



MINUTES OF THE LUNCHEON MEETING OF THE BOARD OF DIRECTORS
Monday, 1 February 2016
#1 Capitol District Building, 250 South Hotel Street, Room 436, Honolulu, HI 96813

MINUTES

PRESENT

H. Brian Moore, Chair
Keiki-Pua Dancil, Vice Chair
Jon Wallenstrom
Fred Hemmings
Ann Chung
Michael O'Malley
Craig Nakanishi
Roderick Becker
Luis Salaveria

EXCUSED

James Moonier

STAFF

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

GUESTS

Robbie Melton

- **CALL TO ORDER:** Meeting called to order by the Chair at 12:10 PM.
- **Chair Moore welcomed Member Craig Nakanishi as an interim appointed board member.**
- **4 DECEMBER 2015 MEETING MINUTES:** Minutes were approved.
- **President Performance Evaluation:**
 - Chair Moore said that Member Wallenstrom and Member Moonier participated on the Special Investigative Sub Committee to prepare the 2015 annual performance evaluation for the President.
 - At 12:12 PM the Board unanimously voted to enter into Executive Session to discuss personnel matters.
 - At 12:25 PM the Board unanimously voted to exit Executive Session.
 - **ACTIONS:** The Board will vote on the 2015 Performance Evaluation at its next board meeting.
- **Legislative Agenda:**
 - Chair Moore said that in previous years the Board has voted to provide the President with the authority to represent HSDC in testimony and communication with the Legislature and would look to do so again this year.
 - The President provided an overview of proposed legislation with potential impacts on HSDC's activities. There were a number of bills related to the operation and disclosure of public boards and commissions. Several bills were introduced to retroactively cap or eliminate future claims for tax credits granted under Act 221, a tax credit regime that sunset in 2010.
 - Member Salaveria provided an overview of the issues motivating the Act 221 legislation.
 - The President highlighted two Administration bills that provide \$5 million a year for five years from the receipts of the Corporate Income Tax to provide a dedicated source of funding for the HI Growth Initiative.
 - Chair Moore noted that at a recent HVCA Luncheon, Rep. McKelvey said that it would be difficult for the Legislature to approve a carve out of tax revenues for a specific program.

Member Salaveria said that it is important to signal to the private sector that the State has a long-term commitment to support the innovation sector – whether through a dedicated funding source, a large cash appropriation to the program, or other budgetary means to provide funding to the HI Growth Initiative over a multi year period.

- Chair Moore asked Member Salaveria how the appropriation request for HSDC ranks in priorities for DBEDT overall. Member Salaveria said that outside the requests for affordable housing, HSDC's budget request is the largest of the department.
- The President noted a bill was introduced that would establish a commercialization fund under HTDC. While positioned as a loan program, it is in fact an equity program and requires the recipients to raise matching investment to access the second round of funding. This program is modeled after a comprehensive equity investment program under the State of Maryland.
- The President reported that 5 members' terms have expired or are expiring and staff will work to have the Boards and Commissions submit a Governor's Message for a second term.
- Member Salaveria reported that the Supplemental Budget bill contains a \$5 million appropriation request for the HI Growth Initiative.
- Member Hemmings asked if there are metrics that support the budget request. The President responded that UHERO is completing a report on the impact of the HI Growth Initiative and that report will be able to quantify the number of funds established, the private capital leveraged, the number of companies launched, the amount of follow-on capital raised and the number of jobs created.
- **DECISIONS:** The Board unanimously approved the President representing HSDC in testimony and communication with the Legislature for legislation impacting HSDC during the 2016 session.
- **Member O'Malley left the meeting at 1:14 PM**
- **GVS Transmedia Accelerator:**
 - The affiliated fund, GTA Development Fund, has been working to deploy the matching investment fund. Some issues arose on what qualified as a match and the fund managers have developed a framework to determine what qualifies as an investment match.
- **Board Meeting Schedule:**
 - The President presented a proposal to change the board meeting schedule to a Monday rather than a Friday meeting day.
 - **ACTIONS:** The Board agreed to change to a Monday meeting schedule.
- **Economic Administration Grant**
 - EDA approached HSDC to work with them to bring a business-mentoring program called Fish 2.0 to Hawaii, specifically to be held at NELHA. This program helps to make businesses in the aquaculture industry investor ready.
- **Connect and Network Program:**
 - This program was established to support events in the community that have a strong nexus to HSDC's investment program. For example, Startup Weekends and investor events HSDC supports. The President provided an overview of the events supported to date and the potential events that may request support from the program.
 - East Meets West was a two-day event supported by CAN that brought startup teams from all over Asia to pitch for an opportunity to go to the premiere global telecom conference in Spain. The Governor spoke at the conference on the first day and Director Salaveria spoke on the second day. The event was well attended.
 - Chair Moore asked for an update on the Maui Food Innovation Center. The President said that this is a new program to support businesses in the value added agriculture industry. They received a \$2mm grant from the Legislature to build out a test kitchen to allow

companies to develop commercial food concepts, like cookies, energy bars, and other branded food products. The CAN support was provided to help them hold an investor focused pitch event to allow the companies to get exposure to potential investors. If sufficient deal flow results from this effort, HSDC would consider helping the center raise an affiliated investment fund.

- The Cut Collective is a similar pre-accelerator program to assist entrepreneurs in the fashion industry. HSDC is working with the Cut Collective and the City and County to see if there is an opportunity to move the Cut Collective into a new location in Chinatown. The CAN allocation is preliminary and may not happen this year.
- The President requested the Board to approve an increase the CAN budget from \$250,000 to \$325,000 in anticipation of a request from the Fish 2.0 project. The increase will be needed to accommodate managing the EDA grant under this program.
- Member Becker asked how allocations under this program are determined. The President replied that the events must have a nexus to HSDC's investing activity and must be able to demonstrate community involvement and the ability to raise additional sponsorship money.
- **DECISIONS:** The Board unanimously approved the increase of the CAN budget from \$250,000 to \$325,000.
- **Portfolio Report:**
 - The President presented the quarterly cash position report.
 - Chair Moore asked about a recent investment by Startup Capital in a Hawaii business and why that investment was not publicized. The President responded that the investment was by the Fund and there may be reasons why they have not publicized the transaction – perhaps the investment round has not closed yet.
 - Member Hemmings asked about the reasons Hawaii startups feel the need to leave the state. The President replied that when a company raises a significant amount of funds to grow the business that at that stage the company can grow faster on the Mainland as they have easier access to talent and management. If they are successful in growing the businesses their next investment round may provide the resources to move part of the business back to Hawaii.
 - The President reported that HSDC closed on an investment in an affiliated investment fund with the Energy Excelsator. HSDC committed \$1,350,000 of SSBCI funds and \$150,000 of HI Growth funds to match private investment expected to be \$1,500,000. An allocation of \$150,000 from LAVA funds was also part of this commitment. As this is a follow-on fund to match qualified investments raised from the private sector at the company level, the Board had previously approved HSDC's commitment to be larger than the private investor commitments to the fund.
- **MEETING ADJOURNED:** Meeting adjourned at 1:45 PM.

Kal & John