



HAWAII
STRATEGIC
DEVELOPMENT
CORPORATION

Written Statement of

KARL FOOKS
President

Hawaii Strategic Development Corporation

Before the
COMMITTEE ON WAYS & MEANS

March 28, 2014
9:20 AM
State Capitol, Conference Room 211

In consideration of
**HB 2481 HD 1 SD1 RELATING TO THE HAWAII HIGH IMPACT CENTER FOR
COMMERCIALIZATION**

Chair Ige, Vice Chair Kidani, and Members of the Committee on Ways & Means:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits comments on HB 2481 HD 1 SD 1, legislation that appropriates funds for the Hawaii High Impact Center for Commercialization.

We recommend the Legislature consider a comprehensive strategy to link research commercialization with entrepreneurial development (management teams) and investment capital (markets and money) as a means to stimulate an entire ecosystem that can support the critical mass needed to achieve the goal of this legislation of translating research activity into commercial success.

Thank you for the opportunity to provide testimony.



**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

SENATE COMMITTEE ON WAYS AND MEANS

Friday, March 28, 2014

9:20 AM

State Capitol, Conference Room 211

in consideration of

HB 2481, HD1, SD1

RELATING TO THE HIGH IMPACT CENTER FOR COMMERCIALIZATION.

Chair Ige, Vice Chair Kidani, and Members of the Senate Committee on Ways and Means.

The Department of Business, Economic Development, and Tourism (DBEDT) supports HB 2481, HD1, SD1, legislation establishing a program to commercialize technology within the High Technology Development Corporation.

Hawaii's established industries are maturing. There is a strategic need to develop new growth sectors for the State's economy. DBEDT's mission is to nurture a Hawaii economy that embraces innovation and is globally competitive, thus providing high-wage job opportunities for all of Hawaii's citizens.

We recommend the Legislature consider a comprehensive strategy to link technology commercialization with entrepreneurial development (management teams) and investment capital (markets and money) as a means to stimulate an entire ecosystem that is needed to achieve the goal of this legislation of translating research activity into commercial success.

Continued support of the State's core efforts to develop an innovation ecosystem – the Broadband, HI Growth, and Clean Energy Initiatives – is needed to create a critical mass of Hawaii businesses and to attract investors to Hawaii. DBEDT supports this initiative, provided the appropriation does not replace or negatively impact the Administration's budget request.

Thank you for the opportunity to offer these comments.



**Testimony to the Senate Committee on Ways and Means
Friday, March 28, 2014 at 9:20 A.M.
Conference Room 211, State Capitol**

**RE: HOUSE BILL 2481 HD1 SD1 RELATING TO THE HAWAII HIGH IMPACT
CENTER FOR COMMERCIALIZATION**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 2481 HD1 SD1, which establishes the Hawaii high impact center for commercialization in the high technology development corporation.

The Chamber is the largest business organization in Hawaii, representing over 1,000 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill would provide substantial aid for the development, transfer, and commercialization of technology. It is vital that we advance the State's technology in order to continue supporting local businesses and sustain the local economy. The Hawaii High Impact Center would provide necessary technological support to a broad range of local businesses in order to promote development and sustainability of the economy. With proper backing, Hawaii could become a global leader in economic innovation and technological development.

Thank you for the opportunity to testify.



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27 March 2014

Committee on Ways and Means
Chair: David Ige
Vice Chair: Michelle N. Kidani

Growth of the state's technology sector is an important component of any plan to achieve diversification in Hawaii's economy. Significant progress has been made in recent years through programs supported by federal and state initiatives, but more is required to move Hawaii's technology industry to support technology commercialization and to facilitate transition to a locally-based manufacturing capability. Continuing innovations in the science and technology fields will not only enable the State to succeed in a global marketplace, but will also support a sustainable economic growth mechanism through diversification and technology-based product development. Spectrum Photonics' is a technology-oriented small business whose core business is based on intellectual property licensed from the University of Hawaii. Our future viability as a Hawaii-based producer of technology-based products depends on the successful establishment of technology transfer, commercialization, and manufacturing infrastructure improvement. We strongly endorse the proposed center.

HB2481-HD1-SD1 provides important economic incentives for technology development through investment by companies that span the economic spectrum. The bill will facilitate establishment of a profitable, self-sustaining technology industry, not solely reliant on venture capital, and enhance the probability that companies will stay in Hawaii. The Center is not "high tech"-centric and will support broad economic engines such as Agriculture, Visitor, Medical, and position Hawaii as a gateway for technology commercialization to the Asia-Pacific region. **Participating** companies will be held accountable to ensure success of the program and required to meet identified metrics for success.

One of the impediments faced by companies like Spectrum Photonics is the shortage of capital needed to cross the "valley of death". Spectrum Photonics' goal is to achieve commercial product sales and profitability. HB2481-HD1-SD1 will help to establish a sustainable, self-sufficient technology industry that is not solely reliant on venture capital. Successful implementation of such a plan will enhance the probability that companies like ours will stay in Hawaii. The forward-looking focus on commercial sales and local manufacturing will fill the technology cycle and enhance opportunities for broad workplace skills to participate in the technology sector.

The Center will support broad economic engines beyond technology, including agricultural, visitors and hospitality, medical and human services. It positions Hawaii as a gateway for technology commercialization within the Asia-Pacific region. As a University of Hawaii intellectual property licensee we, in particular, find the emphasis on collaboration between UH and the local technology industry to be quite compelling. The proposed Bill facilitates such collaborations in a manner that is not State driven, leveraging a model that has been successfully demonstrated in other parts of the country.

