHI barely survives as one of our ancient forebearers. We must respect our ancestors, Kini Akua, and honor our name -Sandalwood Mountain.

HB 1793 offers a ray of hope that we might now correct the error and sorrow of mankind's decimation of our native forests. We should reconcile our past with new plantings, and put forth new wood-crafted icons for future generations. At the heart of this bill. we must respect and protect ancient growths and restore their keiki with new plantings. We can never replace a five hundred year old Iliahi tree once it has been cut.

Please pass HB 1793. HD 1

Me ke Aloha a me Mahalo,

Leigh-Wai Doo
Chair, The Foundation For Islands of Harmony
2800 Waiomao Homestead Road Honolulu, HI 96816
Cell: 808-721-0006; Home: 808-737-0008
Email: lwdoo4u@gmail.com

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Cash Crop

"Sandal-wood 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.

IN THIS ISSUE

2
New & Noteworthy

3
ADC Gives Lease For Biofuel Crops

4
Hawai'i Conservation Conference Focuses on Culture

6
BLNR Adds Land For NAR, Palila Habitat

11
'Aina Le'a Asks LUC For More Time

Dispute over Hokukano Sandalwood Logging Ends up Before Federal Bankruptcy Judge

Two 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 Kealakekua 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.

to page 7

PHOTO: J. B. FRIDAY

Sandalwood fruit (*Santalum paniculatum*)

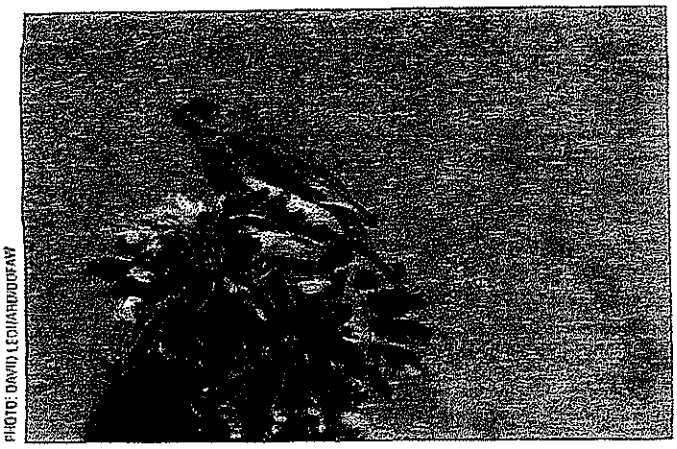

PHOTO: DAVID LEONARD/DOFAW

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 $1.447 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 J. "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

PHOTO: DAVID LEONARD/DOFAW

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Jawmin

Jawmin was registered as a limited liability company with the state last October. Principals are Wade Lee, his brother Arthur J. "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 conveying 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 rescheduled 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.

PHOTO: J. B. FRIDAY

Sandalwood (*Santalum paniculatum*)

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 Goudey 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.

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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 executive 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 sandlewood" [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" – remedies 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.

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

UNITED PLANT SAVERS adds 6 species of Native Hawaiian Sandalwood to its 'At-Risk' list

The 'At-Risk' list has been used since UpS was established as a way to bring awareness to the vulnerability of over-harvesting of native medicinal plants. The criteria that UpS considers in adding a new species takes into account the morphology of

1.how the species grows and reproduces,

2. the distribution range of the species, and

3.the market demand for the species relative to

4, the species population. Native Hawaiian Sandalwood is extremely vulnerable to over-harvesting and risk of extinction due to the fact that

5.it takes more that 40 years to mature, and

6 harvesting involves taking the entire tree.

7. Furthermore the sandalwood tree is a hemi-parasite species meaning that it needs to grow along with certain host plants making it a very tricky species to reforest successfully.

8. Sandalwood's extraordinary fragrance, versatility, and medicinal properties have put it in high demand for centuries, all over the world. This is why Hawaii's native sandalwood population was almost completely decimated during the infamous sandalwood trade that took place during 1815-1825. Despite this terrible time in Hawaii's history,

9. Hawaii still remains the only region in the world where sandalwood is being commercially harvested without regulation.

10. Native Hawaiian Sandalwood represents a quarter of the diversity of the genera Santalum. Six separate species are found through out the islands, and within these species are several unique varieties,

11. all endemic to the Hawaiian Islands. Santalum freycinetianum var. Lanaiense has already been officially recognized as endangered.

