



Written Statement of
Robbie Melton
Executive Director & CEO
High Technology Development Corporation
before the
Senate Committee on Economic Development, Tourism, and Technology
Monday, March 13, 2017
1:15 p.m.
State Capitol, Conference Room 414

In consideration of
HB595 HD1
RELATING TO THE RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee on Economic Development, Tourism, and Technology.

The High Technology Development Corporation (HTDC) **supports** HB595 HD1 that appropriates funds to continue the Small Business Innovation Research Program within the High Technology Development Corporation.

As part of HTDC's vision to create 80,000 new innovation jobs in Hawaii earning \$80,000 or more by 2030, HTDC supports initiatives aimed at promoting technology and innovation jobs. HTDC has been providing Phase I matching grants to SBIR awarded companies since 1989 and started awarding Phase II and Phase III matching grants last year.

In FY16, the first year of the Phase II Phase III matching program, HTDC awarded \$2 million to 7 companies who had secured \$7.9 million of federal SBIR funding. There were more eligible applicants than available funds.

HTDC just completed its 2016 Economic Impact Survey. Companies that benefited from the HSBIR program had an estimated \$89 million of economic impact, generated \$34 million in revenue and contributed \$6 million of state tax, and provided 372 jobs last year. Furthermore, SBIR companies have potential for future earnings through development of intellectual properties and provide high wage job opportunities in the state.

HTDC anticipates awarding all of the fiscal year 2016-2017 appropriated funds and suggests that \$2 million is an appropriate annual budget for the program. Phase III awards are eligible for matching grants and subject to the same application and evaluation process as Phase II awards.

Over time, the expanded program is anticipated to generate the same type of metrics of success as the Phase I only matching program. For every dollar invested through the Hawaii SBIR program, Hawaii companies have attracted 20 federal dollars in return to the state, plus

commercialization funding. HTDC believes this program provides leverage and positive economic development value for the State by supporting projects with vetted technology and backed with federal funds.

We respectfully request the correction of the defective effective date. We support this initiative as long as it does not replace our priorities requested in the Executive Budget.

Thank you for the opportunity to offer these comments.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Economic Development,
Tourism, and Technology
Monday, March 13, 2017 at 1:15 P.M.
Conference Room 414, State Capitol**

**RE: HOUSE BILL HB 595 HD1 RELATING TO THE HIGH TECHNOLOGY
DEVELOPMENT CORPORATION**

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 595 HD1, which appropriates funds to continue the Small Business Innovation Research Program within the High Technology Development Corporation.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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.

The High Technology Development Corporation (HTDC) has offered assistance to SBIR awarded companies since 1989; as a result, Hawaii companies have attracted 20 federal dollars in return to the state plus commercialization funding for every dollar invested through this program. Although the federal SBIR grant program has increased efforts to move companies through grant awards to commercial product sales, funds have not been dedicated towards these efforts. This bill would allow HTDC to provide the necessary support of a commercialization assistance program.

Thank you for the opportunity to testify.



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

March 13, 2017

HEARING BEFORE THE
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND
TECHNOLOGY

TESTIMONY ON HB 595, HD1
RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

Room 414
1:15 PM

Aloha Chair Wakai, Vice Chair Taniguchi, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFB is in strong support of HB 595, HD1, which appropriates funds to continue the Small Business Innovation Research Program within the High Technology Development Corporation.

A major impediment for agriculture in Hawaii is the lack of technology. Many of our operations continue to be done as during our parents' generation despite technology advancing by leaps and bounds. A good example is Food Safety. Our farms are small. Food Safety requires recordkeeping and traceability. Due to the size of our farms, traceability recordkeeping has turned to be a major issue and consultants say they don't know how to make it work for our farmers. We know RFID technology is advanced and used in all places. For example, when you return your car rental, the agent scans the barcode to get your data. It seems these technologies could be adapted to our farms. We need entrepreneurs such as those in the SBIR program to help us address these issues.

Continued funding, with possible targets to agriculture will be of great assistance to the industry.

We respectfully request your support with possible focus on agriculture as you deliberate this measure.

Thank you for this opportunity to provide our opinion on this important matter.

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 10, 2017 4:12 PM
To: ETT Testimony
Cc: achung@navatekltd.com
Subject: *Submitted testimony for HB595 on Mar 13, 2017 13:15PM*

HB595

Submitted on: 3/10/2017

Testimony for ETT on Mar 13, 2017 13:15PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
ann chung	Navatek	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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

Before the
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM &
TECHNOLOGY**

March 13, 2017

1:15 p.m.

