



EXECUTIVE CHAMBERS

HONOLULU

December 17, 2008

LINDA LINGLE  
GOVERNOR

The Honorable Calvin Say, Speaker  
House of Representative  
Twenty-Fourth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear Speaker Say:

Subject: Act 260, SLH 2007- Relating to the Innovation Economy

Pursuant to the provisions in Act 260, I am attaching the Employees' Retirement System's report on its Hawaii venture capital investment program. You may also electronically view the report at <http://hawaii.gov/budget/LegReports/> pursuant to Act 231, Session Laws of Hawaii 2001.

If you have any questions on this matter, please call Mr. Rodney June, ERS' Chief Investment Officer, at 586-1727.

Sincerely,

/s/

LINDA LINGLE

Enclosure



EXECUTIVE CHAMBERS  
HONOLULU

LINDA LINGLE  
GOVERNOR

December 17, 2008

The Honorable Colleen Hanabusa, President  
Senate  
Twenty-Fourth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

Dear President Hanabusa:

Subject: Act 260, SLH 2007- Relating to the Innovation Economy

Pursuant to the provisions in Act 260, I am attaching the Employees' Retirement System's report on its Hawaii venture capital investment program. You may also electronically view the report at <http://hawaii.gov/budget/LegReports/> pursuant to Act 231, Session Laws of Hawaii 2001.

If you have any questions on this matter, please call Mr. Rodney June, ERS' Chief Investment Officer, at 586-1727.

Sincerely,

/s/

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EMPLOYEES' RETIREMENT SYSTEM  
OF THE STATE OF HAWAII

HAWAII VENTURE CAPITAL INVESTMENT PROGRAM

Act 260, Session Laws of Hawaii 2007, expresses the State's desire to increase economic growth through the development of the State's human resources, and employing these highly skilled resources to leverage increases in innovation across the State's economy.

The Board of Trustees of the Employees' Retirement System (ERS) acknowledges the intent of Act 260. Accordingly, the ERS, through its investment policies and an appropriately-sized funding allocation, has demonstrated a commitment to supporting an innovation economy while at the same time achieving attractive venture capital investment returns for the benefit of its beneficiaries.

The ERS is required to annually report on its Hawaii venture capital investment program. To date, the ERS has supported Act 260 through the following investment measures:

- Commitment totaling \$7,585,366 in M/C Ventures Partners V fund through the ERS' traditional private equity program. This fund has made an equity investment in Mobi PCS, which is a locally-based telecommunications company.
- The ERS' Hawaii Targeted Investment Program (HiTIP) Policies and Procedures were approved by the Board on March 10, 2008, which included the adoption of funding criteria as required by Act 260. The Board approved HiTIP funding at \$25 million on November 10, 2008.
- Through a competitive search process, the Board selected a discretionary investment manager to operate and manage the HiTIP, which is projected to have a program lifespan of up to 15 years. The contract is expected to be executed by December 31, 2008; the first HiTIP allocation to a venture fund is projected to occur in 2009.