March 12, 2014

HI GROWTH Initiative

PROGRESS REPORT

What is the HI Growth Initiative?

The HI Growth Initiative is a comprehensive investment program that represents a bold new approach to re-invigorate state efforts to fuel an innovation economy. The HI Growth Initiative engages with the private sector to startup and grow creative and innovative businesses that can create high-wage jobs for our people. This initiative will help to keep our established industries competitive, create new areas of opportunities to excite our entrepreneurs and provide them the ecosystem to build their businesses here in Hawaii.

What progress has been made with the money?

Of the $6 million appropriated by the legislature just six months ago, a total of $2.61 million has been obligated to-date, while another $3.19 million is in the process of being committed. The HI Growth Initiative has generated critical mass that has attracted private capital to invest in Hawaii.

The table below summarizes the HI Growth Initiative funds obligated and in-process, alongside HSDC's investments made using other sources.

	STATE		FEDERAL		
	LAVA	HI Growth	SSBCI	Total HSDC Investment	Total Private Investment
Beginning Balance	$2,000,000	$6,000,000	$13,168,350	$21,168,350	
Obligated:					
Blue Startups/Blue Ventures	$700,000		$500,000	$1,200,000	$1,230,000
UPSIDE			$3,000,000	$3,000,000	$3,000,000
mbloom Fund I		$2,000,000	$3,000,000	$5,000,000	$5,000,000
Startup Capital Ventures Fund II		$500,000	$3,000,000	$3,500,000	$16,500,000
Innovation Report		$10,000		$10,000	$125,000
Connect and Network program		$100,000		$100,000	$100,000
Subtotal	**$700,000**	**$2,610,000**	**$9,500,000**	**$12,810,000**	**$25,955,000**
In-Process:					
GVS Transmedia Accelerator	$700,000		$500,000	$1,200,000	
Energy Excelerator		$1,250,000		$1,250,000	
Fashion Accelerator	$400,000	$200,000	$500,000	$1,100,000	
Hawaii Products Online Portal/Virtual Incubator		$50,000		$50,000	
Blue Startups Fund II			$1,000,000	$1,000,000	
Startup Capital Ventures Fund II (additional allocation)		$500,000	$500,000	$1,000,000	
Social Impact Fund		$1,000,000	$1,000,000	$2,000,000	
Future Innovation Reports		$140,000		$140,000	
Subtotal	**$1,100,000**	**$3,140,000**	**$3,500,000**	**$7,740,000**	
Admin/Legal Expenses:					
Expended	$26,123	$8,275	$33,530	$67,928	
Reserved	$173,877	$241,725	$134,820	$550,422	
Subtotal	**$200,000**	**$250,000**	**$168,350**	**$618,350**	
Ending Balance (projected by 9/30/14)	$0	$0	$0	$0	

Why has the money been spent in these areas?

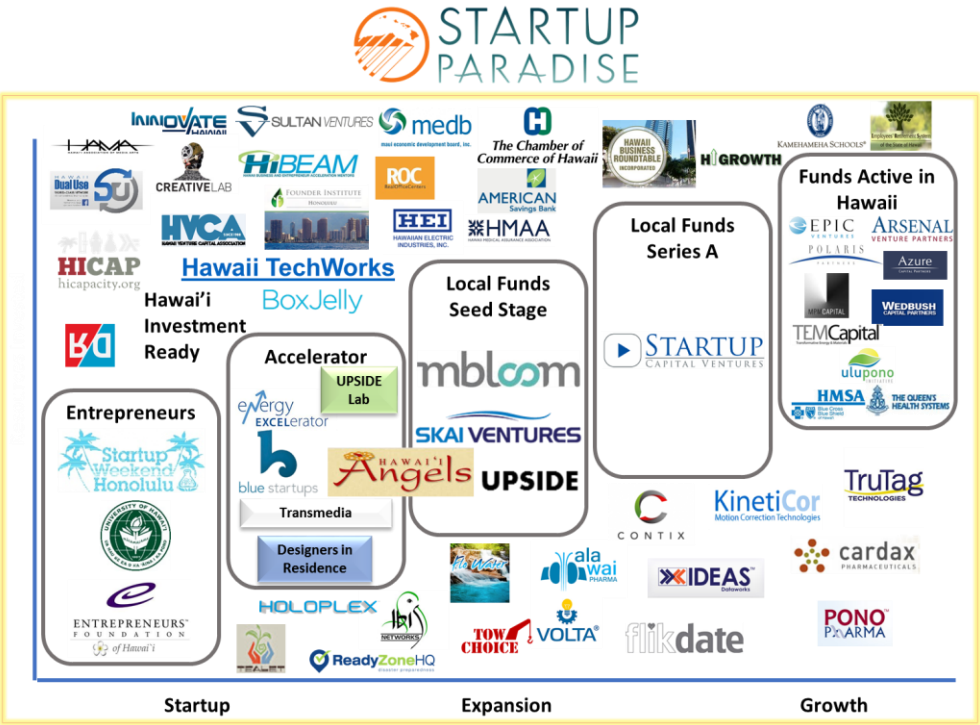
HSDC's approach with the HI Growth Initiative has been to focus on three areas: entrepreneurial development, research commercialization, and startup investment capital. All three areas must be pursued simultaneously to support the establishment of an ecosystem to help Hawaii entrepreneurs commercialize their intellectual property, access business mentors and customers to start their businesses, network with global investors to benefit from the domain expertise of experienced investors, and to gain access to follow-on capital for expansion. Previous State efforts have focused on individual components of an ecosystem. The HI Growth Initiative is the first attempt to support the establishment of an ecosystem to support innovation.

What are the results so far? What results are expected?

To-date, Hawaii's first accelerator, Blue Startups, has been established and launched fifteen companies. The first cohort of eight companies has so far raised over $3 million in follow-on funding. The UPSIDE Fund has invested in two companies successfully commercializing technology developed at the University of Hawaii. Two investment funds have been capitalized. HI Growth companies have collectively raised $4.45 million in investment capital.

Over the next two to three years, HSDC expects to:

- Establish accelerators that launch fifteen to twenty-five new companies each year;
- Establish three to five Hawaii-based investment funds targeting different stages of company development;
- See three to four companies with strong growth potential established in Hawaii;
- Achieve ten-to-one private capital leverage on HSDC's investment capital; and
- Receive a return of capital back to HSDC.

What is the HI Growth Initiative's role in the innovation ecosystem?

The increase in activity in the innovation ecosystem, spurred by HI Growth Initiative investments, has led to the community's adoption of "Startup Paradise" to brand Hawaii as an innovation hub. Grass roots efforts have resulted in Startup Weekend events, pitch events, co-working spaces, and other efforts to increase entrepreneurial capacity.