



## YEARLY ACTIVITY PLAN (YAP) - FY '08

**Division/Attached Agency:** Hawaii Strategic Development Corporation

**Program Name:**

**Program ID:** BED 145

### I. PROGRAM PLANNING

**Problem, issue or opportunity statement:** Describe the problem(s), issue(s) and/or opportunity(ies) your program is attempting to respond to. Identify the participants (individuals, companies, industry sectors, etc.) engaged in this problem, issue and/or opportunity.

The legislature established HSDC in 1990 to address gaps in Hawaii's economic diversification efforts, namely the lack of venture capital to support innovation and emerging technology company growth. Existing financial institutions were not in the position to support the high-risk financing of start-up companies, and there was no venture capital expertise available in-state. Start up biotechnology and software companies at the time were unable to access growth capital, and this problem persists today.

The early-stage investment climate has improved, but there is still a dearth of expansion capital for companies needing to raise in excess of \$5 million.

A key issue facing HSDC is the fact that investors seek not only good technologies in which to invest, but most importantly seek investment in strong management teams which are not readily available in Hawaii. HSDC and other state and private technology support organizations must work together to strengthen entrepreneurial capacity.

A major opportunity has arisen in that the legislature in alignment with the Governor's innovation initiative appropriated \$5 million to HSDC for follow-on funding for dual use companies in the 2007 session.

**Need and partners:** Specify the need for government intervention. Provide supporting evidence. Identify any partners you will be working with to address the problem, issue and/or opportunity.

In Hawaii private sector capital markets do not provide high-risk/high-return early stage equity, requiring government to fill the gap. Partners will be venture capitalists who understand this type of investing and can target appropriate investment opportunities in Hawaii.

Government agencies working in collaboration with private sector entities can pool their resources and services to assist entrepreneurial development and company growth. Partners include DBEDT, HTDC, NELHA, EDBs, UH OTTED and PAMI, non-profits such as HTDV, HiBEAM, HVCA, HSTC, and other entrepreneurial training institutions.

**Desired results (outputs, outcomes and impacts):** Identify desired results, what success will look like, by describing what you expect to achieve near (0-2 years) and long-term (2-6 years).

## YEARLY ACTIVITY PLAN (YAP) - FY '08

Near term:

Entrepreneurs better prepared to raise investment capital  
Expanded and strengthened business support network

Long term:

Government funding replaced by thriving private capital market

**Influential Factors:** List the factors you believe will influence your ability to impact the problem or opportunity. (Things that support success and barriers to success.)

Investment capacity  
Trained an experienced entrepreneurs  
Private investment  
Legislative support  
Visible successes

**Strategies:** List the general successful strategies or "best practices" that have helped other programs achieve the kind of results your program promises.

Indirect investment utilizing professional fund managers is recognized as being the best practice among other states.

Formalize network and collaboration among technical assistance providers

**Assumptions:** State the assumptions behind *how* and *why* the change strategies you have identified will work.

Working with private sector venture capitalists will result in gaining professional venture expertise, will result in attracting capital, maximizing return on investment, and providing business growth assistance to entrepreneurs

Entrepreneur support organizations working together will produce better prepared business people.

Funds appropriated by the Legislature will be available.

## II. PROGRAM IMPLEMENTATION

**Resources:** Describe the resources or influential factors available to support your program.

\$5 million was provided by the legislature for follow-on funding for dual use companies.

Tech Assistance Network: Entrepreneurial development programs have the highest chance for success if similarly focused groups work in collaboration with each other.

## YEARLY ACTIVITY PLAN (YAP) - FY '08

**Activities:** Describe each of the activities you plan to conduct within your program.

Programmatic activities in the coming year include formation of a strong network for collaboration to assist entrepreneurs commercialize their research and communicating business plans to investors. A venture capital conference will be planned. HSDC will also support venture showcase events.

A contract will be undertaken with PICHTR to implement the dual use fund. Under this agreement, companies which have received funding from the Hawaii Technology Development Venture and Center of Excellence for Research in Ocean Sciences will be eligible for further commercialization funding. HSDC will develop milestones and track company progress in overseeing the fund.

**Outputs:** For each program activity, identify what outputs you aim to produce

Hawaii's entrepreneurial support groups will at a minimum share joint training and scheduling information. The initial target is ten participating organizations.

A contract with PICHTR will be negotiated resulting in five dual use companies receiving follow-on funding the first year, and additional five the second year.

Long term: Investments in Hawaii venture capital funds by institutional investors.

**Outcomes:** Identify the short-term (0-2 years) and long-term (2-6 years) outcomes you expect to achieve.

Short term we would expect better prepared entrepreneurs who understand what investors are looking for and can communicate their business plans to them.

Long term outcomes would be a thriving venture capital industry, successful companies, and investment liquidity events in addition to a sustainable renewable energy economy.

**Impact:**

Diversified economy

### III. PROGRAM EVALUATION

**Focus Area:** From your program logic model, list the components of the most important aspects of your program.

Supporting new business growth by providing entrepreneurial training and access to capital. Implementation of dual-use fund to assist commercialization.

**Audience:** Identify the key audiences for each focus area. Who has an interest in your program?

**YEARLY ACTIVITY PLAN (YAP) - FY '08**

Entrepreneurs seeking growth capital  
 Investors seeking quality investments  
 Legislators wanting to create new businesses and jobs  
 Network partners whose success is based on creating successful entrepreneurs

**Questions:** For each focus area and audience, list the questions they may have about your program.

Entrepreneurs: How do I get funded?  
 Venture capitalists: Where is the deal flow?  
 Institutional investors: Are there sound investments to be made?  
 Legislature, public: What are your results?  
 Board: How can we be relevant?  
 Network partners: If we join in, will we improve our results?

**Information Use:** For each audience and question you have identified, identify the ways you will use the evaluation information.

Successful investments will attract new capital  
 Data on tech investment impact will support legislative decisions.

**Indicators:** Describe what information can be collected that would convey the status of your program.

Returns on investment, business success indicators, number of companies funded, number of VC firms active  
 Impact of tech investments on GSP.

**IV. ALIGNMENT**

How is your program linked to DBEDT's six strategic objectives?		
1.	<b>x</b>	Workforce Housing
2.	<b>x</b>	Workforce Development
3.	<b>x</b>	"Energy For Tomorrow"
4.	<b>x</b>	"Global Links/Export of Goods and Services"
5.	<b>x</b>	The Creation Of An "Innovation Infrastructure"
6.	<b>x</b>	Improve Hawaii's Small Business Environment

If your program is not linked to any of the six objectives, explain why it is still important.