State Capitol, Conference Room 414

In Support of

HB595 RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

To: Senator Glenn Wakai, Chair, Senator Brian Taniguchi, Vice Chair and Members of the Committee

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

Re: Testimony in Support of HB595

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of HB595**

The technology industry in Hawaii has grown over the past 10 years and has made significant strides towards achieving the goal of diversifying and stimulating Hawaii's economy.

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 the SBIR Program, and these ideas and technologies are vetted and competed at a national level. The follow-on funding that is required is essential to move the technology towards prototyping, customer interface and development.

HB595 would fill this critical "gap" in funding by supplementing the SBIR program, a program that has been tested by time and leverage the Hawaii Technology Development Corporation's grant program. 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. The grants would fill the gap in the technology development process and would promote the maturation and commercialization of novel technologies.

Therefore, we strongly urge you to support of HB595 and we appreciate your continued support of the technology industry.



Statement of
Duke Hartman
Vice President, Business Development
Makai Ocean Engineering, Inc.
before the
COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND TECHNOLOGY
Monday, March 13th, 2017
1:15 p.m.
State Capitol, Conference Room 414

In consideration of
HB595
RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee,

Makai Ocean Engineering, Inc. **STRONGLY SUPPORTS HB595** that makes an appropriation to HTDC to continue providing grants to businesses with a federal small business innovation research (SBIR) phase II or III awards.

Makai Ocean Engineering, Inc. is a locally-owned and operated technology company based in Hawaii for over 44 years and an active participant in the Small Business Innovation Research (SBIR) grant program. The SBIR program consists of three phases that encourages early stage investment and innovation in technology. Phase 1 provides a very small amount of money that is barely enough for proof of concept research. However, it is the Phase 2 and 3 funding stages that really provide a “bridge” for companies to survive the “valley of death” between the idea and research stages of development, through prototyping to commercialization.

According to HTDC, for every dollar invested through this program, Hawaii companies have attracted 20 federal dollars in return to the state, plus commercialization funding. The Hawaii SBIR program supports projects with vetted technology backed with federal funds. The state matching funds are critical to winning later phase awards and getting some of the technologies to market. The Phase 2 and 3 SBIR matching grants assist companies with a more difficult, but also more commercially-promising stage of development than Phase 1. Carefully selected Phase 2 and 3 matching grants represent more of a “sure bet” in terms of a successful and highly leveraged investment in economic development for the State, and growing our tech sector.

For example, Makai’s subsea cable laying software began as a Phase 1 SBIR (matched by State for \$20k in the year 2000) and then went on to Phase 2 and 3 and became the world’s #1 commercial cable laying software, with over \$30 million in commercial revenues and high tech jobs for Hawaii over the last 17 years. This is a direct multiplier of more than 1,500X for the State’s investment, not counting the indirect benefits of retaining some of the world’s best engineers in Hawaii and the additional technologies they have generated during this time. Imagine a return like that on an investment more substantial than \$20k.



Makai is currently working on a Phase 2 SBIR program focused on autonomous underwater vehicles, which could easily surpass the cable laying software in terms of revenue to the state. Our federal customer noted that the work we had performed on the underwater vehicle under the HTDC Hawaii State matching grant program was a key reason we were selected for an additional \$2.1 million award in late 2016.

In addition, Makai and Referentia were recently honored with a national award, the Tibbets Award, which recognizes companies whose technologies have made a strong economic impact in terms of high paying jobs, and displaying success in actually commercializing federal R&D by producing commercial products. We need this HTDC administered program to make possible more success stories like these. See the Governor's press release about the awards here:

<http://governor.hawaii.gov/newsroom/latest-news/dbedt-news-release-htdc-small-business-grantees-honored-with-national-tibbetts-award-at-the-white-house/>

This is why we **STRONGLY SUPPORT HB595**, which would provide the state matching funds for Phases 2 and 3 of the federal SBIR program to enable companies to commercialize new technologies more effectively. Not only would this expansion of funding enable our tech industry to compete and win more Federal monies for technology development, it would provide highly-skilled professional jobs for our keiki here at home.

Thank you for the opportunity to offer these comments.

