
TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Clarify high technology business investment tax credit

BILL NUMBER: HB 552

INTRODUCED BY: McKelvey, Brower, Evans, Har, Say, Tsuji, Ward and 3 Democrats

BRIEF SUMMARY: Amends HRS section 235-110.9 to amend the definition of “qualified research” to provide that it shall have the same meaning as the term defined in HRS section 235-7.3.

EFFECTIVE DATE: Tax years beginning after December 31, 2008

STAFF COMMENTS: This measure merely clarifies the definition of qualified research as it relates to the high technology business investment tax credit.

Digested 2/13/09

PACIFICAP
GROUP

PACIFICAP GROUP, LLC
820 Miliuni Street, Suite 600
Honolulu, HI 96813
Direct: 808.237.5388 Fax: 808.537.2188

February 15, 2009

To: EBMtestimony@Capitol.hawaii.gov

*Testimony for Hearing before the
House Committee on Economic Revitalization, Business and Military Affairs
Tuesday, February 17, 2009, 4:00 pm*

*State Capitol, Conference Room 329
415 South Beretania Street
Honolulu, Hawaii 96813*

*Re: Testimony in Support of HB 552
Relating to the High Technology Business Investment Tax Credit*

Chair McKelvey, Vice-Chair Choy, and Committee Members:

Thank you for the opportunity to submit testimony in Support of HB 552, relating to the High Technology Business Investment Tax Credit, commonly known as the "Act 221 Investment Credit."

I am Jeff Au, Managing Director and General Counsel of PacificCap, Hawaii's largest locally based venture capital firm.

I support this bill because clarifies existing statutory language for the Act 221 Investment Credit, but I respectfully suggest that this bill could be improved if it also would extend the sunset date of the Act 221 Investment Credit to December 31, 2015.

The Act 221 Investment Credit has been essential for many local tech companies to survive. Many of them have little or no revenue while they conduct research to develop new technologies and products that they plan to sell. This process can take several years. During this period, these companies need investors to invest new cash each year to provide the money they need to pay employees and continue their research and operations. Because of the shortage of other venture capital in Hawaii, cash invested through Act 221 Investment Credits has been the only source of operating capital for many Act 221 companies.

Tax Department data shows that in 2007, 177 Act 221 companies paid more than \$228 million in salaries and other job compensation, while 78.5% of them still were not profitable. If just 50% of Act 221 companies fail because of the sunset of the Act 221 Investment Credit, more than \$100 million of jobs could be lost.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.
- All of these benefits, already realized long BEFORE most of these Act 221 companies have reached their full potential, have already far exceeded the costs of credits claimed from 1999 through 2006 of less than \$296 million (\$437 million including credits claimed from 1999 through 2007).

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Thank you very much for allowing me to submit this testimony today.

Respectfully submitted,

Jeffrey K. D. Au
Managing Director and General Counsel
PacifiCap Group, LLC

From: Bill Spencer [bspencer@hawaii.rr.com]
Sent: Sunday, February 15, 2009 6:18 PM
To: EBMtestimony
Subject: Testimony HB727 - Relating to Technology Tax Credits and HB 552



805 Kainui Drive
Kailua, Hawaii 96734

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Bill Spencer, President, Hawaii Venture Capital Association

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair McKelvey, Vice Chair Choy, and Members of the Committee,

On behalf of the 1,500 members and friends of the Hawaii Venture Capital Association, let me express strong support HB727 because it would extend the sunset date of Act 221/215 to December 31, 2015. We also support the language clarification in HB552.

Act 221 has more than proven to be an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

The Hawaii Venture Capital Association is one of Hawaii's oldest economic development trade associations devoted to diversifying Hawaii's economy, capital formation and Hawaii's entrepreneurs for last 21 years.

Thank you for your kind consideration of this testimony.

Sincerely,

/s/
Bill Spencer, President, Hawaii Venture Capital Association
bspencer@hawaii.rr.com
808-225-3579



HOUSE BILL 727: RELATING TO TECHNOLOGY TAX CREDITS
*** HOUSE BILL 552: RELATING TO HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT**

DATE: February 17, 2009
4:00PM, Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac Choi, Vice Chair

FROM: Lisa H. Gibson
President
Hawaii Science & Technology Council

RE: Testimony in Strong Support of HB727
Testimony in Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee:

Thank you for the opportunity to testify on these bills. The Hawaii Science & Technology Council (HISciTech) strongly supports HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

The Hawaii Science & Technology Council (HISciTech) is a 501(c)6 industry association with a 28-member board. HISciTech serves Hawaii companies engaged in ocean sciences, agricultural biotechnology, astronomy, defense aerospace, biotech/life sciences, information & communication technology, energy, environmental technologies, and creative media.

Thank you for the opportunity to testify on this bill.

Lisa H. Gibson
President



700 Bishop Street, Suite 2000 Honolulu, HI 96813

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

From: Traci H. Downs, Ph.D.
President & COO
Archinoetics, LLC

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Archinoetics, LLC strongly supports HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Archinoetics, LLC is a woman owned world class technology company focused on the research and development of human-centered technologies. Our current research and development projects include functional brain imaging systems, human fatigue and performance monitoring devices, intelligent algorithms based on genetic programming and biometric sensors, remote sensing, and specialized computing platforms. We were created in 2005 with the help of Act 221 which allowed my husband and I to make the leap of investing in our own company. Today we employ 30 software and hardware engineers and scientists from varying backgrounds. Over 1/2 of our employees are kamaaina who left Hawaii and never dreamed that they would be able to work in their profession and raise their children back here at home. Act 221 has made a profound impact on life for all of us here on the islands and I desperately implore you to keep it alive.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Traci H. Downs

Traci H. Downs, Ph.D.

