

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

Wednesday, February 26, 2014  
9:00 a.m.  
State Capitol, Conference Room 211  
In consideration of

**SB 2832 SD1 RELATING TO HIGH TECHNOLOGY.**

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

The High Technology Development Corporation (HTDC) **supports** SB 2832 SD1 relating to High Technology. HTDC has been assisting Phase I SBIR awarded companies since 1989 and continues to do so each year. For every dollar invested through this program, Hawaii companies have attracted 16 federal dollars in return to the state, plus commercialization funding. The federal SBIR grant program has increased their efforts to move companies through grant awards to commercial product sales. However, the federal SBIR program has not dedicated additional funds towards these efforts. SB 2282 SD1 allows HTDC the opportunity to further assist these companies in the SBIR path to commercialization. Along with the matching grant funding, HTDC comments that companies require the support of a commercialization assistance program. For clarification, the Hawaii Capital Revolving Loan fund mentioned in the bill was repealed. HTDC respectfully requests the correction of the defective effective date.

Thank you for the opportunity to offer these comments.



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

Before the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
February 26, 2014  
9:00 a.m.  
State Capitol, Conference Room 211  
In Support of  
**SB2832 RELATING TO HIGH TECHNOLOGY**

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

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

Re: Testimony in Support of SB2832

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of SB2832**

The tech industry in Hawaii has grown over the past 10 years and has made significant strides toward achieving the goal of diversifying Hawaii's economy. Many companies compete for federal support through the Small Business Innovation Research ("SBIR") grant program, which encourages and funds early stage ideas and innovations.

As a local diversified science and engineering company with capabilities/facilities in advanced technology, life sciences, information systems, aerospace and energy Oceanit supports SB2832 and the White Paper attached hereto.

Specifically, we support the objectives of this bill which:

- Acts as a bridge across the "valley of death" and to assist in commercializing research discoveries for societal benefit;
- Supports economic growth and the diversification of our economy;
- Will allow companies to launch new ventures based on technology innovations; and
- Supports the growth of the tech industry and the creation jobs and innovation in the State of Hawaii.

Therefore, we strongly urge you to support SB2832.

**WHITE PAPER**  
**High Technology Transfer Bridge**  
**(HTTB)**  
11/6/13 ver.

**Background**

The technology industry in Hawaii has grown over the past 10 years and has made strides towards achieving the goal of diversifying Hawaii's economy and in establishing the feasibility and desirability of growing this industry to become the "third pillar" (with tourism and the military) of our economy.

Early stage support has been made available to "start up" companies, through state support of "accelerators". These accelerators provide mentoring and modest financial support to kick start a business.

Other companies that are developing cutting edge technologies rely on federal support through the Small Business Innovation Research ("SBIR") grant program, which encourages and funds early stage ideas and innovations. The technology risk level for these programs are often high and untested. Great ideas emerge from this early stage funding, and these ideas and technologies are vetted and competed at a national level. However, with the level of funding that is provided in a SBIR Phase I grant, there is barely enough money to demonstrate proof-of-concept for a technology. The follow-on funding that is required is essential to move the technology towards prototyping, customer interface and development.

HTTB would fill this critical "gap" in funding by supplementing the SBIR program, a program that has been tested by time. This funding gap (aka known as the "valley of death") is an acute problem in Hawaii due to our immature capital market support. Investment capital for technology in Hawaii faces critical challenges because this industry is still in the early stages of development in Hawaii, and there is a general lack of historical investment into this arena. This creates tremendous hurdles to the evolution of this industry.

Over the last several years, much attention was given to the development of software start-ups and social media as an industry. This has been an attractive industry as it requires little to no start-up capital and has low barriers to entry. Today, the leading tech arenas in the nation have found that the need to support "hard tech" is still required in order to maintain a vital, stable and critical part of the economic infrastructure. This industry is in flux, and most in Silicon Valley would agree that the days of these easy start-ups are gone. The focus is once again on developing cutting edge technology – development that requires longer timeframes, and significantly more capital investment.

**Proposed Solution**

The proposed solution leverages the Hawaii Technology Development Corporation's (HTDC) grant program, which has been in place since 1983. The purpose of the program has been to match SBIR Phase I grants. Phase I grants cover early stage ideas and technology development. Proposal topics are developed by agencies to address areas of national need. Proposals are vetted nationally and are extremely competitive. Ideally, a successful Phase I project will be able to show "proof of concept". More often than not - this usually means proof on paper – there is not enough funding in these early stage grants to actually develop or test a prototype.

This proposal would broaden the existing program by adding a matching grant component to mid- to later- stage funding at the SBIR Phase 2 or Phase 3 stages to support the development of working prototypes that stem out of these technologies. This would fill a large gap in the technology development process and would promote the maturation and commercialization of novel technologies.

**The objectives of HTTB are:**

- **To act as a bridge across the “valley of death” and to assist in commercializing research discoveries for societal benefit;**
- **To support economic growth and the diversification of our economy,**
- **To launch new ventures based on technology innovations;**
- **To support the growth of the tech industry and the creation of intellectual property and innovation in the State.**



Chamber *of* Commerce HAWAII  
*The Voice of Business*

**Testimony to the Senate Committee on Ways and Means  
Wednesday, February 26, 2014 at 9:00 A.M.  
Conference Room 211, State Capitol**

**RE: SENATE BILL 2832, SD1 RELATING TO HIGH TECHNOLOGY**

Chair Ige, Vice Chair Kidani, and members of the committee:

The Chamber of Commerce of Hawaii **supports** SB 2832, SD1 Relating to High Technology.

The Chamber is the largest business organization in Hawaii, representing more than 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 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.

The Chamber supports continuing efforts to develop the innovation sector of our economy. A diversified economy is important to Hawaii’s economic long term viability. This bill will help provide much needed funding to a wider spectrum of small businesses as well as create opportunities for investments in a booming and diverse economy.

Thank you for this opportunity to express our views.