

SB 2504

Measure Title: RELATING TO INNOVATION BUSINESS INTERACTION.

Report Title: HTDC; Loan Program (\$)

Description: Establishes a loan program in the HTDC to support high-technology small businesses. Appropriate funds.

LATE

February 5, 2015
1:15 p.m.
Conference Room 414

**Senate Committee on Economic Development, Environment and Technology
SB2504 RELATING TO INNOVATION BUSINESS INTERACTION**

To: Chair Senator Glenn Wakai, Vice Chair Senator Sam Slom and Members of the Committee

From: Duke Hartman, Makai Ocean Engineering, Inc.

Re: Testimony in SUPPORT of SB2504

Honorable Chairs, Vice-Chairs and Committee Members:

Thank you for the opportunity to submit testimony in SUPPORT of SB2504.

Makai Ocean Engineering, Inc. is a 43-year old small business, headquartered in Waimanalo, Hawaii for the life of the business. We export Hawaii-made tech products and services around the world, including the world's #1 submarine cable software. We are a big supporter of homegrown tech talent and 62% of our technical staff are either locally born-and-raised or came to us from the University of Hawaii.

In this twenty first century global economy, the creation and growth of technology companies is crucial for the State of Hawaii. It has been proven that through various federal funding sources, Hawaii companies have demonstrated the ability to develop "disruptive technologies" for the U.S. Department of Defense and commercial industries. However, the ability to take disruptive technologies to the next level or for dual use, i.e., for the other industries such as the tourism, agriculture, finance, construction, ocean, and energy industries has been a challenge. Federal R&D funding is restricted to research and development activities, i.e., no marketing or commercialization activities allowed. Furthermore, only a small percentage of tech businesses are venture fundable at the end of federal R&D funds. So how do we help the majority of Hawaii technology companies who are stuck in the "valley of death" between research and product realization?

SB2504, which establishes the commercialization loan program for commercialization (HI-impact) will assist Hawaii startups, such as Blue Startups, XLR8UH, and companies in the fields of dual-use technologies. In addition, it will support the market transformation of technologies from the defense, tech, tourism, agriculture, finance, construction, ocean, and energy industries to name a few. In return, the State will benefit from tax revenues, job creation, and economic growth and stability by diversifying its economy.

We strongly urge you to support of SB2504 and we appreciate your continued support of the technology industry.

Chair Wakai, Vice Chair Slom, and Members of the Committee on Economic Development, Environment, and Technology:

mbloom Ventures would like to express our strong support of SB 2504, a bill establishing a loan program in the High Technology Development Corporation to support high-technology small businesses.

Access to a continuum of Hawaii-based capital across the phases of a business, from research and development, to product development and proof of commercial concept, to scaling and growth capital, is a key need to anchor innovative startup businesses in Hawaii. This particular bill will help to provide some of the capital that is needed in this continuum, particularly, capital for product development and proof of commercial concept.

The bill further recognizes the need for other sources of capital over time, and calls for participants in the loan program to attract third party investment as a condition of qualifying for a second round of funding. As a Hawaii-based venture capital fund, mbloom's focus is to invest in companies that can prove commercial viability, such as those which would seek to qualify for a second round of funding from the proposed loan program.

Further, as a member of the Startup Paradise contingent -- a private sector led movement of innovative startup businesses driving economic growth and prosperity in Hawaii -- mbloom is committed to investing in and helping to keep innovative startup businesses growing and profitable here in Hawaii.

Venture capital is a necessary source of capital for innovative startups, allowing them to grow and scale. This bill will help to advance early-stage businesses so that they may attract later-stage capital, such as Hawaii-based venture capital, that will allow them to continue to grow and scale in Hawaii.

We humbly ask for your support of this bill, and for your continued support of the innovation economy.

