

**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

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Statement of  
**RICHARD C. LIM**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**COMMITTEE ON FINANCE**

February 27, 2012  
1:00 P.M.  
State Capitol, Conference Room 308

in consideration of  
**HB 2319 HD1**  
**RELATING TO ECONOMIC DEVELOPMENT.**

Chair Oshiro, Vice Chair Lee, and Members of the Committee on Finance:

The Department of Business, Economic Development and Tourism supports HB 2319 HD1, provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget.

Small businesses are the engine of job creation. Startup ventures, in particular, create new jobs in high wage, knowledge based industries. This program would help to develop a critical component of the innovation ecosystem that Hawaii currently lacks.

Venture accelerators fill an important gap in the innovation ecosystem by providing business expertise to startup ventures that lack the management experience to quickly build a business organization and by providing seed funding to startup companies unable to use grant funds for commercialization, but too small to raise conventional financing.

By creating the supporting infrastructure to provide entrepreneurs the tools to build businesses able to compete for venture capital financing, venture accelerators will enhance the ability of Hawaii's entrepreneurs to create sustainable businesses and quality jobs for our community.

Venture accelerators can be established to accelerate the commercialization of university research and leverage the University of Hawaii's growing research prowess. Similarly, entrepreneurs in the creative industry can be empowered to compete for investment capital and increase the export of creative products developed in the state. Currently, there is no lack of creative development in the state, impediments to success are financial and distribution based.

We respectfully defer to the Hawaii Strategic Development Corporation, the expending agency, to provide the specifics on the program's operation, but we would like to voice our support of the bill as we believe part of the future success of Hawaii's economy will come from the growth and development of the commercial high technology and creative industries.

Thank you for the opportunity to offer these comments.

Written Statement of  
**YUKA NAGASHIMA**  
**Executive Director & CEO**  
High Technology Development Corporation  
before the  
**COMMITTEE ON FINANCE**  
Tuesday, February 27, 2012  
1:00 PM  
State Capitol, Conference Room 308  
In consideration of  
**HB2319 HD1 RELATING TO ECONOMIC DEVELOPMENT**

Chair Oshiro, Vice Chair Lee, and Members of the Committee on Finance: Thank you for this opportunity to submit testimony on HB 2319 HD1.

The High Technology Development Corporation (HTDC) strongly supports HB2319 HD1 regarding establishing a venture accelerator funding program under the Hawaii Strategic Development Corporation (HSDC).

The venture accelerator funding program aims directly at seed/early stage capital - one of the most significant challenges a high tech startup faces. Targeting this critical junction allows money and mentor's guidance to have great impact - concepts mature rapidly into prototypes and products, and business models are tested and validated or respun.

The venture accelerator model has been successfully implemented in many other states. Most notably by Y-Combinator (Silicon Valley) and Tech Stars (multiple sites – Boulder, Boston, Seattle, New York City) the latter boasting impressive statistics – since the program started in 2007 82% of companies are still alive, 63% of companies secured funding (orders of magnitude greater than the original investments), and over 8% of alumni companies have already been acquired.

For the State, the program offers the following immediate benefits:

- Recruiting and developing a fresh pipeline of tech startups that can feed into the HTDC incubation program
- Advancing early stage tech companies and positioning them to secure equity financing from local, domestic, and foreign investors / feed into HSDC's investment portfolio
- Creating a competitive advantage in securing federal economic development grants that require in-kind matches

The venture accelerator funding program is a missing piece in creating a strong core of innovation programs to promote technology based economic development in the state.

We respectfully request correction of the defective effective date and assure clear passage of this bill. Thank you for the opportunity to submit testimony on this bill.



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250 South Hotel Street, Suite 508  
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Telephone: (808) 587-3830

Written Statement of

**KARL FOOKS**

**President**

Hawaii Strategic Development Corporation

before the

**HOUSE COMMITTEE ON FINANCE**

February 27 2012

1:00 PM

State Capitol, Conference Room 308

In consideration of

**HB 2319 HD1 RELATING TO ECONOMIC DEVELOPMENT.**

Chair Oshiro, Vice Chair Lee, and Members of the Committee Finance:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits comments in support of HB 2319 HD1, legislation appropriating \$5 million for a Venture Accelerator Funding Program.

Exhibit I is a slide from the National Science Foundation that illustrates a systemic gap, often called the "Valley of Death", in the innovation ecosystem. **The venture accelerator model was developed specifically to address this gap by providing business expertise to startup ventures that lack the management experience to quickly build a business organization and by providing seed funding to startup companies unable to use grant funds for commercialization, but too small to raise conventional financing.**

This bill would provide grant funds that would be competitively allocated to entities providing **hands-on mentoring to startups to accelerate the startups' ability to attract venture capital financing.** Some of funds could potentially be used to provide capital for the startups' proof of concept efforts. By creating the supporting infrastructure to provide entrepreneurs the tools to build businesses able to compete for venture capital financing, venture accelerators will **enhance the ability of Hawaii's entrepreneurs to create sustainable businesses and quality jobs for our community.**

**Successful venture accelerators have become the hubs around which entrepreneurial activity in their respective industries and regions can aggregate and create critical mass.**

The Venture Accelerator Funding Program **will complement the HiERS Hawaii Targeted Investment Program and HSDC's seed capital investment program** by launching new ventures that will be attractive investment opportunities for these funds. From the entrepreneur's perspective, joining a venture accelerator would be the **next step for entrepreneurs successfully competing in the various business plan competitions and Startup Weekend events.**

The U.S. Department of Commerce and national philanthropic organizations, such as the Kaufman Foundation, have championed the establishment of venture accelerators across the country as they recognize the positive impact these entities have on accelerating the commercialization of new technology, the formation of new businesses, and ultimately on economic growth and job creation.

