



MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

Monday, 29 January 2018

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

Member	Present	Excused	Guests
Michael O'Malley, Chair	X		
Keiki-Pua Dancil, Vice Chair	X		
James Moonier	X		
Jon Wallenstrom	X		
Ann Chung		X	
Marissa Sandblom		X	
Mark Tsuda	X		
Craig Nakanishi		X	
vacant			
DBEDT: Luis Salaveria	X		
NELHA: William Mielcke (Greg Barbour)	X		
HTDC: Elijah Yip	X		
Staff			
Karl Fooks, President	X		
Jennifer Waihee-Polk, DAG	X		

- **CALL TO ORDER:** Meeting called to order by the Chair at 12:07 PM.
- **18 December 2017 MEETING MINUTES:** Minutes were approved. Member Wallenstrom was not present.
- **2018 Legislative Agenda:**
 - The President highlighted bills pending before the Legislature of significance to HSDC. Two bills were introduced supporting the aquaculture initiative, HB1960 and HB2041. One bill was introduced to delete the exclusion of businesses operating hotels, motels and restaurants from a financing program in the HSDC statute. One bill was introduced to set up a new agency to coordinate the state's investment in the technology and innovation sector.
 - **DECISIONS:** The Board unanimously approved authorizing the President to represent HSDC before the 2018 Legislature on matters of significance to HSDC.
- **Accounting Services:**
 - **DECISIONS:** The Board unanimously approved the Selection Committee's recommendation to retain KKDLY LLC as the audit firm for HSDC Capital Fund LLC and the terms of KKDLY's Engagement Letter.

- **HSDC Capital Fund LLC Operating Agreement Amendment**
 - Chair O'Malley requested that this item be deferred to the next meeting so that a draft of the proposed amendment can be reviewed by the Board.
- **Termination of Reef Fund I and Reef Fund II:**
 - The President reported that at the end of December, the fund managers of Reef Fund II presented an investment proposal that did not meet the investment guidelines of the fund. Rather than amend or drop the investment, the fund managers decided to resign as General Partners of the fund. Without a GP, HSDC is required to dissolve the partnerships of Reef Fund I and Reef Fund II.
 - The President indicated that the existing investments in Reef Fund I can be directly managed by HSDC, one of the larger investments is also in Startup Capital Ventures' portfolio. There is only one investment in Reef Fund II, and is also part of EEX Fund One's portfolio. The commitments to the funds will be released and can be recommitted to new investment initiatives.
 - The recent EDA grant received by HSDC was to be managed by Reef. The President said that the EDA was willing to keep the grant in place if HSDC were able to find a new project manager and keep to the approved the scope of work.
 - Several members requested a meeting with the fund manager to see if there were lessons learned that HSDC could take away from this unexpected outcome.
 - **DECISIONS:** The Board unanimously approved the termination of Reef Fund I and Reef Fund II.
- **Aquaculture America 2020 Conference:**
 - The President provided an update on a recent Steering Committee meeting with the organizer of the Aquaculture America 2020 Conference. The conference has been booked at the Hawaii Convention Center for February 2020. The organizer is keen to incorporate programming to highlight and support aquaculture activities in Hawaii. The Steering Committee is comprised of leading aquaculture stakeholders from business, government and academia and the non-profit sectors. HSDC has been asked to develop a program to address the interests of investor and corporate entities likely to attend the conference.
 - **ACTIONS:** The Board unanimously encouraged the President to continue to support the conference.
- **Annual Performance Review:**
 - **DECISIONS:** The Board unanimously approved the selection of Member Moonier and Member Wallenstrom to a special investigative committee to prepare the annual performance evaluation of the President.
- **Sultan Ventures Fund**
 - The Chair introduced Omar Sultan, Tariq Sultan and Katarina Poljakova of Sultan Ventures who provided an overview of Sultan Ventures Fund, a new Series A fund they were managing that is supported by capital commitments from the University of Hawaii and the University of Hawaii Foundation.
 - A letter was presented from Barry Weinman explaining the University of Hawaii Foundation's inability to match HSDC's commitment to UPSIDE, but expressing UHF's willingness to commit to the Sultan Ventures Fund.
 - Omar Sultan and Tariq Sultan provided a background on their investment history with UPSIDE and XIR8UH and highlighted the development of the venture ecosystem. They highlighted the gap in locally based Series A capital and stated that their fund was positioned to address this gap. The sample deal flow list of 7 companies contained 4 companies that were not Hawaii based and only one company with ties to the University of Hawaii.

- In response to questions from Vice Chair Dancil, Omar Sultan said that XLR8UH has invested about \$1 million and that the UHF commitment would be a reallocation of their current commitment to the UPSIDE Fund.
- Chair O'Malley asked what time frame were they considering deploying investments. Omar Sultan replied that they hoped to close on the fund within 6 months.
- **ACTIONS:** The Board deferred discussion of the presentation as quorum was lost at 1:30pm.
- **Portfolio Report:**
 - One of Startup Capital Ventures portfolio companies was acquired by Microsoft. This will generate a small distribution to HSDC.
 - The President presented the cash position of HSDC as of the end of December 2017.
 - Blue Startups is in the process of raising their third fund.
 - A GVS graduate, Jo the Medicine Runner, was taken up by a Mainland distribution company. The deal will provide a small advance and a share in profits.
- **HTDC Report:**
 - The latest report on HTDC was circulated to the Board. UH has started the process to take over the Manoa Innovation Center.
- **NELHA Report:**
- **MEETING ADJOURNED:** Meeting adjourned at 1:30 PM.

Karl Fook