

**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  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS**

Tuesday, March 13, 2012  
8:30 a.m.  
State Capitol, Conference Room 312

in consideration of  
**SB 2239, SD 1, Proposed HD 1**  
**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 SB 2239, SD 1, Proposed HD 1, 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.

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.

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

To: Chair Angus McKelvey, Vice Chair Isaac Choy – House Committee on Economic Revitalization and Business

Subject: **SB2239 SD1** Relating to Economic Development, being heard Monday, March 13, 2012 at 8:30PM, State Capitol, Conference Room 312

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

The Hawaii Venture Capital Association (HVCA) strongly supports the provision in SB2239 SD1 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 entrepreneurs' ability to attract key people and finance to their company.

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 that a properly funded accelerator can provide.

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



**HAWAII  
STRATEGIC  
DEVELOPMENT  
CORPORATION**

No. 1 Capitol District Building  
250 South Hotel Street, Suite 508  
P.O. Box 2359  
Honolulu, Hawaii 96804  
Telephone: (808) 587-3830

Written Statement of

**KARL FOOKS**

**President**

Hawaii Strategic Development Corporation

before the

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS**

March 13, 2012

8:30 AM

State Capitol, Conference Room 312

In consideration of

**SB2239 HD1 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 SB2239 HD1, legislation establishing 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 already taking place in our community.

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.

HSDC recommends an appropriation of \$5 million for the Venture Accelerator Funding Program. This level of funding will allow the establishment of up to three accelerators to focus on specific industries and provide these accelerators with three years of operating capital. This funding strategy will allow each accelerator the time needed to establish an operating track record and to find new sources of funding to sustain its operations.

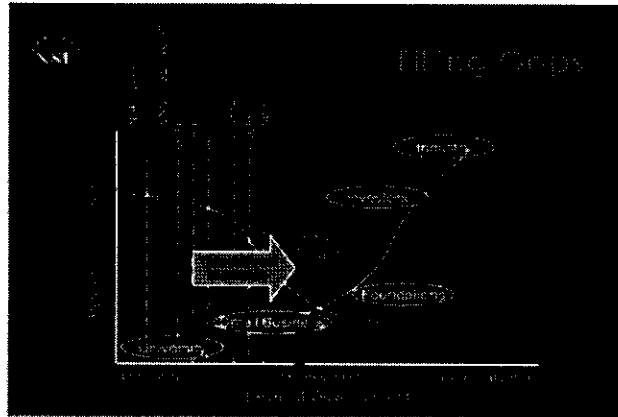
Small businesses are the engine of job creation and startup ventures in particular create new jobs in high wage, knowledge based industries. SB2239 HD1 will provide the resources to develop a critical component of the innovation ecosystem that Hawaii currently lacks.

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  
**YUKA NAGASHIMA**  
**Executive Director & CEO**  
High Technology Development Corporation  
before the  
**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
Tuesday, March 13, 2012  
8:30 AM  
State Capitol, Conference Room 312  
In consideration of  
**SB2239 SD1 HD1 PROPOSED RELATING TO ECONOMIC DEVELOPMENT.**

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

The High Technology Development Corporation (HTDC) strongly supports SB2239 SD1 HD1 PROPOSED 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.



March 10, 2012

Hawaii State Legislature  
House Committee on Economic Revitalization and Business

RE: Bill # SB 2239 HD1

Dear Esteemed Members of the Committee,

As a tech entrepreneur who has benefitted from Hawaii state incentives as well as from capital investments, and as a fund manager who has been working to raise capital for three years in order to fund local innovation with a new fund, I am in full support of Bill# HB 2319.

I back the overall vision of diversifying Hawaii's income potential and keeping our best and brightest in the islands with exciting and worth-while professional opportunities. I do believe that this bill could help accomplish this vision by developing projects that creative professionals would otherwise have to seek elsewhere.

Thank you for your time.

Sincerely,

Eric C. Carlson  
Kukui Entertainment, LLC  
eric@kukuifilmgroup.com





Chair: Angus L.K. McKelvey, Chair  
Isaac W. Choy, Vice Chair

Committee: Committee on Economic Revitalization & Business  
Bill No & Title: SB2239 HD1 Proposed

Day, Date, Time: Tuesday, March 13, 2012  
8:30 a.m.

Place: State Capitol Conference Room 312

Chair Angus L.K. McKelvey , Vice Chair Isaac W. Choy and Members of the Committee on Economic Revitalization & Business:

I am Jared I. Kuroiwa and am one of the founding members of the Hawai'i Innovation Alliance (HIA). The Hawai'i Innovation Alliance is an organization formed earlier this year that aims to create a more unified voice representing the islands' innovation community (technology, startups, entrepreneurs, new and social media, etc.) to foster innovation, educate lawmakers, and advocate appropriate policy.

The Hawai'i Innovation Alliance **strongly supports SB2239 HD1 Proposed**, Relating to Economic Development. The purpose of this Act is to build on the successful efforts to mobilize private sector venture capital for Hawaii-based small businesses, through the Hawaii venture capital investment programs of Hawaii's institutional investors and the Hawaii strategic development corporation, by establishing a venture accelerator funding program to provide business advisors, mentors, and resources to enable Hawaii's technology entrepreneurs to successfully compete for investment capital.

We believe that the future of Hawai'i's economy is in high technology and the Venture Accelerator Funding Program outlined in this bill will go a long way in supporting growth in this sector. Technology permeates all of the industries outlined in this bill from renewable energy, broadband, aerospace, film, digital media, and agriculture. By their nature, many high technology companies are small with low overhead and a low physical footprint. Perfect for Hawaii.

One of the effects of creating a vibrant technology start-up environment is in retaining the homegrown talent in the technology fields. This symbiotic relationship between science and technology education and the small business community is an area that HIA supports as the higher quality of talent in the state increases the range of businesses that we can produce.

Thank you for the opportunity to submit testimony in support of this important bill.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 12, 2012 10:03 AM  
**To:** ERBtestimony  
**Cc:** russel@startuphui.com  
**Subject:** Testimony for SB2239 on 3/13/2012 8:30:00 AM

Testimony for ERB 3/13/2012 8:30:00 AM SB2239

Conference room: 312  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Russel Cheng  
Organization: StartupHui LLC  
E-mail: [russel@startuphui.com](mailto:russel@startuphui.com)  
Submitted on: 3/12/2012

**Comments:**

Hearing on SB 2239, SD1 - Relating to Economic Development State Capitol, ERB, Room 312

Dear Chair, Vice Chair, and Members of the ERB Committee:

StartupHui LLC, an early-stage startup venture incubator for Internet and software entrepreneurs based in Hawaii, strongly supports SB2239, SD1 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 via 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/>

We have solid commitments from 16 startup CEO/Founders with Hawaii ties to act as mentors in the StartupHui, designed our summer and winter programs, identified suitable co-workspace facilities and potential investors for the program's demo day.

We ask for your legislative support with this important initiative.

Sincerely,

Russel Cheng  
Founder and CEO, StartupHui

IPC

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 11, 2012 3:55 AM  
**To:** ERBtestimony  
**Cc:** faruq.ahmad@gmail.com  
**Subject:** Testimony for SB2239 on 3/13/2012 8:30:00 AM

Testimony for ERB 3/13/2012 8:30:00 AM SB2239

Conference room: 312  
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: 3/11/2012

**Comments:**

My name is Faruq Ahmad, and I am writing in support of HB 2319, legislation to appropriate funds 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 for over 20 years. 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.

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