Examples of nationally recognized venture accelerators are Jumpstart, Inc., i2E, Inc., regionally focused accelerators; TechStars, a software focused accelerator; the Deshpande Center, a university focused accelerator; and the Sundance Labs, a film/digital media focused accelerator. These models can be adapted to fit Hawaii's competitive advantages.

Venture accelerators provide an effective pathway to commercialization for innovations developed with grant funding and can accelerate the commercialization of university research. Given the intersection of creative and technology sectors, Hawaii's technology and creative industry entrepreneurs would be empowered to increase job growth and provide advanced opportunities for Hawaii creative content export.

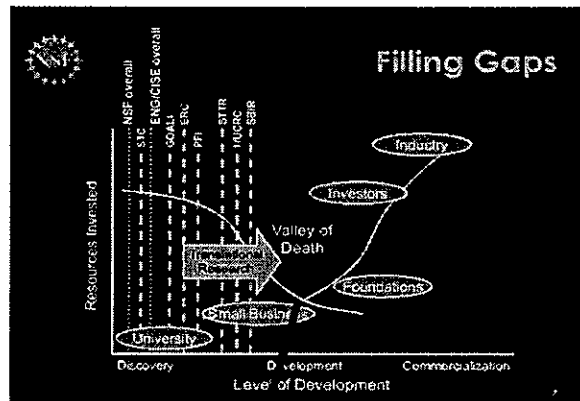
**Small businesses are the engine of job creation and startup ventures in particular create new jobs in high wage, knowledge based industries. HB 2319 HD1 will provide the resources to develop a critical component of the innovation ecosystem that Hawaii currently lacks.**

Thank you for the opportunity to submit testimony on this bill.

# EXHIBIT I

## Venture Accelerators Address a Funding Gap in the Innovation Ecosystem

- Grants focus on research and not development
- Bank lending is not suitable for technology startups
- Venture capital is not interested in “proof of concept” risk
- States have developed innovative venture accelerator programs to address this systemic gap



**Venture  
Accelerator**



Written Statement of

**David G. Watumull**  
**President and CEO, Cardax Pharmaceuticals, Inc.**  
**2800 Woodlawn Dr. Suite 129**  
**Honolulu, HI 96822**  
**(808) 457-1375**  
**dwatumull@cardaxpharma.com**

before the

**HOUSE FINANCE COMMITTEE**

Monday, February 27, 2012  
State Capitol, Conference Room 308  
1:00 PM

In consideration of

**HB2319 HD1 RELATING TO ECONOMIC DEVELOPMENT**

Chair, Vice Chair, and Members of the House Finance Committee

Cardax Pharmaceuticals, Inc. strongly supports **SB 2319 HD1**

My name is David G. Watumull, President and CEO.

We are in strong support of the HB2319 HD1. Diversifying Hawaii's economy is an important and necessary endeavor and venture accelerators have successfully helped these types of efforts nationally. This bill, though modest in scope, is an important first step in this direction.

Thank you for the opportunity to offer testimony on this bill.



Written Statement of

**Mr. KEITH POWERS and Mr. TED GAUBERT  
Co-Directors of The Founder Institute Hawaii Chapter**

To the:

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS**

Monday, February 15, 2012

State Capitol, Conference Room 312

In consideration of:

**HB2319 RELATING TO ECONOMIC DEVELOPMENT**

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Chair, Vice Chair, and Members of the Committee on Economic Revitalization & Business:

The Hawaii Chapter of the Founder Institute strongly supports HB2319 regarding establishing a venture accelerator funding program under the Hawaii Strategic Development Corporation (HSDC).

As an early stage start-up accelerator program with 30 chapters and over 600 portfolio companies all over the world, we can attest to the direct benefits of having seed/early stage capital available for new start-ups.

The Founder Institute Hawaii Chapter is ready to go and funding for this program will help enable us to launch a full-time, intensive program in Hawaii.

Historically, over one third of all graduates from the Founder Institute are funded, and the average funding amount is over \$200,000 per company worldwide. The vast majority of funding events are lead by angels, but there are government and venture fundings as well.

