

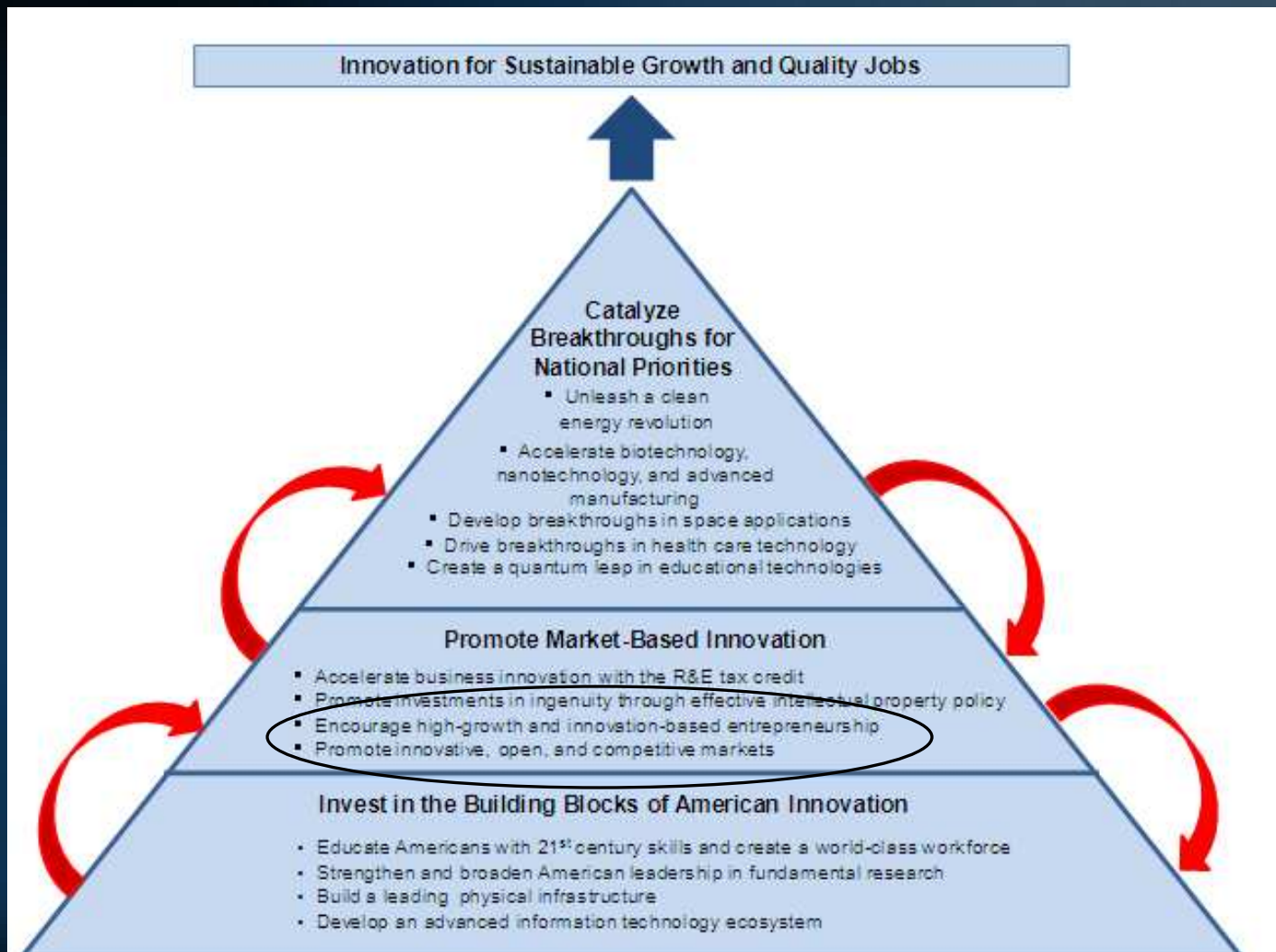
State Small Business Credit Initiative (SSBCI)
Hawaii Venture Capital Investment Program

