



To: Hawaii'i Technology Development Corporation Board of Directors
From: Len Higashi, HTDC Acting Executive Director
Date: January 6, 2023
Subject: Executive Director's Report

SPECIFIC ACTION REQUESTED:

Information only. No action requested.

EXECUTIVE DIRECTOR UPDATE

PROGRAM UPDATES

First Responders Tech Campus (FRTC)

- Preparing Final Environmental Impact Statement (FEIS)
- Discussing water sourcing options with Board of Water Supply and consultants
- Initial planning discussions with Hawaii Emergency Management Agency (HI-EMA)

Hawaii'i Small Business Capital Program (HI-CAP)

- Planning for remainder of tranche 1 funds
- Received distributions from prior Hawaii Strategic Development Corp (HSDC) investments
 - \$67,677.18 through the dissolution of Kineticor,
 - HSDC invested \$570,000 through the UPSIDE fund
 - \$286,767.01 through acquisition of AGIS Network, Inc.
 - HSDC invested \$146,450.82 through International Venture Fund and \$16,664.36 through HMS Hawaii'i III, LP.

Entrepreneurs Sandbox

- Recruiting to fill the Economic Development Specialist position
- Entrepreneurs Sandbox highlights:
 - Hosted Creative Mornings community event – 60-80 community members came to hear local creative industry success stories
 - Participated in TRUE Initiative 2023 strategic planning
 - Hosted Governor Green's all cabinet meeting
- Partnerships:
 - Working with Kamehameha Schools on an Innovation ecosystem map
 - Attended Elemental Excelerators year end recap

Sponsorships:

- No Update



INNOVATE Hawai'i

- **GRANT PROGRAM APPLICATIONS ARE NOW CLOSED –**
 - Received 88 applications for the Manufacturing Assistance Matching Grant Program
 - Received 26 applications for the Hawai'i Small Business Innovation Research (SBIR) Matching Grant Program

Hawaii Center for Advanced Transportation Technology (HCATT)

- New HCATT Contracts Administrator, Kristy Carpio
- Collaborating with State Energy Office in preparing application for Department of Energy Regional Clean H2 Hub Proposal
 - The State of Hawai'i Energy Office was 1 of 33 applicants encouraged to submit an application. 6-10 awards will be made, up to \$1 billion.
<https://www.energy.gov/oced/regional-clean-hydrogen-hubs>

Budget

- No Update

Legislature

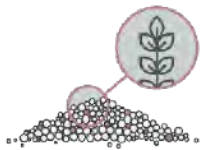
- Submitted budget requests to the new Administration:
 - \$2 million for SBIR Matching Grants
 - \$1.5 million for Manufacturing Assistance Program Grants
 - \$1.5 million for Accelerator Programs
 - \$1.5 million for administration of HI-CAP
 - Funding for HTDC Marketing Specialist and re-establishing the Tech Park Coordinator position
 - HTDC Omnibus Bill



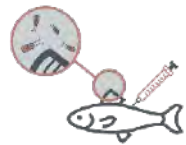
HATCH FUND II

WHAT WE DO

We invest in **early-stage technology** companies along the whole value chain of **sustainable aquaculture & ocean conservation** to generate high returns, lower carbon emissions and regenerate biodiversity of our oceans.



Ingredients &
Nutrition



Health &
Genetics



Farm Software &
Hardware



Alternative
Seafood



Supply Chain &
Services



Ocean Conservation
/ Blue Carbon



Marine
Biotechnology

HIGHLIGHTS

- Proof-of-concept: Second accelerator fund (third fund overall) building up on successful track record of first fund
- Leveraging globally unique infrastructure at NELHA, Kona, Hawaii to incubate and seed-finance top-tier aquaculture start-ups: Building out the Silicon Valley of the oceans!
- Accelerator driven investment model develops exclusive deal flow value, allows for excellent due diligence and low entry valuations
- Narrow focus on rapidly growing sector allows for deep sector expertise and portfolio synergies
- Highly-specialized investment team with unparalleled experience in aquaculture and alternative seafood venture capital
- \$5M in funding already committed by one large institutional investor
- Large deal flow pipeline of 1500+ aquaculture ventures
- Hatch has a follow-on fund of >€29M by the name of Blue Revolution Fund already in place

