Mayor and Council –

Staff were surprised to see the following story hit the press in Crain's on Wednesday. Please see the article below, as well as MERS's response after we submitted an inquiry.

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Michigan pension system sued over $80M loss on failed Hawaii coffee farm

By David Eggert

December 02, 2025 01:43 PM

LANSING — A retirement system that manages pension plans for many Michigan municipalities lost at least $80 million on a failed coffee farm in Hawaii and fraudulently misled a lender in a bid to rescue the plantation, according to a lawsuit.

The Municipal Employees' Retirement System of Michigan, known as MERS, is named as a defendant in the complaint, which was filed Monday in Florida by AgAmerica Lending LLC and a related entity. MERS is the principal investor in the aborted development, holding a 99.5% stake in Kona Capital Partners LLC, which owns 97% of Kona Hills LLC, which began planting coffee trees on Hawaii's Big Island in 2018, the suit states.

Lakeland, Florida-based AgAmerica commenced a foreclosure action in June after the project was abandoned due to "significant and material" environmental, legal, permitting, stormwater, wastewater, flooding, grading, grubbing and construction issues and violations. The lawsuit alleges fraudulent misrepresentation, conspiracy to commit fraudulent misrepresentation and negligent misrepresentation, and seeks more than $40 million in damages from MERS and others related to loans.

"As our Complaint outlines, we never imagined a $20 billion pension fund and its partners would mislead and conceal vital information from us," AgAmerica CEO Brian Philpot said in a statement. "It's equally shocking that MERS, a fiduciary for thousands of Michiganders and their retirement funds, would lose over $100 million in a start-up coffee farm. We hope this litigation will allow Ag America, its investors, and employees to recoup the money we are owed."

MERS CEO Kerrie Vanden Bosch denied the claims.

"As fiduciary for the retirement plans of Michigan's public servants, we are committed to holding our investment managers to the highest standards of integrity and ensuring they act in the best interests of our participants. The claims in this lawsuit are baseless and without merit, and we fully reject these false allegations," she said in a statement.

Vanden Bosch said MERS, which has offices in Ingham County's Delta Township near Lansing, invested less than 0.5% of its portfolio in Kona Hills.

"While this specific investment experienced a loss, it was more than offset by strong gains in other Private Market investments," she said, adding that the portfolio had grown 15% in 2025 as of Friday.

"We are confident that the facts will come to light through the court process," Vanden Bosch said. "We remain dedicated to our mission and to the long-term financial security of those who serve Michigan's communities."

MERS, which has 750 participating municipalities with pension and hybrid plans, had a $14.3 billion defined benefit portfolio as of Sept. 30 — roughly $20 billion in total assets including defined contributed plans. Participants include several counties, cities such as Flint and

Saginaw, townships, Hurley Medical Center in Flint and the Suburban Mobility Authority for Regional Transportation (SMART) in metro Detroit.

MERS offers retirement and other services to more than 1,000 municipalities representing over 150,000 workers and retirees.

It is one of seven defendants listed in the suit. The others are Kona Hills, Kona Capital, Domain, Kamco Land Co. Inc., former Kona Hills and Kamco CEO Mark McCormick, and Domain's Chief Operating Officer Carolyn Seabolt.

They are accused of conspiring between 2022 and 2024 to conceal preexisting environmental and other issues that adversely affected the coffee development, its value and their ability to repay two tranches of financing to AgAmerica.

After the lender gave nearly $30 million initially in 2022, MERS and others used a significant amount of the funds to redress the undisclosed issues instead of spending it on planting and developing coffee trees, according to the lawsuit. MERS terminated its project asset manager, Atlanta-based Domain Capital Partners, and replaced it with Ospraie Kona Manager LLC, which informed AgAmerica that the project was experiencing serious operational and financial difficulties.

The plaintiff alleges it confronted a "stark reality" of losing the money or foreclosing on the property and being forced by the County of Hawaii to remediate the issues. It was "constrained" to approve over $10 million more in 2023 to try to salvage its investment and subsequently got positive updates.

But in January, AgAmerica learned of problems with the harvest and the need for tens of millions of dollars in additional capital. MERS and Ospraie stopped financially supporting the project, which dates to 2016, and Kona defaulted on the loans, the complaint states.

It says MERS and Domain invested about $95 million in the development, at least $80 million of which came from MERS.

"Given the amount AgAmerica invested in the Kona Hills Project and the amount of investment to date by others, it is evident based on the condition of the Kona Hills Property, that the $130 million invested by AgAmerica, Domain, MERS, and Ospraie was not used to develop the Kona Hills Property and that instead one or more of the Defendants used the funds" for other unapproved purposes, the suit says.

From: Jennifer Mausolf
Sent: Wednesday, December 3, 2025 1:16 PM

To: GronlundFox, Tia <tgronlundfox@cityofnovi.org>
Subject: Responding to you inquiry

Hi Tia,

Jamie forwarded your message to me to respond on behalf of MERS, and I appreciate you taking the time to reach out with your questions.

As part of our Private Market portfolio, MERS partnered with an investment manager, Domain Capital Advisors, to make an investment in Kona Hills, a coffee plantation in Hawaii. AgAmerica is a lending organization, which issued an agricultural loan directly to Kona Hills for the development of Kona Hills. Earlier this year, Kona Hills defaulted on the loans, leaving AgAmerica to foreclose on the property.

The lawsuit alleges that MERS, along with Domain Capital Advisors, and Kona Hills, conspired to commit fraudulent misrepresentation of Kona Hill's financial condition, providing inaccurate appraisals and financial projections. **MERS fully rejects the claims and bears no responsibility under the loan agreement between AgAmerica and Kona Hills.** It is clear that AgAmerica, and their hired public relations firm, are proactively attempting to spread misinformation about MERS, in order to force a settlement.

Here is our statement from our CEO, Kerrie Vanden Bosch:

As fiduciary for the retirement plans of Michigan's public servants, we are committed to holding our investment managers to the highest standards of integrity and ensuring they act in the best interests of our participants. The claims in this lawsuit are baseless and without merit, and we fully reject these false allegations.

MERS invested less than 0.5% of the total portfolio in Kona Hills as part of our Private Market allocation. While this specific investment experienced a loss, it was more than offset by strong gains in other Private Market investments. Overall, the MERS Total Market portfolio has earned 15.04% year-to-date as of November 28. We are confident that the facts will come to light through the court process. We remain dedicated to our mission and to the long-term financial security of those who serve Michigan's communities.

Please feel free to share this response with your stakeholders as needed.

Thanks again for reaching out,

Jennifer Mausolf
Customer Strategies Director
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