



To: Hawai'i Technology Development Corporation Board of Directors  
From: Len Higashi, HTDC Acting Executive Director  
Date: June 9, 2022  
Subject: Request for Approval the HI-CAP Invest Investment Strategy and Allocation

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#### SPECIFIC ACTION REQUESTED:

Request Approval for HI-CAP Invest Investment Strategy and Allocation

#### RECOMMENDED EFFECTIVE DATE:

Upon Approval

#### BACKGROUND:

HI-CAP is the State of Hawai'i's SSBCI program. The total allocation for Hawai'i provides up to \$62 million, to help small businesses access capital. The funding is provided in 3 tranches. The first tranche of \$19,802,909 has been received.

HTDC is responsible for the entire HI-CAP program and directly administering the HI-CAP Invest fund of funds program. HI-CAP Invest is allocated one-third of the total funding. The remaining two-thirds of the allocation is administered by the Hawai'i Green Infrastructure Authority (HGIA), a DBEDT attached agency, (HI-CAP Collateral and HI-CAP Loan programs). HGIA was selected for their expertise in administering loan programs. Compliance and reporting back to the U.S. Treasury will all be done by HTDC.

The HTDC board is responsible for approving approximately \$20 million in investment funds for the HI-CAP invest program, with approximately \$6-10 million funds anticipated to be committed in the upcoming months.

The HI-CAP Invest Investment Strategy and Allocation sets the policy for the investment program. The document will be used when determining the priority for funding and to create the total portfolio composition. The strategy focuses on leveraging the SSBCI 1.0 investments and building alignment within DBEDT, UH, and the community.

The supplemental draft process flowchart details when and how the document is used. It is noted as Policy (portfolio).

The Investment Strategy and Allocation needs to be approved before we accept proposals.



Key dates:

May 19, 2022 - Application approved

August 19, 2022 – Programs established

May 19, 2025 - 80 percent of the first tranche must be disbursed and the second tranche must be received

May 19, 2028 – The third tranche must be received

December 31, 2030 – The program ends

**ACTION RECOMMENDED:**

Approve

## **HI-CAP Invest Investment Strategy and Allocation**

Based on HTDC's approved application:

### ***HI-CAP Overarching Goals***

Help small business access capital that otherwise not possible  
Financial support to small businesses to rebound and grow

Maximize:

- Federal Award by
  - achieving a portfolio that serves 30% underserved
  - expending the funds ahead of schedule
- Number of Businesses Assisted
- Private Sector Leverage
- Return on Investment
- Economic Development Impact
  - diversification
  - transformation
  - growth
  - jobs

### ***HI-CAP Invest Strategy***

The HI-CAP Invest investment strategy focuses on strengthening the innovation ecosystem by adding funds that are aligned with the current priorities of DBEDT, UH, and the community.

1. Leverage SSBCI 1.0 Investments into accelerator programs and venture capital
2. New investment funds aligned with HTDC and DBEDT division priorities, diverse in sector focus, but generally in innovation
3. Fund in partnership with UH
4. Social impact investment fund