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 12, 2017 2:07 PM
To: ETT Testimony
Cc: OmniGreen2020@yahoo.com
Subject: *Submitted testimony for HB595 on Mar 13, 2017 13:15PM*

HB595

Submitted on: 3/12/2017

Testimony for ETT on Mar 13, 2017 13:15PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Bill Akiona II	OmniGreen Renewables LLC	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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4009 Black Point Rd, Honolulu, HI 96816 • (206) 588-5811

Statement of
Rex Jakobovits, PhD
President
Experiad Solutions
before the
Committee on Economic Development, Tourism, and Technology
Monday, March 13, 2017
1:15 p.m.
State Capitol, Conference Room 414

In consideration of
HB595 HD1
RELATING TO THE RELATING TO THE HIGH TECHNOLOGY
DEVELOPMENT CORPORATION.

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee on Economic Development, Tourism, and Technology

Experiad **supports** HB595 HD1 that makes an appropriation to HTDC to continue providing grants to businesses with a federal small business innovation research (SBIR) phase II or III awards.

I am a graduate of Kalani High School and I received a PhD in computer science from the University of Washington. I am happy to be back home now, part of the burgeoning technology ecosystem here in the islands. My Honolulu-based startup Experiad is developing software for behavioral therapists who treat kids with autism. We have received two large Phase I SBIR grants (totaling over \$1.4M) from the National Institute of Health, and we received matching HISBIR funds from HTDC. This week, we were notified by NIH that our new \$1.8M Phase II grant (which we submitted last year) is going to be funded in April, bringing our total awarded amount to \$3.2M. That grant will allow us to expand our team and hire 2-3 more software developers and a research coordinator. **The HISBIR matching funds were critical to helping us meet the goals of our Phase I research. Without HISBIR, we may not have succeeded in our Phase II application. The HISBIR program was directly responsible for us bringing in a \$1.8M Phase II award.** To date, over 90% of our expended funds have been spent on employees in Hawaii.

This is direct, compelling evidence that dollars invested in HISBIR matching funds attract large amounts of federal dollars in return to the state. We



4009 Black Point Rd, Honolulu, HI 96816 • (206) 588-5811

believe that the Phase II matching funds (HB595 HD1) will be of similar value, helping us to succeed in our Phase II efforts and ultimately achieve a successful Phase III commercialization, which will lead to a large expansion of our local workforce and a sustainable business for years to come.

Mahalo,

A handwritten signature in black ink, appearing to read "Rex Jakobovits". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Rex Jakobovits, PhD



12 March 2017

To : Senate Committee on Economic Development, Tourism & Technology

R.e. HB 595 HD1

To be heard on Monday, March 13, 2017, 1:15 p.m.

At State Capitol, Conference Room 414

Dear Chair Sen. Wakai, Vice Chair Sen. Taniguchi, and Members of the Senate Committee on Economic Development, Tourism and Technology,

I write in **strong support of** HB595 HD1, RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION, which makes an appropriation to HTDC to continue providing grants to businesses with Federal Small Business Innovation Research (SBIR) Phase II or III awards.

Kampachi Farms, LLC, is an open ocean aquaculture R&D company, based in Kona. We were the founders of the kampachi farm that is located offshore from the Kona airport, which has operated since 2005, generating **revenues of over \$6 million per year**, with no significant environmental impact. We have also led breakthrough collaborative projects that have advanced marine fish hatchery technologies, and have pushed the envelope for “over-the-horizon” aquaculture in Hawaii, and globally.

One of our recent collaborations – the Velella Project – was awarded one of **TIME Magazine’s “25 Best Inventions of the Year”** for 2012. The Velella Project was funded by the National Science Foundation’s SBIR program, and it is highly instructive of the value of matching funds for SBIR projects in Hawaii.

Our Phase I and Phase II research work for this project laid the critical ground-work for understanding the opportunity, but did not identify a ready path to commercialization. By the end of the Phase II project, we were still a long way from having a viable business plan. By good fortune, one of our collaborating partners – the Illinois Soybean Association – had provided a significant matching contribution to our Phase II research, which then allowed us to obtain a



further \$500,000 in Phase IIB funds from NSF. This follow-on funding enabled us to devise, deploy and operate a modified version of the original concept, and to more clearly demonstrate the social, ecological and commercial benefits of the project. Out of that Phase IIB work grew a new spin-off company that now operates independently out of NELHA, with Kona-based employees totaling three engineers, a PhD biologist, two other technicians who are both UH Hilo graduates, and two other supporting employees. Without the support of Illinois soybean farmers in our Phase II, this project would have wilted on the vine. As a Hawaii company, we cannot always rely on friends from Illinois; such critical support for Phase II and Phase III match needs to be also available locally.