\$10M

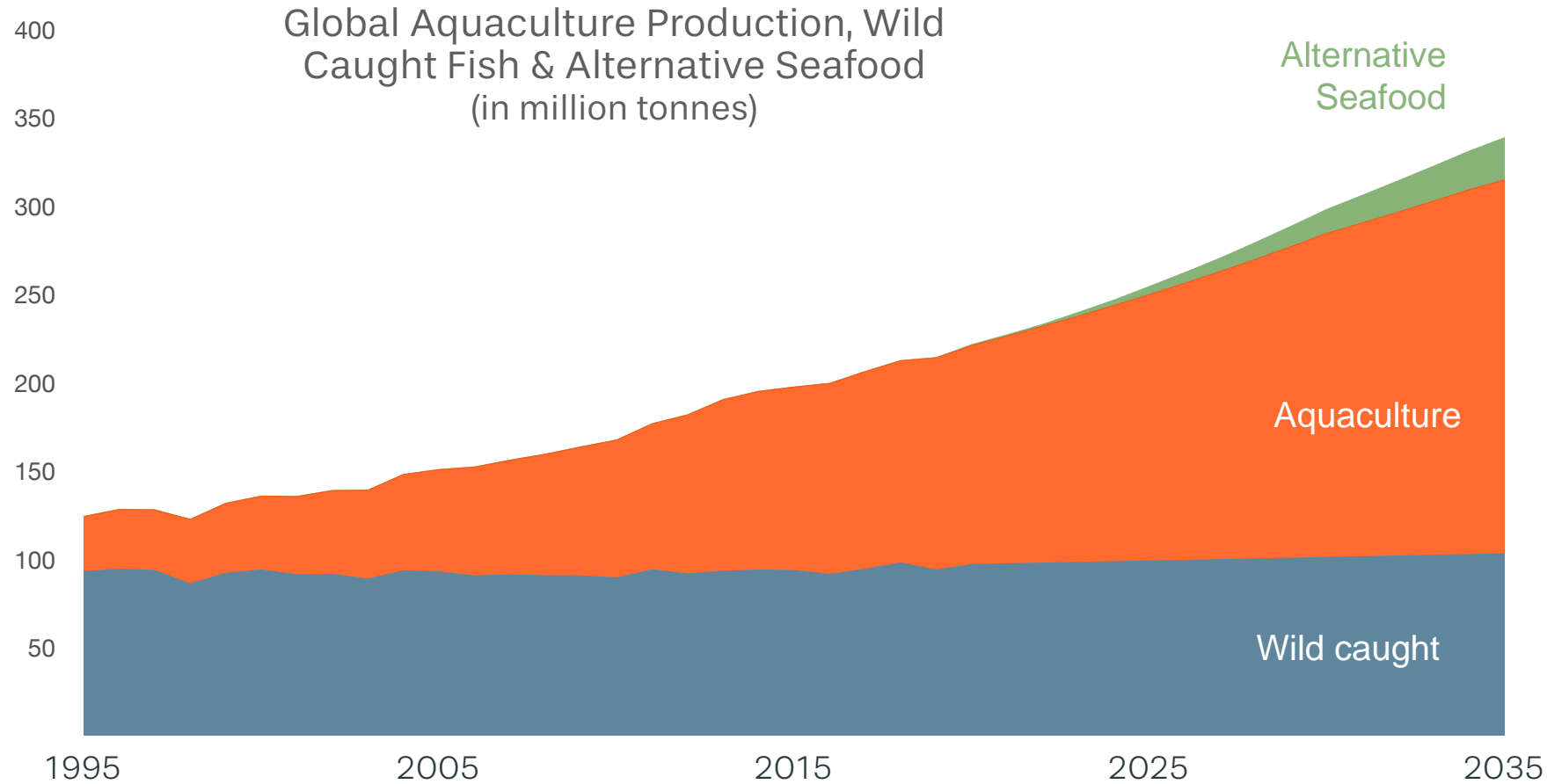
Fund (\$15M hardcap)

>20%

net IRR target

WHY AQUACULTURE?

