COMMUNITY-BASED ECONOMIC DEVELOPMENT (CBED) ADVISORY COUNCIL MEETING

Tuesday, September 15, 2026, 10:00 a.m.

Old Business

Approval of CBED Advisory Council Meeting Minutes for May 19, 2026

<u>DRAFT</u>

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

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

TUESDAY, MAY 19, 2026 AT 10:00 A.M.
No. 1 Capitol District Building,
250 South Hotel Street, 5th Floor Conference Room
Honolulu, Hawaii 96813
AND VIA VIRTUAL APPLICATION TEAMS: VIDEO/AUDIO CONFERENCE

Advisory Members Present were:

Michelle Agbigay	-	Advisory Council Member (Hawaii)
Josephine (Poni) Askew	-	Office of Hawaiian Affairs (OHA,Ex-Officio)
Will Smith	-	Advisory Council Member (Kauai)
Roberta Melton	-	Advisory Council Member (Kauai)
Kaiana Niezman	-	Advisory Council Member (Hawaii)
Jason Ushijima For Dennis Ling	-	Department of Business, Economic Development & Tourism (DBEDT, Ex-Officio)

Guests:

Wayne Takamine	-	State of Hawaii, Department of Agriculture & Biosecurity, Loan Division
Cheyenne Lurvey	-	Phoenix Carbon LLC, Representative
Michae Lurvey	-	Phoenix Carbon LLC, Owner

Staff:

Nicholas Kido	-	Attorney General's Office
Ram Arna Braza	-	DBEDT
Selma Malcolm	-	DBEDT

Apologies:

Colleen McAluney	-	Advisory Council Member (Oahu)
Karen Barr	-	Advisory Council Member (Oahu)
Teena Rasmussen	-	Advisory Council Member (Maui)
Lesley Harvey	-	Department of Agriculture & Biosecurity (DAB, Ex-Officio)

CALL TO ORDER:

Mr. Ushijima called the meeting to order on Tuesday, May 19, 2026, at approximately 10:19 a.m. All members participated via Microsoft Teams, with Mr. Niezman joining by telephone. A roll call was conducted and all members confirmed they were alone in their respective locations.

Mr. Ushijima welcomed Council members and welcomed guests Wayne Takamine (DAB Loan Division), Cheyenne Lurvey and Michael Lurvey (Phoenix Carbon LLC), and DBEDT staff Ram Braza and Selma Malcolm. Nicholas Kido of the Attorney General's Office was also present..

OLD BUSINESS:

Approval of Minutes of April 21, 2026:

Minutes of the April 21, 2026, meeting were distributed and reviewed by the Council. Mr. Ushijima 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.

The motion was made by Ms. Melton and seconded by Ms. Agbigay to approve the Minutes of the April 21, 2026 Meeting, as presented.

Mr. Ushijima asked if there were any objections and there were none. The motion to adopt the April 21, 2026 Minutes was approved unanimously.

Public Testimony:

There was no public testimony.

NEW BUSINESS:

1. **Approval of CBED Loan of $125,000 to Phoenix Carbon, LLC:**

   Mr. Ushijima introduced the loan request for Phoenix Carbon LLC, noting that the company is located within an enterprise zone at the Kunia Agribusiness Village, and that its work spans both agriculture and manufacturing, both business activities that the CBED program supports. Mr. Ushijima introduced Mr. Wayne Takamine of DAB to present the loan.

   Mr. Takamine provided the following overview of Phoenix Carbon, LLC:

   - Phoenix Carbon, LLC was established on May 16, 2019 as a Hawaii Limited Liability Company registered with the DCCA. Michael Lurvey is the owner and founder.

- The company farms bamboo and sugarcane to produce high-quality carbon products using a proprietary system developed by Mr. Lurvey, a University of Hawaii graduate. The system was awarded patents in 2012 and has received multiple international and academic awards, most recently in 2019.
- The pyrolysis process converts green waste feedstock — including bamboo, macadamia nut shells, and coconut shells — at temperatures of 500–700 degrees Celsius in an oxygen-limited environment, producing biochar, activated carbon, and green diesel fuel. The system operates as a closed loop with no atmospheric emissions and sequesters approximately 50 carbon credit equivalents per ton of green waste processed.
- Phoenix Carbon currently leases warehouse space at the Kunia Agribusiness Village (Kunia) and farms bamboo in Waialua. Mr. Lurvey and his team have prior experience in remediation projects and have been producing biochar in their current facility.
- In addition to biochar and activated carbon sales, Mr. Lurvey provides consulting services, which constitute a portion of the company's income. The company recently completed one month of cooking operations, generating approximately $12,000 in revenue from the sale of approximately 5,000 pounds of biochar.

Mr. Takamine presented the following loan details and terms:

- Mr. Takamine noted that DAB has previously issued a loan to Phoenix Carbon to support startup operations and equipment acquisition. The current request is intended to remove a key production bottleneck and enable the company to move from limited output to full-scale runs, anticipated by mid-summer 2026.
- Phoenix Carbon is seeking a $125,000, CBED loan terms: 10 years at 4%., for the purchase of a green waste dry briquette system, consisting of a briquette pellet mill (MKB602) and a Rinesard MTS45 dewatering screw press. Costs include estimated shipping costs of approximately $11,700 from the mainland. Total equipment and shipping cost is estimated at $133,390. Phoenix Carbon will contribute a down payment of $8,390.
- The briquette system will expand the range of feedstocks the company can process, allowing green waste including macadamia nut shells, bamboo, wood clippings, and other organic materials to be compressed into puck-sized pellets prior to pyrolysis. This will significantly increase production capacity and efficiency.
- Collateral: First position blanket security interest in crops, accounts receivable, inventory, and equipment; and first position security interest in the specific equipment financed by this loan.

Cheyenne and Michael Lurvey provided additional background on Phoenix Carbon, biochar and its uses and the company's capabilities:

- Phoenix primarily makes biochar to be used as a soil amendment. Biochar increases plant production by up to 200%, as demonstrated through research at UH's College of Tropical Agriculture. Current customers include local farmers and orchid growers.
- They also process the biochar into activated carbon. This is used for water filtration and local demand for activated carbon exists among water utilities, Pepsi, Coca-Cola, and other industrial users. Currently, activated carbon on island is shipped from the mainland for recharging — a process that is cost-prohibitive due to freight costs. Phoenix Carbon's ability to recharge activated carbon locally represents a significant cost-saving opportunity for the state. Activated carbon can be used to clean contaminated soil by pulling contaminants into the carbon matrix. This was done after the recent flooding in Waimanalo.

Ms. Melton asked about the company's sales history and current business volume. Mr. Lurvey confirmed that Phoenix Carbon had previously been in a development phase and that recent active production generated approximately $12,000 in revenue from one month of cooking. The company has been transitioning from renting equipment to purchasing it to reduce operating costs and increase output. Ms. Melton noted a preference for more business-focused financial context — including historical revenues and forward projections — to support the committee's understanding of repayment capacity.

Ms. Agbigay asked about the disposal or utilization of syngas produced by the pyrolysis process. Mr. Lurvey explained that the system captures syngas and converts it to green diesel, propane, and butane. Non-condensable gases are oxidized and catalyzed to produce calcium carbonate. The system operates as a fully closed loop with no stack exhaust, a design verified by third-party testing. Ms. Agbigay noted that she had reviewed similar processes during her time at UH Hilo, and highlighted that transportation and staffing costs were key variables in the business model's viability.

Ms. Askew expressed appreciation for the circular economic model and the value-added waste diversion aspects of the project. She asked for clarification on what the company is currently farming and producing. Mr. Lurvey confirmed that the company is currently farming bamboo in Waialua, with the Kunia warehouse being prepared to house the "briquetter" and additional equipment. Ms. Askew also asked about the macadamia nut shell supply chain and whether partnerships with Oahu-based growers had been explored. Mr. Lurvey noted that Oahu macadamia nut supply is limited, but that the company is in dialogue with a Waialua mac nut grower and is exploring coconut shells as a complementary input. Ms. Askew also raised the need for formal financial projections and an operating plan to be provided ahead of future votes, noting that without it she was voting with reservations.

Mr. Niezman concurred with Ms. Melton and Ms. Askew's comments, noting that basic financial information — including outside income sources and debt service context — would assist the committee in assessing repayment capacity, particularly given the monthly payment obligation of approximately $1,266.

Mr. Takamine confirmed that Phoenix Carbon provided a pro forma financial statement as part of the loan package. He explained that the company's business plan is phased: Phase 1 focuses on biochar production (ready-to-market immediately); Phase 2 expands into activated carbon for water filtration; Phase 3 integrates all operations with projected significant financial returns. He acknowledged that marketing and revenue planning are still being refined.

Mr. Ushijima noted that all loan materials, including write-ups, are subject to public disclosure. So to protect applicants, DAB and other presenting loan officers redact sensitive financial details from materials released to the public.

Ms. Melton raised the question of whether presenters should step out of the meeting during deliberations. However, Mr. Kido clarified that votes must take place in open session and that an executive session would be required to exclude presenters. He noted that presenters typically remain present during voting.

Mr. Smith made a motion to recommend approval the CBED loan of $125,000 to Phoenix Carbon LLC. Ms. Melton seconded the motion. A roll call vote was conducted by Ms. Malcolm. With motion carried with five ayes and one aye with reservation from Ms. Askew.

Mr. Ushijima thanked Mr. Takamine, Mr. Lurvey, and Cheyenne Lurvey for their presentation and participation.

<u>Announcements</u>

Legislative Update — SB 2921

Mr. Ushijima informed the Council that SB 2921, a bill passed in the most recent legislative session, had originally proposed reclaiming numerous state special funds, including the CBED Revolving Loan Fund. At the last minute, the CBED fund was removed from the bill and the bill had passed and then transmitted to the Governor's office. He noted that if signed, it would have no impact on the CBED program. Mr. Ushijima thanked Council members who submitted testimony in support of maintaining the fund.

CBED Loan Portfolio Update

Mr. Ushijima provided a loan portfolio update, noting that the CBED portfolio currently consists of 18 companies. He continued that within the last four months, two borrowers have paid off their loans ahead of schedule: Samurai Inc., paid off their second loan approximately six months early and Holo Holo Tree Service paid off their loan at the start of 2026. Mr. Ushijima congratulated both companies. He additionally noted that Lubrco, who had ceased operations before paying back their loan in full, continues to be a challenge for our loan servicing partner, the Pakini Loan Fund. They have tried over the past month to get in touch with the owner and had not been successful. The Hawaiian Council, CBED's co-lending partner on this loan that originate in approximately 2021, has expressed the same challenge. Mr. Ushijima indicated the situation is ongoing and committed to keeping the Council updated.

Mr. Ushijima stated that July will make one year since the previous CBED program manager had retired and announced to the attendees that in the next meeting, there would be an opportunity to elect a new Chairperson.

Ms. Askew asked a follow-up question as to whether loan applicants are required to provide financial information or a formal presentation to the committee prior to a vote. She expressed the need for such information when reviewing a loan request. She noted that without sufficient financial insight to assess whether the borrower has the capacity to repay it was difficult to cast a vote.

Mr. Ushijima acknowledged the concern and explained that each loan undergoes an in-depth underwriting review by the presenting loan officer prior to coming before the committee. He noted that because all meeting materials and proceedings are subject to public disclosure under Hawaii's Sunshine Law. As such sensitive financial data is removed and redacted from the meeting material packets. He further explained that the level of financial detail provided in presentations varies by presenting agency: Feed the Hunger Fund, for example, provides more financial information in redacted form, compared to the Department of Agriculture and Biosecurity. Mr. Ushijima assured the committee that the presenting loan officers — in this case Mr. Takamine — independently underwrites each loan and reviews the company's financial materials before submission. He also committed to work with DAB and other presenting loan officers to determine what basic financial information could be made available to the committee going forward.

Ms. Melton concurred, noting that the committee needs to understand the business fundamentals of each applicant and not just the technical aspects of their operations.

She observed that when she asked Phoenix Carbon about their sales, the response was given in “pounds” rather than dollars, which does not provide meaningful business context. She noted that Feed the Hunger Fund presentations tend to be more informative in this regard, and suggested that even verbal disclosure of basic historical financials, without requiring written publication, would substantially improve the committee's ability to make informed decisions. Ms. Melton also raised the question of whether applicants could step away after their presentation to allow the committee to deliberate more freely.

