

**DRAFT**

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

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

**TUESDAY, MAY 17, 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)
- Kaleokalani Kuroda - Advisory Council Member (Oahu)
- Dennis Ling - Department of Business,  
Economic Development & Tourism (Ex-Officio)
- Matthew Loke - Department of Agriculture (Ex-Officio)
- Ernest Matsumura - Advisory Council Member (Hawaii/Hilo)
- Teena Rasmussen - Advisory Council Member (Maui)
- Colleen McAluney - Advisory Council Member starting July 1, 2022  
(Oahu/New) Non-voting
- Roberta Melton - Advisory Council Member (Kauai)

Guests:

- Abdulahad Kuchkarov - Uzbekistan Business Leaders (UBL) Program
- Joseph Burns - Hawaii Small Business Development Center
- Wayne Inouye - HTDC /Innovate Hawaii
- Nainoa Logan - Waianae Economic Development Council
- Laurel Chapman - Lubrco, LLC

Staff:

- Elisa Amemiya - Attorney General's Office
- Mark Ritchie/Presided- DBEDT
- Wayne Thom - DBEDT
- Lyle Fujikawa - DBEDT
- Leslie Kawamoto - DBEDT
- Timothy Tiu - DBEDT
- Selma Malcolm - DBEDT

Apology:

- Nancy Elvira Lo - Advisory Council Member (Oahu)

### **CALL TO ORDER:**

The meeting was called to order by Mr. Ritchie on Tuesday, May 17, 2022, at 10:00a.m. All members and guests participated via ZOOM.

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

Mr. Ritchie welcomed everyone to the meeting and then conducted a rollcall of the council members. He introduced Mr. Abdulahad Kuchkarov, from Uzbekistan Business Leaders (UBL) Program and the American Councils for International Education who was observing the meeting; Mr. Joseph Burns of Hawaii Small Business Development Center (HSBDC) who would make a presentation on the loan to Lubrco, LLC; Mr. Wayne Inouye from HTDC/Innovate Hawaii; Mr. Nainoa Logan of Waianae Economic Development Council (WEDC) who would present the loan to Amro-Asian Trade, Inc.; Ms. Laurel Chapman from Lubrco, LLC; Ms. Colleen McAluney a non-voting member until July 1, 2022 when her membership is effective; Ms. Elise Amemiya, Deputy Attorney General; and the DBEDT staff.

### **APPOINTMENT OF A PRESIDING OFFICER FOR MAY 17, 2022 MEETING:**

With no objections from Council, Mr. Ritchie presided over the meeting. He noted that Council would elect a new Chair later on in the meeting.

### **OLD BUSINESS:**

#### **APPROVAL OF MINUTES OF APRIL 19, 2022:**

The Minutes of April 19, 2022, meeting were distributed and reviewed by Council. Mr. Ritchie asked if there were any comments or changes to the minutes. He then pointed out an error on page 5, item #4 in the heading - "Post-event Report." The amount was typed as \$5,0000 which should be \$5,000. Since there were no other corrections, Mr. Ritchie asked for a motion to approve the Minutes.

Motion was made by Ms. Rasmussen and seconded by Mr. Kuroda to approve the Minutes of Tuesday April 19, 2022, with the amendment.

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

Motion to adopt the April 19, 2022, Minutes with an amendment was approved.

### **Public Testimony:**

There was no public testimony.

At this point, Mr. Ritchie noted that if there were no objections from Council, he would move to new business on the agenda and then return to old business. There were no objections, so Mr. Ritchie proceeded with the new business.

### **REVIEW OF THE ROLE OF CBED ADVISORY COUNCIL:**

Ms. Horike asked that this item be deferred to the next meeting. Mr. Brown indicated that he is eager to nail down the role of CBED Advisory Council and he felt that there is a little bit of unclear role understanding during the voting process. Mr. Ritchie stated that a PowerPoint presentation on the Role of CBED Advisory was included in the meeting package and encouraged Council to review it. This item will be discussed further at the next meeting.

### **NEW BUSINESS:**

#### **1. Approval of DBEDT/CBED Loan of \$125,000 to Lubrco, LLC of Kalihi, Honolulu for Working Capital & Equipment:**

Mr. Ritchie stated that the first of two (2) DBEDT/CBED loans that is recommended for approval is from Lubrco, LLC for a loan of \$125,000 for working capital and equipment. Also, that Mr. Burns of Hawaii Small Business Development Center (HSBC) has been working with Lubrco, LLC and would walk us through some of the company's financial information. Mr. Wayne Inouye of HTDC/Innovate Hawaii also worked with Lubrco, LLC on their PPE grants. He then invited Mr. Burns to make his presentation to the council.

