

**Meeting Packet CBED Advisory Council Meeting
November 15, 2022 10:00 am**

**Old Business: Approval of CBED Advisory Council Meeting
Minutes for October 18, 2022**

DRAFT
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

MINUTES OF THE COMMUNITY-BASED ECONOMIC DEVELOPMENT (CBED)
ADVISORY COUNCIL MEETING

TUESDAY, OCTOBER 18, 2022, AT 10:00 A.M.

Department of Business, Economic Development and Tourism

250 South Hotel Street, 4th Floor

Conference Room 436, Honolulu, Hawaii 96813

AND VIA VIRTUAL APPLICATION ZOOM: VIDEO/AUDIO CONFERENCE

Advisory Members Present were:

Casey Brown	-	Office of Hawaiian Affairs (Ex-Officio)
Jane Horike	-	Advisory Council Member (Hawaii/Hilo)
Matthew Loke	-	Department of Agriculture (Ex-Officio)
Colleen McAluney	-	Advisory Council Member (Oahu)
Teena Rasmussen	-	Advisory Council Member (Maui)
Mark Ritchie	-	Department of Business,
for Dennis Ling, (Ex-Officio)/ Presided		Economic Development & Tourism

Guests:

Nainoa Logan	-	Waianae Economic Development Council (WEDC)
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Staff:

Elisa Amemiya	-	Attorney General's Office
Lyle Fujikawa	-	DBEDT
Wayne Thom	-	DBEDT
Timothy Tiu	-	DBEDT
Selma Malcolm	-	DBEDT

Apology:

Kaleokalani Kuroda	-	Advisory Council Member (Oahu)
Nancy Elvira Lo (Chair)	-	Advisory Council Member (Oahu)
Roberta Melton	-	Advisory Council Member (Kauai)

CALL TO ORDER:

Mr. Ritchie called the meeting to order on Tuesday, October 18, 2022, at 10:06 a.m. All members and guests participated via ZOOM.

▪ **Welcome Current Council Members and Introduction of any Guests:**

Mr. Ritchie welcomed all present and announced that Chair Lo was off island and if there were no objections from Council, he would chair the meeting in her absence. Hearing none, he proceeded with the meeting. He then asked Council to introduce themselves and indicate if they were alone at their respective locations, per Sunshine Law. Mr. Ritchie also announced that he was the DBEDT's Ex-Officio representing Dennis Ling who was unable to join the meeting. He introduced Mr. Nainoa Logan, Program Director of Waianae Economic Development Council (WEDC) and underwriter of the DBEDT/CBED loan of \$45,000 that will be recommended for approval during the meeting. Also Ms. Elise Amemiya, Deputy Attorney General and the DBEDT staff.

Regarding Mr. Ritchie's email to the Advisory Council about the State Ethics Training for State Boards and Commissions members, he conveyed that the Training is recommended but it is not mandatory for our Advisory Council and that Ms. Amemiya, Deputy AG received a ruling from the Ethics Commission on it.

OLD BUSINESS:

APPROVAL OF MINUTES OF AUGUST 16, 2022:

The Minutes of August 16, 2022, meeting were distributed and reviewed by Council. Mr. Ritchie asked if there were any comments and/or corrections to the Minutes. Hearing none, he asked for a motion to approve the Minutes.

Motion was made by Ms. Rasmussen and seconded by Ms. Horike to approve the Minutes of August 16, 2022, as presented.

A roll call vote was requested, with the following Council members approving the motion: Mr. Brown, Ms. Horike, Mr. Loke, Ms. McAluney, Ms. Rasmussen and Mr. Ritchie.

Motion to adopt the August 16, 2022, Minutes was approved unanimously.

NEW BUSINESS:

Public Testimony:

There was no public testimony.

1. **Recommendation/Approval of CBED Loan of \$45,000 to Holoholo Tree Service, LLC:**

Mr. Ritchie reported that Holoholo Tree Service, LLC located on the Waianae Coast, is requesting a DBEDT/CBED loan of \$45,000 to be used for the purchase

equipment. He then turned over this portion of the meeting to Mr. Logan of WEDC who prepared the underwriting aspect on this loan.