President & COO (co-founder)

Archinoetics, LLC

382-0314 (direct)

traci@archinoetics.com

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 15, 2009 10:12 PM
To: EBMtestimony
Cc: strsws@mac.com
Subject: Testimony for HB552 on 2/17/2009 4:00:00 PM
Attachments: 221-215 Slideshow.pdf; 221-215 Handouts.pdf

Testimony for EBM 2/17/2009 4:00:00 PM HB552

Conference room: 329
Testifier position: comments only
Testifier will be present: Yes
Submitted by: Shan Steinmark
Organization: Strategic Transitions Research
Address: 66 Queen Street - #3501 Honolulu, HI
Phone: 8084639590
E-mail: strsws@mac.com
Submitted on: 2/15/2009

Comments:

Aloha Chair McKelvey & Vice Chair Choy,
I am attaching both slideshow & handout versions of my testimony on HB 552, HB 727 & HB 1451.
I will also be present at the EBM hearing on Tuesday February 17th at 4:00 p.m.
At that time I will present clarifying comments on the following:
1. Cost-Benefit Analysis of Act 221/215 2. The Unsung Value of LOCAL IP in Science & Technology 3. The Critical Need in Hawaii for Economic Re-Vitalization, Investment into the Innovation Economy & Pursuit of Strategic Growth Opportunities Mahalo for your akamai kokua,
Shan Steinmark

ACT 221/215
COST-BENEFIT ANALYSIS
&
RECOMMENDATIONS
for
CHANGE

Shan W. Steinmark, Ph.D.
Strategic Transitions Research

1/27/09

HI LEG. / STR

1

BACKGROUND & DISCLOSURES

- Hawaii Science & Technology Council - Board of Directors / CEO Forum Designer
- Hawaii Angels - Executive Board, Due Diligence Shepherd & Equity-Side Investor
- Hawaii Biotech - Board Observer
- Kuehnle AgroSystems - Board of Directors
- Pipeline Micro - Former Board of Directors
- Talk-Story Productions - Former Advisor
- Hnu Photonics, Hnu Defense, Hnu Energy - Pre-Board Advisor
- Pacific Asia Center for Entrepreneurship (Shidler College of Business) - Advisory Board
- Governor's Hawaii Innovation Council - Subcommittee on Capital Formation
- Governor's Maui Council of Advisors
- Strategic Transitions Research - Founder (1973)
- **40 Years = Consultant Enhancing Individual, Team & Organization Effectiveness**
- **Primarily with R&D / Growth Businesses - From Start-Ups to Fortune 500**

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2

COMMON GROUND

ROLE:

- ASK TOUGH QUESTIONS
- TELL TRUTH TO POWER
- COLLABORATE TO SOLVE PROBLEMS

ANALYZE

- SORT MYTH FROM FACT
- STUDY CAUSE-EFFECT
- LEARN BEST PRACTICES

LEAD, LEAD, LEAD

- SET DIRECTION
- BUILD COALITIONS
- MOTIVATE & INSPIRE

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3

COST-BENEFIT ANALYSIS for ALL

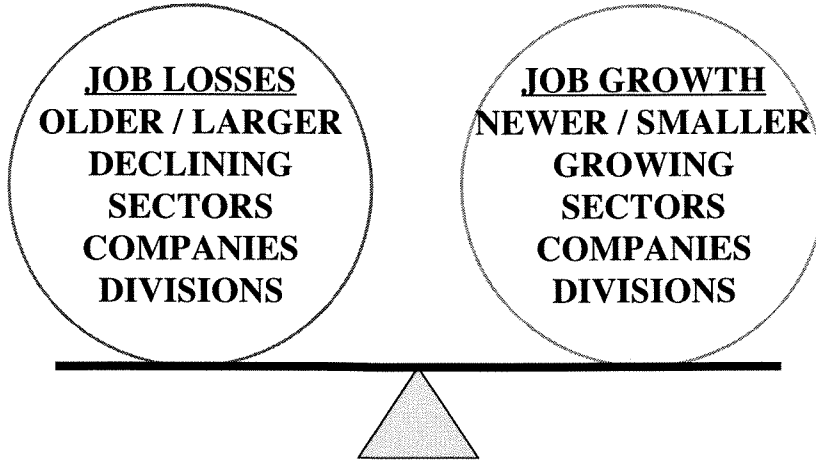
	PROS	CONS	CHANGE
Agriculture			
Real Estate			
Tourism			
Military			
Technology			

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4

CHRONIC CHALLENGE in AMERICA

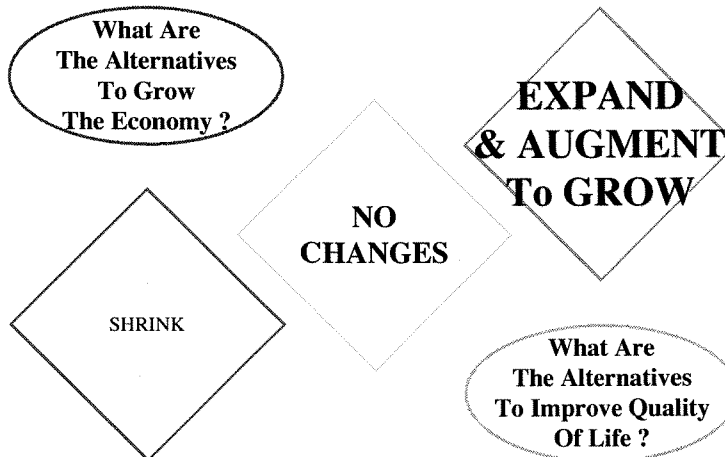


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5

TOUGH CHOICES



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6

HOW TO SURVIVE & THRIVE

	<i>SURVIVE</i>	<i>THRIVE</i>
“UP” ECONOMY	<i>Regularly Manage Non-Performers</i>	<i>Steadily Pursue Strategic Growth Opportunities</i>
“DOWN” ECONOMY	<i>Aggressively Manage Non-Performers</i>	<i>Urgently Pursue Strategic Growth Opportunities</i>

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7

REAL \$ GROWTH via INNOVATION

???'S for HAWAII AMIDST GLOBAL COMPETITION:

- HOW DO WE GROW START-UP BUSINESSES ?
- HOW DO WE GROW THE SCI-TECH INDUSTRY ?
- HOW DO WE GROW AN INNOVATION ECONOMY ?

UNIVERSAL ANSWER =

MORE / BETTER / FASTER ...

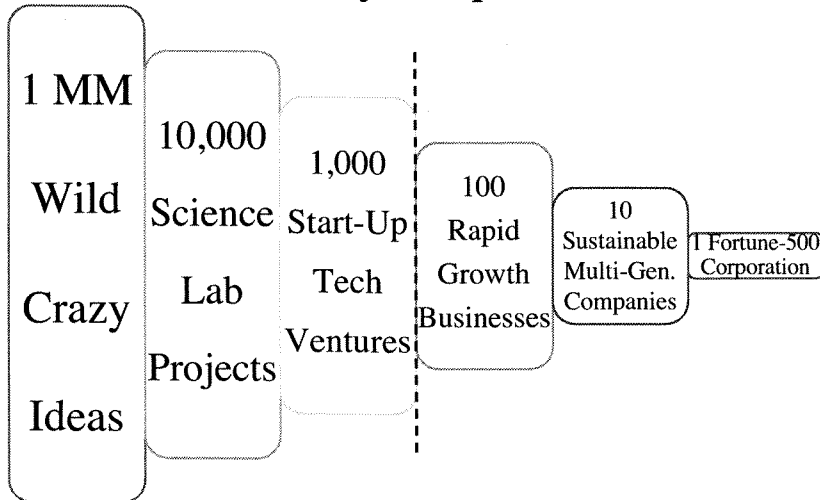
TECHNOLOGY, TALENT & CAPITAL !!!