We would, however, like to suggest one amendment to the Bill's language. In past iterations of this program, HTDC Phase III match awards have only been available for companies that had Phase III funding from **government** sources (i.e. DoD, or NIH). These HTDC awards were therefore not made available to companies that had **private** sources of Phase III matching funds. This is completely wrong-headed! HTDC should be charged with offering **greater** support for private investors in SBIR technologies, not **less**. This problem can be rectified by inserting the following (underlined) language in around **Line 15** of the HD1 Draft, so that it reads "providing grants and loans for phase III awards where applicable from all Federal agencies, irrespective of whether the matching funds are from government or private sources".

Thank you for the opportunity to offer these comments.

Mahalo, and aloha,

A handwritten signature in black ink, appearing to read 'Neil Anthony Sims'.

Neil Anthony Sims, M.Sc.
Co-Founder, Co-CEO, Kampachi Farms, LLC
President, The Ocean Stewards Institute
neil@kampachifarm.com (808) 989 2438



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STE #150
Honolulu HI 96028
www.spectrum-photonics.com

12 March 2017

Statement of
Edward Knobbe
President and CEO
Spectrum Photonics

before the
Committee on Economic Development, Tourism, and Technology
Monday, March 13, 2017
1:15 p.m.
State Capitol, Conference Room 414

In consideration of
HB595 HD1
RELATING TO THE RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT
CORPORATION.

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee on Economic Development, Tourism, and Technology.

Spectrum Photonics **supports** HB595 HD1 that makes an appropriation to HTDC to continue providing grants to businesses with a federal small business innovation research (SBIR) phase II or III awards.

Implementation of a state-sponsored matching incentive program, designed to augment all three phases of the federal SBIR program, will significantly accelerate the rate at which small businesses can develop and commercialize new technologies. Spectrum Photonics has benefitted significantly from the SBIR program, with more than \$6,000,000 in federal SBIR funds contracted since 2010. Federally-awarded SBIR funds, in turn, have helped to make our technologies competitive for larger follow-on commercial transition programs and federal acquisition contracts, including awards under the \$3,000,000 Rapid Innovation Fund (RIF) program, \$4,500,000 of funding under the Next-Generation Chemical Detection (NGCD) program, and \$16,900,000 under the Standoff ILluminator for Measuring Absorbance and Reflectance Infrared Light Signatures (SILMARILS) program. Enactment of HB595 HD1 will greatly accelerate technology development and commercialization activities in the state.

According to HTDC for every dollar invested through this program, Hawaii companies have attracted 20 federal dollars in return to the state, plus commercialization funding. The Hawaii SBIR program supports projects with vetted technology backed with federal funds. The state matching funds are critical to winning later phase awards and getting some of the technologies to market.

We respectfully request the correction of the defective effective date. Thank you for the opportunity to offer these comments.

Statement of
Doug Nelson
President
Studio Kinection, Inc. (dba Kinection)

before the
Committee on Economic Development, Tourism, and Technology
Monday, March 13, 2017
1:15 p.m.
State Capitol, Conference Room 414

In consideration of
HB595 HD1
RELATING TO THE RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee on Economic Development, Tourism, and Technology.

Kinection **strongly supports** HB595 HD1 that makes an appropriation to HTDC to continue providing grants to businesses with a federal small business innovation research (SBIR) phase II or III awards.

Companies that successfully complete Phase II projects often face a “valley of death” where they lack the funds to move from the working prototype developed under SBIR funding to a commercial product. This is where the HTDC matching funds can make a crucial difference for Phase II companies.

In 2016, we received funds under this program for our “Warrior Stories” software application, originally developed under contract with the Dept. of Defense. With the HTDC funding, we have hired a Hawaii-based employee, added key features to our software, and attracted new customers. Additionally, we secured additional federal funding to match the HTDC grant.

Small businesses are the innovation engine of the new economy, and supporting small businesses to develop sustainable product lines should continue to be a key priority for the State.

We respectfully request the correction of the defective effective date. Thank you for the opportunity to offer these comments.





