

**SB**

**975**

**EDT**



**EXECUTIVE CHAMBERS**  
HONOLULU

LINDA LINGLE  
GOVERNOR

Testimony of  
**Linda L. Smith**  
Senior Policy Advisor to the Governor

Before the  
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY**  
Monday, February 9, 2009, 1:15 p.m.  
Room 016, State Capitol

**S.B. 975 RELATING TO HIGH TECHNOLOGY BUSINESS INVESTMENT TAX  
CREDIT**

Chair Fukunaga, Vice Chair Baker, and Members of the Committee:

We support S.B. 975, an Administration introduced measure that caps new claims for the High Technology Business Investment Tax Credit to \$160 million between July 1, 2009 and December 31, 2010. The measure also caps claims by each qualified high technology business to \$10 million and creates an allotment system to ensure the fair and equitable distribution of these tax credits.

In the interest of ensuring the best use of the High Technology Business Investment Tax Credit, the Administration introduced two measures for your consideration this session. One bill, S.B. 974, addresses the need to return to the original legislative intent by making fundamental changes to the tax credit—which would ultimately encourage investment in innovative, research-oriented high technology companies that create jobs and promote economic diversification. The bill before you today, S.B. 975, takes an alternate approach, which leaves the tax credit fundamentally unchanged, but caps the amounts claimable to improve budget planning.

The Administration recognizes the important role that high technology industries play in diversifying our economy, creating better paying jobs, and attracting talent to the State. The Administration also acknowledges the importance of the High Technology Business Investment Tax Credit in attracting investments for high technology industries. As such, this measure reflects the input and suggestions of high technology industry stakeholders, who are also beneficiaries of this tax credit.

Hawaii's High Technology Business Investment Tax Credit has been documented as the most generous credit available in the United States for high

technology business investments. With no limit on the amount claimable per business and no limit on the aggregate amount claimable per tax year, it is the only of its kind. According to our research, the next most generous technology business investment credit available in the United States may be Ohio's, which has in place an aggregate limit of \$30 million on claims per year and \$1.5 million on claims per business.

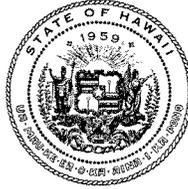
Capping the High Technology Business Investment Tax Credit is an important first step towards ensuring our tax dollars are used effectively and efficiently to help Hawaii's high technology businesses grow. A cap is also fiscally prudent for budget management purposes since it will aid the Council on Revenues and the Department of Budget and Finance in forecasting the expected revenue impact to our State's general fund. In light of the current fiscal climate, it is important for the State to examine its expenditures and wisely manage its resources.

As explained by the Department of Taxation, the administrative procedures for the issuance and certification of these credits are necessary. Procedures include applying for and allotting credits on a first-come first-serve basis, preventing allotment of additional credits in the next allotment period if 90 percent of the credits for the current period are not used, and allowing unused credits from one allotment period to be carried over to the next period. These procedures are important to deterring abuse and ensuring the fair and equitable distribution of credits.

The Administration recommends that the Committee consider both this bill and S.B. 974 and advance both of these measures to the Ways and Means Committee.

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510  
FAX NO: (808) 587-1560

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY  
TESTIMONY REGARDING SB 975  
RELATING TO HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: FEBRUARY 9, 2009**

**TIME: 1:15PM**

**ROOM: 016**

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This measure implements an aggregate and per-qualified high technology business (QHTB) cap on the amount of high technology business investment tax credits (Act 221 credits) available. An administrative procedure to issue and certify these credits is also proposed. This measure caps the amount of Act 221 credits available at \$80 million per calendar year and \$160 million for the remaining life of Act 221.

Due to the budget restrictions facing the State, as well as in the interest of evaluating the Act 221 credit, the Administration proposed two measures proposing amendments to this credit. One seeks to tighten certain provisions. This measure; however, leaves the credit program intact and simply imposes a cap for budget planning certainty. **In the interest of fiscal prudence, the Department supports this measure.**

**I. STRONG SUPPORT FOR HIGH TECH BUSINESSES AND THE ACT 221 CREDIT**

The Department and the Administration support the use of tax incentives to assist with the development of Hawaii's high tech industry. Act 221 has been effective in encouraging local and out-of-state investment in Hawaii's high tech businesses.

The importance of promoting innovation and research-based activities was recognized with the enactment of several ground-breaking tax credits and programs intended to promote growth in technology and other innovation-related sectors. Beginning with Act 178, Session Laws of Hawaii 1999, the State vigorously encouraged the development of high technology businesses in order to further diversify its economy, attract former residents to return home, and develop business sectors with better paying jobs.

Act 178 was followed by Act 221, Session Laws of Hawaii 2001, which provided for what is believed to be the only one hundred percent tax credit available for investments into businesses

conducting high technology research-related activities. Act 221 provided financial backing for these companies by attracting capital from both local and out-of-state sources through government incentives. Recognizing the amount the State has invested in these companies through tax incentives to date, coupled with the viability these companies demonstrate as promising profitable ventures, it is important that the State maintain its commitment to making Hawaii a high technology hub of the future for the sake of its overall economy, which is overly tourism- and real estate-based.

## **II. ACT 221 IS THE STATES MOST EXPENSIVE CREDIT WITH NO PARAMETERS OR CAP ON COSTS.**

While recognizing the effect that government incentives had in boosting Hawaii's technology industry, it is critical that the State keep a watchful eye on its most expensive tax incentive to ensure fiscal responsibility, especially during current times. As currently drafted, there are no parameters on how much Act 221 will cost the State in any given year. Though the tax credit is nonrefundable, meaning an investor must have Hawaii tax liability to use the credit, it is possible that an investor could make substantial investments into these businesses without regard to their tax liability to "prepay" their taxes into perpetuity because the credit may be carried forward. Because of the potential limitless financial liability to the general fund, this measure seek so institute a known, fixed cap on the general fund expenditures toward this industry.

## **III. OPERATION OF THE CAP**

The purpose of this measure is to preserve the State's commitment to diversifying Hawaii's economy with a booming high technology industry by maintaining the current structure of the one hundred percent investment tax credit; however capping the amount of credits that may be generated.

By implementing a cap, the State will be better able to insulate the general fund from unpredictable drains in revenue due to volatile credit claims. From a budgeting perspective, knowing the maximum amount of liability the State will be forced to fund allows for predictability, especially in such trying times.

This measure establishes a credit placement procedure that allows qualified high technology businesses to apply for credit allotment from the Department of Taxation. Allotments will be determined on a first-come, first-served basis, which eliminates any subjectivity in choosing which companies are allotted the tax credits. The procedure also creates three allotment periods for investment. After applying for credits, eligible businesses will take the allotment to the investment community to raise money from investors who are assured that tax credits are available.

The maximum amount of credits will be approximately \$80,000,000 per year, divided amongst the periods with an aggregate cap of \$160,000,000 for the remainder of the credit, which is set to expire at the end of 2010.

Eligible businesses will be entitled to apply for up to \$10,000,000 in credits per business per year. There is a sliding-scale fee, which increases with every \$1,000,000 in credits being sought.

In order to ensure an orderly allotment of credits, this legislation establishes checks to ensure

that the allotment is not exhausted by companies seeking to maximize credits without the ability to subsequently raise sufficient investment dollars. An eligible business that fails to place ninety percent of the allotted credits is precluded from receiving allotments in the next allotment period. In light of these parameters, it is expected that economics and free market principles will control credit requests. Also, in order to ensure all possible credits budgeted can be claimed, any unused credits from an allotment period can be carried forward to subsequent periods until the credit expires.

Within thirty days from the close of an allotment period, eligible businesses will be required to report to the Department the amount of funds invested and credit confirmation will be issued by the Department to taxpayers.

Lastly, to ensure that credits for investments are being given to legitimate high technology companies, all credit allotments remain subject to audit and review.

This measure takes effect upon approval and applies to investments made on or after July 1, 2009.

**IV. THIS BILL WAS DEVELOPED WITH THE ASSISTANCE OF THE HIGH TECH INDUSTRY**

The Department believes it is important that the general concept of this measure, including the per-qualified high technology business cap, was developed with the assistance and input of the high tech industry that benefits from this credit. Though the industry may not agree with the policy of this measure, the industry has been given the opportunity to help shape how the procedures in this measure will be implemented because they are the ones that will be using these procedures.

**V. IMPORTANT OBJECTIVE DATA**

For the Committee's consideration, the following data are offered. This data shows that the cap per qualified high technology business at \$10 million will have little or no impact on Hawaii high tech jobs. As can be seen by the following charts, companies receiving less than \$3 million in investments employ a majority of the employees.

Category of Investment Received	# of QHTBs	Total Investment (\$)	Hawaii Revenue (\$)	Hawaii Expenses (\$)	Hawaii Payroll Expenses (\$)
>= \$ 10,000,000	4	166,056,728	23,616,188	112,327,964	8,292,568
\$5,000,000 - < \$10,000,000	6	41,774,198	4,103,824	26,216,072	6,725,395
\$3,000,000 - < \$5,000,000	12	45,998,693	5,553,047	39,836,011	12,050,117
< \$3,000,000	155	53,304,609	172,571,921	206,163,150	99,933,943
TOTAL	177	307,134,228	205,844,980	384,543,197	127,002,023

Category of Investment Received	# of QHTBs	Total Investment (\$)	Hawaii Independent Contractor (Scientific & Technical) (\$)	Hawaii Independent Contractor (Performing Arts) (\$)	Hawaii Independent Contractor (Other) (\$)
>= \$ 10,000,000	4	166,056,728	233,014	51,338,423	329,401
\$5,000,000 - < \$10,000,000	6	41,774,198	56,060	2,162,863	9,086,425
\$3,000,000 - < \$5,000,000	12	45,998,693	742,353	169,536	6,550,377
< \$3,000,000	155	53,304,609	13,838,244	1,556,335	7,925,295
TOTAL	177	307,134,228	14,869,671	55,227,157	23,891,498

Category of Investment Received	# of QHTBs	Total Investment (\$)	2007 Full-time Employees	2007 Part-time Employees	2007 Temporary Workers	2007 Independent Contractors
>= \$ 10,000,000	4	166,056,728	137	10	7	922
\$5,000,000 - < \$10,000,000	6	41,774,198	27	1	399	121
\$3,000,000 - < \$5,000,000	12	45,998,693	155	14	12	137
< \$3,000,000	155	53,304,609	1,131	129	223	938
TOTAL	177	307,134,228	1,450	154	641	2,118

Category of Investment Received	# of QHTBs	Total Investment (\$)	2007 Research & Development Credit (HRS 235-110.91) (\$)
>= \$ 10,000,000	4	166,056,728	246,555
\$5,000,000 - < \$10,000,000	6	41,774,198	1,212,806
\$3,000,000 - < \$5,000,000	12	45,998,693	1,791,838
< \$3,000,000	155	53,304,609	11,598,320
TOTAL	177	307,134,228	14,849,519

## VI. REVENUE IMPACT

It is estimated that this legislation will result in the following revenue gains: \$21 million in FY10; \$45 million in FY11, \$37.5 million in FY12; \$25.5 million in FY13; \$16.5 million in FY14; and \$9 million in FY15.

Without the cap, it is assumed that investment claimed for credit per year would be \$150 million, also assume 75% utilization of credit over 5-year span, and about \$35 million investment will take production expenditure tax credit.



**SB975: Relating to High Technology Business Investment Tax Credit**

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair,  
The Honorable Rosalyn Baker, Vice Chair

FROM: Lisa Gibson  
President  
Hawaii Science & Technology Council

**RE: Testimony In Opposition to SB975**

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. The Hawaii Science & Technology Council (HISciTech) is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

*The Hawaii Science & Technology Council (HISciTech) is a 501(c)6 industry association with a 28-member board. HISciTech serves Hawaii companies engaged in ocean sciences, agricultural biotechnology, astronomy, defense aerospace, biotech/life sciences, information & communication technology, energy, environmental technologies, and creative media.*

Sincerely,

Lisa H. Gibson  
President  
Hawaii Science & Technology Council  
(808)536-4670  
lgibson@hiscitech.org

## fukunaga4 - Michelle

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**From:** Bill Spencer [bspencer@hawaii.rr.com]  
**Sent:** Friday, February 06, 2009 11:22 AM  
**To:** EDTTestimony  
**Subject:** Testimony Regarding SB975 being heard February 9, 2009, 1:15PM Conference room 016



805 Kainui Drive  
Kailua, Hawaii 96734

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Bill Spencer, President  
Hawaii Venture Capital Association

RE: Testimony In Opposition to SB975

Aloha Chair Fukunaga, Vice Chair Baker, and Members of the Committee:

On behalf of the 1,500 members and friends of the Hawaii Venture Capital Association, let me express my strong opposition to SB975. It is our fervent recommendation that this bill be killed. It not only contradicts point four of the administration's own "economic recovery" plan, which is to attract outside capital to Hawaii, especially for Renewable Energy companies, but it would essential curtail further investment in Hawaii's high tech sector which is growing faster and creating more jobs than any other sector of the economy. Act 221 is an effective economic stimulus as evidenced the Department of Taxation's own comprehensive analysis. This bill offers no reasonable alternative and in fact would intimidate investors from further investment in our technology sector. This is no time to stifle such an effective program as Act 221.