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8

Innovation Economy - Requires "PIPELINE"

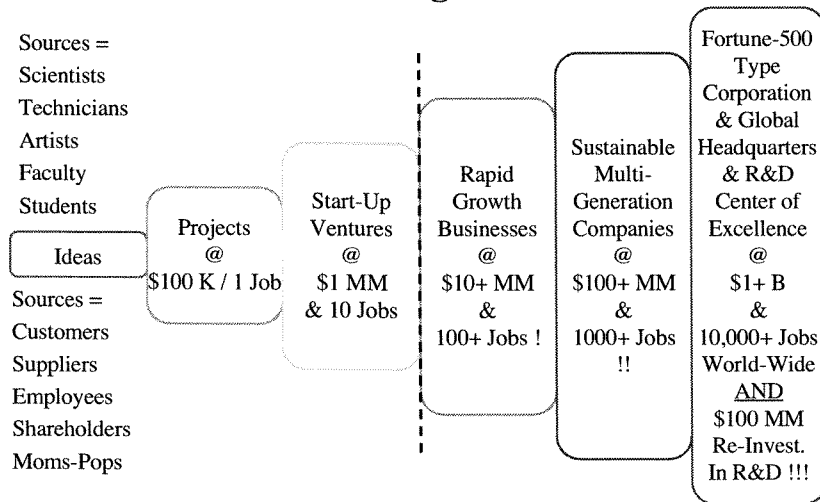


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9

Success = Self-Sustaining GROWTH ENGINE



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10

THE JOB CREATION PROCESS

MUST BUILD & SUSTAIN
INNOVATION PIPELINE
& GROWTH ENGINE !!!

MOST JOB GROWTH
OCCURS in the LATER STAGES
of INNOVATION

MOST
REAL ECONOMIC GROWTH
BEGINS WITH
INNOVATION

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11

MORE-BETTER JOBS - HOW ?

Build & Sustain a Full Innovation Pipeline in HI

Develop & Retain Local Creative / Tech Talent

Enhance Support for Commercialization

Provide Incentives to Attract Clean Manufacturing

Develop Strategic World-Class Centers of Excellence

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12

THE VALUE of LOCAL TALENT

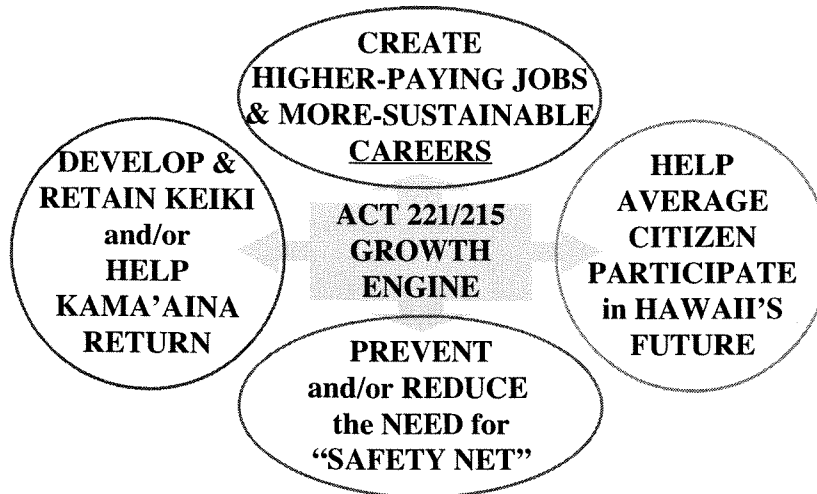
	LOCAL Inventors Owners	LOCAL Managers	LOCAL Employees
HAWAII <u>WITH</u> ACT 221/215	HIGHER %	HIGHER %	HIGHER #’s NOW & FUTURE
HAWAII <u>WITHOUT</u> ACT 221/215	lower %	lower %	lower #’s now & future

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13

PEOPLE



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14

HI Strategic Growth Opportunities

TROPICAL BIO-TECH

TROPICAL AGRICULTURE

TROPICAL OCEAN-AQUACULTURE

DIVERSE CULTURE / INTEGRATION / CREATIVE ARTS

RENEWABLE ENERGY GENERATION

NATIONAL DEFENSE / SECURITY

ASTRONOMY DUAL-USE

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15

MORE-BETTER CAPITAL - HOW ?

Pursue Hawaii's Strategic Growth Opportunities

Provide Better PR for Success Stories in Hawaii

Attract More Mainland / Pacific Rim VC Capital

Link to Federal "Shovel-Ready" / "Ready-to-Go"

Develop Strategic World-Class Centers of Excellence

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16

THE VALUE of LOCAL CAPITAL

	LOCAL Investment	LOCAL R.O.I.	LOCAL RE-Invest. ENGINE
HAWAII <u>WITH</u> ACT 221/215	HIGHER \$\$\$\$\$	HIGHER \$\$\$\$\$	HIGHER \$\$\$\$\$
HAWAII <u>WITHOUT</u> ACT 221/215	lower \$	lower \$	lower \$

1/27/09

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17

REVENUES - MYTHS VS. FACTS

	<i>Myths</i>	Probabilities
<u>EXPAND</u> ACT 221/215	More Cost Less Tax Rev.	More Benefit More Bus. Rev.
<u>SHRINK</u> ACT 221/215	Less Cost More Tax Rev.	Less Benefit Less Bus. Rev.

