

**Meeting Packet CBED Advisory Council Meeting
June 30, 2022 10:00 am**

**Approval of CBED Advisory Council Meeting Minutes
for May 17, 2022**

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)
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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.

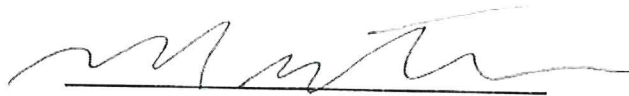
ADJOURNMENT:

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.

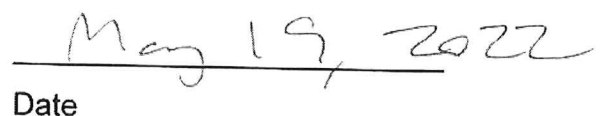
The motion was approved.

Respectfully submitted,



Mark Ritchie

Presiding Officer



Date

Recommendation/Approval of CBED Loan of \$100,000 to Counter Culture, LLC dba Farm Link to be used for working capital and equipment. Co-lending with Feed the Hunger Fund (FTHF) for a total of \$200,000 (\$100,000 from CBED and \$100,000 from FTHF

Counter Culture LLC dba Farm Link
Mr. Rob Barreca, Principal
743 Waiakamilo Rd., Suite J
Honolulu, HI 96817

Counter Culture LLC dba Farm Link meets the requirements of Chapter 210D of the Hawaii Revised Statutes as an eligible business for the purpose of working capital and fixed assets.

Farm Link (Hawaii) connects local growers and buyers via its innovative online marketplace and supply-chain infrastructure. Farm Link connects household and commercial buyers to local farmers for delivery or pickup. The company's mission is to build a thriving, equitable food system in Hawaii by empowering local farmers and improving access to local foods. The company currently employs 22 people. In 2021 Farm Link purchased over \$1 mil of local produce and products from over 200 local farmers and ranchers, and sold to over 2,000 unique buyers.

<u>Amount</u>	<u>Class</u>
\$100,000	FTHF Food Manufacturer Loan
\$100,000	CBED Facility Loan
\$200,000	Total Request

Working capital & fixed assets.

CBED Micro-Loan

Amount: \$100,000
Period: 7 Years
Interest Rate: 3.00% per annum
Repayment: Monthly principal and interest payments for seven (7) years - amortized over 11 years (132 months) with balloon payment of \$50,000 due in the seventh year.

Feed the Hunger Fund (FTHF)

Amount: \$100,000
Period: 7 Years
Interest Rate: 4.00.%
Repayment: Monthly principal and interest payments for seven (7) years - amortized over 11 years (132 months) with balloon payment of \$50,000 due in the seventh year.



Date	6/10/2022	Time Start	8:15 AM HST/ 11:15 AM PST
Location	Conference Line: (646) 876-9923 Conference ID: 795-138-225	Time End	9:15 AM HST/ 12:15 PM PST
Participants	Committee Members	FTHF Staff	
	<input type="checkbox"/> Brett Melone <input type="checkbox"/> Phil Bachus <input type="checkbox"/> Eunice Azzani <input type="checkbox"/> Mark Murakami <input type="checkbox"/> Patti Chang <input type="checkbox"/> Vivian Pham <input type="checkbox"/> Leticia Corona	<input type="checkbox"/> Aaron Ellis <input type="checkbox"/> Mike Canale <input type="checkbox"/> Juan Santiago <input type="checkbox"/> Meche Sansores <input type="checkbox"/> Shandis Ching <input type="checkbox"/> Eric Bowman	
Attachments	Loan Write-up for <ul style="list-style-type: none"> o Counter Culture (dba. Farm Link Hawaii) 		

