



Kona Blue Water Farms

Kona, Hawai`i

A Division of Black Pearls, Inc.

P.O. Box 525 • Holualoa, HI 96725 • U.S.A. • Tel: (808) 331-1188 • Fax: (808) 331-8689 • Website: www.blackpearlsinc.com

KBWF/Randy Cates 2.doc

June 13, 2003

John Randy Cates
Cates International, Inc.
P.O. Box 335
Kailua, HI 96734

Aloha, Randy,

Further to our response to you of May 20th, we would like to inform you that Kona Blue Water Farms is now proposing several changes to our original project proposal.

Of relevance to your stated concerns, we are now changing from a mixed array of surface and submersible cages to all of the submersible kind. These will be submerged beneath the surface for most of the time, and will usually only be raised to at or near the surface for fish transfers or cage cleaning. This therefore alleviates the concerns that drove us to request exclusive use of the central area surrounding the cages. Consequently, we are now only asking for the wider lease area to be no anchoring, no SCUBA-diving and slow low-wake speed by boats.

We want to be explicit about our reasons for doing this – we are trusting that Kona's fishermen and divers will respect the fish cages, and that we will not encounter any pilfering, vandalism, or reckless endangerment of property, health or safety. If we do encounter any such problems, we may need to reconsider the level of exclusivity. In such a situation, we would need to go back to the Land Board for redefinition of our lease exclusivity status. We believe, however, that this will not be necessary.

We are also still asking for the option of retaining two smaller surface cages, to be used as either nursery cages or as harvest cages. We hope that this will help to reduce the need for divers to be inside the cages when transferring or harvesting the fish, thus minimizing the risks to our employees.

We recognize that this still establishes a precedent for surface cages in Hawaii, but there may well be a time when that is the most practical, cost-effective route for a company to follow, and we do not think that we should exclude ourselves from ever farming fish in surface cages.

Therefore, while we still adhere to the opinions and the principals we espoused in our May 20th letter, we hope that you will be somewhat assuaged to know that we are now moving

forward with a project proposal for cages to be largely submerged, and we no longer request exclusivity around the cages.

Thank you for your comments. We hope that the above clarifies the issues in your letter.

Yours sincerely,

Neil Anthony Sims
V.P. / Res. Dir.