Hawaii Technology Development Corporation
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Investment Memorandum

To: Hawaii Technology Development Corporation Board of Directors
From: Trung Lam, Executive Director & CEO; Tuan La, Hi-CAP Program Manager
Date: December 17, 2025
Subject: OMVC Hawaii Fund I, LLC (OMVC Hawaii Fund)

Recommended Action:

RECOMMEND APPROVAL of **OMVC Hawaii Fund I, LLC** ("OMVC Hawaii" or the "Fund") for investment of $3 million in the $6 million Fund, subject to terms and conditions that meet State Small Business Credit Initiative (SSBCI) and statutory requirements.

SSBCI requires raising matching $3 million investment to the Fund from private-sector sources and requires the Fund to invest a minimum of $6 million (including SSBCI fund) into Hawaii based companies.

OMVC Hawaii's expertise is in fintech, deep technology, and climate technology both in the USA and globally. OMVC Hawaii will build on this foundation, embedding the firm's expertise into a dedicated Hawaii focused vehicle. The manager of the Fund will be OM Venture Capital, LLC (the "GP" or "OMVC").

The recommendation for $3 million is based on the following:

Rationale:

1. **Strong Reputation and Commitments for OMVC Hawaii and General Partner:** OMVC has built a reputation as a disciplined and professional venture platform, with a track record of delivering strong results for investors while supporting the growth of its portfolio companies. General partners, Mark Muñoz and Jason Best, are experienced and well-regarded, with backgrounds that combine operational leadership, policy expertise, and global investment networks. Since establishing a base in Hawaii, the team has demonstrated meaningful engagement with the local community through mentorship and collaboration with organizations such as Blue Startups, Hawaii Angels, and the University of Hawaii (UH). OMVC has also committed to transparent reporting that includes both financial performance and local impact metrics, reflecting a clear recognition of accountability to its partners and to Hawaii. This reputation is further reinforced by the **support expressed by leaders and stakeholders in Hawaii's startup ecosystem and by founders of**

OMVC's investee companies, which will be detailed in the appendix. Together, the fund and its managers bring credibility, experience, and a stated commitment to strengthening Hawaii's innovation economy.

2. **Strategic Alignment:** OMVC Hawaii is closely aligned with HTDC's statutory purpose under HRS §206M to stimulate private capital investment, foster diversification, create high-wage jobs, and build a sustainable innovation ecosystem. The Fund embodies the intent of the HI-CAP Invest program by requiring that HTDC's $3 million commitment be matched by private capital, with the potential to leverage more than $80 million in follow-on investment over the life of the fund. In doing so, it fulfills the core design of both HI-CAP and SSBCI programs, using public dollars to attract private participation at scale. In addition, OMVC Hawaii further advances broader state policy priorities by investing in climate, deep tech, and resilience technologies that directly support Hawaii's 2045 Clean Energy Initiative and 2050 Sustainability Plans.

3. **Economic Development Impact:** OMVC Hawaii is projected to generate measurable benefits for Hawaii's economy. Over the life of the fund, it is expected to create **50 or more direct jobs** in the state, with average annual salaries of approximately **$80,000**, resulting in more than **$20 million in payroll impact**. When including indirect and induced employment through multiplier effects, the total impact could reach **125–150 jobs statewide**, spanning technical, operational, and managerial roles. In addition to employment, the Fund is designed to act as a catalyst for capital formation. HTDC's $3 million anchor investment will be matched at first close and is projected to leverage more than **$80 million in private follow-on capital**, representing a multiplier of more than **25 to 1**. Much of this follow-on investment is expected to come from outside Hawaii, bringing new dollars into the local economy and reducing reliance on tourism or defense spending. The Fund also embeds commitments to workforce development and talent retention. By partnering with UH for internships, mentorships, and commercialization support, OMVC Hawaii will provide students and graduates with career pathways in technology and entrepreneurship. This helps address Hawaii's ongoing challenge of outmigration and strengthens the state's innovation workforce

4. **Portfolio Diversification with Balance Risk Profile:** For the Hi-CAP program, we have invested $5 million (25% allocation of total Hi-CAP invest $20 million fund) in Startup Capital Ventures X SBI Fund LP (Seed and Series A stage SAS/ software fund), $5 million (25%) in

Hatch Accelerator Fund II Sidecar LP (early-stage aquaculture fund), and $2 million (10%) in BV4 L.P. (early-stage and seed technology fund), and 3 million (15%) in Mana Up Capital Partners II LP (early-stage Consumer Goods focused fund). By investing **$3 million or 15% in OMVC Hawaii Fund** (pre-seed, seed and Series A), which is a **deep tech, financial tech, and climate tech** focused fund, we are adding new sectors and industries that we are not currently invested in. This will make Hi-CAP not only better diversified in relations to industry and sector exposure, but it will also help to balance our risk/return profile for our overall fund of funds portfolio.

REQUEST MOTION **to authorize HTDC Executive Director & CEO, with support from the Hi-CAP program manager, to finalize terms and conditions and execute the $3M capital commitment to the Fund, subject to approval of documents by Special Deputy Attorney General and Attorney General Office.**

OM Venture Capital LLC and GP Background:

OM Venture Capital LLC ("**OMVC"**) is the successor firm to Vectr Fintech Partners, a globally recognized early-stage investment platform with a decade-long history of identifying, backing, and scaling transformative technology companies. The firm's decision to rebrand in February 2025 reflected both an evolution of strategy and a deliberate commitment to broaden its mandate beyond financial technology into the two additional verticals of deep technology and climate technology. These three sectors - fintech, deep tech, and climate tech - are not only among the most compelling global investment themes of the next decade, but are areas where Hawaii possesses unique comparative advantages as a testbed, as a nexus between the U.S. mainland and Asia-Pacific, and as a community actively engaged in building a sustainable, diversified economy.

The firm was established in 2014 with a sharp focus on financial services innovation in the wake of the global financial crisis and the JOBS (Jumpstart Our Business Startups) Act of 2012. Under the stewardship of its co-founders, Jason Best and Mark Muñoz, the firm has deployed two funds across North America and Asia, establishing itself as one of the first cross-border early-stage funds with founder, regulatory and operator credibility. By 2025, the partners recognized that many of the technologies transforming finance - artificial intelligence, quantum computing, cybersecurity, distributed ledgers - were equally relevant to enterprise, energy, and sustainability markets. This recognition further expounded the firm's thesis but also reflects where OM VC has succeeded and where it will focus.

OMVC's approach to investing is distinguished by its integration of artificial intelligence and decision analysis methodology into the sourcing and diligence

process. The firm describes itself as "bionic, not bot" - using proprietary technology to enhance, not replace, human judgment. Each year, OMVC's system screens more than 1,500 early-stage opportunities worldwide. Approximately 500 are triaged for human review, 50 advance to deep diligence, and ultimately 20 are recommended for investment. The platform captures structured and unstructured data on founder backgrounds, product-market fit, early customer traction, and capital efficiency, then models risk-adjusted return distributions for each candidate. This allows the general partners to benchmark new opportunities against historical cohorts and make more disciplined portfolio-construction decisions. Importantly, this system also shortens decision cycles, which makes OMVC a more responsive and founder-friendly partner - an advantage in competitive venture markets.

The firm's geographic footprint is another differentiator. With offices in Honolulu, San Francisco, New York, Singapore, and Riyadh, OMVC is embedded in several of the world's most dynamic innovation hubs. This enables Hawaii based startups to tap into global syndication and distribution opportunities. For example, a fintech startup seeded in Honolulu can be introduced to banking partners in Singapore or Riyadh; a climate-tech company piloted with Hawaii utilities can access corporate buyers and acquirers in Asia or the Middle East. Conversely, OMVC's presence in Hawaii makes it a gateway for international startups seeking to establish an American beachhead. This two-way flow of capital, talent, and ideas strengthens Hawaii's positioning as more than a tourist destination - it becomes an innovation bridge between East and West.

OMVC is entering into its 10th year with offices in Honolulu, San Francisco, New York, Singapore, and Riyadh. The firm is now looking to solidify its presence and commitments to Hawaii. OMVC currently seeks to raise $6M for its first Hawaii focus investments fund, **OMVC Hawaii Fund I, LLC.**

Evaluation Committee Involvement:

The formal due diligence process began on August 08, 2025, and the HTDC Evaluation Committee (the "EC") convened on August 21 to interview OMVC and held a follow up review on September 4 to discuss the potential merits and concerns of an investment, based on due diligence results and evaluation committee assessment report. The report evaluates OMVC funds, the GPs' background, and Fund I and Fund II managed by the GP. The EC meetings concluded with a recommendation to advance the investment proposal to the Board.

Fund II Structure,

1. [redacted]

Strategy, and Consideration: [redacted]

2. The design of OMVC Hawaii reflects both the current stage of Hawaii's innovation ecosystem and the global ambitions of its entrepreneurs. The Fund's size was deliberately set at $6 million after consultation with HTDC, potential limited partners, and ecosystem stakeholders. A larger fund would risk oversizing relative to Hawaii's current startup pipeline, creating pressure to deploy capital outside the state or in companies not ready for institutional investment. A smaller fund would lack the critical mass to provide meaningful follow-on support or to attract co-investors.

The targeted $6 million strikes a balance: large enough to support 8–10 portfolio companies with meaningful initial checks of $250,000 to $1 million, while also reserving capital for follow-ons. HTDC's $3 million commitment will represent anchor investor status, matched by at least $3 million of OMVC Fund II's private commitment, in compliance with HI-CAP and SSBCI program requirements.

3. The Fund's portfolio construction strategy is guided by three principles:

A. **Sector Focus:** Investments will be concentrated in three verticals—**fintech, deep technology, and climate technology**—all of which represent large and growing markets globally, while also aligning with Hawaii's strategic strengths and policy goals.

- *Fintech:* Hawaii's location between Asia and the U.S. makes it a natural hub for cross-border payments, remittances, and financial inclusion technologies. OM VC's global fintech expertise provides a strong advantage.
- *Deep Tech:* Cybersecurity, AI, quantum readiness, and advanced computing are increasingly critical in a world where digital infrastructure underpins every industry. Hawaii's defense presence also creates opportunities for dual-use deep tech innovation.
- *Climate Tech:* Hawaii's isolated energy grid, high utility costs, and vulnerability to climate change make it a natural testbed for renewable energy, carbon tracking, and resilience technologies.

B. **Stage Focus:** The Fund will primarily target **pre-seed**, **seed and Series A companies**, where check sizes of $250,000 to $1 million are meaningful

and where Hawaii based companies typically experience their largest funding gaps.

C. **Geographic Prioritization:** OMVC Hawaii is committed to prioritizing companies that are **founded in Hawaii, headquartered in Hawaii, or have a significant Hawaii presence**.

4. Investment Process and Governance

The Fund will employ an **institutional-grade investment process**:

- **Sourcing:** Local sourcing will occur through Mark Muñoz's active engagement with Blue Startups, Hawaii Angels, UH's Office of Innovation and Commercialization, and local entrepreneurial networks. Global sourcing will leverage OMVC's offices in San Francisco, New York, Singapore, and Riyadh.

- **Diligence:** Each investment will undergo rigorous due diligence, including product-market fit analysis, financial modeling, reference checks, and evaluation of management teams. For deep tech and climate tech companies, technical experts from OMVC's advisory network will be engaged.

- **Decision-Making:** Final investment decisions will be made by the General Partners, with oversight from the Limited Partner Advisory Committee (LPAC), on which HTDC will hold a seat.

- **Reporting:** The Fund will provide quarterly reports to investors, including both financial metrics (Net Asset Value (NAV), Multiple on Invested Capital (MOIC), Internal Rate of Return (IRR)) and **Hawaii specific impact metrics** such as jobs created, payroll impact, ecosystem collaborations, and follow-on capital attracted.

This structured process provides both rigor and transparency, addressing historical concerns that venture investing in Hawaii has sometimes lacked professionalization.

5. Integration with OMVC's Global Platform

The most distinctive feature of OMVC Hawaii's strategy is its integration with OMVC's broader global platform, including the forthcoming **$100 million+ OMVC Fund III**. This provides multiple advantages for Hawaii companies:

1. **Follow-On Capacity:** Companies seeded by OMVC Hawaii can attract follow-on capital from OMVC Fund III, reducing dependence on mainland funds and increasing the likelihood of scaling locally.

2. **Global Syndication:** OMVC's relationships with top-tier funds, corporate investors, and sovereign wealth funds in Asia, the Middle East, and the U.S. mean that Hawaii companies gain access to co-investors and customers far beyond local networks.

3. **Exit Pathways:** Hawaii's limited base of acquirers can constrain local exits. By embedding portfolio companies in global ecosystems, OMVC ensures that acquisition and Initial Public Offering (IPO) opportunities are accessible worldwide.

This integration is a powerful differentiator. Many local funds focus narrowly on Hawaii, which can unintentionally limit opportunities for founders. OMVC Hawaii provides the **best of both worlds**: locally rooted capital, globally connected markets.

Fund Terms: Hawaii will have a 5-year investing period, and a 10-year total fund life, which may be extended for up to a maximum of two consecutive 1-year period. The Fund expects to participate in follow-on funding rounds of the most promising investee companies.

[redacted]

[redacted]

These protections ensure that HTDC's capital is managed with accountability, transparency, and fiduciary responsibility.

Fund I & II Performance and Fund III & Hawaii Fund Expected Returns: Vectr Fintech **Fund I**, launched in 2019 with $9.8 million in committed capital, was the firm's first institutional vehicle. The Fund invested in **13 companies** across financial infrastructure, payments, regulatory technology (Reg Tech), and blockchain.

[redacted]

[redacted]

Notably, Fund I's success was achieved with a **disciplined check size strategy** (typically $500,000–$1 million) and a focus on companies with capital-efficient models. By investing in infrastructure providers and Business to Business (B2B) platforms—rather than consumer-facing fintech requiring massive marketing spend—Fund I was able to deliver strong multiples with less risk of burn-rate failures.

Case Study Example: One of Fund I's standout investments was in a digital identity verification platform used by global banks. OMVC invested at seed stage, supporting the company's initial regulatory certifications. Within three years, the company secured contracts with tier-one banks in Asia and North America and was acquired by a strategic buyer, producing a **5x return** for Fund I. This case illustrates OMVC's ability to identify regulatory-driven opportunities, support founders operationally, and achieve successful exits.

In 2022, OMVC (still operating as Vectr Fintech Partners at the time) launched **Fund II**, a $21.5 million vehicle that broadened its focus to include digital health and applied AI alongside fintech. This Fund was deployed during one of the most difficult venture markets in recent memory, as global valuations reset sharply and exit markets stalled.

[redacted] in:

- Avoiding overexposure to inflated late-stage valuations.
- Reserving capital for follow-on investments in resilient companies.
- Supporting portfolio companies in cutting costs and extending runway.

Fund II demonstrates that OMVC is not only capable of generating strong returns in favorable markets but also of **protecting capital in unfavorable conditions.** For investors such as HTDC, this downside discipline is especially important given the long-time horizons and inherent volatility of venture investing.

OMVC is currently preparing to launch **Fund III**, a global $100 million+ vehicle that will invest in Series A and growth-stage opportunities across fintech, deep tech, and climate tech. Fund III will serve as a powerful complement to OMVC Hawaii, providing:

- **Follow-on capacity** for Hawaii companies initially seeded by OMVC Hawaii.
- **Co-investment credibility**, as Fund III will attract tier-one global LPs whose presence validates Hawaii deals.
- **Exit pathways**, by embedding Hawaii companies in global investment syndicates.

The existence of Fund III ensures that OMVC Hawaii will not operate in isolation, but as part of an integrated platform spanning early to later stages. This connectivity significantly de-risks Hawaii companies' growth trajectories.

[redacted]

These projections are consistent with seed-stage venture benchmarks and grounded in conservative assumptions about portfolio construction, reserves, and sector exposure. The Evaluation Committee finds them credible, particularly given OMVC's track record in Fund I and capital preservation in Fund II.