HAWAII STRATEGIC DEVELOPMENT CORPORATION

Investing in Hawaii's Future

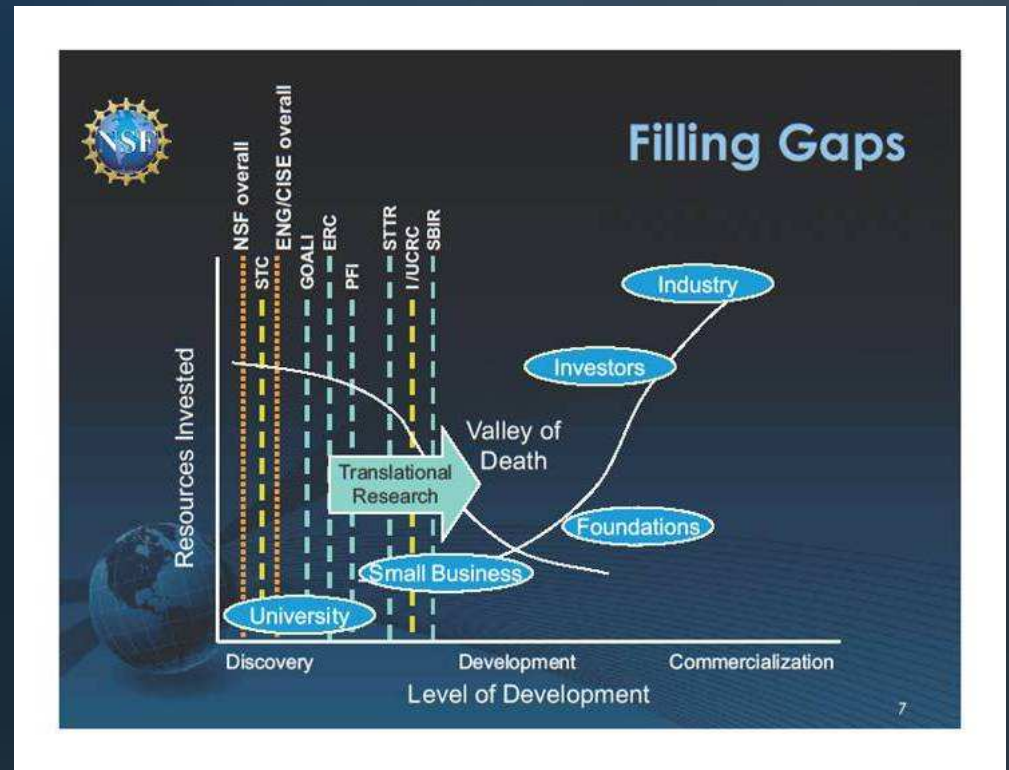


National Strategy for American Innovation



Equity capital needed to bridge valley of death

- Bank lending is not suitable for technology startups
- Venture capital is geographically concentrated and not bridge capital
- Grants focus on research and not development
- States have developed innovative equity investment programs to create bridge capital



HSDC allocated \$13.1 million from the US Dept. of Treasury SSBCI

- Venture capital fund of funds investment program
- 3 tranches of funding from US Dept. of Treasury
- 80% of previous tranche must be obligated before receiving the next tranche
- 2 year investment window
- 7 year program with expectation that \$1 of financing generates \$10 of additional financing

1 st Tranche	\$4.3 million
2 nd Tranche	\$4.3 million
3 rd Tranche	\$4.5 million
Total	\$13.1 million

Funds specifically for a venture capital fund of funds program

- Not a grant program, capital must earn a return
- HSDC will invest through intermediaries, not directly into operating companies
- HSDC will seek to invest alongside private sector investors
- HSDC targeting Hawaii-based funds able to raise matching investment capital

Investment focus will be on pre-seed and seed stage opportunities

- Hawaii ERS venture capital investment program successful in assembling a high quality group of mainland VC funds with investment expertise suited to Hawaii opportunities
- HSDC's investment strategy will be to complement this effort by targeting earlier stage opportunities and create deal flow for these funds

Target investment model: Venture Accelerators

- Example: JumpStart Ventures
- JumpStart Ventures guides entrepreneurs with high potential businesses down the path toward wealth creation by providing seed capital, experienced advisors, and a network of vital resources. Companies in the portfolio receive early-stage investment, starting at \$250,000, and intensive expert guidance from a Venture Partner.
- <http://www.jumpstartinc.org/Ventures/>



Target investment model: Startup Accelerators

- Example: TechStars
- TechStars is a mentorship-driven seed stage investment program. We run a three month long program in Boston (MA), Boulder (CO), New York City (NY) and Seattle (WA) once each year. We're very selective - hundreds of companies apply and we only take about ten companies per city. These companies get up to \$18,000 in seed funding, three months of intensive top-notch mentorship, and the chance to pitch to angel investors and venture capitalists at the end of the program.
- <http://www.techstars.org/>



Target investment model: Angel Funds

- Example: Oregon Angel Fund
- The Oregon Angel Fund (OAF) is a highly structured, professionally managed, investor-driven angel fund. OAF launches a new \$3M+ fund each spring. Each annual fund aims to place 4-5 investments over a 12-month active investing period, followed by another 10 years of fund life to grow and exit each portfolio. The fund typically invests \$400k-\$600k per deal with individual OAF members and venture capitalists investing alongside and after OAF.
- <http://www.oregonangelfund.com/>



Program Timeline

June 15, 2011	1st tranche received
June 22, 2011	HSDC Board approves investment program
July 26, 2011	Request for information meeting
August 22, 2011	Written comments due
September 30, 2011	Obligate 80% of 1 st tranche
October 4, 2011	Hawaii VC Summit 2011