Mr. Logan thanked everyone for allowing him the opportunity to present his report and then requested permission to share the screen with his presentation. Mr. Logan reported that Holoholo Tree Service, LLC (HTS) is a commercial and residential tree specialty company that provides services in tree removal and thinning, hazardous removal, mulching, powerline trimming, land cleaning, logging, etc. HTS was established in 2020 and it is located in Mali on the Waianae Coast in an Enterprise Zone. It is a locally owned Native Hawaiian business and also a "woman owned" business. Mr. Logan advised that HTS is owned by Carryssa Kryzka with two (2) full-time employees (owner & spouse), Keali'i Kryzka. Mr. Logan expressed that Mr. Kryzka is the primary employee of the company and he has a very strong work ethic with 12 years of work experience in the industry. Currently, he is studying to acquire his license as a certified arborist. With the help of this loan, HTS plans to hire an additional two (2) full-time employees and two (2) part-time employees by the end of the loan period.

Mr. Logan advised that HTS is requesting a loan of \$45,000 to purchase a new 2022 Bandit 250 XP 12" Disc Chipper. The total cost of the equipment is \$55,057.57 and the company has already made a down payment of \$6,000 on it. Currently, the equipment is enroute to Hawaii and hopefully will arrive within the next month or so. He also advised that HTS projected cash flow is adequate to service their proposed debt.

Regarding HTS's competitive advantage, Mr. Logan advised that their strongest advantage is their speed in completing a job which will allow them to complete multiple jobs in one day which will increase their production rate. Mr. Logan also advised that HTS is utilizing several resources to enhance the company's performance and they are involved with various cohorts, including the SBA, one of WEDC's programs, INPEACE, the YWCA and other government resources. HTS is receiving a lot of support to ensure that they are on track with reaching their goals. Currently, they are working with SBA to enter into the 8a program.

Mr. Logan reported that at present, HTS is trying to specialize in becoming a Mango Arborist since they are working with Mango Farms in Makaha to improve their yields. The risk on this loan is that this is a highly competitive market with many landscaping companies and tree removal companies which may result in HTS ability to lose contracts due to too many competitors. But HTS has a strong team that is dedicated to the success of the company. The owners are very conservative with their finances to ensure that they always have a cash cushion to sustain themselves through obstacles.

Mr. Logan also reported that HTS is a new company that is willing to work with various resource partners to improve their productivity and efficiency. But as a

start-up company, they may not be able to acquire the financing needed to purchase some contracts that are paid 60 or 90 days later. Mr. Logan then commended HTS on their commitment to continue technical assistance and monthly coaching sessions with WEDC regarding their loan payments, etc.

At this point, Mr. Logan recommended an approval of the DBEDT/CBED loan of \$45,000 to HTS to purchase a Disc chipper. He conveyed that HTS has about \$15,000 in their business bank account to ensure that they are 1-2 months ahead of all of their expenses and they are conservative with their finances. Mr. Logan then asked if there were any questions and/or comments.

Mr. Ritchie shared some of the reasons why the DBEDT/CBED team likes this loan, i.e., WEDC is currently providing them with technical assistance, it is a Native Hawaiian owned company, "woman owned" company, located on the Waianae Coast, and their business is unique. He noted that one of DBEDT/CBED's missions is to support non-profit organizations involved in community-based economic development to grow and be successful. Mr. Ritchie advised that HTS was denied a loan by the Central Pacific Bank to finance their chipper.

Ms. Rasmussen and other Council members commended Mr. Kryzka on the step that he is taking to acquire an arborist certification to further his business growth.

At this point, Mr. Ritchie asked for a motion to approve this agenda item.

Motion was made by Ms. McAluney and seconded by Ms. Rasmussen to recommend to the DBEDT Director the approval of a DBEDT/CBED loan of \$45,000 Holoholo Tree Service, LLC to be used for equipment.