Therefore UpS has added the six native species S. pyrularium, S. involutum, S. freycinetianum, S. haleakalea, S. Paniculatum, S. elliticum to the 'At-Risk' list, in an effort to bring about stewardship of these living Hawaiian heirlooms that desperately need regulations that will provide guidelines to its management and protection.

United Plant Savers

http://www.United Plant Savers. org

Susan@UnitedPlantSavers.org

United Plant Savers

International Sandalwood Foundation

Foundation for the Islands of Harmony

ANNOUNCE THE

International Sandalwood Symposium 2012

East-West Center, University of Hawai'i, Manoa, Honolulu, HI
21-24 October 2012

The *International Sandalwood Symposium 2012* is a four-day, stand-alone meeting to be held at the East-West Center's Conference Center located at the University of Hawai'i, Manoa Campus in Honolulu, Hawaii from 21-24 October 2012. It is designed to bring together a diverse international group of participants interested in the scientific research, conservation, ethnobotany, commercialization, and other aspects of sandalwoods- from the world's leading experts to students, landowners, land managers, business people, and the general public. There will be a variety of ways to participate in the meeting, including field trips, public lectures and workshops, presentations, poster and discussion sessions.

STEERING COMMITTEE

Dr. Danica Harbaugh-Reynaud (Chair), *Executive Director, International Sandalwood Foundation*
Mr. Leigh-Wai Doo (Co-Chair), *Chair, Foundation for the Islands of Harmony*
Dr. Susan Leopold (Co-Chair), *Executive Director, United Plant Savers*
Mr. Tim Coakley, *Executive Chairman, Wescorp*
Ms. Bronwyn Clarke, *Australian Tree Seed Centre, CSIRO Plant Industry*
Dr. John Doran, *Forestry Consultant, Australia*
Dr. J.B. Friday, *College of Tropical Agriculture and Human Resources, Univ. of Hawai'i, Manoa*
Mr. Jim Haley, *Director, Iliahi Foundation*
Dr. Chin Yuan Hu, *Interim Assistant Vice Chancellor, University of Hawai'i*
Dr. Mark Merlin, *Department of Botany, University of Hawai'i, Manoa*
Dr. Madhugiri Nageswara-Rao, *Dept. of Plant Sci., Univ. of Tennessee, Knoxville, Dept. of Biological Sci., Polk State College*
Dr. Lex Thomson, *Facilitating Agriculture Commodity and Trade Team Leader, Secretariat of the Pacific Community*
Dr. Warren Wagner *Dep. of Botany, National Museum of Natural History, Smithsonian Institution*
Dr. Sylvia Yuen, *Interim Dean and Director, College of Tropical Agriculture and Human Resources, Univ. of Hawai'i, Manoa*

TO PARTICIPATE AND/OR SPONSOR

To be added to the participant list and/or receive more information, including registration and sponsorship details please send the following information to Danica at **danica@sandalwoodfoundation.org** before **31 March 2012** and check the web at **www.sandalwoodfoundation.org** for information and updates.

1) Name: 2) Student: ☐ yes ☐ no
3) Organization:
4) Email:
5) I am interested in attending the meeting: ☐ yes ☐ no
6) I/my organization is interested in sponsoring the event: ☐ yes ☐ no
7) I am interested in giving a: ☐ poster ☐ presentation ☐ public lecture/workshop
8) A brief description of my research/area of interest is:

The *International Sandalwood Symposium 2012* is sponsored in part by: International Sandalwood Foundation, Foundation of the Islands of Harmony, United Plant Savers, Secretariat of the Pacific Community, CSIRO, Wescorp, and more to be announced.