Mr. Kido clarified that under the Sunshine Law, all votes must occur in open session. Excluding presenters from the room requires entry into executive session, which is only permissible under specific exceptions, none of which appeared applicable in this instance. He noted that open voting in the presence of all attendees is standard practice across the boards and commissions he advises.

Ms. Agbigay asked whether CBED loans can be secured by equipment purchased with loan proceeds. Mr. Ushijima confirmed that for Phoenix Carbon, a listing of farm-related equipment including tractors, trailers, storage materials and the machines that were intended to be purchased would be used as collateral. He noted that collateral details had been included in the confidential portion of the loan write-up, but committed to working with DAB to make that information available to the committee in redacted form going forward to allow members to review the collateral without overexposure of the company’s financials.

Mr. Niezman echoed the comments of his fellow members, noting that the volume of financial questions asked during the Phoenix Carbon presentation, particularly around outside income and debt service capacity, reflected a need for basic financial context ahead of each vote. He suggested that a standardized process or documentation template be developed to ensure that at minimum, presenting loan officers provide the committee with a verbal or written summary of the applicant's financial position, revenue history, and repayment sources.

Mr. Ushijima thanked all members for their feedback and acknowledged the points raised as well-taken. He committed to developing a more structured loan presentation format in coordination with presenting loan officers, with emphasis on ensuring that the committee receives sufficient financial context to vote with confidence while respecting applicant confidentiality.

NEXT MEETING:

Tuesday, June 16, 2026, at 10:00 a.m.

Mr. Ushijima confirmed that the CBED Council meetings occur on the third Tuesday of each month.

ADJOURNMENT:

The meeting ended at approximately 11:15 a.m., with a motion to adjourn made by Ms. Askew and seconded by Ms. Melton.

There were no objections and the motion was approved unanimously.

Respectfully submitted,

Jason S. Ushijima
Branch Chief, BSB BDSD

9/1/2026
Date

Old Business

Approval of CBED Advisory Council Meeting Minutes for July 28, 2026

DRAFT

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM (DBEDT)

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

TUESDAY, JULY 28, 2026, AT 10:00 A.M.
No. 1 Capitol District Building,
250 South Hotel Street, 5th Floor Conference Room
Honolulu, Hawaii 96813
AND VIA VIRTUAL APPLICATION ZOOM: VIDEO/AUDIO CONFERENCE

Advisory Members Present were:

Karen Barr	-	Advisory Council Member (Oahu)
Roberta Melton	-	Advisory Council Member (Kauai)
Kaiana Neizman	-	Advisory Council Member (Hawaii)
Michelle Agbigay	-	Advisory Council Member (Hawaii)
William Smith	-	Advisory Council Member (Kauai)
Josephine (Poni) Askew	-	OHA Representative (Ex-Officio)
Jason Ushijima For Dennis Ling	-	Department of Business, Economic Development & Tourism (Ex-Officio)

Guests:

Eric Bowman	-	Feed the Hunger Fund (FTHF)

Staff:

John Cole	-	Attorney General's Office
Timothy Tiu	-	DBEDT
Ram Arnan D. Braza	-	DBEDT
Selma S. Malcolm	-	DBEDT

Apologies:

Leslie Harvey	-	Department of Agriculture (Ex-Officio)
Colleen McAluney	-	Advisory Council Member (Oahu)
Teena Rasmussen	-	Advisory Council Member (Maui)

CALL TO ORDER:

Mr. Ushijima called the meeting to order on Tuesday, July 28, at approximately 10:04 a.m. All members and guests participated via Microsoft Teams.

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

  Mr. Ushijima welcomed all present.

  A roll call vote was conducted, and all members indicated that they were alone at their respective locations.

  Mr. Ushijima introduced and welcomed DBEDT Staff Timothy Tiu, Selma Malcolm, and Ram Braza, John Cole from the Attorney General's office, and Eric Bowman from Feed the Hunger Fund (FTHF).

OLD BUSINESS:

Approval of Minutes of May 19, 2026:

Minutes of the May 19, 2026, meeting were distributed and reviewed by the Council. Mr. Ushijima asked if there were any comments and/or corrections to the Minutes. Ms. Melton stated that "Waialua" has been misspelled. Mr. Ushijima said that it will be corrected. He then asked for a motion to approve the Minutes.

The motion was made by Ms. Melton and seconded by Ms. Barr to approve the Minutes of the May 19, 2026, Meeting, as amended.

Public Testimony:

There was no public testimony.

NEW BUSINESS:

1. **Recommendation/Approval of CBED Loan of $125,000 to Elements of the Sea HI, LLC dba Ua Body:**

Mr. Ushijima outlined that the company, Elements of the Sea HI, LLC dba Ua Body, a Hawaii-based natural skincare and fragrance company, has applied for a DBEDT/CBED loan seeking $125,000. The loan would be in partnership with Feed the Hunger Fund, who would co-lend for $150,000, making the total CBED/FTHF loan of $275,000. The company is managed by owners Leala Humbert and Blaine Kusler. CBED loan would cover the cost of supplies, salary for a Hawaii-based Marketing Director, and additional working capital. Term of the loan is 6 years at 6.5%.

Mr. Bowman introduced the company, Elements of the Sea HI, LLC dba Ua Body, to the council. He touched on the company's story and its financial history. Mr. Bowman emphasized that the company has been successful, dynamic, profitable and that they are rapidly growing. This loan can be seen as a defensive loan to prevent the company from relying on merchant cash advances, which is an extremely expensive way to manage working capital.

Mr. Bowman mentioned that the company has been supporting other local companies by sourcing ingredients such as kukui oil and sandalwood locally. They also have plans to open more retail outlets around the islands and hire more employees.

Ms. Askew asked if they were distilling their own fragrances or purchasing the essential oils from farmers that are doing it. Mr. Bowman said that he thinks the company is purchasing the oils.

Mr. Bowman added that the company is on track to double its sales this year, 2026, based on projections from year-to-date sales. He also added that the business alone can support the new debt, without factoring in the household's cash flow ratio in the global debt service ratio.

Mr. Neizman asked how much cash the company has sitting on their balance sheet. Mr. Bowman said that their balance sheet had about $90,000-$100,000 on it.

Mr. Neizman asked if the company would not be able to hire somebody just out of operational cash flow. Mr. Bowman said that he thinks the company has a plan in place that involves hiring a marketing director, but they wanted to raise more working capital for the business before hiring.

Mr. Smith asked if the loan will be used to eliminate or pay off the Shopify loan. Mr. Bowman clarified that the company is currently paying the Shopify loan and that this CBED/FTHF loan will stop them from taking a second Shopify loan.

Mr. Smith asked if it is a covenant of the loan that the company can't secure more of these merchant advance loans while they have an outstanding balance with CBED and FTHF. Mr. Bowman said that it is a covenant in all of their loans that the companies are not allowed to take on more debt without talking to FTHF first.

Ms. Melton asked how the company is projecting to double its sales in 2027, to almost tripling them in 2028 – what are they doing to make such a giant leap in sales? Mr. Bowman said that the numbers are based on the company's CFO's projection. He said that he usually discounts the projects at 60%, but for this, he left it as it was presented directly from the CFO. He also said that the company has plans to enter the national market through retailers like Sephora.

Mr. Neizman asked that based on the numbers that were provided, is the company going to need to come back for another loan in a year to keep up with some of the projections, and are further investment needed to support those sales levels.
Mr. Bowman stated that the company will need further funding, which CBED or FTHF may not be able to provide because of the loan limits of our programs. The company would need bigger funding from large organizations such as KS and Mana Up, and the company is in talks with multiple potential equity investors. However, those investments usually take some time to get processed.

Ms. Askew asked if the current structure of the company's loans and the CBED/FTHF loan that they may get, create a disadvantage to the business when potential investors look at them, and does the company have more room for another loan as a bridge until they are done with discussions with potential investors. Mr. Bowman said that the company is profitable and it can support the existing debt, as well as the new CBED/FTHF debt, and if they grow even at a fraction of the pace they have been growing, they would be able to support even more debt.

Ms. Barr asked what prompted FTHF to support this loan since this business is outside of agricultural and non-food loans that they typically service. Mr. Bowman said that FTHF's main target market is low income, then women-owned, and Native Hawaiian-owned businesses. The company was referred to them by KS and Ua Body's role and support of local farms made FTHF want to support the company.

Ms. Agbigay brought up a discrepancy in the loan terms between the actual documentation presented and the meeting agenda – 5yrs at 6.5% versus 6yrs at 5.5%. Mr. Bowman and Mr. Ushijima confirmed that the rate will be 5yrs at 6.5%.

Mr. Smith made a motion to recommend approval of the CBED loan of $125,000 to Elements of the Sea HI, LLC dba Ua Body and Ms. Melton seconded the motion.

A roll call vote was taken with all Council members voting unanimously.

2. **Recommendation/Approval of a CBED loan of $30,000 to Uproot Origin, LLC:**

Mr. Ushijima stated that this would be Uproot Origin, LLC's second CBED loan. Megan Brady, owner, is looking for a CBED loan of $30,000 to help cover further costs of expansion. CBED will co-lend with FTHF, who will also make a loan of $30,000 to Uproot Origin, LLC, making the total loan amount to $60,000.

Mr. Bowman said that hopefully the Council members are familiar with the company. Uproot Origin, LLC is an existing business, existing borrower, one that did what they said they were going to do with the last loan and has been continuing to grow.

Mr. Ushijima said that the CBED loan would be used to purchase new equipment to help her with her production line. Mr. Bowman added that it would be for several pasteurizers, a labeler, and a bottle filler.

Ms. Askew asked if Megan will be doing some kind of tolling business model with the new equipment, such as renting it out to other users to generate additional revenue opportunities. Mr. Bowman said that she probably won't be doing it that way.

Ms. Askew added that she fully supports Megan and that she appreciates all the work she is doing in the agricultural sector and with the small businesses.

Ms. Agbigay also expressed support for Megan and Uproot Origin, LLC.

Ms. Agbigay made a motion to recommend approval of the CBED loan of $30,000 to Uproot Origin, LLC and Ms. Askew seconded the motion.

A roll call vote was taken with all Council members voting unanimously.

3. Nominations and Vote for Chairperson of the CBED Advisory Council

Mr. Ushijima asked if anybody is interested in running for CBED Advisory Council Chairperson. He stated that as the Chairperson, he/she would run the meetings, review the minutes, as well as help put together the agenda and loan presentation write-up.

Ms. Melton asked who the current chair is. Mr. Ushijima said that he is the acting chair as nobody has stepped up yet after the last chair stepped down.

Mr. Ushijima said that since there were no nominations, this agenda item will be tabled and brought up again next meeting.

4. Review and discussion of the CBED EDA Revolving Loan Plan

Mr. Ushijima mentioned that the CBED EDA loan plan was sent to each CBED Council member. He stated that this document is what CBED will be using to guide the loans and how CBED will spend the money from the EDA grant. He also mentioned that this new loan plan is very similar to the original loan plan that the CBED Council helped to recommend and put forth when the EDA grant was first applied for.

Mr. Ushijima stated that this new CBED EDA loan plan updates the strategy portion with new information about economic data about Hawaii and how our program still fits into the overall vision for the State and the State's priorities as to how we want to support the growth of local industries.

Mr. Ushijima stated that this loan plan would increase the minimum interest rate from 3% to 4% based on EDA recommendations. It also increases the job cost ratio from one job for every $25,000 to one job for every $65,000.

Ms. Melton said that she would like more time to review the document and the changes.

Announcements

Mr. Ushijima announced that this will be Ms. Barr's last CBED Council meeting as a council member and thanked her for her dedication, wisdom and guidance while serving as a valued member of the council. Ms. Barr took a moment to address and thank the Council.

NEXT MEETING:

August 18, 2026, at 10:00 a.m.

ADJOURNMENT:

The meeting ended at 11:03 a.m., on a motion by Ms. Melton and seconded by Mr. Smith.

There were no objections and the motion was approved unanimously.