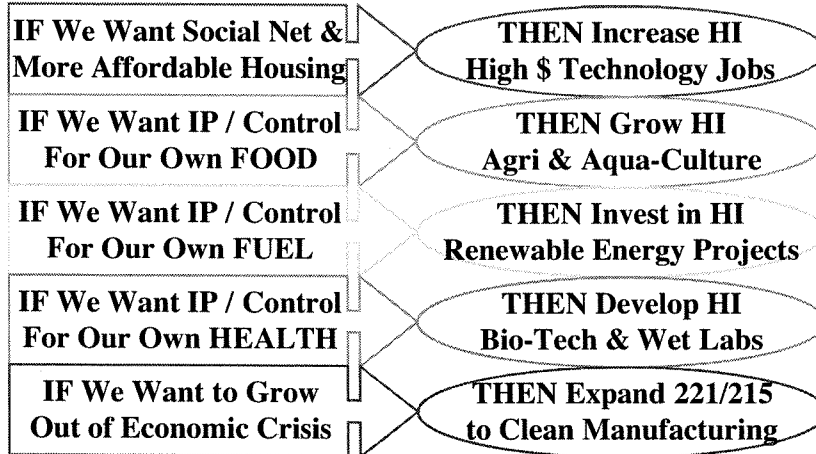
**NOTE: TAX REV. DEPENDENT on BUSINESS REV.
& TAX LIABILITY DEPENDENT on TAX ADVICE**

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18

FIXING PROBLEMS - CASE EXAMPLES

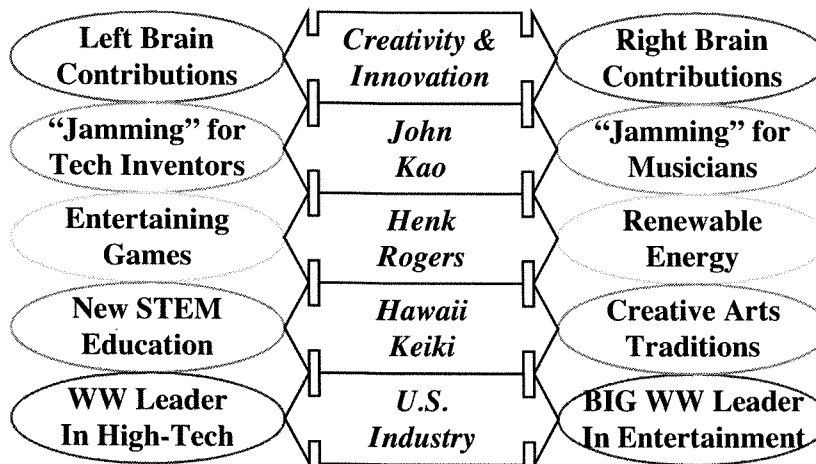


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19

NEED IP in BOTH SCIENCES & ARTS



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20

SUSTAINABILITY - WHEN & HOW ?

	Land-Use Economy	Innovation Economy
HAWAII WITH ACT 221/215	<u>Small Footprint</u> Use More Energy Sources Than Land	<u>Local Sustainable</u> Technology for Food/Fuel/Health & Higher Wages
HAWAII WITHOUT ACT 221/215	<u>Large Footprint</u> Lower Wages & More Need For Social Net	Much Slower Behavior Change & Less Progress Toward Future

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21

LOCAL IP = LOCAL ENGINE / CONTROL

	IMPORT	EXPORT
HAWAII WITH ACT 221/215	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	<u>LOCAL</u> Ideas / IP & Technology for Food-Fuel-Health & Many Products
HAWAII WITHOUT ACT 221/215	<u>Others'</u> Ideas / IP & Technology for Food-Fuel-Health & Most Products	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

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22

CRISIS = DANGER & OPPORTUNITY

CHALLENGES:

- NATIONAL FINANCIAL CRISIS
- STATE TOURISM & BUDGET CRISES
- THREAT to LOCAL JOBS, HOMES & “SAFETY NET”

SOLUTION

- BUILD on SUCCESS
- DEVELOP LOCAL ASSETS
- USE GROWTH ENGINE

NOT

- Destroy Work-in-Progress
- Succumb to Fear
- Shrink

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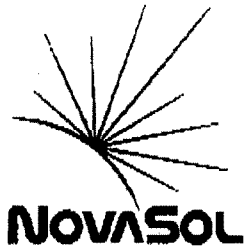
23

INVEST
in
HAWAII
NOW !

1/27/09

HI LEG. / STR

24



CORPORATE OFFICE

733 Bishop Street
 Makai Tower, 28th Floor
 Honolulu, Hawaii 96813
 808.441.3600
 808.441.3601 fax

To:	House Committee on Economic Revitalization, Business and Military Affairs Representative Angus McKelvey, Chair Representative Isaac W. Choi, Vice Chair
From:	Dr. Rick Holasek, President and CEO
Company:	NovaSol
Date:	Tuesday, February 17, 2009 4:00 PM Room 329
Subject:	HB727 - Relating to Technology Tax Credits HB552 - Relating to the High Technology Business Investment Tax Credit
RE:	Testimony In Strong Support of HB727 Testimony In Support of HB552



FAX

Aloha Chair, Vice Chair, and Members of the Committee,

Please see my attached letter for testimony in strong support of HB727 and HB552.

Sincerely,

Rick Holasek, PhD
 President and CEO, NovaSol
 Ph: 441-3666
 rick@nova-sol.com



February 17, 2009

HB727 - Relating to Technology Tax Credits
HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009, TIME: 4:00pm, PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
 Representative Angus McKelvey, Chair
 Representative Isaac W. Choi, Vice Chair

FROM: Rick Holasek, President and CEO, NovaSol

RE: **Testimony In Strong Support of HB727**
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. NovaSol strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

NovaSol is a local Hawaii-based high technology firm working in the aerospace/defense sector. Established in 1998, we specialize in reconnaissance camera systems and free space optical communications.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Rick Holasek, PhD
 President and CEO, NovaSol
 808-441-3666
 rick@nova-sol.com

CORPORATE OFFICE

28th Floor
 733 Bishop St.
 Honolulu, Hawaii 96813
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 Honolulu, Hawaii 96813
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 808.680.9624 fax

www.nova-sol.com



Hawaii Aquaculture Association

THE HOUSE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

DATE: February 17, 2009

TIME: 4:00pm

PLACE: Conference Room 329, Hawaii State Capitol

RE: Testimony In Support of HB552 - Relating to the High Technology Business
Investment Tax Credits

Aloha Chair McKelvey, Vice Chair Choi, and Members of the Committee,

The Hawaii Aquaculture Association supports HB552 because it provides important language clarification. The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies have created more than 4,000 employee and independent contractor jobs.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy. Thank you for the opportunity to testify on this important bill.

Sincerely, Ron Weidenbach, HAA President

From: Jay M. Fidell [fidell@lava.net]
Sent: Monday, February 16, 2009 3:57 PM
To: EBMtestimony
Subject: Testimony HB727 - Relating to Technology Tax Credits and HB 552

THINKTECH HAWAII, INC.

841 Bishop Street, Suite 1500
Honolulu, Hawaii 96813
February 16, 2009

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Jay Fidell, President, ThinkTech Hawaii, Inc.

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair McKelvey, Vice Chair Choy, and Members of the Committee,

On behalf of ThinkTech Hawaii and its members and friends, let me express strong support HB727 because it would extend the sunset date of Act 221/215 to December 31, 2015. We also support the language clarification in HB552.

