

MINUTES OF THE LUNCHEON MEETING OF THE BOARD OF DIRECTORS

Wednesday, 3 June 2015

#1 Capitol District Building, 250 South Hotel Street, Room 436, Honolulu, HI 96813

MINUTES**PRESENT**

H. Brian Moore, Chair
James Moonier (arrived 12:20pm)
Michael O'Malley
Philip Bossert
Keiki-Pua Dancil
Greg Barbour for John DeLong
Luis Saleveria
Craig Nakanishi

EXCUSED

Jon Wallenstrom
Alan Hayashi

STAFF

Karl Fooks, President
Sara Lin, Associate
Gregg Kinkley, DAG

GUESTS

Danton Wong
Eric Yee

- **CALL TO ORDER:** Meeting called to order by the Chairman at 12:05 PM.
 - The Board expressed its appreciation to Danton Wong and Eric Yee for their 8 years of service on the HSDC Board.
 - The Board expressed its appreciation to Philip Bossert for his service on the HSDC Board.
 - The Board welcomed new Board members, Luis Saleveria and Michael O'Malley.
 - Chair Moore requested that at the next board meeting a brief overview of HSDC's recent history be provided to provide background for new board members beginning their terms.
- **29 April 2015 MEETING MINUTES:** Minutes were approved.
- **HSDC Board Officer Election**
 - Chair Moore suggested that this agenda item be deferred until the next board meeting to include as many of the new directors in the election process.
 - Chair Moore asked about the board member situation at the NELHA and HTDC boards.
 - Greg Barbour replied that NELHA has had difficulty attracting board members. Craig Nakanishi replied that he will be terming out as an HTDC board member.
 - Chair Moore remarked that the NELHA board seat provided a good experience to understand the mission and activities of NELHA.
 - Member O'Malley indicated an interest to consider the NELHA board seat.
- **President Performance Evaluation:**
 - The Special Investigative Committee's 2014 performance evaluation of the President's was presented to the Board at its April 29, 2015 meeting.
 - Member Barbour requested clarification of the time period the performance evaluation covered and for the salary recommendation reflect that time period.
 - Chair Moore replied that the review covered that time period from August 2013 to August 2014.

- Member Saleveria suggested that the President's salary be reviewed in context with the salaries of other agency heads.
- The President stated that HSDC does not get General Fund appropriations for salary and expenses. A new associate was just hired at a higher salary level and the board should be careful not commit to a higher level of expenses as HSDC must fund itself from existing reserves.
- At 12:28 PM the Board unanimously voted to go into executive session to discuss personnel issues regarding the President's performance evaluation.
- At 12:37 PM the Board unanimously voted to exit executive session.
- **DECISIONS:** The Board unanimously accepted the Special Investigative Committee's 2014 Performance Evaluation and its recommendation for a 5% salary increase effective from the beginning of fiscal year 2015.
- **Cardax Pharmaceuticals:**
 - The President introduced David Watamull, CEO, Cardax Pharmaceuticals.
 - At 12:41 PM the Board voted unanimously to enter into executive session to hear an update on Cardax Pharmaceuticals that contained proprietary information.
 - At 1:06 PM the Board voted unanimously to exit executive session.
 - The Board thanked David Watamull for his update.
- **ProtoHub:**
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 - The President introduced Shana Trevenna, Director of the ProtoHub. HSDC is considering working with HHFDC and HCDA to assist ProtoHub in its relocation to a new facility in Kakaako. The new location is in a building controlled by HHFDC and HCDA is interested in providing financial support for a co-working, innovation hub, to locate in Kakaako. HSDC was requested to evaluate ProtoHub as a candidate, given HSDC's support for accelerator programs. HSDC is not expected to contribute capital.
 - Member Bossert asked about the term of a potential lease as a lease term longer than 2 years may be problematic. Shana replied that the lease term is likely to be 2 years.
 - Shana provided an overview of the activities of ProtoHub and its plans to upgrade its program and services to qualify as an Impact Hub. The Honolulu Impact Hub will be part of a global network of affiliated hubs providing a network of mentors and contacts for small businesses.
 - The Impact Hub provides co-working spaces and mentoring/workshop services for small businesses looking for flexible work space and potential collaborators.
 - The Impact Hub provide services to entrepreneurs of various ages and involved in a wide variety of businesses. Many of these businesses are growing and will be looking for growth capital in near future. The program has been a catalyst to attract businesses and entrepreneurs to Kakaako. The Impact Hub programs can prepare potential businesses to enter into an accelerator program.
 - Member Dancil mentioned that data presented in the presentation could be helpful in educating the Legislature on the value of innovation hubs and asked in Impact Hub would be willing to share this information with the Legislature. Shana mentioned that she has experience with the legislative process and would be willing to engage with the legislature.
 - The President provided the context of how the Impact Hub would fit in HSDC's portfolio of accelerator programs. Blue Startups is privately supported with both an accelerator and investment fund. GVS is both an accelerator and an investment fund with the accelerator supported by the County of Hawaii and the investment fund supported by private investors. Energy Excelerator is supported by the Federal government and HSDC will work with private investors to set up an investment fund. HSDC set up a university investment fund with private investors and the university has funded an accelerator program. Impact Hub will be a

social impact accelerator/co-working space funded with public funds and HSDC will look for an opportunity to set up an investment fund.