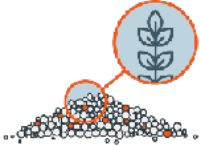
- Aquaculture is the farming of aquatic species such as salmon, shrimp, seaweed or kampachi
- Aquaculture has increased ~2600% since the 1970's – growing from 3 million tonnes to 76.6 million tonnes and is currently valued at over \$160 billion
- Wave of industrialisation occurred during the last two decades due to consolidation (Mowi, Leroy Seafood) and entry of large multinationals (Cargill, ADM, LDC, Merck, Nutreco, Zoetis)
- Strong, global demand drivers and improved production capacity lead to stable and good growth outlook – projected CAGR of 4.3 % (until 2026)



INVESTMENT OPPORTUNITIES

Ingredients & Nutrition

- Plant and algae proteins
- Microbial proteins
- Omega-3 sources
- Byproducts-to-feed
- Waste-to-feed
- New additives
- New processing technologies
- Short-travel and low-footprint proteins
- Attractants



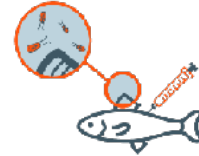
Farm Software & Hardware

- Automation
- Predictive analytics
- Real-time monitoring
- Smart harvesting
- Integrated systems
- Feeding optimisation
- Biomass estimation
- Feeding systems
- Remotely operated vehicles
- Precision tech
- Low-cost recirculation aquaculture
- Offshore
- Closed containment at sea



Health & Genetics

- New vaccines and vaccine delivery platforms
- Antibiotic replacements
- New diagnostic tools
- Pre- and probiotics
- Prevention systems
- Micro-biome based drugs
- Telemedicine
- Solutions to: Sealice, AGD, SRS, WSSV, EMS, EHP/White Faeces, SHIV, TiLV
- Predictive genetics
- Sterile grow-out populations
- Monosex populations
- Life-cycle closing
- Ornamental species



Alternative Seafood

- Cell-based and plant-based seafood products
- New ingredients
- New processing technologies
- Low-cost growth media
- Texturing and flavouring technologies
- Other enabling technologies

Supply Chain & Services

- Processing
- Traceability
- Distribution
- Quality control
- Financial services
- Insurance



Ocean Conservation & Blue Carbon

- Carbon based business models
- Coastal area management
- Ocean as a carbon sink
- Regenerative farming models
- Plastic & pollutant removal
- Marine Spatial Planning



Marine Biotech

- Farming of new, aquatic species for production of AIs
- Ocean exploration for development of new pharmaceutical drugs, chemical products, enzymes
- Marine bioremediation
- Marine bioplastics

CAPITAL DEPLOYMENT

1. Accelerator Investment

HATCH operates a global aquaculture accelerator program with its base at NELHA in Kona, Hawaii. Through the accelerator programs, HATCH will invest in 20-30 companies within three years at discounted valuations.

2. Follow-on Investment

After three months in the accelerator program, companies have been thoroughly scrutinised with regards to their team, technology and traction. We invest more in up to 50% of accelerator companies within 12-18 months after program end.

3. Company Building

We organise company building work-shops around specific industry problems with the target to spin out companies and/or in-license technology. We then implemented management, seed-fund the companies and run them through our accelerator program.

4. Pro-Ratas / Reserves

We keep funds at reserve to be able to retain our stakes in later financing rounds of our portfolio companies.



HATCH ACCELERATOR

Hatch will run three accelerator programs in three years within this fund based at NELHA

The HATCH Accelerator provides:

- Active mentorship from 100+ world-leading experts
- Access to a network of industry, investors & grant providers
- Regular customer interaction & 1:1 opportunities
- Farm and industry visits across all major aquaculture species
- Partnership with Pontus Aqua Ltd (Wales) providing discounted R&D facilities and contract research

Value to fund:

- Program serves as an in-depth due diligence exercise and builds strong foundations for long-term relationships
- Allows Hatch to focus its investment and support efforts on best companies in portfolio