The Hawaii Venture Capital Association is one of Hawaii's oldest economic development trade associations in Hawaii and has been supporting capital formation and entrepreneurial education since 1988.

Thank you for your kind consideration of this testimony.

Sincerely,

/s/  
Bill Spencer  
President



2008 U. S. Small Business Administration  
(SBA) Minority Small Business Champion –  
National Winner

中國夏威夷商會  
*China-Hawaii Chamber of Commerce*  
*Hong Kong-Hawaii Chamber of Commerce*  
*Hong Kong China Hawaii Chamber of Commerce*  
*"Hawaii-China Guan Xi, We Get Things Done"*

**Johnson Choi**  
President & Executive Director  
**Brenda Foster**  
Vice President  
**Gerhart Walch**  
Vice President  
**Janice Zheng**  
Secretary  
**Natalie Tse**  
Treasurer

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President & Managing Director/EVP & COO  
*Global Estate & Tax Consultant/CMC Consulting  
Group Inc/Makai Motion Pictures LLC*

**\*Melvyn Choy, Chairman**

Durrant Media Five

**\*Yen Chun, Director**

China Soong Ching Ling Foundation  
Beijing/Shanghai / Dr. Sun Yat Sin Foundation HI

**\*Brenda Lei Foster, President & CEO**

American Chamber of Commerce in Shanghai

**\*Chuck Y Gee, Dean Emeritus**

University of Hawaii  
School of Travel Industry Management

**\*Ken Hayashida, President**

Kai Hawaii, Inc.

**Kathy Hsiung, President**

*Cathay Kai Jewelry*

**\*Manuel Menendez III, Manager**

8M8 LLC / MCM Group Holdings Ltd

**Kenji Mita, President**

TEAVA momi, Inc.

**Puonepun Sananikone, President & CEO**

*PacMar, Inc.*

**\*Inparn "Laura" Smith,**

Former Sr. Financial Service Rep  
Principal Financial Group

**\*Paul Tang, General Manager**

Hyatt Regency Grand Cypress Resort

**Ming Tong, Operation Manager**

Pacific Height Partners

**Thomas Tong, Former Director of Rooms**

*Kahala Mandarin Oriental Hawaii*

**Carol Tsai, President**

*Carol Tsai Investment, Inc.*

**\*Natalie Tse, Esq**

Attorney at Law

**\*Charlotte Vick, Former Sr. VP of Marketing**

Starr Seigle Communication

**\*Gerhart Walch, Chairman and CEO**

*WSF Corporation*

**Sandra Yang, President**

S & L International Inc

**\*Janice Zheng, Former Business Banker**

First Hawaiian Bank

**Honorary Ex-Officio Director**

**John Holman, Director**

*United States Dept of Commerce - Honolulu*

**Honorary Advisor**

**Janie M Fong, Director**

*California Office of Trade & Investment,  
Office of the Governor*

**Jenny Gian, Director**

*Chancy Company Ltd – Hong Kong & China*

**Michael Y S Lee, Former Director**

*Hong Kong Economic & Trade Office in SF*

Roberta Wong Leung, Dean

*Shunde Polytechnic School of Hotel Management*

**Thomas M Masterson, Member/Owner**

*Vision 2047/Sr. Asian Regional Mgmt Executive  
Hong Kong*

**Nola N Miyasaki, Managing Director**

*Falcone Center for Entrepreneurship*

**Terkild J Terkildsen, Founding & Board Member**

*Vision 2047/ID Furniture Franchising A/S HK*

February 7 2009

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Makai Motion Pictures LLC is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Hong Kong.China.Hawaii Chamber of Commerce (HKCHcc) with more than 15 Collaboration Partners and 20,000 memberships worldwide is the largest Chamber of Commerce in Hawaii focusing to bring international business enterprise to Hawaii and assisting Hawaii Companies to expand to Asia and North America. Act 221 is the key factor why a number of High-tech Companies used to by-pass Hawaii decided to invest here. Making any change to Act 221 will undo all the work we have done for the past 7 years. And most of the firms are ready to relocate out of the State of Hawaii

Thank you for the opportunity to testify on this important bill.

Sincerely,

Johnson W. K. Choi, MBA, RFC.  
President

JWKC/cc

Ref: HKCHcc-SB975-Act221-02-07-09



# Hawaii Crop Improvement Association

*Growing the Future of Worldwide Agriculture in Hawaii*

**HCIA 2008-2009  
Board of Directors**

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Adolph Helm

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Paul Koehler

Leslie Poland

Martha Smith

Mark Stoutemyer

Jill Suga

**Past President**

Sarah Styan

**Executive Director**

Alicia Maluafiti

Testimony By: Alicia Maluafiti

SB 975, Relating to High Technology Business Investment Credit

Senate EDT Committee

Monday, Feb. 9, 2009

Room 016, 1:15 pm

Position: Strong Opposition

Chair Fukunaga, and Members of the Senate EDT Committee:

My name is Alicia Maluafiti, Executive Director of the Hawaii Crop Improvement Association. The Hawaii Crop Improvement Association (HCIA) is a nonprofit trade association representing the agricultural seed industry in Hawaii. Now the state's largest agricultural commodity, the seed industry contributes to the economic health and diversity of the islands by providing high quality jobs in rural communities, keeping important agricultural lands in agricultural use, and serving as responsible stewards of Hawaii's natural resources.

Although HCIA member companies do not participate in the Act 221/215 tax credit programs, we are opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Thank you for the opportunity to testify.



# LOCAL 665

FILM, TELEVISION, STAGE, PROJECTION AND TRADESHOWS  
Since 1937

INTERNATIONAL ALLIANCE OF THEATRICAL STAGE EMPLOYEES, MOVING PICTURE TECHNICIANS, ARTISTS AND ALLIED CRAFTS  
OF THE UNITED STATES, ITS TERRITORIES AND CANADA, AFI-CIO, CLC

## SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

February 9, 2009 – 1:15pm  
State Capitol, Conference Room 016

RE: SB975 Relating to High Technology Business Investments Tax Credit  
Testimony In Opposition to SB975

Dear Chair Fukunaga, Vice Chair Baker and members of the committee:

Aloha,

We the Membership of the International Alliance of Theatrical Stage Employees Local 665, better known as the IA or IATSE, have over 230 Signatures from members and as well as other Labor Unions, Private and Public, Vendors and Businesses, (Signatures Attached). They are currently working on projects and strongly oppose SB975 - ("Relating to High Technology Business Investments Tax Credit")

My members are the technicians that make movies – the camera, sound, grips, electricians, special effects, make-up artists, set construction workers, etc. Without a doubt, Act -221 has created work for my members and hundreds of others.

I humbly ask that you reconsider before changing something that creates JOBS for the working people of Hawaii - especially my members of the IA - and even more now in these challenging times when we need to keep our people employed.

"We Are The Union Behind Entertainment" and "This IS All We Do"

Thank you for the opportunity to provide these comments.

Mahalo,

Pau,  
Donovan K. Ahuna  
Business Agent  
IATSE Local 665  
875 Waimanu Street, #610  
Honolulu, HI. 96813  
(808)596-0227office  
(808)591-8213fax  
(808)292-8709cell  
[BA@iatse665.org](mailto:BA@iatse665.org)  
[www.iatse665.org](http://www.iatse665.org)

PRINT NAME:

SIGNATURE:

DEPARTMENT:

ANE TRAVNETZKI

*Ane Travnetzki*

GRIPS IA

Louis Freitas

*Louis Freitas*

Greens IA

Alwin Akou

*Alwin Akou*

Greens IA

Mar "Aina" Ripoca

*"Aina" Ripoca*

GRIPS IA

DAVID CAMBRIA

*David Cambria*

PROPERTY IA

Paul Santos

*Paul Santos*

Electric IA

Mike Swin

*Mike Swin*

FX IA

Chantal Basmila

*Chantal Basmila*

Makeup IA

Susana Zaguinge

*Susana Zaguinge*

Wardrobe IA

AARON E. MULLSAP

*Aaron E. Mullsap*

Wardrobe IA

Cole Chetney

*Cole Chetney*

GRIPS IA

Mark Kalanigher

*Mark Kalanigher*

Set Lighting IA

Paul Wempe

*Paul Wempe*

Extra

EDWARD VAUGHN

*Edward Vaughn*

ACTOR/STUD

Jonathan Shirley

*Jonathan Shirley*

Extra

Jeff Hummels

*Jeff Hummels*

EXTRA

KURT SIMAFRANCA

*Kurt Simafranca*

LOST... GRIPS IA

Chris Pratt

*Chris Pratt*

Lost Gripz IA

KIM STOWELL

*Kim Stowell*

LOST/ACTOR

JASON MANSUETI

*Jason Mansueti*

LOST/SPL

Brian Matsumura

*Brian Matsumura*

CAMERA 600

Kevin Craven

*Kevin Craven*

Extra

Stan Cooper

*Stan Cooper*

EXTRA

STEPHEN BACQUET

*Stephen Bacquet*

Set Lighting IA

Kanao Dalton

*Kanao Dalton*

Set Dressing IA

Jon Mumper

*Jon Mumper*

Sound IA

Andrew Childers

*Andrew Childers*

Set P.A. DGA

John M. H. Lee

*John M. H. Lee*

Set Lighting IA

Roger Thompson

*Roger Thompson*

Set Lighting IA

Akoni Kaano'i

*Akoni Kaano'i*

Set Lighting IA

RACER MOODY

*Racer Moody*

Stand-In IA

Keola Su'a

*Keola Su'a*

Transportation

DIANE FRAUENHAZ

*Diane Frauenhaz*

SCRIPT SUPERVISOR

Lance Hookano

*Lance Hookano*

Grip IA

W. Jennings Fowler

*W. Jennings Fowler*

PROPERTY IA

Bred Barrylin

*Bred Barrylin*

Actor

Carla Bowen

*Carla Bowen*

PRODUCTION DGA

FRANCIS CHAN

*Francis Chan*

Actor

Anne Hoss

*Anne Hoss*

Costumes IA

Jon T. Dahl

*Jon T. Dahl*

Transport

PRINT NAME:

SIGNATURE:

DEPARTMENT:

HENRY FORDHAM		IATSE 665
NATHANIEL E. DEARMORE		IATSE 665 / TEAMSTER 996
DAYNE AUNNA		IATSE 665
Michael R. Kachamilli		IATSE 665
Cory L. Bathke		IATSE 665
Drew Desjarlais		IATSE 665
ALLEN MOZO		IATSE 665, 600, SAG
Danell Tachihara		IATSE 665
Francis "Sonny" Julian		IATSE 665 / medic
Raigan Waisan		IATSE 665
Dean Desjarlais		IATSE 665, IBEW 1260
CHAS WICKING		IATSE 665, IBEW 1260
CHARLEY KAE0		IATSE 665
Charles mades		CRANE
Zachary Kim		665
Mike Weisbrock		665/600
KALIKO PALMEIRA		665
DANIEL ROSNER		(GR1) 665
Tiffany Cheney		Set PA-DGA
LUKAS / SENO		IATSE 665
Sonya Balmores		SAG Actor
Cherlanite		MODEL
Kelsey Campbell		Model
Nalani Ravelo		Model
Kiya Lee		Model/Actress
Tani Fujimoto		actress/model
cazullo Kato		665 / wardrobe
Kristy Romero		MODEL
Kelly Chinone		Performer
Sarah Inouye		model
Meredith Cardenas		model
Ashley van der Buren		model
Sophia On		Actress
Alaina Yoshioka		model
CHELSEA RODRIGUES		Model
Makinana AKI		model
AOTILA Tanaka		model
Eri Aihara		model
Sayaka Ogura		model

PRINT NAME:

SIGNATURE:

DEPARTMENT:

GUY BELEGAUD

*Guy Belega*

665

Milo Tierceall

*Milo Tierceall*

665

William Preston

*W Preston*

665

Jason Skaggs

*Jason Skaggs*

665

Cary Beall

*Cary Beall*

665

Andrew Calm Jr.