#### **FOSTERING A STARTUP ECONOMY IN HAWAII**

Diversifying Hawaii's economy by growing its technical sector provides some unique challenges. The available talent pool to hire from is very small making it difficult to staff a technology based business in Hawaii. The number of available technology jobs is very limited making it difficult to build a critical mass of technical talent on Hawaii. However, Hawaii has many attributes that make it a great home for technology companies. It is geographically located between APAC and the Americas allowing companies to easily coordinate business activities between the two regions while doing so





during daylight hours. It also provides a unique testing ground for new technologies such as clean energy, wireless, web services, disaggregation, sensors and robotics. It also allows companies to offer unsurpassed work life balance to their employees such as little to no commuting, casual work environment and a wealth of free time activities in near perfect year round weather. Furthermore, for companies that choose to operate on mainland time, their employees can leave work earlier in the day and have a greater percentage of daylight hours to spend with their families as opposed to their mainland counterparts.

**We believe there are four possible routes to grow the technology sector in Hawaii:**

1. Grow the Technology Sector Organically with Local Talent Local Resources
2. Recruit established mainland technology businesses to relocate or open branch offices in Hawaii
3. Recruit mainland technology startups to Hawaii with traditional incubator programs
4. Host an idea stage incubator in Hawaii, create new companies, and provide incentives for them to stay

**1. Grow the technology sector organically with local talent and local resources:**

This is one of the main ways the technology sector grows today in Hawaii. The growth rate is extremely slow and the rate limiting steps are the lack of engineers and PhDs with great technology ideas and people with the correct skill set to execute.

**2. Recruit established mainland technology businesses:**

For most established technology businesses, the costs of relocating the business to Hawaii far outweigh the benefits. Except for a few niche businesses, even opening a satellite office to serve as a bridge office between APAC and the Americas is a difficult business case to make. This is primarily due to the fact that Hawaii is a high cost area and the talent pool of technically trained individuals is so small. Most technology business will find it impossible to staff an office without recruiting and relocating employees from the mainland.

**3. Recruit mainland technology startups to Hawaii with traditional incubator programs:**

Recruiting and relocating startups to Hawaii also has similar issues to that of moving established mainland companies except that for startups the business case is even less compelling. Typically startups are cash constrained and have no resources for extraneous expenses. Whereas a multi-billion dollar company may take on a negative ROI for a relocation to allow an executive and small team work remotely from Hawaii, startups typically do not have this type of disposable income. Additionally, startups typically have a very small core team that is spread very thin and time constrained. Relocating to

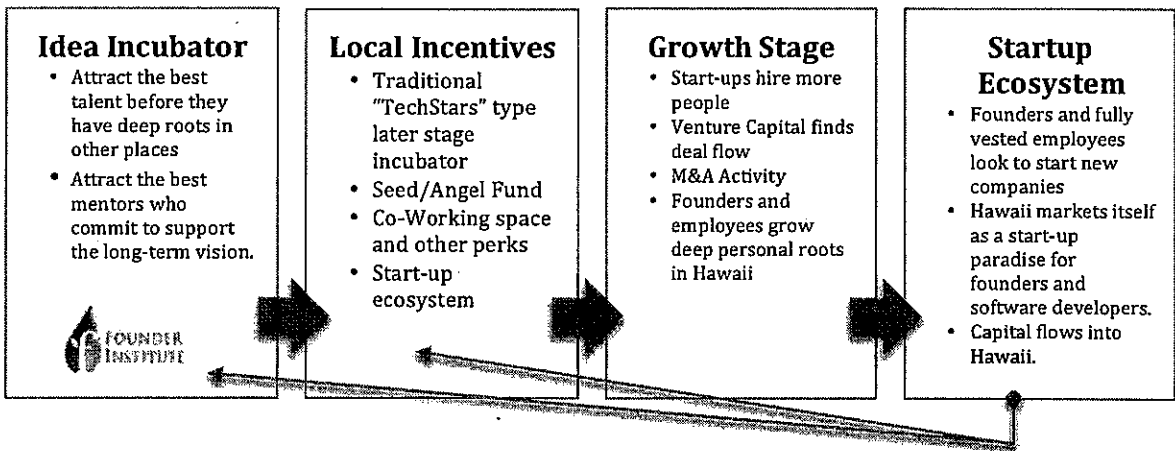


Hawaii in most cases would mean uprooting all of the core team members and moving them to Hawaii. This is typically hard to do because of the professional and personal relationships the team has to their local geographic area, family ties, children’s schools, etc. Typically startups that are willing to geographically relocate are the same ones that are unable to find local support in their geographic area because their idea or team has a low probability of ever being successful or profitable.

**4. Host an idea stage incubator in Hawaii, create new companies, and provide incentives for companies and skilled labor to stay:**

We believe that hosting an idea stage incubator is a critical first step to building a successful technology and start up hub. It is much easier to attract amazing talent to Hawaii while an idea is at a very early stage of development. Once they are here, we provide incentives and a startup ecosystem that will entice them to stay and grow roots in Hawaii. As such, we have established a partnership with The Founder Institute to open a Hawaii Chapter of the Founder Institute.