### ***HI-CAP Invest Allocation***

2-3 Anchor Investment, \$3-5 million,

high probability of both economic development and return on investment

8-12 Standard Investment, \$1-2 million,

Blend of existing and first-time funds

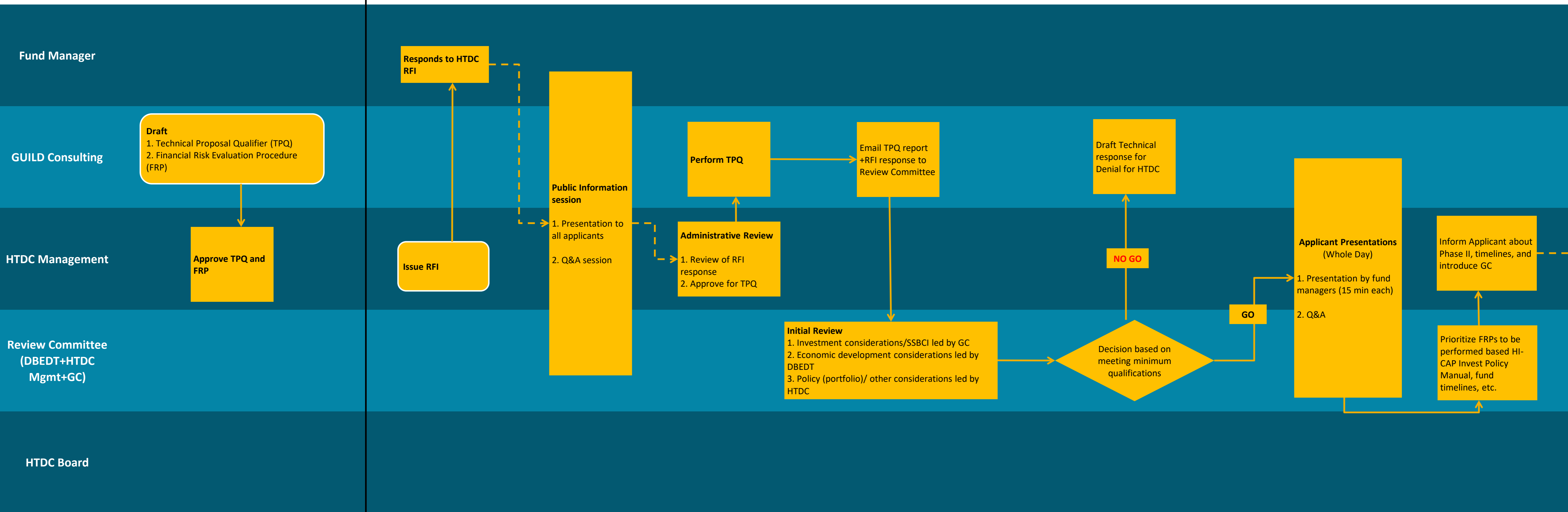
Diverse portfolio to include IT/Software, Manufacturing/Value added Agriculture, Defense, Creative Media, Aquaculture, Renewable Energy, UH



### *HI-CAP Invest Selection*

Funds that meet the minimum qualifications will be sorted into a priority list. Priority will be decided by the review committee based on factors such as economic development impact, investment worthiness, and significance to the portfolio and to achieving the overarching goals. After due diligence and full committee review, selected funds will be presented to the board with the committee's economic development impact and investment worthiness assessment and recommendation for approval.

# PHASE I - INITIAL EVALUATION



Fund Manager

GUILD Consulting

HTDC Management

Review Committee  
(DBEDT+HTDC  
Mgmt+GC)

