



**HAWAII
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Written Statement of

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President

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before the

HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS

January 31, 2012

8:30 AM

State Capitol, Conference Room 312

In consideration of

HB 2319 RELATING TO ECONOMIC DEVELOPMENT.

Chair McKelvey, Vice Chair Choy, and Members of the Committee on Economic Revitalization and Business:

The Hawaii Strategic Development Corporation (HSDC) respectfully submits comments in support of HB 2319, legislation appropriating \$5 million for a Venture Accelerator Funding Program.

This bill would provide grant funds that would be competitively allocated to entities providing hands-on mentoring to startups to accelerate the startups' ability to attract venture capital financing. Some of funds could potentially be used to provide capital for the startups' proof of concept efforts. By creating the supporting infrastructure to provide entrepreneurs the tools to build businesses able to compete for venture capital financing, venture accelerators will enhance the ability of Hawaii's entrepreneurs to create sustainable businesses and quality jobs for our community.

Exhibit I is a slide from the National Science Foundation that illustrates a systemic gap, often called the "Valley of Death", in the innovation ecosystem. The venture accelerator model was developed specifically to address this gap by providing business expertise to startup ventures that lack the management experience to quickly build a business organization and by providing seed funding to startup companies unable to use grant funds for commercialization, but too small to raise conventional financing.

The U.S. Department of Commerce and national philanthropic organizations, such as the Kaufman Foundation, have championed the establishment of venture accelerators across the country as they recognize the positive impact these entities have on accelerating the commercialization of new technology, the formation of new businesses, and ultimately on economic growth and job creation.

Examples of nationally recognized venture accelerators are Jumpstart, Inc., i2E, Inc., regionally focused accelerators; TechStars, a software focused accelerator; the Deshpande Center, a university focused accelerator; and the Sundance Labs, a film/digital media focused accelerator. These models can be adapted to fit Hawaii's competitive advantages.

Venture accelerators provide an effective pathway to commercialization for innovations developed with grant funding and can accelerate the commercialization of university research. Given the intersection of creative and technology sectors, Hawaii's technology and creative industry entrepreneurs would be empowered to increase job growth and provide advanced opportunities for Hawaii creative content export.

Successful venture accelerators have become the hubs around which entrepreneurial activity in their respective industries and regions can aggregate and create critical mass.

The Venture Accelerator Funding Program will complement the HiERS' Hawaii Targeted Investment Program and HSDC's seed capital investment program by launching new ventures that will be attractive investment opportunities for these funds. From the entrepreneur's perspective, joining a venture accelerator would be the next step for entrepreneurs successfully competing in the various business plan competitions and Startup Weekend events.

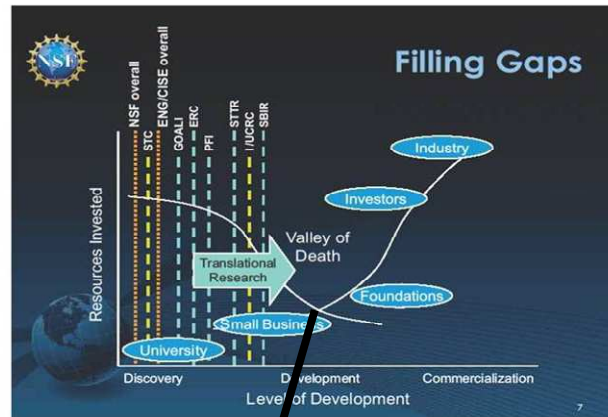
Small businesses are the engine of job creation and startup ventures in particular create new jobs in high wage, knowledge based industries. HB 2319 will provide the resources to develop a critical component of the innovation ecosystem that Hawaii currently lacks.

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

EXHIBIT I

Venture Accelerators Address a Funding Gap in the Innovation Ecosystem

- Grants focus on research and not development
- Bank lending is not suitable for technology startups
- Venture capital is not interested in “proof of concept” risk
- States have developed innovative venture accelerator programs to address this systemic gap



**Venture
Accelerator**