Respectfully submitted,

________________________ _9/1/2026____________________
Jason S. Ushijima Date
Branch Chief, BSB-BDSD

New Business

Recommendation/Approval of a CBED Loan of $75,000 to To Be Organics, LLC, dba To Be Hawai‘i. To Be Hawai‘i is a Maui-based, Hawai‘i-inspired natural personal care company founded in 2018 by Karli Rose Suprea-Wilson. Sourcing ingredients directly from several Maui farms, personal care items are manufactured in their Wailuku factory and sold direct-to-consumer and to a few wholesale accounts. The company is seeking financing to grow and transition from artisan-scale to mainstream manufacturer thus increase their wholesale production capacity and ability to meet international production specifications. Co-lending with Feed the Hunger Fund (FTHF), which will also make a loan of $75,000; loan total will be $150,000. CBED loan would cover the cost of manufacturing equipment and working capital with the following terms: 6 years at 5.5%. Underwriting review by Eric Bowman, Loan Officer, FTHF.

FEED THE HUNGER FUND
Loan Narrative

- **Business Name:** To Be Organics, LLC, doing business as To Be Hawaiʻi
- **Borrower Name:** Karli Rose Suprea-Wilson (51%) and Michael Wilson (49%)
- **Contact Information:**
    - **Phone:** 808.205.7464
    - **Email:** karlirose@tobehawaii.com
- **Borrower Social/Website:** www.tobehawaii.com; www.instagram.com/tobehawaii; www.facebook.com/tobeorganics/; www.yelp.com/biz/to-be-hawai-i-wailuku; www.amazon.com/stores/ToBeOrganics/page/DF8CF0C6-4564-4272-A559-A2CECD7AD808
- **Does the borrower have previous loans:** No
- **Borrower Risk Rating:** 2
- **Loan Amount:**
    - **FTHF:** $75,000
    - **CBED/DBED:** $75,000
- **Interest Rate:** 5.5%
- **Term (Months):** 72 months
- **Conditions on loan approval:**
- **Funding Source:** CDFI FA

PROS:

- **Revenue growth and profitability:** Gross sales have been consistent and accelerating with a 62% increase from 2024 to 2025. In each of the last four years, the business has been profitable; additionally, net revenue margin has improved from roughly 65% (2022) to 83% (2026 YTD), reflecting improved cost control as the business scales.
- **Strong credit profile:** Both applicants have excellent personal credit scores of 775 and 795, and a strong net worth of $702,770, primarily from homeownership.
- **Relevant management experience**: Founder Karli Rose Suprea-Wilson has 25+ years of executive and operations experience, including building To Be Hawaiʻi from a home-based startup to a 2,600-square-foot Wailuku manufacturing and retail facility approaching $1 million in annual sales.
- **Demonstrated resilience**: The business has continued operating and growing through COVID-19, the Maui economic downturn, the 2023 Lahaina wildfires, supply-chain disruption, and storm damage to its facility.
- **Diversified, multi-channel sales base:** DTC e-commerce, wholesale, luxury hospitality and spa accounts, airport retail, corporate gifting, and a company-operated storefront, reducing reliance on any single channel.

CONS:

- **High business debt ratio:** The existing SBA EIDLs (~$130k) combined with the proposed new financing leaves the company highly leveraged, even after the credit card refinance. Put another way, the company owes $.90 on each $1.00 it owns.

- **Mitigant:** The company is profitable and growing and can be expected to pay the debt down. Additionally, the SBA debt is very long term (30 years) and at a very low interest rate (3.75%).
- **Expansion risk:** The Japan market-entry component (regulatory testing, registration, compliance) referenced in the Growth Plan carries execution and timeline risk that is not reflected in the current use-of-funds breakdown in the loan write-up.
  Mitigant: The loan doesn't require this line of business for repayment, and underwriting was performed on the existing lines of business. Additionally, the owners are taking a planned and measured approach to this expansion. This process was started last Aug. with a Mana Up distributor, Natureverd, and they've been approached repeatedly via Made In Hawai‘i.
- **Collateral:** Coverage is weak and of poor quality.
  Mitigant: The transaction is reliant on cash flow and guarantor strength.

NARRATIVE:

Background and History

To Be Hawai‘i was founded in 2018 by Karli Rose Suprea-Wilson (formerly Karli Rose) as a Maui-based manufacturer of natural personal care products, including lip butters, body care, facial skincare, candles, home fragrance, and gift sets, all formulated and produced in small batches at the company's Wailuku production facility.

The company grew from a home-based startup into a 2,600-square-foot manufacturing and retail operation, with products carried by luxury resorts and spas, airport retailers, specialty retailers, and customers nationwide. Annual revenue has grown from ~\$354k in 2022 to ~\$693k in 2025, a period that included navigating COVID-19, the broader Maui economic downturn, the 2023 Lahaina wildfires, ongoing supply-chain disruption, and storm damage to the company's facility.

Prior to founding To Be Hawai‘i, Karli built and sold two other businesses on Maui; Karli Rose Designs (2006–2014), an independent cosmetology practice, and Loft 145 Salon (2014–2017), a full-service salon she founded, managed, and later sold to pursue product manufacturing full time. She also spent six years (2000–2006) as Operations Manager at Hard Rock Cafe Maui, managing high-volume restaurant operations, staffing, and openings. She holds a Certificate in Organic Cosmetic Formulation from Formula Botanica (2022) and has been a licensed Hawai‘i cosmetologist since 2006.

Business Concept

To Be Hawai‘i manufactures and sells premium, Hawai‘i-inspired natural personal care products, lip butters, body care, facial skincare, candles, home fragrance, and gift collections, formulated with an emphasis on sensitive skin, sustainable packaging, and the sensory identity of the Islands. All formulation, manufacturing, packaging, and fulfillment occur in-house at the company's Wailuku facility.

The company sells through a diversified set of channels: its DTC website, a company-operated retail storefront, wholesale accounts, luxury hospitality and spa placements, airport retail, and corporate gifting programs. Management identifies further growth opportunities in expanded wholesale accounts, an Amazon marketplace launch, international distribution in Japan, additional airport and hospitality placements, and continued direct-to-consumer growth.

To Be Hawaiʻi sources directly from several Maui farm partners. Maui Gold Pineapple supplies fresh fruit that is processed in-house into oil infusions, juice powder, and extracts, with exclusive farm-store products and joint pop-up promotions. Alii Kula Lavender Farm supplies lavender for a full private-label line that is manufactured, packed, and labeled at its Wailuku facility (replacing the farm's prior mainland co-packing) and sells exclusively through the farm. Also, Maui Estate Kuʻia Chocolate supplies cacao husk and shell byproducts that is turned into infusions and extracts for co-branded products, including the Kuʻia Chocolate Lip Butter and the 2026 Green Beauty Award-winning Chocolate Face Mask, with a gift set and shell-based body scrub in development, sold exclusively at Kuʻia Chocolate and To Be. Collectively, these partnerships give the company local supply chains, upcycle farm byproducts, and generate mutual revenue and marketing benefits, supporting local agriculture while reinforcing To Be Hawaiʻi's Hawaiʻi-grown, sustainability-driven brand story.

Production is currently capped due to a highly manual, by-hand process. With the recent printer purchase and the proposed hot melt filling system, manufacturing will be far more automated. Hand labeling is a poor fit for the strict quality control of the Japanese market. The loan is assisting with transitioning from artisan-scale to mainstream manufacturing.

Milestones

- Formula Botanica Certificate in Organic Cosmetic Formulation (2022): formal training supporting the company's in-house product development capability.
- Mana Up Cohort 9 (2024): Hawaiʻi-based business accelerator for local product companies.
- CPB Women Entrepreneurs by Rising Tide Financial, Cohort 3 (2025): Women's entrepreneurship and financial capacity-building program

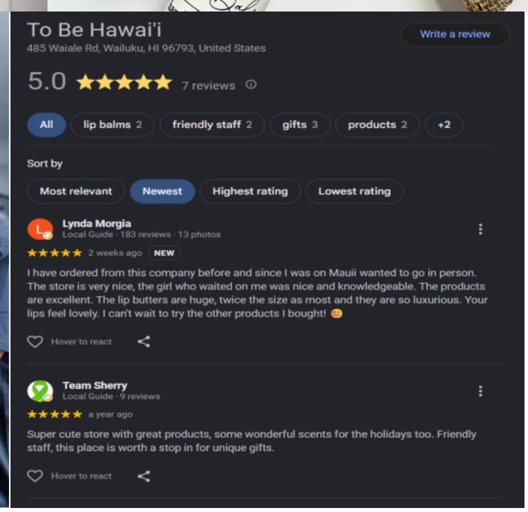
Loan Purpose

- **Equipment ($69k):** purchase and installation of an LB-30 semi-automated hot melt filling system, which the borrower expects will increase production capacity, improve manufacturing consistency, and reduce manual labor time associated with filling, labeling, and packaging — supporting larger wholesale and retail orders without a proportional increase in headcount.
- **Working capital ($11k):** packaging and inventory purchases (boxes, packaging materials, and a label printer) tied to increased production volume. Japanese cosmetics regulatory compliance and market-entry preparation
- **Debt refinance ($70k):** payoff of three high-cost, largely non-amortizing credit card balances used previously to fund inventory and advertising spend, which should reduce the borrower's revolving debt exposure and improve monthly cash flow.

PHOTOS:


485
To Be


Kula Strawberry
Aloha!
Very Berry.
Aloha!
To Be organics
Berry Mint.
Lip Balm
handcrafted in
To Be organics
Wild Cherry.
Lip Balm
To Be organics
handcrafted in MAUI, HI
4 flavors
LIP BALM SAMPLER
Cherries & Berries
Kula Strawberry.
Wild Cherry.
Very Berry.
Berry Mint.


To Be Hawai'i
485 Waiale Rd, Wailuku, HI 96793, United States
Write a review
5.0 ★★★★★ 7 reviews
All
lip balms 2
friendly staff 2
gifts 3
products 2
+2
Sort by
Most relevant
Newest
Highest rating
Lowest rating
Lynda Morgia
Local Guide · 183 reviews · 13 photos
★★★★★ 2 weeks ago NEW
I have ordered from this company before and since I was on Mauii wanted to go in person. The store is very nice, the girl who waited on me was nice and knowledgeable. The products are excellent. The lip butters are huge, twice the size as most and they are so luxurious. Your lips feel lovely. I can't wait to try the other products I bought! 😊
Hover to react
Team Sherry
Local Guide · 9 reviews
★★★★★ a year ago
Super cute store with great products, some wonderful scents for the holidays too. Friendly staff, this place is worth a stop in for unique gifts.
Hover to react

Loan Presentation:

Date:	7.30.26
Business:	To Be Organics, LLC
Principal Name(s):	Karli Suprea-Wilson & Micheal Wilson
Address: *Business Address*	485 Waiale Rd. Suite B; Wailuku, HI 96793
Business Type:	Existing
FTHF Loan Client:	No
Loan Status:	New Request
Business Structure:	Limited Liability Company
Purpose of Loan:	Fixed Asset & Working Capital
Jobs created:	1
Jobs retained:	6
Ownership Structure:	51% Karli Suprea-Wilson 49% Micheal Wilson

Total Project Cost:	$ 191,440
Loan amount requested:	$ 75,000
Recommended Interest rate:	5.5%
Term / Amortization:	72
RISK RATING:	**2**
Access to Other Capital:	The applicant was turned down on 6.11.26 from Central Pacific Bank for a term loan

Business description: To Be Hawaiʻi is a Maui-based manufacturer of premium, Hawaiʻi-inspired natural personal care products, including lip butters, body care, facial skincare, candles, home fragrance, and gift sets, all formulated and produced in-house at its Wailuku facility. Founded in 2018 by Karli Rose Suprea-Wilson, the company has grown from a home-based startup into a 2,600-square-foot manufacturing and retail operation. Products reach customers through a diversified mix of channels, including direct-to-consumer e-commerce, a company-operated storefront, wholesale accounts, luxury hospitality and spa placements, airport retail, and corporate gifting, alongside exclusive farm-partnership product lines.