MEETING DISCUSSION

#	Items Discussed	Notes
1.	<p><u>Counter Culture LLC (dba. Farm Link)</u> Farm Link Hawaii connects local growers and buyers via its innovative online marketplace and supply-chain infrastructure. Farm Link connects household and commercial buyers to local farmers for delivery or pickup. Their mission is to build a thriving, equitable food system in Hawaii by empowering local farmers and improving access to local foods. The company currently employs 22 people (11 people were hired after our last loan). In 2021, they purchased over \$1M of local produce and products from over 200 local farmers and ranchers, and sell to over 2,000 unique buyers.</p> <p>Farm Link hopes to grow both the number of local farmers/producers they source from as well as the value of purchases from suppliers as illustrated in the figures below:</p>	<p>Farm Link has a risk rating of 2 (Good).</p> <p>Pros:</p> <ul style="list-style-type: none"> - The business has a broad impact across the food sector in Hawaii - This project has great potential to build our borrower pipeline and help us to meet our growth goals - The leveraged loan guarantee structure appears to be very popular with Slow Money Hawaii and KL Felicitas and could lead to other similar structures <p>Cons:</p> <ul style="list-style-type: none"> - The projected growth rate of the company will require additional capital, only a portion of which has been committed - Grant revenue has been a significant contributor to income and this is expected to decline increasing, reliance on earned income - Debt repayment during this expansion period will rely upon securing equity investment, however only 20% (\$61,567) of our loan capital is at risk



