

Meeting Packet

CBED Advisory Council Meeting

December 9, 2021

10:00 am

Recommendation/Approval of CBED Loan of \$175,000 to Haleiwa Distilling Company to be used for working capital and equipment. Co-lending with Feed the Hunger Foundation which has approved a loan of \$175,000 for a total CBED/FHF loan of \$350,000 to Haleiwa Distilling Company

Haleiwa Distilling Company

Draft Website: <http://mywebsite.traffordmedia.com/preview/c818188c?device=desktop>

Nathan Sisler is an active Special Forces Intelligence Officer in the US Army. He has three young children with his wife, a second grade teacher at Sunset Elementary School. Born and raised in West Virginia, Nathan was born into a family that has been distilling spirits for generations.

Nathan currently owns 14 acres of ag land and a home in Waialua. He leases out 5 acres of the agricultural land in three separate parcels, each with a 12-month term. The remaining land is largely undeveloped but has several acres planted in chocolate and citrus, with plans to expand his citrus production and develop part of the land for aging barrels of whiskey and rum, and hosting tasting and farm tours.

Nathan has secured a 10-year lease on a lot at the old Waialua Sugar Mill. Blueprints have been drafted for the distillery and the architects have responded to questions from DPP - a building permit is anticipated to be received in February along with approval for a septic system.

The Alcohol and Tobacco Tax and Trade Bureau (TTB – the Agency responsible for approving a Federal liquor license) has verbally approved his license as of November 26, 2021. The Honolulu Liquor License will follow the recommendation of the TTB.

Nathan is on leave until March and will be using a further 6-months of accrued vacation thereafter to get the business off the ground. He hopes to begin generating revenue from blended products as early as March which will allow him to retire from active duty before he gets deployed again.

His blended production will be 400 gallons per month (equivalent to 2,000 bottles – 750mL). This level of production will be less than 0.1% of estimated Alcohol consumption by local residents, and does not include any visitor consumption. At maximum production capacity (4,000 gallons per month) the distillery will still be less than 1.0% of the resident market.

Nathan will be focused on building a premium niche product but has based his projections on a retail sales price of \$40 a bottle and a wholesale price of \$22 a bottle, with 50% of sales coming from wholesale channels and 50% from retail channels. The business model anticipates Net Margins of 37% at start-up, but reaching Net Margins of 67% once at full scale.

Nathan has already been approached by investors asking him if he would like to sell equity in the project indicating the potential for a future liquidation event. A distillery on the Big Island was recently able to raise \$1.5M from outside investors prior to securing their liquor license.

Haleiwa Distilling Company has a risk rating of 3 (Acceptable).

Pros:

- The borrower is able to make loan payments based on existing revenue.

- The borrower has a very good credit score and recently paid off all credit card debt.
- This loan will be our first participation loan with DBEDT and could lead to more loans through their borrower pipeline. FTHF will be servicing the DBEDT portion of the debt and collecting a fee for it – MOA is attached.
- The loan will qualify for our CDFI target market as Waialua is considered a low income Census Tract.
- The ingredients for the distillery will be sourced locally and will provide a market for off-grade products providing much needed economic support to local agricultural producers.

Cons:

- Ag tenant revenue is tied to annual lease agreements. However, the tenants have renewed their agreement once and plan to continue leasing the property. Further agricultural land is in high demand and Nathan received over 20 applicants for the lease.
- Nathan hopes to retire from active duty but plans on doing so only after the distillery is cash flow positive.

Staff recommendation is to approve \$175,000 at 5% for 84 months using EDA funds.

Loan Presentation: Haleiwa Distilling Company			
Date:	12/3/2021	Total Project Cost:	\$ 475,000
Business:	Haleiwa Distilling Company LLC DBA Haleiwa Distillery	Loan amount requested:	\$ 175,000
Principal Name(s):	Nathan Sisler	Recommended Interest rate:	4.0%
Address: <i>Business</i> :	67-106 Kealohanui St. Waiialua, HI 96791	Term / Amortization:	7 yrs
Business Type:	Start-up	RISK RATING:	3 (acceptable)
FTHF Loan Client:	No	Access to Other Capital*:	Yes
Loan Status:	New Request	The borrower has been declined by CPB, however DBEDT-CBED has expressed an intent to lend up to 50% of the capital requested.	
Business Structure:	Limited Liability Company	Business description: Haleiwa Distilling Company is a project 5-years in development by Nathan Sisler. The Distillery will start with the sale of blended whiskey and rum purchased from mainland contractors. Local production will begin immediately after the site is built but sales won't begin until after 5-months of aging.	
Purpose of Loan:	Fixed Asset & Working Capital		
Jobs created:	4		
Jobs retained:	12		
Ownership Structure:	Nathan Sisler 100%		