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

PRINCIPAL INFORMATION					
Personal Net worth:	[redacted]	**Target Market:**	Yes	61.78%	
Credit score:		**Adjusted Gross Income:**	$75,000	**Area Medium Income:**	$121,400

COLLATERAL Type	Source of Value	Date of Value	Gross Value	Discount rate	Net Value	Prior liens	equity
LB-30 Hot Melt Filling System	Vendor	7/24/2026	$ 69,345	80%	$ 55,476	$ -	$ 55,476
Printer: Epson ColorWorks, C6500A	Bill of Sale	2/15/2026	$ 3,464	80%	$ 2,771	$ -	$ 2,771
FF&E	Balance Sheet	7/24/2026	$ 25,356	50%	$ 12,678	$ -	$ 12,678
Inventory	Stocksmith	7/24/2026	$ 74,275	25%	$ 18,569	$ -	$ 18,569
Total			**$ 172,440**		**$ 89,494**		**$ 89,494**
					Collateral coverage		**0.60**

SOURCES Lender	Amount
FTHF	$ 75,000
CBED/DBED	$ 75,000
Equity	$ 41,440
Total	**$ 191,440**

USES Uses	Amount
Machinery	$ 69,345
Working Capital	$ 51,723
Debt Refi	$ 70,372
Total	**$ 191,440**

FEES		
Closing Fee:	2.5%	$ 1,875
Wire Transfer Fee		$ 40
Application fee:		$ -

*Borrower to pay all out of pocket expenses

EQUITY INJECTION Amount	Item	Notes
$5,561	Boxes	Guangzhou Yison Printing Co
$3,600	Packaging	Shenzhen Dongbo Packing Products
$4,249	Boxes	Guangzhou Yison Printing Co
$4,200	Packaging	Shenzhen Dongbo Packing Products
$8,208	Packaging	Alibaba.com Singapore E-Commerce Private
$11,225	Inventory	Yuyao Happy Light Industry
$4,396	Label Printer	rivCA

FTHF Risk Rating Chart

Date: 7.30.26 | **Borrower:** To Be Organics, LLC | **Loan Officer:** Eric Bowman

Rate each category from 1 to 5

Rating	1	2	3	4	5	*Score*
Personal Net Worth	>$100K	$51K-$100K	$1-$50K	$0-($10K)	<($10K)	1
GDSC	>1.5x	1.31x-1.5x	1.2x-1.3x	Unacceptable	Unacceptable	3
Collateral Coverage	>100%	75-100%	50-74%	5-49%	<5%	3
Quick Ratio*	>150%	110-150%	100-109%	75-99%	<75%	2
Credit Score	>700	651-700	621-650	600-620	<600	1
Years In Industry	>9	8-9	4-7	1-3	0	1
Years of Industry Management	>5	3-5	1-2	<1	0	1
Owners Equity Into Transaction	>25%	16-24%	10-15%	1-9%	0	1
Business Profitability	Profitable 4 of last 4 years	Profitable 3 of last 3 years	Profitable 2 of last 3 years	Profitable 1 of last 3 years	<2 years operating or non-profitable	1
Business debt ratio**	<70%	71-80%	81-90%	91-100%	>100%	4
*Quick Ratio:	(Current Assets - Inventories) / Current Liabilities			1.71		
**Business debt ratio:	Total Liabilities / Total Assets			0.91		1.8

Loan Score	**2**
1	Excellent
2	Good
3	Acceptable
4	Poor
5	Unacceptable

Business related only			
Current assets	$	*153,499*	*Cash + Inven + WC Loan*
Inventories	$	*74,275*	
Current Liabilities	$	*46,251*	
Total assets	$	*396,696*	*CA + Collateral value*
Total Liabilities	$	*360,228*	

New Business

Review and discussion of the CBED EDA Revolving Loan Plan

Recommendation/Approval to adopt the updated CBED EDA Revolving Loan Plan

Community-Based Economic Development Program
Revolving Loan Fund
Operating & Administrative Plan
Draft 2026

CBED
Community-Based Economic Development

State of Hawaii
Department of Business, Economic Development and Tourism
Business Development and Support Division

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PART TWO: RLF OPERATIONAL PROCEDURES

PART ONE: REVOLVING LOAN FUND STRATEGY

1. Economic Adjustment Overview

1.1 Nature and Scale of Economic Adjustment

The economy of the State of Hawaii in 2025 had a combined gross regional product from the four counties of approximately $94.1billion [source: BEA]. The State's economy supports approximately 620,930 jobs that pay an average of $68,280 in annual earnings or $25.61 per hour [source: State of Hawaii DBEDT, READ].

Hawai'i's economic landscape has undergone significant transformation in recent years, shaped largely by the unprecedented disruptions caused by the COVID 19 pandemic. Prior to 2020, the state's economy was growing, with record low unemployment rates dipping to 1.9% in late 2017. However, with the downturn of global travel and tourism, Hawai'i's main economic driver, the state experienced one of the highest unemployment rates nationally, reaching 22.4% in April 2020. This revealed long standing vulnerabilities and underscored the risks associated with Hawai'i's heavy reliance on visitor-related revenue streams. As travel restrictions eased, travelers confidence increased and federal stimulus funding became available, Hawai'i began to stabilize, and by September 2022 unemployment had fallen to 3.5%.

Despite signs of recovery, the state continues to face a complex set of structural and economic challenges that place ongoing pressure on residents and businesses alike. Rising inflation, high energy costs, persistent supply chain disruptions, and labor shortages have slowed the pace of economic stabilization. These issues are compounded by some of the highest housing costs in the nation, both in home prices and rental rates, creating barriers to workforce retention and household stability. Hawai'i's geographic isolation further intensifies these pressures, as the state imports more than 80% of its food and energy needs. Global shipping disruptions also directly impact the state, driving up costs and exposing vulnerabilities in the economy. Additionally, regulatory hurdles, tax burdens, and land use constraints create operational challenges that particularly affect small businesses and emerging industries across the islands.

In response to these conditions, the 2023 Comprehensive Ecnomic Development Study (CEDS) produced by the State Office of Planning and Sustainable Developments emphasizes the importance of economic diversification and resilience-building as key measures of Hawai'i's long term strategy. Recovery efforts increasingly focus on strengthening local industry beyond

Summary of Comments on State of HI - CBED EDA RLF Plan 2026 - DRAFT with NOTES.pdf

Page: 4

Number: 1 Author: Jason Ushijima Subject: Sticky Note Date: 8/6/2026 6:36:22 PM

Pages 4-10 have been updated to include more recent economic data. Additionally, sections of the 2023 Comprehensive Economic Development Strategy (CEDS) have also been added, replacing the 2018 CEDS that was referenced previously.

tourism—particularly in agriculture, renewable energy, technology, creative industries, and science and innovation. These sectors are aligned with the state's broader sustainability frameworks, including the Hawaiʻi 2050 Sustainability Plan, the Aloha+ Challenge, and the UN Sustainable Development Goals. Investments in these areas aim to reduce import dependence, generate higher wage jobs, and improve the state's capacity to withstand future economic turbulence.

The CEDS outlines a clear need for strengthened community-based capacity building, improved supply chain resilience, and expanded access to economic development tools to navigate both short-term recovery and long-term transformation. Additionally, by prioritizing these areas, Hawaiʻi aims to address its longstanding structural challenges and build a more diverse and self-sustaining economy. During the Special Session of 2005, the Hawaii State Legislature established the Hawaii 2050 task force. Its context was the desire for citizens to have a vibrant, diversified economy; a healthy quality of life that is grounded in a multi-ethnic culture and host culture values and healthy natural resources. In 2011, the Hawaii State Legislature amended the Hawaii State Plan to establish priority guidelines and principles to promote sustainability, HRS Sec. 226-108, as follows:

- Encouraging balanced economic, social, community, and environmental priorities;
- Encouraging planning that respects and promotes living within the natural resources and limits of the State;
- Promoting a diversified and dynamic economy;
- Encouraging respect for the host culture;
- Promoting decisions based on meeting the needs of the present without compromising the needs of future generations;
- Considering the principles of the ahupuaʻa system; and
- Emphasizing that everyone, including individuals, families, communities, businesses, and government, has the responsibility for achieving a sustainable Hawaii.

Act 237, Session Laws of Hawai'i 2025, officially established the Food and Product Innovation Network (FPIN) within the Department of Business Economic Development and Tourism. This legislation expands support for local food businesses by formalizing coordination among state agencies, educational institutions, and industry partners. FPIN builds a network enabling

Hawaiʻi-based entrepreneurs to develop, scale, and export value-added products that support food security, reduce import dependence, improve export capacity, integrating regional processing infrastructure, and expands opportunities for farmers and producers. On June 30, 2026, 20 state, public, private, and educational organizations formalized their partnership and commitment to support FPIN by signing a Memorandum of Agreement (MOA). By committing to building infrastructure, fostering cross-sector partnerships, FPIN operationalizes the CEDS vision for agriculture, aquaculture, and food systems, making it a central pillar and priority in Hawaiʻi's statewide economic development and resilience strategy.

1.2 Strategies to Deal with Economic Adjustment

Targeted statewide clusters were identified through the CEDS formulation process which included a review of public policy documents and input from government, stakeholder and community groups. These clusters are:

1. Agriculture, Aquaculture, and Food Systems
2. Creative Industries
3. Education and Knowledge Creation
4. Energy and Sustainable Renewables
5. Health and Well Being
6. Hospitality and Tourism
7. Defense and National Security
8. Science and Technology

The Community-Based Economic Development (CBED) Program Revolving Loan Fund (RLF) resides in the State of Hawaii's Department of Business, Economic Development and Tourism (DBEDT), which is Hawaii's state-wide economic development organization. DBEDT's mission is to promote a Hawaii economy that embraces innovation and is globally competitive, dynamic and productive, providing opportunities for all Hawaii's citizens. Through DBEDT's attached agencies, the Department also fosters planned community development, creates affordable workforce housing units in high-quality living environments, and promotes innovation sector job growth. The CBED RLF is a state-wide loan program that provides support for the industry clusters identified in the CEDS, most notably Agricultural, Aquaculture and Food Systems. In addition, the CBED RLF also focuses on supporting manufacturers and distributors, thus having relevance for the activities within the Science and Technology cluster as well. Through low interest loans and technical assistance, and in collaboration with other State and Federal programs, the CBED RLF's goal is to grow and make companies in these industries competitive and assist the state in transitioning to a more sustainable and diversified economy.

1.2.1 Agriculture, Aquaculture and Food Systems

From the CEDS, the goal of this industry cluster is to: *Grow Hawai'i's agricultural and aquaculture sectors (including non-food production) to diversify the economy, build resilient systems, and increase self-sufficiency while protecting Hawai'i's natural and cultural resources.* Agriculture, Aquaculture and Food Systems in the State of Hawaii includes the small clusters of Agricultural Support Services, Inputs, Packaging and Warehousing, and Processing, Aquaculture, Farm Production and Forestry, Fishing and Hunting. In 2024, these clusters employed a total of 25,033 jobs that paid a weighted average earning (weighted by the number of jobs per cluster contributing to the total jobs in all seven clusters) of $45,996. From 2014 to 2024, agribusiness employment declined at an average annual rate of 0.6%. Five of the sector's seven industry groups experienced job losses over the decade, with only Aquaculture and Agricultural Support Services recording gains. The sector's largest industry group—Farm Production, declined at an average annual rate of 1.3%, reflecting longer-term structural challenges such as land-use constraints, rising input costs, and continued consolidation. In the post-pandemic period, however, the sector returned to growth. Between 2021 and 2024, employment in this sector increased by 1.8%, although still below the 3.1% growth rate of the statewide civilian economy jobs are forecast to grow at a rate of 3.3%, faster than the nation job growth forecast of 1.3%. By 2024, total jobs reached 104.1% of their 2019 level, indicating a modest but uneven recovery across industry groups. Agricultural Processing and Agricultural Support Services recorded the strongest gains during 2021-2024, reflecting increased local demand for value-added food products, diversified crops, and support activities for farming.