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	<div data-bbox="203 378 844 772"> <p>Producers By Category</p> <table border="1"> <caption>Estimated Data for Producers By Category</caption> <thead> <tr> <th>Year</th> <th>Produce</th> <th>Packaged</th> <th>Meat & Seafood</th> <th>Health & Home</th> <th>Eggs & Dairy</th> <th>Bakery</th> <th>Alcohol</th> </tr> </thead> <tbody> <tr><td>2010</td><td>100</td><td>50</td><td>20</td><td>10</td><td>10</td><td>10</td><td>10</td></tr> <tr><td>2011</td><td>120</td><td>60</td><td>25</td><td>15</td><td>15</td><td>15</td><td>15</td></tr> <tr><td>2012</td><td>150</td><td>80</td><td>30</td><td>20</td><td>20</td><td>20</td><td>20</td></tr> <tr><td>2013</td><td>200</td><td>100</td><td>35</td><td>25</td><td>25</td><td>25</td><td>25</td></tr> <tr><td>2014</td><td>250</td><td>120</td><td>40</td><td>30</td><td>30</td><td>30</td><td>30</td></tr> <tr><td>2015</td><td>300</td><td>140</td><td>45</td><td>35</td><td>35</td><td>35</td><td>35</td></tr> <tr><td>2016</td><td>350</td><td>160</td><td>50</td><td>40</td><td>40</td><td>40</td><td>40</td></tr> <tr><td>2017</td><td>400</td><td>180</td><td>55</td><td>45</td><td>45</td><td>45</td><td>45</td></tr> <tr><td>2018</td><td>450</td><td>200</td><td>60</td><td>50</td><td>50</td><td>50</td><td>50</td></tr> <tr><td>2019</td><td>500</td><td>220</td><td>65</td><td>55</td><td>55</td><td>55</td><td>55</td></tr> <tr><td>2020</td><td>550</td><td>240</td><td>70</td><td>60</td><td>60</td><td>60</td><td>60</td></tr> <tr><td>2021</td><td>600</td><td>260</td><td>75</td><td>65</td><td>65</td><td>65</td><td>65</td></tr> <tr><td>2022</td><td>650</td><td>280</td><td>80</td><td>70</td><td>70</td><td>70</td><td>70</td></tr> </tbody> </table> </div> <div data-bbox="203 808 844 1270"> <p>Statewide Producers</p> <table border="1"> <caption>Estimated Data for Statewide Producers</caption> <thead> <tr> <th>Year</th> <th>Number of Producers</th> <th>Purchases Per Producer</th> </tr> </thead> <tbody> <tr><td>2010</td><td>131</td><td>\$1,350</td></tr> <tr><td>2011</td><td>162</td><td>\$3,821</td></tr> <tr><td>2012</td><td>436</td><td>\$11,903</td></tr> <tr><td>2013</td><td>560</td><td>\$24,720</td></tr> <tr><td>2014</td><td>624</td><td>\$31,291</td></tr> <tr><td>2015</td><td>660</td><td>\$38,864</td></tr> <tr><td>2016</td><td>660</td><td>\$42,000</td></tr> </tbody> </table> </div> <p>The mission of Farm Link is incredibly well aligned with the mission of FTHF to support the local food system. My hope is that we can leverage this relationship to start providing loans to Farm Link suppliers to help them increase production.</p> <p>In March 2021, FTHF approved a \$250,000 loan to Farm Link for working capital and fixed assets. The principal balance of that loan is \$207,836.</p> <p>Farm Link is currently seeking a loan of \$200,000 from FTHF and DBEDT for working capital. Lisa Kleissner (Hawaii Investment Ready & KL Felicitas) has committed a \$50,000 loan guarantee, and Mary Spodaro (Slow Money Hawaii) is anticipated to pledge another \$50,000 loan guarantee.</p>	Year	Produce	Packaged	Meat & Seafood	Health & Home	Eggs & Dairy	Bakery	Alcohol	2010	100	50	20	10	10	10	10	2011	120	60	25	15	15	15	15	2012	150	80	30	20	20	20	20	2013	200	100	35	25	25	25	25	2014	250	120	40	30	30	30	30	2015	300	140	45	35	35	35	35	2016	350	160	50	40	40	40	40	2017	400	180	55	45	45	45	45	2018	450	200	60	50	50	50	50	2019	500	220	65	55	55	55	55	2020	550	240	70	60	60	60	60	2021	600	260	75	65	65	65	65	2022	650	280	80	70	70	70	70	Year	Number of Producers	Purchases Per Producer	2010	131	\$1,350	2011	162	\$3,821	2012	436	\$11,903	2013	560	\$24,720	2014	624	\$31,291	2015	660	\$38,864	2016	660	\$42,000	<p>Staff recommendation: is to approve a loan of \$100,000 at 4% for 7 years - amortized over 11 years with a balloon payment of \$50,000 due in the seventh year.</p> <p>Vote:</p>
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	<p>If this loan is approved, Farm Link will hold an outstanding balance of \$307,836 of FTHF funds.</p> <p>Counter Culture (Farm) - Started in 2015 on 5 acres of KS land, expanded to another 5 acre KS parcel, then a 30 acre Corteva parcel (total 40 acres leased land in Waialua/Hale'iwa). The farm is certified organic focusing on banana and papaya. Up until 2019, Rob split 50% of time in the field but now spends only 2% of his time doing administrative work. The daily operations on the farm is run by farm manager CTAHR Masters graduate Gabe Sacther-Smith and a 4 person crew.</p> <p>Farm Link (Food Hub) - Started in 2015 began aggregating produce from Oahu farmers selling wholesale. Farm Link now aggregates from all islands and is focused on selling direct to consumer. When COVID hit in March 2020, Farm Link had over 8,000 new users sign up in April to use the service, unfortunately they did not have the capacity (i.e. team, software platform, and infrastructure) to onboard more customers and suppliers so they only captured about 10% of that demand. May 2022, they had their highest monthly customer base of 1,104 – over 100 of those customers pay with SNAP/EBT and represents 6% of retail sales.</p> <p>In 2021, Claire Sullivan was brought on as the CEO. She was most recently part of the team at MA'O Organic Farms (www.maoorganicfarms.org) where she helped to raise \$11.4M to expand the farm from their initial 5-acres to 24-acres, and finally up to 257-acres. In addition to supporting operations and staff management, Claire will be leading the fundraising efforts at Farm Link.</p> <p>From 2017 through 2021, Farm Link revenue has grown at a CAGR of 79%, however COGS have outpaced the revenue growth at a CAGR of 181% due to increases in labor, shipping and renting delivery trucks. As a result of FTHF's initial investment, staff have been hired (the number of employees went from 11 to 22) and delivery trucks have been purchased removing the unsustainable</p>	



