

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

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GOVERNOR

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Statement of  
**RICHARD C. LIM**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS**

January 31, 2012  
8:30 a.m.  
State Capitol, Conference Room 312

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

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

The Department of Business, Economic Development and Tourism supports HB 2319, legislation appropriating \$5 million for a Venture Accelerator Funding Program.

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.



**Testimony to the House Committee on Economic Revitalization & Business  
Tuesday, January 31, 2012 at 8:30 a.m.  
Conference Room 312, State Capitol**

**RE: HOUSE BILL NO. 2319 RELATING TO ECONOMIC DEVELOPMENT**

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

The Chamber of Commerce of Hawaii ("The Chamber") **supports the passage of HB 2319** relating to Economic Development for further discussion.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure establishes a venture accelerator funding program under the Hawaii strategic development corporation to assist the State's technology businesses to compete for investment capital and appropriate funds.

In Hawaii, small companies are the engine for Hawaii's economy through the creation of jobs and the generation of economic activity. However, in many situations, especially in the start-up stage, they lack the resources and tools to create sustainable businesses. This is especially prevalent with the research and development sector.

Research and development is a highly critical component to a sustainable economy. R&D provides well-paying jobs to highly-educated employees. These employees pay significant taxes back to the state and spend considerable amounts of income within the state for goods and services. Furthermore, as the R&D matures it creates product companies that increase the number of jobs and tax base significantly.

Therefore, this measure will provide start-up companies guidance and business processes to effectively turn research into successful venture creations.

Thank you for the opportunity to submit testimony.



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Written Statement of

**KARL FOOKS**

**President**

Hawaii Strategic Development Corporation

before the

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS**

January 31, 2012

8:30 AM

State Capitol, Conference Room 312

In consideration of

**HB 2319 RELATING TO ECONOMIC DEVELOPMENT.**

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

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

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.

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.

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.

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.

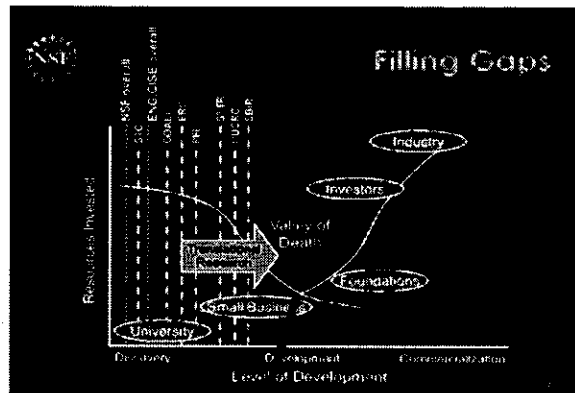
Small businesses are the engine of job creation and startup ventures in particular create new jobs in high wage, knowledge based industries. HB 2319 will provide the resources to develop a critical component of the innovation ecosystem that Hawaii currently lacks.

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  
**YUKA NAGASHIMA**  
**Executive Director & CEO**  
High Technology Development Corporation  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS**  
Tuesday, January 31, 2012  
8:30 AM  
State Capitol, Conference Room 312

In consideration of  
**HB2319 RELATING TO ECONOMIC DEVELOPMENT.**

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

The High Technology Development Corporation (HTDC) strongly supports HB2319 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.

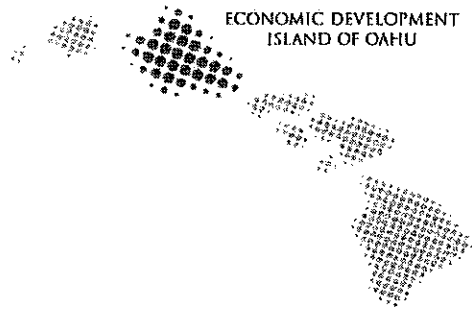
The venture accelerator model has been successfully implemented in many other states. Most notably by Y-Combinator (Silicon Valley) and Tech Stars (multiple sites – Boulder, Boston, Seattle, New York City) the latter boasting impressive statistics – since the program started in 2007 82% of companies 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.

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



SENT VIA EMAIL

January 30, 2012

Representative Angus L.K. McKelvey  
Chair, Committee on Economic Revitalization and Business  
Representative Isaac W. Choy  
Vice Chair, Committee on Economic Revitalization and Business  
Hearing on House Bill 2319 - Relating to Economic Development  
State Capitol, Conference Room 312

Aloha Chair McKelvey and Vice Chair Choy!

Enterprise Honolulu stands in strong support of House Bill 2319 with the Hawai'i Strategic Development Corporation.

As Hawai'i continues to improve and build upon our current economic condition - Positioning and supporting Hawai'i based businesses, to increase their capacity to acquire private sector venture capital is crucial.

We ask for your legislative support with this important initiative.

Please feel free to contact me directly should you have any questions.

Sincerely,

Pono Shim  
President & CEO  
Enterprise Honolulu, Oahu Economic Development Board



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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, January 30, 2012 1:38 PM  
**To:** ERBtestimony  
**Cc:** ktmatsumoto@msn.com  
**Subject:** Testimony for HB2319 on 1/31/2012 8:30:00 AM

Testimony for ERB 1/31/2012 8:30:00 AM HB2319

Conference room: 312  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Keith Matsumoto  
Organization: Individual  
E-mail: [ktmatsumoto@msn.com](mailto:ktmatsumoto@msn.com)  
Submitted on: 1/30/2012

Comments:

On behalf of the Hawaii Technology Development Venture, we offer support for the basic intent of HB2319. A funding accelerator would be an asset to the Hawaii technology industry and would build on the success of the State Follow-On funding program which was administered by HTDV. Specific details of the program and evaluation metrics should be negotiated among the various stakeholders including, but limited to, technology companies.