HTDC Board

**Draft**  
1. Technical Proposal Qualifier (TPQ)  
2. Financial Risk Evaluation Procedure (FRP)

**Approve TPQ and FRP**

**Issue RFI**

**Responds to HTDC RFI**

**Public Information session**  
1. Presentation to all applicants  
2. Q&A session

**Administrative Review**  
1. Review of RFI response  
2. Approve for TPQ

**Perform TPQ**

**Email TPQ report +RFI response to Review Committee**

**Draft Technical response for Denial for HTDC**

**NO GO**

**GO**

**Applicant Presentations (Whole Day)**  
1. Presentation by fund managers (15 min each)  
2. Q&A

**Inform Applicant about Phase II, timelines, and introduce GC**

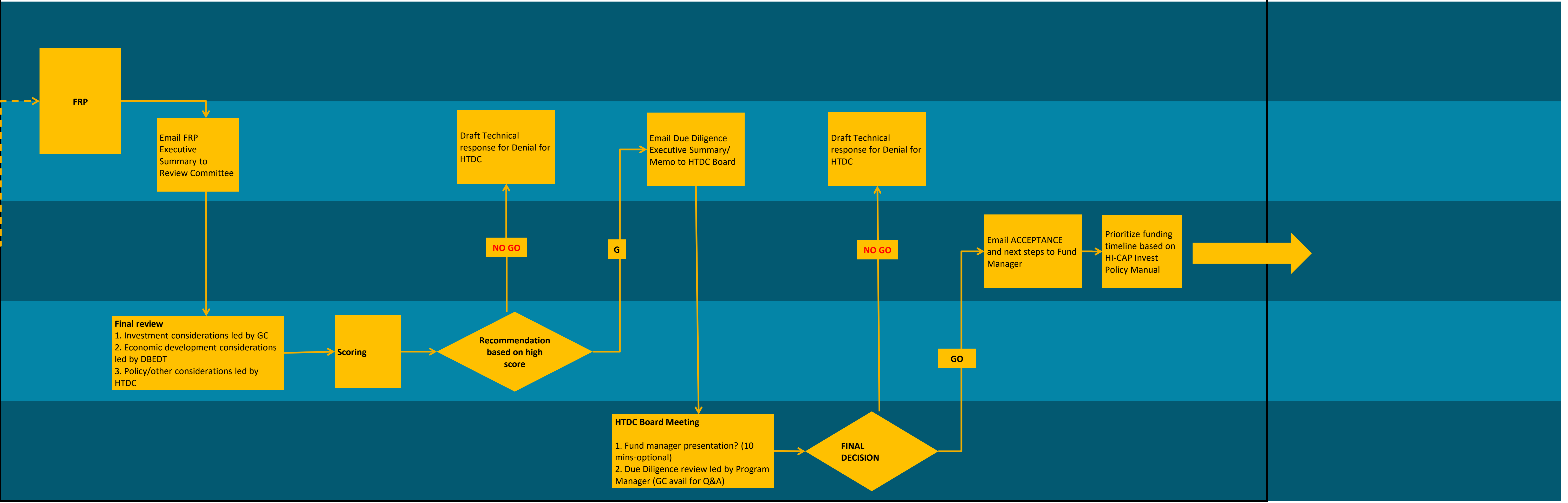
**Prioritize FRPs to be performed based HI-CAP Invest Policy Manual, fund timelines, etc.**

**Initial Review**  
1. Investment considerations/SSBCI led by GC  
2. Economic development considerations led by DBEDT  
3. Policy (portfolio)/ other considerations led by HTDC

**Decision based on meeting minimum qualifications**

# PHASE II - FINAL SELECTION

# PHASE III: CONTRACTING





To: Hawai'i Technology Development Corporation Board of Directors  
From: Len Higashi, HTDC Acting Executive Director  
Date: June 9, 2022  
Subject: Request for Approval of HTDC FY23 Spending Plan

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**SPECIFIC ACTION REQUESTED:** Approval of FY23 HTDC spending plan for 7/1/22-6/30/23

**RECOMMENDED EFFECTIVE DATE:** State fiscal year 2023 7/1/22-6/30/23

**BACKGROUND:** Every biennium, the Legislature sets the budget for the State for the following two years. The budget is further amended in year two of the biennium. Act 088, SLH 2021 appropriated HTDC \$1,258,111 for FY22 (7/1/21-6/30/22) and \$1,234,902 for FY23 (7/1/22-6/30/23). Act 088, SLH 2021 is expected to be amended by HB1600 and include an additional \$5,000,000 in general funds as well as re-appropriating \$17,800,000 in Capital Improvement Project funds. According to the current budget worksheets released by the Legislature, the \$5,000,000 is to be used for:

- HSBIR Phase II matching grant program - \$1,500,000
- MAP grant program - \$1,000,000
- Accelerator program - \$1,500,000
- HONR grant program - \$1,000,000

The \$17,800,000 in CIP funds are to be used for land acquisition for the First Responders Tech Campus.

In addition of HTDC's FY23 spending plan, also included is FY22 actual expenses for comparison. Also included for informational purposes are the Federally approved spending plans for our federal programs.