#	Items Discussed	Notes
	<p>expense of renting. Looking at the YTD and projections for 2021 to 2022, revenue will grow by 56% and COGS by 45% showing a trend in the right direction as the business moves through this expansion phase.</p> <p>Future growth is anticipated to be funded by an equity raise of \$4.8M over the next three years and a debt raise of \$2.7M over two years for working capital. Additional debt will be raised for acquisition of delivery vehicles (\$1.5M over the next 10 years) and for facility buildout (\$3M over the next two years).</p> <p>KS has approved an investment of \$892K, structured as a royalty payment (2% of gross revenue starting in 2025 until a 12% return is met) – only half (\$446K) has been drawn down. In addition to these funds, Farm Link is looking to raise \$800k in equity investments for 2022 – to date \$100K has been committed from Lisa Kleissner, \$100K has been pledged from Mary Spodaro, and up to \$450K to come from Ulupono Initiative, Johnson Ohana Foundation, and Kokua Hawaii Foundation. The Frost Family Foundation is in discussion with Claire to determine if they will provide a grant or equity investment.</p> <p>The business has been successful in securing grants at approximately \$400K per year on average for the last 4 years. Farm Link has confirmed \$866,500 in grant funding for 2022, with an additional \$100,000 applied for but not yet awarded. This level of grant funding is not anticipated to be sustained over the coming years and is projected to return to an average of \$400k annually for the next 7 years.</p> <p>Repayment of this loan will be tied to Farm Link meeting their projected fundraising goals. However, the debt from this loan and our existing loan will have a collateral coverage ratio of 80%. Meaning that only \$82K of this debt (\$407,836) is unsecured. The proposed terms of the loan are for 7 years (4% interest for FTHF, 3% interest for DBEDT) with a balloon payment equal to the value of the loan guarantee.</p>	

Recommendation/Approval of CBED Loan of \$105,000 to Pomai Kulolo, LLC to be used for equipment. Co-lending with Feed the Hunger Fund (FTHF) and Lei Ho'olaha for a total of \$355,000 (\$105,000 from CBED; \$150,000 from FTHF and \$100,000 from Lei Ho'olaha)

Pomai Kulolo is owned and operated by the Kekaula siblings: Keanue, Pomai, Rose, and Ashlin. Pomai Kulolo began originally in 2007, when Keanue Kekaula used a family recipe to begin making his kulolo and sold it roadside at various locations throughout the island. Seeing the great response to his kulolo, Keanue decided to offer haupia as well as his own original creation, haulolo. Keanue decided to take his business to higher level and began selling in farmer's markets throughout Oahu.

Pomai Kulolo is requesting a loan of \$500,000 for the purpose of upgrading current facilities, expanding operations, and securing a supply chain for further growth. They currently sell at Times, Foodland, and Tamuras on Oahu. They also sell at local farmers markets, and at CVS in Las Vegas.

They have grown Net Income at a 79% CAGR from 2018 (\$44,537) to 2021 (\$459,718) and have an average DSCR of 1.9 over those last four years.

This loan will have four participants; FTHF, DBEDT/CBED, Lei Ho'olaha, and HI Dept. of Ag.

Feed The Hunger Foundation- \$150,000
Lei Ho'olaha- \$100,000
DBEDT- \$105,000
State Department of Agriculture- \$145,000

Pomai Kulolo has a risk rating of 2 (Good).

Pros:

- The business meets our target market (Native Hawaiian owned)
- This project furthers our relationship with other lenders in the same space
- The business can afford a higher interest and is willing to pay it
- The business growth has been consistent

Cons:

- Collateral coverage is currently low (28%) but expected to increase to ~75% once a full collateral list is received

Staff recommendation: is to approve a loan of \$105,000 at 6% for 5 years.

Pomai Kulolo
Keanue Kekaula
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Pomai Kulolo Loan Request

Loan Request

The loan amount of \$500,000 for the purpose of upgrading current facilities, expanding operations, and securing a supply chain for further growth. The Loan will cover 3 major activities over a 2 year span:

1. **Kauai Processing Hub and Mill (\$250,000).** The company will establish a processing hub and mill on site of where we have a private partnership that will eventually farm 1,000+ acres of kalo. The hub will be used to clean the kalo which will be shipped to our mills on Oahu and Utah. The hub will need electrical (\$40,000), plumbing (\$50,000), and refrigeration (\$100,000) upgrades, and new processing equipment which has already been paid for. The mill will need delivery vehicles (\$30,000) and a forklift (\$30,000) for us to fully operate efficiently. It will take 4-6 months to complete this phase.