OUR GLOBAL FOOTPRINT



HATCH FUTURE PLANS – HAWAII

- Hatch's Global Accelerator and all Programme related activities headquartered in Hawaii from July 2022
- Plans to grow the number of Hatch staff on island from 3 to 6 over the course of next 12 months to meet the growing demand for its program
- Hatch has extended its relationship with NELHA as part of an EDA Funded project. Our team will design and deliver a range of Hawaii based programs (Incubator / Ideation Workshops / Innovation Studios / Accelerators) to cultivate support and develop Hawaii's Blue Economy talent whilst also attracting international opportunities. A range of key deliverables and stretch goals have been agreed to develop further Hawaii's Ocean Economy
- In January 2023 Hatch's launches global aquaculture incubator facility to attract international talent, support local research and development and to stimulate entrepreneurial endeavour from the academic community to achieve commercial success
- The Hatch team will seek to engage, support and develop the Hawaiian Ocean Economy stakeholder community in order to drive opportunity and build Hawaii's reputation as a centre of excellence for aquaculture innovation and technology
- Hatch has already delivered an initial report on research completed in respect of Hawaii's Blue Economy opportunity around Regenerative Aquaculture

INVESTMENT MANAGEMENT

FUND MANAGEMENT TEAM



WAYNE MURPHY

Partner

- Co-Founder Hatch
- Based in Kona, Hawaii
- Has set-up, launched and managed over 10 global accelerator programs involving the selection and investment in over 100 startup companies.
- Led the development of a global network of mentor investor and industry support



DYLAN HOWELL

Operations Manager
Hawaii / Americas

- With Hatch since June 2018
- Based in Kona, Hawaii
- Diverse aquaculture farming experience across several species and continents
- Masters in aquaculture



CAITRIONA KELLEHER

Managing Director
Early Stage Investments

- Starting March 1st 2023
- Based in Cork, Ireland
- 5 years of early-stage fund management experience from a global biotech accelerator fund with >\$1b AUM
- Masters in accountancy



DR. CARSTEN KROME

Managing Partner

- Co-Founder Hatch
- Based in Kona, Hawaii and Hamburg, Germany
- 8 year track record in aquaculture investing
- Former Technical Analyst at Aqua-Spark, Netherlands
- PhD in aquaculture from Institute of Aquaculture, Stirling

PORTFOLIO MANAGEMENT



SINEAD BYRNE

Fund Accountant

- With Hatch since August 2021
- Based in Cork, Ireland
- 10 years of venture capital fund accounting experience
- Prior experience as an auditor



BENEDICT TAN

Portfolio Manager

- With Hatch since June 2019
- Based in Singapore
- Bachelor of Environmental Studies NUS/Yale
- EY and Conservation International work experience



SARAH KARNER

Community Manager
Hawaii

- With Hatch since 2023
- Based in Kona, Hawaii

SUPPORTING STAFF

FUND SERVICE PROVIDERS



FUND ADMINISTRATORS



FUND AUDITORS



FUND LEGAL COUNSEL



FUND TAX ADVISOR

BLUE REVOLUTION FUND



GEORG BAUNACH

Managing Partner

- Co-Founder Hatch
- Founder of four companies, all currently operational
- Molecular biotechnologist with experience from Harvard Medical School
- Master in Management from London business school



SUPRIYA SRINIVASAN

Managing Partner

- With Hatch since January 2020
- 10 years of banking experience, working across Portfolio Management, Credit Risk, Data science and Strategy
- Master's in Science (Physics) & MBA (Finance)

HATCH INNOVATION SERVICES



TANJA HOEL

Director Hatch Innovation Services

- With Hatch as of May 2020
- 15 years experience in Norwegian aquaculture sector
- Founder and Director of the Seafood Innovation Cluster, Managing Director Fiskeriforum Vest
- Masters in Aquaculture/ Marine Biology
- 20% time on portfolio support



GONCALO SANTOS

Aquaculture Innovation Manager

- With Hatch as of August 2020
- 15 years of aquaculture corporate experience at Cargill and DSM
- 50% time on portfolio support

Hawaii – Track Record I



The company relocates to Hatch's offices at the facilities of Hatch investor and partner NELHA in Kona, Hawaii and participates in the accelerator program.

Aug 2019

Using Hatch/NELHA-provided commercial R&D infrastructure, the company makes progress in establishing protocols to grow Asparagopsis at commercial scale

Jan - Dec 2020

Symbrosia signs a \$7M Series A with Danone Manifesto Ventures, Presidio, Kamehameha Schools, Mana Up at \$30M pre-money valuation. Proceeds are invested in hiring locally in Kona (15 hires) and building out the commercial pilot at NELHA.