Mr. Burns reported that Lubrco, LLC is a Honolulu based developer and manufacturer of cleaning and disinfectant products. The company is owned by Ms. Laurel Chapman and has been operating since 2017. Also, that the company has a state-of-the-art production line. Mr. Burns stated that when the pandemic started, there was an opportunity to reduce the dependence on importation of cleaning products and disinfectant from the Mainland and/or overseas so Lubrco, LLC has received a Hawaii PPE grant through the Hawaii Technology Development Corporation (HTDC) for purchase of equipment and personal cost to produce PPE items here in Hawaii, which was a really good idea. Lubrco, LLC distribution channels include some institutional buyers, businesses, gymnasiums and one government contract they recently received from a State Agency and that they will be receiving more in the future. The company has an online store and they are also working with DBEDT's Hawaii State Trade Expansion Program-Company Assistance (HiSTEP-CA) grant to assist with exporting. Lubrco, LLC is planning to export products to Guam (US Territory) in their ViroCare, multi-surface cleaner and ViroChem multi-surface disinfectant.

Mr. Burns also reported that in 2021, Lubrco, LLC reported an annual revenue of \$686,194 and \$451,047 in 2022 year-to-date (YTD). At the end of 2021, their equity was \$1.218 million and increased to \$1.818 million in 2022 YTD. The cost

of goods sold in 2021 was estimated at 19% and 25% in 2022 YTD. Their expenses in 2021 were 68% of revenue and 50% in 2022 YTD. Their growth margin last year was 81% and this year, about 75%. Their net income last year was 11.7% and in 2022 YTD, 25% which is excellent. Mr. Burns also advised that HSBDC/Burns is currently working with Lubrco, LLC to improve their financial statements to capture all aspects of the business. And in terms of being able to cover their payment of \$1,256/month, with every indication, they will be able to do so.

Mr. Ritchie then invited Mr. Inouye to share his experience working with Lubrco, LLC on the PPE grant. Mr. Inouye stated that Mr. Burns gave a very good overview of Lubrco, LLC, also, that it was his pleasure working with Ms. Laurel Chapman and her team on the PPE grant as they provided all the information he needed. He explained that the PPE grant is the State of Hawaii allocated cash funds for HTDC/Innovate Hawaii to disburse to local manufacturers to support production in the State of Hawaii during the beginning of the pandemic for local Hawaii companies to apply for the funding to create and manufacture local PPE supplies, i.e., masks, disinfectants, etc. Lubrco, LLC/Ms. Chapman and her team had applied and was awarded a PPE grant through the State of Hawaii to produce sanitizing solutions. With this grant, they were able to fulfill their requirements as a recipient of the grant. He reiterated that it was pleasure working with Ms. Chapman and her team. He also had a tour of their facility which was very clean and organized.

Mr. Ritchie noted that DBEDT/CBED liked this loan because one of its sectors is manufacturing. Lubrco, LLC is located in Kalihi and they are in an expansion mode and will be hiring more people. They are also located in an enterprise zone area and taking advantage of DBEDT's HiSTEP-CA programs on exporting.

During discussion, Ms. Rasmussen asked Ms. Chapman of Lubrco, LLC about her thoughts on the future of the business coming out of the pandemic.

Ms. Chapman explained that she didn't think that the manufacturing of cleaning products is going to go away anytime soon and they will continue to rely on the local economy which was part of their initial mandate.

Mr. Ling asked if Ms. Chapman had applied for a loan through a commercial institution and if it was turned down.

Ms. Chapman answered in the affirmative.

Mr. Ritchie then indicated that there must be some evidence of commercial turned down before DBEDT/CBED can present a loan to Council.

Ms. Chapman then thanked DBEDT and the Council for reviewing her loan.

With no other comments or questions, Mr. Ritchie requested a motion on this agenda item.

Motion was made by Ms. Melton and seconded by Mr. Ling to approve the DBED/CBED Loan of \$125,000 to Lubrco, LLC for working capital and equipment.

Roll call vote was requested, and the following Council members approved the motion: Ms. Horike, Mr. Brown, Mr. Kuroda, Mr. Ling, Mr. Matsumura, Mr. Loke, Ms. Melton and Ms. Rasmussen.

The motion was unanimously approved.

Ms. Rasmussen left the meeting at 10:29 a.m., and rejoined at 10:40 a.m.

2. **Approval of CBED Loan of \$100,000 to AMRO-Asian Trade Inc., of Downtown Honolulu for Working Capital:**

Mr. Ritchie then invited Mr. Logan of Waianae Economic Development Council (WEDC), which is one of DBEDT's/CBED's resource partners to make his presentation on the loan of \$100,000 to Amro-Asian Trade Inc., located in Downtown, Honolulu.