The processing hub will allow the company to transfer all kalo cleaning activities from Oahu to Kauai. Company will repurpose 4 Oahu employees to packing. Hire 4 new employees for the new facility in Kauai. The mill will also be processing 2,000 lbs weekly to meet Kauai demand generating \$40,000 monthly with expenses roughly \$28,000.

2. **Securing Supply Chain (\$185,000).** The key to expanding is securing and stabilizing the supply chain. In order to do this, the company has entered into a private partnership with a land owner willing to open up 1000+ acres for farming kalo. PK will need to purchase a tractor (\$80,000), rent a bulldozer and excavator as needed and purchase custom built add-ons or farming implements to efficiently farm (\$105,000). This will be ongoing with an anticipated result of 2 years to be able to start harvesting 20 acres of kalo from the lo'i style (wetland) of farming and 80 acres of mala style (dryland) of farming. Initially we will start farming 100 acres and then continue to huli bank to reach 1,000 acres as the demand continues to be met.
3. **Improving Operational Efficiency (\$65,000).** The processing hub at Kapaa Quarry on Oahu, will improve the cooking systems by plumbing and wiring the autoclave (\$35,000) and to upgrade the cooling systems with a cooling pond. This project must be completed quickly so as not to disrupt the current operations and is expected to take 1 month to 2 months to complete.

Loan Participants:

Feed The Hunger Foundation- \$150,000 (Kauai Hub upgrades, \$90,000, delivery vehicle, \$30,000, forklift, \$30,000)

Lei Ho'olaha- \$100,000 (Kauai Hub upgrades and refrigeration)

DBEDT- \$105,000 (Custom farming implements)

State Department of Agriculture- \$145,000 (Tractor, \$80,000 and Oahu Upgrades, \$65,000)

Phase 1: Increase Operational Efficiency & Capacity

1. Complete cooling and cooking upgrades for Oahu processing mill that will reduce operational costs by 15%. (1-2 Months)
2. Complete the full build out of a processing hub on site of kalo farm in Kauai. Begin processing kalo from Kauai to be sent to Oahu for cooking and packaging. (12 months)
 - a. Labor cost reduction of 20% (6 months)
 - b. Generate \$40,000 in revenue (12 months)

Phase 2: Expand into Continental US

1. Complete upgrades of refrigeration, plumbing, and ship filler, cookers, and grinders to open up mill facility. (3-4 months)
 - a. Generate \$20,000 in revenue (4 months)
 - b. Generate \$40,000 in revenue (12 months)

Phase 3: Secure Supply Chain

1. Clear and plant 100 acres of kalo on private partnership land in Kauai. Establish huli bank to grow to 1000 acres.
 - a. Begin harvesting weekly of 100 acres (24 months)
 - b. Begin harvesting weekly of 1000 acres (60-84 months)

Phase 4: Expand Products

1. Full Meal Supplements for elderly and babies
 - a. Expand offerings in hospitals, hospices, and private care homes
 - b. Leverage wholesale relationships to add babyfood line



Date	6/22/2022	Time Start	8:15 AM HST/ 11:15 AM PST
Location	Conference Line: (646) 876-9923 Conference ID: 795-138-225	Time End	9:15 AM HST/ 12:15 PM PST
Participants	Committee Members <input type="checkbox"/> Brett Melone <input type="checkbox"/> Phil Bachus <input type="checkbox"/> Eunice Azzani <input type="checkbox"/> Mark Murakami <input type="checkbox"/> Patti Chang <input type="checkbox"/> Vivian Pham <input type="checkbox"/> Leticia Corona	FTHF Staff <input type="checkbox"/> Aaron Ellis <input type="checkbox"/> Mike Canale <input type="checkbox"/> Juan Santiago <input type="checkbox"/> Meche Sansores <input type="checkbox"/> Shandis Ching <input type="checkbox"/> Eric Bowman	
Attachments	Loan Write-up for o Pomai Kulolo LLC		