A roll call vote was requested, with the following Council members approving the motion: Mr. Brown, Ms. Horike, Mr. Loke, Ms. McAluney, Ms. Rasmussen and Mr. Ritchie.

The motion was unanimously approved.

Mr. Ritchie and members of the Council thanked Mr. Logan for his presentation.

2. Overview and Update of Waianae Economic Development Council (WEDC)

Mr. Logan gave an update on the creation of the Waianae Economic Development Council (WEDC). He advised that Mr. Joseph Lapilio is the President & CEO of WEDC. Also, that WEDC was formed in 2017 to assist the Waianae Coast population and there were several other organizations that preceded WEDC. One of their long-term community goals is to increase the median household income of the Waianae Community and the Native Hawaiian Community. He stated that the

State median household income is \$92,000, but for the Native Hawaiian community in Waianae it is only \$63,000. which is about 30% behind the State average. Mr. Logan conveyed that there are about eight (8) different arms under WEDC which include the Community Development Arm, the Loan Fund Arm, Community Planning Arm, For Profit LLC., etc. In the programs of WEDC, there are four (4) major programs that they are currently implementing, i.e., Financial Literacy Programming with the cultural lens to overcome generation of traumas and business PTSD amongst Hawaiians, Business Development Cohorts and Workshop training and their Loan Fund as a CDFI. Their loans are to up to \$30,000 since they are a small fund of \$250,000 and growing. He noted that they are very grateful for the relationship to partner with CBED/DBEDT. Mr. Logan also explained their "wrap-around" services that they provide to all the practitioners that attend their cohorts. He also advised the meeting of other programs that WEDC is participating in. He stated that he was in San Francisco seeking more funding for WEDC.

He will provide CBED/DBEDT with a copy of his presentation.

Mr. Ritchie as well as the other Council members thanked and congratulated Mr. Logan on the great work that WEDC is doing.

NEXT MEETING:

Tuesday, November 15, 2022, at 10:00 a.m.

ADJRNMENT:

The meeting was adjourned at 10:45 a.m. on a motion by Mr. Brown and seconded by Ms. Horike. All in favor by the showing of hands.

Respectfully submitted,

Mark Ritchie

Mark J. Ritchie
Presiding Officer

Oct 21, 2022

Date

Recommendation/Approval of CBED Loan of \$100,000 to Kaua‘i Kim Chee LLC of Lihue, Kaua‘i to be used for working capital and equipment. Co-lending with Waianae Economic Development Council which is making an additional loan of \$30,000.

Waianae Economic Development Council Recommendation: Approval with Quarterly Technical Assistance			
Name of Organization	Kauai Kim Chee, LLC		
Tradename or DBA			
Mission	Established in 2015, Kaua'i Kim Chee LLC is a small local business with a mission to manufacture and distribute fresh local side dishes like Korean style Kimchee, Namasu and Pickled Daikon.		
Type of Legal Entity	LLC	Year Established	2015
Federal Tax ID Number	47-0851004	# of Employees 2022	2
Annual Revenue	\$257,665.00	Total Net Assets	\$100,000.00
Primary Contact Name	Isaiah Dosono, Aaron Dosono	Title	Co-CEO
Email	kauai.kimchee@gmail.com	Telephone Number	(808) 246-0106
Business Address	3-2600 Kaunualii Hwy # 1402 Lihue, HI 96766	Cell Number	508-472-3838
Website	https://kauaikimchee.wixsite.com/website	NAICS Code	311 Food Manufacturing
Instagram	https://www.instagram.com/kauai.kimchee/	Facebook	https://www.facebook.com/kauai.kimchee/

Purpose of the Loan: \$100,000

The loan will be used to purchase a new fully equipped Food Truck, 1 Hoshizaki Two Door Refrigerators, and expanding wholesale operations

Summary of the Organization:

Kauai Kim Chee is a Limited Liability Company on Kauai with the purpose of manufacturing wholesale food, retail products and provide food to go. The company was established in June of 2015. Their primary products are Korean style Kimchee, Namasu and Pickled Daikon. Their products are found at local farmers markets, restaurants (Dukes and Keoki's Paradise), ABC Stores, Foodland/Sack n Save, and Times on Kauai.