*Andrew Calm Jr*

665

Andrew Pangke

*Andrew Pangke*

996

Chris Librie

*Chris Librie*

665

WANNON ROBERTS

*Wannon Roberts*

665

Freddy Kaluna

*Freddy Kaluna*

996

DONALD PAATHO

*Donald Paatho*

#996

CHRIS BARNES

*Chris Barnes*

'LOST'

Jim Van Houten

*Jim Van Houten*

LOST

Salvador Anaya

*Salvador Anaya*

LOST

Steve Badillo

*Steve Badillo*

LOST

MICHAEL CROWE

*Michael Crowe*

LOST

Mel Kunen

*Mel Kunen*

LOST/665

Edward Turner

*Edward Turner*

LLT/665

ALYCE FAHSHADZ

*Alyce Fahshadz*

665

Michael Hira

*Michael Hira*

996

SCOTT LIBE

*Scott Libe*

665

Sami Tialiso

*Sami Tialiso*

PRIVATE SECURITY

CHRISTOPHER ENGICHY

*Christopher Engichy*

PRIVATE SECURITY

JOELLE-LYN SMKE

*Joelle-Lyn Smke*

LOST

WALTER GOUVEIA JR

*Walter Gouveia Jr*

PRIVATE SECURITY

WALTER K. WONG

*Walter K. Wong*

LOST

BERNIE TOI LIMHO

*Bernie Toi Limho*

LOST

FRANK S. LAUREN

*Frank S. Lauren*

665

JOHN E RINGGOLD JR

*John E Ringgold Jr*

665

Keala Makawua

*Keala Makawua*

Rigs 665

Kevin Bersting

*Kevin Bersting*

Rigs 665

John A. Nittipati Day

*John A. Nittipati Day*

Rigs 665

John J...

*John J...*

Labor

ROSS N. S. LI

*Ross N. S. Li*

665

Ronald Wong

*Ronald Wong*

665

DERICK KAPKO

*Derick Kapko*

665

Victor J. Kane

*Victor J. Kane*

996

PRINT NAME:	SIGNATURE:	DEPARTMENT:
Keona Kaulu		Transportation
Niko Capone		Security
Earl Mitchell		Security
Bob Johnson		Elec.
Bruce Vollett		Grip
Hany Ladan		Production Mgr AD
DANA K SATO		Art
MARTIN L GARCIA		Flt
Melody N. Lew		Grip
Aileen Joy Lew		Grip
Tomoko Stagg		Coordinator
Gail Uyeno		Coordinator
Ryan Moriz		Medic
RICK CRUM		LIGHTING
Scott Lisetor		Grip
Don Tomuch		Lighting
JASON FRATIS		ELECTR.
BRANDON PAGE		Coordinator
DEID SMITH		Grip
JAMES C LEVY		Grip
ISAIA ROBINS		GREENS
Landa Lan		art dept
KAHUAKAILANI BROWN		SECURITY
CLYDE L. WONG		Greens/Props
WENDELL TITCOMB		CRAFT SERVICE
James Spruill		PROPS
Reuben Iao		PROPS
John Reed		Transportation
Kenneth Smith		TRANSPORTATION
Jon Piper		PROP
LEE KANEAKUA		Grip
PUNA TITCOMB		CS
Talissa Niko		LABORER
BRIAN COSTA		PROPS
John Kungold		MEDIC

PRINT NAME:

SIGNATURE:

DEPARTMENT:

James Kim Moore

Film + Stage

Robin Wilson

Trade Show

Darren Rodriguez

Trade Show

~~EVERETT CALISA~~

FILM

LARRY SMITHSON

FILM

Kay Carter

KAY CARTER

FILM/STAGE

Ben Shapiro

Ben Shapiro

Film/Stage

Terri L. Laigo

Terri L. LAIGO

Film/Stage

MATTHEW K. LYONS

Matthew K. Lyons

STAGE/SOCIETY

ALEMA RYDER

STAGE

Melvin Pang

Melvin Pang

Film/Stage

Patrick W.K. Caziha

STAGE/Rigging

PATRICK LUM

AUDIO

William Kesh

Styling

Therand Kesh

Cap Stagehand

Kim Shipton

CARP. Stagehand

Sandy Sandelin

Stagehand

Frank George

FRANK GEORGE

PROPS

Charles Roberts

Audio

James Takahashi

James Takahashi

Grip, Construction

AL OMO

STAGE

Jim Murphy

Jim Murphy

STAGE

Joseph R. Cahoon III

STAGE

CAROL "CASEY" CAMERON

Carol Casey Cameron

STAGE/FILM

EASTER K LOGAN

STUD

JUDITH MATSUMOTO

Judith Matsumoto

WARDROBE

Doug Kessel

Trade Show

RICHARD F. HOUPERT

Construction Keys

PAUL KAHHA CHUCK II

Paul Kahha Chuck II

FIL. / CONST.

Jonathan Fess

STAGE/FILM

RONALD EVANS

Ronald Evans

STAGE/FILM

Wick Thompson

Wick Thompson

STAGE/FILM

Jeff Liso

STAGE/FILM

Emily Kamm

STAGE

John M. Reynolds

John M. Reynolds

STAGE/FILM

Roxanne Aranda

BUS STAFF

PRINT NAME:

SIGNATURE:

DEPARTMENT:

Michael A Broad  
James Thurston

Michael A Broad  
James Thurston

Set Medic IA  
Yes Grip IA

Colin Jones

Colin Jones

Sound IA

Sonya Masinovsky

Sonya Masinovsky

Production DGA

Freddie Jones Jr

Freddie Jones Jr

Production IA

Steve Luerio

STEVE LUERIO

MGOPS IA

ROBERT UYAMA

Robert Uyama

STAND IN

KEITH FRANK

Keith Frank

Laborer IA

KEONI WAKANEIUA

Keoni Wakaneiu

DRIVER

Robert Anderson

Robert Anderson

Sound Mixer IA

Tony Nagy

Tony Nagy

Camera 600

TORRY TUKUAFU

Torry Tukuafu

CAMERA 600

GLENN GRIMES

Glenn Grimes

GRIP IA

MIKE SCHWAKE

Mike Schwake

Grip IA

Terin Sardinha

Terin Sardinha

Locations

Charles Kramer

Charles Kramer

ELECTRIC IA

LIZABETH MASSINI-MACKA

Lizbeth Macka

Costume IA

Joey Vidal

Joey Vidal

IA

MATHIAS WESSINGER

Mathias Wessinger

IA

LANCE TREVINO

Lance Trevino

Driver

JACK BENDIS

Jack Bendis

Production Director

John Griffiths

John Griffiths

Transpo

NGOMANI KAIS

Ngomani Kais

A.D. DGA

A. HOVE

A. Hove

Plugging GAFGOK IA

JORGE GARCIA

Jorge Garcia

Active

SHANDLE MERSEBURGH

Shandle Merseburgh

Security

IAN TRIVERS

Ian Trivers

LOCATIONS

Gregory Poi Jr

Gregory Poi Jr

Camera

SERGE NOFIELD

Serge Nofield

CAMERA IA

STAN PANDAL

Stan Pandal

ELECTRICIAN

PRINT NAME:

SIGNATURE:

DEPARTMENT:

Charlie Wata	Charlie Wata	Model
Chantelle Sawia	Chantelle Sawia	Model
Jennifer Kennedy	Jennifer Kennedy	Talent
Cristina de la Diosa	Cristina de la Diosa	Talent/Model
RICHARD DRAKE	Phil C. Drake	PROP MASTER JAGGS
Samuel DARCHUCK	Samuel Darchuck	ART DEPT. JAGGS
KELLY WESTMILLER	Kelly Westmiller	ART DEPT. JAGGS
ISEVOLOD ULITSKY	Isevolod Ulitsky	PRODUCTION
Shiho Kubo	Shiho Kubo	PRODUCTION
Wibke Marya	Wibke Marya	PRODUCTION
SHANNON ALEGARSA	Shannon Alegarsa	PRODUCTION
ADRIANA J. COLBERT	Adriana J. Colbert	1065/Hair
JOEY. SHIMABUKU	Joey Shimabuku	Cosmetologist
Paula Kohler	Paula Kohler	Manic Hair
KAMARIE YOUNG	Kamarie Young	SOUND STAFF

February 7, 2009

To: EDTTestimony@Capitol.hawaii.gov

*Testimony for Hearing before the  
Senate Committee on Economic Development and Technology  
Monday, February 9, 2009, 1:15 pm*

*State Capitol, Conference Room 016  
415 South Beretania Street  
Honolulu, Hawaii 96813*

*Re: Testimony in Opposition to SB 975  
Relating to High Technology Business Investment Tax Credit*

Chair Fukunaga, Vice-Chair Baker, and Committee Members:

Thank you for the opportunity to submit testimony in opposition to SB 975, relating to High Technology Business Investment Tax Credit, also known as Act 221.

I am Jeff Au, Managing Director and General Counsel of PacificCap, Hawaii's largest locally based venture capital firm. Since 2000, PacificCap affiliates have invested in more than two dozen Hawaii companies, and we have led or co-invested in financing rounds totaling more than \$400 million. Our investor base of more than 150 institutional, corporate and individual investors from Hawaii demonstrates the widespread support that our efforts to support local capital formation, economic diversification and innovation have across our community.

I oppose SB 975 because I do not believe that a cap should be placed upon Act 221 investments and its High Technology Business Investment Tax Credits ("Credits"). Data reported by the Department of Taxation in 2008 clearly shows that the benefits to Hawaii's economy from Act 221 far exceed their costs. Therefore, in a time of recession, we need MORE Act 221 investments, and not less.

Even with Act 221 Credits, under current law, securing Act 221 investment is still an extremely competitive and difficult process for qualified Act 221 companies, with the demand for Act 221 dollars still far exceeding the available supply. This serves as an important market check on Act 221 investments.

I believe that our firm has actually invested in less than 10% of the qualified Act 221 companies that we have looked at. Obviously, we do not cost the State anything for the other 90% of the qualified companies that we do not invest in. If you limit qualified Act 221 companies who can be allotted the right to compete for Act 221 investment to the same investment dollar cap that you do not want to be exceeded, you will take away from investors the ability to choose from a

broader range of qualified companies that they could consider, but choose not invest in, based upon competitive market forces.

Under this bill, rather than having ten qualified companies to choose from for every investment we make, we may have only one qualified company to choose from, which may not be the best investment opportunity, but rather the company that was the fastest to run to the front of the line to get an Act 221 Credit allotment on a "first come, first serve" basis from the Tax Department.

I believe that there may be better ways to balance the State budget. To begin with, the Department of Taxation should compute the amount of State tax revenues (including both general excise and income taxes) that are being generated from Act 221 companies, their employees, contractors, vendors and investors (including the State income tax that is imposed on the Credits themselves for many (non-AMT) investors).

In addition, the Tax Department could collaborate with the business community, possibly utilizing new software technologies and processes, to develop more efficient and innovative ways to collect the State's more than \$1 billion of delinquent taxes per year (more than \$7 billion of past due taxes going back to July 1, 2001, when Act 221 first became law).

Unlike other stimulus packages, for which government must pay 100% of the costs, Act 221 leverages private sector dollars, with the State subsidizing only a third to a half of the costs of new investment, job creation, spending in Hawaii and the creation of new companies that have the potential to generate on-going economic activity and future tax revenues that continue after the initial money is spent, which are additional benefits that do not result from "one-shot" government construction projects and other government spending.

As bad as the State's budget crisis might be right now, we need to be careful that proposed "solutions" are not worse than the problems, that we are not "penny wise and pound foolish," and that we do not "jump from the frying pan into the fire."

Limiting Act 221 investments at this point could cut off "follow-on" funding sources for Act 221 companies that were counting on these funds to complete their multi-year research projects and business plans. If these companies run out of money and fail as a result, future benefits from past year investments made by private investors and tax credits funded by the State would be lost.

The Department of Taxation's comprehensive study of Act 221 published in September 2008 concluded that the benefits of Act 221 have far exceeded its costs:

- As of the end of 2007, more than \$1.2 billion had been invested in at least 333 Act 221 technology and media companies, which had already spent more than \$1.4 billion in Hawaii.

- These Act 221 companies created more than 4,000 employee and independent contractor jobs, which paid more than \$228 million in salary and other compensation in 2007 alone.
- These Act 221 high tech and media companies earned more than \$228 million in revenues in 2007 alone.
- All of these benefits, already realized long BEFORE most of these Act 221 companies have reached their full potential, have already far exceeded the costs of credits claimed from 1999 through 2006 of less than \$296 million (\$437 million including credits claimed from 1999 through 2007).

Based on DoTax's study, Act 221 is NOT the cause of the State's current budgetary problems. To the contrary, Act 221 has been an effective stimulus for the economy, which has resulted in far more investment and job creation in Hawaii than the costs of the credits to the State. It does not make sense to impose an artificial cap to limit Act 221 at a time when our economy needs it the most.

Young technology companies require several years and multiple rounds of investments to reach their full potential. According to a January 3, 2009 *San Francisco Chronicle* article, venture-backed companies took an average of 8.3 years before going public in 2008. If capital from Act 221 is limited, we will risk prematurely killing many Act 221 companies and losing 5 to 7 years worth of past investments already made into these companies. To the extent that 78.5% of Act 221 companies in 2007 were not yet profitable and needed additional capital to survive, more than a \$100 million of jobs per year could be lost if less than half of the Act 221 companies run out of money and fail.

Thank you very much for allowing me to submit this testimony today.