Loan #	Original	Principal Balance	Original Loan purpose	Delinquency	30 +	60+	90+
				NA			
TOTAL	\$ -	\$ -	-				

PRINCIPAL INFORMATION	
Personal Net worth:	
Credit score:	
Life Insurance:	no

COLLATERAL							
Type	Source of Value	Date of Value	Gross Value	LTV**	Net Value	Prior liens	equity
Ag Land	Market Value	11/29/2021	\$				\$
Primary Still	Market Value	to be purchased	\$			-	\$
Production Equipment	Market Value	to be purchased	\$			-	\$
Bottling Equipment	Market Value	to be purchased	\$			-	\$
Total					\$		\$
Collateral coverage***							2.14

SOURCES	
Lender	Amount
FTHF	\$ 175,000
DBEDT-CBED	\$ 175,000
Owner Equity	\$ 125,000
Total	\$ 475,000

USES	
Uses	
Primary Still	\$ 89,500
Production Equipment	\$ 62,210
Bottling Equipment	\$ 67,500
Working Capital	\$ 255,790
Total	\$ 475,000

1.07 if we split collateral with DBEDT

FEES		
Closing Fee:	2.5%	\$ 4,375
Wire Transfer Fee		\$ 30
Application fee:		\$ -
Borrower to pay all out of pocket expenses		

*additional capital this loan(s) allowed borrower to receive from another lending source
 **loan to value-advance rate allowed by CCED to calculate for liquidation of collateral to determine the net value of collateral
 ***collateral coverage-is equal to the total discounted collateral value divided by the total loan request

Haleiwa Distilling Company DBEDT 12.3.2021

Compounding Period: Monthly

Nominal Annual Rate: 3.000%

Cash Flow Data - Loans and Payments

Event	Date	Amount	Number	Period	End Date
1 Loan	12/10/2021	175,000.00	1		
2 Payment	02/01/2022	2,316.51	84	Monthly	01/01/2029

TValue Amortization Schedule - Normal, 365 Day Year

	Date	Payment	Interest	Principal	Balance
Loan	12/10/2021				175,000.00
2021 Totals		0.00	0.00	0.00	
1	02/01/2022	2,316.51	754.73	1,561.78	173,438.22
2	03/01/2022	2,316.51	433.60	1,882.91	171,555.31
3	04/01/2022	2,316.51	428.89	1,887.62	169,667.69
4	05/01/2022	2,316.51	424.17	1,892.34	167,775.35
5	06/01/2022	2,316.51	419.44	1,897.07	165,878.28
6	07/01/2022	2,316.51	414.70	1,901.81	163,976.47
7	08/01/2022	2,316.51	409.94	1,906.57	162,069.90
8	09/01/2022	2,316.51	405.17	1,911.34	160,158.56
9	10/01/2022	2,316.51	400.40	1,916.11	158,242.45
10	11/01/2022	2,316.51	395.61	1,920.90	156,321.55
11	12/01/2022	2,316.51	390.80	1,925.71	154,395.84
2022 Totals		25,481.61	4,877.45	20,604.16	
12	01/01/2023	2,316.51	385.99	1,930.52	152,465.32
13	02/01/2023	2,316.51	381.16	1,935.35	150,529.97
14	03/01/2023	2,316.51	376.32	1,940.19	148,589.78
15	04/01/2023	2,316.51	371.47	1,945.04	146,644.74
16	05/01/2023	2,316.51	366.61	1,949.90	144,694.84
17	06/01/2023	2,316.51	361.74	1,954.77	142,740.07
18	07/01/2023	2,316.51	356.85	1,959.66	140,780.41
19	08/01/2023	2,316.51	351.95	1,964.56	138,815.85
20	09/01/2023	2,316.51	347.04	1,969.47	136,846.38
21	10/01/2023	2,316.51	342.12	1,974.39	134,871.99
22	11/01/2023	2,316.51	337.18	1,979.33	132,892.66
23	12/01/2023	2,316.51	332.23	1,984.28	130,908.38

