



MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

Friday, 23 December 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
James Moonier
Mark Tsuda
Fred Hemmings
Craig Nakanishi
Luis Salaveria
William Mielcke
Elijah Yip

EXCUSED

Marissa Sandblom
Ann Chung
Jon Wallenstrom

STAFF

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

GUESTS

- **CALL TO ORDER:** Meeting called to order by the Chair at 9:37 AM.
- **13 December 2016 MEETING MINUTES:** Minutes were approved.
- **Reef Fund I:**
 - Chair Moore stated that the only Agenda item for this meeting was decision making on the proposal to reorganize Reef Fund I. Chair Moore noted that the Fund previously presented to the Board and there was a discussion at that time. Chair Moore wanted to clarify for the Board that keeping the Reef commitment in place may jeopardize HSDC's ability to support the accelerator programs in 2017 in the event no new money is appropriated to HSDC by the Legislature.
 - HSDC President said that HSDC currently has \$500,000 of unencumbered funds and approximately \$900,000 of money in reserve for operating costs. These are not enough to support a multi-year accelerator program.
 - Blue Startups and GVS Transmedia will both use up their existing funding commitments from HSDC in 2017. They both must raise new funding in 2017 to continue operations. While the existing Reef commitments could be reallocated to support future fund raising by the accelerators, HSDC alone could not keep them operating. The accelerators would have to successfully raise the required private matching capital and there is no assurance this will happen. In recommending the Reef transaction to the Board, the President said the priority was placed on committing funds to activities that can immediately start investing money, particularly to an investment initiative that targets a clear gap in the ecosystem. To hold capital in reserve for an extended period of time in anticipation of potential fund opportunities would not be well accepted by the Legislature.
 - With respect to the Reef transaction, there is a clear need to support access to investor capital for commercialization opportunities and Reef would complement UPSIDE, HTDC's

HSBIR program, and other research groups around the state that currently have limited access to investor capital for commercialization opportunities.

- Member Hemmings asked if the accelerators would shut down if HSDC did not support them. The President replied that the existing fund portfolios would continue until the portfolio companies either returned capital back to investors or go out of business. This process could take another 5-7 years. However, without raising new funds, the accelerators could not take on new cohorts of companies and they would stop efforts to attract companies.
- Vice Chair Dancil noted that HSDC may be blamed for the demise of the accelerators, but HSDC alone is not responsible for their operations. Private investors would have to step up as well if the accelerators want to continue operating.
- Member Salaveria said that often incentives turn into permanent subsidies and the accelerators should feel some urgency in finding private investor capital and not rely solely on HSDC. He asked if Reef is focused on a clear gap in the ecosystem. The President replied that access to investment capital for commercialization efforts is an existing funding gap.
- Member Nakanishi asked if new Legislature funding would it be in time to support the fund raising efforts of the accelerators. The President replied that it is likely the accelerators will try to get their new funding in place by the second half of 2017 and new funding from the Legislature, if approved, would available at that time.
- **DECISIONS:** The Board approved the reorganization of Reef Fund I into two funds, Reef Fund I and Reef Fund II. All Members voted in favor except Member Nakanishi and Member Yip who both recused themselves. The revised unexpended commitment to Reef Fund I will be \$532,000 and the remaining unexpended commitment of \$2,257,500 will be committed to Reef Fund II. SSBCI funds and HI Growth funds will be used to fund these commitments and an additional \$70,585 of new funds will be added to the existing commitments in order to deploy new funds received from SSBCI. Both Funds will be managed by Reef Capital Ventures whose principals are Lauren Primiano and Christopher Somogyi.
- **Portfolio Report:**
 - The President reported Kinetikor received a sizeable investment offer from an Asian investor and Alawai Pharma will complete a follow-on round with UPSIDE.
- **MEETING ADJOURNED:** Meeting adjourned at 9:59 AM, ~~PM~~.