June 2022

July 2019

Hatch invests in Symbrosia, The company produces Asparagopsis, a seaweed that reduces cattle carbon emissions by 80% when added to feeds.

Dec 19

The company raises USD 1.3M from Californian investors.

Dec 2020

As the world's first venture, the company has achieved commercially viable growth rates of Asparadopsis.

**Solving climate change
with the world's
mightiest seaweed.**

www.symbrosia.co



Hawaii – Track Record II



Hatch buys out old shareholders of KAS for a valuation equivalent to \$1.3M making KAS the largest position by cash invested and % ownership of the Hatch Fund I portfolio.

March 2020

Introduced by Hatch, Dr. Claude Kaplan takes over CEO role with previous CEO and founder Dr. Heidi Kuehnle becoming CTO.

June 2021

KAS raises \$2.8M from Aqua-Spark and Cavallo Ventures at a \$7.5M pre-money valuation. Proceeds are used to invest to boost R&D in the headquarters in Honolulu as well as technology scale-up.

March 2022

July 2019

Hatch invests in KAS, it participates in the 2019 accelerator program at NELHA. The company produces a heterotrophic micro algae with high astaxanthin content, a pigment used in aquaculture feed, human nutraceuticals, the food and the medical sector.

Q1 2021

After unsuccessfully trying to raise funds throughout 2020, Hatch works closely with KAS management to identify a board of advisors and CEO.

Q3-Q4 2021

KAS strikes several license and commercialisation agreements with strategic partners around the world.

New Generation of Natural Astaxanthin

Hawaii – Track Record III



Minnowtech relocates to NELHA, Hawaii, sparked by Hatch's presence there.

Aug 2019

Minnowtech begins testing its product under commercial circumstances with Kauai Shrimp in Kauai.

Q3 2020

August 2018

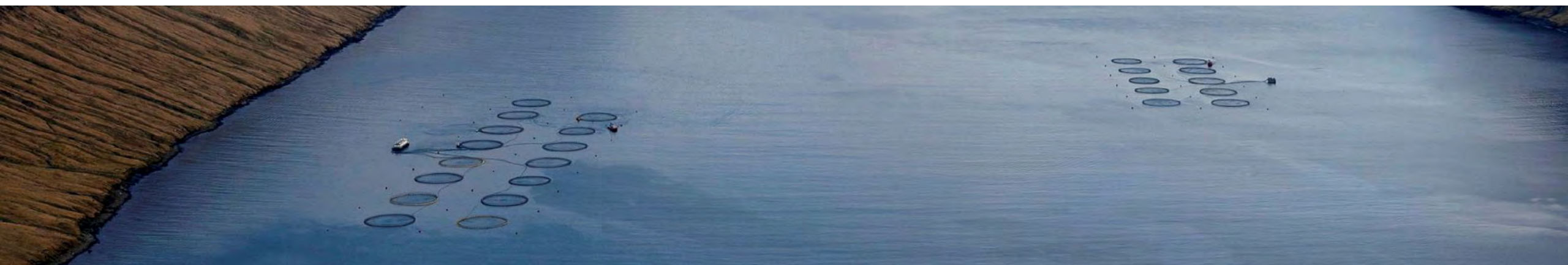
Hatch invests in Minnowtech. The company, originally from Maryland, has a sonar-based biomass estimation technology for the shrimp sector.

Q2 2020

The company raises a \$0.6M seed round from OTAQ, a publicly listed aquaculture technology company from Scotland.

April 2022

After 18 month of commercial development in collaboration with Kauai Shrimp and OTAQ, the company launches its first product in May 2022, the BRS-1 (+\$300K in sales already).