**Here is how we see a startup ecosystem forming in Hawaii:**



**WHY THE FOUNDER INSTITUTE**

The Founder Institute is a business incubator and executive training program for high tech entrepreneurs. The Founder Institute brings together experienced CEOs and Founders in a collaborative environment with a goal to help launch 1,000 companies per year worldwide. Through weekly sessions guided by renowned CEOs, the Founder Institute breeds disciplined founders ready to lead the next generation of high-tech companies. To graduate from the program, participants need to actually form a company.

The curriculum topics range from “Startup Legal and IP” towards to the beginning of the program, to “Fundraising” near the end. Program participants also enjoy discounted services from Institute Partners, fundraising opportunities at fair market value, and a



teamwork-oriented startup environment where equity is shared among all participants in the companies formed. Founded by Adeo Ressi, The Founder Institute is headquartered in Silicon Valley and began its first program in late Spring 2009.

As of the Summer of 2010, The Founder Institute is one of the worlds fastest growing incubators with chapters in 30 cities worldwide, has launched 600 companies, and has developed a network over 500 experienced Founder and CEO Mentors. The Founder Institute believes that Great People + World Class Training + Aligned Incentives = Exponentially Better Chance of Success.

*The extensive list of 500+ mentors that we can draw on can be reviewed here:  
<http://www.founderinstitute.com/information/mentors?select=all>*

The Founder Institute has established itself as a global leader and we believe has the strongest international network. We also believe the structure of the program where everyone benefits is optimal for Hawaii and the kind of program we want to run. Benefits of being part of the Founder Institute include credibility, leverage in the press, alumni networks, mentor network, ability to recruit founders, legal packages, and 50 product and service partners, ranging from office space to legal, provide free or discounted offerings to Graduates - reducing the cost of starting a technology company from over \$20,000 in the first year to as little as \$5,000.

#### **About the Hawaii Chapter of The Founder Institute:**

The Hawaii Chapter of Founder Institute will be a 10-week intensive business incubator and executive training program for high-tech entrepreneurs. The goal is to eventually help launch 100 companies per year in Hawaii. We will do this by attracting the best founders, mentors and investors from Hawaii, the mainland and overseas to Hawaii to build companies and to help foster a start-up and software environment.

The key to the success of the program is our ability to attract the best mentors and applicants from all over the world. This is how the Founder Institute works. Directors of each chapter draw on each other and the mentors from each program to build a world-class experience.

Despite the many challenges with growing the technology sector on Hawaii, we believe it is possible to leverage some of the assets of Hawaii to overcome some of these challenges. We believe the key to accelerating the organic growth of the technology sector on Hawaii through the attraction of engineers and PhDs with revolutionary technology ideas to Hawaii is to assist them with building the early stage company and getting them in front of top investors. At the idea stage or an early startup stage, the founders have not grown roots in a local economy and are not burdened with the high cost of relocating or moving an existing company. They also don't need to hire any employees immediately so the Hawaii talent pool issues are not as big of a problem. They have a long recruiting runway as they build their company and can slowly recruit locally, from the incubator program, neighboring islands, from the mainland or internationally.



## **How do we get companies and talent to stay?**

We are confident we can recruit the best talent and ideas to build game changing early stage ventures. But it is up to all of us working together to provide incentives and a startup ecosystem and environment to get them to stay. This is not something that will happen overnight. It takes time to build an industry.

The incentives needed to get them to come and to get them to stay should include:

- **Tuition Subsidy:**  
Some of the best applicants from Hawaii and the mainland may need some help with the tuition for the program. The tuition for the program will be approximately \$1,500 per founder. We would like to subsidize the cost for local Hawaiian applicants for the other applicants that apply for assistance. A similar tuition subsidy model is currently being used by the Founder Institute's Singapore Chapter. The Singaporean Government is providing tuition subsidies to help recruit the best of the best applicants from all over the world.
- **Seed Capital:**  
The goal of Hawaii Chapter of the Founder Institute is to get Founders to come and start a new company in Hawaii, but the graduates of the program will still be in the early stages of development and will need seed capital. This seed capital could be through a combination prize money, direct angel investments, and a seed fund.
- **Professional Services:**  
Pro-bono professional services (ie. Legal, Accounting) should be provided to compliment the services offered by The Founder Institute's global partners. These starter packages for new companies are a great way for law firms and accounting firms to secure new business.
- **Mentors:**  
Access to local mentors and professional connections so they can build relationships here and set their company roots.

The deeper their roots are the harder it is for them to leave Hawaii. We need to help balance the economic scale of being in a high cost center in the early stages when they are cash constrained. We also need to provide them with routes to funding based out of Hawaii. The greater their percentage of funding is derived from the mainland, the higher the percentage is they will leave to be closer to the funding source.

From an investment perspective, it would be wonderful if one of the companies started during our program get local angel money and then goes on to get funded by the best VC in Silicon Valley. But, our ultimate goal is to get that VC to co-invest the company with local investors in Hawaii and then make sure that the company stays in Hawaii.



## WHO IS LEADING THIS EFFORT?

The Co-Directors of the Founder Institute Hawaii Chapter are Keith Powers and Ted Gaubert.