From an HTDC perspective, the most compelling aspect of these projections is that they represent competitive returns relative to mainland funds, but with the added benefit of local economic impact. Even in the downside case—where financial returns are modest—the Fund would still deliver significant benefits in terms of jobs, payroll, and capital leverage.

Please note that the returns and performance multiples shown below reported by Fund I and II were not subject to audit or third-party verification. The performance data is provided to LPs in annual reports provided by the Fund. (Please see appendix for detailed return metric definitions).

HTDC Consideration

Strategic Alignment with HTDC/DBEDT/SSBCI and Economic Development Impact:

HTDC's statutory purpose, under HRS §206M, is to stimulate private capital investment in Hawaii, foster economic diversification, create high-wage jobs, and build a sustainable innovation ecosystem. The HI-CAP Invest program was established to leverage public dollars in ways that attract private capital and professionalize early-stage investing.

OMVC Hawaii embodies these objectives in several ways:

- **Catalyzing Private Capital:** The Fund requires that HTDC's $3M commitment be matched by at least $3 million of private capital at first close. Over its 10-year life, the Fund is projected to crowd in more than $80 million of follow-on private capital, representing a leverage ratio of more than 25:1 on HTDC's investment. This multiplier effect is precisely what HI-CAP and SSBCI funds were designed to achieve.

- **Professionalizing Venture Investing in Hawaii:** Hawaii's early-stage capital landscape has historically been fragmented, with angel investors and accelerators providing valuable but inconsistent support. OMVC Hawaii introduces institutional-grade practices, including audited financial reporting (by Valastra, formerly Cohen & Co.), fund administration through Carta, quarterly Limited Partner Advisory Committee (LPAC) reviews, and side letters requiring Hawaii specific impact reporting. These governance measures set a new standard for local venture funds, ensuring both fiscal responsibility and accountability.

- **Embedding Local Impact:** Through contractual commitments, OMVC Hawaii will provide quarterly dashboards detailing jobs created, payroll impact, UH collaborations, vendor spending, and follow-on capital raised. This creates measurable evidence of HTDC's impact and ensures that public resources translate into tangible local benefits, regardless of short-term fund performance.

- **DBEDT and Hawaii Alignment:** Hawaii's 2045 Clean Energy Initiative and 2050 sustainability plan requires goals of diversifying economic activity into technology, clean energy, and sustainable sectors. OMVC Hawaii will **focus on climate, deep tech and resilience technologies** which directly supports Hawaii's mandate.

Economic Development Impact

The economic impact of the Hawaii Fund extends beyond financial returns. The Fund is projected to create more than 50 direct, high-wage jobs in portfolio companies headquartered or operating in Hawaii, with average salaries of approximately $80,000. This translates to a direct payroll impact of $20 million. When multiplier effects are considered, the broader economic impact could be two to three times greater. Young, high-growth firms are the primary drivers of net job creation in advanced economies, and Hawaii stands to benefit significantly from cultivating more of them.

The Fund will also serve as a talent development platform. Through formal internship programs, partnerships with the UH, and mentorship from the general partners, the Fund will expose students and young professionals to venture capital and entrepreneurship. This addresses one of the state's most pressing challenges: retaining talent that might otherwise leave for mainland opportunities. By embedding young local talents in startups with global reach, the Fund helps build a new generation of leaders who can anchor the state's innovation economy.

Beyond the direct numbers, OMVC Hawaii plays a critical role in signaling credibility to the broader innovation ecosystem. Venture capital is not only about dollars—it is about confidence. When a state-backed institution like HTDC anchors a professional-grade fund managed by globally respected partners, it sends a clear message to the market: **Hawaii is serious about innovation and is a credible place to invest**.

This signaling has ripple effects:

- **Entrepreneurs:** Local founders gain confidence that they can build companies in Hawaii without having to move to the mainland.
- **Investors:** Global funds see that Hawaii has the institutional structures and oversight necessary for serious co-investment.
- **Corporations:** Industry partners are more likely to establish pilot programs or partnerships with Hawaii based startups when they see local venture support.

Hence, OMVC Hawaii is highly aligned and directly supports HTDC's mission and the State of Hawaii's long-term strategies/priorities.

Portfolio Diversification and Potential Return

A fund of funds portfolio diversification strategy involves investing in a diversified portfolio of underlying funds, rather than directly in individual securities. This offers several benefits, including reduced risk, increased

potential for long-term returns, and access to a broad range of asset classes, sectors, and geographic regions. By spreading investments across multiple fund types, we can mitigate risk associated with individual funds, while also capturing potential return benefits from different investment styles, manager expertise, and market trends.

For the Hi-CAP program, we have invested in $5 million (25% allocation of our total $20 million Hi-CAP funds) in Startup Capital Ventures X SBI Fund LP - Fund III (Seed and Series A stage SAS/ software fund), $5 million (25%) in Hatch Accelerator Fund II Sidecar LP - Fund II (early-stage aquaculture fund), $2 million (10%) BV4, L.P. - Blue Venture Fund IV (early-stage and seed technology), and $3 million (15%) in Mana Up Capital Partners II LP - Fund II (Consumer Goods focused fund). Startup Capital would be considered a medium return, medium risk fund since they are investing in later stage startups (Series A), who have demonstrated some real traction/sales with their business model. Hatch Accelerator and BV4 would be high risk and higher return funds since they typically invest in early and very early-stage startups, which may have little to no revenue and likely have not established a proven business model yet. While Mana Up would be medium return, medium risk due to their focus more on traditional consumer goods business, which are more mature business with revenue relative to early state startups which typically has no revenues.

OMVC Hawaii will focus its investments on deep technology, financial technology, and climate technology startups at the pre-seed, seed and Series A stages. These sectors offer significant growth potential but are also subject to volatility. Emerging technologies often experience hype cycles followed by sharp corrections, a risk that is particularly relevant for fintech and deep tech companies. In climate technology, shifting regulatory mandates may create short-term headwinds for operators, even as long-term demand continues to build.

For these reasons, the Committee views OMVC Hawaii as a **high-risk, high-return investment category**. However, this risk is mitigated by the strong experience and reputations of Managing Partner Mark Muñoz and Co-Founder Jason Best, whose expertise, global networks, and track record as institutional investors provide confidence in their ability to manage volatility. The Fund's connection to the larger OMVC Fund III further enhances its credibility and ensures access to follow-on capital.

Importantly, OMVC Hawaii also introduces **new sector exposure**—areas in which HI-CAP is not currently invested. This not only improves diversification across industries and technologies but also strengthens the **overall risk/return**

profile of HTDC's fund-of-funds portfolio, positioning it for resilience and balanced growth.

Areas of Concerns

1. Limited Exit Pathways in Hawaii

Hawaii's capital ecosystem remains nascent, with few historical examples of venture-backed companies achieving IPOs or high-value acquisitions. The absence of local strategic acquirers means that most liquidity events depend on buyers or investors located on the U.S. mainland or in Asia, increasing transaction friction and extending hold periods.
Mitigation: The Fund mitigates this risk by focusing on globally scalable sectors—such as fintech, deep tech, and climate technology—where acquisition interest originates from large international buyers. The Fund also maintains relationships and co-investment ties in San Francisco, Singapore, and Seoul, allowing portfolio companies to access later-stage capital and mergers and acquisitions (M&A) opportunities directly within established buyer markets. This geographic reach ensures that exits are not constrained by Hawaii's limited corporate base.

2. High Cost of Living and Talent Retention

Hawaii's high cost of living can deter relocation of senior executives and make retention difficult for early-stage ventures. The state's limited senior talent pool, particularly in technical and operational leadership, increases execution risk for scaling companies.
Mitigation: The Fund has adopted remote-first and hybrid operating models that integrate mainland and Asia-Pacific talent while keeping core leadership and intellectual property domiciled in Hawaii. Portfolio companies are supported with standardized compensation playbooks, stock-option frameworks, and shared-services guidance to maintain competitive salary structures. The Fund's cross-regional hiring approach allows founders to build globally competitive teams without relocating corporate presence or diluting Hawaii's employment impact.

3. Market Cyclicality and Valuation Compression

Venture capital markets are inherently cyclical. The 2022–23 downturn illustrated how macroeconomic tightening can reduce valuations, slow follow-on rounds, and constrain exits even for well-performing startups.
Mitigation: The Fund emphasizes capital efficiency and recurring-revenue business models, seeking companies with strong unit economics and disciplined burn rates. Its portfolio construction includes reserve allocation discipline, ensuring that follow-on capital supports only the highest-performing companies

through market troughs. The Fund's diversified exposure across fintech, deep tech, and climate sectors also moderates cyclical volatility, avoiding over-concentration in any single thematic trend.

4. Technology Hype Cycles and Over-Inflated Valuations

Emerging technology sectors—especially artificial intelligence, Web3, and deep tech—are prone to hype cycles in which valuations and expectations rise faster than real adoption. When these cycles correct, early-stage investors face markdown risks.

Mitigation: The Fund avoids momentum investing by prioritizing vertical AI and proprietary-data applications that demonstrate measurable customer traction. Its due-diligence framework requires clear evidence of product-market fit, defensible data assets, and sustainable competitive moats. The Fund also stages investments through milestone-based tranches, ensuring capital is deployed only after verified technical and commercial progress.

Appendix:

HTDC's Investment Authority:

According to HRS Title13 §206M-61, HTDC does have the legal authority to co-invest public funds in private financial organizations.

2024 Hawaii Revised Statutes, Title 13. Planning and Economic Development206M. High Technology Development Corporation 206M-62 Strategic development programs revolving fund.

§206M-61 Strategic development programs; purpose; powers. The purpose of the strategic development programs is to encourage economic development and diversification in Hawaii through innovative actions in cooperation with private enterprises. The development corporation shall establish programs to stimulate private capital investment in Hawaii toward investments that promote the welfare of citizens in this State, economic growth, employment, and economic diversification. The development corporation may use public funds to provide incentives to private investment activity, by co-investing public funds in private financial organizations to increase the impact of the public investment while utilizing the investment acumen of the private sector, and by using public funds to reduce the risks of private investments.

https://law.justia.com/codes/Hawaii/title-13/chapter-206m/section-206m-61/

Goals of the SSBCI Program:

The primary purpose of the 2021 SSBCI funding is to promote small business growth and economic development by providing access to capital. These goals are accomplished by:

1. Support Small Businesses
   Provide capital to small businesses, including startups and microbusinesses, to help them recover from the economic impacts of the COVID-19 pandemic. Enable small businesses to access affordable credit and investment capital.

2. Promote Equity and Inclusion
   Prioritize underserved communities, including minority-owned, women-owned, and rural businesses, which often face barriers to accessing traditional financing. Ensure that at least 30% of the funds are directed toward businesses owned by socially and economically disadvantaged individuals (SEDI).

3. Leverage Private Capital
   Encourage states to use SSBCI funds to attract private investment, with the goal of generating a multiplier effect. For every $1 of federal funding, states are expected to leverage at least $10 in private capital.

4. Create Jobs and Stimulate Economic Growth
   Support job creation and retention by enabling small businesses to expand operations, invest in equipment, and hire more workers.

5. Foster Innovation and Entrepreneurship
   Provide funding for innovative small businesses, including those in high-growth sectors like technology, clean energy, and advanced manufacturing.

Reauthorized and expanded by President Biden's American Rescue Plan, the State Small Business Credit Initiative (SSBCI) is a nearly $10 billion program to support small businesses and entrepreneurship in communities across the United States by providing capital and technical assistance to promote small business stability, growth, and success. SSBCI will provide funding to states, the District of Columbia, territories, and Tribal governments (collectively, participating jurisdictions) for programs that catalyze lending and investing in small businesses, build ecosystems of opportunity and entrepreneurship, and create high-quality jobs. SSBCI is designed to catalyze private capital in the form of loans to and investments in small businesses, especially in historically underserved communities and among entrepreneurs who may have otherwise lacked the support needed to pursue their business ambitions. SSBCI support can be transformative in a range of industries, including small manufacturing, supply chain, and other sectors promoting key national priorities.

https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci

Biographies of Key Personnel at OMVC:

Mark Muñoz: Managing Partner Mark Muñoz, based in Honolulu, is a seasoned fintech operator and investor with more than two decades of experience in capital markets and technology. His career includes five successful exits, including his tenure as Chief Executive Officer of Contineo, a Hong Kong - based fintech platform backed by Goldman Sachs, HSBC, and JPMorgan. Muñoz's decision to base himself and relocate OMVC's operations in Hawaii is significant. It roots the firm in the community, embeds it in the local startup ecosystem, and signals a long-term commitment to building Hawaii's capacity as a center for technology entrepreneurship. He is also recognized as a mentor, board member, and thought leader in Hawaii's innovation economy, regularly engaging with Blue Startups, Hawaii Angels, and the University of Hawaii.

Jason Best: His co-founder, Jason Best, is based in San Francisco and is one of the world's most respected experts on fintech regulation. As co-author of the U.S. JOBS Act, Best played a central role in creating modern crowdfunding and online capital-raising frameworks that have unlocked billions of dollars in startup financing. He has advised regulators in more than forty-five countries on how to create transparent, well-functioning fintech ecosystems, and has been an investor and advisor to numerous global startups. Together, Muñoz and Best represent a rare combination: the operator who has built and exited fintech businesses, and the policy architect who has designed regulatory regimes adopted worldwide. This blend of operational grit and policy sophistication gives OMVC credibility with founders, regulators, and co-investors alike.

Team. Beyond its co-founders, OMVC has assembled a team designed to support a globally ambitious but locally anchored strategy. Associates Ben Hoxie and Marc Palet provide analytical and operational support, including deal sourcing, due diligence, and portfolio monitoring. Marketing and communications is led by Joyce Ho, ensuring the firm communicates effectively to both limited partners and founders. Four venture partners, located in the U.S., Singapore, and Riyadh, extend OMVC's reach into strategic markets and provide subject-matter expertise. Senior advisors with deep domain knowledge in financial services, energy, and emerging technologies provide additional credibility. This networked structure gives OMVC unusual breadth for a firm of its size, enabling it to act locally in Hawaii while operating across North America, Asia and EMEA.

Reference and Background OM VC:

[redacted]

Investee Companies:

3. **Caroline Tran - CoFounder & CEO, Hello Clever**
   "OMVC was key in taking our company to the next level. From hiring management to forming the board and planning our Series A round, they've always gone above and beyond to ensure we achieve the best possible results."

4. **Patrick Reed - Co-Founder & CEO, Your Stake**
   "OMVC has connected us with
   their vast network. The strategic introductions they offered are instrumental to our

remarkable sales performance and fundraising success."

5. **Anand Gomes - Co-Founder & CEO, Paradigm**
"OMVC is an invaluable mentor and board member. Their very early guidance and first institutional check put us on the path to becoming a leader in digital asset trading. We could not have achieved this without them."

Hawaii VC and local startup Community leaders:

6. **Andy Ogawa, General Partner, Quest Ventures Partner - based in Hawaii**
"We've co-invested several times with the OMVC team since 2018 and found them to be professional, thoughtful, and excellent stewards of LPs capital, as well as valuable advisors to our mutual portfolio companies. We look forward to finding new opportunities with them in Hawaii and beyond."

7. **John Gleeson, Founder, Success VP – SF and Hawaii based Venture Fund**
"Mark has been really kind as I've gotten started with SuccessVP, and in every conversation and connection he's made for me, I've found him to be professional and of strong character. He's been leaning more and more into the Hawaii startup ecosystem, and I tend to bump into him at many of the events over the past few years. I believe he's also invested in several of the Blue Startups cohorts. Overall, he's definitely someone I respect and look to for advice. He also seems to have a strong network in Asia, having spent the bulk of his career overseas — which, given Hawaii's position in the world, is useful connective tissue."