Summary of the Operations:

Kauai Kim Chee has 2 Fulltime employees (Ashton and Aaron) with 2 part-time employees (Isaiah and Tany) for busy days and large projects. They have two customer segment groups, wholesale to stores and restaurants, and direct to customers at Farmer's Markets and Community Events. They are an established and recognized brand on the island of Kauai and have garnered some interest from restaurants on Oahu. They have been approached by Longs/CVS to enter into a wholesale opportunity, but they didn't feel like they had the capacity to move forward with securing contract. Through direct to consumer distribution, the company generates roughly 20% of revenues. 80% of revenues are generated through wholesale accounts.

Jobs Creation and Retention:

Full Time: 2 Part Time: 2

Management Team:

Isaiah Dosono, co-CEO

Isaiah has a degree in Environmental Science from Oregon State. He's been cooking at local restaurants since he was in college, skilled with the blade and worked at Costco as their meat cutter.

Aaron Dosono, co-CEO

From physical therapy he worked as an office manager and started helping the company with managing production, logistics, and overseeing the farmer's market. With his organizational talents he makes sure that the whole organization is on track to achieve its goals.

Ferdinand Dosono, Advisor

A salesman for 30 years and then started a small business called Kauai salsa. He worked on building the brand wholesaling and then sold the company. Started Kauai Kim Chee and got the company established and then passed the reins on to his kids while still supervising the growth and vision of the company.

Ashton Contrades, Production Manager

Went to culinary school at Kauai Community College. Created the Namasu recipe and is very passionate in cooking working at hotels since he was 16 years old. He managed a team at Princeville hotel. He seeks to expand the products of Kauai Kim Chee.

WEDC Comments:

Highlights

- CBED Alignment.** Kauai Kim Chee (KKC) is a Native Hawaiian owned business that is based on the island of Kauai and located in an EZ zone. The company is also a manufacturer and sources food inputs from local farmers.
- Growing Financials.** The revenues are showing strong growth rates and profitability is increasing. Post COVID growth will reach 200% in a 2-year period and looks as if it can continue growing by 40% annually for the next 3 years.
- Brand.** KKC is a very familiar local brand on the island of Kauai and its recipes seem to have a strong following amongst the local asian populations.
- Strong Demand and Possible Expansion.** Longs/CVS and Costco on Kauai has expressed interest to carry KKC products. Foodland on Oahu and Don Quijote Oahu.

Risks

-**Negative Profitability.** KKC had negative profits in 2021 mainly due to increased labor, inflation, and COVID. **High Risk.**

-**COGS and Accounting.** The company tax returns show that COGS have grown from 56% of revenue in 2019 to 92% of revenue in 2021. It is highly likely and confirmed that labor was added into the COGS and demonstrates a need for a bookkeeper. KKC has committed to bringing on a bookkeeper. **Medium Risk**

-**Capacity.** The company is growing and reached its full production capacity. They will need to increase their refrigeration capacity in order to expand. The loan will be used for this purpose. **Low Risk**

-**Spreading Too Thin.** With more growth and brand recognition, customer demand for new products have increased asking for sauces, different food offerings, and even merchandise. Keeping a simple menu and staying hyper focused on improving operational efficiency is going to be a challenge. Quarterly strategic plan meetings will be implemented to stay focused. **Medium Risk**

Underwriter's Opinion:

KKC has a great opportunity to grow into a 7 figure company with the proper strategic plan and focused efforts. A quarterly strategic plan to keep the company focused on priority expansion will ensure that profitability as well as revenue increases. They will need to mechanize some of their process to improve productivity, but once achieved they have the ability to expand even more. The truck will bring more cash flow into the company to support operations and hire more employees and convert part timers into full timers. This is a good loan with collateral to match.