Respectfully submitted,

Jeffrey K. D. Au  
Managing Director and General Counsel  
PacifiCap Group, LLC

**ACT 221/215**  
**COST-BENEFIT ANALYSIS**  
**&**  
**RECOMMENDATIONS**  
**for**  
**CHANGE**

Shan W. Steinmark, Ph.D.  
Strategic Transitions Research

# BACKGROUND & DISCLOSURES

- Hawaii Science & Technology Council - Board of Directors / CEO Forum Designer
- Hawaii Angels - Executive Board, Due Diligence Shepherd & Equity-Side Investor
- Hawaii Biotech - Board Observer
- Kuehnle AgroSystems - Board of Directors
- Pipeline Micro - Former Board of Directors
- Talk-Story Productions - Former Advisor
- Hnu Photonics, Hnu Defense, Hnu Energy - Pre-Board Advisor
- Pacific Asia Center for Entrepreneurship (Shidler College of Business) - Advisory Board
- Governor's Hawaii Innovation Council - Subcommittee on Capital Formation
- Governor's Maui Council of Advisors
- Strategic Transitions Research - Founder (1973)
- **40 Years = Consultant Enhancing Individual, Team & Organization Effectiveness**  
**- Primarily with R&D / Growth Businesses - From Start-Ups to Fortune 500**

# COMMON GROUND

## ROLE:

- ASK TOUGH QUESTIONS
- TELL TRUTH TO POWER
- COLLABORATE TO SOLVE PROBLEMS

## ANALYZE

- SORT MYTH FROM FACT
- STUDY CAUSE-EFFECT
- LEARN BEST PRACTICES

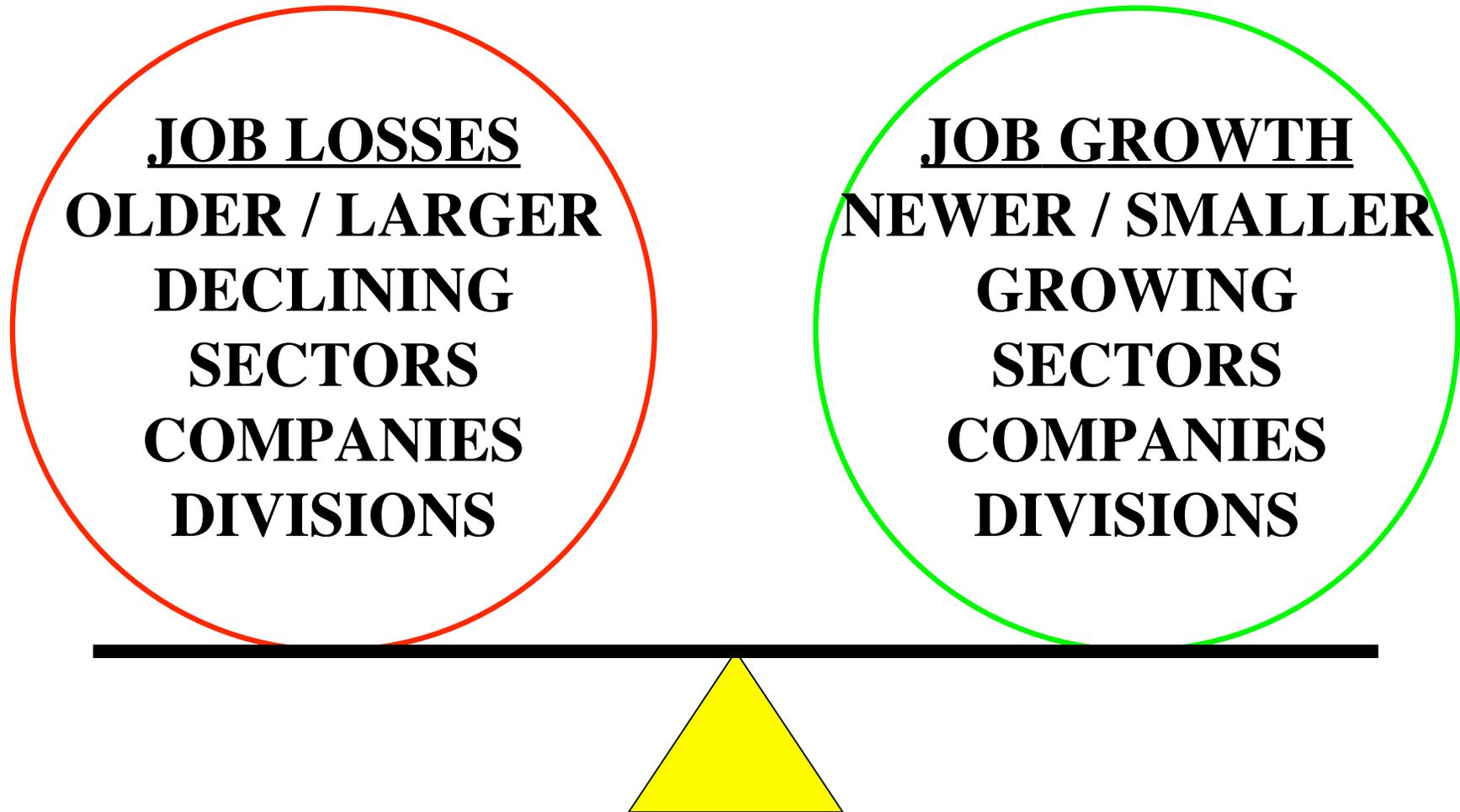
## LEAD, LEAD, LEAD

- SET DIRECTION
- BUILD COALITIONS
- MOTIVATE & INSPIRE

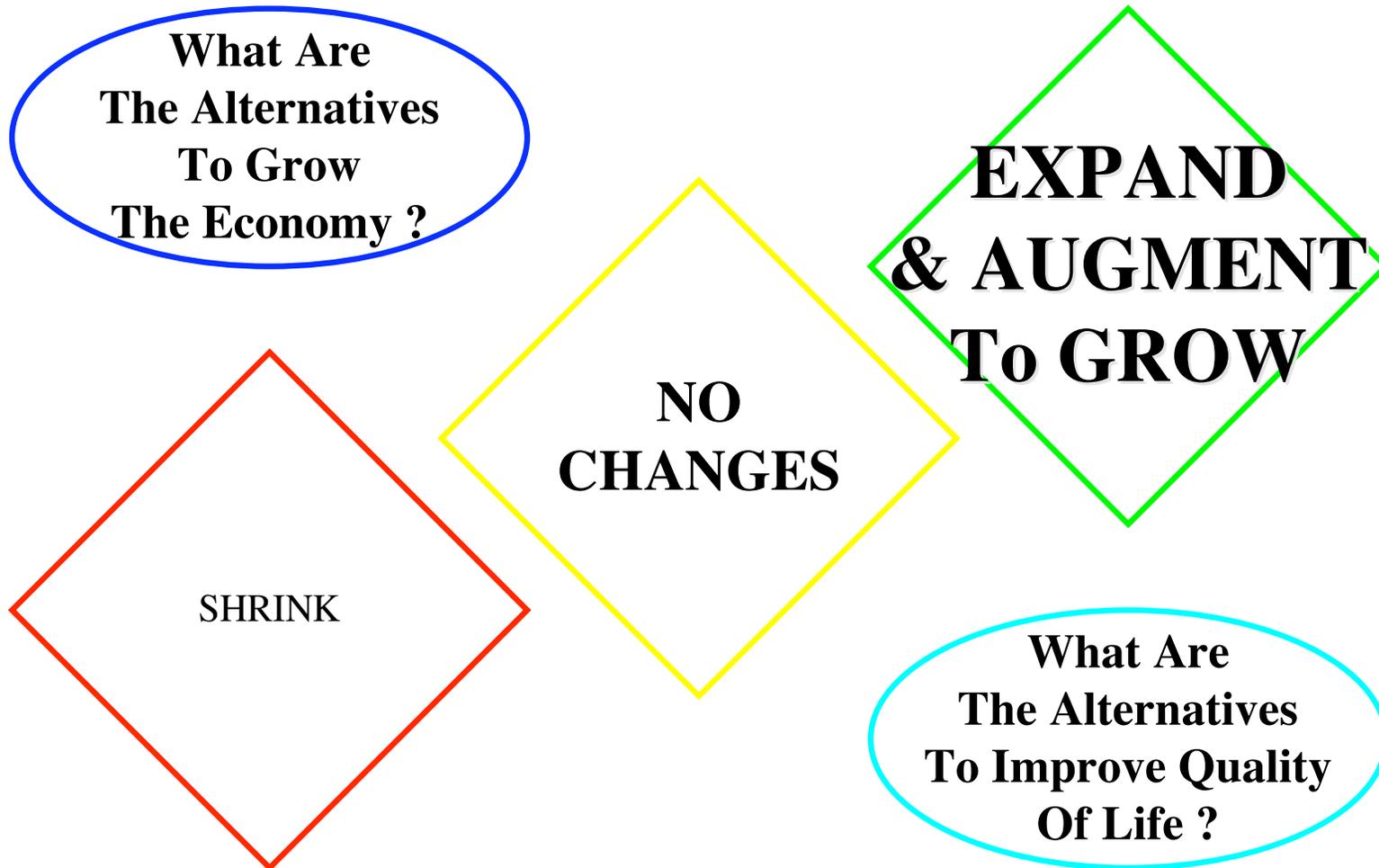
# **COST-BENEFIT ANALYSIS for ALL**

	<b>PROS</b>	<b>CONS</b>	<b>CHANGE</b>
<b>Agriculture</b>			
<b>Real Estate</b>			
<b>Tourism</b>			
<b>Military</b>			
<b>Technology</b>			

# CHRONIC CHALLENGE in AMERICA



# TOUGH CHOICES



# HOW TO SURVIVE & THRIVE

	<i>SURVIVE</i>	<i>THRIVE</i>
<b>“UP” ECONOMY</b>	<i>Regularly Manage Non-Performers</i>	<i>Steadily Pursue Strategic Growth Opportunities</i>
<b>“DOWN” ECONOMY</b>	<i>Aggressively Manage Non-Performers</i>	<i>Urgently Pursue Strategic Growth Opportunities</i>

# REAL \$ GROWTH via INNOVATION

???'S for HAWAII AMIDST GLOBAL COMPETITION:

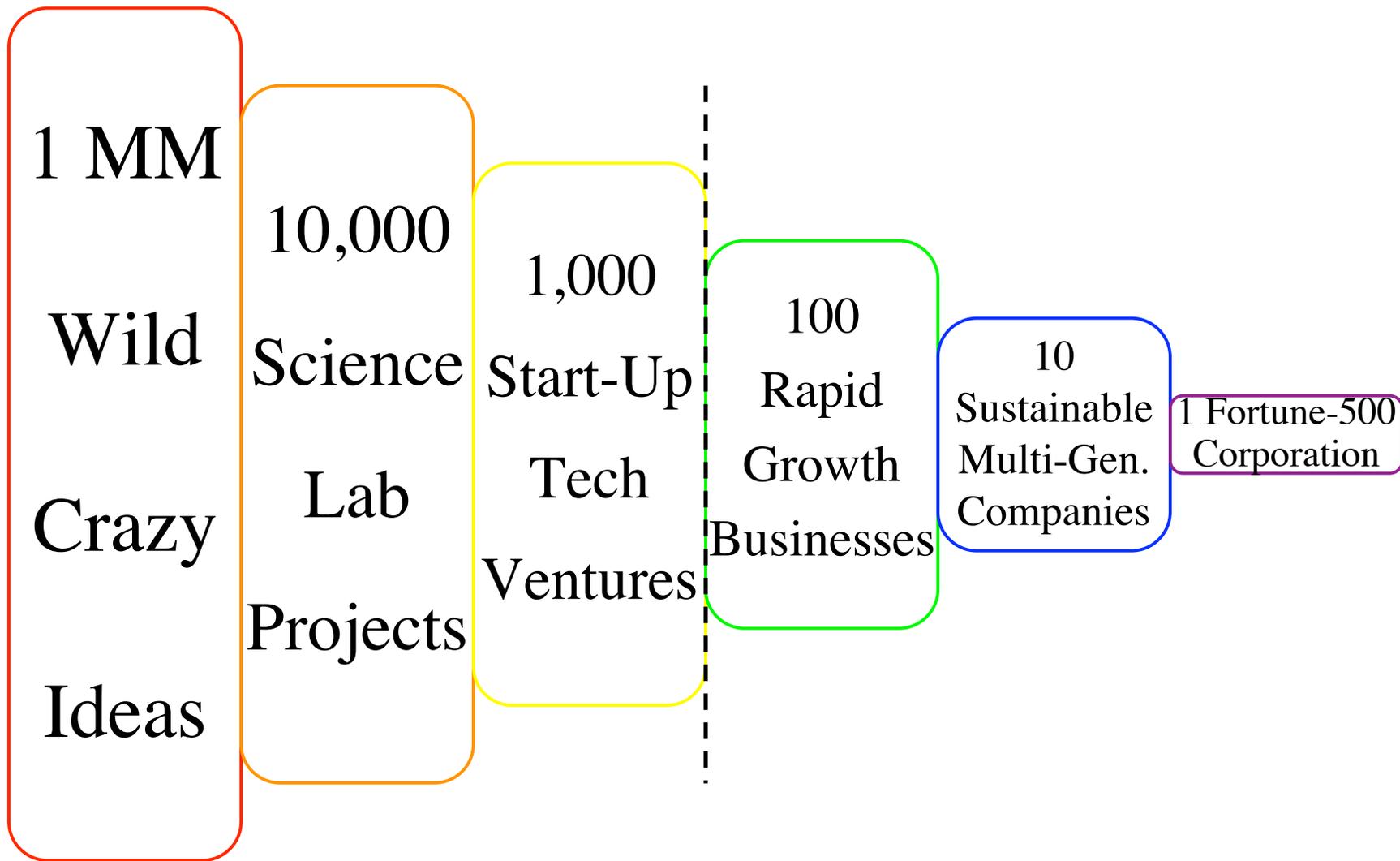
- HOW DO WE GROW START-UP BUSINESSES ?
- HOW DO WE GROW THE SCI-TECH INDUSTRY ?
- HOW DO WE GROW AN INNOVATION ECONOMY ?