8. **Donavan Kealoha, Founder/Partner, Startup Capital x SBI Venture Fund- SF and Hawaii based**
"Mark and OMVC has been very involved with the Hawaii startup community whether it is through investing or supporting local events. More importantly, he has been very open to helping startup companies and employing local talent for his Hawaii Team. He is always available to guide startup companies that I refer to him. I am happy to see OMVC looking to commit even more to the Hawaii startup ecosystem."

9. **Tiffany Huynh, Director, Elemental Impact- US and Hawaii based Fund**
"I met Mark a few years ago at a gathering of ecosystem folks. Since then, he seems to be a staple within the Hawaii VC community. He has great global investing experience and as he deepens his roots here with the raising of his family in the islands, I truly believe that he wants to do what's in his power to be additive to this place and help this ecosystem thrive."

10. **Michael Bennet, Founder, Honolulu Tech Week**
"Mark is a proven entrepreneur and capital allocator who's been a huge boost to Hawaii's tech and investment ecosystem. His work both locally and deep ties to Asia makes him a unique asset. The OMVC investment focus in fintech, deep tech, and climate tech are critical to Hawaii's future, and he will be one of my first calls when I start my next company."

Investment Terms and Definitions

IRR – Internal Rate of Return. IRR is a uniform calculation for investments of varying types and, as such, can be used to rank multiple prospective investments on a relatively even basis. IRR takes into consideration the timing of cash flows to and from the investment. In general, when comparing

investment options with other similar characteristics, the investment with the highest IRR would generally be considered the best. Funds typically present IRRs on both a gross and net basis. IRRs shown by benchmark indices are typically net of fees (equivalent to Net IRR for the Fund).

TVPI – Total Value to Paid In. The ratio provides prospective investors (such as HTDC) with a multiple that indicates how many times more the investment is currently valued at compared with the original investment (made at cost), without considering the time value of money.

DPI – Distribution to Paid In. The ratio represents the portion of TVPI that is "realized" by investors. It measures how much invested capital has been returned to investors through distributions by the fund.

Gross Vs. Net – Gross values (e.g., Gross IRR) are returns before management fees of the venture firm (general partner or GP) are accounted for (i.e., the figure does not deduct the management fees which are taken from LP investors). Net values (such as Net IRR) account for management fees of the GP and are lower than the Gross Values shown.

Realized Vs. Unrealized Returns – Realized returns, also called "cash-on-cash returns", is essentially the ratio of invested capital that has been paid back to investors in the fund. Unrealized returns, also called "paper returns", is the current value of the fund's positions in companies that have not been acquired by another entity or have not sold shares held by investors through an initial public offering (IPO). Returns shown are almost entirely unrealized.

Multiple on Invested Capital ("MOIC") is a metric used to describe the value or performance of an investment relative to its initial cost, commonly used within private markets. MOIC is among the most relevant metrics to be assessed while conducting fund due diligence. In fund investments, MOIC is expressed as a measure of the total value (i.e., both realized and unrealized, see below) of all shares in the fund divided by the initial investment. Since the individual securities held in a fund will have exit transactions at different times, the MOIC of the fund at any particular time combines the value of securities that have been sold (i.e., realized proceeds) with the value of securities that remain active (i.e. unrealized value). Unrealized value consists of stakes in companies (whether public or still private) that have not yet been liquidated.

Confidential

HTDC Hi-CAP INVEST

EVALUATION COMMITTEE REPORT

OMVC Hawaii Fund I, LLC (OMVC Hawaii)

Sep 4, 2025 (Second Evaluation Committee Meeting)

Evaluation Committee

- **Sandi Kanemori**, Sr. Economic Program Mgr, Hawaii Technology development Corporation (HTDC)
- **Sandra Fujiyama**, Executive Director, Pacific Asian Center for Entrepreneurship (PACE)
- **Tuan La,** Hi-CAP Program Manager, Hawaii Technology development Corporation (HTDC)

I. Organization Introduction

OM Venture Capital ("**OMVC"**) is the successor firm to Vectr Fintech Partners, a globally recognized early-stage investment platform with a decade-long history of identifying, backing, and scaling transformative technology companies. The firm's decision to rebrand in February 2025 reflected both an evolution of strategy and a deliberate commitment to broaden its mandate beyond financial technology into the two additional verticals of deep technology and climate technology. These three sectors - fintech, deep tech, and climate tech - are not only among the most compelling global investment themes of the next decade, but are areas where Hawai'i possesses unique comparative advantages as a testbed, as a nexus between the U.S. mainland and Asia-Pacific, and as a community actively engaged in building a sustainable, diversified economy.

The firm was established in 2014 with a sharp focus on financial services innovation in the wake of the global financial crisis and the JOBS Act of 2012. Under the stewardship of its co-founders, Jason Best and Mark Muñoz, the firm has deployed two funds across North America and Asia, establishing itself as one of the first cross-border early-stage funds with founder, regulatory and operator credibility. By 2025, the partners recognized that many of the technologies transforming finance - artificial intelligence, quantum computing, cybersecurity, distributed ledgers - were equally relevant to enterprise, energy, and sustainability markets. This recognition further expounded the firm's thesis but also reflects where OMVC has succeeded and where it will focus.

Biographies of Key Personnel at OMVC:

The leadership of OMVC is a key differentiator. Managing Partner Mark Muñoz, based in Honolulu, is a seasoned fintech operator and investor with more than two decades of experience in capital markets and technology. His career includes five successful exits, including his tenure as Chief Executive Officer of Contineo, a Hong Kong - based fintech platform backed by Goldman Sachs, HSBC, and JPMorgan. Muñoz's decision to base himself and relocate OMVC's operations in Hawai'i is significant. It roots the firm in the community, embeds it in the local startup ecosystem, and signals a long-term commitment to building Hawai'i's capacity as a center for technology entrepreneurship. He is also recognized as a mentor, board member, and thought leader in Hawai'i's innovation economy, regularly engaging with Blue Startups, Hawai'i Angels, and the University of Hawai'i.

His co-founder, Jason Best, is based in San Francisco and is one of the world's most respected experts on fintech regulation. As co-author of the U.S. JOBS Act, Best played a central role in creating modern crowdfunding and online capital-raising frameworks that have unlocked billions of dollars in startup financing. He has advised regulators in more than forty-five countries on how to create transparent, well-functioning fintech ecosystems, and has been an investor and advisor to numerous global startups. Together, Muñoz and Best represent a rare combination: the operator who has built and exited fintech businesses, and the policy architect who has designed regulatory regimes adopted worldwide. This blend of operational grit and policy sophistication gives OMVC credibility with founders, regulators, and co-investors alike.

Beyond its co-founders, OMVC has assembled a team designed to support a globally ambitious but locally anchored strategy. Associates Ben Hoxie and Marc Palet provide analytical and operational support, including deal sourcing, due diligence, and portfolio monitoring. Marketing and communications is led by Joyce Ho, ensuring the firm communicates effectively to both limited partners and founders. Four venture partners, located in the U.S., Singapore, and Riyadh, extend OMVC's reach into strategic markets and provide subject-matter expertise. Senior advisors with deep domain knowledge in financial services, energy, and emerging technologies provide additional credibility. This networked structure gives OMVC unusual breadth for a firm of its size, enabling it to act locally in Hawai'i while operating across North America, Asia and EMEA.

Investment Thesis and Differentiator

OMVC's approach to investing is distinguished by its integration of artificial intelligence and decision analysis methodology into the sourcing and diligence process. The firm describes itself as "bionic, not bot" - using proprietary technology to enhance, not replace, human judgment. Each year, OMVC's system screens more than 1,500 early-stage opportunities worldwide. Approximately 500 are triaged for human

review, 50 advance to deep diligence, and ultimately 20 are recommended for investment. The platform captures structured and unstructured data on founder backgrounds, product-market fit, early customer traction, and capital efficiency, then models risk-adjusted return distributions for each candidate. This allows the general partners to benchmark new opportunities against historical cohorts and make more disciplined portfolio-construction decisions. Importantly, this system also shortens decision cycles, which makes OMVC a more responsive and founder-friendly partner - an advantage in competitive venture markets.

The firm's geographic footprint is another differentiator. With offices in Honolulu, San Francisco, New York, Singapore, and Riyadh, OMVC is embedded in several of the world's most dynamic innovation hubs. This enables Hawai'i-based startups to tap into global syndication and distribution opportunities. For example, a fintech startup seeded in Honolulu can be introduced to banking partners in Singapore or Riyadh; a climate-tech company piloted with Hawai'i utilities can access corporate buyers and acquirers in Asia or the Middle East. Conversely, OMVC's presence in Hawai'i makes it a gateway for international startups seeking to establish an American beachhead. This two-way flow of capital, talent, and ideas strengthens Hawai'i's positioning as more than a tourist destination - it becomes an innovation bridge between East and West.

Critically, OMVC's presence and strategy align directly with the State of Hawai'i's policy priorities. HTDC's HI-CAP Invest program exists to identify fund managers who can not only generate financial returns but also catalyze the state's innovation ecosystem. OMVC is uniquely structured to meet this mandate: a proven track record of returns, global co-investor credibility, a physical base in Honolulu, and explicit commitments to job creation, talent development, and university collaboration. Investments in climate and resilience technologies reinforce the Hawai'i Clean Energy Initiative's 2045 mandate. Engagement with the University of Hawai'i's Office of Innovation and Commercialization strengthens the Hawai'i Innovation Initiative's goal of moving more research into the market. And, by diversifying the state's economy beyond tourism and defense, OMVC supports the Hawai'i overarching vision of a more balanced, sustainable future.

In short, the combination of local presence, global connectivity, institutional rigor, and policy alignment makes OMVC a compelling candidate for HTDC's support.

Proposal

OMVC currently seeks to raise $6M for its first Hawaii-focus investments fund, **OMVC Hawaii Fund** ("**Hawaii Fund**" or "**the Fund**")

II. Summary and Recommendations

A. Recommendation

The Evaluation Committee recommends to the HTDC Board that HTDC make an investment commitment of **$3M** into the proposed **$6M Hawaii Fund** (legally named **OMVC Hawaii Fund I, LLC**), pending agreement of investment terms and conditioned on the General Partners (GP) raising a minimum matching funds of $3M from private-market sources at the first close of the Fund.

The second pillar is ecosystem development. Hawai‘i’s startup ecosystem remains small but is gaining momentum through organizations such as Blue Startups, Hawai‘i Angels, ThriveHI, and the University of Hawai‘i’s Office of Innovation and Commercialization. What the ecosystem lacks, however, is consistent early-stage capital that is professional, disciplined, and globally connected. Local angel investors and accelerators can provide seed checks and mentorship, but the gap between those sources and later-stage institutional investors remains wide. OMVC and the Hawaii Fund is designed to fill this void. By anchoring in Honolulu, while maintaining global syndicate access through its offices in San Francisco, New York, Singapore, and Riyadh, the firm provides Hawai‘i founders with a bridge to the world. Just as importantly, the Fund’s Hawai‘i-specific mandate will ensure that capital is not merely extracted, but reinvested in the state’s economy, creating jobs, retaining talent, and commercializing research.

The third pillar is policy alignment. The Fund directly supports multiple state initiatives. By investing in climate and resilience technologies, it contributes to the Hawai‘i Clean Energy Initiative’s legally binding mandate of achieving 100 percent renewable energy by 2045. By mentoring university spinouts and providing internships for local students, it advances the Hawai‘i Innovation Initiative and builds the talent base envisioned in the Hawai‘i 2050 Sustainability Plan. By crowding in private capital through a matched-fund structure, it operationalizes the intent of HTDC’s HI-CAP Invest program. Each dollar committed by HTDC to OMVC will attract at least one dollar of private capital, multiplying the state’s impact while setting governance and reporting standards that elevate the ecosystem as a whole. In this way, OMVC is not just a financial partner—it is a policy instrument that executes the State’s innovation and diversification agenda through the mechanisms of venture capital.

The fourth pillar is strategic positioning. Hawai‘i faces a pivotal choice. Without locally rooted, globally credible venture funds, the state’s most promising entrepreneurs will continue to relocate to San Francisco, Los Angeles, or Singapore in search of capital and customers. Each departure represents lost jobs, lost intellectual property, and lost opportunity for Hawai‘i. By anchoring OMVC Hawaii Fund I, HTDC signals that the state is serious about building a sustainable innovation economy. This investment will send a strong message to private co-investors, corporate partners, and international funds that Hawai‘i is open for business—not only as a place of natural beauty, but as a place where technology companies can be built, scaled, and exited. The long-term vision is to establish a series of Hawai‘i-anchored venture funds, of which OMVC Hawaii Fund I would be the first, laying the foundation for larger institutional vehicles in the future.

1. Fund Strategy Review

The investment period for Hawaii Fund will have a 5 year investment period, and a 10-year total fund life, which may be extended for up to a maximum of two consecutive 1-year periods. The Hawaii Fund also expects to participate in follow-on funding rounds of the most promising investees.

This structure is consistent with global early-stage venture capital practice, but with modifications designed to fit Hawai‘i’s ecosystem. The Fund will make approximately eight to ten investments ranging from $250K up to $1M, and will reserve roughly thirty percent of committed capital for follow-on rounds in its most promising companies. This reserve strategy is deliberate: rather than distributing capital evenly across the portfolio, OMVC intends to concentrate additional investment in the few companies that demonstrate strong traction, validated unit economics, and clear paths to follow-on capital. This approach acknowledges the “power law” of venture returns, whereby a small number of winners generate the majority of value.

The Fund’s sector focus—fintech, deep tech, and climate tech—reflects both the global expertise of OMVC’s partners and the specific needs of Hawai‘i. In fintech, OMVC targets companies modernizing financial infrastructure, enabling embedded finance, or addressing compliance and regulatory burdens. Hawai‘i, with its reliance on tourism and small business, is an ideal laboratory for inclusive financial products, digital payments, and risk-management technologies that can scale globally. In deep tech, OMVC focuses on applied artificial intelligence, cybersecurity, and quantum-ready software—fields where the University of Hawai‘i’s research base and Hawai‘i’s geographic position create unique opportunities for pilots and collaborations. In climate tech, OMVC emphasizes renewable energy software, distributed energy resource management, carbon tracking, and project financing. These are not abstract priorities; they are aligned with the Hawai‘i Clean Energy Initiative’s of 100 percent renewable energy by 2045 and the urgent need for climate resilience in island communities.

The Fund’s sourcing strategy is both local and global. Locally, OMVC first uses propitiatory AI to identify founders or stealth companies operating in Hawaii. The firm then draws on its own on the ground network, as well as Blue Startups, Quest, Elemental, SCV-SBI, Hawai‘i Angels, Builders, UH Professors, and other offices at the University of Hawai‘i’s for access and reference checks. These internal capabilities and external partners provide access to early-stage founders and technologies, many of which would otherwise lack a pathway to institutional capital. Globally, OMVC leverages its offices in San Francisco, New York, Singapore, and Riyadh to access inbound deal flow and co-investment opportunities. The firm’s diligence system screens more than 1,500 companies annually, triages approximately 500 for deeper review, and advances roughly 50 to investment committee consideration. Of these, 8–10 will ultimately be selected for investment. This disciplined funnel ensures that the Fund maintains high selectivity while remaining responsive to founders.

Post-investment, OMVC applies a structured value-creation playbook. In the first ninety days after investment, portfolio companies undergo a formal onboarding process that establishes reporting, key performance indicators, and near-term growth objectives. OMVC provides direct support in enterprise sales, pricing strategy, talent acquisition, and board governance. For Hawai‘i-based companies, a particular emphasis is placed on securing local anchor customers who can serve as design partners and reference customers. This not only accelerates adoption but also embeds local companies more deeply into the state’s economy.

2. Fund I, II, Portfolio and Valuations

[redacted]

[redacted]

[redacted]

[redacted]

3. Fund Reported Performance

The returns and performance multiples shown below were reported by OM VC and were not subject to audit or third-party verification. The performance data is provided to LPs in annual reports provided by OMVC Fund.

