

HB2481



HAWAII
STRATEGIC
DEVELOPMENT
CORPORATION

Written Statement of

KARL FOOKS

President

Hawaii Strategic Development Corporation

Before the

COMMITTEE ON TECHNOLOGY & THE ARTS

And the

COMMITTEE ON HIGHER EDUCATION

March 18, 2014

2:00 PM

State Capitol, Conference Room 414

In consideration of

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

Chair Wakai, Chair Taniguchi, Members of the Committee on Technology & the Arts and
Members of the Committee on Higher Education:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits comments on HB
2481 HD1, 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.

Testimony in Support of HB2481



To: Senate Committee on Technology and the Arts; Committee on Higher Education

Dear Chair Wakai, Vice Chair Nishihara, Chair Taniguchi, Vice Chair Kahele, and members of the Committees,

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. 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 thank you for your time and attention,

Mahalo Nui Loa,

Kevin Miyashiro
President

Digitally signed by Kevin
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ou=IdenTrust, ou=TERASYS TECHNOLOGIES LLC,
cn=Kevin
Miyashiro;A0109690000132483F4D07000E350
Date: 2014.03.14 13:25:14 -10'00'



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

Before the
SENATE COMMITTEE ON TECHNOLOGY AND THE ARTS
AND
SENATE COMMITTEE ON HIGHER EDUCATION

March 18, 2014

2:00 p.m.

State Capitol, Conference Room 414

In Support of
HB2481 RELATING TO THE HAWAII HIGH IMPACT CENTER FOR
COMMERCIALIZATION

To: Chair Senator Wakai, Vice Chair Senator Nishihara and Members of the Committee
Chair Senator Taniguchi, Vice Chair Senator Kahele and Members of the Committee

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

Re: Testimony in Support of HB2481

Honorable Chairs, Vice-Chairs 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.

We strongly urge you to support of HB2481 and we appreciate your continued support of the technology industry.



2800 Woodlawn Dr.
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15 March 2014

Committee on Technology and the Arts
Chair: Senator Glenn Wakai
V Chair: Senator Clarence K. Nishihara

Committee on Higher Education
Chair: Senator Brian T. Taniguchi
V Chair: Senator Gilbert Kahele

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 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 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 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. In particular, we find the emphasis on collaboration between the University of Hawaii 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward T. Knobbe".

Edward T. Knobbe, Ph.D.
President and CEO
Spectrum Photonics, Inc.