

**COMMUNITY-BASED ECONOMIC DEVELOPMENT (CBED)
ADVISORY COUNCIL MEETING
Tuesday, February 20, 2024, 10:00 a.m.**

Old Business

Approval of CBED Advisory Council Meeting Minutes for
January 16, 2024

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

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

TUESDAY, JANUARY 16, 2024, AT 10:00 A.M.
HCDA Building, First Floor
547 Queen Street, Honolulu, Hawaii 96821
AND VIA VIRTUAL APPLICATION ZOOM: VIDEO/AUDIO CONFERENCE

Advisory Members Present were:

Nancy Elvira Lo (Chair)	-	Advisory Council Member (Oahu)
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)
Roberta Melton	-	Advisory Council Member (Kauai)
Teena Rasmussen	-	Advisory Council Member (Maui)
Mark Ritchie For	-	Department of Business,
Dennis Ling (Ex-Officio)	-	Economic Development & Tourism (DBEDT)

Guests:

Eric Bowman	-	Feed the Hunger Fund
Aaron Ellis	-	Feed the Hunger Fund
Lei Riedel	-	Pakini Loan Fund

Staff:

Elisa Amemiya	-	Attorney General's Office
Timothy Tiu	-	DBEDT
Jason Ushijima	-	DBEDT
Selma Malcolm	-	DBEDT

Apologies:

Karen Barr	-	Advisory Council Member (Oahu)
Kaleokalani Kuroda	-	Advisory Council Member (Oahu)

CALL TO ORDER:

Mr. Ritchie called the meeting to order on Tuesday, January 16, 2024, at 10:06 a.m.
All members and guests participated via ZOOM.

- **Welcome Current Council Members and Introduction of Guests:**

Mr. Ritchie welcomed all present. A roll call vote was conducted, and members indicated if they were alone at their respective locations. Mr. Ritchie announced that he's DBEDT's Ex/Officio in place of Mr. Dennis Ling.

Mr. Ritchie introduced Mr. Eric Bowman, Loan Officer at Feed the Hunger Fund (FTHF), Ms. Amemiya, Deputy Attorney General, and DBEDT staff.

OLD BUSINESS:

1. Approval of Minutes of January 16, 2024:

Minutes of the January 16, 2024 meeting were distributed and reviewed by the Council. Mr. Ritchie asked if there were any comments and/or corrections to the Minutes. There were none and he asked for a motion to approve the Minutes.

Motion was made by Ms. McAluney and seconded by Ms. Melton to approve the Minutes of January 16, 2024 as presented.

A roll call vote was taken with the following Council members approving the motion: Chair Lo, Mr. Brown, Ms. Horike, Mr. Loke, Ms. McAluney, Ms. Melton, Ms. Rasmussen and Mr. Ritche.

Motion to adopt the January 16, 2024 Minutes was approved unanimously.

Public Testimony:

There was no public testimony.

NEW BUSINESS:

Approval of CBED Loan of \$100,000 to C&C Tropicals in Hilo, Hawaii

DBEDT/CBED is co-lending with Feed the Hunger Fund which will also make a loan of \$100,000 to C & C Tropicals in Hilo for working capital to support a planned expansion of newly acquired farm leases and a warehouse. The term of the loan is 5 years with an interest rate of 5 percent.

Mr. Ritchie stated that Mr. Eric Bowman, Loan Officer of Feed the Hunger Fund (FTHF) approached him recently with this co-lending opportunity that aligns with the CBED program mission. He then invited Mr. Bowman to walk the Council through the loan.

Mr. Bowman thanked DBEDT/CBED for allowing him the opportunity to bring forward an opportunity for Shane Castillo, Jr., of C & C Tropicals in Hilo. He then indicated that everyone at FTHF appreciates the relationship they have with DBEDT/CBED.

Mr. Bowman indicated that C & C Tropicals is an agricultural company located in Hilo, Hawaii. The company grows and sells tropical flowers, primarily anthuriums, to a large client base including Watanabe Floral in Honolulu and Pacific Floral Exchange (PFE) in Keaau. He said that C & C Tropicals is owned and operated by Shane Castillo, Jr., and his partner, Kris Carlton. Mr. Bowman advised that with the growing demand for tropical flowers, C & C Tropicals has expanded rapidly over the last 5 years to manage 35 acres of production land and sells a variety of species on the wholesale market.