Mr. Logan reported Amro-Asian Trade, Inc., is a cash counting manufacturer and its products are currency and note tender counting machines such as the currency discriminating counters, bank note sorters, coin sorting machines, etc. The organization has been operating since 1999, but shifted their focus in 2003 to cash counting machines. In 2007, Amro-Asian Trade, Inc., was part of a lawsuit over a patent infringement and Mr. Siddiqui, owner of Amro-Asian Trade, Inc., challenged the broadness of 15 patents and of the 15 patents, 13 were overturned and two (2) were upheld. Mr. Logan advised that since the overturned of those 13 patents, two (2) things happened simultaneously: (1) The company that lost their patent rights had sold their company, and (2) the market was opened up to a lot of new competitors competing for market share because that patent was no longer enforceable. He also commented that not only did Mr. Siddiqui help himself by winning the patent, but he hurt himself by introducing more competitors.

Mr. Logan said that Amro-Asian Trade, Inc., was affected during the COVID-19 because the banks, their primary customers were shut down so there were no need to purchase cash counters. Mr. Logan also shared about some misunderstanding that Mr. Siddiqui, Amro-Asian Trade, Inc., owner had with the PPE loan and he is currently paying back the SBA loan.

Mr. Logan stated that Amro-Asian Trade's, Inc., revenue at its peak was \$6.2 million in manufacturing here in Hawaii to approximately \$480,000 currently. Sales from April – May 2022 is about \$50,000. Amro-Asian Trade, Inc., recently

received a first-to-market patent (no one else has it) in the US for 20 years for UVC that kills 80% of the bacteria on bills while counting the bills. The company is also getting a similar patent in Europe. The granting of the UVC patent as the first to market provides an opportunity that shifts the trend in the company's financials. Also, WEDC is working with Amro-Asian Trade, Inc., to kind of create a workforce of technicians that will be able to install the machines hopefully in different casinos and banks depending on demands.

During discussion, Mr. Brown commented that the loan seemed very risky. Mr. Ritchie stated that by definition, the DBEDT/CBED loan program is a 'lender of last resort,' and it is high risk because DBEDT/CBED is not competing against the banks or SBA guaranteed loans. First Hawaiian Bank had turned down this loan.

Ms. Melton asked if the machines were already assembled or if Amro-Asian Trade, Inc., will be purchasing the parts and assembling them. Mr. Logan replied that the machines are manufactured in Japan and Korea but there are two (2) types of mechanisms depending on the customization of the machines. One will be shipped to the customer straight from the manufacturer and the other will be customized in Hawaii and shipped from the Hawaii office.

Mr. Ritchie indicated that Amro-Asian Trade, Inc., is a manufacturer and a wholesaler. Ms. Horike commented that Mr. Logan did an excellent job evaluating Amro-Asian Trade, Inc., which makes her feel more comfortable with the loan.

Mr. Ritchie reassured Council that DBEDT/CBED would not present a loan to the Council where the company's credit worthiness or their ability to repay is questionable.

At this point with no additional Council comments or questions, Mr. Ritchie requested a motion on this agenda item.

Motion was made by Mr. Ling and seconded by Ms. Horike to approve the DBEDT/CBED Loan of \$100,000 to Amro-Asian Trade Inc., for working capital and equipment.

Roll call vote was requested, and the following Council members approved the motion: Ms. Horike, Mr. Brown, Mr. Kuroda, Mr. Ling, Ms. Mr. Matsumura, Mr. Loke (with reservation), Ms. Melton and Ms. Rasmussen.

The motion was approved with one reservation.

Mr. Kuroda left the meeting at 11:00 a.m.

### 3. **ELECTION OF CBED ADVISORY COUNCIL CHAIR:**

This item was deferred to the next Council meeting.

NEXT MEETING:

TDA

Ms. Rasmussen suggested that DBEDT/CBED should schedule the next meeting for 1.5 hours instead of 1 hour.

Ms. Melton asked if the Zoom link for the meeting could be sent as calendar invite. She also asked if DBEDT/CBED could streamline all the meeting materials into one packet.

Mr. Fujikawa suggested that he could create a webpage that would be secured with a password. Mr. Ritchie advised that the meeting package is posted on the DBEDT website.

Mr. Ritchie and the CBED staff will work on the requests.


ADJOURNMENT:

The meeting was adjourned at 11:12 a.m. on a motion made by Ms. Horike and seconded by Ms. Melton.

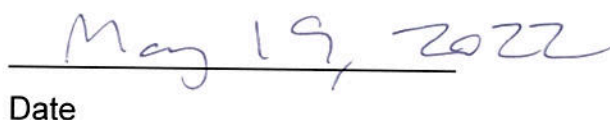
Roll call vote was requested, and the following Council members approved the motion: Ms. Horike, Mr. Brown, Mr. Ling, Mr. Matsumura, Mr. Loke, Ms. Melton and Ms. Rasmussen.

The motion was approved.

Respectfully submitted,



Mark Ritchie  
Presiding Officer



Date