- **Keith Powers:** Keith Powers has been active in start-ups, investments and building world-class companies, organizations and community development projects for over 15 years. He is currently the Dean of Strategic Development for the Khan Academy – a non-profit with over 50,000 students per day that is on a mission to provide a free world-class education to anyone anywhere. He is also the Co-Founder of The Aloha Initiative, a successful program to bring Japanese families that were displaced by the March 2011 Earthquake, tsunami and nuclear tragedy to Hawaii. He has been active with the Founder Institute since its inception. [www.linkedin.com/in/keithpowers](http://www.linkedin.com/in/keithpowers)
- **Ted Gaubert:** Ted Gaubert has a long-standing passion for entrepreneurship and innovation. He previously worked with the Austin Technology Incubator in collaboration with the Austin Chamber of Commerce to help start the Biosciences Incubator in Austin, Texas. He serves on the scientific advisory board for the North Texas Enterprise Center, a technology incubator in Frisco, Texas. He has extensive hands-on experience in founding and managing his own start-ups, in addition to being involved in promoting technology entrepreneurship in the community. [www.linkedin.com/in/tedgaubert](http://www.linkedin.com/in/tedgaubert)

We already have the mentors lined up, we have the skill and experience to execute the program – and we have the track records to credential the program.

Thank you for the opportunity to submit testimony on this bill.

Sincerely,

*/s/ Keith Powers*

Keith Powers  
Co-Director  
650.331.9319  
[keith@aloha.org](mailto:keith@aloha.org)

*/s /Ted Gaubert*

Ted Gaubert  
Co-Director  
808.769.6919  
[ted@aloha.org](mailto:ted@aloha.org)



February 25th, 2012

TO: Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice Chair  
Members of the Committee on Finance

DATE: Monday, February 27th, 2012

TIME: 1:00p.m.

PLACE: Conference Room 308

Re: HB2319 RELATING TO ECONOMIC DEVELOPMENT.

FROM: Todd J. Robertson, President/CEO  
Hyperspective Studios, Inc.

Hyperspective Studios, Inc. is in support of HB2319 relating to economic development because we believe that such a bill will create opportunities for new ventures to start and grow as well as align them with pathways and guidance to success, specifically within leading economic sectors in Hawaii.

Hyperspective Studios, founded in April 1996, has been headquartered in Hawaii since 1999 and produces film and digital media projects including animation, visual effects, interactive media, games and film. The company has produced award winning media for several Hawaii companies as well as large domestic and international projects, with a large portion of it's revenue coming from the export of digital media.

Specifically, I believe that HB2319 will help develop a new industry sector of digital media, which has a massive potential for growth and sustainability. The interactive media/game industry was measured at USD \$10.3 Billion domestically in 2004. The industry has shown rapid growth since then to UDS \$65 Billion in 2011 and is expected to continue this pattern of growth for years. Fostering growth of this industry in Hawaii has the prospective to create a large volume of high quality jobs within an industry that can become a pillar of Hawaii's economy.

The digital media industry provides high quality jobs with broad opportunities for growth. The digital media industry not only requires creative development teams to write scripts, create digital artwork and music, but employes technicians who are skilled in 3D technologies, information technology, computer science, engineering and programming. Digital media companies provide a long-term, sustainable opportunity for jobs and development of products, while maintaining a work-force of Hawaii residents. HB2319 will provide important and crucial support in developing this and other strong economic sectors in Hawaii.

Thank you very much for the opportunity to testify.

Personal Written Testimony in Support of  
**HB 2319 Relating to Economic Development**  
**House Committee on Economic Revitalization and Business**  
**Representative Angus L.K. McKelvey – Chair & Representative Isaac W. Choy – Vice Chair**

by  
Shan W. Steinmark, Ph.D. & Melinda A. Rockwell - Team 1:10:100 LLC  
February 26, 2012

Aloha Chairman McKelvey, Vice Chairman Choy & Members of the House Committee on Economic Revitalization and Business,

We would like to enthusiastically support organized efforts to develop “Accelerators” – for Hawaii’s technology-based businesses – as a highly effective & cost-efficient approach to economic revitalization & business development that can benefit all of Hawaii.

**MOST REAL ECONOMIC GROWTH IS A FUNCTION OF INNOVATION & SPEED COUNTS !**

Innovation invariably requires talent, technology & capital. After working with numerous start-ups, emerging growth businesses & Fortune 500 corporations for nearly 40 years, it is our clear perception that Hawaii has as much if not more per capita creative talent vs. any state in the union. Furthermore, we believe that the University of Hawaii, its researchers & its professional schools represent a tremendous source of innovative technology and a potential economic engine.

Finally, while there is no shortage of wealth in Hawaii, only a very small percentage of it seems focused on investment in the technology sector that is driving growth & development in many other states and major economic powers – in countries ranging from Germany to China.

Acceleration of innovation is key to developing talent, commercializing technology & making cost-efficient use of limited capital – in today’s highly competitive global economy. During the last 4 decades – serving as coaches, mentors, advisors, consultants & board members – we have had the privilege of helping individuals, teams & organizations accelerate the development of their leadership skills, innovation processes & business growth.