Haleiwa Distilling Company DBEDT 12.3.2021

	Date	Payment	Interest	Principal	Balance
2023 Totals		27,798.12	4,310.66	23,487.46	
24	01/01/2024	2,316.51	327.27	1,989.24	128,919.14
25	02/01/2024	2,316.51	322.30	1,994.21	126,924.93
26	03/01/2024	2,316.51	317.31	1,999.20	124,925.73
27	04/01/2024	2,316.51	312.31	2,004.20	122,921.53
28	05/01/2024	2,316.51	307.30	2,009.21	120,912.32
29	06/01/2024	2,316.51	302.28	2,014.23	118,898.09
30	07/01/2024	2,316.51	297.25	2,019.26	116,878.83
31	08/01/2024	2,316.51	292.20	2,024.31	114,854.52
32	09/01/2024	2,316.51	287.14	2,029.37	112,825.15
33	10/01/2024	2,316.51	282.06	2,034.45	110,790.70
34	11/01/2024	2,316.51	276.98	2,039.53	108,751.17
35	12/01/2024	2,316.51	271.88	2,044.63	106,706.54
2024 Totals		27,798.12	3,596.28	24,201.84	
36	01/01/2025	2,316.51	266.77	2,049.74	104,656.80
37	02/01/2025	2,316.51	261.64	2,054.87	102,601.93
38	03/01/2025	2,316.51	256.50	2,060.01	100,541.92
39	04/01/2025	2,316.51	251.35	2,065.16	98,476.76
40	05/01/2025	2,316.51	246.19	2,070.32	96,406.44
41	06/01/2025	2,316.51	241.02	2,075.49	94,330.95
42	07/01/2025	2,316.51	235.83	2,080.68	92,250.27
43	08/01/2025	2,316.51	230.63	2,085.88	90,164.39
44	09/01/2025	2,316.51	225.41	2,091.10	88,073.29
45	10/01/2025	2,316.51	220.18	2,096.33	85,976.96
46	11/01/2025	2,316.51	214.94	2,101.57	83,875.39
47	12/01/2025	2,316.51	209.69	2,106.82	81,768.57
2025 Totals		27,798.12	2,860.15	24,937.97	
48	01/01/2026	2,316.51	204.42	2,112.09	79,656.48
49	02/01/2026	2,316.51	199.14	2,117.37	77,539.11
50	03/01/2026	2,316.51	193.85	2,122.66	75,416.45
51	04/01/2026	2,316.51	188.54	2,127.97	73,288.48
52	05/01/2026	2,316.51	183.22	2,133.29	71,155.19
53	06/01/2026	2,316.51	177.89	2,138.62	69,016.57
54	07/01/2026	2,316.51	172.54	2,143.97	66,872.60
55	08/01/2026	2,316.51	167.18	2,149.33	64,723.27
56	09/01/2026	2,316.51	161.81	2,154.70	62,568.57
57	10/01/2026	2,316.51	156.42	2,160.09	60,408.48
58	11/01/2026	2,316.51	151.02	2,165.49	58,242.99
59	12/01/2026	2,316.51	145.61	2,170.90	56,072.09
2026 Totals		27,798.12	2,101.64	25,696.48	
60	01/01/2027	2,316.51	140.18	2,176.33	53,895.76

Haleiwa Distilling Company DBEDT 12.3.2021

	Date	Payment	Interest	Principal	Balance
61	02/01/2027	2,316.51	134.74	2,181.77	51,713.99
62	03/01/2027	2,316.51	129.28	2,187.23	49,526.76
63	04/01/2027	2,316.51	123.82	2,192.69	47,334.07
64	05/01/2027	2,316.51	118.34	2,198.17	45,135.90
65	06/01/2027	2,316.51	112.84	2,203.67	42,932.23
66	07/01/2027	2,316.51	107.33	2,209.18	40,723.05
67	08/01/2027	2,316.51	101.81	2,214.70	38,508.35
68	09/01/2027	2,316.51	96.27	2,220.24	36,288.11
69	10/01/2027	2,316.51	90.72	2,225.79	34,062.32
70	11/01/2027	2,316.51	85.16	2,231.35	31,830.97
71	12/01/2027	2,316.51	79.58	2,236.93	29,594.04
2027 Totals		27,798.12	1,320.07	26,478.05	
72	01/01/2028	2,316.51	73.99	2,242.52	27,351.52
73	02/01/2028	2,316.51	68.38	2,248.13	25,103.39
74	03/01/2028	2,316.51	62.76	2,253.75	22,849.64
75	04/01/2028	2,316.51	57.12	2,259.39	20,590.25
76	05/01/2028	2,316.51	51.48	2,265.03	18,325.22
77	06/01/2028	2,316.51	45.81	2,270.70	16,054.52
78	07/01/2028	2,316.51	40.14	2,276.37	13,778.15
79	08/01/2028	2,316.51	34.45	2,282.06	11,496.09
80	09/01/2028	2,316.51	28.74	2,287.77	9,208.32
81	10/01/2028	2,316.51	23.02	2,293.49	6,914.83
82	11/01/2028	2,316.51	17.29	2,299.22	4,615.61
83	12/01/2028	2,316.51	11.54	2,304.97	2,310.64
2028 Totals		27,798.12	514.72	27,283.40	
84	01/01/2029	2,316.51	5.87	2,310.64	0.00
2029 Totals		2,316.51	5.87	2,310.64	
Grand Totals		194,586.84	19,586.84	175,000.00	

Last interest amount increased by 0.09 due to rounding.

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.
2.999%	\$19,586.84	\$175,000.00	\$194,586.84