



MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

Tuesday, 13 December 2016

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

MINUTES

PRESENT

James Moonier, Acting Chair
Craig Nakanishi
Marissa Sandblom
Mark Tsuda
William Mielcke
Elijah Yip
Mary Alice Evans for Luis Salaveria

EXCUSED

H. Brian Moore, Chair
Keiki-Pua Dancil, Vice Chair
Ann Chung
Jon Wallenstrom
Fred Hemmings

STAFF

Karl Fooks, President
Sara Lin, Associate
Dawn Apuna, DAG

GUESTS

- **CALL TO ORDER:** Meeting called to order by the Chair at 12:05 PM.
- **21 November 2016 MEETING MINUTES:** Minutes were approved.
- **Reef Fund I:**
 - Lauren Primiano and Christopher Somogyi, representing Reef Capital Ventures (RCV), presented a proposal to reorganize Reef Fund I into two funds in order to allow HSDC funds committed to Reef Fund I to be fully utilized in a timely manner.
 - The proposal would revise the current HSDC commitment to Reef Fund I to accommodate follow-on investments in the active companies in the portfolio. The remaining HSDC commitment would be allocated to a newly formed Reef Fund II to target Hawaii commercialization opportunities.
 - RCV outlined their qualifications, their investment strategy and their fund raising plan to find new investors for Reef Fund II. The proposal would allow HSDC to target investment opportunities in the underserved sector of research commercialization. There are numerous opportunities arising from the millions of dollars of research grants Hawaii companies are able to attract. A lead investor like RCV would be able to partner with UH research activities, Energy Excelsior commercialization programs and HTDC's HSBIR grant programs. RCV would be able to bring opportunities to the UPSIDE Fund and partner with their investments.
 - Acting Chair Moonier asked if Reef Venture Partners would manage the investment portfolios of both Funds. RCV answered that both Lauren and Chris would be the team that manages the investment portfolios of Reef Fund I and Reef Fund II. Acting Chair Moonier noted that the proposed management fees were large relative to HSDC's capital commitment, but were not out of line with actual costs. The President noted that HSDC's commitment to pay management fees was only for 2.5 years and the RCV was strongly motivated to find new investors within the 2.5-year period to share the overhead costs of the Funds.

- Member Yip asked what were the other potential uses for the unused commitment at Reef Fund I. The President answered that one use would be to reserve the money for future capital raising needs of accelerator programs given the uncertainty of new Legislative appropriations for the HI Growth Initiative. However, those requirements will not be known for another 6- 9 months. Another use would be to use the money to start a new investment fund, but that process could take up to a year and still be faced with similar issues related to a small-sized fund: difficulty attracting investors and high management expenses relative to the investment capital. Member Evans noted that HSDC is regularly scrutinized about its ability to quickly deploy its investment capital into the marketplace.
- **Actions:** The Board thanked RCV for their presentation and indicated they would take the proposal under consideration.
- **2017 Legislative Agenda:**
 - The President outlined the Executive Budget proposal to ask for a \$10 million infusion for the HI Growth Initiative and to ask for General Funds to pay the salaries of HSDC staff.
 - In addition to the Executive Budget proposal, the legislative session often includes bills introduced to address the operations of boards and provide funding to initiatives that may include HSDC.
 - The President asked for the Board's permission to represent HSDC in testimony to, and discussions with, the Legislature on matters pertaining to HSDC during the upcoming session commencing January 18, 2016.
 - **DECISIONS:** The Board unanimously approved HSDC President as its representative in providing testimony to, and discussions with, the Legislature on matters pertaining to HSDC during the upcoming session commencing January 18, 2016.
- **Hydrogen Fund:**
 - President said this matter would be deferred to another board meeting.
- **HSDC Board Meeting at NELHA:**
 - The President said that HSDC has been invited to participate in a joint board meeting with the NELHA Board. A site visit to NELHA and the GVS accelerator would provide the HSDC board a better sense of the innovation activities it supports on the neighbor islands.
 - **ACTIONS:** The Board instructed the President to circulate suitable dates for an HSDC Board meeting at NELHA during the first quarter of 2017.
- **Portfolio Report:**
 - The President reported that HSDC has terminated its investment in the Heaven Fund. This was a legacy investment completed in 2008. The investment portfolio yielded some successful companies, but the anticipated returns from these companies do not appear to be sufficient to cover future fund expenses. The investors in the Fund have decided to terminate the Fund.
- **Request for Committee Meetings:**
 - The President noted that the Selection Committee for the Accounting Services procurement would soon meet. Acting Chair Moonier noted that the Investigative Committee for the President's Performance Review would soon complete their report.
- **NELHA Report:**
 - No update. There has not been a NELHA board meeting since the last HSDC board meeting.
- **HTDC Report:**
 - Member Yip noted that HTDC was organizing a Legislative Crawl on December 20, 2016. The GVS Connect hub at the FTZ will be featured on this crawl.
- **MEETING ADJOURNED:** Meeting adjourned at 1:33 PM.

Kal E. Foda