Objectives and Action Plans

Objective 1: Build agriculture and aquaculture sector capacity to increase local food production and support successful agri/aqua business, farmers, ranchers, food, and value-added producers

Priority Actions:

- Prioritize agricultural land affordability and equitable water access through land use and

- regulatory policies that promote pricing appropriate to agricultural activities and access to irrigation water
- Increase capital investment (e.g., low-cost capital, revolving funds, federal grants, and loans) for production and value-added outputs
- Promote business development and back-office operations capacity, particularly for small
- to medium businesses, entrepreneurs, and nonprofit organizations
- Address high energy costs with increased renewable energy and energy efficiency while
- maintaining balance between competing demands of food self-sufficiency and renewable energy production (i.e., food and energy)
- Encourage development of restorative aquaculture by reducing regulatory hurdles, promoting, and securing investment for early-stage research, developing cross-sector collaboration, and supporting cultivators, practitioners, and entrepreneurs.
- Support indigenous food systems, including taro farming, fishpond restoration, biocultural land stewardship, and traditional subsistence and cultural practices
- Increase access to proven technology and innovation options for farmers and agri/aqua businesses
- Implement the Hawaiʻi Interagency Biosecurity Plan to address current and mitigate future invasive species threats to the agricultural sector and enhance natural resources

Objective 2: Create a strong workforce pipeline for the agriculture, aquaculture, and food systems sector to promote local food production and sustainable food systems

Priority Actions

- Invest in P-20 agri/aqua cultural education and workforce development with programs and personnel across K-12 and university curricula
- Cultivate the next generation of leaders across agriculture and aquaculture careers, including farm succession planning and multi-generation knowledge transfer
- Increase affordable agricultural housing to reduce the cost of living for the agricultural workforce
- Promote experiential learning opportunities through paid internships, apprenticeships, hands-on training programs, and cross-industry partnerships

- Expand food-safety certification programs, training, and support for local producers Create networks of peers and experts to share knowledge and best practices while expanding market opportunities and scaling best practices

Objective 3: Encourage the purchase of local agricultural products from state and county governments, businesses, visitors, and consumers

Priority Actions

- Expand the "Farm to State" program, government procurement, and institutional purchasing of local agricultural products
- Market farm-to-table initiatives (e.g., "Buy Local, It Matters," etc.) that promote local food consumption and reduce food waste with the government, businesses, and residents
- Promote agritourism to integrate local agriculture and aquaculture into the visitor experience
- Expand accessibility and affordability programs (e.g., SNAP, Da Bux) that increase equitable access to and consumption of fresh and nutritious foods for low-income households
- Support culturally based foods with community biocultural land stewardship and farms
- Identify appropriate export non-food and food crops while prioritizing food production for local consumption

Objective 4: Integrate local agricultural supply chain and infrastructure to increase value chain coordination

Priority Actions

- Establish food hubs and cooperatives on all islands to increase access to markets and aggregate services (e.g., distribution, storage, processing, and marketing) recognizing that such investments utilizing public funds should be done with agricultural operations as the core beneficiary versus operator of such facilities
- Increase cooperative transportation (e.g., air, water, and land) for cost-sharing and coordination of local agricultural products
- Increase local agricultural-related facilities and access, including processing plants, slaughterhouses, commercial kitchens, storage, and distribution

- Review existing built infrastructure (e.g., harbors, roads, reservoir decommission and modernization, and water infrastructure) to increase resilience, safety, and equitable access

1.3 CBED Revolving Loan Fund to Support Economic Adjustment Activities

The Hawaii Alliance for Community-Based Economic Development (HACBED) is a nonprofit organization established in 1989 by a group of community development practitioners. HACBED formulated strategies for the state government to support community-based organizations (CBOs) that wanted to create economic development initiatives. These efforts resulted in program legislation to provide financial and technical assistance to local groups. The Legislature created a Community-Based Economic Development (CBED) Program in the Department of Business, Economic Development and Tourism (DBEDT) with Act 111, SLH 1991, codified as Chapter 210D, Hawaii Revised Statutes. The purpose of the CBED Program by statute is an acknowledgement that:

1. It is in the best interest of the State to bring about a diversification of opportunities in all aspects of life for the residents and communities of the State;
2. Community-based enterprises play an important part in providing a diversification of opportunities for Hawaii's residents and communities;
3. Community-based enterprises are characterized by their interests not only in profits but in community empowerment, that is, building the community to enable it to be more self-reliant, which encourages diversification of opportunities for Hawaii's residents and communities;
4. Community-based enterprises have the potential to increase self-determination, provide employment opportunities, strengthen community identity, retain and create community cultural anchors, and reinforce community social, cultural, economic, and spiritual values, and are thus of crucial importance in securing the diversification of opportunities;
5. Programs to develop community-based enterprises have the potential to increase self-reliance and provide employment opportunities to Hawaii's people;
6. Conventional financial institutions traditionally do not provide loans to establish or expand community- based enterprises;

7. No present state agency or program has the authority to financially assist community-based enterprises; and
8. The State should initiate a program to assist community-based enterprises through loans and technical assistance.

The legislation created the CBED Advisory Council and the CBED Revolving Loan Fund with an appropriation of $900,000, in 1991. Today, more than ever, Hawaii must move toward a new, diversified and sustainable economy. Globalization, national policy shifts and economic transition have created great challenges in the world economy. Hawaii's isolation and dependence on tourism have made the islands more susceptible to these effects. CBED is a bottom-up, economic development initiative that can supplement and assist in the stabilization of the state's economy. This bottom-up approach begins by sourcing economic development opportunities from local communities and businesses themselves. The communities can be "demographic communities" or "communities of interest." These business opportunities, which usually become projects, not only have community-backing, but usually have some form of community involvement and/or impact. The CBED approach can help build new infrastructure for a more sustainable Hawaii economy, based on decentralization, partnerships, human resource development, and innovation.

The CBED Revolving Loan Fund (RLF) was established to offer low interest loans to businesses and provide technical assistance that results in measurable community economic impact including new jobs in economically challenged areas of the state. Targeted businesses of the CBED RLF are those that would have difficulty in acquiring a loan from a commercial bank. Since the CBED RLF is not large, creating and leveraging partnerships and spreading risk has been a crucial aspect of the program's success. Currently, the CBED Program partners and co-lends with state government departments, CDFIs and with non-profits that have complementary missions. DBEDT has Memoranda of Agreement for co-lending with:

- Hawaii Department of Agriculture's Agricultural Loan Division,
- Feed the Hunger Fund, and
- The Waianae Economic Development Council's Pakini Loan Fund.

Additionally, the CBED Program partners with government agencies on the federal, state and county level, along with private entities, to provide technical assistance and help build the capacity of small businesses, entrepreneurs, and community-based organizations through training workshops, conferences, conventions, and other events.

In 2021, the CBED program applied for and was awarded a grant of one million dollars ($1,000,000) from the U.S. Economic Development Administration (EDA)/U.S. Department of Commerce for the CBED Revolving Loan Fund (RLF). The one-million-dollar EDA grant was matched by a required CBED, State of Hawaii funds, commitment of $250,000.

Sources of revenue for the CBED Revolving Fund include repayments of loan principal, loan interest, “transfers” of general funds from DBEDT; appropriations from the state legislature; federal grants; and fees from community conferences and other events sponsored through the CBED Program.

2. Business Development Strategy

2.1 Objectives

The objectives of the business development strategy for the CBED RLF is to:

1) to support certain types of business activities as outlined in the CEDs; in particular, manufacturing; the diversification of agriculture and value-added agricultural production and

2) to grow jobs in economically challenged areas of the state. CBED loans can be used for: start-up costs and working capital; construction or improvement of facilities; purchase of equipment; payment of production and marketing expenses including materials, labor and services.

Since this is community-based economic development, the program looks for how loans can further community linkages such as more local sourcing of product inputs and/or an increase in local employees as a result of business expansions.

2.2 Targeted Businesses

The CBED RLF targets businesses in the sectors that are in the State’s CEDS plan and more specifically business that are or have been part of the State's Enterprise Zone (EZ) Program, which is predominantly comprised of manufacturers and value-added agricultural companies. More recently, the CBED Program have been engaged with businesses located in the state's Opportunity Zones.

The CBED Advisory Council listed the following as desired program goals:

Create jobs & opportunities (such as new businesses) in economically disadvantaged areas and empower communities to control their own economic destiny by:

1) Targeting communities in disadvantaged areas of the state such as those located in Enterprise Zones (EZ);
2) Supporting start-ups, business expansions, social enterprises, co-ops, and entrepreneurship;
3) Considering youth training and mentorship/apprentice programs in projects;
4) Facilitating sustainability among communities and organizations so they can continue operating;
5) Including multiple communities – by demographic, by geography (all counties);
6) Leveraging program funds through partnerships;
7) Layering the CBED Program with EZ and other state, county, federal, private programs;
8) Seeking ways CBED can uniquely impact, not replicate, what others are doing. The Council also noted that the CBED should consider which industries will create the most jobs and jobs requiring skilled workers.

2.3 Business Needs

Hawaii's businesses need expansion capital and they are usually not able to qualify for a conventional loan from a commercial bank. Loans aim to address the business needs and the costs of working capital; construction or improvement of facilities; purchase of equipment; and payment of production and marketing expenses including materials, labor and services. Another business need that the CBED Program addresses is technical assistance, particularly as regards scaling up a business from an operational and manufacturing perspective. Lastly, DBEDT assists companies with business export development, particularly to the mainland US and foreign markets such as Japan.

2.4 Other Programs and Activities

The Enterprise Zone Program gives State & County benefits to certain types of companies in an effort to stimulate business activity, preserve and create jobs in areas where they are most appropriate or most needed. Businesses that satisfy annual hiring requirements qualify for State tax benefits for up to seven consecutive years. Businesses in the following sectors are eligible for this program: Agricultural production or processing; Manufacturing; Wholesaling /Distribution; Aviation or maritime repair or maintenance; Telecommunications switching and delivery systems; Information technology design and production; Medical research and clinical trials; For-profit training programs in international business management or environmental remediation; Biotechnology research, development, production, or sales; Repair or maintenance of assisted technology equipment; Certain types of call centers and Wind energy producers.

The vast majority of businesses in the EZ program are in the sectors of agricultural production or processing; manufacturing; and wholesaling /distribution. The average size of companies participating in this program in 2024 was 17 employees and $5,023,826 in revenue. The CBED program normally targets the smaller companies with fewer than 20 employees within the EZ Program, particularly those businesses that are not be able to get a conventional loan from a commercial bank for expansion. 1

Hawaii designated 25 census tracts as Opportunity Zones (OZ) as part of the new federal community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. This initiative provides incentives for investors to re-invest realized capital gains into Opportunity Funds in exchange for temporary tax deferral and other tax relief benefits. The Opportunity Funds are then used to provide investment capital in certain low-income communities, i.e., Opportunity Zones. Its stated purpose is to encourage entrepreneurship and expansion capital for economically distressed areas of the country. As part of the program, equity investments can be made in companies within OZ. DBEDT looks to continue to support this type of investment with CBED RLF loans as part of the overall financing package for the revitalization of businesses within Hawaii's OZs.

On July 4, 2025, the signing of the One Big Beautiful Bill Act made the OZ program permanent. Hawaii is currently in the process of redesignating its current OZs based on current census tract data and new guidelines laid out by the federal government. Hawaii intends to overlay its new OZ with other economic development initiatives such as New Market Tax Credits, Enterprise Zones and Transit Orient Development (TOD) Zones.

Number: 1 Author: Jason Ushijima Subject: Sticky Note Date: 8/6/2026 6:39:57 PM

Section 2.4 - New Enterprise Program data was added here with new data from the MAP grant added at the end of this section..
Additionally information about the new Opportunity Zones Program was also incorporated.

There are also other non-census tract-based programs that can be applied to CBED RLF clients, these include the State's Manufacturer's Assistance Program (MAP), which offers Hawaii-based manufacturers up to a 20% reimbursement (up to $100,000) on qualified expenses to help Hawaii manufacturers become globally competitive. Qualifying expenses include: equipment purchases, training, energy efficiency projects, and manufacturing feasibility studies. In 2026, 57 companies received MAP funding for equipment purchases and upgrades. Other programs of note include: the Hawaii Made initiative which assist local manufactures in finding sales and distribution outlets for their merchandise by helping them attend trade and consumer shows. Additionally, the Food & Product Innovation Network is a collective state effort to support local agriculture and food producers by addressing food security and creating a sustainable food ecosystem.