Expected Hawaii Fund Returns

[redacted]

[redacted]

The current portfolio construction would result in 4 pre-seed stage companies, 3 seed stage companies and one Series A company. However, the construction may change depending on sector, founder resilience, capital formation strategies and more.

Capital calls are expected to occur primarily in the first three years, with follow-on investments in years two to five. Distributions are projected from years four through ten, with partial

realizations possible earlier through secondary sales. The European waterfall structure ensures that limited partners, including HTDC, receive their capital back before carried interest is distributed to the general partners. The combination of conservative valuation policies, independent audit, and disciplined reserve allocation provides confidence in the integrity of reported performance.

Integration with OMVC Fund III ($100M+ Global Vehicle)

The Hawaii Fund will not operate in isolation. It is explicitly designed to leverage the larger OMVC Fund III, which is targeting $100M+ in commitments from global limited partners. Fund III has a broader mandate across fintech, deep tech, and climate tech, and will provide substantial follow-on capital, resources, and network access to promising companies seeded by the Hawaii Fund.

From a financial perspective, this integration addresses one of the most significant challenges facing early-stage companies in Hawai‘i: the “Series A and B valley of death.” Many local startups can secure $100,000–$500,000 from angels or accelerators, and some can raise $1–2 million in seed capital. But very few have access to the $5–20 million rounds required to scale beyond Hawai‘i. By aligning with Fund III, the Hawaii Fund ensures that its portfolio companies have a credible pathway to larger rounds, without being forced to relocate or seek unfamiliar investors. Promising Hawai‘i-based companies can graduate naturally into the Fund III portfolio, with OMVC already a trusted lead investor and advocate.

From an operational perspective, the Hawaii Fund will share team resources with Fund III. This means that companies backed by the Hawaii Fund will gain access not only to the Honolulu team but also to OMVC’s global platform: deal teams in San Francisco, New York, Singapore, and Riyadh; venture partners with deep domain expertise; and senior advisors embedded in strategic industries. This expanded bench allows Hawai‘i startups to benefit from best practices in go-to-market, pricing, compliance, and fundraising that a $6M local fund alone could not provide. It also gives the Fund’s limited partners, including HTDC, confidence that portfolio companies will be supported at every stage, from incorporation through Series C and beyond.

From a network perspective, Fund III provides global access to co-investors, corporate partners, and acquirers. Hawai‘i companies will not be limited to the state’s small customer base but will instead be introduced to enterprise customers in Asia, Europe, and the Middle East. For example, a renewable energy startup piloting with Hawaiian Electric could be positioned for partnerships with utilities in Singapore or Saudi Arabia through OMVC’s Riyadh office. A fintech startup refining its product with local credit unions could be introduced to corporate venture arms in Tokyo or New York. This access multiplies the value of HTDC’s $3M anchor commitment by embedding Hawai‘i companies in global value chains.

Finally, from an ecosystem perspective, the connection to Fund III signals credibility. Hawai‘i-based startups often struggle with perception: mainland and international investors may question whether companies founded in the islands can achieve global scale. By linking to a $100 million+ global fund, the Hawaii Fund provides a seal of legitimacy. Portfolio companies can point to OMVC’s larger capital base, global LP roster, and successful track record as validation that they are not “small island startups,” but globally competitive ventures with institutional backing.

4. LP Investors and Partners

The Hawaii Fund's governance framework is designed to meet institutional standards while incorporating Hawai'i-specific requirements. An Limited Partner Advisory Committee (LPAC), which includes a HTDC representative, will meet quarterly to review fund performance, valuations, and compliance. The Investment Committee, led by the general partners, will meet monthly to consider new investments and reserve allocations. All investment decisions are documented with written memos and formal voting records. Fund administration will be managed by Carta, audits conducted by Valastra (formerly Cohen & Co.), and legal counsel provided by Goodwin Procter and Walkers.

Importantly, the Fund will provide Hawai'i-specific and SSBCI required reporting through a side letter with HTDC. This will include, but is not limited to, quarterly dashboards on jobs created, average wages, revenue/sales generated, internships, ecosystem collaborations, , and follow-on capital attracted. These commitments ensure transparency and accountability.

5. Economic Development Considerations

The economic impact of the Hawaii Fund extends beyond financial returns. The Fund is projected to create more than 50 direct, high-wage jobs in portfolio companies headquartered or operating in Hawai'i, with average salaries of approximately $80,000. This translates to a direct payroll impact of $20 million. When multiplier effects are considered, the broader economic impact could be two to three times greater. Young, high-growth firms are the primary drivers of net job creation in advanced economies, and Hawai'i stands to benefit significantly from cultivating more of them.

The Fund will also serve as a talent development platform. Through formal internship programs, partnerships with the University of Hawai'i, and mentorship from the general partners, the Fund will expose students and young professionals to venture capital and entrepreneurship. This addresses one of the state's most pressing challenges: retaining talent that might otherwise leave for mainland opportunities. By embedding young local talents in startups with global reach, the Fund helps build a new generation of leaders who can anchor the state's innovation economy.

Beyond jobs and talent, the Fund will catalyze capital formation. By co-investing alongside global funds and attracting follow-on financing, the Fund is projected to crowd in more than $80 million of private capital over ten years. This leverage effect is central to the rationale for HTDC's commitment: every public dollar invested attracts multiple private dollars, multiplying the state's impact. In addition, the Fund's focus on climate and resilience technologies directly supports Hawai'i's policy objectives, positioning the state as a global leader in sustainable innovation.

6. Areas of Concern

The Committee acknowledges several risks. First, exit pathways in Hawai'i are limited; there is little precedent for local companies going public, and strategic acquirers are largely located elsewhere. The Fund mitigates this by focusing on sectors with global buyer universes and by maintaining offices in markets where acquisitions occur. Second, Hawai'i's high cost of living and limited senior talent pool increase operational risk for startups. OMVC addresses this through remote-first organizational designs, hybrid hiring across the mainland and Asia, and standardized compensation playbooks. Third, market cycles can depress valuations, as seen in 2022–23. OMVC mitigates this by emphasizing capital efficiency, recurring revenue, and disciplined reserve deployment. Fourth, adoption lag in Hawai'i can slow revenue growth. OMVC mitigates this by securing anchor customers in critical sectors like energy, healthcare, and education. Finally, technology hype cycles—particularly in AI—can inflate valuations and expectations. OMVC mitigates this by focusing on vertical applications with proprietary data moats and real customer validation.

While these risks are real, the Committee finds that OMVC has the experience, systems, and discipline to manage them. Moreover, the risks are outweighed by the potential financial returns and, more importantly, by the economic development benefits to Hawai‘i.

B. Conclusion

The Evaluation Committee concludes that OM Venture Capital (OMVC) Hawaii Fund I, LLC presents a compelling opportunity for the Hawai‘i Technology Development Corporation (HTDC) to achieve both financial and policy objectives. This Fund is not a conventional venture capital product. It is a purpose-built instrument, structured to deliver competitive risk-adjusted returns while advancing the State’s long-term strategy of economic diversification, sustainability, and talent retention. In short, it is the embodiment of HTDC’s HI-CAP Invest mandate: to catalyze private investment and professionalize Hawai‘i’s innovation ecosystem.

The Committee’s analysis of OMVC rests on three interlocking conclusions. First, the general partners are credible and experienced. Jason Best and Mark Muñoz bring complementary skills that few venture managers can match: Best as a global fintech regulatory architect with policy credibility in more than 45 countries, and Muñoz as a proven operator and entrepreneur with multiple exits and deep roots in Hawai‘i. [redacted]

Second, the Hawaii Fund is strategically designed for Hawai‘i’s context. It is modest in size, at $6 million, enabling focused deployment across 8-10 local companies. It concentrates on sectors that matter both globally and locally: fintech for small business financial inclusion, deep tech for applied AI and cybersecurity, and climate tech for resilience and energy transformation. Its Honolulu base ensures embeddedness in the local ecosystem, while its offices in San Francisco, New York, Singapore, and Riyadh provide the syndication, capital, and exit pathways that Hawai‘i alone cannot offer. The Fund is thus a bridge between Hawai‘i and the world, connecting local startups to global markets and bringing global companies into Hawai‘i.

Third, the alignment with state initiatives is explicit and measurable. The Fund supports the Hawai‘i Clean Energy Initiative’s 2045 mandate by investing in renewable energy and climate resilience technologies. It fulfills the Hawai‘i 2050 Sustainability Plan by diversifying the economy beyond tourism and defense, creating high-wage jobs, and building a culture of innovation. And it operationalizes HTDC’s HI-CAP Invest program by crowding in private capital—projected at $80 million over ten years—through co-investment and follow-on financing. These impacts will not be anecdotal; they will be tracked, audited, and reported quarterly through side-letter covenants that require transparency in jobs created, payroll generated, and capital attracted.

The risks are real, but they are manageable. Venture capital is inherently uncertain, exit pathways in Hawai‘i are limited, and costs are high. But the Committee finds that OMVC’s structure, discipline, and global networks provide credible mitigation.

Therefore, HTDC should approve a $3M commitment to OMVC Hawaii Fund I, LLC.

III. Due Diligence Process Overview

Hawaii Technology Development Corporation
521 Ala Moana Blvd, Ste 255 | 808-539-3806
Honolulu, Hawaii 96813 | www.htdc.org

Summary of Key Terms & Condition for Board Approval

To: Hawaii Technology Development Corporation Board of Directors
From: Trung Lam, Executive Director & CEO; Tuan La, Hi-CAP Program Manager
Date: December 17, 2025
Subject: OMVC Hawaii Fund I, LLC (OMVC Hawaii Fund)

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1. Investment Approval Requested

HTDC management seeks Board authorization to:

1. Approve a $3,000,000 capital commitment to OMVC Hawaii Fund I, LLC, representing 50% of total targeted commitments of $6,000,000.
2. Authorize the Executive Director & CEO, with support from the HI-CAP Program Manager, to finalize, negotiate, and execute all fund documents, including:
    - Fund Agreement
    - Subscription documents
    - Side letters defining reporting and impact obligations to HTDC
    - Any required certifications for SSBCI compliance
3. Authorize execution subject to review and approval by the Special Deputy Attorney General and AG's Office.

This commitment is contingent on meeting State Small Business Credit Initiative (SSBCI) requirements, including 1:1 matching capital and Hawaii-deployment requirements.

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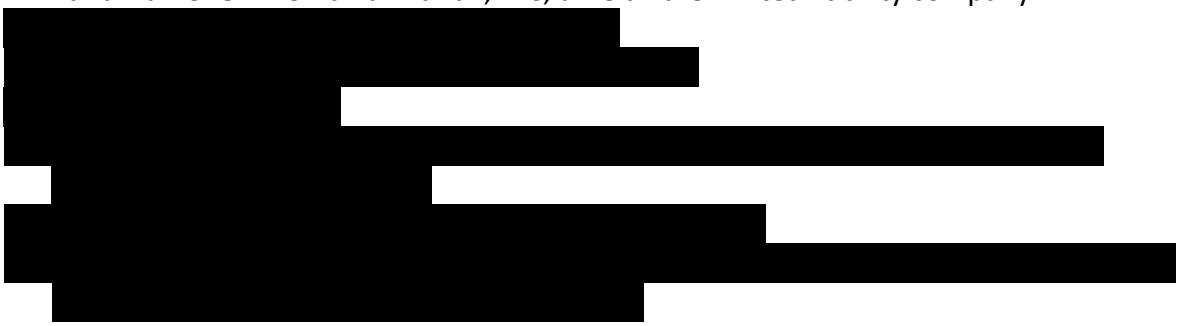
2. Fund Structure & Vehicle Details

- Fund Name: OMVC Hawaii Fund I, LLC, a Delaware limited liability company.



Hawaii Technology Development Corporation
521 Ala Moana Blvd, Ste 255
Honolulu, Hawaii 96813
808-539-3806
www.htdc.org

3. Investment Strategy & Use of Capital

The Fund's purpose is to invest in Hawaii-based companies in the following sectors:

- Fintech
- Deep Technology
- Climate / Clean Energy / Sustainability Technology

General target investments:

- Pre-Seed, Seed & Series A
- Typical checks: $250,000 – $1,000,000
- Portfolio size: 8–10 companies
- Follow-on reserves: Up to 35% of commitments

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4. Investment Period & Fund Term

- Investment Period:
  Earlier of (i) 5th anniversary of Initial Closing or (ii) launch of a successor fund.
  During this period LPs are obligated to fund capital calls.
- Fund Term:
  10 years, extendable twice by 1 year each, and further extensions by majority LP consent.

HTDC's commitment is callable throughout the term for:

- Fund expenses / management fees
- Follow-on investments (≤35% of commitment)
- Deals in diligence prior to end of investment period

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5. Key Economic Terms

Management Fee

[redacted]

[redacted]

Recycling

[redacted]

Distributions

[redacted]

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6. Governance & Oversight

HTDC Governance Rights

- HTDC will hold a seat on the Limited Partner Advisory Committee (LPAC).
- LPAC rights are limited to:
  - Review of valuation methodologies
  - Oversight of conflicts of interest
  - Consent on certain extensions

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7. Reporting Requirements (HTDC-Specific & Standard LP Rights)

Financial Reporting

[redacted]

Hawaii-Impact Reporting (Side Letter Requirement), HTDC will require quarterly reporting of Hawaii-specific metrics, including:

- Jobs created and total payroll impact
- Number of Hawaii-based portfolio companies
- Capital deployed into Hawaii entities
- Follow-on capital attracted to Hawaii companies

SSBCI Conditions

The Fund must meet all SSBCI rules, including:

- 1:1 private-sector matching capital (OMVC Fund II match of $3M satisfies this)
- Investment into Hawaii businesses consistent with SSBCI policies
- Documentation and reporting as required by Treasury

Hawaii Technology Development Corporation
521 Ala Moana Blvd, Ste 255 | 808-539-3806
Honolulu, Hawaii 96813 | www.htdc.org

Investment Memorandum

To: HTDC Board of Directors
From: Trung Lam, Executive Director & CEO; Tuan La, Hi-CAP Program Manager
Date: December 17, 2025
Subject: Hawaii Defense Venture Fund I, LLC (Defense Fund)

Recommended Action:

RECOMMEND APPROVAL of **Hawaii Defense Venture Fund I, LLC** ("Defense Fund or the "Fund") for investment of $500,000 in the $1,500,000 Fund, subject to terms and conditions that meet SSBCI and statutory requirements.

SSBCI requires raising matching $500,000 investment to the Fund from private-sector sources and requires the Fund to invest a minimum of $1,000,000 (including SSBCI fund) into Hawaii-based companies.

The Fund's expertise is in defense innovation startups, venture capital, and technology commercialization. The general partners have established a network of relationships with the **U.S. Indo-Pacific Command (**INDOPACOM**), Office of Naval Research, Air Force AFWERX, and DIU (**Defense Innovation Unit**)**, as well as national venture funds and corporate investors specializing in dual-use technologies. The manager of the Fund will be Pacific Impact Zone Solutions, Inc. (the "GP" or "PIZ").

The recommendation for $500,000 is based on the following:

Rationale:

1. **Strong Reputation and Commitments for PIZ and General Partner:** PIZ, the Fund's manager, is deeply rooted in Hawaii's innovation and defense ecosystem. Led by **Kevin Miyashiro, Marcus Yano, Anthony Escasa, and Kin Tan**, the team has built a recognized track record in facilitating defense innovation programs, managing federal demonstration projects, and mentoring local companies through commercialization and contracting pathways. Unlike mainland-based managers, PIZ operates fully from Hawaii, ensuring that decision-making remains **community-grounded, locally informed, and mission-driven**. Their established partnerships with **INDOPACOM**, **DIU**, **NAVFAC**, and the **Hawaii Defense Alliance** provide unparalleled access to defense-sector opportunities and ensure that fund activities align with both federal and state economic priorities.