This request is for the board to approve HTDC's FY23 spending plan based on the current legislative appropriations. If the plan is not approved, an additional board meeting(s) would need to be scheduled to have a plan in place prior to 7/1/22. Quarterly variance reports based on the approved spending plan will be included at future board meetings.

**ACTION RECOMMENDED:** Approve spending plan as submitted

For internal use only

| Receipts                           |  | HTDC             |
|------------------------------------|--|------------------|
| <b>Appropriation/Grant Funding</b> |  | 1,234,902        |
|                                    |  |                  |
|                                    |  |                  |
| <b>Special Appropriations</b>      |  |                  |
| HSBIR Phase II                     |  | 1,500,000        |
| MAP                                |  | 1,000,000        |
| Accelerator                        |  | 1,500,000        |
| HONR                               |  | 1,000,000        |
|                                    |  |                  |
| <b>Program Income</b>              |  |                  |
| <b>Restrictions</b>                |  |                  |
| <b>Total Receipts</b>              |  | <b>6,234,902</b> |

| Disbursements                         |  |                  |
|---------------------------------------|--|------------------|
| <b>Payroll</b>                        |  | 592,419          |
|                                       |  |                  |
| <b>Other Current Expenses</b>         |  |                  |
| Rent                                  |  | 44,378           |
| Office Supplies                       |  | 4,500            |
| Software Expenses                     |  | 5,000            |
| Freight, Postage, Subscriptions, Dues |  | 500              |
| Telephone, Internet Service           |  | 12,500           |
| Printing, Advertising, Legal Notices  |  | 500              |
| Copier                                |  | 3,300            |
| Travel                                |  | 500              |
| Equipment Purchase                    |  | 3,000            |
| Insurance                             |  | 22,000           |
| Registration Fees                     |  |                  |
| Sponsorships/Conference Expenses      |  | 2,840            |
| Protocol, BOD Expenses                |  | 2,000            |
| Program Expenses                      |  |                  |
|                                       |  |                  |
| HSBIR Phase I                         |  | 500,000          |
| HSBIR Phase II                        |  | 1,500,000        |
| MAP                                   |  | 1,000,000        |
| Accelerator                           |  | 1,500,000        |
| HONR                                  |  | 1,000,000        |
|                                       |  |                  |
|                                       |  |                  |
| <b>Contracts</b>                      |  |                  |
| - Property Management                 |  | 41,465           |
|                                       |  |                  |
| <b>Total Disbursements</b>            |  | <b>6,234,902</b> |

|                  |          |
|------------------|----------|
| <b>Carryover</b> | <b>-</b> |
|------------------|----------|

Special Fund Balance - \$294,246  
 Revolving Fund Balance - \$3,683,923  
 CIP appropriated - \$17,800,000