Our experience is that traditional models of meeting one hour per week collaborating with entrepreneurs, intrapreneurs & leaders can have a positive effect; however, **HIGH-IMMERSION, HIGH-INVOLVEMENT, HIGH-INTENSITY** models of intervention & problem-solving can have an exponentially more powerful impact on project success, business development & job creation. Modern accelerators are capitalizing on this high-immersion, high-involvement, high-intensity approach to make more efficient use of time, energy & money and generate better results.

After dedicating our whole careers to helping individuals, teams & organizations enhance their effectiveness, we have spent most of the last decade trying to help Hawaii’s high-tech start-ups accelerate their progress; this in turn has led us to actively studying & assisting innovative “early seed stage programs” & accelerators in California during this last year. Some of the most significant factors contributing to the speed & level of their success seem to include the following:

1. Rigorous Preparation & Selection Processes – i.e. recent research has shown that well-rounded start-up teams – e.g. composed of a technology developer, marketing specialist & business leader – may have a higher probability of success than a lone innovator-founder; this clearly encourages entrepreneurs to do a better job of “getting their act together” earlier and building a stronger team in advance of trying to raise money & enter the marketplace.
2. Intense & Well-Resourced 3-Month Mentoring Process – i.e. some combination of dedicated mentoring staff, as-needed involvement from senior industry experts and access to successful accelerator “alumni” seems to be particularly potent – largely because mentoring resources are available & active on a daily, even hourly basis AND there is often a special focus on critical success factors like product validation, customer acquisition & optimal business models.
3. Pre & Post-Accelerator Funding – i.e. modern accelerators – vs. traditional incubators – provide ventures with a small amount of funding (e.g. \$25 K) at the start of their mentoring programs AND then facilitate connections to Angel Groups, Super-Angels & Venture Capitalists towards the conclusion of the 3-month process. This may increase the probability of raising funds via these key sources from the traditional 1-10% success rate to perhaps 60-80%.

Finally, allow us to offer some cautions. Obviously state government has limited funds these days and private businesses have become more risk-averse. The good news is that top accelerators can help increase cost-effectiveness, risk-mitigation & speed of success - with some caveats:

- a. Public-Private Partnership – While government support can be useful & even essential to launching accelerators, mentoring programs should be professionally staffed & operated; further, attracting private sources of capital is essential to surviving & thriving long term.
- b. Diversity of Mentoring – Given that no one mentor has a lock on the truth, it is healthy & valuable for entrepreneurs to utilize a wide diversity of resources & approaches – which is reflective of the diversity that exists in the marketplace & today’s global economy.
- c. Realistic Expectations – Most tech start-ups often struggle; those that succeed may take 5-10 years to “make it” and significant job creation may only take place during later stages of businesses’ development. Therefore, invest in high-tech start-ups like we invest in our keiki – for the long-term – to achieve positive, far-reaching & even surprising results.

Please remember, **MOST REAL ECONOMIC GROWTH IS A FUNCTION OF INNOVATION !**

While it seems risky to invest in innovation, it is even riskier to NOT invest in innovation; further, accelerators help manage the inherent risks in start-ups AND increase the speed of their progress AND enhance their probability of success.

Mahalo for giving our testimony your consideration.

With much aloha,

Shan W. Steinmark, Ph.D. & Melinda A. Rockwell – Team 1:10:100 LLC



Hawaii Venture Capital Association  
805 Kainui Dr.  
Kailua, HI 96734  
808-225-3579

To: Chair Marcus R. Oshiro, House Finance Committee

Subject: **HB2319 HD1** Relating to Economic Development, being heard Monday, February 27, 2012 at 9:30AM, State Capitol, Conference Room 308

Dear Chair, Vice Chair and Members of the Committee on Finance

The Hawaii Venture Capital Association (HVCA) strongly supports HB2319 HD1 regarding a venture accelerator program under the Hawaii Strategic Development Corporation (HSDC).

In order to attract investment capital to Hawaii businesses, quality deal flow is a must. Entrepreneurs face a long finance continuum that starts with self-funding and moves to angel investment, early stage venture capital and later stage venture capital. The process of developing a quality business investment opportunity requires a wide range of skills. These skills do not just show up naturally among entrepreneurs.

It has been demonstrated in many other states that a competent mentor/advisor program targeting early stage companies can have a significant impact on a the company's ability to attract key people and finance.

Hawaii has tremendous potential in a variety of areas especially technology, clean energy, food sustainability and biotech, but its entrepreneurs need support and the advantage of coaching and mentorship.

This bill can serve an important role in strengthening entrepreneurs and the businesses they are developing. I urge your committee to pass this bill.

Sincerely,

Bill Spencer  
President

testimony.txt

Andrei Sherstyuk  
HB2319  
Support

Hello,

I strongly support this measure. Hawaii can do better than just being a vacation house for continental US and Japanese visitors. The unique location and multicultural diversity could make Hawaii what Singapore is now -- a HUB for IT development, for the whole Pacific region.