**UNIVERSAL ANSWER =**

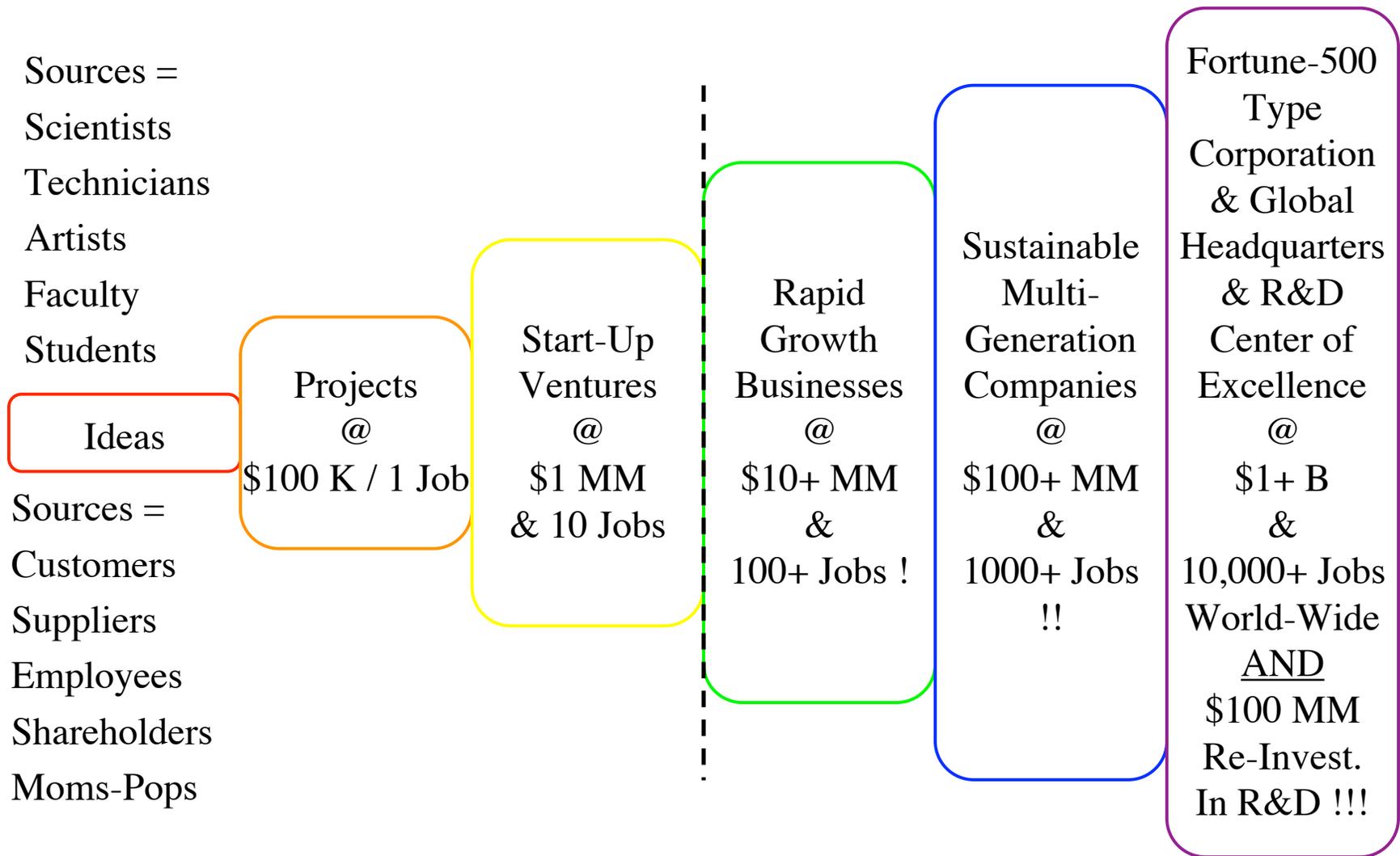
**MORE / BETTER / FASTER ...**

**TECHNOLOGY, TALENT & CAPITAL !!!**

# Innovation Economy - Requires “PIPELINE”



# Success = Self-Sustaining GROWTH ENGINE



# THE JOB CREATION PROCESS

MUST BUILD & SUSTAIN  
INNOVATION PIPELINE  
& GROWTH ENGINE !!!

MOST JOB GROWTH  
OCCURS in the LATER STAGES  
of INNOVATION

MOST  
REAL ECONOMIC GROWTH  
BEGINS WITH  
INNOVATION

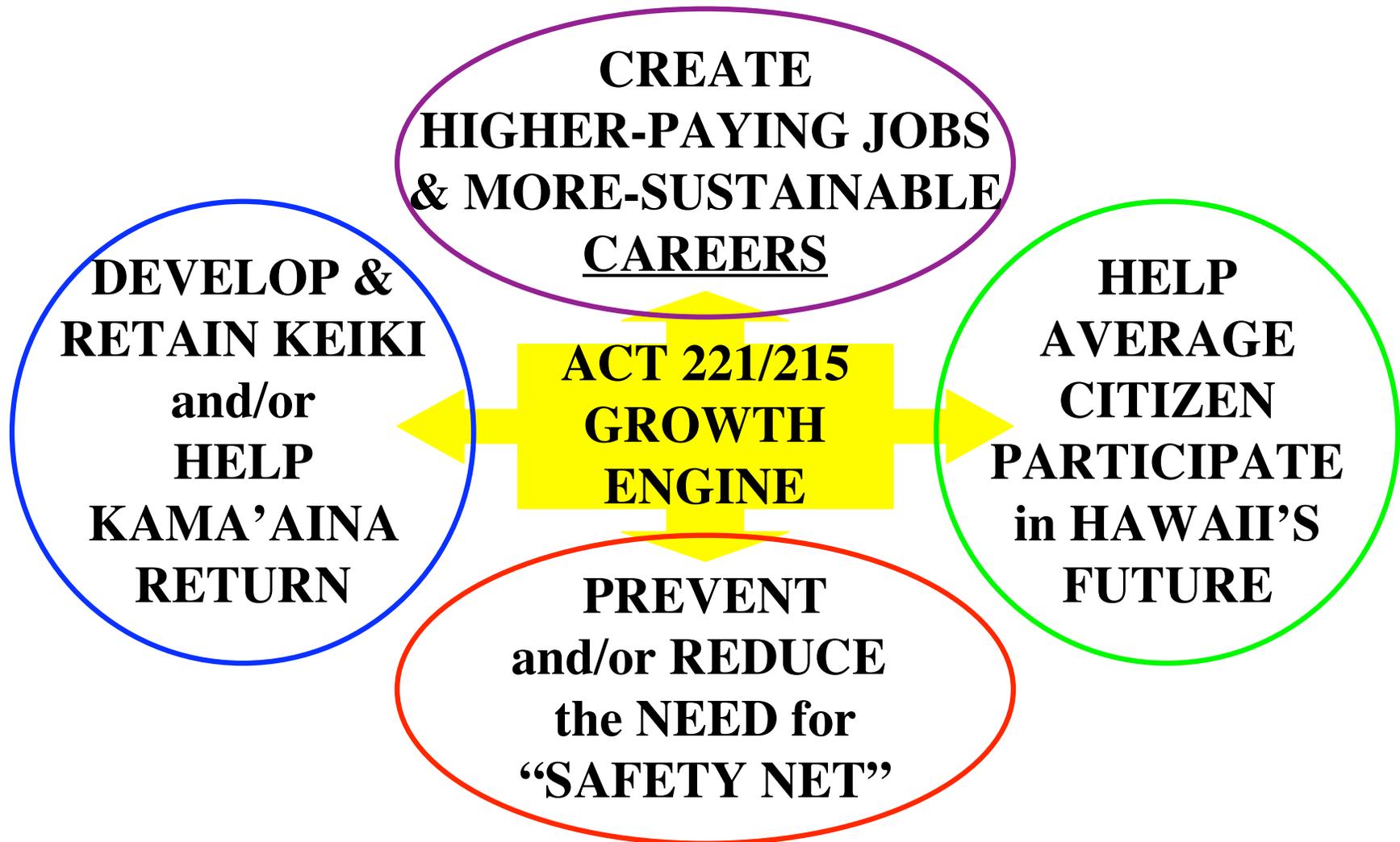
# MORE-BETTER JOBS - HOW ?



# THE VALUE of LOCAL TALENT

	<b>LOCAL Inventors Owners</b>	<b>LOCAL Managers</b>	<b>LOCAL Employees</b>
<b>HAWAII <u>WITH</u> ACT 221/215</b>	<b>HIGHER %</b>	<b>HIGHER %</b>	<b>HIGHER #’s NOW &amp; FUTURE</b>
<b>HAWAII <u>WITHOUT</u> ACT 221/215</b>	<b>lower %</b>	<b>lower %</b>	<b>lower #’s now &amp; future</b>

# PEOPLE



# HI Strategic Growth Opportunities

**TROPICAL BIO-TECH**

**TROPICAL AGRICULTURE**

**TROPICAL OCEAN-AQUACULTURE**

***DIVERSE CULTURE / INTEGRATION / CREATIVE ARTS***

**RENEWABLE ENERGY GENERATION**

**NATIONAL DEFENSE / SECURITY**

**ASTRONOMY DUAL-USE**

# **MORE-BETTER CAPITAL - HOW ?**

**Pursue Hawaii's Strategic Growth Opportunities**

**Provide Better PR for Success Stories in Hawaii**

**Attract More Mainland / Pacific Rim VC Capital**

**Link to Federal "Shovel-Ready" / "Ready-to-Go"**

**Develop Strategic World-Class Centers of Excellence**

# THE VALUE of LOCAL CAPITAL

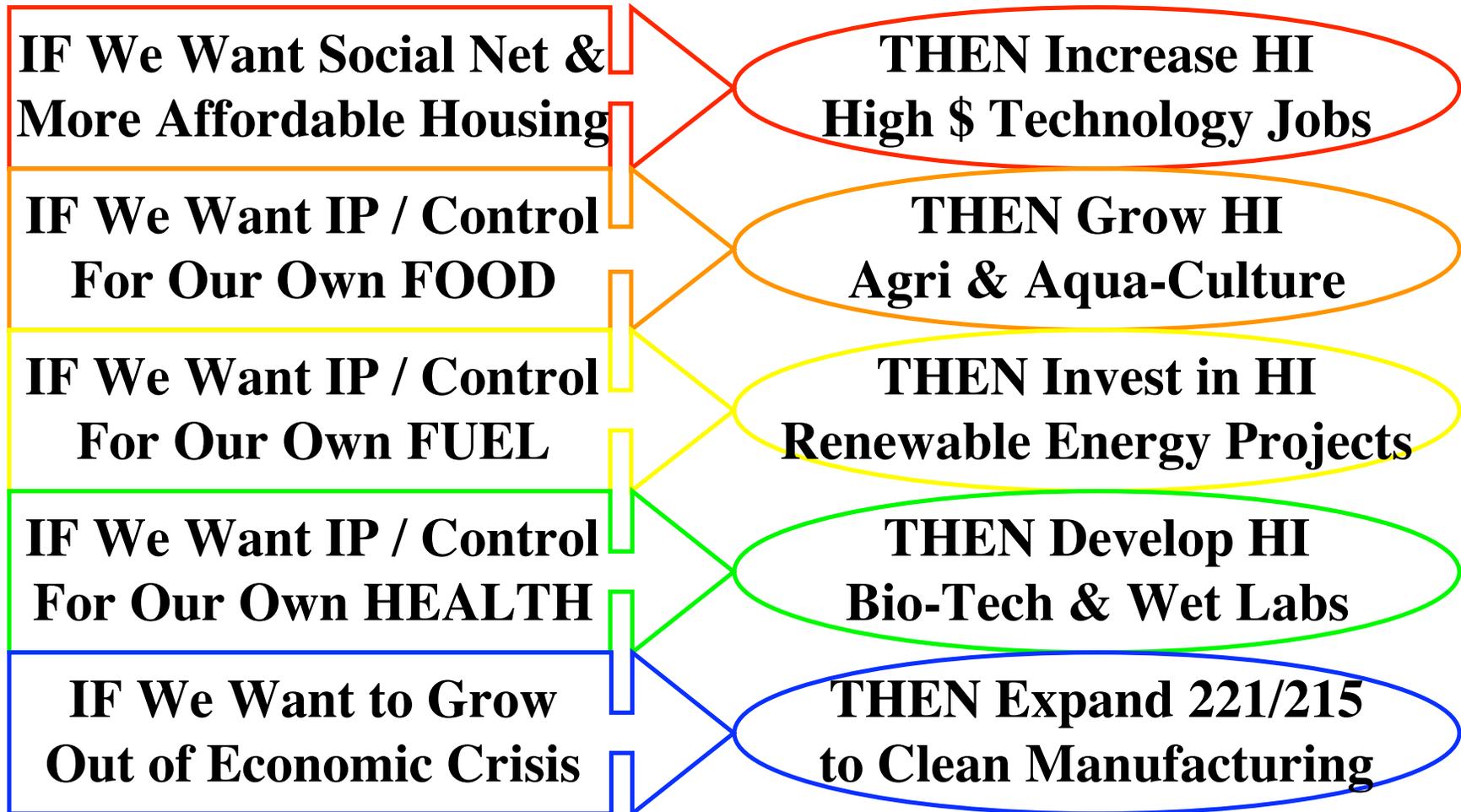
	LOCAL Investment	LOCAL R.O.I.	LOCAL RE-Invest. ENGINE
HAWAII <u>WITH</u> ACT 221/215	HIGHER \$ \$ \$ \$ \$	HIGHER \$ \$ \$ \$ \$	HIGHER \$ \$ \$ \$ \$
HAWAII <u>WITHOUT</u> ACT 221/215	lower \$	lower \$	lower \$

