



June 20, 2014

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?

HSDC was allocated \$13.2 million from the US Department of the Treasury's Small Business Credit Initiative (SSBCI). The State Legislature appropriated \$2 million for the Launch Akamai Venture Accelerator Program (LAVA) and \$6 million for the HI Growth Initiative. HSDC has combined these funding sources under the HI Growth Initiative to implement a comprehensive investment program that generates a critical mass of startup activity that will attract private capital to invest in Hawaii.

The table below summarizes the HI Growth Initiative funds obligated and in-process.

	STATE		FEDERAL	Total HSDC Investment	Total Private Investment
	LAVA	HI Growth	SSBCI		
Beginning Balance	\$2,000,000	\$6,000,000	\$13,168,350	\$21,168,350	
Obligated:					
Blue Startups/Blue Ventures	\$700,000		\$520,000	\$1,220,000	\$1,220,000
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	\$4,000,000	\$4,500,000	\$15,500,000
Innovation Report		\$10,000		\$10,000	\$125,000
Connect and Network program		\$100,000		\$100,000	ongoing
GVS Transmedia Accelerator	\$700,000		\$400,000	\$1,100,000	\$1,100,000
Subtotal	\$1,400,000	\$2,610,000	\$10,920,000	14,930,000	\$25,945,000
In-Process:					
Energy Exceleator	\$200,000	\$700,000	\$1,200,000	\$2,100,000	
Fashion Accelerator	\$200,000	\$400,000	\$350,000	\$950,000	
Future Innovation Reports		\$140,000		\$140,000	
Blue Ventures Fund II		\$1,000,000			
Subtotal	\$400,000	\$2,240,000	\$1,550,000	\$4,190,000	
Admin/Legal Expenses:					
Expended	\$26,123	\$9,814	\$33,530	\$69,467	
Reserved	\$178,877	\$240,186	\$448,432	\$867,495	
Subtotal	\$200,000	\$250,000	\$481,962	\$931,962	
Ending Balance	\$0	\$900,000	\$216,388	\$1,116,388	

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 are being pursued simultaneously in order to support the establishment of an ecosystem that allows Hawaii entrepreneurs to 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?

Hawaii's first accelerator, Blue Startups, was established and launched fifteen companies in its first year. The first cohort of eight companies has so far raised over \$3 million in follow-on funding. A second accelerator, the GVS Transmedia Accelerator was established on the Big Island. The UPSIDE Fund has invested in two companies successfully commercializing technology developed at the University of Hawaii. A seed stage fund and a Series A fund have been capitalized and are now active in Hawaii. The Big Island held their first ever pitch competition and Demo Day. Maui has held two annual Maui Tech Nights and their first Startup Weekend event.

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

- The accelerator programs launch fifteen to twenty-five new companies each year;
- Establish three to five Hawaii-based investment funds targeting different stages of company development will be active in Hawaii;
- See four to five 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.

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.