I have a PhD in computer graphics and came to Hawaii from Australia in 1999, to work for Final Fantasy, the first cinematic CG feature film. SquareUSA, the Honolulu based company who made that film, had 31 people in Research and Development division at that time. To compare, ILM ("Industrial Light and Magic") company, created by George Lucas for all his Star Wars movies and innumerable other CG productions, had only 27 people in R&D. The research potential was immense.

When SquareUSA closed its doors in 2002, 4 spin-offs were founded immediately, based on the intellectual property developed in SquareUSA. Out of these 4, only one remained on the island and it's still a one-man shop. The second company (Multimedia and Video production) did not survive, and the 3rd one moved its Headquarters to Canada.

I stayed on the island, changing jobs 4 times already (mostly grants-based), which I find increasingly difficult to do. Funding for science is getting smaller and smaller. There are no places (almost no places) in Hawaii, where computer graphics professionals can fully apply their skills and talents. During years 2001 - 2012, Konami office in Waikiki closed its doors and moved to Japan. Hawaii Animation Studio made a strong start, but had to close also. Smaller companies, such as Hyperspective, are busy surviving and can not afford to hire full time R&D staff, except for on project-based conditions.

I do believe that Multimedia and interactive CG are the landmarks of the 21 century. It's time to acknowledge that and help this industry grow.

Kind regards

Andrei Sherstyuk, PhD  
Hawaiian resident and father of two

HB2319  
SUPPORT

Aloha members of the committee.

My name is Darius Monsef and I'm an internet entrepreneur, born and raised on the Big Island and recently moved back from the mainland to raise my family at home.

From the Big Island I run my growing internet company. We have 9 employees working remotely from HI to NY. We've raised \$1M in venture capital from some of the top Bay Area VCs and angel investors and we're in the process of raising another round of capital to continue growing our company at an accelerated pace.

One issue I constantly face is whether I'll be able to stay in Hawaii. Without a thriving tech startup community in Hawaii it gets harder and harder to justify the isolation of living here. I fear we'll have to move the company back to SF where there is a network of startups being run by my peers, investment capital ready to be invested and established internet companies capable of partnering up with.

There is no reason Hawaii can't have a thriving tech startup community. The ability to enjoy the highest of quality of life that the islands provide can be a major draw for startups coming here, but we need to develop the infrastructure to support startups to keep them here.

The best way we can support the early growth of this community is by developing seed stage funding and incubator programs. These micro investments and designated programs to help formulate early ideas into startups are key to getting more companies formed, more entrepreneurs committing to building them and more investment capital flowing into the state.

I'm confident a seed stage fund & incubator can be the foundation for a thriving startup environment and a huge benefit to the economy. I feel this way, because I've been part of it succeeding in other locations and I've been involved with the top seed funds & incubators in the country.

I am an alumni, mentor & peer of the most prestigious and successful tech incubators like Y Combinator, TechStars, 500Startups & PIEPDX. These incubators have funded hundreds of companies at the \$20-30k stage and have gone on to raise several hundred

million in venture capital, hiring thousands of employees at high professional salaries and dozens have been acquired for many hundreds of millions of dollars.

I spent several years in Portland, OR and that was where I originally began building my company. Unfortunately the startup community in Portland 5 years ago was largely how Hawaii is now. There are the right ingredients, but no pot ready to mix them all in. In the past year Portland has seen PIEPDX form to incubate web startups. The first batch of the program was successful in launching several companies that have gone on to raise million dollar seed rounds of capital and have hired on dozens of professional workers. Not only did the program help incubate local companies, it brought mentors & investors from around the country to come visit and work with the incubated startups, exposing the local community to this wealth of outside talent.

As that first batch grows it will hire on hundreds of professional workers, who in turn support the economy all the way down to service providers. As some of those companies are acquired or begin to generate large profits, those founding entrepreneurs will become angel investors supporting the next generation of entrepreneurs.

I'm committed to staying in Hawaii and helping our web and technology community become a thriving economic driver. I'm committed to supporting the early stage seed funds & incubator programs that are created as a result of passing this measure. But, we need your support in moving this forward and giving Hawaii the opportunity to see this sector of our economy flourish.

Aloha,

Darius A Monsef IV

Founder & CEO | [COLOURlovers.com](http://COLOURlovers.com) ~ [CreativeMarket.com](http://CreativeMarket.com)

Cofounder & Board Member | [Hands.org](http://Hands.org)

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Sunday, February 26, 2012 11:37 AM  
**To:** FINTestimony  
**Cc:** keith@aloha.org  
**Subject:** Testimony for HB2319 on 2/27/2012 1:00:00 PM

Testimony for FIN 2/27/2012 1:00:00 PM HB2319

Conference room: 308  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Keith Powers  
Organization: Founder Institute Hawaii Chapter  
E-mail: [keith@aloha.org](mailto:keith@aloha.org)  
Submitted on: 2/26/2012

**Comments:**

The Hawaii Chapter of the Founder Institute strongly supports HB2319 regarding establishing a venture accelerator funding program under the Hawaii Strategic Development Corporation (HSDC).