2. **Strategic Alignment:** The Defense Fund advances HTDC's statutory mandate under **HRS §206M** to promote private capital investment, diversify the economy, and create high-wage employment in technology sectors. It also reinforces the objectives of **DBEDT's Defense Economy Initiative**, the **Hawaii 2050 Sustainability Plan**, and the **Clean Energy Initiative (HCEI 2045)** by channeling investment into technologies that enhance resilience, energy security, defense and local innovation capacity. Through its alignment with **HTDC/HICAP** and **SSBCI** goals, the Fund leverages public capital to attract private investors, institutionalizes professional venture investments — ensuring that every public dollar contributes to tangible benefits for the state.

3. **Economic Development Impact:** The Defense Fund is projected to inve[redacted]

4. **Portfolio Diversification with Balance Risk Profile:** For the Hi-CAP program, we have invested $5M (25% allocation of total Hi-CAP invest $20M fund) in Startup Capital Ventures X SBI Fund LP (Seed and Series A stage SAS/ software fund), $5M (25%) in Hatch Accelerator Fund II Sidecar LP (early-stage aquaculture fund), and $2M (10%) in BV4 L.P. (early-stage and seed technology fund), and 3M (15%) in Mana Up Capital Partners II LP (early-stage Consumer Goods focused fund). By investing **$500,000 or 2.5% in Hawaii Defense Venture Fund I, LLC** (**post revenue companies dual use/ defense tech focused fund**), we are adding new sectors and industries that we are not currently invested in. This will make Hi-CAP not only better diversified in relations to industry and sector exposure, but it will also help to balance our risk/return profile for our overall fund of funds portfolio.

REQUEST MOTION **to authorize HTDC Interim Executive Director & CEO, with support from the Hi-CAP program manager, to finalize terms and conditions and execute the $500,000 capital commitment to the Fund, subject to approval of documents by Special Deputy Attorney General and Attorney General Office.**

PIZ and GP Background:

Pacific Impact Zone Solutions **("PIZ")** is a Hawaii-based innovation organization founded to accelerate the development and deployment of **dual-use and defense-adjacent technologies** across the Indo-Pacific region. Headquartered in Honolulu, PIZ operates at the intersection of **national security, technology innovation, and local economic development**. Its mission is to build Hawaii's capacity as a leading center for defense innovation, supporting both **public and private sector collaboration** to strengthen regional resilience and create high-wage employment.

PIZ's core purpose is to **bridge the gap between small and medium-sized commercial innovators, federal defense agencies, and private capital**. By aligning federal resources, local talent, and venture investment, PIZ enables Hawaii-based companies to compete nationally in emerging technology sectors while remaining rooted in the islands.

PIZ's mission is to empower Hawaii's innovation ecosystem by:

- Connecting local entrepreneurs with **Department of Defense (DoD)** innovation programs, including **DIU**, **AFWERX**, **ONR**, and **INDOPACOM**.
- Facilitating **pilot projects, technology demonstrations, and commercialization pathways** for dual-use technologies with both defense and civilian applications.
- Building a **pipeline of resilient, locally based companies** that create high-wage technical jobs and contribute to Hawaii's economic diversification.
- Supporting the development of a **sustainable Indo-Pacific innovation corridor** that links academic, military, and private partners.

Founded by **Kevin Miyashiro**, **Marcus Yano**, **Anthony Escasa**, and **Kin Tan**, PIZ emerged from a shared recognition that Hawaii's strategic location and defense presence were underutilized as engines of technological growth. The organization began by managing federal demonstration projects in **energy resilience, logistics, and autonomy**, and has since evolved into a full-fledged innovation accelerator and venture fund manager.

Over the past several years, PIZ has played a central role in shaping Hawaii's defense innovation ecosystem. Its initiatives have connected over **30 local startups** to national programs and unlocked more than **$20 million in combined federal and private funding**, establishing the foundation for a self-sustaining innovation pipeline in the islands.

The firm is now looking to solidify its presence and commitments to Hawaii. PIZ currently seeks to raise $1.5M for its first Hawaii focus dual-use/defense tech investments fund, **Hawaii Defense Venture Fund I, LLC.**

Evaluation Committee Involvement:

The formal due diligence process began on December 11, 2024, and the HTDC Evaluation Committee (the "EC") convened on August 24 to interview Defense Fund and held a follow up review on September 29 and October 14 to discuss the potential merits and concerns of an investment, based on due diligence results and evaluation committee assessment report. The report evaluates PIZ's organization, the GPs' background, and the proposed Defense Fund managed by the GP. The EC meetings concluded with a recommendation to advance the investment proposal to the Board.

Fund II Structure, Strategy, and Consideration:

1. The GP intends to raise its first Hawaii focused Defense Venture fund of $1.5M. LPs of the Fund will include institutional investors and other high net-worth individuals. Defense Fund has already secured committed matching funds of $500,000 and intends to the raise the remaining from private investors. Thus, Defense Fund will not have any issue with the SSBCI's matching requirements.

2. The Fund has been intentionally structured to address a persistent structural gap in Hawaii's innovation economy: the absence of dedicated institutional capital focused on **dual-use and defense-aligned commercialization at the post-revenue and scale-up stage**. Its strategy is built upon Pacific Impact Zone Solutions' long-standing role as an intermediary between Hawaii's military commands, federal innovation agencies, local entrepreneurs, and state economic development partners, enabling a coordinated pipeline from technology development to operational deployment.

At its core, the Defense Fund is anchored in the premise that Hawaii's **geographic position, defense infrastructure, and Indo-Pacific mission set** uniquely position the state to produce technologies with both national security and commercial relevance. While entities such as **INDOPACOM, NAVFAC, and the Defense Innovation Unit (DIU)** drive significant innovation activity across the region, few private-sector investment mechanisms exist to support Hawaii-based companies in converting this activity into scalable enterprises. The Defense Fund directly fills this gap by deploying capital and

hands-on operational support into Hawaii-anchored startups advancing solutions in defense, sustainability, infrastructure resilience, and national security applications.

3. The Fund will focus on **post-revenue, dual-use and defense-aligned technology companies** operating within priority sectors that reflect both Hawaii's strategic advantages and the Department of Defense's modernization priorities. Target verticals include but are not limited to:

- **Energy and Infrastructure Resilience** — microgrids, energy storage, and distributed systems supporting both military installations and island-based utilities.
- **Autonomous Systems and Robotics** — unmanned aerial, surface, and subsurface platforms for logistics, monitoring, and operational awareness.
- **Cybersecurity and Data Infrastructure** — software, cloud systems, and secure networks protecting both defense and civilian digital environments.
- **Space and Maritime Domain Awareness** — sensing, communications, and data-integration technologies supporting ocean, air, and space operations.
- **Supply Chain and Critical Logistics** — AI-enabled tools for predictive maintenance, transportation optimization, and infrastructure coordination.

Typical initial [redacted]

Portfolio companies will be selected for their ability to **leverage non-dilutive federal funding**—including SBIR/STTR awards, AFWERX challenges, DIU programs, and DoD pilot contracts—alongside venture investment. This hybrid financing strategy enables companies to achieve **contract capture, early revenue expansion, and operational scale without excessive dilution**, while accelerating time-to-defense and commercial deployment.

This structure is directly aligned with **HTDC's HI-CAP Invest and SSBCI mandates**, which prioritize the use of public capital to **crowd in private investment, unlock federal funding, and generate durable economic development outcomes for Hawaii**.

4. Integration with Federal and State Innovation Pipelines

The Defense Fund benefits from PIZ's deep integration into Hawaii's innovation and defense ecosystem. Through its partnerships with **DBEDT**, **Hawaii Defense Alliance (HDA)**, and **University of Hawaii Applied Research Laboratory (ARL)**, PIZ has built channels for sourcing, validating, and mentoring early-stage technologies with clear market and defense relevance.

PIZ's established relationships with **INDOPACOM**, **DIU**, **AFWERX**, and **NAVFAC** enable portfolio companies to access real operational feedback, pilot opportunities, and procurement guidance — advantages typically unavailable to civilian-focused startups. This embedded access reduces the time and cost required for companies to navigate complex defense acquisition processes, giving the Fund's portfolio a competitive edge in both defense and commercial markets.

Furthermore, PIZ's direct experience in program management ensures that portfolio companies maintain compliance with federal contracting standards and security requirements (such as ITAR and export controls). This early compliance focus allows companies to scale more quickly when engaging federal customers or defense primes.

5. Local Differentiation and Competitive Position

The Defense Fund stands apart from other HI-CAP-supported funds by its **sector specialization**, **local leadership**, and **ecosystem-driven approach**. Whereas prior funds focused on consumer brands, technology generalists, or mainland syndicates, this Fund is entirely **homegrown** — designed and managed in Hawaii by a team embedded within the local innovation landscape.

PIZ's leadership brings both credibility and access. The team's experience working alongside the Department of Defense, DBEDT, and Hawaii-based startups ensures that investment decisions are informed by a deep understanding of local capacity, federal priorities, and Indo-Pacific market dynamics.

4. Expected Portfolio Composition

[redacted]

[redacted]

This disciplined focus ensures that HTDC's investment not only produces attractive financial outcomes but also yields measurable, localized impact in the form of jobs, payroll, and sustained innovation capacity.

Fund Terms: Defense Fund will have a 5-year investing period, and a 10-year total fund life, which may be extended for up to a maximum of two consecutive 1-year period. The Fund expects to participate in follow-on funding rounds of the most promising investee companies.

[redacted]

These protections ensure that HTDC's capital is managed with accountability, transparency, and fiduciary responsibility.

Defense Fund Expected Returns: Defense Fund is being launched as a first-time, standalone fund dedicated exclusively to Hawaii 's defense and dual-use companies. As such, it does not yet have a direct financial track record of realized exits or portfolio-wide performance metrics. The absence of a prior fund performance history is not unusual for a new vehicle, particularly one being formed to capture a unique strategic opportunity in Hawaii. What matters in evaluating Defense Venture is not backward-looking returns, but rather the institutional backbone, experience, and community credibility that the fund inherits from PIZ and its Fund managers.

Over the past decade, PIZ has demonstrated an unwavering commitment to Hawaii's entrepreneurs, federal partners, and local community. It has operated at the intersection of venture capital, economic development, and

defense sector innovation, helping startups in Hawaii and the broader Pacific access capital, mentoring, and federal contracting opportunities. PIZ has also built credibility with local stakeholders by anchoring its operations in Honolulu, creating programs that directly serve Hawaii founders, and positioning itself as a long-term partner in the state's economic diversification. While Defense Venture is a first-time vehicle, it benefits from this institutional foundation — including the governance processes, compliance systems, and investment networks that PIZ has refined through years of work with technology startups.

PIZ's engagement with defense startups is particularly relevant. Through mentorship, programmatic support, and ecosystem-building, PIZ has helped a wide range of dual-use and defense-aligned companies in Hawaii navigate the difficult journey of building early traction while preparing for Department of Defense (DoD) engagement. This includes guidance on Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants, introductions to local DoD commands such as INDOPACOM and PACAF, and hands-on support with compliance and accounting frameworks necessary for federal contracts. In addition, PIZ has cultivated a global network of investors and corporate partners who recognize Hawaii's role in the Indo-Pacific defense theater. By spinning out Defense Venture, PIZ is effectively concentrating these resources in a fund structure, ensuring that capital, mentorship, and community-building are all aligned to accelerate defense-focused startups in the state.

One illustrative example of PIZ's success in supporting Hawaii-based innovation is its early involvement with Privateer Technologies, a space startup founded on Maui. PIZ participated in Privateer's Series A round when the company was valued at approximately $10 million. Today, Privateer's valuation is estimated at $100 million, a tenfold increase in under five years

While this success cannot be claimed as part of Defense Fund's financial track record, it is strong evidence of PIZ's ability to identify, support, and accelerate Hawaii-based dual-use companies with global relevance. Privateer also demonstrates the potential for Hawaii startups to scale commercially while aligning with DoD priorities such as space situational awareness and orbital resilience.

Expected Returns for Defense Fund

[redacted]

[redacted]

Importantly, even under more conservative or downside scenarios, the Fund's **commercial-first, operationally driven investment model** is designed to prioritize **capital preservation while still generating measurable public benefit**, including **high-wage job creation, workforce development, and increased defense contract capture by Hawaii-based companies**.

Please note that the returns and performance projections were reported by the Fund is not subject to audit or third-party verification. (Please see appendix for detailed return metric definitions).

HTDC Consideration

Strategic Alignment with HTDC/DBEDT/SSBCI and Economic Development Impact:

HTDC's statutory purpose, under HRS §206M, is to stimulate private capital investment in Hawaii, foster economic diversification, create high-wage jobs, and build a sustainable innovation ecosystem. The HI-CAP Invest program was established to leverage public dollars in ways that attract private capital and professionalize early-stage investing.

Defense Fund embodies these objectives in several ways:

- **Catalyzing Private Capital:** The [redacted]
- **Professionalizing Post Revenue Investment in the Defense and Dual-Use Technologies:** Hawaii's venture ecosystem has historically lacked institutional-grade fund management capacity in the defense and dual-use sectors, particularly at the post-revenue scaling stage. The Fund introduces a formal, professionally governed venture structure anchored in deep government contracting, defense operations, and commercialization expertise. In doing so, it extends the same disciplined operational rigor that Pacific Impact Zone Solutions has applied in program execution into systematic capital deployment, portfolio governance, and contract-driven growth.

- **Embedding Local Impact:** Defense Fund will provide monthly and quarterly impact reporting to track startup performance, job creation, payroll/wage impact, and follow-on capital raised. This creates measurable evidence of HTDC's impact and ensures that public resources translate into tangible local benefits, regardless of short-term fund performance.

- **DBEDT and Hawaii Alignment:** DBEDT's Defense Economy initiative and Hawaii's 2050 sustainability plan requires goals of diversifying economic activity into technology, energy, job creation, and sustainable sectors. Defense Fund will focus dual-use and defense technologies which directly supports DBEDT and Hawaii's mandate.

Economic Development Impact

[redacted]

Beyond quantitative outcomes, the Fund's most enduring value lies in its **ecosystem-building and capacity-building role**. Through hands-on operational involvement, DCAA-ready systems, federal contract-capture support, workforce development partnerships with the University of Hawaii, and ESOP-anchored local exits, the Fund embeds **defense innovation, ownership, and intellectual property permanently within Hawaii**—positioning the state not just as a host of Indo-Pacific defense spending, but as a **producer and exporter of nationally strategic technologies**.

Defense Fund's commitment to sourcing, mentoring, and scaling Hawaii-based companies ensures that a meaningful share of these jobs will be created and retained locally rather than relocated to mainland markets.

In addition, The Fund is being launched at a time when the Department of Defense is actively seeking to diversify its innovation base, moving away from

sole reliance on legacy contractors and toward commercial-speed startups. For Hawaii, this shift presents an opportunity to convert federal spending into a locally anchored innovation economy. Hence, this investment is therefore assessed not only the Fund's financial potential, but also its projected contributions to job creation, capital formation, contract capture, and long-term diversification of Hawaii's GDP.

Portfolio Diversification and Potential Return

A fund of funds portfolio diversification strategy involves investing in a diversified portfolio of underlying funds, rather than directly in individual securities. This offers several benefits, including reduced risk, increased potential for long-term returns, and access to a broad range of asset classes, sectors, and geographic regions. By spreading investments across multiple fund types, we can mitigate risk associated with individual funds, while also capturing potential return benefits from different investment styles, manager expertise, and market trends.

