



MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

Tuesday, 6 June 2017

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

MINUTES

PRESENT

H. Brian Moore, Chair
Keiki-Pua Dancil, Vice Chair
Mark Tsuda
Jon Wallenstrom
James Moonier
Craig Nakanishi
Elijah Yip

EXCUSED

Ann Chung
Marissa Sandblom
Fred Hemmings
Luis Salaveria
William Mielcke

STAFF

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

GUESTS

Michael O'Malley

- **CALL TO ORDER:** Meeting called to order by the Chair at 4:15 PM.
- **24 April 2017 MEETING MINUTES:** Minutes were approved.
- **President Performance Evaluation:**
 - The Special Investigative Committee submitted its performance evaluation report to the Board.
 - **ACTIONS:** This agenda item will be acted on at the next board meeting.
- **FY 2018 Board Officers:**
 - Chair Moore remarked that this was his last board meeting and thanked all the members for their help and support during the past eight years. It was satisfying to see that a plan that was established nearly eight years ago has come to fruition and that an active venture ecosystem has been established in Hawaii. Chair Moore noted that in 2009, there was virtually no ecosystem activity and the overhang of Act 221 resulted in resistance to venture capital. With the funds mobilized by HSDC, an ecosystem was established and although no new funding has been received over the past several years, the pipeline of activity from existing funds, like Blue Startups' 60-company portfolio and Reef's investment activity will continue for the next couple of years.
 - The Chair recommended that the election of new board officers be deferred to the next board meeting when more board members will be present, including new members nominated to the board.
- **FY 2018 Operating Budget:**
 - The President submitted a proposed operating budget for FY18. The budget is substantially similar to the past year's operating expense. There is approximately \$800,000 held in reserve for operating expenses and the proposed budget calls for \$371,591 in expenditures.

Efforts will be made to reduce costs and repatriate investment income to maintain \$800,000 in cash reserves.

- **DECISIONS:** The Board unanimously approved the FY 2018 Operating Budget.
- **Startup Capital Ventures Fund II**
 - Donovan Kealoha and Tim Dick of Startup Capital Ventures provided an update on their fund's activities. Nearly \$8 million has been invested in 14 companies. Area Metrics and Hobnob are two Hawaii companies in the portfolio and both are progressing and growing revenues.
 - Member Moonier asked whether the movement of Hawaii companies to the Mainland was a new trend or the continuation of past experience. Tim and Donovan answered that Hawaii companies have always felt a need to move to the Mainland due to business issues like securing customer relationships or finding technical talent. The ability to raise growth capital on the Mainland is also easier and a big factor in a company's decision to move. That being said, companies like Hobnob, Kineticor, and Ibis Networks are choosing to stay in Hawaii. Other entrepreneurs like Hank Wuh and Beth Carvin are also choosing to maintain their presence in Hawaii.
- **Reef Fund I and II**
 - Lauren Primano provided an update on the funds' activities. 4 companies out of the original eight portfolio companies of Reef Fund I are still active, representing 60% of the capital invested by the fund. DFC is currently in the process of recapitalizing in order to raise a new round of funding. Ozolio is currently profitable and beginning to make payments on its debt. Vantage Sports is pursuing its business in the fast growing esports market. The Area Metrics update was provided by Startup Capital. Reef Fund II has been actively identifying the research grant activity in Hawaii. 25 companies have been contacted and there are almost 50 more opportunities to follow up on. Although no investments have been made to date, the fund hopes to fund 1-2 investments in the near future to allow it to market the fund to potential investors. Reef and HSDC will collaborate on an EDA grant opportunity to help fund the costs of marketing the fund to potential investors.
 - Chair Moore asked if Reef is working with the UPSIDE Fund on potential investments involving UH research. Lauren answered that UPSIDE is not organized to lead investment deals and Reef is taking on this role. When a deal develops UPSIDE will be consulted for a potential co-investment.
- **Portfolio Report:**
 - The President updated the Board on the developments with GTA Development Fund. A follow-on investment in a portfolio company was approved by the Fund that required the use of State funds and HSDC was short about \$7,500. HSDC restructured its commitments between Federal and State sources of funding to make up the \$7,500 so that HSDC could participate in the deal. The overall amount of HSDC's commitments did not change.
 - The President informed the Board that an agreement in principle was reached with DBEDT and Sohonet to extend the broadband services agreement for the GVS Connect project. DBEDT has requested that HSDC amend its existing agreement with GVS Connect to extend the service until June 30, 2018. DBEDT will provide an MOA that will outline the payments DBEDT will make to HSDC to extend the services. HSDC will not incur in additional obligations under this amended agreement.
- **HTDC Report:**
 - Member Nakanishi circulated to members materials on recent activities by HTDC. Vice Chair Dancil requested the HTDC CEO Melton provide an update on the Excelerator funding

received in the FY 2018 State Budget. Member Nakanishi said he will pass this request on to HTDC.

- **MEETING ADJOURNED:** Meeting adjourned at 5:15 PM.

Kel E. Fooker