3. Financing Strategy

3.1 Financing Needs

The 2025 Small Business Credit Survey from the Federal Reserve Bank, San Francisco [Source: Small Business Credit Survey Federal Reserve Bank, San Francisco published March 2026], showed that Hawaii firms face financial difficulties: 1

- The three most cited financial challenges experienced in 2025 were increased cost of goods (79%), operating expenses (57%), and increased costs associated with tariffs and weak sales both begin cited by 50% of respondents.
- 64% percent of firms polled possessed outstanding debt with 33% of them having debts amounting to more than $100,000.
- Credit cards, followed by loans were the dominant financing products sought with 34% of applicants having applied for a credit card and 29% a loan.
- Of the 38% of Hawaii firms that sought a loan or financial assistance, 26% were denied, compared to the national denial rate of 19%.
- While most firms that applied for funding cited addressing operating expenses as a primary reason, expansion of business also comprised a significant reason to seek financing.

Number: 1 Author: Jason Ushijima Date: 8/6/2026 6:42:44 PM

Section 3.1 - Data from the 2025 Small Business Credit Survey was added, replacing older 2019 data.
Section 3.2 - New data about the Local Capital Market was added here.

- Firms sought out both small banks (39%) and large banks (33%) for financing, with fewer seeking online lenders (20%) and credit unions (15%).
- Of the Hawaii firms who applied for a loan, 54% sought more than $100,000 in financing whereas nationwide only 41% sought more than $100,000.

3.2 Local Capital Market

None of the major national banks (e.g. Bank of America, Chase, Wells Fargo) have any branches in Hawaii. Between high rents for commercial space, a small market, and deeply entrenched local competition, it's not worthwhile for them to establish a presence in Hawaii. The State's top 10 banks include a mix of Hawaii and mainland US institution. However the top three institutions control more than 80% of the market share. Bank of Hawaii (NYSE: BOH) is the state's largest bank with a little over a third of the market share and local deposits of $19.5 billion in 2025, First Hawaiian Bank (Nasdaq: FHB) the second-largest bank, also has little over a third of the market share, and local deposits of $18.2 billion in 2025. The No. 3 bank, American Savings Bank, had over 14% of the market share and local deposits of $8.1 billion in 2025. The fourth-largest, Central Pacific Bank (NYSE: CPF), had over 11% of the market share and local deposits of $6.5 billion in 2025. [Source: FDIC]

Hawaii has 10 Community Development Financial Institutions (CDFI) in the state as of 2025. These CDFIs are specialized community-based financial institutions with a primary mission to promote economic development by providing financial products and services to people and communities underserved by traditional financial institutions, particularly in low income communities. CDFIs include community development banks and credit unions, and non-regulated institutions such as non-profit loan funds or venture capital funds. A number of the CDFIs in Hawaii are undercapitalized and not very active in making loans to small businesses. In the last five years Hawaii lost three CDFIs mostly due to a lack of available funding. The current CDFIs in Hawaii are: Hawaii Central FCU, Hawaii Community Reinvestment Corporation, Hawaii FCU, Hawaii Habitat for Humanity Association, HHOC Mortgage, HAWAII FIRST FCU, Hawaiian Council, Hawaiian Lending & Investments, Molokai Community FCU, Kauai FCU. These 10 CDFI's have 22 branches across the state, however there are no current Hawaii CDFI's with a location on Maui Island. The CDFI Fund awarded

$56 million in financial assistance to CDFIs headquartered in Hawaii. [Source: Coalition of Community Development Financial Institutions (CDFI Coalition)]

3.3 RLF Financing Niche

The CBED RLF loans are intended to be small, $50,000 to $125,000, and when partnering with a co-lender, CBED usually puts in $25,000 to $50,000 and the co-lending partner will put in an equal amount for a total of $50,000 to $100,000. These loans are used when no other sources of lending are available to the business. Potential borrowers are first required to try a commercial lender and only if they cannot qualify for a conventional loan can they apply to the CBED RLF. The purpose of the CBED RLF is to assist in the creation and/or retention of private sector jobs resulting from small business development; retention of existing commercial, manufacturing, agriculture and service industries jobs; modernization and rehabilitation of existing manufacturing facilities; support for the use of new technologies applied to existing industries and growth industries and lastly, the development of businesses owned and operated by economically challenged communities.

4. Financing Policies

4.1 Eligible Lending Area

The Legislature created the Community-Based Economic Development (CBED) Program in 1991 in the Department of Business, Economic Development and Tourism (DBEDT) with Act 111, SLH, 1991, codified as Chapter 210D, Hawaii Revised Statutes. The CBED Advisory Council and the CBED Revolving Fund were also created.

The CBED Revolving Fund may make loans throughout the State of Hawaii. Loans may be made to any business whose activities benefit the community in which it is located. However, preference for loan funding extend to agriculture, manufacturing and wholesale businesses located in Hawaii Enterprise Zones.

4.2 Allowable Borrowers

1) To be eligible for a loan, the applicant shall:

2) Be an organization engaged in or establishing community-based economic development activities or a community-based enterprise;
3) Not be able to obtain a loan from at least one (1) private or public financial institution;
4) Furnish information to show that the applicant has the ability to repay the loan out of income from the business;
5) Have applied for or received all applicable licenses and permits;
6) Satisfactorily demonstrate to the department that it can operate on a sound financial basis;
7) If required by the department, provide collateral to reasonably protect the State's interest.
8) Demonstrate that the purpose of the loan is in conformity with provisions of Chapter 15-120, Hawaii Administrative Rules; and
9) Demonstrate that the loan amount is not obtainable:
   (A) Through other existing state loan program;
   (B) Through the public offering or private placement of securities of the applicant;
   (C) Through the disposal at fair price of assets not required by the applicant in the conduct of its existing business or not reasonably necessary to its potential healthy growth;
   (D) Without undue hardship through utilization of the personal credit or resources of the owner, partners, management, or principal shareholders of the applicant; or
   (E) Through other appropriate government financing.

4.3 Allowable Lending Activities

Primary business activities for loans include, but are not limited to, those listed in the CEDS with particular emphasis on (1) Agricultural Production or Processing; (2) Manufacturing; (3) Wholesaling businesses.

Prohibited uses:

Loans shall not be made where the direct or indirect purpose or result would be to:

Pay off a creditor or creditors of the applicant who are inadequately secured and are in a position to sustain a loss;

1) Provide funds, directly or indirectly, for payment, distribution, or as a loan to owners, partners, or shareholders of the applicant's business, except as ordinary compensation for services rendered;

2) Effect a change in ownership of a business, unless the change shall promote the sound development or preserve the existence of the business;
3) Provide or free funds for speculation in any kind of property, real or personal, tangible or intangible;
4) Provide funds to an applicant to engage in the business of lending or investing money;
5) Finance the acquisition, construction, improvement, or operation of real property which is to be held primarily for sale or investment; provided that this prohibition shall not apply to a loan for the remodeling, maintenance, or improvement (including expansion) of existing commercial or industrial structures already held by the applicant for rental or for use as an essential part of an ongoing business; or
6) Encourage monopoly or be inconsistent with generally accepted practices of the American system of free enterprise.

Additionally, per EDA RLF rules, borrowers cannot:

1) Use the RLF to acquire an equity position in a private business (i.e., equity financing);
2) Subsidize interest payments on an existing RLF Loan;
3) Provide a loan to a borrower for the purpose of meeting the requirements of equity contributions under another Federal agency's loan program;
4) Enable a borrower to acquire an interest in a business, either through the purchase of stock or the acquisition of assets, unless sufficient justification is provided in the loan documentation. Sufficient documentation may include acquiring a business to save it from imminent closure or to acquire a business to facilitate a significant expansion or increase in investment with a significant increase in jobs. The potential economic benefits must be clearly consistent with the strategic objectives of the RLF;
5) Provide funds to a borrower for the purpose of investing in interest-bearing accounts, certificates of deposit, or any investment unrelated to the objectives of the RLF;
6) Refinance existing debt, unless:
    a. You sufficiently demonstrate in the loan documentation a "sound economic justification" for the refinancing (e.g., the refinancing will support additional capital investment intended to increase business activities). For this purpose, reducing the risk of loss to an existing lender(s) or lowering the cost of financing

to a borrower shall not, without other indicia, constitute a sound economic justification; or

b. RLF funds will finance the purchase of the rights of a prior lien holder during a foreclosure action which is necessary to preclude a significant loss on an RLF loan. RLF funds may be used for this purpose only if there is a high probability of receiving compensation from the sale of assets sufficient to cover an RLF's costs plus a reasonable portion of the outstanding RLF loan within a reasonable time frame approved by EDA following the date of refinancing.

7) Serve as collateral to obtain credit or any other type of financing without EDA's prior written approval (e.g., loan guarantees);
8) Support operations or administration of the RLF recipient;
9) Undertake any activity that would violate EDA Property regulations found at 13 CFR part 314;
10) Finance gambling activity, performances or products of a prurient sexual nature, or any illegal activity, including the cultivation, distribution, or sale of marijuana that is illegal under Federal law.
11) Use the RLF to induce the relocation of existing jobs within the U.S. that are located outside of Recipient's jurisdiction to within its jurisdiction in competition with other U.S. jurisdictions for those same jobs.

4.4 Loan size

The amount of the outstanding balance on all loans to any one applicant at any one time shall not exceed $250,000.

5.5 Interest Rates

Each loan shall bear a simple interest rate of not less than four (4) and not more than eight (8) percent a year. [1]

4.6 Terms

Loans may be granted for up to ten (10) years.

4.7 Fees

Number: 1 Author: Jason Ushijima Date: 8/6/2026 6:58:01 PM

Section 5.5 - The EDA recommend that CBED consider raising the minimum interest rate charged for a loan to be 4% to be more aligned with their requirements. 209E, HRS, the CBED statue allows the loan program the flexibility to issue loans with an interest rate range of 3-10%.

No fees are charged to borrowers.

4.8 Equity & Collateral

The DBEDT Director shall determine the amount and kind of security required for each loan. Such security may be subordinated to other direct loans made by financial institutions.

4.9 Moratoria

The DBEDT Director shall determine the commencement date for the repayment of the first installment. The director may defer the first installment on the principal and interest of each loan for a period not to exceed two (2) years.

4.10 Start-Ups

No difference in policies for loans to start-ups (new businesses) versus loans for retention or expansion of an established business. Businesses who have been established for 2-years or more will be given greater consideration in the application process.

4.11 Working Capital

Working capital loans are allowed.

4.12 Credit not otherwise available

Borrower must demonstrate that the loan amount is not obtainable:

- Through other existing state loan program;
- Through the public offering or private placement of securities of the applicant;
- Through the disposal at fair price of assets not required by the applicant in the conduct of its existing business or not reasonably necessary to its potential healthy growth;
- Without undue hardship through utilization of the personal credit or resources of
- the owner, partners, management, or principal shareholders of the applicant; or
- Through other appropriate government financing.

5. Portfolio Standards and Targets

5.1 Target percentages

The following is the targeted percentage breakdown of borrowers for the CBED RLF. It is anticipated that the breakdown of borrowers by percentage of dollar amount is as follows:

- Public/Private (Ownership): 0/100
- Fixed Asset/Working Capital: 50/50
- Start-Up/Expansion/Retention: 10/80/10
- Locally owned/Outside owned: 100/0
- Manufacturing/Value-added Agricultural/Other: 35/40/25

5.2 Leverage

The CBED RLF will follow the EDA required minimum ratio of two dollars in private investment for every one dollar of RLF loans as applied to the whole portfolio (not individual loans) as identified in 13 CFR 307.15(d). Private investment may include (1) capital invested by the borrower or others; and (2) financing from private entities; (3) The non-guaranteed portions and 90 percent of the guaranteed portions of any Federal loan; or (4) loans from other state and local lending programs. Projects that provide higher private investment will receive consideration over those providing lower investment, all other factors (such as job creation) being equal.

5.3 Cost/Job Ratio and Types of Jobs

The CBED RLF's target job/cost ratio is one job created or retained per every $65,000 of proceeds used. Applicants with a lower investment per job will be given priority over larger investments per job. The CBED RLF will concentrate on creating family-wage employment, primarily for low and moderate income families. Skilled and semi-skilled jobs will be viewed as those most desirable for long-term employment.