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

Sincerely,



Lauren Primiano
Head of Venture

Written Statement of

KARL FOOKS

President

Hawaii Strategic Development Corporation

Before the

COMMITTEE ON ECONOMIC DEVELOPMENT, ENVIRONMENT, AND TECHNOLOGY

Friday, February 5, 2016

1:15 PM

State Capitol, Conference Room 414

In consideration of

SB 2504 RELATING TO INNOVATION BUSINESS INTERACTION

Chair Wakai, Vice Chair Slom, and Members of the Committee on Economic Development, Environment and Technology:

HSDC supports the intent of SB2504, a bill that provides funding for a commercialization program for Hawaii's innovative businesses, provided that its passage does not replace or adversely impact priorities indicated in the Executive Budget.

Access to capital for product development and proof of commercial concept is a key need for Hawaii's businesses. The HI Growth Initiative has identified this gap and currently invests in efforts to commercialize University of Hawaii research, clean technologies, film and media content, software, value-added agriculture and fashion design through its investments in accelerator programs and support for mentoring and networking programs. However, more needs to be done to create local access to investment capital.

HSDC supports a key purpose of the bill, stated on Page 4, Line 1, which is to "Keep high technology companies doing business in Hawaii by limiting the need to seek **out-of-state venture capital**, which dilutes local ownership and increases the probability of moving high potential technology companies from Hawaii."

The HI Growth Initiative has been able to establish 6 Hawaii based investment funds, over the past several years, to address this specific concern. However, more needs to be done to create local access to investment capital and more needs to be done to invest in the talent and infrastructure that will allow Hawaii companies to grow and compete globally. It is the successful companies that feel the need to move from Hawaii in order to access resources needed for their continued success.

It should be noted that the funding program outlined in SB2405 requires companies to attract 3rd party investment as a condition of qualifying for the second round of funding. Moreover, the companies must prepare for later stage investment as part of their development plan. HSDC, through the HI Growth Initiative, is committed to creating opportunities for Hawaii companies to access the 3rd party and later stage investment capital required by this program from Hawaii-based investment funds.

The Maryland program, upon which this bill is modeled, also recognizes the need to have the commercialization effort connected to sources of investment capital. The Maryland Technology Commercialization Fund is one part of that state's comprehensive effort to support innovation by providing support to create mentoring, networking, and funding resources for companies, including the Maryland Venture Fund.

Thank you for the opportunity to submit testimony.

LATE

**February 5, 2015
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Conference Room 414**

**Senate Committee on Economic Development, Environment and Technology
SB2504 RELATING TO INNOVATION BUSINESS INTERACTION**

To: Chair Senator Glenn Wakai, Vice Chair Senator Sam Slom and Members of the Committee

From: Edward Chen

Re: Testimony in **SUPPORT** of SB2504

Honorable Chairs, Vice-Chairs and Committee Members:

Thank you for the opportunity to submit testimony in **SUPPORT of SB2504**.

Hoana Medical, Inc. is one of the few medical device manufacturers founded and based in the State of Hawaii. We have developed a passive, life-saving sensing technology that can be used for medical, military and consumer environments.

In this twenty first century global economy, the creation and growth of technology companies is crucial for the State of Hawaii. It has been proven that through various federal funding sources, Hawaii companies have demonstrated the ability to develop "disruptive technologies" for the U.S. Department of Defense. However, the ability to take disruptive technologies to the next level or for dual use, ie, tourism industry, agriculture industry, sports industry, finance industry, building and construction industry and other industries, has been a challenge. Federal R&D funding is restricted to research and development activities, i.e., no marketing or commercialization activities allowed. Furthermore, 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?

SB2504, which establishes the commercialization loan program for commercialization (HI-impact) will assist Hawaii startups, such as Blue Startups, XLR8UH, and companies in the fields of dual-use technologies. In addition, it 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 SB2504 and we appreciate your continued support of the technology industry.

Thank you.

Sincerely,

Edward Chen
Hoana Medical, Inc.
President