

Exhibit No. 1
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STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
LOAN APPLICATION AND REVIEW PROCEDURES
for
FINANCING OF INDUSTRIAL ENTERPRISES
through the
ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

FOREWORD

This manual contains the Loan Application and Review Procedures adopted by the State of Hawaii, Department of Budget and Finance for implementation of Part V of Chapter 39A, Hawaii Revised Statutes and the rules promulgated pursuant thereto.

It should be noted that the policies and procedures described herein not required by statute may be subject to revision by the Department from time to time.

TABLE OF CONTENTS

General Information Relating to Financing of Industrial Enterprises	1
Statute	1
Rules	1
Eligible Applicants	1
Eligible Projects	2
Loan Application Procedures	2
Letter of Intent	2
Formal Application	3
Loan Review Procedures	3
Acknowledgment of Receipt of Documents	3
Initial Conference	3
Department Determination	4
Development of the Documentation for the Bond Financing	5
Sale of Bonds	6
Periodic Reporting.	6

GENERAL INFORMATION RELATING TO
FINANCING OF INDUSTRIAL ENTERPRISES

Statute

Part V of Chapter 39A, Hawaii Revised Statutes, was enacted by the State legislature in 1981 in order to assist industrial enterprises through the issuance of tax-exempt revenue bonds issued in the name of the Department of Budget and Finance. The legislature, in enacting the statute, determined that the issuance of special purpose revenue bonds to assist industrial enterprises is a valid public purpose and in the public interest.

The statute requires that, prior to the issuance of bonds to finance an eligible project, the Department of Budget and Finance make a determination that the applicant is a responsible party, or that the obligations of the corporation under the project agreement with the Department of Budget and Finance be unconditionally guaranteed by a responsible party.

In addition, the statute requires as a condition precedent to the issuance of special purpose revenue bonds that the applicant and the Department enter into a project agreement under which the applicant agrees to pay, among other things, the principal and interest on the special purpose revenue bonds issued to finance the applicant's project.

The applicant is also required to reimburse the State for any and all costs and expenses (direct or indirect) incurred by it in implementing and administering the statute, as determined by the Department, regardless of whether or not a project agreement is ever entered into or bonds issued for the project.

Rules

The Department of Budget and Finance has adopted rules to implement part V, chapter 39A, HRS. These rules outline the application and review process to be followed by the applicant and the Department in the financing of projects under this statute.

Eligible Applicants

Any person, firm or corporation qualified to do business in the State and conducting or proposing to conduct an industrial enterprise in the State for which the State legislature by affirmative vote of two-thirds of the members of each house has authorized the issuance of special purpose revenue bonds is eligible to apply to the Department for financing.

Eligible Product

Any combination of land, buildings, and other improvements thereon, for use as an industrial enterprise, including, without limiting the generality of the foregoing, machinery, equipment, furnishing, and apparatus which shall be deemed necessary, suitable or useful to such enterprise shall constitute eligible project.

In addition to construction and equipment costs, the proceeds of special purpose revenue bonds may be used to pay the costs incurred in the issuance of the bonds including legal fees and consulting fees and charges for financial feasibility studies and the fees of investment bankers and underwriters in providing services in connection with the issuance of the bonds.

LOAN APPLICATION PROCEDURES

Letter of Intent

In order to provide a means for the Department to coordinate all financings for which it has responsibility and to allocate its resources most efficiently, the Department requires all applicants, as the initial step in the application process, to furnish the Department with a letter of intent. The letter of intent shall consist of a letter, addressed to the Director of the Department which briefly sets forth the following:

1. The approximate principal amount of the loan to be requested. This amount should be exclusive of bond issuance costs and should include only the amount of net proceeds of the bonds required for the financing of the cost of the project.
2. A general description of the project to be financed.
3. The proposed security for the loan to be requested.
4. If the project has not been completed, the estimated timetable for its construction and equipment.
5. The proposed timetable for the bond issue.

Formal Application

A formal application for financing shall be made on the Department's application form supplied to the applicant. Only completed applications will be reviewed by the Department. A completed application consists of:

1. An application form with all applicable items completed together with all items required by the application form to be enclosed.
2. An estimate of benefit utilizing the format supplied by the Department accompanied with a determination of an independent feasibility consultant or another person approved by the Department that the methodology, assumptions, and statistical or historical data employed in making the estimate of benefits constitutes a reasonable bases for the preparation of the estimate of benefits.
3. Two executed copies of the Department's form of Fee Agreement.
4. A certified or cashier's check made out to the Department of Budget and Finance in the amount of 1,000.00 representing the non-refundable application fee which is to be applied against amounts owing under the Fee Agreement.