Waianae Economic Development Council
Proposed Term Sheet
December 15, 2022

Borrower:	Kauai Kim Chee, LLC
Guarantor:	Isaiah Dosono, Aaron Dosono
Loan Type:	Term Loan
Loan Purpose:	The loan will be used to purchase a new fully equipped Food Truck, 2 Hoshizaki Two Door Refrigerators, and expanding wholesale operations
Loan Amount:	\$100,000 from CBED DEBDT and \$30,000 from Waianae Economic Development Council (WEDC)
Loan Term:	4 Years
Interest Rate:	4% Fixed
Loan Fee:	\$0
Loan Closing Date:	12/15/2022
Repayment Terms:	Monthly payments of principal and interest due on the 1st of the month collected via ACH debit from the Borrower's bank account. \$2,964.93 Per Month Total
Collateral:	
Contact Name/Title:	Isaiah Dosono, Aaron Dosono - Co CEO
Contact Phone Number:	(808) 935-1111
Contact Email Address:	kauai.kimchee@gmail.com
Billing Email Address:	kauai.kimchee@gmail.com
Business Address:	3-2600 Kaunualii Hwy # 1402 Lihue, HI 96766
Billing Mailing Address:	3-2600 Kaunualii Hwy # 1402 Lihue, HI 96766
Authorized Signer(s)	Isaiah Dosono, Aaron Dosono - Co CEO

DBEDT CBED Loan Information		Summary	
Loan Amount	\$ 100,000.00	Daily Interest Rate	0.011%
Annual Interest Rate	4%	Number of Payments	49
Term of Loan in Years	4	Total Payments	\$ 108,595.84
Loan Issue Date	12/15/2022	Total Interest	\$ 8,595.84
First Payment Date	2/1/2023	Balloon Payment	0
Payment Frequency	Monthly		
Days in Year	365		
Est. Monthly Payment	\$2,258.19		

Amortization Schedule					
PmtNo.	Date	Payment Due	Interest Accrued	Principal Balance	Total Owed
	12/15/2022			\$100,000.00	\$100,000.00
1	2/1/2023	\$ 2,258.19	\$ 526.03	98,267.84	98,267.84
2	3/1/2023	\$ 2,258.19	\$ 301.53	96,311.18	96,311.18
3	4/1/2023	\$ 2,258.19	\$ 327.19	94,380.18	94,380.18
4	5/1/2023	\$ 2,258.19	\$ 310.29	92,432.28	92,432.28
5	6/1/2023	\$ 2,258.19	\$ 314.02	90,488.11	90,488.11
6	7/1/2023	\$ 2,258.19	\$ 297.50	88,527.42	88,527.42
7	8/1/2023	\$ 2,258.19	\$ 300.75	86,569.98	86,569.98
8	9/1/2023	\$ 2,258.19	\$ 294.10	84,605.89	84,605.89
9	10/1/2023	\$ 2,258.19	\$ 278.16	82,625.86	82,625.86
10	11/1/2023	\$ 2,258.19	\$ 280.70	80,648.37	80,648.37
11	12/1/2023	\$ 2,258.19	\$ 265.15	78,655.33	78,655.33
12	1/1/2024	\$ 2,258.19	\$ 267.21	76,664.35	76,664.35
13	2/1/2024	\$ 2,258.19	\$ 260.45	74,666.61	74,666.61
14	3/1/2024	\$ 2,258.19	\$ 237.30	72,645.72	72,645.72
15	4/1/2024	\$ 2,258.19	\$ 246.80	70,634.33	70,634.33
16	5/1/2024	\$ 2,258.19	\$ 232.22	68,608.36	68,608.36
17	6/1/2024	\$ 2,258.19	\$ 233.08	66,583.25	66,583.25
18	7/1/2024	\$ 2,258.19	\$ 218.90	64,543.96	64,543.96
19	8/1/2024	\$ 2,258.19	\$ 219.27	62,505.04	62,505.04
20	9/1/2024	\$ 2,258.19	\$ 212.35	60,459.20	60,459.20
21	10/1/2024	\$ 2,258.19	\$ 198.77	58,399.78	58,399.78
22	11/1/2024	\$ 2,258.19	\$ 198.40	56,339.99	56,339.99
23	12/1/2024	\$ 2,258.19	\$ 185.23	54,267.03	54,267.03
24	1/1/2025	\$ 2,258.19	\$ 184.36	52,193.20	52,193.20
25	2/1/2025	\$ 2,258.19	\$ 177.31	50,112.32	50,112.32
26	3/1/2025	\$ 2,258.19	\$ 153.77	48,007.90	48,007.90
27	4/1/2025	\$ 2,258.19	\$ 163.10	45,912.81	45,912.81
28	5/1/2025	\$ 2,258.19	\$ 150.95	43,805.57	43,805.57
29	6/1/2025	\$ 2,258.19	\$ 148.82	41,696.20	41,696.20
30	7/1/2025	\$ 2,258.19	\$ 137.08	39,575.09	39,575.09