# REVENUES - MYTHS VS. FACTS

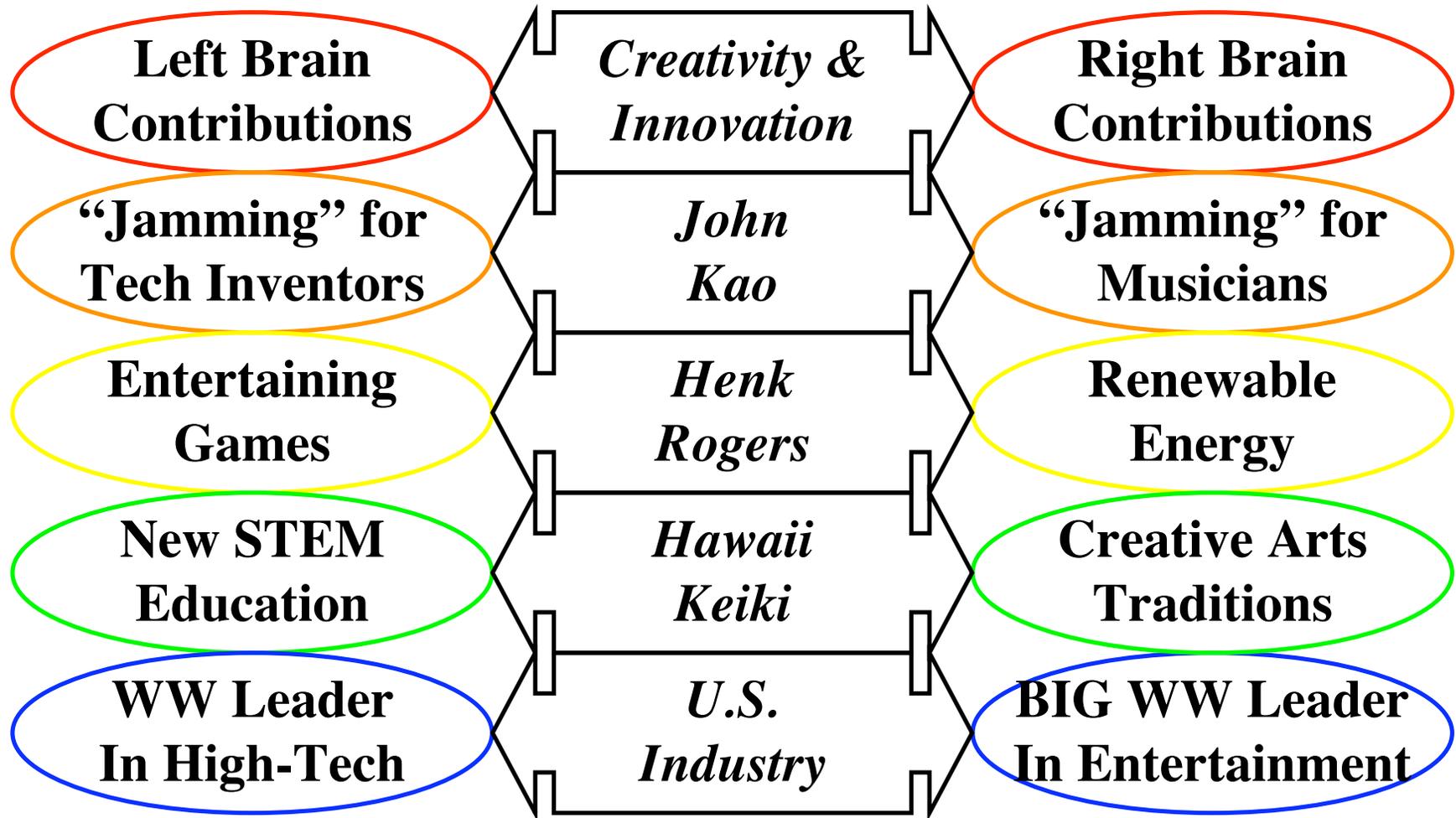
	<i>Myths</i>	<b>Probabilities</b>
<b><u>EXPAND</u></b> <b>ACT 221/215</b>	More Cost Less Tax Rev.	More Benefit More Bus. Rev.
<b><u>SHRINK</u></b> <b>ACT 221/215</b>	Less Cost More Tax Rev.	Less Benefit Less Bus. Rev.

**NOTE: TAX REV. DEPENDENT on BUSINESS REV.  
& TAX LIABILITY DEPENDENT on TAX ADVICE**

# FIXING PROBLEMS - CASE EXAMPLES



# NEED IP in BOTH SCIENCES & ARTS



# SUSTAINABILITY - WHEN & HOW ?

	<b>Land-Use Economy</b>	<b>Innovation Economy</b>
<b>HAWAII WITH ACT 221/215</b>	<b><u>Small Footprint</u> Use More Energy Sources Than Land</b>	<b><u>Local Sustainable</u> Technology for Food/Fuel/Health &amp; Higher Wages</b>
<b>HAWAII WITHOUT ACT 221/215</b>	<b><u>Large Footprint</u> Lower Wages &amp; More Need For Social Net</b>	<b>Much Slower Behavior Change &amp; Less Progress Toward Future</b>

# LOCAL IP = LOCAL ENGINE / CONTROL

	<b>IMPORT</b>	<b>EXPORT</b>
<b>HAWAII WITH ACT 221/215</b>	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	<b>LOCAL Ideas / IP &amp; Technology for Food-Fuel-Health &amp; Many Products</b>
<b>HAWAII WITHOUT ACT 221/215</b>	<b>Others' Ideas / IP &amp; Technology for Food-Fuel-Health &amp; Most Products</b>	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

# CRISIS = **DANGER** & **OPPORTUNITY**

## CHALLENGES:

- **NATIONAL FINANCIAL CRISIS**
- **STATE TOURISM & BUDGET CRISES**
- **THREAT to LOCAL JOBS, HOMES & “SAFETY NET”**

## SOLUTION

- **BUILD on SUCCESS**
- **DEVELOP LOCAL ASSETS**
- **USE GROWTH ENGINE**

## NOT

- **Destroy Work-in-Progress**
- **Succumb to Fear**
- **Shrink**

INVEST

in

HAWAII

NOW!



February 6, 2009

TO: [EDTTestimony@Capitol.hawaii.gov](mailto:EDTTestimony@Capitol.hawaii.gov)  
Testimony for Hearing before the Senate Committee on  
Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair  
Monday, February 9, 2009, 1:15pm  
State Capitol, Conference Room 016

RE: Testimony In Opposition to SB975

Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. I am opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Thank you for the opportunity to testify on this important bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Alfred B. Fernandes".

Alfred B. Fernandes  
Partner

## **fukunaga4 - Michelle**

---

**From:** lyadao@hapa.com  
**Sent:** Saturday, February 07, 2009 12:34 PM  
**To:** EDTTestimony  
**Subject:** EDT Testimony 2/7/2009

TO: Senate Committee on Economic Development and Technology The Honorable Carol Fukunaga,  
Chair The Honorable Rosalyn Baker, Vice Chair

FROM: Barry Flanagan  
Title : Owner  
Company : HAPA World Music llc

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975.

My name is Barry Flanagan and I have been a small business owner in the State of Hawaii since 1980.

I am the founding member of a touring Hawaiian Musical Troupe called Hapa.

I have spent the last 29 years of my working life bringing Hawaiian Culture and Arts to hundreds of cities and towns across the mainland U.S. , Canada, Japan and Europe.

<http://www.hapa.com>

I am in my 3rd year of production on a project called "KOA", a Polynesian Rock Opera tour and Dvd project slated for Japan, Mainland U.S. and European release in 2012.

I strongly oppose SB975 for the personal reason of how paramount Act 221/215 will be in helping my production team and myself with the launching of such a massive and culturally important project such as this.

HAPA World Music llc is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

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Thank you for the opportunity to testify on this important bill.

Me ke aloha nui,

-Barry Flanagan

Sent with Aloha

HAPA World Music llc  
P.O. Box 8555  
Honolulu, Hi. 96830  
808.926.4186  
[www.hapa.com](http://www.hapa.com)

**fukunaga4 - Michelle**

---

**From:** Blair Stultz [bearmach@hawaii.rr.com]  
**Sent:** Friday, February 06, 2009 1:59 PM  
**To:** EDTTestimony  
**Subject:** Act 221 Testimony

## **REAL-TIME GENOMICS, LLC**

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Blair Stultz  
Title: President  
Company: Real-Time Genomics, LLC

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Real-Time Genomics, LLC is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Real-Time Genomics is developing an array reader for analyzing DNA. Our sector is in biotechnology with applications in military and commercial use. We have created four positions in our first year primarily in scientific research and engineering. Our plans include manufacturing our products locally for the national market. We need the investment opportunity created by the Act 221 to successfully fund our project over the next two years until we have a commercially viable product. Thank you for the opportunity to testify on this important bill.

Sincerely,

Blair Stultz  
President  
Real-Time Genomics, LLC  
[bearmach@hawaii.rr.com](mailto:bearmach@hawaii.rr.com)

46-153 MALINA PLACE • KANEOHE, HAWAII 96744 • PHONE:(808)247-6706 FAX:(808)235-0551

GAY & ROBINSON, INC.



P.O. BOX 156 KAUMAKANI, HAWAII 96747-0156  
PHONE: (808) 335-3133 FAX: (808) 335-6424

**SB975: Relating to High Technology Business Investment Tax Credit**

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Alan Kennett, Gay & Robinson, Inc.

**RE: Testimony In Opposition to SB975**

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Gay & Robinson Inc. is opposed to SB975. We feel that this is the wrong time for this bill because of the poor state of the economy. Caps on Act 221/215 would prevent and discourage economic stimulus on our Island of Kauai, especially West Kauai. The proposed caps will reduce investment dollars at a time when our technology sector needs it most. Industries, like ours in agriculture, will depend more on technology investment as clean, sustainable renewable energy technologies such as biofuels replace our traditional crop of sugarcane. High Technology investment will provide quality jobs and develop technologies that the State can profit from for many years.

G&R is a family owned farming and ranching business in the State of Hawaii. Sugar cane growing and processing is our largest enterprise, with ranching and diversified agriculture as other sources of revenue. As you know these enterprises are very difficult to turn a profit, and High Technology investment in these industries is key to our ability to continue in agriculture.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Alan Kennett  
President and General Manager

## **fukunaga4 - Michelle**

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**From:** Bradley T. Kinoshita [bkinoshita@dswihawaii.com]  
**Sent:** Friday, February 06, 2009 5:50 PM  
**To:** EDTTestimony  
**Subject:** SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Bradley T. Kinoshita  
Title: President & CEO  
Company: Deep Seawater International, Inc.