We strongly urge you to support of HB2481-HD1-SD1.

Sincerely,

A handwritten signature in blue ink that reads "Edward T. Knobbe".

Edward T. Knobbe, Ph.D.
President and CEO

Testimony in Support of HB2481



To: Senate Committee on Ways and Means

Dear Chair Ige, Vice Chair Kidani, and members of the Committee,

This letter is to provide my support for HB2481 regarding the creation of the Hawaii High Impact Center for Commercialization.

I am the founder and owner of TeraSys Technologies, a small business headquartered in Downtown Honolulu that was founded in 2007. I currently employ 9 employees, bringing a total of \$1.8M in revenue to the State of Hawaii in 2013 and over \$7M since 2007. Our business focuses on the creation of wireless technology products for military and commercial applications.

TeraSys has been very successful in securing millions of dollars in research and development grants from the government to complete the development of technologies that are valuable to the military. Despite this success, TeraSys is not on a path to sustainability because we lack products that are sale ready. There are few, if any, available financing sources to transform a viable technology into a commercially ready product.

Taking matters into our own hands, TeraSys has reinvested nearly 75% of our profits into the creation of commercial products that address global needs in improved micro-location of consumers using wireless technology. I will continue to invest whatever we can to make TeraSys a viable sustaining company, but because the federal government regulates our profit to single digit profit margins, I fear it will take us too long to achieve sustainability without help.

HB2481 is of great interest to us both for the broad impact it will make to the technology community in Hawaii but also because it allows for direct investments into companies such as TeraSys to accelerate the deployment of high profit margin commercial products. High profit margin product sales are the foundation for a sustainable business model because it eliminates the need to rely on research grants and state funding to fund new product development.

I am a Yon-sei (4th generation) resident of the state, and my children are Go-sei (5th generation). My family is here, and I am fully committed to doing what is necessary to keep my business here while also giving my children the opportunity to grow up where my wife and I grew up. With enough high growth businesses that are supported by bills such as HB2481, it is possible to provide high quality, high wage earning opportunities for our best and brightest graduates to stay here in Hawaii while not sacrificing the quality of their careers. I humbly request that you pass this bill as it was introduced on January 23, 2014.

I thank you for your time and attention,

Mahalo Nui Loa,

Kevin Miyashiro
President

Digitally signed by Kevin
Miyashiro;DN: c=US, ou=U.S. Government, ou=ECA,
ou=idenTrust, ou=TERASYS TECHNOLOGIES
LLC, cn=Kevin
Miyashiro;X.509.0327090020-1000



Written Statement of
DR. PATRICK K. SULLIVAN
PRESIDENT/CEO OCEANIT

Before the
SENATE COMMITTEE ON WAYS AND MEANS

March 28, 2014

9:20 a.m.

State Capitol, Conference Room 211

In Support of

**HB2481 RELATING TO THE HAWAII HIGH IMPACT CENTER FOR
COMMERCIALIZATION**

To: Chair David Ige, Vice Chair Michelle N. Kidani and Members of the Committee

From: Dr. Patrick K. Sullivan, President/CEO

Re: Testimony in Support of HB2481

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony in **Support of HB2481**.

Oceanit is a local diversified science and engineering company with capabilities/facilities in advanced technology, life sciences, information systems, aerospace, energy, oil and gas, and consulting engineering services.

Through various federal funding sources we have demonstrated the ability to develop “disruptive technologies” that are changing the way we live and work in the world. However, the ability to take disruptive technologies to the next level or to commercialize has been a challenge. Federal R&D funding is restricted to research and development activities, i.e., no marketing or commercialization activities allowed. And only a small percentage of tech businesses are venture-fundable. So how do we help the majority of Hawaii technology companies who are stuck in the “ditch” between research and product realization?

Previous support of High Impact’s predecessor, the State’s Follow-on-Fund (FoF) of 2007, has created several new high tech startups in Hawaii, as well as product development efforts which have brought funding and people to Hawaii. A recipient of State FoFs is Oceanit’s Nanite technology which recently won Dept of Energy funding to collaborate with a consortium of the largest oil and gas companies in the world.

The Hawaii High Impact Center for Commercialization will support the market transformation of technologies from the tech, agriculture, tourism, software, creative media, and defense sectors to name a few. In return, the State will benefit from tax revenues, job creation and economic growth.

Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON WAYS AND MEANS

Friday, March 28, 2014
9:20 a.m.
State Capitol, Conference Room 211
In consideration of

**HB 2481 HD1 SD1 RELATING TO THE HAWAII HIGH IMPACT CENTER FOR
COMMERCIALIZATION.**

Chair Ige, Vice Chair Kidani, and Members of the Committee on Ways and Means.

The High Technology Development Corporation (HTDC) **supports** HB 2481 HD1 SD1. HTDC's statute and mission are aligned with the bill. Creating and growing Hawaii's science and technology industries is a core goal of HTDC. HTDC provides funding for technology commercialization through its HSBIR matching grant program and provides technical assistance to manufacturers through our federally funded Manufacturing Extension Partnership program. We support the concept of the Hawaii Impact Center for Commercialization to catalyze technology transfer from universities and private entities. HTDC requests the bill Section 2 (b.)(2) to be amended to not limit the fields of commercialization.

While we support the Center, HTDC does not have the appropriate funding to provide the capital to support accelerated commercialization and infrastructure development activities as set forth in this bill.

Thank you for the opportunity to offer these comments.