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# State clarifies process for mbloom investments but does not disclose names

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mbloom and the Hawaii State Development Corporation held a town hall meeting to address community concerns. From left: moderator Spencer Toyama; Arben Kryeziu and Nick Bicanic, mbloom; and Karl Fooks, HSDC

## IN THIS ARTICLE

- [Devon Archer](#)Person
- [Karl Fooks](#)Person

By Jason Ubay – Reporter, Pacific Business News  
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The general partners of early-stage investment fund mbloom and the president of the Hawaii State Development Corp. addressed questions from the local tech community regarding conflict of interest in a town hall meeting at Box Jelly in Kakaako on Thursday night.

The speakers, [Karl Fooks](#), president of the HSDC and general partners of mbloom, Arben Kryeziu and Nick Bicanic, blamed themselves for poor communication, and the crowd demanded answers on mbloom's investment process and disclosure.

Maui-based mbloom has been a topic of discussion in the tech community after it announced its first two investments, Flikdate and Ozolio. Controversy arose when it was revealed that the two companies were founded by the general partners of mbloom.

Fooks explained mbloom's investment process and clarified that the state's involvement is not a subsidy or a free ride to private investors.

He said, "Our criteria was to find entrepreneurs who were No. 1, committed to building Hawaii as an innovation hub, No. 2 could attract private capital in meaningful amounts that could give us scale in the different activities we wanted to support and No. 3 were willing to work with HSDC and address some of the issues we have a public agency and a state investment."

He listed some examples of this strategy, including Blue Startups and GVS Transmedia Accelerator, and says a core entrepreneur runs each one.

Fooks said the state was aware that Kryeziu and Bicanic were the founders of Ozolio and Flikdate.

"We were aware of the situation and we tried to leverage them as a fund raising mechanism to get private investors to commit to a Hawaii targeted

fund,” Fooks said. Any conflict of interest between the limited partner investors and general partner manager are handled by the limited partner advisory committee, he said.

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“Obviously, investing in related party company is not a usual practice, it’s not something that happens often and it wasn’t our intention that we were going to have a fund of all of Arben and Nick’s companies,” Fooks said. “To be clear, it was the limited partners that looked at the companies that determined whether or not the fund was going to invest in that.”

Fooks and [Devon Archer](#), who represents mbloom’s private investor Rosemont Seneca Technology Partners, can jointly choose a third member to assist them on the limited partner committee.

“I know a lot of people are wondering why we can’t disclose everything,” Fooks said. “It’s a public-private partnership, and since it’s public money, everything should be disclosed. One of the things I want to be able to communicate and explain to everyone is our mandate is to use public funds and to invest as a private investor. We work together and invest alongside other private capital

on the same terms and conditions, and we enter into the same agreements and the same documentation that they are executing. There are agreements on keeping private matters private. We want to be able to invest in this manner. We think it's important for the state to support an ecosystem and be able to provide this role in the community. We want to honor our obligations that we've made to our private investor partners. It's important that those principles be upheld."

Fooks confirmed a third party was involved in the decision on Flikdate and Ozolio, but would not disclose that person's name.

"There was a third party involved but I don't think it's important that we disclose who that person is because it would become difficult for us to get other people to want to participate in the future, which would defeat the purpose being able to invite an independent, unaffiliated third person to these activities," Fooks said. "We asked this person to step in on a volunteer basis. They had no financial interest in HSDC or the other investor or mbloom and we want to be able to still attract those kinds of people to assist us."

Fooks apologized and said it never intended to hide anything.

"I feel very bad that this resulted ended up in a lot of acrimony and misunderstanding of what our intentions and purposes were," Fooks said. "We never intended to hide anything. I think we were out in the open, what our investment strategy was, who we were talking to in terms of who we were investing in. We disclosed what we felt were material information to the community."