- The Board thanked Shana for her presentation.
- **2016 Operating Budget:**
 - The President presented the proposed operating budget for fiscal year 2016.
 - Most budget categories are similar to previous years. Personnel costs will increase due to the approved President's salary increase. Legal expenses are expected to be less as most legal costs are charged out to funding programs.
 - Member Dancil inquired if the accounting expense is for the audit firm that did the previous year's audit. The President replied in the affirmative and that this is the ongoing expense for the 2014 financial audit.
 - Chair Moore asked how the operating expenses will be funded. The President replied that approximately \$1.2mm is currently reserved to pay annual operating expenses, approximately 3.5 years worth of expenses.
 - Chair Salevaria asked whether "appropriation" is the correct way to characterize the State budgeting for HSDC's expenses given that there is no General Fund appropriation. The President replied that appropriation is used in the context of the amount provided in the BJ tables from Budget and Finance.
 - **DECISIONS:** The Board unanimously voted to approve the amended 2016 Operating Budget. Amendments are for approved salary increases.
- **Connect and Network Program:**
 - The President presented an overview of the current Connect and Network Program. Over the past two years the program has supported venture capital summits, Startup Weekends, and pitch events that have attracted over 1000 participants and corporate and community sponsors. Events that allow entrepreneurs and investors to connect are an important component of an entrepreneurial ecosystem.
 - The President recommended a continuation of funding for the CAN program for fiscal year 2016 and to have the CAN budget include funds for innovation reports. The previous year, innovation reports were allocated \$150,000, but only \$10,000 was expended. Nevertheless, HSDC was able to support both the Enterprise Honolulu, Framework for Innovation Report, and the Hawaii Business Roundtable, Innovation Assets Report. The President recommended a \$75,000 budget for events and a \$175,000 for reports as the CAN program budget for fiscal year 2016.
 - Member Dancil inquired if Kauai events have been supported. The President replied that HSDC has not yet had an application from Kauai. Recently, a group developing a media collaboration center on Kauai was introduced to GVS to see if a collaborative effort could be identified.
 - Chair Moore asked why the allocation for innovation reports is so high. The President replied that these reports cost \$150,000 or more. Chair Moore asked if DBEDT entities can provide reports as the scope of the reports potentially could be broader than HSDC areas of activities. Member Saleveria mentioned that DBEDT is similarly resource constrained and is not in position to lead this effort.
 - Member Moonier clarified that the funds allocated for innovation reports may not be expended.
 - Chair Moore asked about the private match for the CAN program. The President replied that HSDC looks for other sponsors, ticket sales and in-kind contributions to match any contribution by HSDC.
 - **DECISIONS:** The Board unanimously approved \$250,000 for the CAN program for fiscal year 2016.

- **Portfolio Report:**
 - Kinetikor has submitted a request for a capital call from UPSIDE Fund II.
 - Code Rebel recently IPO'd. This is not a portfolio company of Mbloom as the controversy surrounding related company investment made it difficult for Mbloom to invest, although this was a target company at the time the fund's formation.
 - Mbloom did receive interest from a Chinese investor to invest \$10mm in the fund.
 - HSDC Associate provided a report on the recent SSBCI National Conference. Discussions were held on a possible SSBCI 2.0 that is included in President's Obama's budget. Hawaii seems to be ahead of many states in deploying its SSBCI funds.
 - The Energy Excelerator Fund may be announced at the White House on June 16. This is a \$2mm fund.
- **HTDC Report:**
 - Member Nakanishi mentioned that HTDC is currently month to month at its Manoa location. The Legislature provided a funding incentive to the university if it extends HTDC's lease.
- **NELHA Report:**
 - Member Barbour reported that NELHA's received construction funding over the past couple of years and is now very busy executing the construction projects.
 - NELHA's micro grid project continues to progress and data is now streamed to NREL. The next step is for NREL to directly control the devices and use them for their energy usage modeling projects.
 - Chair Moore asked about OTEC projects. Member Barbour reported that a 100kw OTEC power plant will start operating in August and the power will be fed into NELHA's micro grid. OTEC represents potential base load power and the next step will be to establish a 1 megawatt power plant. Efforts are underway to convince Japanese government entities to participate in NELHA's OTEC efforts. Eventually the goal will be to establish a 5 megawatt offshore OTEC power plant.
- **Public Input and Discussion:**
- **Request for Future Agenda Items:**
- **MEETING ADJOURNED:** Meeting adjourned at 2:00 PM.