

JAN 23 2006

S.B. NO. 2100

A BILL FOR AN ACT

RELATING TO VENTURE FINANCING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Hawaii's emerging
2 growth companies continue to face a shortage of available
3 private sector venture capital. Much progress has been made in
4 recent years, but the continued shortfall of equity growth
5 financing stifles new company expansion and the State's economic
6 development. The Hawaii strategic development corporation has
7 been effective as a catalyst in generating venture funding in
8 conjunction with private investors, directly leveraging its
9 \$16,000,000 of public funds over seven times with private
10 capital and indirectly leveraging its funds over thirty times
11 for investment in Hawaii's startup companies. Further, Act 215,
12 Session Laws of Hawaii 2004, has greatly stimulated new private
13 investment by providing incentives to investors in qualified
14 high technology businesses.

15 Yet more funding is needed. The Hawaii strategic
16 development corporation needs additional resources to forge new
17 public/private partnerships with market-based investment firms
18 that will provide equity capital to high-growth companies and



1 strengthen and diversify Hawaii's economy. This Act will
2 provide funding for the Hawaii strategic development corporation
3 to be utilized in attracting additional private venture capital
4 to accelerate the growth of Hawaii's technology sectors.

5 The purpose of this Act is to provide matching funds to the
6 Hawaii strategic development corporation for the purpose of
7 attracting additional private venture capital to accelerate the
8 growth of Hawaii's technology sectors.

9 SECTION 2. (a) There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$10,000,000, or so
11 much thereof as may be necessary for fiscal year 2006-2007, to
12 be matched on a dollar-for-dollar basis with private sector
13 funds and deposited into the Hawaii strategic development
14 corporation revolving fund established pursuant to section 211F-
15 5, Hawaii Revised Statutes.

16 (b) The moneys appropriated pursuant to this Act shall be
17 expended for the purposes of investing in later-stage
18 development companies, as determined pursuant to criteria
19 established by the Hawaii strategic development corporation,
20 that:



- 1 (1) Have already raised seed and venture capital
- 2 investment and are at or have progressed beyond the
- 3 proof of concept stage;
- 4 (2) Will maintain a principal place of business in the
- 5 State; and
- 6 (3) Abide by any other requirements that benefit the State
- 7 of Hawaii that the Hawaii strategic development
- 8 corporation may establish.

9 (d) In expending the moneys appropriated by this Act, the
10 Hawaii strategic development corporation's board of directors
11 shall:

- 12 (1) Contract the services of a private sector investment
- 13 manager in accordance with chapter 103D, Hawaii
- 14 Revised Statutes;
- 15 (2) Invest the moneys in accordance with criteria
- 16 established by this Act and any other criteria the
- 17 Hawaii strategic development corporation board of
- 18 directors deems appropriate;
- 19 (3) Maintain oversight over the private sector investment
- 20 manager; and
- 21 (4) Submit quarterly investment reports to the
- 22 legislature.



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1 (e) The sum appropriated shall be expended by the Hawaii
 2 strategic development corporation; provided that no funds
 3 appropriated pursuant to this Act shall be expended unless
 4 matched by private sector funds.

5 SECTION 3. This Act shall take effect on July 1, 2006.
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Report Title:

Venture Capital; Appropriation

Description:

Appropriates matching funds to the Hawaii strategic development corporation to be utilized in attracting additional private venture capital to accelerate the growth of Hawaii's technology sectors.