Executive Officers:

John Erickson, Young's Market Company –Chair
Beau Oshiro, C&S Wholesale – Vice Chair
Toby Taniguchi, KTA Superstores – Secretary/Treasurer
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Barry Taniguchi, KTA Superstores – Advisor
Derek Kurisu, KTA Superstores – Immediate Past Chair
Lauren Zirbel, Executive Director

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Honolulu, HI 96813
Fax: 808-791-0702
Telephone: 808-533-1292

TO: COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM & TECHNOLOGY
Senator Glenn Wakai, Chair
Senator Brian Taniguchi, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Monday, March 13, 2017
TIME: 1:15 p.m.
PLACE: Conference Room 414

RE: HB595, HD1 (High Technology Development Corporation)
Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

This bill's appropriation of funding for Hawaii's small business innovation research program will complement existing efforts in building and diversifying our economy, keeping more dollars in Hawaii, decreasing our dependence on imports, and growing and strengthening the Made in Hawaii brand.

Research has shown that a diversified economy and a business-friendly tax climate are key factors in keeping unemployment low. This bill allows manufacturers in our state to continue to grow their businesses and incentivizes production in Hawaii. This means more jobs and a stronger economy for the entire state.

Encouraging and fostering small business development and growth will also likely equate to less reliance on imported goods. Hawaii currently imports over 90% of the products used in the state. This reliance leaves us vulnerable to potential supply chain interruptions, adds shipping costs to almost every product and sends millions of dollars per year out of the state- millions of dollars that could be spent and reinvested here. Continuing support for small businesses is an excellent investment for our state.

This bill will also likely open the door for more products to earn the proud distinction of being "Made in Hawaii." Hawaii-made products have a worldwide reputation for quality and excellence and are in

demand both within the state and abroad. Additional funding for this program will help our industries grow to meet that demand while concurrently expanding our economy.

For these reasons, we ask that you please vote yes on this measure.

Thank you for the opportunity to testify.



Statement of
LETIZIA DE LANNOY
Manager
Hawaii Evolutionary Development, LLC
(HIEvoDEvo)

before the

**Committee on Economic Development, Tourism, and
Technology**

Monday, March 13, 2017

1:15 p.m.

State Capitol, Conference Room 414

In consideration of

HB595 HD1

RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION

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FEIN 36-4683352

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee on Economic Development, Tourism, and Technology.

HIEvoDevo supports HB595 HD1 that makes an appropriation to HTDC to continue providing grants to businesses with a federal small business innovation research (SBIR) phase II or III awards.

HIEvoDevo is developing HEDS, an engineering design software using a novel methodology to find optimal solutions. With the Hawaii SBIR matching funds HIEvoDevo has hired a software developer, contracted AlgorithmHub, a leading local startup in cloud services, and partnered with the US Air Force and Lockheed Martin Aeronautics to test and validate HEDS. The success of this partnership can result in new projects and consequently the hiring of additional engineers and software developers.

According to HTDC for every dollar invested through this program, Hawaii companies have attracted 20 federal dollars in return to the state, plus commercialization funding. The Hawaii SBIR program supports projects with vetted technology backed with federal funds. The state matching funds are critical to winning later phase awards and getting some of the technologies to market.

We respectfully request the correction of the defective effective date. Thank you for the opportunity to offer these comments.



Statement of

Christopher Somogyi
Partner
Reef Capital Ventures (Honolulu and Holualoa)

before the Committee on Economic Development, Tourism, and Technology

Monday, March 13, 2017
1:15 p.m.

State Capitol, Conference Room 414

In consideration of

HB595 HD1

RELATING TO THE RELATING TO THE HIGH TECHNOLOGY DEVELOPMENT CORPORATION.

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee on Economic Development, Tourism, and Technology

Reef Capital Ventures strongly supports HB595 HD1 that makes an appropriation to HTDC to continue providing grants to businesses with a federal small business innovation research (SBIR) phase II or III awards.

Reef Capital Ventures was established late 2016 to commercialize research and development efforts into revenue-generating, and job-created products and services here in Hawaii. We invest exclusively in Hawaii-based companies, and primarily in technologies that are or have been the subject of federal grant support. The SBIR program provides not only vital non-dilutive risk capital, but technical and commercial validation through its process of review by national thought leaders expert in their fields. SBIRs provide a validation of the reasonableness of an R&D proposal. The SBIR program leaders in Washington DC typically provide industry connections and mentoring for their award-winners. As a former tech entrepreneur, I have received six SBIRs (three Phase I and three Phase II) from three different federal agencies (National Standards Bureau, NSF, NIH) for three different companies I founded and managed. In all cases, receiving these awards was critical to our ability to attract employees, investors, and partners. Hawaii's SVBIR-matching program gives our state a fantastic edge

over other states in attracting new tech company opportunities, and the investment capital and employment opportunities that come with that.