31	8/1/2025	\$ 2,258.19	\$ 134.45	37,451.35	37,451.35
32	9/1/2025	\$ 2,258.19	\$ 127.23	35,320.39	35,320.39
33	10/1/2025	\$ 2,258.19	\$ 116.12	33,178.32	33,178.32
34	11/1/2025	\$ 2,258.19	\$ 112.72	31,032.85	31,032.85
35	12/1/2025	\$ 2,258.19	\$ 102.03	28,876.69	28,876.69
36	1/1/2026	\$ 2,258.19	\$ 98.10	26,716.60	26,716.60
37	2/1/2026	\$ 2,258.19	\$ 90.76	24,549.17	24,549.17
38	3/1/2026	\$ 2,258.19	\$ 75.33	22,366.31	22,366.31
39	4/1/2026	\$ 2,258.19	\$ 75.98	20,184.10	20,184.10
40	5/1/2026	\$ 2,258.19	\$ 66.36	17,992.27	17,992.27
41	6/1/2026	\$ 2,258.19	\$ 61.12	15,795.20	15,795.20
42	7/1/2026	\$ 2,258.19	\$ 51.93	13,588.94	13,588.94
43	8/1/2026	\$ 2,258.19	\$ 46.17	11,376.92	11,376.92
44	9/1/2026	\$ 2,258.19	\$ 38.65	9,157.38	9,157.38
45	10/1/2026	\$ 2,258.19	\$ 30.11	6,929.30	6,929.30
46	11/1/2026	\$ 2,258.19	\$ 23.54	4,694.65	4,694.65
47	12/1/2026	\$ 2,258.19	\$ 15.43	2,451.89	2,451.89
48	1/1/2027	\$ 2,258.19	\$ 8.33	202.03	202.03
49	2/1/2027	\$ 202.72	\$ 0.69	\$ -	\$ -

**Quick Update on Number of Loans in Portfolio
and EDA Draw-Down**

November 4, 2022

Here are our loans so far:

<u>Loan Number</u>	<u>Servicing Partner</u>	<u>Borrower</u>	<u>Loan Amount</u>
CBED007 EDA-21	HCRC	Re-Use Hawaii	50,000
CBED008 EDA-22	FTHF	Haleiwa Distilling Company	175,000
CBED009 EDA-22	HCRC	Maikai Health Corp	50,000
CBED010 EDA-22	WEDC	HB Baking LLC	25,000
CBED011 EDA-22	WEDC	Lubrco LLC	125,000
CBED012 EDA-22	WEDC	Amro-Asian Trade, Inc.	100,000
CBED013 EDA-22	FTHF	Counter Culture dba Farm link	100,000
CBED014 EDA-22	FTHF	Pomai Kulolo	105,000
CBED015 EDA-22	WEDC	Holoholo Tree Service LLC	<u>45,000</u>
Total Loans			775,000
<u>PENDING</u>			
CBED016 EDA-22	WEDC	Kauai Kimchee LLC	100,000

\$375,000 left to deploy.