Act 221 has more than proven to be an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Thank you for allowing me this opportunity to testify.

Respectfully,

/s/
Jay Fidell, President, ThinkTech Hawaii, Inc.
808-780-9254

Cellular Bioengineering, Inc.

Invent. Disrupt. Inspire.

HB727: Relating to Technology Tax Credits

HB552: Relating to High Technology Business Investment Tax Credit

Date: February 17, 2009

Time: 4:00 p.m.

Place: Conference Room 329

To: House Committee on Economic Revitalization, Business and Military Affairs

The Honorable Angus McKelvey, Chair

The Honorable Isaac Choi, Vice Chair

From: Michael J. Coy, Vice President, Cellular Bioengineering, Inc. (CBI)

Re: Testimony in Strong Support of HB727 and Testimony in Support of HB552

Aloha Chair, Vice Chair and Members of the Committee:

Thank you for the opportunity to testify on these bills. CBI strongly supports HB727 because it would extend the sunset date of Act 221 to December 31, 2015. CBI also supports the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
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Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

With help from Act 221, CBI has grown from 2 employees to 30; acquired technologies from leading scientific institutions around the world; harnessed a robust portfolio of over 25 patents and patent applications; developed the world's most advanced artificial cornea technology which holds the promise of restoring vision to 10 million people around the world; commercialized from concept to market a new generation of green technology for surface cleaning and decontamination; brought talented kama'āinas back home to work, thrive, and pay taxes; and demonstrated to the world that it is entirely possible for a Hawaii-based technology company to have impact that is truly global. Without Act 221, many of these feats could not possibly be accomplished in Hawaii.

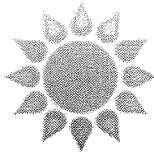
Sincerely,



1946 Young Street, Suite 288 · Honolulu, Hawaii 96826

Ph: 808.949.2208 · Fax: 808.949.2209

www.cellularbioengineering.com



pacific
light & power

Bringing Renewable Energy to Hawaii and Pacific Oceania

HB727 - Relating to Technology Tax Credits

HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009
TIME: 4:00 pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military
Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Pamela S. Miller
Title: Vice President, Project Development
Company: Pacific Light and Power, LLC

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Pacific Light and Power strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.



Bringing Renewable Energy to Hawaii and Pacific Oceania

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Pacific Light and Power is a Kauai-based renewable energy company working with resource-constrained grids through the Hawaiian islands and the Pacific Rim. Because island grids have special challenges, it is necessary to use unconventional technologies in order to make renewable energy feasible. These technologies are difficult to finance and Act 221 gives investors incentive to promote these projects and technologies.

Pacific Light and Power is developing more than one project. Just one 10 megawatt renewable energy project will create approximately 100 construction jobs and between 4 and 10 permanent jobs, while contributing to the Hawaiian Clean Energy Initiative and Renewable Portfolio Standard targets for energy produced by renewable means. This also reduces the island's dependence on oil as a power generation fuel, keeping resources on island.

Act 221 is a good incentive for development on Hawaii and should not be constrained.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Pamela S. Miller
VP, Project Development
Pacific Light and Power, LLC
(808) 634-8866
pam@pacificlightandpower.com



HB727 - Relating to Technology Tax Credits

HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009

TIME: 4:00pm

PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs

Representative Angus McKelvey, Chair

Representative Isaac W. Choi, Vice Chair

FROM: Norman Wayne Karo

CEO

Pipeline Micro

RE: Testimony In Strong Support of HB727

Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Pipeline Micro strongly supports HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Growing high tech companies takes years; developing a robust technology industry sector takes even more time. It is important that our Hawaii companies are given a long

enough runway so they can sustain their contributions to diversifying our State's economy.

Hawaii-based Pipeline Micro is the developer of the world's smallest and most efficient liquid cooling systems for consumer electronics, including computers, laptops, and video graphics cards. Liquid cooling systems developed by the company use a patented thermal system design that dramatically improves heat transfer, stabilizes temperature, and enables products to run faster, perform longer, and use less energy.

Pipeline Micro grew from 5 to 13 employees in 2008, and will grow to over 20 employees in 2009. We hire University of Hawaii graduates and are bringing world renowned talent into the State. Our customers are global electronics giants from the Mainland and Japan. Act 221/215 has enabled us to take a "holy grail", breakthrough invention from the University of Hawaii and make products that are in high demand even in this recession.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Norman Wayne Karo
CEO
Pipeline Micro
(808) 292-0131
wayne.karo@pipelinemicro.com

From: Lynn Rasmussen [lynrras@maui.net]
Sent: Monday, February 16, 2009 3:26 PM
To: EBMtestimony
Subject: estimony In Strong Support of HB727 Testimony In Support of HB552

FROM: Lynn Rasmussen
President, CEO
Mohala Media LLC

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Mohala Media strongly supports HB727 because it extends the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii. These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone. These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

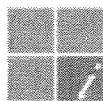
On Jan 22, Mohala Media submitted a proposal for an \$850,000 federal Dept. of Education Small Business Innovation Research contract. We are developing a new system that can transform education from the ground up. If we receive the contract, we will expand from 1 1/2 employees to 8. With the help of the tax credit we could put field organizers in every community in Hawaii to hasten the online and offline development of the system and bring it to market quickly.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Lynn Rasmussen
CEO, president
Mohala Media LLC
<http://lynnsbigidea.com>
lynrras@gmail.com

From: Lynn Fujioka [lfujioka@isishawaii.org]
Sent: Monday, February 16, 2009 9:58 AM
To: EBMtestimony
Subject: Testimony in Support of House Bills Relating to ACT 221



isisHawaii

the power of one plus one... P.O. Box 161296, Honolulu, Hawaii 96816 • www.isishawaii.org

HB727 - Relating to Technology Tax Credits
HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Lynn Fujioka, President, isisHawaii

RE: Testimony In Strong Support of HB727 / Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. isisHawaii strongly supports HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

isisHawaii is a local not-for-profit organization that provides resources and opportunities for students to foster and sustain interest in STEM (i.e., science, technology, engineering, mathematics) pathways. Many of the companies supported by these bills are active participants in the valuable outreach programs we coordinate throughout the State. They are stimulating interest and motivation for students pursuing higher education in

advanced technologies. They provide exciting innovative options (outside of utilities and government) for budding young scientists and engineers. Hawaii has not yet seen the full impact of what Act 221 has done for our education community. I urge you to extend the sunset date to support the good work that will bring on the next generation to meet Hawaii's critical advanced technology needs.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Lynn Fujioka
President
isisHawaii
(808) 988-1931
lfujioka@isishawaii.org

From: John Stiles [jstiles@integratedcoffee.com]
Sent: Monday, February 16, 2009 11:37 AM
To: EBMtestimony
Subject: HB727-Relating to Technology Tax Credits & HB552-Relating to the High Technology Business Investment Tax Credit

HB727 - Relating to Technology Tax Credits
HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs Representative Angus McKelvey, Chair Representative Isaac W. Choi, Vice Chair

FROM: John I. Stiles, Ph D
Chief Executive officer & Chief Scientist
Integrated Coffee Technologies, Inc.