As an early stage start-up accelerator program with 30 chapters and over 600 portfolio companies all over the world, we can attest to the direct benefits of having seed/early stage capital available for new start-ups.

( The Founder Institute Hawaii Chapter is ready to go and funding for this program will help enable us to launch a full-time, intensive program in Hawaii.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, February 26, 2012 8:33 AM  
**To:** FINTestimony  
**Cc:** faruq.ahmad@gmail.com  
**Subject:** Testimony for HB2319 on 2/27/2012 1:00:00 PM

Testimony for FIN 2/27/2012 1:00:00 PM HB2319

Conference room: 308  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Faruq Ahmad  
Organization: Individual  
E-mail: [faruq.ahmad@gmail.com](mailto:faruq.ahmad@gmail.com)  
Submitted on: 2/26/2012

### Comments:

My name is Faruq Ahmad, and I am writing in support of HB 2319, legislation to appropriate \$5m for a Venture Accelerator Funding Program. Subject to proper implementation, it is my opinion that such a program will be essential to the success of Hawaii's innovation and entrepreneurial ecosystem.

Thank you for this opportunity to provide testimony, and I would be happy to clarify or expand on any aspect of my comments.

I am resident in Silicon Valley, and have over recent years developed and maintained close connections with the innovation and entrepreneurial community in Hawaii. I have had the honor to serve several times as finals' judge at the UH Manoa PACE business plan competition, and as a Virtual Professional in Residence; I am privileged to have been and continue to be advisor to startup companies in Hawaii, and to some in the venture capital community; and, I have personally been a Hawaii-startup investor. I have a home in Hawaii and affection for the state; and, if given suitable opportunities intend to continue to expand my links to Hawaii in the future.

I have been impressed with the diligence, thoughtfulness and receptiveness to input of officials I have met and worked with over the years, including those from DBEDT, HSDC, and other government agencies, as well as the spirit and tenacity of private sector groups committed to fostering high-value jobs and the success of Hawaii's entrepreneurial ecosystem.

In Silicon Valley, I have been founder of a venture-capital backed software company, a venture capitalist, and an institutional investor in venture capital funds, so that I have personal experience with all these levels of the innovation ecosystem. In my professional capacity I have invested in "startup markets" like India and China during their early days, in addition to companies and funds in Silicon Valley and other established markets.

I have also witnessed how geographically insular communities like Singapore were able to connect effectively with Silicon Valley to train their entrepreneurs and attract investment, establish high standards and best practices, promote their competitive edge to investors and entrepreneurs, and more successfully manage their offshore venture fund portfolios to strategic benefit.

Coaching, mentorship, and formalized support of the type venture accelerators provide is increasingly essential for startup companies, whether their business plan is based on University IP, the commercialization of dual-use technology, inventions in healthcare and

lifesciences, innovative impact investing and double-bottom-line social investing, or startups that are taking advantage of growing opportunities in mobile, collaborative and social domains.

or Hawaii companies to succeed and for Hawaii's innovation ecosystem to gain critical mass, such support is an essential complement to investment capital.

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, February 26, 2012 12:52 PM  
**To:** FINTestimony  
**Cc:** russel@startuphui.com  
**Subject:** Testimony for HB2319 on 2/27/2012 1:00:00 PM

Testimony for FIN 2/27/2012 1:00:00 PM HB2319

Conference room: 308  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Russel Cheng  
Organization: Individual  
E-mail: [russel@startuphui.com](mailto:russel@startuphui.com)  
Submitted on: 2/26/2012

Comments:  
Representative Angus LX. McICelvey  
Chair, Committee on Economic Revitalization and Business

Representative Isaac W. Choy  
Vice Chair', Committee on Economic Revitalization and Business

Hearing on House Bill 2319 HD1 - Relating to Economic Development State Capitol, Conference Room 308

Dear Chair McICelvey and Vice Chair Choy:

StartupHui LLC, an early-stage startup venture incubator for Internet and software entrepreneurs based in Hawaii, strongly supports HB2319 regarding establishing a venture accelerator funding program under the Hawaii Strategic Development Corporation (HSDC).

Startup entrepreneurs in Hawaii lack a sustainable entrepreneurial community to help kick-start first time Internet and software take an idea and turn it into a company.

The venture accelerator model has been successfully implemented in many cities since 2005. David Cohen, founder and CEO of Techstars, is convinced startup entrepreneurs can create value with support from the entrepreneur community with small investments in the \$15-\$20k range in early stage Internet and software startups. Techstars publishes impressive results over the last five years:

- 104 Techstar companies
- 90 active
- 9 acquired
- \$1 million average funding raised per company
- 571 employees

Source: <http://www.techstars.com/>

While we are not Techstars, we do have Techstars inspiration and blueprint to help build this entrepreneurial community in Hawaii over the next few years.



We ask for your legislative support with this important initiative.

Sincerely,

Russell Cheng  
Founder and CEO, StartupHui