HATCH
Investment

wayne@hatch.blue

ANNEX

INVESTMENT FOCUS

We Seek

- Companies based in Hawaii or companies that want to move to Hawaii
- Technology companies which focus on aquaculture & alternative seafood as their main or initial market
- Management teams pairing scientific and management backgrounds with sector experience
- Management-owned companies
- Platform technologies with wide applications across species and sectors

We don't invest in

- Technologies that encourage unsustainable aquaculture practices
- Antibiotics
- Chemical health treatment
- Generic farming operations
- Recirculation Aquaculture Systems unless they prove to be cost-effective at scale
- Insects for bulk aqua feed market

We Avoid

- Companies with products that require a sustainability premium to be competitive
- Companies that are not owned by management
- Founders with no previous commercial background (e.g. university professors)

Expected portfolio composition

- 20-30 companies; ~40% double investments
- Distribution of investments in portfolio:
 - Industries: Mainly upstream, 2-5 investments downstream
 - ~80% tangible business models
 - ~20% moon-shots
- Hatch expects significant commercial synergy within the portfolio and our growth-stage fund "Blue Revolution Fund"

FUND TERMS

Management Fee	2% first three years, 1.5% thereafter
GP Commitment	2.5 % (in cash)
Term of fund	10 Years (plus option to extend +1y, +1y)
Minimum LP investment	500 000 €
Hurdle rate	8% (Full catch-up)
Carried interest	20 %
Target raise	\$10M
Hardcap	\$15M
Number of investments	20-30
Avg. investment period per asset/company	7+ years
Open/closed	Closed
Domicile	Delaware
Legal form	Limited Partnership
Fund Managers	Wayne Murphy, Dylan Howell, Ben Tan, Caitriona Kelleher

>20%
net IRR target return

3 years
Investment Period

7 years
Holding / Divesting
Period

PAST FUNDS



HATCH ACCELERATOR FUND I

- Vintage 2019
- \$8.4M AUM raised at target
- LP base is a mix between HNWIs, family offices as well as one institutional, two corporates and one government fund (HSDC/ NELHA)
- Fully-invested since Dec 2020
- Currently trading at 39.2% unrealised IRR
- Hatch Fund II will replicate the same successful sector focus and strategy
- Key learnings for Hatch team:
 - Higher focus on quality of management team vs. technology
 - Companies should at least have a minimum viable product for accelerator program to provide most benefits

BLUE REVOLUTION FUND

- Vintage September 2022
- €29M first closing
- Second and final closing anticipated in Q1 2023 at €50-75M
- Collaboration with The Nature Conservancy as "Conservation Manager" of the fund
- Highly ecological impact-focus, first fund of its kind with an NGO defining and assessing impact outcomes
- Mostly large family offices, corporations and institutional investors
- Early-growth stage target
- Between €0.5-3M initial check size
- Global mandate
- Very synergistic to Hatch Accelerator Fund II, can invest in best companies coming out of the fund

Investment Track Record

List of Hatch investments and their performance to date

Hatch Balance Sheet Investments 2018

- AlgaePro, Norway
- AquaConnect, India
- Finless Foods, US
- Manolin, US
- Jala, Indonesia
- TradeIT, UK
- Sensaway, Portugal
- VerifiK8, Thailand
- Alune, Ireland
- Aquamonk, India
- Ictiobiotic, Chile
- Minnowtech, US
- Prospective Research, US
- Wittaya, Canada
- DryGro, UK
- Fixed Phage, UK
- Umami Meats, SG

€1.76M

Total capital invested

45.5%*

IRR (Unrealised)

3.36*

MOIC (unrealised)

53%

of companies received institutional follow-on funding since Hatch's investment

>€ 100M

raised by portfolio

* pending closing of financing round Wittaya (under term sheet currently)

Hatch Accelerator Fund I Investments 2019 / 2020

- Algaeba, Thailand
- Catchatrade, Singapore
- Dynaspace, Norway
- FeedVax, USA
- Gaskiya, USA
- Genetirate, USA
- Impact 9, Ireland
- KAS, Hawaii USA
- Kinnva, Singapore
- Montana Microbial, USA
- Nitrogen Sensing Solutions, Portugal
- Symbrosia, Hawaii USA
- Univiv, Ireland
- AquaConnect, India
- Manolin, USA,
- Minnowtech, Hawaii USA
- C-Feed, Norway
- The Plant Based Seafood Company, USA
- Blue Lion Labs, Canada
- SuSeWi, UK
- Sea Warden, Hawaii USA
- Exciplex, USA
- Smart Oysters, Australia
- ANB Sensors, UK
- Umami Meats, Singapore

\$ 8.4M

AUM

39.2%*

Gross IRR, excluding carry fees, unrealised

* pending closing of financing round of The Plant Based Seafood Company and Umami Meats (under term sheet currently)

IMPACT GOALS & MEASUREMENT

Based on our Theory of Change, Hatch has identified the following impact goals and metrics. Measurement begins once annual product revenues of a particular portfolio company exceed €1M. Impact audits are paid from management fee.