RE: Testimony In Strong Support of HB727 Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Integrated Coffee Technologies, Inc. strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.

These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.

These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Integrated Coffee Technologies, Inc. is a Qualified High Technology company working in agricultural biotechnology.

Thank you for the opportunity to testify on this important bill.

Sincerely,

John Stiles, Ph.D.

From: O'Malley, Michael J. [momalley@goodsill.com]
Sent: Monday, February 16, 2009 10:38 AM
To: EBMtestimony
Subject: HB727 - Relating to Technology Tax Credits & HB552 - Relating to the High Technology Business Investment Tax Credit

HB727 - Relating to Technology Tax Credits
HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Michael J. O'Malley
Partner
Goodsill Anderson Quinn & Stifel LLP

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. The views expressed herein are mine personally and are neither submitted nor should they necessarily be taken as the views of my firm. I am writing as an individual to express my strong support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. I also support the language clarification in HB552.

The Department of Taxation's own comprehensive study of the Act 221 Investment Credit published in September 2008 plainly concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy. Contrary to the negative assertions of critics, Act 221 has resulted in a net positive contribution to Hawaii's economy, not a drain thereupon.

I have advised and represented a wide variety of Act 221 companies and investors and can attest to the plain fact that absent the incentives offered by Act 221 much, if not most, of these companies and the resulting investments therein simply would not have chosen to locate in Hawaii.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Michael J. O'Malley
Partner
Goodsill Anderson Quinn & Stifel LLP
547-5836
momalley@goodsill.com

Michael J. O'Malley
Goodsill Anderson Quinn & Stifel
A Limited Liability Law Partnership
1099 Alakea Street, Suite 1800
Honolulu, Hawaii 96813
Direct: (808) 547-5836
Cell: (808) 226-2040
Fax: (808) 547-5880
Email: momalley@goodsill.com

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From: M. Fred Brown [fred.brown@entegritywind.com]
Sent: Monday, February 16, 2009 10:10 AM
To: EBMtestimony
Subject: Testimony In Strong Support of HB727 Testimony In Support of HB552

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Entegrity Wind Systems Inc strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Entegrity Wind Systems Inc manufactures a wind energy system for distributed electricity for municipal and commercial applications. We currently employ one individual in Hawaii and hope to expand our activities significantly in the coming months and years. Access to ACT 221 investment credits will facilitate this effort enormously.

Thank you for the opportunity to testify on this important bill.

Sincerely,

M. Fred Brown
Regional Director
510-410-4917
fred.brown@entegritywind.com



From: Steve Kaiser [krrosh@gmail.com] on behalf of Steve Kaiser [stevekaiser@hawaii.rr.com]
Sent: Monday, February 16, 2009 6:08 AM
To: EBMtestimony
Subject: Act 221

DATE: February 16, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Steven W. Kaiser
President
Last Stop, Inc. DBA Aflac

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Last Stop, Inc. DBA Aflac strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

My company is a supplier of supplemental insurance to the employees of the 10 technology sectors that directly benefit from Act 221. My company will be adversely affected if the technology companies are forced out of business or out of the state without the benefit of Act 221.

•
Thank you for the opportunity to testify on this important bill.

Sincerely,

Steven W. Kaiser

- President

Last Stop, Inc. DBA Aflac

- 808-521-3522

Email steven_kaiser@us.aflac.com

Steven W. Kaiser
State Sales Coordinator
Aflac Hawaii/Guam

500 Ala Moana Blvd
Suite 7-501
Honolulu, Hi 96813
steven_kaiser@us.aflac.com

808/292-8125 cell
808/521-3522 office



From: Jason Masters [jason@gaiergy.com]
Sent: Sunday, February 15, 2009 10:09 PM
To: EBMtestimony
Subject: HB727 & HB552 testimony

HB727 - Relating to Technology Tax Credits
HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Jason Masters
President
Gaiergy Corp.

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Gaiergy Corporation strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii. These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone. These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Gaiergy Corporation was created as a science and technology sourcing company to connect oceanic and agricultural innovation with near-term commercialization. Hawaii has the greatest potential for combined oceanic, agricultural and aquacultural business potentials on a local diversified level than any other State in the US. This is the main reason I relocated my business to Hawaii. But without Act 221/215 supporting initial stage capitalization hurdles, these potentials will never be realized.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Jason Masters
CEO
Gaiergy Corporation
585-507-8338
Jason@gaiergy.com

From: P. Shinkawa [onlinesurf@yahoo.com]
Sent: Monday, February 16, 2009 7:18 AM
To: EBMtestimony
Subject: 2/16/09... House Bill 727 & 552 Relating to ACT 221

HB727 - Relating to Technology Tax Credits
HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair
FROM: Paul Shinkawa, Vice President
Shinkawa Limited

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,
Thank you for the opportunity to testify on these bills. Shinkawa Limited strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii. These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone. These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Thank you for the opportunity to testify on this important bill.

Thank you & Aloha,

Paul Shinkawa
Shinkawa Limited
1481 S. King Street, Suite 201
Honolulu, Hawaii 96814
(808) 947-9475

From: Oceantek [Oceantek@hawaii.rr.com]
Sent: Monday, February 16, 2009 1:42 PM
To: EBMtestimony
Subject: House Bills Relating to ACT 221

Follow Up Flag: Follow up
Flag Status: Flagged

FROM: Dr. Jose Andres
Vice President
Oceantek Inc.

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills, Oceantek strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Our company has six professional employees with college degrees. We develop software for the US Navy and commercial sectors with marine applications. Thanks to the R&D credit offered by Act 221, our company is now getting to the point where we are a stable and growing company and we expect to launch several commercial products in the next 24 months, which we expect will triple the size of our company in the next 3 years.