For the Hi-CAP program, we have invested in $5 million (25% allocation of our total $20 million Hi-CAP funds) in Startup Capital Ventures X SBI Fund LP - Fund III (Seed and Series A stage SAS/ software fund), $5 million (25%) in Hatch Accelerator Fund II Sidecar LP - Fund II (early-stage aquaculture fund), $2 million (10%) BV4, L.P. - Blue Venture Fund IV (early-stage and seed technology), and $3M (15%) in Mana Up Capital Partners II LP - Fund II (Consumer Goods focused fund). Startup Capital would be considered a medium return, medium risk fund since they are investing in later stage startups (Series A), who have demonstrated some real traction/sales with their business model. Hatch Accelerator and BV4 would be high risk and higher return funds since they typically invest in early and very early-stage startups, which may have little to no revenue and likely have not established a proven business model yet. While Mana Up would be medium return, medium risk due to their focus more on traditional consumer goods business, which are more mature business with revenue relative to early state startups which typically has no revenues.

Defense Fund will focus its investments on **post-revenue, dual-use and defense-aligned technology companies** operating at the intersection of commercial and federal markets. These companies compete in environments shaped by **federal procurement cycles, evolving defense priorities, and complex regulatory requirements**, all of which can introduce extended timelines for contract conversion and revenue scaling. Access to key programs is often tied to shifting budget allocations, congressional appropriations, and agency-specific mandates, creating inherent timing and execution risk. The Fund's **commercial-first investment approach** is intentionally designed to

mitigate these dynamics by ensuring portfolio companies maintain diversified revenue streams while building durable pathways into defense procurement.

For these reasons, the Committee views Defense Fund as a **high-risk, high-return investment category**. However, this risk is partially mitigated by the **Pacific Impact Zone (PIZ)** team's extensive experience managing defense-related innovation programs and their established relationships with **INDOPACOM, PACAF, MARFORPAC**, and other federal partners—relationships that enhance deal flow visibility, improve due diligence quality, and support disciplined portfolio oversight.

Importantly, Defense Fund also introduces **new sector exposure**—areas in which HI-CAP is not currently invested. This not only improves diversification across industries and technologies, but also strengthens the **overall risk/return profile of HTDC's fund-of-funds portfolio**, positioning it for resilience and balanced growth.

Areas of Concern

1. Exit Pathways and Liquidity Constraints

Hawaii's limited capital markets and small number of corporate acquirers create legitimate concerns about exit opportunities for venture-backed startups.
Mitigation: Defense Fund intends to adopts a diversified exit strategy, combining traditional M&A opportunities with innovative local mechanisms such as Employee Stock Ownership Plans (ESOPs). ESOPs allow liquidity events that keep ownership and operations rooted in Hawaii while rewarding employees and investors. Studies show ESOP firms achieve stronger revenue growth and job stability, ensuring that liquidity does not depend solely on mainland acquirers.

2. High Cost of Living and Talent Retention

Attracting and retaining senior technical talent in Hawaii remains challenging due to the high cost of living and competitive mainland compensation.
Mitigation: Defense Venture's portfolio companies are projected to offer average salaries near $100,000, competitive with mainland equivalents when adjusted for quality of life. In addition, equity incentives and ESOP participation create long-term wealth-building opportunities for employees. The fund also supports hybrid remote models to tap mainland talent while retaining headquarters and IP in Hawaii, and partners with the University of Hawaii to develop a steady pipeline of local STEM professionals.

3. Cyclicality of Federal Defense Budgets

Defense-oriented markets are subject to federal budget fluctuations, policy changes, and procurement delays, which can impact revenue predictability.
Mitigation: The fund applies a "commercial-first, defense-second" model, prioritizing startups with sustainable commercial markets before pursuing defense contracts. This dual-use strategy buffers portfolio companies against federal spending downturns. Furthermore, the focus on enduring modernization areas—AI, cybersecurity, unmanned systems, and space resilience—aligns with long-term DoD priorities unlikely to face significant cuts.

4. Limited Senior Management Depth

Hawaii has a limited pool of seasoned executives—particularly CTOs, CFOs, and program managers—capable of scaling defense or dual-use startups.
Mitigation: Defense Venture leverages the global networks of its General Partners and advisors, including experienced industry leaders such as Kin Tan, who bring deep expertise in defense, technology, and private equity. The fund actively syndicates with mainland venture partners to access additional management and mentorship resources. Over time, this model will train and retain a new generation of Hawaii-based managers, strengthening the state's internal capacity for leadership in high-tech sectors.

5. Small Local Market Size

Hawaii's limited commercial base may constrain early revenue growth for new startups.
Mitigation: Defense Venture positions local DoD commands—including INDOPACOM, PACAF, and MARFORPAC—as anchor customers for pilot deployments. These early defense contracts provide critical validation for mainland and international expansion. Simultaneously, portfolio companies are encouraged to pursue **local commercial clients** (utilities, airlines, logistics, and healthcare), allowing them to generate early revenue while building credibility.

6. First-Time Fund Status

As a first-time fund, Defense Fund faces typical challenges in attracting institutional investors who prefer established track records.
Mitigation: This fund's launch aligns precisely with the mission of the SSBCI and HI-CAP Invest programs, which exist to catalyze first-time managers in underserved regions. HTDC's participation de-risks the fund's formation, signaling confidence to private investors and helping to establish the foundation for future local venture vehicles. Far from a weakness, the fund's

"first-time" status underscores HTDC's strategic role in building a self-sustaining venture capital ecosystem for Hawaii.

Appendix:

HTDC's Investment Authority:

According to HRS Title13 §206M-61, HTDC does have the legal authority to co-invest public funds in private financial organizations.

2024 Hawaii Revised Statutes, Title 13. Planning and Economic Development206M. High Technology Development Corporation206M-62 Strategic development programs revolving fund.

§206M-61 Strategic development programs; purpose; powers. The purpose of the strategic development programs is to encourage economic development and diversification in Hawaii through innovative actions in cooperation with private enterprises. The development corporation shall establish programs to stimulate private capital investment in Hawaii toward investments that promote the welfare of citizens in this State, economic growth, employment, and economic diversification. The development corporation may use public funds to provide incentives to private investment activity, by co-investing public funds in private financial organizations to increase the impact of the public investment while utilizing the investment acumen of the private sector, and by using public funds to reduce the risks of private investments.

https://law.justia.com/codes/Hawaii/title-13/chapter-206m/section-206m-61/

Goals of the SSBCI Program:

The primary purpose of the 2021 SSBCI funding is to promote small business growth and economic development by providing access to capital. These goals are accomplished by:

1. Support Small Businesses
   Provide capital to small businesses, including startups and microbusinesses, to help them recover from the economic impacts of the COVID-19 pandemic. Enable small businesses to access affordable credit and investment capital.

2. Promote Equity and Inclusion
   Prioritize underserved communities, including minority-owned, women-owned, and rural businesses, which often face barriers to accessing traditional financing. Ensure that at least 30% of the funds are directed toward businesses owned by socially and economically disadvantaged individuals (SEDI).

3. Leverage Private Capital
   Encourage states to use SSBCI funds to attract private investment, with the goal of generating a multiplier effect. For every $1 of federal funding, states are expected to leverage at least $10 in private capital.

4. Create Jobs and Stimulate Economic Growth
   Support job creation and retention by enabling small businesses to expand operations, invest in equipment, and hire more workers.
5. Foster Innovation and Entrepreneurship
   Provide funding for innovative small businesses, including those in high-growth sectors like technology, clean energy, and advanced manufacturing.

Reauthorized and expanded by President Biden's American Rescue Plan, the State Small Business Credit Initiative (SSBCI) is a nearly $10 billion program to support small businesses and entrepreneurship in communities across the United States by providing capital and technical assistance to promote small business stability, growth, and success. SSBCI will provide funding to states, the District of Columbia, territories, and Tribal governments (collectively, participating jurisdictions) for programs that catalyze lending and investing in small businesses, build ecosystems of opportunity and entrepreneurship, and create high-quality jobs. SSBCI is designed to catalyze private capital in the form of loans to and investments in small businesses, especially in historically underserved communities and among entrepreneurs who may have otherwise lacked the support needed to pursue their business ambitions. SSBCI support can be transformative in a range of industries, including small manufacturing, supply chain, and other sectors promoting key national priorities.

https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci

Biographies of Key Personnel at Defense Fund:

Kevin Miyashiro: is the Chief Executive Officer and Co-Founder of Pacific Impact Zone Solutions and a Founding Partner of the Defense Hawaii Venture Fund I, LP. He brings more than 25 years of experience in defense technology, systems engineering, and venture-backed entrepreneurship. Kevin previously founded TeraSys Technologies, a Honolulu-based dual-use defense and communications company specializing in high-frequency RF systems, sensor integration, and advanced signal processing for defense and commercial applications. Under his leadership, TeraSys secured multiple Department of Defense (DoD) R&D contracts and was acquired by QuinStar Technology in 2018. In addition to his entrepreneurial track record, Kevin has advised on private equity and M&A transactions involving aerospace and defense firms across the Pacific region. He has led engineering and project teams supporting U.S. military installations in Hawaii and the Indo-Pacific, focusing on technologies that enhance energy resilience, autonomous systems, and critical infrastructure.

Marcus Yano: is a Co-Founder and Managing Partner of Pacific Impact Zone and the Defense Hawaii Venture Fund I, LP. He brings over 20 years of leadership experience spanning information technology, business operations, and organizational transformation across both commercial and government sectors. Marcus has held senior executive roles leading large-scale IT modernization and digital transformation initiatives for defense and enterprise clients in Hawaii and the continental U.S. His expertise includes systems integration, program management, and operations optimization, with a consistent focus on converting technological innovation into measurable revenue growth. He has also served as an advisor and mentor to numerous Hawaii startups participating in accelerator and SBIR/STTR programs, guiding them through product-market validation, contract capture, and operational scaling. Marcus has been instrumental in building public-private partnerships between DBEDT, the Hawaii Defense Alliance (HDA), and local technology firms, contributing directly to Hawaii's emerging defense innovation ecosystem.

Anthony Escasa: serves as a General Partner at Pacific Impact Zone and brings over 20 years of experience in defense contracting, software development, and cybersecurity operations. His career spans both entrepreneurial ventures and executive leadership roles managing major federal contracting organizations. Anthony has overseen more than $250 million in defense contracting revenue through multiple Native Hawaiian Organization (NHO) 8(a) companies, leading projects in IT modernization, cybersecurity, logistics, and systems integration. His responsibilities have included contract capture, compliance, and operational oversight for clients including the U.S. Navy,

Air Force, and INDOPACOM. With a background in software engineering and information security, Anthony has also worked in the private sector advising small businesses on technology commercialization and cybersecurity best practices. His dual expertise in defense acquisition and technical implementation gives him a unique perspective on how emerging technologies can meet the stringent requirements of federal clients.

Kin Tan- serves as a Senior Advisor to Pacific Impact Zone and an Investment Advisor to the Defense Hawaii Venture Fund I, LP. He brings more than 30 years of corporate and financial leadership experience, including senior executive roles in major defense and aerospace corporations and private equity fund management. Kin began his career at TRW Inc., a global aerospace and defense contractor (now part of Northrop Grumman), where he managed systems engineering and business development teams serving key federal clients. Following his tenure in the defense industry, he transitioned into finance as a Managing Director at a $500 million private equity fund, where he led investments in technology, manufacturing, and infrastructure. His experience includes cross-border transaction structuring, fund governance, and portfolio oversight across North America and the Asia-Pacific region. Kin has served on multiple corporate boards and advisory committees for defense-related enterprises, providing strategic guidance on capital allocation and international expansion.

Reference and Background Defense Fund:

Government/Defense Entity:

1. **Mike Vo Fahnestock, US INDOPACOM**
   "Kevin has a passion for onboarding Hawaii small businesses into the Defense technology enterprise. The PIZ team successfully mentored and provided contracting support for a new Veteran Disabled Small Business to complete a two-year project in Chemical and Biological Defense. Kevin takes a holistic approach to building value added technology capability that includes commercial, academic, State and DoW interests."

PIZ Supported Companies:

2. **Ethan Krimmins, CEO Quantum Research Sciences**
   "Kevin's combined business and technical acumen is a rare find – I've enjoyed the strategy shaping we've done together and I'm confident it increases our chances of our product's go-to-market launch going well!"

3. **Patrick Jeff Winston, Founder and CEO of SAGE Pacific**
   "The journey to launch my business as a Veteran Owned Small Business has been stressful to say the least, but having Kevin and his team guiding us through a whole array of barriers from cash flow to cybersecurity. They've been a life saver!"

4. **Anand Tom Yoakum, Founder and CEO of ISEEYOU360**
   "The been-there, done-that guidance we get from Pacific Impact Zone has kept us progressing forward, they're a one-of-a-kind resource!"

Hawaii VC and local startup Community leaders:

5. **Chenoa Farnsworth, General Partner, Blue Startups**
   "I have known Kevin for many years (decade) and have known him to be a great entrepreneur and man of strong personal integrity. We are looking to collaborate with their

team this year to put together a DOD focused pre-event to East Meets West in 2026 and as such are getting to know the team better as well which has been great

6. **Johnny Chankhamany, Director, Builders VC – SF and Hawaii based Venture Fund**
"The leadership team at PIZ is exemplary and poised for maximizing the potential of state funding. Kevin Miyashiro, as CEO, has a proven ability to build strategic partnerships across public and private sectors. His leadership in founding and selling his first defense dual-use business illustrates his deep understanding into what it takes to build and exit defense technology startups. Kevin has assembled a strong management team at PIZ with diverse experiences and skills that will prove highly beneficial to startups in their growth and development."

Investment Terms and Definitions

IRR – Internal Rate of Return. IRR is a uniform calculation for investments of varying types and, as such, can be used to rank multiple prospective investments on a relatively even basis. IRR takes into consideration the timing of cash flows to and from the investment. In general, when comparing investment options with other similar characteristics, the investment with the highest IRR would generally be considered the best. Funds typically present IRRs on both a gross and net basis. IRRs shown by benchmark indices are typically net of fees (equivalent to Net IRR for the Fund).

TVPI – Total Value to Paid In. The ratio provides prospective investors (such as HTDC) with a multiple that indicates how many times more the investment is currently valued at compared with the original investment (made at cost), without considering the time value of money.

DPI – Distribution to Paid In. The ratio represents the portion of TVPI that is "realized" by investors. It measures how much invested capital has been returned to investors through distributions by the fund.

Gross Vs. Net – Gross values (e.g., Gross IRR) are returns before management fees of the venture firm (general partner or GP) are accounted for (i.e., the figure does not deduct the management fees which are taken from LP investors). Net values (such as Net IRR) account for management fees of the GP and are lower than the Gross Values shown.

Realized Vs. Unrealized Returns – Realized returns, also called "cash-on-cash returns", is essentially the ratio of invested capital that has been paid back to investors in the fund. Unrealized returns, also called "paper returns", is the current value of the fund's positions in companies that have not been acquired by another entity or have not sold shares held by investors through an initial public offering (IPO). Returns shown are almost entirely unrealized.

Multiple on Invested Capital ("MOIC") is a metric used to describe the value or performance of an investment relative to its initial cost, commonly used within private markets. MOIC is among the most relevant metrics to be assessed while conducting fund due diligence. In fund investments, MOIC is expressed as a measure of the total value (i.e., both realized and unrealized, see below) of all shares in the fund divided by the initial investment. Since the individual securities held in a fund will have exit transactions at different times, the MOIC of the fund at any particular time combines the value of securities that have been sold (i.e., realized proceeds) with the value of securities that remain active (i.e. unrealized value). Unrealized value consists of stakes in companies (whether public or still private) that have not yet been liquidated.

Confidential

HTDC Hi-CAP INVEST

EVALUATION COMMITTEE REPORT

Hawaii Defense Venture Fund I, LLC (Defense Fund)

Updated Nov 26, 2025

Evaluation Committee

- **Sandi Kanemori**, Sr. Economic Program Mgr, Hawaii Technology development Corporation (HTDC)
- **Sandra Fujiyama**, Executive Director, Pacific Asian Center for Entrepreneurship (PACE)
- **Tuan La,** Hi-CAP Program Manager, Hawaii Technology development Corporation (HTDC)

I. Organization Introduction

Defense Fund was established as a dedicated fund spun out of Pacific Impact Zone Solutions, Inc. (PIZ), a defense focused innovation support platform headquartered in Hawaii that is committed to building globally competitive companies in sectors where Hawaii holds natural advantages. PIZ emerged with a mandate to serve as a testbed and launchpad for transformative technologies that can thrive both in the islands and abroad. Its mission is not limited to financial returns but extends to creating pathways for economic diversification, job creation, and the development of a resilient innovation ecosystem rooted in Hawaii. From its base in Honolulu, PIZ has built credibility as a bridge to connecting Hawaii entrepreneurs to defense related corporate partners, government agencies, and policymakers.