6. RLF Loan Selection Criteria

The CBED RLF loan selection will be based on the financing policies and portfolio standards discussed earlier in this document particularly around the CEDS strategy, which capitalizes on

Number: 1 Author: Jason Ushijima Subject: Sticky Note Date: 8/7/2026 1:51:07 PM

Section 5.3 - Previously CBED's target l job/cost ratio was: one job created/retained for every $25,000. However per the EDA's recommendation, this was relaxed and raised to $65,000 to be more aligned with the current average salary in HI, $68,280.

regional assets and be consistent with 13 CFR 307.17(a). Proposed projects that can demonstrate the following criteria will take priority when awarding loans:

- Businesses locally owned and operated
- Businesses which can show positive community economic benefits as a result of the loan
- Businesses that maximize private investment that would otherwise not come to fruition without the CBED RLF loan
- Employment gains as a result of the loan and particularly of higher skill and higher wage jobs
- Projects that show innovation, increased productivity and thus strong potential future growth
- Projects which complement or provide linkages with other firms in the area (supply chain)
- Borrowers willing to retrain and upgrade unskilled, semi-skilled, or displaced workers.

7. Performance Assessment Process

The CBED RLF will be evaluated on a semi-annual basis in conjunction with the reporting to the Economic Development Administration (EDA) by the CBED Program staff. A review of the loan portfolio will also be made available to the CBED Advisory Council on an annual basis. Success metrics of the loan portfolio will be tracked in accordance with EDA regulations and the CBED RLF strategy.

The CBED RLF will update its management plan in accordance with 13 CFR 307.9. At a minimum the plan will be updated every five years. Notification will be given to the Economic Development Administration of any changes made to the plan as well as any changes that affect the RLF. DBEDT can choose to update the CBED RLF management plan sooner than every five years as the Department sees fit.

PART TWO: RLF OPERATIONAL PROCEDURES

The Hawaii State Legislature created a Community-Based Economic Development (CBED) Program in the Department of Business, Economic Development and Tourism (DBEDT) and this was codified as Chapter 210D, Hawaii Revised Statutes. The legislation created the CBED

Advisory Council and the CBED Revolving Loan Fund in 1991. The statute and the concomitant administration rules are the primary governing documents for the CBED program including the CBED Revolving Loan Fund.

8. Organization Structure

8.1 Critical Operational Functions

The CBED RLF Program will be administered through the Department of Business, Economic Development and Tourism (DBEDT), which is the State of Hawaii's economic development agency. DBEDT will market the CBED RLF Program through the use of collateral materials, the CBED website, industry-specific speaking engagements, information booths at small business fairs and similar outreach venues. Additionally, the CBED RLF Program will work in collaboration with partner organizations to market the Program including, but not limited to:

- Small Business Administration (SBA)
- Small Business Development Centers (SBDC)
- Innovate Hawaii (Hawaii's Manufacturing Extension Partnership (MEP))
- Hawaii Department of Agriculture and Biosecurity
- Hawaii Farm Bureau
- County governments
- Patsy T. Mink Center for Business and Leadership

The above organizations along with DBEDT will also provide business assistance and advisory services to prospective and actual borrowers. They will also assist with regulatory compliance assurance.

Either DBEDT or one of the CBED RLF co-lending partners will handle loan processing including reviewing applications, conducting credit analysis, preparing loan write-ups and presentations to the CBED Advisory Council for their loan recommendations. Either DBEDT or one of the CBED RLF co-lending partners will handle the loan closings.

Loan Servicing (administrating loan collections, defaulted loans) will be handled by DBEDT, a co-lending partner or a third-party contractor. In the latter case state procurement rules would be employed to contract for this service. Foreclosures will be handled by the State Department of the Attorney General.

Financial record-keeping and ensuring compliance with EDA requirements will be administered by DBEDT.

8.2 Loan Administration Board

The CBED Advisory Council consists of 10 members. The Director of DBEDT, the Chairperson of the State Board of Agriculture, and the Chairperson of the Office of Hawaiian Affairs, or their respective designees, are ex-officio members. The Governor appoints the remaining seven members, representing all counties plus one member who has specific commercial finance experience. The Council reviews CBED financing requests and makes recommendations on loans subject to the final approval of the DBEDT Director. The Council also advises the director on program implementation, and members represent their island/county in liaison with community-based organizations.

Council members bring a myriad of skills sets to the Department and the CBED Program. Skill sets of current CBED Advisory Council Members include, but are not limited to: Strategic Communications, Program Management, Community Outreach, Project Management, Government, Strategic Planning, Public Speaking, Nonprofits, Leadership, Business Strategy/Business Analytics, Financial Modeling, Process Improvement, Finance, Risk Management, Public Policy, Grants, Public Administration, Customer Service, Legislative Relations, and Policy Analysis.

Membership Terms: Ex-Officio members or their agency representatives hold life-time Advisory Council positions. Members, representing their respective counties who are nominated by the Governor and confirmed by the State Legislature – Senate Economic Development Committee, are appointed for an initial four (4) year term and may serve a second four (4) year term, but not more than eight (8) years.

Quorum requirements: A quorum of 60% of the total Advisory Council members is required for a formal CBED Advisory Council meeting.

8.3 Conflicts of Interest

The CBED RLF will be governed by 13 CFR § 302.17, the EDA's Conflicts of interest federal regulation, which states:

(a) General. It is EDA's and the Department's policy to maintain the highest standards of conduct to prevent conflicts of interest in connection with the award of Investment Assistance or its use for reimbursement or payment of costs (e.g., procurement of goods or services) by or to the Recipient. A conflict of interest generally exists when an Interested Party participates in a matter that has a direct and predictable effect on the Interested Party's personal or financial interests. A conflict also may exist where there is an appearance that an Interested Party's objectivity in performing his or her responsibilities under the Project is impaired. For example, an appearance of impairment of objectivity may result from an organizational conflict where, because of other activities or relationships with other persons or entities, an Interested Party is unable to render impartial assistance, services or advice to the Recipient, a participant in the Project or to the Federal government. Additionally, a conflict of interest may result from non-financial gain to an Interested Party, such as benefit to reputation or prestige in a professional field.

(b) Prohibition on direct or indirect financial or personal benefits.

(1) An Interested Party shall not receive any direct or indirect financial or personal benefits in connection with the award of Investment Assistance or its use for payment or reimbursement of costs by or to the Recipient.

(2) An Interested Party also shall not, directly or indirectly, solicit or accept any gift, gratuity, favor, entertainment or other benefit having monetary value, for himself or herself or for another person or entity, from any person or organization which has obtained or seeks to obtain Investment Assistance from EDA.

(3) Costs incurred in violation of any conflicts of interest rules contained in this chapter or in violation of any assurances by the Recipient may be denied reimbursement.

(4) See § 315.15 of this chapter for special conflicts of interest rules for Trade Adjustment Assistance Investments.

(c) Special rules for Revolving Loan Fund ("RLF") Grants. In addition to the rules set forth in this section:

(1) An Interested Party of a Recipient of an RLF Grant shall not receive, directly or indirectly, any personal or financial benefits resulting from the disbursement of RLF loans;

(2) A Recipient of an RLF Grant shall not lend RLF funds to an Interested Party; and

(3) Former board members of a Recipient of an RLF Grant and members of his or her Immediate Family shall not receive a loan from such RLF for a period of two years from the date that the board member last served on the RLF's board of directors.

Additionally, CBED staff and CBED Advisory Council members must abide by the State Ethics Code, Chapter 84, Hawaii Revised Statutes ("HRS") which directs CBED staff and the CBED Advisory Council to disqualify themselves from taking any official action directly affecting a business or undertaking in which they have a substantial financial interest. HRS §84-14(a). "Financial interest" is an interest held by CBED staff or CBED Advisory Council members, or an interest held by a spouse, or a dependent child of theirs, and includes ownership of a business (including stocks in corporations); a creditor interest in an insolvent business; employment; real property; a loan; or directorship or officership in a business.

According to HRS §§ 84-31(b), (c), and 84-32, a charge by a person concerning an apparent violation of the State Ethics Code is a written statement, signed under oath. Individuals normally use a notary public to authenticate oaths. Charges initiated by the State Ethics Commission need not be under oath, but must be signed by three or more commissioners. The procedure for charges includes: (1) Notice to alleged violator; (2) Investigation; (3) Informal advisory opinion and/or probable cause determination; (4) Public formal hearing and decision; (5) Referral to Legislature, Governor, Chief Justice, or Attorney General for further action.

9. Loan Processing Procedures

9.1 Standard Loan Application Requirements

Checklist of items needed from prospective borrower for loan application

1) Financial Statements and Balance Sheet (Past 3-years)
2) Three years Cash Flow of income and expenses (including assumptions)

3) Aging schedules for Accounts Payables and Account Receivables
4) Personal Financial Statements (sole proprietors, major stockholders, partners and guarantors)
5) Income Tax returns (pasts three years)
6) Copy of leases or deeds to a farm or other business facilities
7) Marketing and purchase contracts
8) Letters of decline from at least (1) private lender
9) Hawaii State Tax Clearance
10) Written narrative of the business

Identifying the borrowers and business:

1) Sole Proprietorship
    a. Education and Experience
    b. Citizenship and Residency
2) Partnerships
    a. Education and Experience of partners
    b. Citizenship and Residency of partners
    c. Copy of partnership agreement
3) Corporations and Cooperatives
    a. Education and Experience of stockholders or members
    b. Citizenship and Residency of stockholders or members
    c. Copy of charter or articles of incorporation with all amendments
    d. Copy of bylaws properly adopted and now in force
    e. List of stockholders and amount shares owned
    f. List of board of directors
    g. List of officers
    h. Resolution to borrow

Collateral:

1) Itemized list of equipment
2) Uniform Commercial Code (UCC)
    a. Specific security amendment on new equipment

   b. Blanket security interest of business assets
3) Real Estate Collateral
   a. Copy of mortgage and lien documents

Appraisals:

1) Chattel Appraisals
   a. Loan Officer inspection of personal property for valuations and documentation
      i. Kelly Bluebook, North American Equipment Dealerships Association
2) Facility Inspection
   a. Evaluate the resources available to fulfill the requirements of the proposed plan of operation
   b. Evaluate the adequacy of accounting systems and records and counsel the applicant of any remedies
   c. Obtain information needed to complete required appraisals
   d. Determine the adequacy of existing insurance plans to ensure the loan will be collectable.
      i. Evidence of required insurances should be in place prior to loan closing and disbursement of loan proceeds. This may include hazard, life, vehicle, liability and any other insurances required by the loan conditions.

Loan Guarantee:

1) Personal Guarantees
   a. May require the personal guarantee of each officer and director, and any stockholder
   b. There may be occasions where guarantee of individuals or businesses other than the named borrower(s) will be required.
2) Secured Guaranty
   a. Pledge of collateral that may be individually owned or jointly owned
   b. Guarantee agreements by all parties having an interest therein.

9.2 Credit and Financial Analysis

Processing of Loan Applications

Approval considerations:

1) Is the applicant a sound credit risk with ability to repay the loan?
2) Is the applicant willing to carry out recommended business management practices?
3) Is there the existence of a continuing market for the commodity/product or service proposed by applicant?

Credit Verification:

1) Repayment History
2) High low credit balances outstanding
3) Repayment Terms
4) Collateral
5) Purpose
6) Date of account opening or date of loan
7) Derogatory remarks, if any
8) Liens and/or judgments, if any
9) Credit Agencies: Dunn & Bradstreet or TransUnion

Financial Analysis:

Balance Sheet

1) Amount of capital controlled by the borrower
2) Amount of asset ownership
3) Debts that may affect payment of the proposed loan
4) Amount of liquid assets that can be used to pay current expenses
5) Financial Trend

Cash Projections and Earnings

1) Cashflow analysis based on Tax Returns (past 3 years)
2) Projections based on assumptions and loan purpose
    a. 3-year monthly cashflow projection to support debt servicing
    b. Living expenses for family businesses should be considered

Management Ability

1) Character, experience and history of success in other ventures, motivation and caliber of principals

9.3 Environmental Reviews

The borrower will be required to comply with all Federal, State and local environmental laws. The CBED RLF will ensure that potential borrowers' environmental reviews and permitting are in place particularly for loans that will lead to alteration of the physical environment (i.e. construction). It is a policy of the CBED RLF to assure that proper environmental assessment of loan fund projects takes place, that adverse environmental impacts are mitigated or avoided to the extent possible. As a general rule, CBED RLF loans will not be approved for projects which will adversely impact without mitigation the following: coastal areas, floodplains, wetlands, significant historical or archeological properties, drinking water resources or non-renewable natural resources. Borrowers must be in compliance with applicable environmental laws, Executive Orders, and regulations, including but not limited to 13 CFR Part 302, the National Environmental Policy Act of 1969 and other Federal environmental mandates. When there are questions about a loan applicant's project CBED staff will coordinate with (1) the Hawaii State Department of Health, which oversees environmental compliance in the state and also (2) the appropriate County's agency responsible for project permitting. The following are procedures for environmental review of loan applications for construction projects:

(1) Determine whether a proposed project will result in a significant adverse environmental impact. Applicants may be asked to submit additional documentation as necessary to make the determination. No activity shall be financed which would result in a significant adverse environmental impact unless that impact is to be mitigated to the point of insignificance. When necessary to ensure compliance, any required mitigation shall be made part of the loan conditions.