Sincerely,

Dr. Jose Andres
Vice President
Oceantek Inc.
8080-259-9102

E-mail message checked by Spyware Doctor (6.0.0.386)
Database version: 5.11770
<http://www.pctools.com/spyware-doctor-antivirus/>

From: Leo Caires [leo.aires@entegritywind.com]
Sent: Monday, February 16, 2009 2:07 PM
To: EBMtestimony
Subject: Testimony In Strong Support of HB727 Testimony In Support of HB552

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Entegrity Wind Systems Inc strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Entegrity Wind Systems Inc manufactures a wind energy system for distributed electricity for municipal and commercial applications. We currently employ one individual in Hawaii and hope to expand our activities significantly in the coming months and years. Access to ACT 221 investment credits will facilitate this effort enormously.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Leo K Caires

Entegrity Wind Systems
Hawaii Director
808 220 8538

From: bshirota@hawaii.rr.com
Sent: Monday, February 16, 2009 8:20 AM
To: EBMtestimony
Cc: bshirota@hawaii.rr.com
Subject: HB727 and HB552

HB727 - Relating to Technology Tax Credits

HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009

TIME: 4:00pm

PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs Representative
Angus McKelvey, Chair Representative Isaac W. Choi, Vice Chair

FROM: Barry Shirota
Owner and Principal
S2 Consulting

RE: Testimony In Strong Support of HB727 Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. S2 Consulting, LLC strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

As a consultant in the IT industry, I have been approached on several occasions, by companies that have gotten portions of their funding from investors. They mention that this (capital infusion, that they may have not normally received) is one of the reasons why they have chosen to quicken their expansion and attempt to grow their company in Hawaii.

In another situation on a joint venture that I'm currently part of, the tax credits played a positive role in one of our investors deciding to add to their investment in us. For those that feel that these tax credits are a "free ride" for the company or the investor, let me point out two things;

1) although it played a positive role and likely gave my company an "edge", it was not the only factor in my investor's decision - we still were scrutinized as every other company in the investor's portfolio. A company must still be able to show that it has a plan for future growth, profitability and viability.

2) as an investor, these individuals/companies are not just looking to make back what they invested - they want a return on what they invested. They are not looking for a deal where they can simply get their money back.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Barry S. Shirota
Owner and Principal
S2 Consulting
808-988-1238
bshirota@hawaii.rr.com

From: TBlankley@msn.com
Sent: Monday, February 16, 2009 10:22 AM
To: EBMtestimony
Subject: HB727 - Relating to Technology Tax Credits, HB552 - Relating to the High Technology Business Investment Tax Credit

HB727 - Relating to Technology Tax Credits
HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Thomas S. Blankley, Jr.
Company: ATCO Software LLC.

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. ATCO Software LLC. strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

In the 5 years since ATCO first took advantage of Act 221/215, we have developed a software product which is now beginning to receive notice around the country, not just Hawaii. The software has developed new clients in California, Oregon, Arizona, New Mexico, Michigan and Japan. We have received inquiries from China, Hong Kong, New Zealand and Australia. We have now started a working relationship with the world's largest online seller of optional tours, Viator.com, as well as the world's largest online restaurant reservation service OpenTable.com. As a result of the work that we have done for 5 years, and the recognition that we are now receiving, ATCO is currently looking to hire selected types of technical and non-technical staff...EVEN IN THIS ECONOMIC ENVIRONMENT! Without Acts 221 and 215, not only would we not be in a position to offer new jobs, but we would not even be in our current position of growth.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Thomas S. Blankley, Jr.
Manager

From: Kent Tsukamoto [kent.tsukamoto@accuityllp.com]
Sent: Monday, February 16, 2009 10:24 AM
To: EBMtestimony
Subject: HB 727, HB552 Testimony

HB727 - Relating to Technology Tax Credits
HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

RE: Testimony In Strong Support of HB727
Testimony In Support of HB552

Chair McKelvey, Vice Chair Choi, and Members of the Committee,

My name is Kent K. Tsukamoto and I am the managing partner of Accuity LLP, a Hawaii based full service CPA firm. Thank you for the opportunity to testify on these bills. Accuity LLP strongly supports HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Accuity LLP is the successor firm to PricewaterhouseCoopers and Coopers & Lybrand in Honolulu. With more than 90 employees, we are one of the largest accounting firms in Hawaii. We work with a multitude of Act 221 companies and have witnessed first hand how the incentives have benefited our economy.

Thank you for the opportunity to testify on these important bills.

Sincerely,

Kent K. Tsukamoto

Kent K. Tsukamoto

Managing Partner

Accuity LLP

999 Bishop Street, Suite 1900 | Honolulu, HI 96813-4427

☎: 808.531.3462 | 📠: 808.531.3433 | ✉: kent.tsukamoto@accuityllp.com Private Fax 808.531.3478

Pursuant to the provisions of Treasury Circular 230 and comparable State law, any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or any comparable state law, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

From: Michael Steiner [MSteiner@SteinerAssoc.com]
Sent: Monday, February 16, 2009 3:37 PM
To: EBMtestimony
Subject: Testimony In Support of HB552, 2/17/09, 4:00 PM, Room 329

HB727 - Relating to Technology Tax Credits
HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009
TIME: 4:00pm
PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs
Representative Angus McKelvey, Chair
Representative Isaac W. Choi, Vice Chair

FROM: Michael Steiner, Principal of Steiner & Associates

RE: Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Steiner & Associates strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.

These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.

These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Steiner & Associates is a consulting firm that provides business and management expertise to entrepreneurs, start-ups and professional service firms. Through my association with Act 221 companies, I have seen the dedication and desire of these firms to bring innovation, business and jobs to the State of Hawaii. Relying on tourism for so long has left Hawaii without a fall back industry. Act 221 incentives will provide the impetus to attract and retain new viable business which will produce jobs and provide a much needed source of revenue.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Michael Steiner, CLM
Principal
Steiner & Associates
702 Kanaha Street

From: James Karins [jkarins@yahoo.com]
Sent: Monday, February 16, 2009 3:28 PM
To: EBMtestimony
Subject: Testimony on HB727 and HB552

HB727 - Relating to Technology Tax Credits

HB552 - Relating to the High Technology Business Investment Tax Credit

DATE: February 17, 2009

TIME: 4:00pm

PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs Representative Angus McKelvey, Chair Representative Isaac W. Choi, Vice Chair

FROM: James P. Karins
President and CEO
Pukoa Scientific

RE: Testimony In Strong Support of HB727 Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Pukoa Scientific strongly supports HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii. These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone. These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.

Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Pukoa Scientific is a 15 person company started in 2004 specializing in the interpretation of image and signal data to identify objects, threats or targets in the dual use sector. Our average salary is over \$100,000, 12 of our 15 people are full time and 11 of those 12 reside in Hawaii. Of the 11 full time staff in Hawaii, 8 graduated from high schools in Hawaii, 10 graduated from University of Hawaii or Hawaii Pacific University and at least 4 worked on the mainland prior to finding work in Hawaii. We currently generate more than \$2.5M in revenue and pay over \$1.5M in salaries.

From a historical perspective, if it weren't for Act 215/221 Pukoa Scientific wouldn't have made it. We utilized the investment tax credits to get started and to provide working capital, and we are now utilizing the R&D credit to develop commercial spin-offs for new sustainable companies.

Thank you for the opportunity to testify on these important bills. We respectfully ask that you support these bills.

Sincerely,

James P. Karins
President and CEO
Pukoa Scientific, LLC

karins@pukoa.com

FAX COVER SHEET

FAX NUMBER 18085868479

FROM Phil Kinnicutt

DATE 2009-02-16 17:22:54 GMT

RE HB 727 & HB 552

COVER MESSAGE

I strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. I also support the language clarification in HB552.

Phil Kinnicutt
Kinnicutt Consulting, LLC
808-254-4534
leafishing@aol.com

From: vschne@aol.com
Sent: Monday, February 16, 2009 10:57 PM
To: EBMtestimony
Subject: HB727; HB552 - SUPPORT Technology Tax Credits

DATE: February 17, 2009

TIME: 4:00pm

PLACE: Conference Room 329

TO: House Committee on Economic Revitalization, Business and Military Affairs

Representative Angus McKelvey, Chair

Representative Isaac W. Choi, Vice Chair

FROM: Victoria Schneider MD

CFO

Innovasc LLC

RE: Testimony In Strong Support of HB727

Testimony In Support of HB552

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on these bills. Innovasc strongly support HB727 because it would extend the sunset date of Act 221 to December 31, 2015. We also support the language clarification in HB552.

The Department of Taxation's 2008 comprehensive study of the Act 221 Investment Credit published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.
- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
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Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. In a time of economic recession and a slowdown in tourism, our economy needs Act 221 now more than ever to stimulate and diversify our economy.

Innovasc is a new biotechnology company in Hawaii that is focusing on the research and development of new alternative to vascular stents. OUR COMPANY HAS RELIED ON THE TAX CREDIT IN ORDER TO OBTAIN THE FINANCING TO SUCCESSFULLY DEVELOP HERE IN HAWAII. WITHOUT THE TAX CREDIT WE WOULD NEED TO RE-LOCATE AWAY FROM HAWAII.

Thank you for the opportunity to testify on this extremely important bill.

Sincerely,

Victoria Schneider MDCFO, Innovasc

Phone: (808) 265-4873

Email: info@innovascmedical.com

From: Virendra Nath [vnath1@yahoo.com]
Sent: Monday, February 16, 2009 9:54 AM
To: Rep. Angus McKelvey; Rep. Isaac W. Choy
Cc: Sen. Roz Baker; Robinson J. Robert; Nancy Makowski; Virendra Nath
Subject: Testimony for Act 221 Bills

Dear Reps. McKelvey and Choy:

Since there are so many bills related to Act 221 being considered by your committee, I believed it would be more efficient for all concerned for me to send my testimony via email to both of you and the testimony can be included with all the bills being considered.

My name is Virendra Nath. I have been an entrepreneur for the last 25 years. I was the winner of the High Technology Entrepreneur of the Year award in 1998 and have served on many other committees involved with entrepreneurship.

I have been working towards diversification of the Hawaii economy for the last 20 years. In 1987, I formed the Information Industries Association of Hawaii; in 1989 I was appointed to one of the advisory boards for Hawaii Information Network Corporation by Governor Waihee; in 1997-98 I worked on the Economic Revitalization and Diversification Task Force put together by Governor Cayetano - this was the time when the Hawaii economy was at its lowest ebb in 30 years.

All this is to say that I am not a latecomer to the efforts to diversify Hawaii's economy and make it prepared to compete in a world where innovation will rule the day. We are far away from everywhere, and yet we are the loveliest of places. Interesting, competent and brilliant people already find Hawaii a wonderful place to spend their leisure time, and many have expressed a desire to do "something" to make it more dynamic. There is a large group of accomplished retirees in Hawaii, people with money, initiative and interests beyond leisure pursuits. These are assets that, properly mobilized, can catapult us into a true innovation economy.

How to bring them together - that is the question we asked ourselves for almost 15 years before Act 221 was passed. The burst of enthusiasm and interest in innovative companies that Act 221 brought was unsurpassed. People who only considered real estate or New York hedge funds as outlets for their funds, were suddenly showing up at the meetings of HVCA and the Hawaii Angels - and within 12 months finding companies to invest in.

What has surprised me is the amount of Mainland money that is being brought to Hawaii companies as part of Act 221. I never expected to see \$3 of Mainland money for every \$1 of Hawaii money invested in Hawaii companies. I suppose this is an extension of the well known "network effect" - sophisticated investors have friends who are also sophisticated investors and our companies are coming to the attention of many who would not otherwise be aware of us.

Act 221 has been a smashing success. We have the fragile beginnings of a true innovation economy. Unfortunately it has been constantly been a target of political gamesmanship. If we had simply left it alone and allowed investors to invest, allowed the intermediaries to do the job of linking investors to companies, it would have been much more successful. The repeated assaults by the Lingle administration against Act 221 has taken up so much of the time and energy of intermediaries (HVCA, HSDC, Hawaii Angels and others) that it has limited the due diligence and the marketing of Hawaii. That is a sad, sad side effect of our politicized process.

Please renew Act 221 for an additional 10 years. It will take that long to let this fragile industry take root in Hawaii (remember - it took Silicon Valley almost 30 years from the formation of HP to the formation of Intel).

I understand that there is a budgetary constraint; if a budgetary constraint is to be imposed, please consider limiting the Act 221 companies to those operating on the neighbor islands. Any other limitations will be open to severely dislocating innovation - corruption, first to file, etc. Good companies will be left holding the bag and many poor companies will slip through. Geographic limitation also has the benefit of increasing economic activity in less wealthy parts of our state.

If Act 221 is not renewed, it will be a very large lost opportunity for the State of Hawaii. It would not be overstating it to say that this legislature is consigning our children to making the dirty beds of wealthy tourists for their entire lives, rather than dreaming to be engineers, astronomers, and marine biologists. There are few truly significant things that a legislator can do - completely changing the future of an entire economy is one of them. And your committee's decisions on Act 221 will be one of them - no matter which way you vote.

Sincerely,

Virendra Nath
President, HDEP International
Convenor, Maui Angels