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Company Name is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Deep Seawater International, Inc. processes and bottles deep sea water from 915 meters beneath the Kona coast through the NELHA pipeline. The company is in the process of applying for the Act 221/215 under Ocean Sciences. We currently employ 26 people at our factory and plan to expand our facility over ten times within the next couple of years if we are able to get the financing to expand. Act 221/215 is critical for us to attract local investors. Our new facility should create over 100 new job in Kailua-Kona once it is complete.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Bradley T. Kinoshita  
President & CEO  
Deep Seawater International, Inc.  
73-4460 Queen Kaahumanu Highway, Unit #122  
Kailua-Kona, HI 96740  
(808)327-1400  
Email: [brkinoshita@dswihawaii.com](mailto:brkinoshita@dswihawaii.com)

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology

The Honorable Carol Fukunaga, Chair

The Honorable Rosalyn Baker, Vice Chair

FROM: Branden Tanga

Title: CTO

Company: E-Telligents

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. E-Telligents is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Our company, E-Telligents is a new startup company founded to create a web based EHR (Electronic Health Record) for chiropractic care in the State of Hawaii. We have put together a strong team which consists of technology veterans, healthcare practitioners, and perhaps most importantly, people that can bridge the technology/healthcare realms. We also have strong ties with Chiroplan, the largest payor of chiropractic services in the State. Chiroplan has already verbally agreed to be our first paying client.

We have great relationships with the other players in technology and healthcare in the State. Our business model is solid, even our most conservative estimates show us being financially self sufficient by year 3. Act 221 and its resultant tax credits were the key factor in bringing in enough investment money to get our company started.

When I read articles about Act 221 and the kind of companies that the State hopes to assist, we fit the intent of Act 221 to the letter. Furthermore, in President Barack Obama's "Plan for a Healthy America", President Obama states that his administration will make a strong push into improving healthcare information technology. E-Telligents is the kind of company the President wants, E-Telligents is the kind of company the State of Hawaii wants, and E-Telligents is the kind of agile, challenging company that young, talented, and driven employees want to work for. I know for myself, most of my peers added to the State's "brain drain" by moving to the mainland for work. Out of my graduating class of 25 or so from U.H.M.'s Computer Science program, there are only 4 of us still in the State of Hawaii. Without E-Telligents, I too would be looking towards the mainland as a potential place of employment. Half of E-Telligents' employees are technology workers under the age of 30.

E-telligents has the potential to bring benefits of various kinds not just to its shareholders, but also to the State of Hawaii and its people. The simple fact is that without Act 221, our company would not exist.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Branden Tanga

Chief Technology Officer

E-Telligents

808-554-8796

[branden.tanga@e-telligents.com](mailto:branden.tanga@e-telligents.com)

[www.e-telligents.com](http://www.e-telligents.com)

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Blazing Sun Hawaii Inc.

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Blazing Sun Hawaii Inc. is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

(Blazing Sun Hawaii Inc. is a Multimedia/Film Production Company that specializes in Animation. If it were not for ACT 221 my company could not survive in Hawaii. The tax incentive has helped me to develop a feature film/TV series project with great, Hawaiian historical value, cultural significance and positive lessons for children and adults. ACT 221 has made it possible for me to employ up to 15 people in the State of Hawaii over the past 4 years.) I depend on this tax credit for the completion of my projects (Feature Film/TV series) and without the tax credit the last 10 years of hard work on my project will have been in vain. Please do not discontinue this important incentive for Hawaii's film industry.)

Thank you for the opportunity to testify on this important bill.

Sincerely, Buck Woodall (President)

Blazing Sun Hawaii, Inc.

808 647-0930

[producer@buckcreations.com](mailto:producer@buckcreations.com)

[www.buckcreations.com](http://www.buckcreations.com)



SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Charles M. Brotman

Title: owner

Companies: Charles Michael Brotman Music, LLC; MIX808

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975.

Charles Michael Brotman, LLC and MIX808 are opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from

1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

I would like to provide you with testimony concerning the beneficial impact of Act 221 on two Hawaii businesses: Charles Michael Brotman Music LLC, and MIX808. First, a bit of background: I am composer, producer, performer, recording studio owner, record company owner, and have been in the music business in Hawaii for over 25 years. I started Palm Records on the Big Island over 10 years ago with partners, and our catalogue includes slack key guitar CDs, albums by Kohala, Sonny Lim, Jeff Peterson and several other Hawaiian music artists. The catalogue also includes 'Slack Key Guitar Volume 2', the first CD to win a Grammy in the Hawaiian music category. Our CDs are distributed in Hawaii, on the mainland, in Japan, and on most digital download websites such as iTunes.

I do music production at my Big Island Recording studio ([www.lavatracks.com](http://www.lavatracks.com)) under my company, Charles Michael Brotman Music LLC, and a company we have just started, MIX808 ([www.mix808.com](http://www.mix808.com)), was formed to create recording projects that will result in recording careers for local artists. In the case of both companies, the invested funds are immediately spent here in Hawaii on production and talent. As a result of the investment, and subsequent music recordings, there will be multiple income streams to Hawaii

from abroad for our label, the artists, the composers and publishers, and our investors. The investments in both companies would not have been possible without Act 221.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Charles Michael Brotman  
Owner: Charles Michael Brotman Music, LLC  
Partner: MIX808  
(808) 885-6558  
cb@lavatracks.com

P.O. Box 6564 Kamuela Hawaii 96743 \* (808) 885-6558

**fukunaga4 - Michelle**

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**From:** Aiello,Dale [Dale.Aiello@gartner.com]  
**Sent:** Friday, February 06, 2009 9:19 PM  
**To:** EDTTestimony  
**Subject:** ACT 221 TESTIMONY: SB975 Caps Act 221 Tax Credit

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

**FROM: Dale Aiello**  
**President**  
**Anatec Hawaii**

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to **SB975**. Anatec Hawaii is opposed to **SB975** because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Anatec Hawaii is a technology research distributor to major companies that have substantial investments in IT. We have also raised substantial funds for technology companies wanting to do business in Hawaii thus creating high paying jobs in the Information Technology field. Most of these companies have many alternatives as to where to HQ their companies and choose Hawaii due to the tax credits. Without these tax credits many of these companies will HQ out of the mainland taking away many high paying jobs in Hawaii.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Dale Aiello

President  
Anatec Hawaii  
808 531-5647  
[daleaiello@gartner.com](mailto:daleaiello@gartner.com)

**Dale Aiello**

Anatec Hawaii

E-Mail [dale.aiello@gartner.com](mailto:dale.aiello@gartner.com)

Telephone **808 531.5647**

Facsimile **808 748.0600**

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HAWAII STATE SENATE  
REGULAR SESSION OF 2009

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

February 9, 2009  
1:15 PM, Conference Room 016

***SB 975 - RELATING TO HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT***

Chair Sen. Carol Fukunaga, V. C. Rosalyn Baker and Committee Members:

Good Morning. My name is Dante Carpenter, Director of Public Affairs for Carbon Diversion, Inc. (CDI). CDI strongly opposes this measure simply because placing any caps on Act 221/215 is simply the wrong strategy at a time when Hawaii needs an economic stimulus, not the equivalent of “a poke in the eye with a sharp stick!”

Please let the original enabling legislation with its sunset in December 2010 run its course, at the very least. Do not let short-term thinking compromise long-term objectives. The State of Hawaii cannot afford to stop Act 221/215 just when it’s starting to pay off. These Tax incentives provided both responsive and responsible legislation in 2001 and 2003, respectively. And, they were created for Hawaii to expand business opportunities in activities other than Tourism (at all time low) and Military (beyond Hawaii control) and local and state government (?).

Carbon Diversion Inc. is a local Hawaiian company which has developed a hybrid gasification carbonization process which can reduce various organic feedstock and tires (non-fossil fuel) into carbon products and synthetic gas. This results in lessened dependency on fossil fuels, landfills and can indirectly provide lower priced electrical energy to the grid.

To change the end dates from 2010 to 2009, this year, is unconscionable! It will virtually emasculate CDI’s growth projections and cause irreparable harm to the company and its relations with customers, both private and governmental. It’s obvious you (legislators) collectively will negate any “good intentions” of ACT 221/215 Incentives – which will include millions of dollars in investments and hundreds of jobs created to-date. Moreover, you’ll help stymie future growth potential at a time when Hawaii can least afford it!

Hawaii’s future depends upon economic diversification rooted in the seeds planted with the help of Acts 221/215. The cost is small indeed, when compared to the ultimate benefit. Let the entrepreneurs do their thing, and everyone will benefit. We strongly urge you to file this bill.

Thank you very much

## **fukunaga4 - Michelle**

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**From:** David Fisher [dfisherhi@gmail.com]  
**Sent:** Friday, February 06, 2009 3:12 PM  
**To:** EDTTestimony  
**Subject:** Testimony in Opposition to SB975

David B. Fisher  
P.O. Box 792138  
Paia, HI 96779  
808-269-1031

February 4, 2009

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

The caps proposed in SB975 impose a difficult if not impossible layer of bureaucracy to an already difficult process and send a chilling message to the innovation and investment community. In our current economic crisis we need to stimulate not weigh down our economy.

As an economic stimulus, there is none smarter than Hawaii's eight-year old Act 221. It is "shovel ready" as it encourages those who have money, to invest now in Hawaii companies that are ready today to commit to the discipline of innovation. The State does not start to see the cost (in the form of loss in revenue from the credits) until a year later. Even then, this cost is spread out over five years while the companies receiving the investment start to generate income and become self-sustaining, resulting in tax revenues that will more than offset the credits. In the worse case, if a company fails, we still get an immediate stimulus benefit today without having to start paying the cost for a year.

As someone who has worked in economic development for 30 years, the last 20 on Maui; I can easily say that Act 221 has had the greatest impact on quality job creation and innovation. We need to build on our strengths and invest in the future and not feed the gloom and doom downward spiral.

We should save and extend Act 221.

David B. Fisher  
Haiku, Maui

<http://CoolProjectsMaui.com> - Podcast and Blog

**fukunaga4 - Michelle**

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**From:** David Ivy [david@pacificislandsolar.com]  
**Sent:** Sunday, February 08, 2009 8:42 AM  
**To:** EDTTestimony  
**Subject:** Testimony in opposition to SB975

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: David W. Ivy  
Managing Member  
Pacific Island Solar, LLC

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Pacific Island Solar is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Pacific island Solar, LLC is a PV solar power generation installation Company employing 8 full time workers. This bill will severely limit our potential for growth and impede our ability to carry out our business plan. Please consider carefully the economic impacts of this bill on our local economy and small companies operating in these challenging economic times.

Thank you for the opportunity to testify on this important bill.

Sincerely,

--  
*David W. Ivy*

*Pacific Island Solar, LLC*

*David W. Ivy  
133 North Market Street Suite "A"  
Wailuku, HI 96793*

*Phone: 808-986-0050*

*Fax: 808-986-0052*

*Cell: 808-280-0272*

*[david@pacificislandsolar.com](mailto:david@pacificislandsolar.com)*

*[www.PacificIslandSolar.com](http://www.PacificIslandSolar.com)*



Cardax Pharmaceuticals, Inc.  
99-193 Aiea Heights Drive, Suite 400, Aiea, HI 96701  
telephone 808.457.1400 fax 808.237.5901

February 6, 2009

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: David G. Watumull  
TITLE: President and CEO  
COMPANY: Cardax Pharmaceuticals, Inc.

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

My name is David Watumull, CEO of Cardax Pharmaceuticals, Inc. Cardax is developing a new class of drugs targeting the underlying cause of most chronic disease, including the number one problem for the Native Polynesian population: diabetes and heart disease. Cardax, along with both Hawaii Biotech, from which Cardax spun out, and Panthera Biopharma, also spun out from Hawaii Biotech, would not be in existence without Act 221. Combined all three companies have more than 75 high paying jobs and have received more than \$30 million in investor funding, almost half of which came from outside Hawaii, and \$35 million in grant funding since 2001.

Thank you for the opportunity to testify in opposition to SB975. Cardax Pharmaceuticals, Inc. is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Name: David G. Watumull  
Title: President and CEO  
Company: Cardax Pharmaceuticals, Inc.  
Phone: (808) 457-1375  
Email: dwatumull@cardaxpharma.com

**fukunaga4 - Michelle**

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**From:** Oceantronics [fritz@oceantronics.net]  
**Sent:** Friday, February 06, 2009 11:06 AM  
**To:** EDTTestimony  
**Subject:** SB975 relating to High Technology Business Investment Tax Credit (ACT 221)

The Senate Committee on Economic Development and Technology (EDT) has scheduled a hearing on [SB975](#) relating to High Technology Business Investment Tax Credit (ACT 221) on:

**Monday, February 9**  
**1:15pm**  
**Conference Room 016**

FROM: Fritz Amtsberg  
Programs  
Oceantronics, Inc.