Mr. Bowman advised that C & C Tropicals is seeking capital to acquire Pacific Floral Exchange (PFE) which is one of the largest flower distributors on Hawaii Island. It operates out of a large warehouse on a 2-acre commercial parcel in Keaau that is owned by Milo Ventures. The sale of PFE includes the assignment of several HDOA leases, totaling 30 acres of production. Mr. Bowman stated that the seller and the buyer have agreed to a price and the USDA has approved a conditional loan of \$300,000. However, there are details that need to be finalized including the assignment of leases, legal review, updated purchase agreement, etc. The FTHF loan committee met recently and issued a Letter of Interest (LOI) to C & C Tropicals and Mr. Bowman asked DBEDT/CBED to issue one as well.

Mr. Bowman stated that the seller of PFE, Milo Ventures is asking for \$1 million and a part of that would come from seller financing and the USDA Farm Service Agency. He advised that Mr. Castillo is in good standing with FTHF, has excellent credit and has significantly grown his business over the last 5 years. He also mentioned that Mr. Castillo's cashflow is sufficient to support the debt service for the seller and the USDA acquisition loan. Mr. Bowman stated that the co-lending loan of \$200,000 (FTHF/\$100,000 & DBEDT/CBED \$100,000) would be used for working capital and equipment.

At this point, Mr. Ritchie announced that Mr. Aaron Ellis of FTHF had joined the meeting and welcomed him.

Mr. Ritchie asked Mr. Bowman to speak to "recommend/approval" of the loan. Mr. Bowman informed the Council that FTHF issued a Letter of Interest (LOI) to C & C Tropicals, with four (4) main conditions: 1) Satisfactory completion of the USDA loan conditions; 2) Loan approval by DBEDT/CBED; 3) Complete legal review including the three (3) original leases and FTHF's acceptance that no new materials have come to light; and 4) An updated purchase agreement that reflects all these new realities.

Mr. Brown noted that the seller/PFE and the buyer/Castillo seem to have a good relationship and inquired if PFE is planning to stay involved in the company to a certain extent.

Mr. Bowman responded that as part of the transaction, there is a consulting agreement so he believes that the seller/PFE will remain involved.

Mr. Ritchie reiterated that he is the Ex-Officio at the meeting for Mr. Ling and advised that DBEDT/CBED is looking for a recommendation/approval with the same provisions that are in the Letter of Interest (LOI) from FTHF and he would not request the DBEDT Director's signature until all the provisions are met.

Mr. Ritchie then asked for a motion on this item.

Motion was made by Ms. McAluney and seconded by Ms. Lo that CBED staff would not request the Director's signature until the following provisions are met by C & C Tropicals: 1) Satisfactory completion of loan conditions of the USDA loan; USDA loan must then be disbursed to the seller; 2) Loan approval by DBEDT/CBEB; 3) Complete legal review, including the three (3) original leases and FTHF's acceptance that no new material have come to light and; 4) An updated purchase agreement that reflects all these new realities.

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

The motion was approved unanimously.

Mr. Ritchie thanked everyone for attending the meeting and Mr. Bowman for his presentation.

NEXT MEETING:

Tuesday, February 20, 2024, at 10:00 a.m., via Zoom.

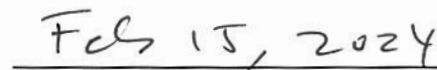
ADJOURNMENT:

The meeting was adjourned at 11:00 a.m., on a motion by Ms. McAluney and seconded by Ms. Lo and approved unanimously.

Respectfully submitted,



For Nancy Elvira Lo, Chair



Date

New Business

Recommendation/Approval of follow-on CBED Loan of \$25,000 to Samurai, Inc., a food manufacturing company producing snack foods based in Kalihi, Honolulu. Co-lending with Feed the Hunger Fund, which will also make a follow-on loan of \$25,000. CBED loan is to purchase an in-line printer, a conveyor belt system, a flash freezer and additional components. The CBED loan will have a term of 4 years with an interest rate of 6%. Underwriting review by Aaron Ellis, Director of Programs and Lending, Feed the Hunger Fund.

Samurai

www.samurai-inc.com

Founded in 1995, Kalihi Samurai Inc located in Kalihi employs 20 people and has a nearly 30-year history of manufacturing ice cream, frozen desserts, sugar, and confectionery products. The company produces four main product lines, Hawaiian frost ice cups, Frost Icicles, Soft serve mix, and Samurai popcorn. In addition to their Kalihi brick and mortar location they can be found all the major grocery stores in Hawaii (e.g. CVS, Foodland, KTA, Marukai, NEX, Safeway, Sams Club, Walgreens, Walmart, 7-Eleven, ABC Stores, Aloha Island minimart, and more)

The original founder, Gilbert Yamada retired in 2022 and sold his equity to longtime employee and manager, Roslynn Funakoshi.