Reef invests in spinouts from the University of Hawaii, spinouts from our manufacturing and research companies in Hawaii, and in brand-new, Hawaii-originated technologies and entrepreneurs. But we also invest in technologies and entrepreneurs that we relocate to Hawaii from the rest of the country. At this writing, we are in talks to move a seed stage medtech firm with breakthrough technology to Hawaii from California. The SBIR matching program is huge help in convincing young companies like that one to make the move to Hawaii and do their growing and expanding here.

Hawaii has limited investment capital for either establishing a fast-growing independent tech company, or for advancing developed technologies to commercialization. Reef looks to help fill that gap. Our funding from HSDC allowed for our establishment and basic operation with a modest investment budget. We look to dramatically increase that investable amount, but in the meantime, we rely on being able to attract investors from the Mainland and abroad to help build a syndicate of investment capital to our new high technology companies get through the challenging early pre-sales days. The SBIR matching program is essential to being able to attract off-shore investors, as it serves as an unparalleled incentive to invest here. In effect, investors get a strong multiple on their investment dollar when a company received an SBIR and an SBIR match.

One aspect of the SBIR match that is important to note, is that federal SBIR allocations are very narrowly proscribed strictly to research and development technical expenditures, generally. Hawaii SBIR match dollars are not restricted so, and therefore provide vital resources to help the company succeed. Allocations to market research, product design, supplier qualification, regulatory approvals, and patents are essential to be able to ensure that the fruits of the R&D efforts of an SBIR allow the company to deliver product to customers. Getting to market introduction, obviously, is the key inflection point that allows for new jobs in manufacturing, among other areas.

Very few states offer any SBIR matching. Hawaii's program, and its consistent and reliable funding and excellent management by HTDC, give our state a significant advantage, and provides our young people with a significantly increased likelihood of being able to build a life and a technology career in their home state.

According to HTDC for every dollar invested through this program, Hawaii companies have attracted 20 federal dollars in return to the state, plus commercialization funding. The Hawaii SBIR program supports projects with vetted technology backed with federal funds. The state matching funds are critical to winning later phase awards and getting some of the technologies to market. We respectfully request the correction of the defective effective date. Thank you for the opportunity to offer these comments.

Sincerely,



Christopher Somogyi
Partner
Reef Capital Ventures

Hawaii Fish Company (HFC), a family-owned North Shore aquaculture farm, testifies in strong support of HB595 HD1 which would appropriate funds for the continuation of the Hawaii Small Business Innovation Research (SBIR) matching grant program administered by the High Technology Development Corporation (HTDC).

HFC has received five USDA/SBIR Phase I feasibility grants to date totaling \$352K. With the added research enabled by five Hawaii SBIR Phase I matching grant awards totaling \$90K, HFC was able to secure four follow-on USDA/SBIR Phase II research & development grants totaling more than \$1.4M in additional federal funds.

In addition, HFC's two recent Hawaii SBIR Phase II matching grant awards totaling \$286K will help support our farm's ambitious research and development efforts to expand our sustainable seafood production, value-added product development, and sales, to develop our production-related renewable energy technologies, to protect our intellectual property, and to support our carefully planned Phase III commercialization efforts.

The competitive written application, 5-minute pitch, and third-party review process employed by HTDC ensures that the States' investment in innovation awards is well targeted, and the carefully selected contract milestones tied to the award payment schedule ensures project performance. In summary, this is a very strong State program supporting nationally-vetted local innovators across multiple economic sectors that is worthy of continued legislative support.

Thank you for the opportunity to testify in strong support of HB595 HD1.

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 11, 2017 5:37 PM
To: ETT Testimony
Cc: richbailey@dewpointsystems.com
Subject: Submitted testimony for HB595 on Mar 13, 2017 13:15PM

HB595

Submitted on: 3/11/2017

Testimony for ETT on Mar 13, 2017 13:15PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
richard bailey	Individual	Support	No

Comments: DewPoint Systems LLC is a small high technology business client of HTDC and have greatly benefited from their programs. I am one of those small business that has a technology that was discovered here in Hawaii having a high potential for the Tropical and subtropical arid deserts of the planet. We have refined the technology and have had 2 USDA SBIR reviews on two submissions. We are confident the third time is the charm and State of Hawaii matching funds will greatly help us to reach beyond the USDA SBIR PHASE I scope of work (beginning June 1, 2017) to help us secure PHASE II funding in late 2018. Aloha for supporting this program in the past I request that the program continues to support Hawaii generated technologies.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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