| <b>Receipts</b>                       |                    |                    |
|---------------------------------------|--------------------|--------------------|
|                                       | <b>FY23 Budget</b> | <b>FY22 Actual</b> |
| <b>Appropriation/Grant Funding</b>    | 1,234,902          | 1,258,111          |
|                                       |                    |                    |
| <b>Special Appropriations</b>         |                    |                    |
| HSBIR Phase II                        | 1,500,000          |                    |
| MAP                                   | 1,000,000          |                    |
| Accelerator                           | 1,500,000          |                    |
| HONR                                  | 1,000,000          |                    |
|                                       |                    |                    |
| <b>Program Income</b>                 |                    |                    |
| <b>Restrictions</b>                   |                    | (88,000)           |
| <b>Total Receipts</b>                 | <b>6,234,902</b>   | <b>1,170,111</b>   |
| <b>Disbursements</b>                  |                    |                    |
| <b>Payroll</b>                        | 592,419            | 592,419            |
|                                       |                    | (88,000)           |
| <b>Other Current Expenses</b>         |                    |                    |
| Rent                                  | 44,378             | 44,378             |
| Office Supplies                       | 4,500              | 3,194              |
| Software Expenses                     | 5,000              | 5,094              |
| Freight, Postage, Subscriptions, Dues | 500                | 881                |
| Telephone, Internet Service           | 12,500             | 12,464             |
| Printing, Advertising, Legal Notices  | 500                | 315                |
| Copier                                | 3,300              | 3,132              |
| Travel                                | 500                | 418                |
| Equipment Purchase                    | 3,000              | 761                |
| Insurance                             | 22,000             | 21,731             |
| Registration Fees                     |                    |                    |
| Sponsorships/Conference Expenses      | 2,840              | 12,000             |
| Protocol, BOD Expenses                | 2,000              | 1,111              |
|                                       |                    |                    |
| HSBIR Phase I                         | 500,000            | 498,000            |
| HSBIR Phase II                        | 1,500,000          |                    |
| MAP                                   | 1,000,000          |                    |
| Accelerator                           | 1,500,000          |                    |
| HONR                                  | 1,000,000          |                    |
|                                       |                    |                    |
|                                       |                    |                    |
| <b>Contracts</b>                      |                    | 20,748             |
| - Property Management                 | 41,465             | 41,465             |
|                                       |                    |                    |
| <b>Total Disbursements</b>            | <b>6,234,902</b>   | <b>1,170,111</b>   |
| <b>Carryover</b>                      | <b>-</b>           | <b>-</b>           |

| Receipts                           | HI-CAP            | MEP*           | HCATT**        |
|------------------------------------|-------------------|----------------|----------------|
| <b>Appropriation/Grant Funding</b> | 19,802,909        | 709,800        | 603,170        |
| SSBCI State Appropriation          | 500,000           |                |                |
| <b>Program Income</b>              |                   | 200,000        |                |
| <b>Total Receipts</b>              | <b>20,302,909</b> | <b>909,800</b> | <b>603,170</b> |

| Disbursements                         |                   |                |                |
|---------------------------------------|-------------------|----------------|----------------|
| <b>Payroll</b>                        | 140,000           | 479,471        | 329,727        |
| <b>Other Current Expenses</b>         |                   |                |                |
| Rent                                  |                   | 10,575         | 45,000         |
| Office Supplies                       |                   | 4,662          | 500            |
| Software Expenses                     |                   | 13,899         |                |
| Freight, Postage, Subscriptions, Dues |                   |                |                |
| Telephone, Internet Service           |                   |                | 1,000          |
| Printing, Advertising, Legal Notices  |                   | 3,000          |                |
| Copier                                |                   |                | 800            |
| Travel                                | 25,000            | 30,155         |                |
| Equipment Purchase                    |                   |                |                |
| Insurance                             |                   |                |                |
| Registration Fees                     |                   | 20,895         |                |
| Sponsorships/Conference Expenses      |                   | 22,000         |                |
| Protocol, BOD Expenses                |                   |                |                |
| Program Expenses                      | 446,000           |                |                |
| HI-CAP Invest                         | 10,000,000        |                |                |
| HI-CAP Loan                           | 2,000,000         |                |                |
| HI-CAP Collateral                     | 6,500,000         |                |                |
| <b>Contracts</b>                      |                   | 325,143        | 226,143        |
| - Compliance Advisor                  | 125,000           |                |                |
| - Investment Advisor                  | 250,000           |                |                |
| - Attorney (Specialized)              | 120,000           |                |                |
| - Marketing                           | 75,000            |                |                |
| - Software                            | 175,000           |                |                |
| <b>Total Disbursements</b>            | <b>19,856,000</b> | <b>909,800</b> | <b>603,170</b> |

|                  |                |          |          |
|------------------|----------------|----------|----------|
| <b>Carryover</b> | <b>446,909</b> | <b>-</b> | <b>-</b> |
|------------------|----------------|----------|----------|

\* NIST Grant year 4/1/22-3/31/23

\*\* Federal Fiscal year 10/1/21-9/30/22