Our Goals:

- Reduce fishing pressure on the World's oceans by making aquaculture and alternative seafood derived products more affordable
- Lower CO₂ foot print by shortening the seafood supply chains and increasing the efficiency of seafood production
- Restoring ocean and coastal ecosystems through investing in technologies that promote low footprint seafood production systems
- Providing low-cost, more sustainable solutions to farmers, such as antibiotic replacements, fishmeal- fish oil and soy protein alternatives
- Contributing to global food security

We measure:



Effect of fishing pressure in "net change in tons of seafood fished"



Greenhouse gas emissions in "net change in tons of CO₂ equivalents"



Fresh water usage in "net change in cubic meter freshwater per ton seafood"



Land use in "net change in tons seafood per hectare"

DISCLAIMER

The following document has been compiled solely to present the strategy, direction and resources required for the Hatch Fund to secure its intended future growth. It is a high-level overview of the opportunity the Hatch Fund sees in the aquaculture sector. No advice whatsoever is intended or provided within this document, including but not limited to, investment, tax or accounting advice. This is a presentation only, and in no way represents an offer to purchase or sell securities of any kind, which would require specific, material information not included in this document. The below does not constitute, and is not to be interpreted as marketing or promotional material of any kind.

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For more information please contact Carsten Krome | carsten@hatch.blue | +49 170 5517422



Investment Memorandum

To: Board of Directors, HTDC
From: Len Higashi, Executive Director; Paul Hsi, Program Manager
Date: January 12, 2023
Subject: HI-CAP Invest - HATCH Accelerator Fund II

Recommended Action: Recommend Board approval of **HATCH Accelerator Fund II** (“HATCH Fund II” or the “Fund”) for investment of up to \$5.0 million (to be allocated in three equal installments through 2024), subject to terms and conditions that meet SSBCI and statutory requirements.

The recommendation for the “anchor” investment of \$5 million in HATCH Fund II to be divided into three installments is to allow HTDC to efficiently allocate the first tranche of SSBCI funding (\$10 million) among the most promising VC funds that meet financial and economic objectives. These funds have been, or are expected to be, launched from August 2022 through August 2023.

The second and third installment of the total \$5 million investment in HATCH Fund II would be contingent on receipt of the second tranche of SSBCI funds.

MOTION to authorize HTDC Executive Director to finalize terms and conditions and execute the \$5,000,000 investment into HATCH subject to approval of documents by Special Deputy AG and AG Office.

Previous Investments in Related Funds: In 2019, HSDC made a \$1.8 million investment in a \$8.4 million HATCH Accelerator Fund I, which has a gross unrealized IRR in the mid-teens since inception. The gross figure is prior to management fees, and the unrealized IRR is based on increases to valuations of HATCH’s holdings in portfolio companies from subsequent financing rounds led by other VC investors in the portfolio companies. There have been no exits or sales of portfolio companies, which is typical for this phase of accelerator investment funds.

HTDC Committee Involvement: On December 16, 2022, following initial due diligence by Guild Consulting, the HTDC Evaluation Committee (the “EC”) convened to discuss the potential investment. The principal managing partners of HATCH, Carsten Krome and Wayne Murphy, presented the firm, the



accelerator program, its Fund I investment track record, and Fund II objectives to the EC. The EC recommended advancing the investment proposal to the Board.

Portfolio Considerations:

HATCH intends to raise a minimum of \$10 million (maximum of \$15 million) through the Fund, and has a “hard circle” commitment of \$5 million from Aqua Spark, a €25 MM aquaculture venture firm that helped launch HATCH, and where HATCH co-founder Carsten Krome previously worked as a venture investor. The \$5 million investment from Aqua Spark will satisfy the SSBCI requirement for private-sector funding equal to HTDC’s investment. The Fund will focus on pre-seed and seed funding rounds of selected participants in its accelerator program.