The current site lease was renewed in March 2023 for 5 years, with a renewal extension of 5 years.

The business has a long history of profitability (excluding 2020 due to COVID), however, the owner was unable to secure debt from a commercial lender due to the recent change in leadership.

In September 2023, FTHF deployed a loan of \$200,000 (split 50/50 between FTHF and DBEDT/CBED) to Samurai to update the facilities and purchase automated production equipment that will increase labor efficiency and reduce costs.

Today, the owner is requesting a loan of \$50,000 (split 50/50 between FTHF and DBEDT/CBED) to purchase more equipment (Conveyor belt system and flash freezer).

The total FTHF capital at risk will be \$121,306.

In 2022, the company had higher than normal operating expenses, which were attributed to transitioning ownership of the company. The DSCR for 2023, including the new debt, is 2.43.

Samurai has a risk rating of 2 (Good).

Pros:

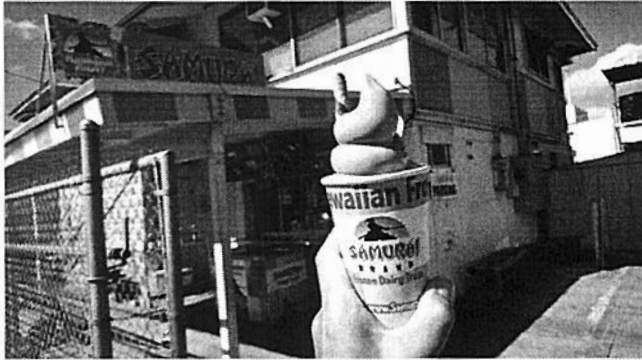
- The business has a history of managing debt well and with this loan will have a GDSCR of 2.8.
- The collateral coverage for this debt (including both FTHF and DBEDT) is 1.96
- Target market borrower (low-income, BIPOC, woman-owned)

Cons:

- Business is under "new" ownership, but the current owner has been with the company for 19 years and 11 of those years have been in management.
- The last loan to this borrower was made four months ago. However, the borrower is seeking capital to secure more equipment and the request is not due to a cash shortfall.

- The quick ratio is 68%, however if half of the existing inventories are liquidated the quick ratio becomes 100%.

Staff recommendation: is to approve a loan of \$25,000 for 48 months at 6% annual interest.



Loan Presentation: Samurai Inc.

Date: 2/7/2024	Total Project Cost: \$ 61,056.00
Business: Samurai, Inc.	Loan amount requested: \$ 25,000.00
Principal Name(s): Roslynn Funakoshi	Recommended Interest rate: 6.0%
Address: Business Address 738 Umi Street, Honolulu HI 96819	Term / Amortization: 48 months
Business Type: Existing	RISK RATING: 2
FTHF Loan Client: No	Access to Other Capital*: No, Hawaii USA has declined to provide capital.
Loan Status: New Request	
Business Structure: C-Corp	
Purpose of Loan: Fixed Asset	
Jobs created: 0	
Jobs retained: 20	
Ownership Structure: 95% Roslynn Funakoshi 5% Mackenna McCue	Business description: Samurai Inc was founded in 1995. Located in Kalihi they manufacture ice cream, frozen deserts, sugar and confectionery products. https://www.samurai-inc.com/

Loan #	Original	Principal Balance	Original Loan purpose	Delinquency	30 +	60+	90+
9/21/2023 FTHF loan 1	\$ 100,000	\$ 96,307	Fixed Asset & Working Capital	None			
TOTAL	\$ 100,000	\$ 96,307					

PRINCIPAL INFORMATION	
Personal Net worth:	\$34,443
Credit score:	752

COLLATERAL							
Type	Source of Value	Date of Value	Gross Value	LTV**	Net Value	Prior liens	equity
New Equipment	estimate	2/7/2024	\$ 61,056	85%	\$ 51,898	\$ -	\$ 51,898
Inventory	estimate	2/7/2024	\$ 101,276	25%	\$ 25,319	\$ -	\$ 25,319
Existing Equipment	estimate	2/7/2024	\$ 811,522	50%	\$ 405,761	\$ -	\$ 405,761
Total					\$ 482,978		\$ 482,978
Collateral coverage***							1.99

SOURCES	
Lender	Amount
FTHF	\$ 25,000
DBEDT/CBED	\$ 25,000
Equity	\$ 11,056
Total	\$ 61,056

USES	
Uses	Amount
Automated Equipment	\$ 50,000
Ink Printer	\$ 11,056
Total	\$ 61,056

includes DBEDT portion

FEES			
Closing Fee:	2.5%	\$	625
Wire Transfer Fee		\$	35
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