(2) Determine whether the proposed project involves development within a floodplain as defined by EDA Directive No. 17.04 to enable the applicant to make a determination whether there is an alternative to minimize any potential adverse impacts (Executive Order 11988, as amended by Executive Order 13690).

(3) Determine whether the project will be located within or adjacent to any wetland area. The applicant may be required to provide wetland delineation information as necessary. No activity shall be financed which would result in alternation of any wetland or in any adverse impact on any wetland without consultation with the U.S. Department of the Interior Fish and Wildlife Service on applicable laws (e.g., Endangered Species Act, Migratory Bird Treaty Act) and, if applicable, a Nationwide or site-specific Section 404 Permit with the Army Corp of Engineers shall be obtained.

(4) The potential borrower should indicate any consultation with the State Historic Preservation Officer (SHPO) for each approved loan of the potential effects the proposed project may have on historic and archaeological resources prior to closing of the loan. In cases where SHPO has recommended actions or has determined an adverse impact, the loan applicant must work with the SHPO and EDA to address any issues identified before the loan is closed.

All loan applicants are required to provide information regarding whether or not there are hazardous wastes or toxic substances such as EPA listed substances (see 40 CFR 300), leaking underground storage tanks, asbestos, polychlorinated biphenyls (PCB), or other hazardous materials present on or adjacent to the affected property that have been improperly handled and have the potential to endanger public health. If deemed necessary, loan applicants may be required to perform or provide evidence of performance of a Phase I Site Assessment to identify possible sources of contamination, a Phase II Site Assessment to test soil and/or groundwater samples, and a Phase III Site Remediation involving mitigation of applicable contaminants. No activity shall be financed which involve unresolved site contamination issues. Loan applicants shall be responsible for working with the appropriate state environmental agency office to resolve any outstanding issues before any loan can be approved for the affected site.

9.4 Loan Write-up

Loan Officer presentations should use standard formats and be explicit and concise. Proper justification, financial analysis, background information, etc., as well as recommendations and conditions should be covered at submission. The following information should be included in the loan presentation:

a. Application (full legal name, date of birth, Social Security No., State ID No., Fed ID No.)
b. Eligibility (state applicable statute and how applicant qualifies)
c. Commodity & Classification (major crops and business organization)
d. Loan Request
e. Related or Contingent Liabilities
f. Loan Purpose (specify or itemize what funds are to be used for)
g. Terms
h. Security (list all)
i. Guarantors
j. Financial Statements (summarize and include analysis)
k. Sources of Repayment (cash flow summary, income assumptions, markets)
l. Background (brief summary of applicant and business)
m. Comments
n. Turndowns
o. Recommendations (include additional conditions, if any)

9.5 Procedures for Loan Approvals

Loans must first be presented to the CBED Advisory Council for recommendation. A public meeting is called, which is subject to the state's sunshine law. Council members review the loan presentation and can ask questions of the loan officer. As long as there is a quorum of 60% of the Council's membership, a Council vote is taken for a recommendation on the loan application. A simple majority vote of the Council members is needed to approve a yes recommendation on a loan application. This is recorded in the meeting's minutes which are posted on the CBED Program's website. After the Council meets, the recommendation is sent to the Director of DBEDT who then considers that recommendation and either approves or disapproves the loan application. The loan officer is then informed of the decision and any additional conditions.

10. Loan Closing and Disbursement Procedures

10.1 Loan Closing

The Loan Officer should have a thorough knowledge and understanding of all the required documents prior to the submissions of the loan for approval.

a. A detailed list of the collateral required including legal descriptions for inclusion in security instruments.
b. The preparation and completion of all security instruments including notes, mortgages, financing statement(s).
c. Preparation of other documents and agreements such as term loan agreement, assignment of income, hazardous materials agreement, guaranty, etc.
d. The explanation of terms rate of interest, mode of payment expected, the conditions of the mortgage and any other agreements.
e. All legal documents and supporting documentation will be submitted to the Office of the Attorney General for approval.

At a minimum per 13 CFR 307.11(a)(1)(ii)(H), the required documents should include:

(1) Loan application
(2) Loan agreement
(3) CBED Advisory Council minutes with the loan approval recommendation and DBEDT Director approval of the CBED RLF loan
(4) Promissory note
(5) Security agreement(s)
(6) Deed of trust or mortgage (as applicable),
(7) Agreement of prior lien holder (as applicable)
(8) A signed bank "turn-down" letter or other documentation demonstrating that credit is not otherwise available.

10.2 Loan Agreement Provisions

DBEDT will ensure that CBED RLF funds will be used as intended by following up with the applicant on a semi-annual basis in addition to reviewing any required reports from the applicant. Each loan agreement will clearly state the purpose of each loan as per 13 CFR 307.17(a). DBEDT staff will review all loan documents to ensure that the procedures in place protect and hold the Federal government harmless from and against all liabilities that the Federal government incur as a result of providing an RLF Grant to assist directly or indirectly in site preparation or construction, as well as the direct or indirect renovation or repair of any facility or site as per 13 CFR 307.10(c). DBEDT staff will review and go over all loan agreement provisions during the initial intake of application requirements and during the signing of documents for ensuring that prospective borrowers, consultants, or contractors are aware of and comply with the Federal statutory and regulatory requirements that apply to activities carried out with the RLF loans. These loan agreement provisions will also be reviewed at closing of the loan. All EDA RLF loans must include loan call stipulations for instances of non-compliance as per 13 CFR 307.10(b).

10.3 Loan Disbursement

The loan officer will have the responsibility of requesting the funds for disbursement. The loan officer should ensure that all loan proceeds are used in accordance with the loan purpose. Disbursements should not be made until confirmation of recordation has been received. Disbursements may be made directly to the borrower or can be made jointly to the borrower and a vender.

11. Loan Servicing Procedures

11.1 Repayment and Monitoring

Loan servicing by DBEDT, Co-lending Partner or Third-party Servicing Agent (All contracting and procurement completed by DBEDT will be conducted pursuant state procurement regulations):

1. Specific Loan Servicing Functions:
   (a) issue loan coupons to the borrower directing loan repayment to CBED RLF,
   (b) issue payoff demands, and mortgage ratings,
   (c) demand, receive, and collect all loan payments,
   (d) issue annual income tax statements to the borrower,
   (e) answer borrower inquiries, demands, and requests;
   (f) apply expertise in lending and loan collection to grant appropriate payment deferrals and minor extensions which do not significantly affect the maturity date of the Loan, and to negotiate short-term, temporary workout agreements upon a showing of need by the borrower, subject to the limitations on loan modifications, extensions, substitutions, assignments, or assumptions set forth in subsections (i) and (j), below,

(g) monitor and use best efforts to secure borrower compliance with required insurance coverages,

(h) make field inspections on regular basis to monitor operations and to inspect collateral,

(i) review and analyze borrower requests for major or otherwise significant substitutions and/or releases of collateral,

(j) review and analyze borrower requests for major or otherwise significant loan modifications, extensions, or assumptions, and

(k) provide monthly reports on loan status and communicate any significant factors that could detrimentally affect the Loan.

11.2 Loan Files

Loan files will be maintained as per 13 CFR 307.13. At a minimum CBED RLF loan files should include in addition to the loan application and closing documents, a copy of any private lender loan agreement, financial statements, annual insurance certifications, annual site visit reports, general correspondence and job reports. Loan files will be stored in fireproof, locked file cabinets.

11.3 Job Creation

The initial job creation claims will be reviewed and jobs will be tracked after loan approval through regular communication with the borrower. At a minimum this information will be requested on a semi-annual basis. This information will be used in reporting to the CBED Advisory Council and DBEDT Director as well as the semi-annual reports to the Economic Development Administration.

11.4 Defaulted Loans

According to Hawaii Administrative Rules §15-120-13 regarding loans in default:

(a) Loans that are three installments in arrears shall be considered in default. The borrower shall also be considered to be in default for failure to comply with any term or condition of the loan authorization, loan agreement, or mortgage. If the borrower is in default, then at the option of the DBEDT Director, the entire balance plus accrued interest shall become due and payable. The

DBEDT Director may foreclose any mortgage by any method provided by law. Any expense incurred by the department in recovering the monies shall be borne by the borrower.
(b) Loans in default shall be referred to the state attorney general for collection and legal action if the department is not able to obtain payment.

If a loan should become delinquent, the following procedures will occur:
• Telephone contact will be made 10 days after due date.
• First notice of delinquent payment will be sent 15 days after due date.
• Second notice will be sent 30 days after due date.
• Third notice will be sent 60 days after due date.
• Fourth notice will be sent 75 days after due date. A certified, return receipt notice will be sent.
During the first 75 days of delinquency, written and oral communication, as well as site visits, will be utilized to resolve the delinquency. Every effort will be made through personal contact to resolve the delinquency.
• After 90 days of delinquency, a loan due demand notice will be sent by legal counsel. If after 90 days a delinquency still exists, and the loan has not been renegotiated or brought current, the loan may be declared in default. DBEDT in consultation with the State Department of the Attorney General may immediately commence procedures to recover on borrower's security. No loan modification will be approved unless it can be demonstrated that modification will improve the borrower's ability to repay the loan.

11.5 Write-Offs

Any decision to abandon further legal action on a defaulted loan because it has become not collectable will be made in consultation between DBEDT and the State Department of the Attorney General. IRS Form 1099C will be submitted to the borrower and to the IRS.

<u>12. Administrative Procedures</u>

12.1 New RLF's

The CBED RLF was created with an original appropriation of $900,000, in 1991. Sources of revenue for the CBED RLF since then have included repayments of loan principal, loan interest, "transfers" of general funds from DBEDT or funds appropriated by the State Legislature; and fees from community conferences and other events sponsored through the CBED Program. This will be the first use of a federal grant award to recapitalize the CBED RLF. As noted below, EDA grant award and the state's match will be placed in a sub-account of the CBED RLF for ease of tracking and reporting. Since the local share and federal EDA share will be held in one separate sub-account this will ensure that the local share proportion to the federal funds is adequate for the grant.

12.2 Accounting

A separate sub-account within the CBED RLF will be created by DBEDT's Administrative Services Office (ASO) for this EDA grant and the state match. The State of Hawaii accounting system will allow DBEDT to keep separate all EDA and state matching funds and then track loans, repayments of principal and interest and administrative fees separate from the rest of the CBED RLF. The CBED RLF is held in a pooled-interest account administered by the State of Hawaii's Department of Budget and Finance.

12.3 Administrative Costs

DBEDT intends to use the CBED RLF income to cover eligible administrative costs associated with the grant. The anticipated maximum percentage of income to be used for expenses will be in compliance with EDA's allowed percentage. DBEDT will apply, track, and report the administrative costs in compliance with 13 CFR 307.

12.4 EDA Reporting

As per 13 CFR 307.14 CBED staff will complete and submit CBED Revolving Loan Fund semi-annual reports and Income and Expense Statements to the Economic Development Administration (EDA) as required. As part of this reporting DBEDT will certify to EDA that the CBED RLF is operating in accordance with the applicable CBED RLF Operational and Administrative Plan.

12.5 Audits

The EDA RLF funds are subject to an annual audit requirement and the full value of the RLF (outstanding loans and available cash) must be shown every year on the Recipient's Schedule of

Federal Expenditures. If the dollar amount of the RLF qualifies the RLF as a major federal program, the Recipient must ensure that the auditor performs the required federal audit procedures per RLF Standard Terms and Conditions Part II.E.8.