US – China Peoples Friendship Association
O'ahu Chapter

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 220th Anniversary of the arrival of Chinese in Hawai`i and the 30th 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,

Jane Pang, Secretary
Member, National Board USCPFA

Leigh-Wai Doo, President
lwdoo4u@gmail.com

1520 Nehoa Street ◦ Honolulu, Hawai`i 96822 ◦ ~~uscpfaoahu@yahoo.com~~

US – China Peoples Friendship Association
O'ahu Chapter

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

- 220th Anniversary of Chinese in Hawai`i
- 30th Anniversary of USCPFA
- 50th Anniversary of Hawai`i Statehood
- 50th State of the United States
- Commencement of King Kamehameha Week 2009

1520 Nehoa Street ◦ Honolulu, Hawai`i 96822 ◦ ~~uscpfaoahu@yahoo.com~~

Sandalwood in Hawaii
by John Clark
June 8, 2009

The sandalwood trade in Hawaii covered a period of about 40 years from the early 1800s to the early 1840s. To understand how the sandalwood trade got started here, we need to take a brief look at the North America fur trade in the 1700s.

The fur trade in the 1700s was a worldwide industry dealing in the acquisition and sale of animal fur for clothing. Fur was a major component for warm clothing in cold climates, and the North American fur trade developed into a huge industry between the east coast and Europe. By the 1700s, the fur trade had expanded across the continent to the Pacific Northwest.

After the death of Captain Cook at Kealakekua Bay in 1779, his crew sailed to the Pacific Northwest where among other things, they purchased sea otter furs for warm clothing. Then they sailed to China where they discovered that Chinese merchants would pay high prices for the sea otter furs. News of this new market traveled quickly and stimulated a Pacific maritime trade between North American and China with Hawaii as a half-way stop for provisions.

In the 1790s, Pacific northwest fur traders stopping in Hawaii for provisions discovered sandalwood in the Islands. The captains of these trading vessels knew the value of the wood, especially to China. They also knew that the supply from India and other countries, was already insufficient to meet the demands in China, so they brought it to the attention of King Kamehameha I. The king, accordingly, sent his people to the mountains after the wood, and this was the beginning of what was called the sandalwood trade in Hawaii.

The sandalwood trade generated sudden wealth for King Kamehameha and allowed him to buy any and all Western goods, including ships. Captains of the trading ships quickly introduced the idea of buying on credit, and Kamehameha ran up considerable debt. The burden of paying the debt fell on the shoulders of the makaainana, the common people, who were ordered into the mountains to harvest sandalwood.

Sandalwood harvesters were forced to labor for extended periods in the mountains, where many of them died from exposure to the cold, exhaustion, and malnutrition. It was a dark time for the Hawaiian people who were already being decimated by Western diseases, and famine followed with no one left to tend the farms. To his credit, Kamehameha

realized the hardship the industry was creating on his people and ordered them to devote only part of their time to cutting sandalwood and to return to the cultivation of the land.

During these early years of the sandalwood trade, a business venture by Kamehameha apparently led to the design of the Hawaiian flag. The story was told in the January 1, 1862 issue of the Hawaiian language newspaper Ka Nupepa Kuokoa. In that issue, the editor printed a red, white, and blue drawing of the flag, which according to him, was the first color graphic ever printed in a Hawaiian newspaper. He also provided the following history of the flag to go with his color graphic.

The Hawaiian Flag was designed for King Kamehameha I, in the year 1816. As the King desired to send a vessel to China, to sell a cargo of sandal-wood, he in company with John Young, Isaac Davis and Capt. Alexander Adams, (the latter now living at Kalihi, near Honolulu, and aged about eighty years,) made this flag for the ship, which was a war vessel, called the Forrester, carrying 16 guns, and was owned by Kamehameha I.

The flag having been made, the vessel sailed for Macao, China, where the ensign was not credited nor recognized as a government flag. The ship was heavily taxed for the harbor, her cargo of sandal-wood sold at a loss, and she returned to these islands.

The King having heard of the loss attending his speculation, said he would impose a tax on the harbor of Honolulu, similar to that of foreign countries. This was the origin of harbor dues at these islands.

King Kamehameha's attempt to bypass the middlemen, the sea captains in the fur trade, was not successful, but resulted in a flag for the Kingdom of Hawaii and an additional source of income for the monarchy through the new harbor tax.

When Kamehameha I died in 1819, his son Liholiho, Kamehameha II, was persuaded to give the chiefs under him a share in the sandalwood trade. The King and those close to him bought a lot of expensive merchandise on credit and ran up the government's debt to the American merchants even higher. By 1821, the credit debt was estimated at $300,000, and when Liholiho died three years later in 1824, he passed on a credit debt of $500,000 to Kamehameha III.

