



MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

Monday, 17 July 2017

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

MINUTES

PRESENT

Michael O'Malley, Chair
Keiki-Pua Dancil, Vice Chair
James Moonier
Jon Wallenstrom (arrived 12:30pm)
Fred Hemmings
Greg Barbour for William Mielcke
Elijah Yip
Luis Salaveria (departed 1pm)

EXCUSED

Ann Chung
Mark Tsuda
Craig Nakanishi
Marissa Sandblom

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.
- **6 June 2017 MEETING MINUTES:** Minutes were approved.
- **President Performance Evaluation:**
 - The President reminded the board that the report was submitted and discussed at the previous board meeting.
 - **DECISIONS:** The Board unanimously approved the President's Performance Evaluation. Member Wallenstrom was absent.
- **Board Officers:**
 - Member Moonier introduced a motion nominating Michael O'Malley for Chair, Keiki-Pua Dancil for Vice Chair, Craig Nakanishi as representative to HTDC Board, and Michael O'Malley as representative to NELHA Board.
 - Vice Chair Dancil expressed appreciation for Michael O'Malley volunteering for the Chair and to represent HSDC on the NELHA Board.
 - **DECISIONS:** The Board unanimously approved the nominations. Member Wallenstrom was absent)
- **SSTI Memberships:**
 - President introduced the board to the Innovation Advocacy Council, an offshoot of the State Science Technology Institute, of which HSDC is a member. SSTI has been a great forum to share best practices with other states on how to pursue technology based economic development. SSTI has seen the need to advocate for more Federal funding for these efforts and the IAC was formed to educate and advocate at the Federal level for legislative appropriations that help state entities pursue their economic development objectives. The President proposed that HSDC help support this advocacy effort by increasing our annual dues to SSTI.

- Vice Chair Dancil asked about the current budget allocation for membership dues and noted that there appears to be room to increase the dues paid to SSTI. She inquired about the initial benefits HSDC would receive with this increase. The President replied that supporting SSTI's advocacy effort would allow HSDC to participate in the shaping the agenda for Federal support for capital access.
- Member Salaveria noted that with the retirement of Gail Fujita from EDA, there is a need to have more input in the Federal legislative process.
- Member Hemmings asked who in the Congressional delegation is supportive of these efforts. The President replied that Senator Schatz has been a strong supporter of these initiatives at the Federal level. Member Hemmings asked if Federal money would be used for this effort. The President replied that the Federal money HSDC received from SSBCI can only be used for its fund of funds investment program.
- Member Yip said he did not see any additional benefit from this increase in dues. Member Yip asked if there are other organizations we belong to that do similar work. The President answered no.
- **DECISIONS:** The Board did not approve the request to increase SSTI dues to support the SSTI advocacy effort. Chair O'Malley, Vice Chair Dancil, Member Wallenstrom, Member Moonier, Member Salaveria, and Member Barbour voted yes. Member Hemmings and Member Yip voted no.
- **HSDC Capital Fund LLC 2016 Financial Statements:**
 - The President introduced Ralph Kanetoku and Robyn Kawamura from KKDLY LLC, the audit firm for HSDC Capital Fund LLC.
 - Ralph Kanetoku presented the results of the audit and reported that everything went well and there were no issues to report.
 - Chair O'Malley asked what is the modified cash basis compared to cash basis. Ralph Kanetoku replied that the modified approach carries the cost value of the investment on the balance sheet and that value is reduced by any distributions received. A simple cash basis would only record the cash disbursements and receipts.
 - **DECISIONS:** The Board unanimously approved the HSDC Capital Fund LLC 2016 Financial Statements.
- **Aquaculture Initiative:**
 - The President made a short presentation proposing a shift in strategic focus away from a venture capital investment only focus towards a targeted industry focus. This shift may require further discussions with the board to refine and finalize this shift in focus.
 - HI Growth has been successful in establishing an entrepreneurial ecosystem. There is now an opportunity to target new industry initiatives that can leverage this ecosystem. Aquaculture, Biotech and Aerospace are three sectors that hold promise for Hawaii. Aquaculture is a near term opportunity as NELHA possesses world-class physical assets in this sector and is motivated to pursue business development efforts in this sector.
 - Member Barbour mentioned that a recent visit to Maine's Aquaculture Innovation Center brought home to him the world-class scale of the NELHA facility. In addition, UH and the Oceanic Institute have a strong research community in the aquaculture sector.
 - Vice Chair Dancil asked about the scale of Maine's state investment in the sector. The President replied that the support is in the millions of dollars and they are actively looking for means to deploy the funds.
 - Member Hemmings asked if Hawaii regulatory and issues are preventing companies from taking advantage of this opportunity. Member Barbour replied that global companies are coming to NELHA to site their businesses. The President replied that creating a permitting regime for Federal waters would help reduce the regulatory burdens.

- Member Wallenstrom asked if HSDC would become an aquaculture agency and if so, why HSDC and not DOA or NELHA? The President replied that HSDC would remain a strategic development agency, but rather than focus on a broad entrepreneurial ecosystem play, it is time to focus on targeted industry initiatives. HSDC did this effectively with Software, Film and Media and Clean Tech, but under the HI Growth ecosystem initiative. This will simply be a new branding effort to support HSDC's mandate to mobilize private capital.
- **HSDC Staffing:**
 - The President reported that HSDC's cash available to fund operating costs is now around \$1 million and represents about 3 years of operations. There are no clear prospects for large infusions into HSDC from either new Legislative funding or returns from investments. In order to be prudent, the President recommended that the HSDC Associate would leave HSDC at the end of September.
 - Vice Chair Dancil expressed concern about HSDC's ability to continue its marketing and outreach efforts without the support of the HSDC Associate.
 - Member Wallenstrom asked for the outlook for investment returns. The President replied that companies like Kinetikor and Volta have raised significant follow-on funds and are maturing.
- **Portfolio Report:**
 - The President reported that an MOA with DBEDT was executed for DBEDT to provide approximately \$90,000 to support broadband connectivity for the Creative Lab and Diamond Head Studios. This will allow the broadband hubs established at the FTX and Kona to continue operations.
 - The President reported that a grant application was submitted, together with Reef Capital Ventures, for an EDA Seed Fund Support Grant.
- **Request for Committee Meetings:**
- **NELHA Report:**
 - Member Barbour reported that he recently visited the Research Park at Princeton University that will provide a model for how NELHA can develop the 80-acre parcel.
 - NELHA is considering requesting funds from the Legislature for the aquaculture initiative.
 - A feasibility study for a regional seawater air conditioning system is planned.
- **HTDC Report:**
 - The HTDC reports were circulated to the Board.
 - Vice Chair Dancil asked for information to clarify the \$1 million HTDC received for accelerators.
- **MEETING ADJOURNED:** Meeting adjourned at 1:45 PM.

Kel E Zeders