LOAN REVIEW PROCEDURES

Acknowledgment of Receipt of Documents

Within 10 days of receipt of a Letter of Intent, the Department shall send to the applicant written acknowledgment of the receipt of the Letter of Intent and shall inform the applicant whether, based upon the information included in the Letter of Intent but subject to the information contributed in the formal application, the applicant is an eligible applicant and the proposed industrial project is a project eligible for financing.

Within 30 days of receipt of the formal application, the Department shall send the applicant written acknowledgment of the receipt of the application and shall inform the applicant as to whether the application received constitutes a completed application and shall specify any missing items.

Initial Conference

Following review by the Department of all documentation submitted as part of the formal application, the Department will schedule a conference with the applicant. It is recommended that the applicant's legal counsel and investment banker and underwriter attend such conference. The topics to be discussed at the conference include the following:

1. The Department's need for any additional information in making its statutorily required determinations.
2. The need for the undertaking of a financial feasibility study and the selection of a financial feasibility consultant.
3. A proposed timetable for the bond financing.
4. The format of the project agreement, including the security to be provided for the obligations of applicant thereunder. The project agreement will be prepared by the Department's bond counsel based upon the concepts agreed upon at this conference.

In the event that the Department determines that the initial conference is not required prior to making its statutorily required determinations, such conference may be held subsequent to such determinations.

Department Determinations

Following the initial conference (if required) and the furnishing by the applicant of any additional information required by the Department to make its statutorily required determinations, and following the review by the Department of such additional information, the Department shall inform the applicant in writing as to whether:

1. The applicant is a Project Party, as such term is defined in the statute;
2. The project described in the application is a Project, as such term is defined in the statute;
3. The applicant (or the guarantor of its obligations under the project agreement, if applicable) is a responsible party as required by the statute.

The Department shall furnish the applicant with such written notification within 60 days following receipt of the completed formal application or the initial conference and receipt of any required additional information, including a financial feasibility study, if required by the Department, if such conference or additional information is required.

If the applicant has received an adverse determination from the Department, which adverse determination shall include the reasons therefor, the applicant shall have 30 days to furnish the Department with a written appeal of such determination. The Department shall respond to such written appeal within 120 days of its receipt thereof.

Development of the Documentation for the Bond Financing

Following the initial conference and the making of the required determinations by the Department, work will commence on the documentation required for the bond issue. Such documentation may include the following:

<u>Document</u>	<u>Party Primarily Responsible for Preparation</u>
Trust Indenture Securing Bonds	Department's Bond Counsel
Project Agreement	Department's Bond Counsel
Guaranty Agreement*	Department's Bond Counsel
Mortgage*	Project Party's Counsel
Financial Feasibility Study*	Financial Feasibility Consultant
Official Statement or Private Placement Memorandum for Bonds	Investment Banker
Contract Between Investment Banker and Department for Purchase of Bonds	Investment Banker

(Note: *If required.)

Contemporaneously with the preparation of such drafts, the Department will undertake to prepare or secure such documentation and initiate such proceeds which constitute a condition precedent under the requirements of Section 103 of the Internal Revenue Code of 1954, as amended, and the regulations promulgated thereunder to any bond financing, including:

1. The issuance of an official action letter of the Department in the form of a letter from the Department to the Governor of the State describing the Project and providing for the approval of the Governor thereon.
2. The undertaking of a public hearing on the issuance of the special purpose revenue bonds following reasonable public notice.

Following the preparation of drafts of the required documentation, meetings will be scheduled periodically to review such drafts and the progress of the financing. Parties attending such meetings, as required, may include: representatives of the Department, the Department's bond counsel, representatives of the Project Party and its counsel, representatives of the investment banker and underwriter for the financing and its counsel, representatives of the financial feasibility consultant, and such other parties as may be required for a full and complete discussion of items relevant to the bond financing.

Sale of Bonds

The timing of any sale of special purpose revenue bonds shall be in the sole discretion of the Department. The Department will agree to the sale of special purpose revenue bonds only if, prior to the sale of the bonds for a Project which has not been constructed, construction bids have been received or a negotiated construction cost has been agreed upon. In all cases, no sale of bonds shall occur unless the form of all documentation to support the bond issue has been agreed upon by the appropriate parties and all appropriate official action has been taken by the Project Party. Prior to or simultaneously with the bond sale, the Project Party shall execute the project agreement.

Periodic Reporting

The project agreement shall require the Project Party to furnish the Department with the information relating to the operation of the Project specified in the project agreement on at least an annual basis.