Proposal

PIZ currently seeks to raise 1.5M for its first Hawaii Defense focus investments fund, **Hawaii Defense Venture Fund I, LLC** ("**Defense Fund**" or "**the Fund**").

Defense Fund represents the next evolution of the PIZ platform. Recognizing the central role of defense spending in Hawaii's economy — consistently second only to tourism and comprising nearly ten percent of the state's GDP — PIZ is launching Defense Fund as a standalone vehicle to ensure that Hawaii is not only a location where Department of Defense/War (DoD) dollars are spent, but also a place where new defense technologies are invented, scaled, and owned. The Fund is designed to invest in dual-use technology startups that can serve both commercial and defense markets, while remaining anchored in Hawaii through ownership structures, talent pipelines, and contract capture.

Biographies of Key Personnel at PIZ:

The leadership team brings together decades of experience in defense contracting, private equity, and venture building. Kevin Miyashiro, CEO of PIZ and founding partner of Defense Venture, previously founded TeraSys Technologies, a dual-use defense company acquired by QuinStar in 2018, and has led both engineering teams and private equity transactions. Marcus Yano, Managing Partner, has twenty years of IT and operational leadership experience and a track record of converting systems innovation into revenue growth. Anthony Escasa, General Partner, has overseen more than $250M in defense contracting revenue through Native Hawaiian Organization 8(a) companies, alongside a long career in software and cybersecurity. They are supported by Kin Tan, a Senior Advisor with deep corporate defense experience at TRW (now Northrop Grumman) and managing director experience in a $500M private equity fund

Investment Thesis and Differentiator

The investment thesis of Defense Fund is compelling. Hawaii is already one of the most defense-dependent states in the nation, with federal defense spending accounting for nearly ten percent of GDP and injecting more than three billion dollars annually into the local economy. Yet the vast majority of these dollars leave the islands almost as quickly as they arrive, captured by mainland primes rather than Hawaii-owned firms. At the same time, the DoD is undergoing a once-in-a-generation shift in procurement, increasingly turning to venture-backed startups to deliver technologies in artificial intelligence, cybersecurity, unmanned systems, and space resilience. This creates a historic opening for Hawaii to position itself not merely as a host to military installations, but as a producer of defense innovation. Defense Fund will capitalize on this opportunity by investing in dual-use companies that are commercially viable yet capable of scaling into defense contracts.

More specifically, the fund designed a differentiated and highly targeted investment thesis: **to invest in post-revenue Hawaii startups that operate in dual-use or defense-aligned sectors, and to actively accelerate their growth through operational efficiency, government contract capture, and commercial revenue expansion.** Unlike traditional early-stage venture models, Defense Fund focuses on companies that already demonstrate product-market fit, meaningful customer traction, and established revenue streams—but may be constrained by founder fatigue, capital limitations, or stagnant growth common among Hawaii-based companies. These companies represent some of the state's strongest yet underleveraged economic assets, often possessing validated technologies and loyal customers but lacking the operational support or capital to scale into larger commercial and defense markets.

II. Summary and Recommendations

A. Recommendation

After careful review of Defense Fund's proposal, the Evaluation Committee recommends that the Hawaii Technology Development Corporation (HTDC) commit an anchor investment of $500,000 into Defense Venture Fund I, LP, contingent upon the General Partners securing at least $500,000 in matching private capital at first close. This recommendation is based on the Committee's conclusion that Defense Fund represents a uniquely strategic defense related investment vehicle for Hawaii— one that combines credible financial return potential with a hands-on operational model designed to increase revenue, reduce inefficiencies, and generate durable economic benefits for the state.

The rationale for this recommendation begins with the strength of Hawaii's defense economy. Defense spending represents the second-largest driver of Hawaii's GDP, accounting for between eight and ten percent of statewide output and injecting over three billion dollars annually into the local economy. Yet the vast majority of these dollars flow to large mainland contractors, leaving Hawaii-based companies significantly underrepresented in defense innovation and procurement. Defense Fund directly addresses this imbalance. By investing in **post-revenue, dual-use Hawaii companies**—particularly those that are stagnant, founder-constrained, or unable to scale—Defense Fund enables local entrepreneurs, engineers, and technologists to meaningfully capture DoD contract value. Over time, this shifts Hawaii from being merely a host of Indo-Pacific military activity to being a producer and exporter of defense innovation.

Equally important, the Committee believes that Defense Fund will catalyze the next stage of Hawaii's innovation economy by targeting the most underserved and highest-impact segment of the market: **post-revenue companies with proven products but limited operational capacity to grow.** While ecosystem builders such as Blue Startups, HawaiiAngels, Startup Capital, ThriveHI, and the University of Hawaii's Office of Innovation and Commercialization have strengthened early-stage support, a critical gap remains for companies that already have customers and revenue but lack capital, operational expertise, and contract-capture capabilities. Too often, these companies either relocate to the mainland to access operationally sophisticated investors or never attempt to enter the defense market at all.

Defense Fund directly fills this gap by providing **capital plus deep operational involvement**—including federal contracting support, enterprise sales development, pricing optimization, DCAA-ready systems, and bottom-line efficiency improvements—all while being physically rooted in Honolulu. This structure enables Hawaii companies to **scale in place**, win both commercial and DoD contracts, and ultimately pursue locally anchored exit pathways such as ESOPs that keep ownership, jobs, and intellectual property in Hawaii.

Additionally, the Committee notes that Defense Fund aligns directly with state policy objectives and HTDC's mission. HTDC's HI-CAP Invest program seeks fund managers capable of generating financial returns while advancing long-term economic diversification. Defense Fund's explicit focus on **post-revenue, dual-use, and defense-aligned companies**, coupled with its hands-on operational model, directly supports Hawaii's diversification agenda by creating high-wage STEM jobs and embedding intellectual property locally. The Fund's reporting commitments—including monthly operating reviews and quarterly reporting on job creation, wages, workforce development, contract wins, and follow-on capital—provide the transparency and accountability required by HTDC. And the matched-capital structure ensures that every public dollar catalyzes at least one private dollar, doubling state leverage.

The Committee further notes that Defense Fund is launching at a moment of strategic importance. With rising tensions in the Indo-Pacific and the Pentagon's increasing reliance on venture-backed startups and defense tech "neo-primes," Hawaiihas a rare opportunity to position itself as a forward hub for defense innovation and capital deployment. Anchoring Defense Fund signals to federal partners, private co-investors, and defense technology firms that Hawaii is committed to being not just a passive host of bases, but an **active producer of dual-use and defense technologies** that contribute to national security while strengthening the local economy.

[redacted]

Taken together, these considerations form the basis of the Committee's recommendation.

1. Fund Strategy Review

Defense Fund I, LP has been structured as a ten-year closed-end vehicle with a five-year investment period and the option for two one-year extensions. This structure supports the long-term operational work required to optimize and scale **post-revenue, dual-use Hawaii companies**, while retaining flexibility to respond to shifts in Hawaii's innovation ecosystem. The Fund anticipates deploying approximately $1.5 million initially, anchored by HTDC's $500,000 commitment and matched by at least $500,000 in private capital. As the Fund demonstrates traction—through revenue increases, contract capture, and successful operational turnarounds—the General Partners plan to raise additional capital for future vehicles.

The portfolio will be intentionally concentrated, with approximately eight to ten companies selected for investment. This concentration reflects the Fund's **high-engagement, hands-on operational model**, which requires deep involvement in each company's systems, contracts pipeline, and financial performance. Nearly all portfolio companies will be **post-revenue dual-use startups**: firms that already demonstrate commercial traction but are limited by founder exhaustion, operational inefficiencies, or lack of expertise in navigating defense and enterprise contracting. By focusing on companies with proven revenue and established products, Defense Fund mitigates early-stage risk while unlocking significant upside through operational restructuring and contract-driven growth. One or two allocations may be reserved for a higher-risk, high-potential early innovation, ensuring the Fund can still participate in emerging breakthrough technologies aligned with defense needs.

The Fund's sector focus remains aligned with DoD modernization priorities and Hawaii's strategic advantages: artificial intelligence, data analytics, cybersecurity, unmanned systems, advanced manufacturing, and space resilience. However, the revised thesis places priority on companies that already serve commercial markets and can **extend into defense contracts with targeted support**. Hawaii'sproximity to INDOPACOM and its unique test ranges (e.g., PMRF, MSSC) position these companies for rapid defense deployment once operational maturity is achieved.

A core pillar of the Defense Fund model is the emphasis on **commercial-first, defense-second growth**. This ensures portfolio companies maintain diversified revenue streams while building toward DoD adoption. The Fund's operational team will work directly with founders on enterprise sales, pricing optimization, financial controls, compliance, and DCAA-ready accounting—capabilities that are often missing in Hawaii companies and contribute to stagnation. This approach reduces dependency on long defense procurement cycles and positions companies to negotiate federal contracts from a place of strength.

Defense Fund's approach to liquidity is equally differentiated. Given Hawaii's limited IPO or acquisition pathways, the Fund incorporates **Employee Stock Ownership Plans (ESOPs)** as a preferred exit strategy. ESOPs allow founders to transition out while keeping ownership, jobs, and intellectual property in Hawaii, aligning with the Fund's mission to build long-term, locally anchored prosperity. Traditional exits such as M&A or secondary sales remain available but are not the default outcome.

Deal flow will be sourced through PIZ's pipeline, defense innovation networks, and Hawaii's existing ecosystem, including Blue Startups, Startup Capital, HawaiiAngels, ThriveHI, and the University of Hawaii. Portfolio companies will undergo structured onboarding, including a 90-day operational audit, contract capture plan, and KPI framework. Monthly GP-led operating reviews will ensure continuous improvement across revenue, operations, compliance, and workforce development.

In short, Defense Fund's strategy has evolved from a conventional dual-use VC approach into a **focused, post-revenue, operational-efficiency and contract-capture engine**. By combining disciplined portfolio construction with hands-on operational transformation, alignment to DoD priorities, ESOP-based exits, and deep integration with Hawaii's innovation ecosystem, the Fund is positioned to deliver both strong financial outcomes and durable economic impact for the state.

2. Fund Reported Performance

Defense Fund is being launched as a first-time, standalone fund dedicated exclusively to post-revenue defense and dual-use Hawaii companies. As such, it does not yet have a direct financial track record of exits or portfolio-wide performance. This is expected and appropriate for a vehicle designed to capitalize on a unique strategic and operational gap in Hawaii's innovation economy. The critical factor in evaluating Defense Fund is not backward-looking multiples, but rather the operational capability, defense contracting expertise, and institutional backbone that the Fund inherits from PIZ, the platform from which it was spun out.

Over the past decade, PIZ has established itself as one of Hawaii's only organizations capable of supporting companies at the intersection of commercial growth and federal contracting. It has consistently helped Hawaii startups access capital, build early traction, secure SBIR/STTR awards, engage with INDOPACOM and PACAF, and develop the financial and compliance systems required for government contracts. Equally important, PIZ has built trust with founders, federal partners, and local stakeholders by operating in Honolulu and by supporting companies that would otherwise lack the expertise to scale in Hawaii.

This history is especially relevant because Defense Fund focuses on **post-revenue companies that are often stagnant, founder-constrained, operationally inefficient, or unable to scale into defense or commercial enterprise markets without hands-on support**. PIZ's long-standing experience navigating these issues—whether through pricing support, compliance design, DCAA-driven accounting, program management, or operational restructuring—forms the foundation for Defense Fund's model of **active intervention to increase revenue, reduce inefficiencies, and win contracts**.

PIZ's engagement with defense-aligned startups has also demonstrated that Hawaii companies can scale commercially while aligning with DoD modernization priorities. Its early support of Privateer Technologies, now valued at roughly ten times its Series A valuation, illustrates Hawaii's potential when companies receive the right combination of capital, operational guidance, and strategic relationships. While this success is not part of Defense Fund's track record, it is evidence of the team's ability to identify and accelerate Hawaii-based dual-use companies on a global stage.

The Evaluation Committee recognizes that while institutional LPs often emphasize historical fund performance, this case is different. Defense Fund is purpose-built for Hawaii at a time when defense agencies increasingly seek commercially driven, venture-backed innovation. The Fund's success will be measured by forward-looking metrics: revenue uplift, contract capture, job creation, wage growth, margin improvement, operational maturity, and the ability of Hawaii companies to scale **without relocating**. It will also be measured by the extent to which companies transition to **Hawaii-anchored exits such as ESOPs**, retaining intellectual property, leadership, and economic value in-state.

Finally, the absence of a track record is not a weakness but a design feature under the SSBCI framework. SSBCI capital is intended to seed first-time managers in markets like Hawaii where institutional venture capital is sparse and where high-potential companies are underserved by traditional investors. Defense Fund exemplifies this intent: it brings operational expertise, contracting capability, and dual-use specialization that Hawaii companies urgently need. With dedicated capital behind it, the Fund can convert Hawaii's existing innovation potential into measurable financial returns and durable economic impact.

3. Expected Returns

[redacted]

4. LP Investors and Partners: Governance and Fund Oversight

The Evaluation Committee carefully examined the governance and oversight framework of Defense Fund, as these elements are critical for ensuring investor protection, operational discipline, and public accountability. Unlike traditional venture funds that report solely to private LPs, Defense Fund has been structured as a dual-purpose vehicle: it must deliver competitive financial returns while also driving measurable economic development for Hawaii.

At the core of Defense Fund's oversight model is its Investment Committee (IC), composed of the Fund's General Partners. The IC will meet monthly to evaluate new investments, determine follow-on allocations, and review portfolio performance. All decisions will be documented through formal investment memoranda, vote records, and supporting rationale, creating a transparent audit trail available to HTDC and other oversight bodies. Any member facing a conflict of interest will be required to disclose and recuse, ensuring impartiality and integrity.

Complementing the IC is the Limited Partner Advisory Committee (LPAC), which includes representatives from major investors such as HTDC. Meeting quarterly, the LPAC will review valuation methodologies, conflict-of-interest management, fund performance, and adherence to governance covenants. This structure provides LPs with meaningful oversight without interfering in day-to-day fund operations. Together, the IC and LPAC form a governance system that balances efficient decision-making with rigorous accountability.

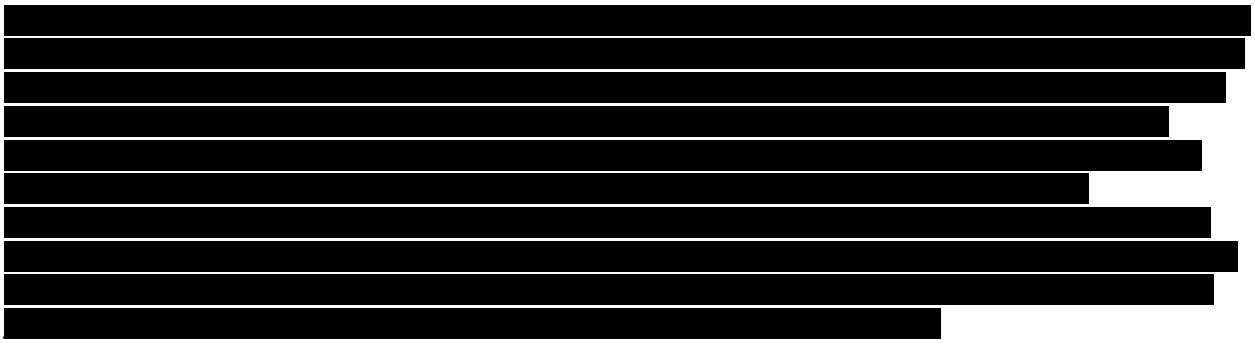
Portfolio companies will also be subject to structured oversight consistent with the Fund's hands-on operational model. All companies must adopt DCAA-compliant accounting systems early, ensuring readiness for federal contracts and high-quality financial controls. General Partners will conduct monthly operating reviews with each company, focusing on revenue growth, cost efficiency, contract pipeline development, operational bottlenecks, and organizational needs.