In December 1826, Kamehameha III passed the kingdom's first written Western-style law, a sandalwood tax, that stated that every man was required to deliver one-half picul of sandalwood (approximately 65 pounds) to the government or pay four Spanish dollars on or before September 1, 1827. Every woman 13 years and older was required to hand weave a 12'x6' mat or a quantity of kapa of equal value. All of the taxes collected were

applied to the kingdom's sandalwood debt. The common people were forced once more to abandon their crops, and famine struck again.

Here on Oahu, the most heavily forested sandalwood stands were in districts of Wahiawa and Waialua. The largest trees, however, were in the center of the island in Wahiawa, and it was especially hard work dragging them to the beach.

One of the most famous sandalwood stories involved a Hawaiian chief named Boki, who in 1830 was the governor of Oahu. By this time, the large, easily accessible trees were gone, making it harder to locate trees with adequate heartwood. Boki was told by a British sea captain that an island in the South Pacific island group of Vanuatu was covered with sandalwood from the mountains to the sea. The captain also said that the inhabitants were wild and advised Boki to go well-armed.

Boki assembled two ships, a small army of over 200 Hawaiian soldiers, family members, prominent chiefs, and their retainers, and equipped them with arms and ammunition as if they were going to war rather than to harvest sandalwood. Although his stated intention was to pay off the king's debt, perhaps he also intended to take over the island and its sandalwood.

While enroute, both ships stopped at Rotuma, an island near Fiji, for additional provisions. As they departed Rotuma, the ship carrying Boki's favorite cousin Manuia was delayed when its anchor caught on the reef. The ship carrying Boki proceeded ahead and was never seen again. The ship carrying Manuia reached Vanuatu and while they were waiting for Boki, an epidemic struck everyone aboard, killing almost all of them, including Manuia. Several months later the ship carrying Manuia's body returned to Honolulu with the few who had survived. This was another great loss of Hawaiians because of the sandalwood trade.

By the early 1840s, the sandalwood trade in Hawaii came to an end because all of the old high-quality trees had been cut. High quality sandalwood trees grow slowly, sometimes taking from 30 to 40 years to produce the fragrant heartwood that makes them so valuable. With the end of the sandalwood trade, businessmen in Hawaii began looking for other plants with commercial value, but plants that matured quickly. In 1835, three Americans, the owners of Ladd and Company. leased a large tract of land in Koloa, Kauai, and established the first sugar plantation and mill in Hawaii, but that is another story for another day.

In summary, the sandalwood industry resulted in the following:

a. the development of the first commercial export in Hawaii,
b. the harvesting of almost every sandalwood tree in Hawaii of commercial value,

c. the death of hundreds of Hawaiians throughout the islands who were ordered into the mountains and forced to cut and haul the trees to the beach,
d. the introduction of buying on credit,
e. the introduction of the first written law taxing the Hawaiian people,
f. the loss of several hundred Hawaiian chiefs and warriors on a failed sandalwood expedition to the south Pacific,
g. the introduction of a harbor tax on foreign vessels,
h. the creation of the Hawaiian flag.

With few exceptions, the negatives of the sandalwood trade for native Hawaiians far outweighed the positives, and they were glad to see it come to an end.

JOANNA L. SULLIVAN

Honolulu, Hawaii

July 15, 2011

Leigh-Wai Doo, Chair
The Foundation for Islands of Harmony
2800 Waiomao Homestead Road
Honolulu, Hawaii 96816

Dear Leigh-Wai,

Thank you for your letter of July 9th.

In your last paragraph you mentioned Sandalwood and its meaning to me, asking me to share some of my memories on this subject. I recall as a young girl continual reference to Honolulu as "Sandalwood Country", more specifically translated Tan Heung Shan or "Sandalwood Mountain". When relatives came from China to visit Hawaii, it was always a journey to Sandalwood Country. The destination was understood for many generations. Although none of these visitors ever saw a Sandalwood Tree, the legend persisted, even until today.

I wish I could contribute more informative memories but I can emphasize the use of the term "Sandalwood Country" for as long as I remember. I wish you continued success with your most admirable efforts to revive and nurture planting of several species of Sandalwood here in the Hawaiian Islands. This is an important legacy of our Chinese heritage and of great interest to all people visiting Hawaii.

With Aloha,

Joanna

Joanna L. Sullivan