HATCH represents a key opportunity to develop a venture eco-system in Hawaii, focused on the comparative advantages of the State’s NELHA research park in Kona and its unique access to pristine deepwater ocean adjacent to the park, including fisheries and research in sea plant and alternative food stock. The research facilities offers a worldclass center for development of new technologies for seaweed, algae, alternative protein, alternative fuel and sealife farming.

Fund I has invested in three Hawaii-based aquaculture companies, which resulted in nearly 30 jobs created. With Fund II, HATCH aims to invest in up to 24 early-stage companies over three separate accelerator programs (8-10 companies per program) over the next three years of its investment period. The Fund expects to allocate \$250-\$500K per investment, depending on the prospects and valuation.

LP investments of up to \$15 million targeted for Fund II will allow HATCH to make larger investments in the most promising participants in its 16-week accelerator program conducted in Kona, with site visits to research facilities in Singapore and Norway.

An investment in Fund II will help diversify exposure to software-based and FinTech portfolio companies targeted in Board-approved Startup Capital Ventures Fund III, and help promote industry expertise within the State where portfolio companies have an average of 10 employees per company compared to the national average for start-ups of 2 employees per company.

Fund Terms:

The General Partner will earn a 2.0% management fee for the first 3 years (then a management fee of 1.50% thereafter) and a 20% carried interest in the investment profits of the Fund, which will be structured with a conventional 10-year term and two one-year extensions. The GP anticipates making its own investment in the Fund equal to 2% of the



Fund (double the typical GP investment), which sends a strong signal about prospects of the expected Fund performance and commitment by the GP.

Benefits of the Investment:

Given NELHA’s status as an internationally-recognized site for energy and aquaculture research and commercial development (and HATCH’s close ties with NELHA), investment in Fund II should help propel the research ecosystem and attraction of capital to start-ups being funded.

HATCH’s accelerator program helps develop new entrants in the aquaculture areas of health, nutrition, alternative foodsources and proteins, hardware (testing, meters and monitors) and farm tech. The program also has sites in Norway and Singapore to develop best practices among geographic regions and global program participants.

Aqua Spark VC’s investment of \$5 million in Fund II will satisfy SSBCI’s requirement of private-sector funding equal to HTDC’s total investment of \$5 million, to be made in three installments of \$1.7 million, \$1.7 million and \$1.6 million. Allocating the \$5 million investment into three installments allows HTDC to use both SSBCI Tranche I and Tranche II funds for the investment, and matches HATCH’s accelerator program scheduling of program cohorts. It is envisioned that the first \$1.7 MM installment would be made on a fully committed basis, while the remaining two installments would be on a “soft circle” contingent basis (based on HTDC receipt of SSBCI Tranche II funding).

HTDC Considerations:

It is expected that at least 75% of the accelerator program participants eligible for investment by the Fund would be US-based companies that would register to do business in the State and have a Hawaii location to satisfy SSBCI parameters on investments made to companies located in Hawaii. The remaining participants may be non-US companies, in which HTDC could not use SSBCI funds to invest.

The primary co-founder of HATCH, Carsten Krome, has activities across multiple entities associated with the Fund, including serving as a GP in Blue Revolution Fund I (“BR Fund I”), a \$29 million venture fund focused on investment in next generation farming, regenerative farming and aquaculture. BR Fund I is a growth fund focused on Series A and B rounds (and is not anticipated to co-invest with HATCH Fund II investments). HATCH Blue Holding, which houses all related HATCH operating entities and ventures funds, generates over \$1 million annually from its consulting business for aquaculture firms that are not involved in the accelerator program.



Success of HATCH’s Fund II should help shape and deepen the entrepreneur and venture capital ecosystem in Hawaii for years to come. Having seasoned investment professionals and incubated start-ups deeply involved in global aquaculture centered in Hawaii will accrue benefit for the State over the longer term to diversify new growth sectors, encourage and foster innovation and attract risk-based capital into the State.

Other Issues:

The focus of the Fund II on “upstream” participants in the foodstock value chain will likely require significant future venture funding rounds for a number of portfolio companies to reach product viability and scale to sell product and feedstock to increasingly globalized food producers of livestock, alternative proteins, other next generation foods and alternative fuel.

HATCH’s footprint at NELHA has served to attract out-of-state accelerator participants to relocate their headquarters to Hawaii in order to access the research network and deep-water pristine ocean required for research and development of alternative aquatic food and byproducts.