5. Economic Development Considerations

In evaluating Defense Fund, the Committee therefore assessed not only its financial potential but also its ability to strengthen Hawaii's economic resilience through job creation, operational expansion, contract capture, and long-term diversification of the state's GDP.

A starting point for this analysis is Hawaii's economic dependence on defense. Federal defense spending injects between three and four billion dollars annually into the state, representing roughly ten percent of Hawaii's GDP. Defense is second only to tourism as an economic pillar—and unlike tourism, it is a stable, federally backed stream that does not fluctuate with global travel patterns. Yet most of this value flows to large mainland primes, with Hawaii companies participating primarily in lower-margin activities such as logistics, maintenance, and support services rather than in innovation or technology development. Defense Fund's mission directly addresses this imbalance: by investing in post-revenue, dual-use Hawaii startups, the Fund supports local entrepreneurs in capturing intellectual property value, generating high-

wage employment, and building companies that can scale both commercially and within DoD procurement pipelines.



Workforce development is another central impact area. Through partnerships with the University of Hawaii and local workforce programs, Defense Fund will integrate students and early-career professionals into portfolio companies through apprenticeships, internships, and structured mentorship. This creates a durable talent pipeline into Hawaii's defense innovation ecosystem and reduces outmigration to mainland job markets. The success of defense-aligned startups within the islands also strengthens the perception—especially among young residents—that meaningful careers in technology, engineering, and national security can be built without leaving Hawaii.

Capital formation represents an additional high-value outcome. Under the matched-capital structure of HI-CAP Invest, every public dollar is paired with private capital at first close. Over the Fund's lifecycle, private leverage and revenue growth is projected to exceed $50 million, drawing from mainland venture firms, corporate partners, and federal innovation programs such as DIU and AFWERX. This leverage transforms HTDC's initial commitment into a platform that attracts substantial private and federal dollars into Hawaii's economy. The SSBCI framework was designed precisely for this purpose—to catalyze new venture capital activity in regions historically underserved by institutional investors—and Defense Fund is well positioned to demonstrate that impact.

Among the most consequential long-term outcomes is the increase in defense contract capture by Hawaii-based firms. By equipping post-revenue companies with DCAA-compliant systems, operational controls, and hands-on support for federal proposal development, Defense Fund ensures that portfolio companies are "contract ready" far earlier than typical startups. This enables them to compete for SBIR/STTR awards, secure pilot engagements with INDOPACOM and PACAF, and ultimately pursue larger program-of-record opportunities. Redirecting even a small portion of federal contract value back into Hawaii-owned firms generates compounding benefits: higher local payroll, expanded vendor spending, reinvestment into local talent, and the retention of intellectual property within the state.

Diversification is another major consideration. The COVID-19 pandemic demonstrated the risks of Hawaii's heavy reliance on tourism. Defense Fund provides a counterweight by anchoring technology-driven, export-oriented businesses within the local economy. Unlike tourism, which is sensitive to global disruptions, defense technology is tied to federal priorities that are stable and rising in the Indo-Pacific theater. By positioning Hawaii as a hub for dual-use innovation, the Fund enables the state to build a resilient, high-wage economic engine aligned with long-term national security needs.

Beyond direct benefits, Defense Fund will generate broader multiplier effects. Portfolio companies will require legal, accounting, engineering, real estate, and professional services—driving additional revenue for local businesses. The STEM education ecosystem will expand as demand grows for technical and defense-aligned skills. Most importantly, because the Fund emphasizes Hawaii-anchored exits such as ESOPs, intellectual property and ownership remain within the state, allowing locally created wealth to circulate and compound. Over time, this creates a flywheel effect in which successful founders reinvest in new startups, strengthening Hawaii's innovation ecosystem across generations.

6. Areas of Concern

While Defense Fund offers significant promise for both investors and the State of Hawaii, the Committee recognizes that venture capital inherently carries risk. These risks are magnified in first-time funds, in geographically isolated markets like Hawaii, and in sectors that depend in part on federal budget cycles. A balanced evaluation therefore requires acknowledging potential concerns and assessing how Defense Fund intends to mitigate them. The Committee finds that the General Partners have been deliberate in anticipating these challenges and in designing structures that limit downside exposure while preserving upside opportunity.

One of the most frequently cited concerns is the issue of exit pathways. Hawaii lacks the depth of capital markets and corporate acquirers that characterize ecosystems such as Silicon Valley, Boston, or Washington, D.C. Without a strong base of local acquirers or IPO candidates, there is a perception that Hawaii-based startups may struggle to provide liquidity for their investors. Defense Fund directly addresses this risk by embracing a diversified exit strategy. While traditional exits through mergers and acquisitions remain possible — particularly as mainland defense primes and “neo-primes” continue to acquire innovative startups — Defense Fund places special emphasis on Employee Stock Ownership Plans (ESOPs) as a viable exit mechanism. ESOPs enable inside sales to employees, keeping ownership and operations anchored in Hawaii while providing liquidity to investors. Research indicates that ESOP-owned companies often outperform their peers in terms of revenue growth, job creation, and resilience during downturns. By building this option into its exit playbook, Defense Fund ensures that liquidity does not depend solely on mainland markets and that companies remain embedded in the local economy.

Another concern is the high cost of living in Hawaii, which can make it difficult to attract and retain senior technical talent. Many Hawaii graduates with STEM degrees leave for the mainland, where they perceive greater career opportunities and higher compensation. Defense Fund mitigates this challenge in several ways. First, the jobs created by portfolio companies are projected to pay approximately $100,000 annually, making them competitive with mainland salaries when adjusted for quality of life. Second, the use of ESOPs and equity incentives provides employees with wealth-building opportunities beyond salary, a compelling differentiator compared to mainland primes where local staff rarely hold significant ownership. Third, Defense Fund supports remote-first hybrid models, enabling companies to access senior technical talent on the mainland while keeping their intellectual property, leadership, and headquarters in Hawaii. Finally, through deliberate partnerships with the University of Hawaii, the fund will build a local pipeline of entry-level engineers, cybersecurity professionals, and program managers, reducing reliance on imported talent over the long term.

The cyclicality of federal defense budgets is also a legitimate risk. Shifts in political priorities, sequestration events, or changes in procurement focus can disrupt demand for defense-oriented technologies. Here again, Defense Venture’s design offers resilience. The fund follows a commercial-first, defense-second model, meaning portfolio companies must demonstrate traction in commercial markets before expanding into defense applications. This ensures that companies can weather downturns in defense budgets by relying on commercial revenue streams. At the same time, the fund’s focus on areas such as artificial intelligence, cybersecurity, unmanned systems, and space resilience aligns with long-term DoD modernization priorities that are unlikely to face significant cuts, particularly given current tensions in the Indo-Pacific. By reserving thirty percent of capital for follow-on investments, the fund also maintains flexibility to support its strongest companies through leaner budget cycles.

A related concern is the limited depth of senior management talent in Hawaii. While the University of Hawaii produces strong graduates, the state lacks a large base of experienced CTOs, CFOs, and defense program managers. To mitigate this, Defense Fund leverages the networks of its General Partners and advisors, including individuals such as Kin Tan, who bring decades of defense sector and private equity experience.

Syndication with mainland venture funds further provides portfolio companies with access to seasoned executives and mentors. By combining local leadership with global advisory networks, Defense Fund ensures that Hawaii startups receive the guidance they need without being forced to relocate their operations. Over time, the fund’s mentorship model will also train a new generation of Hawaii-based managers, gradually building the state’s internal capacity.

The small scale of Hawaii’s local market is another factor that could limit early revenue opportunities for startups. Defense Fund addresses this by positioning DoD commands based in Hawaii— such as INDOPACOM, PACAF, and MARFORPAC — as anchor customers for pilot programs. These entities are both accessible and strategically important, providing startups with validation that can be leveraged in

mainland and global markets. In parallel, portfolio companies will be encouraged to pursue commercial contracts with airlines, logistics providers, utilities, and healthcare systems in Hawaii, securing early customers while preparing for larger-scale expansion.

Finally, the fact that Defense Fund is a first-time fund creates its own set of risks. Institutional investors often prefer managers with a multi-fund track record, which can make fundraising more challenging. Yet this is precisely why the SSBCI program exists. SSBCI was designed to encourage the launch of first-time funds in underserved markets, recognizing that without catalytic public dollars, such funds may never come to fruition. Defense Venture's first-time status should not be seen as a weakness but as a validation of why HTDC's role is critical. By anchoring the fund, HTDC fulfills the intent of SSBCI, demonstrating how public capital can de-risk first-time managers and unlock private investment.

B. Conclusion

The Evaluation Committee finds that Defense Fund represents a timely and strategic opportunity for both HTDC and the State of Hawaii. The fund is purpose-built to help Hawaii capture more value from existing federal defense spending by investing in post-revenue dual-use companies and providing the hands-on operational support needed to scale them in place. This approach directly advances Hawaii's long-term economic diversification goals while positioning the state as an emerging contributor to Indo-Pacific defense innovation.

Defense Fund is strongly aligned with the intent of HTDC's HI-CAP Invest program and the federal SSBCI mandate to seed first-time fund managers in underserved markets. The fund's operational model, combined with PIZ's institutional experience in defense contracting and dual-use commercialization, provides a credible foundation for disciplined deployment and measurable public benefit. HTDC's anchor commitment would also help unlock private co-investment and affirm Hawaii's commitment to expanding its own venture capital capacity.

Financial projections indicate competitive, risk-adjusted returns, supported by a focus on revenue-generating companies and diversified exit pathways, including ESOPs that help retain ownership and talent locally. Economic impacts—including new high-wage jobs, contract capture, and private capital crowd-in—further strengthen the case for investment.

While early-stage investing carries inherent risks, the fund's commercial-first strategy, strong governance structure, and active HTDC oversight mitigate these concerns.

Accordingly, the Evaluation Committee recommends that HTDC approve a $500,000 anchor commitment to Hawaii Defense Venture Fund I, LLC, contingent on securing at least $500,000 in matching private capital at first close.

III. Due Diligence Process Overview

Hawaii Technology Development Corporation
521 Ala Moana Blvd, Ste 255 | 808-539-3806
Honolulu, Hawaii 96813 | www.htdc.org

Summary of Key Terms & Condition for Board Approval

To: Hawaii Technology Development Corporation Board of Directors
From: Trung Lam, Executive Director & CEO; Tuan La, Hi-CAP Program Manager
Date: December 17, 2025
Subject: Hawaii Defense Venture Fund I, LLC (Defense Fund)

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1. Investment Approval Requested

HTDC management seeks Board authorization to:

1. Approve a $500,000 capital commitment to **Hawaii Defense Venture Fund I LLC**, representing 33.3% of total targeted commitments of $1,500,000.
2. Authorize the Executive Director & CEO, with support from the HI-CAP Program Manager, to finalize, negotiate, and execute all fund documents, including:
    - Fund Agreement
    - Subscription documents
    - Side letters defining reporting and impact obligations to HTDC
    - Any required certifications for SSBCI compliance
3. Authorize execution subject to review and approval by the Special Deputy Attorney General and AG's Office.

This commitment is contingent on meeting State Small Business Credit Initiative (SSBCI) requirements, including 1:1 matching capital and Hawaii-deployment requirements.

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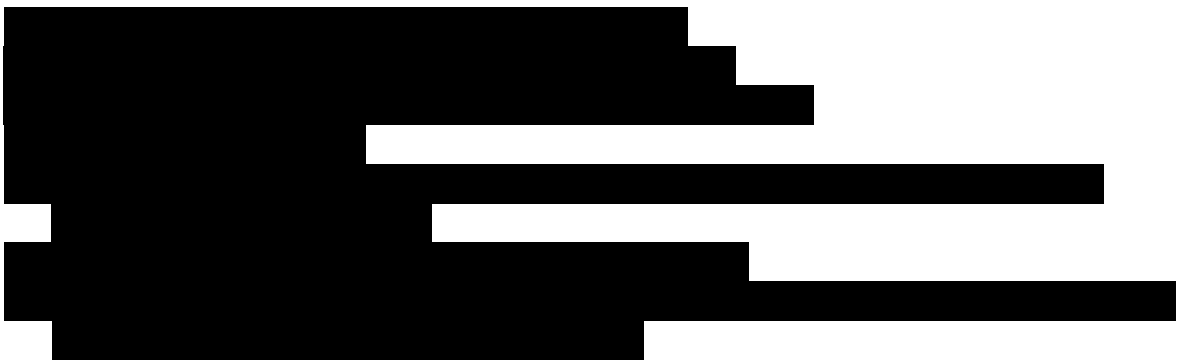
2. Fund Structure & Vehicle Details



Hawaii Technology Development Corporation
521 Ala Moana Blvd, Ste 255
Honolulu, Hawaii 96813
808-539-3806
www.htdc.org

3. Investment Strategy & Use of Capital

- The Fund's purpose is to invest in defense dual-use locally owned, operated startups that have a path to liquidity (ideally inside sale) within 5 years after initial investment.
- Sectors include but not limited to advance manufacturing, software/cybersecurity, technology export

General target investments:

[redacted]

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4. Investment Period & Fund Term

- Investment Period:
  Earlier of (i) 5th anniversary of Initial Closing or (ii) launch of a successor fund.
  During this period LPs are obligated to fund capital calls.
- Fund Term:
  10 years, extendable twice by 1 year each, and further extensions by majority LP consent.

HTDC's commitment is callable throughout the term for:

- Fund expenses
- Follow-on investments (≤35% of commitment)
- Deals in diligence prior to end of investment period

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5. Key Economic Terms

Management Fee

[redacted]

6. Governance & Oversight

HTDC Governance Rights

- HTDC will hold a seat on the Limited Partner Advisory Committee (LPAC).
- LPAC rights include:
  - Review of valuation methodologies
  - Oversight of conflicts of interest
  - Approval of investments outside limits (e.g., >20% concentration)
  - Consent on certain extensions and successor fund timing

7. Reporting Requirements (HTDC-Specific & Standard LP Rights)

Hawaii-Impact Reporting (Side Letter Requirement), HTDC will require quarterly reporting of Hawaii-specific metrics, including:

- Jobs created and total payroll impact
- Number of Hawaii-based portfolio companies
- Capital deployed into Hawaii entities
- Follow-on capital attracted to Hawaii companies

SSBCI Conditions

The Fund must meet all SSBCI rules, including:

- 1:1 private-sector matching capital (Hawaii Defense Venture Fund I LLC match of $0.5M satisfies this)
- Investment into Hawaii businesses consistent with SSBCI policies
- Documentation and reporting as required by Treasury

Hawaii Technology Development Corporation
521 Ala Moana Blvd. Ste 255 | 808-539-3806
Honolulu, Hawaii 96813 | www.htdc.org

To: Hawai`i Technology Development Corporation Board of Directors
From: Trung Lam, Executive Director & CEO
Date: December 17, 2025
Subject: Hawai`i Technology Development Corporation (HTDC) Executive Director's Report

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SPECIFIC ACTION REQUESTED:

Information only. No action requested.

PROGRAM UPDATES

A. Sponsorships
    i. Hawaii Venture Capital Association- $5,000
        i. 26th Annual Hawai`i Entrepreneur on February 25, 2026
        ii. Sponsorship will help to support this unite and high caliber event that highlights exceptional startups and entrepreneur leaders in Hawai`i. Helps to connect entrepreneurial, investor, and the business in our community.