MEETING DISCUSSION

#	Items Discussed	Notes
1.	<p><u>Pomai Kulolo LLC</u> Pomai Kulolo is owned and operated by the Kekaula sibilings: Keanue, Pomai, Rose, and Ashlin. Pomai Kulolo began originally in 2007, when Keanue Kekaula used a family recipe to begin making his kulolo and sold it roadside at various locations throughout the island. Seeing the great response to his kulolo, Keanue decided to offer haupia as well as his own original creation, haulolo. Keanue decided to take his business to higher level and began selling in farmer's markets throughout Oahu.</p> <p><u>Keanuenue Kekaula Kamehameha Schools (ksbe.edu)</u></p> <p>Pomai Kulolo is requesting a loan of \$500,000 for the purpose of upgrading current facilities, expanding operations, and securing a supply chain for further growth. They currently sell at Times, Foodland, and Tamuras on Oahu. They also sell at loacal farmers markets, and at CVS in Las Vegas.</p> <p>They have grown Net Income at a 79% CAGR from 2018 (\$44,537) to 2021 (\$459,718) and have an average DSCR of 1.9 over those last four years.</p>	<p>Pomai Kulolo has a risk rating of 2 (Good).</p> <p>Pros:</p> <ul style="list-style-type: none"> - The business meets our target market (Native Hawaiian owned) - This project furthers our relationship with other lenders in the same space - The business can afford a higher interest and is willing to pay it - The business growth has been consistent <p>Cons:</p> <ul style="list-style-type: none"> - Collateral coverage is currently low (28%) but I expect it to increase to ~75% once a full collateral list is received <p>Staff recommendation: is to approve a loan of \$150,000 at 6% for 5 years.</p> <p>Vote:</p>



#	Items Discussed	Notes
	<p>This loan will have four participants; FTHF, DBEDT/CBED, Lei Ho’olaha, and HI Dept. of Ag.</p> <p>Feed The Hunger Foundation- \$150,000 Lei Ho’olaha- \$100,000 DBEDT- \$105,000 State Department of Agriculture- \$145,000</p> <p>The Loan will cover 3 major activities over a 2 year span:</p> <ol style="list-style-type: none"> 1. Kauai Processing Hub and Mill (\$250,000). The company will establish a processing hub and mill on site of where we have a private partnership that will eventually farm 1,000+ acres of kalo. The hub will be used to clean the kalo which will be shipped to our mills on Oahu and Utah. The hub will need electrical (\$40,000), plumbing (\$50,000), and refrigeration (\$100,000) upgrades, and new processing equipment which has already been paid for. The mill will need delivery vehicles (\$30,000) and and a forklift (\$30,000) for us to fully operate efficiently. It will take 4-6 months to complete this phase. <p>The processing hub will allow the company to transfer all kalo cleaning activities from Oahu to Kauai. Company will repurpose 4 Oahu employees to packing. Hire 4 new employees for the new facility in Kauai. The mill will also be processing 2,000 lbs weekly to meet Kauai demand generating \$40,000 monthly with expenses roughly \$28,000.</p> <ol style="list-style-type: none"> 2. Securing Supply Chain (\$185,000). The key to expanding is securing and stabilizing the supply chain. In order to do this, the company has entered into a private partnership with a land owner willing to open up 1000+ acres for farming kalo. PK will need to purchase a tractor (\$80,000), rent a bulldozer and excavator as needed and purchase custom built add-ons or farming implements to efficiently farm (\$105,000). This will be ongoing with an anticipated result of 2 years to be able to start harvesting 20 acres of kalo from the lo’i style (wetland) of farming and 80 acres of mala style (dryland) of 	



#	Items Discussed	Notes
	<p>farming. Initially we will start farming 100 acres and then continue to huli bank to reach 1,000 acres as the demand continues to be met.</p> <p>3. Improving Operational Efficiency (\$65,000). The processing hub at Kapaa Quarry on Oahu, will improve the cooking systems by plumbing and wiring the autoclave (\$65,000) and to upgrade the cooling systems with a cooling pond. This project must be completed quickly so as not to disrupt the current operations and is expected to take 1 month to 2 months to complete.</p>	

#	Description	Assigned To	Date Assigned	Due Date	Date Completed	Comments
1	Action:					
2	Action:					
3						
4						
5						
6						