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Oceantronics is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

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Oceantronics is a Hawaii based full service provider of Systems and Sub-System solutions to federal agencies including Military, Federal Test Ranges, NOAA, NMFS and other federal customers as well as the commercial sector. We also supply and service marine electronics and communications equipment. In addition to service work Oceantronics is a full service dealer for more than 40 US manufacturers of a diverse array of products and software that include IT, Communications, Navigation and related solutions.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Fritz M. Amtsberg  
Oceantronics, Inc.  
Female Owned and Run  
Small Disadvantaged Business  
711 No. Nimitz Hwy.  
Honolulu, HI 96817  
Ph. 808-522-5600

Fax 808-522-5222  
Cell 808-216-0256  
Skype - oceantronics  
web [www.oceantronics.net](http://www.oceantronics.net)  
e-mail [fritz@oceantronics.net](mailto:fritz@oceantronics.net)

## fukunaga4 - Michelle

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**From:** GB Hajim [ghajim@strangeframe.com]  
**Sent:** Friday, February 06, 2009 10:31 PM  
**To:** EDTTestimony  
**Subject:** SB975: Relating to High Technology Business Investment Tax Credit

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: GB Hajim  
Title: Manager  
Company: Island Planet One Productions, LLC

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Company Name is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

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*You need to come to the local high schools here in East Hawaii and take a look into the eyes of these kids and their parents. Most of the jobs are in the waning tourism industry. The unemployment rate is around 10% here and growing - Where is their hope for a better life? Where are their options?*

*When we started this production the economically prudent thing to do would have been to do the production in Eastern Europe where a government was willing to pony up 50% of the budget. Because of the cheaper labor and other costs, our \$2.5 million feature would have cost under \$1 million with the government of Bulgaria putting up 1/2 of the total!*

*But that's not the reason I developed this style of animation and this production pipeline. It is not the reason why I go to high schools and the local colleges to teach workshops and classes. The reason in a nutshell: I want to create something sustainable here so that the youth (including my own) can be inspired and our best and brightest can be encouraged to stay here. This tax incentive for investment allows us to reach for that dream.*

*The UH Student who now does most of my high end Maya stuff - I hired him back when he was 16 at Pahoehigh. His mom couldn't afford to keep him in the same house for more than a few months at a time. He built his own computer, but had no place to plug it in most of his time in high school. He was helping his mom survive by bagging groceries at \$8/hr! Now, 3 years later, he is writing render engines, paying his way through college with his wages from my company and, recently, was flown to the mainland to compete in a software competition.*

*I'll never forget when I hired this 14 year old Hilo High School student for an internship in digital design. Her mother*

*came to me with tears in her eyes saying, "When I was her age I could draw as well as her and I drew all the time, but there were no opportunities here, so when I graduated I joined the military, then came back, got married, had kids, and never drew again. Thank you for my daughter. Thank you from me."*

*Almost all my employees and interns have stories like this.*

*Do you know the story of WETA in New Zealand? Started with a couple of smart, creative guys, passionate about film, making a movie where Muppets, that looked straight out of Sesame Street, were shooting at each other with automatic rifles and blowing each other up with bombs. Sounds sustainable? Within 12 years they were in charge of putting the Lord of the Rings together.*

*With a whole lot of creativity, passion and brains, we are creating a small miracle here. We hope to make it grow bigger.*

*In this past holiday season, one of my animators gave me a gift and on the card he wrote: "Thank you for giving me the job of my dreams."*

*That's what this is all about.*

Thank you for the opportunity to testify on this important bill.

Sincerely,

GB Hajim  
**Director/Manager**  
Island Planet One Productions, LLC  
(a Hawaii State Qualified High Technology Business)  
PO Box 430 Papaikou Hawaii 96781  
cell (808) 960-7619 studio (808) 963-5482



**SB975: Relating to High Technology Business Investment Tax Credit**

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Greg Retzlaff P.E.  
Project Manager and Power Generation Specialist  
Tradewinds Forest Products LLC

**RE: Testimony In Opposition to SB975**

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975.

Tradewinds is a forest products manufacturer in advanced stages of development of a veneer mill and biomass power plant on the Hamakua Coast. Act 221/215 offers Tradewinds additional options for raising capital and financing for our project. We will generate approximately 140 jobs when our project is in operation. With nearly all contracts and permits in place our major task remaining is to identify and attract equity entities to invest in this renewable project that will significantly stimulate the forest products industry on the Big Island. The tax benefits of Act 221/215 are attractive to potential investors and may cause them to proceed to invest when they might otherwise hold back.

Holding the belief that this Act is costing the State of Hawaii valuable tax dollars is inaccurate. Many of these projects would not be built or would seek a location in other states if the Act 221/215 tax benefits were not available. Many of the tax dollars that are claimed as "lost" would never have been a part of the State's revenue, had it not been for the Act 221/215. Tax dollars cannot be considered lost until they have actually accrued and are due.

SB975 will significantly reduce Tradewinds' ability to raise the needed equity to finance our project and move into construction. I urge you to consider whether Act 221/215 really costs the State tax dollars and to consider how these tax benefits offer the necessary financial boost to allow some startup firms adequate support until they can obtain adequate momentum to stand on their own.

Thank you for the opportunity to testify on this important bill.

Sincerely,

*Greg Retzlaff*

Greg Retzlaff  
Project Manager and Power Generation Specialist  
Tradewinds Forest Products  
PO Box 43  
39-3324 Old Mamalahoa Highway  
O'okala, HI 96774  
(808) 962-6803  
(503) 502-4335 Mob  
(808) 962-6883 Fax  
greg.r@tfp-hi.com

**fukunaga4 - Michelle**

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**From:** kailuakona3000@gmail.com on behalf of Guy Toyama [executivedirector@keaholepoint.org]  
**Sent:** Saturday, February 07, 2009 12:52 AM  
**To:** EDTTestimony  
**Subject:** SB975: Relating to High Technology Business Investment Tax Credit

**SB975: Relating to High Technology Business Investment Tax Credit**

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Guy Toyama  
Executive Director  
Friends of NELHA

RE: Testimony In Opposition to SB975

Aloha Chair Fukunaga, Vice Chair Baker, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. The Friends of NELHA is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

The Friends of NELHA provides public education and outreach at the NELHA Gateway Center on the various new clean energy technology companies located at NELHA. These new companies that have raised funds through a High Technology Business Investment Tax Credit will become the new economic engine for NELHA and Hawaii.

Thank you for the opportunity to testify on this important bill.

Sincerely,  
Guy Toyama  
Executive Director  
(808) 329-8073

## fukunaga4 - Michelle

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**From:** Russ H. Robinson [hotlava2@hawaii.rr.com]  
**Sent:** Friday, February 06, 2009 12:39 PM  
**To:** EDTTestimony  
**Subject:** Testimony In support of SB975

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Russ H. Robinson Pickens Plan District Leader HI 01/02

RE: Testimony In support of SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in support of SB975. I support SB975 because there is no deployable capital available from: Banks, Stock Markets, Bond Markets, State Governments, County Governments or Investment Houses making this piece of legislation irrelevant.

If there were, the imposition of caps on Act 221/215 would allow for more funding to be given to projects which utilize proven technology and resources (**Like the Pickens Plan**) which will reduce imported oil rather than 'Pie in the Sky' experiments.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Russ H. Robinson  
District Leader HI 01/02  
Company The Pickens Plan  
Phone (808) 327-1449  
Email [www.PickensPlan.com](http://www.PickensPlan.com)

# Terrilani J. Chong

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February 6, 2009

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. I am opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Though I write this letter as an individual, I must also disclose that I am the Project Administrator of the NSF Hawaii EPSCoR project and as such, I realize the tremendous negative impact the passage of this bill would have on the ability of the University to conduct meaningful basic research with broader economic impacts.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Terrilani J. Chong

  
PO Box 142  
28-1679 Old Mamalahoa Highway  
Honolulu, Hawaii 96728

chongh004@hawaii.rr.com  
P: 808.963.3177  
C: 808.938.0835

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SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Todd J. Robertson  
President/CEO  
Hyperspective Studios, Inc.

RE: Testimony In Opposition to SB975

Dear Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Hyperspective Studios, Inc. is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Hyperspective Studios produces media, specializing in 3D animation, video, Internet applications, interactive materials and games. The company currently has four employees, but intends to greatly expand its employee base this year in development of an animated children's show with an educational focus. Hyperspective intends to be a strong part of a growing animation industry and is focused on developing new jobs and a strong, sustainable business in the State of Hawaii. Our company will not have a chance at success without Act 221 incentives in place, and would therefore not have the ability to offer jobs to Hawaii graduates. More information about our company can be obtained from our website at [www.hyperspective.com](http://www.hyperspective.com).

Thank you for the opportunity to testify on this important bill.

Sincerely,

Todd J. Robertson  
President/CEO  
Hyperspective Studios, Inc.  
808.741.1292  
[todd@hyperspective.com](mailto:todd@hyperspective.com)

**TESTIMONY OF WILLIAM G. MEYER, III**

**SENATE BILL 975: RELATING TO TAXATION**

**DATE:** February 9, 2009  
1:15 p.m., Conference Room 016

**TO:** Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn H. Baker, Vice Chair

Aloha Chair, Vice Chair, and Members of the Committee:

My name is William G. Meyer, III. I am a Honolulu attorney and my practice is limited to intellectual property matters, including entertainment law. I represent both national and local television and motion picture producers and production companies. My practice area includes advising entertainment companies regarding the availability of entertainment industry related tax incentives, including the incentives available pursuant to Act 221/215 and Act 88.

I am opposed to SB 975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing technology sector needs to attract sources of investment to continue to support company growth.

Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed. According to published Tax Department data, there have been over \$1.2 billion invested in at least three hundred thirty-three (333) Act 221 companies. Furthermore, Act 221 companies spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Thank you for the opportunity to testify on this bill.

Respectfully submitted,

William G. Meyer, III  
[wmeyer@dwyerlaw.com](mailto:wmeyer@dwyerlaw.com)  
(808) 534-4412



**SB975: Relating to High Technology Business Investment Tax Credit**

**DATE: February 9, 2009**

**TIME: 1:15pm**

**PLACE: Conference Room 016**

**TO: Senate Committee on Economic Development and Technology**

**The Honorable Carol Fukunaga, Chair**

**The Honorable Rosalyn Baker, Vice Chair**

**FROM: Harry Jackson**

**President & CEO**

**Ocean Engineering and Energy Systems, Inc.**

**RE: Testimony In Opposition to SB975**

**Aloha Chair, Vice Chair, and Members of the Committee,**

**Thank you for the opportunity to testify in opposition to SB975. Ocean Engineering and Energy Systems, Inc., is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.**

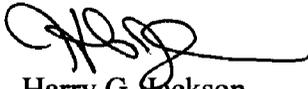
**Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.**

**Our small business company is in the renewable energy sector providing local opportunity to develop and commercialize Ocean Thermal Energy Conversion technologies for Hawaii and other locations. Since we are in the early start-up phase of establishing our corporate presence and marketing our technology/ability to build these projects that provide electricity, fresh water and seawater air conditioning, Act 221/215 is our life source to provide the funding to keep our company operating! Act 221/215, in its current format, makes investors excited about investing in our technology and it gives them a stronger incentive to make an investment here in Hawaii with our company**

instead of going somewhere else like Nevada, Texas or North Carolina to invest their dollars.

Thank you for the opportunity to testify on this important bill.

Sincerely,



Harry G. Jackson  
President & CEO

Ocean Engineering and Energy Systems, Inc.

808-954-6020

[hjackson@ocees.com](mailto:hjackson@ocees.com)

## **fukunaga4 - Michelle**

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**From:** herboda22@aol.com  
**Sent:** Friday, February 06, 2009 9:50 PM  
**To:** EDTTestimony  
**Subject:** I oppose SB975

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Herb Oda

RE: Testimony In Opposition to SB975

Dear Chair, Vice Chair, and Members of the Committee, and thank you for the opportunity to testify in opposition to SB975.

I am opposed to SB975 because the imposition of anything that diminishes Act 221 tax credits, such as a limitation or a cap which effectively makes no business want to even apply for them, is against what our federal government, under President Obama, is trying to do to stimulate our economy (not just Hawaii's, but our country's). I do not understand why President Obama's administration is trying to find ways to create tax credits for promising industry on a federal level, and yet we in Hawaii on a state level are trying to find ways to eliminate them.

It makes no sense.

I was hired by an Act 221 company to do work that is well beneath my training, but it is work and it supplements my retirement benefits. I am a Korean war vet, and i have never taken a handout. I want to work for my money. As a result of your legislation, i have been told that I will probably not have employment because my position is not essential. I know my position is not essential. I will go quietly because of that, but you need to know that there are others like me who were counting on the money that we were getting from our company to supplement our incomes. I will not grift the state by trying to take unemployment, and i am not looking for handouts. I just want to do an honest day's work like I have been doing, and save it so I can give some of my money for the younger generation to enjoy while I am still alive.

Shame on anyone who takes away this program, the only one that is working for the common people. I was an early supporter of Lingle (even thou i was a democrat) because I believed in what she said back from Molokai days. Now its just more shibai, as Mayor Fasi used to say. A promise is a promise. you give your word, you keep your word.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Herb Oda

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[Great Deals on Dell Laptops. Starting at \\$499.](#)



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SB975: Relating to High Technology Business Investment Tax Credit

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DATE: February 9, 2009 TIME: 1:15pm

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PLACE: Conference Room 016

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TO: Senate Committee on Economic Development and Technology

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The Honorable Carol Fukunaga, Chair

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The Honorable Rosalyn Baker, Vice Chair

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FROM: Ricardo S. Galindez, Producer, Island Film Group

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RE: Testimony In Opposition to SB975

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Aloha Chair, Vice Chair, and Members of the Committee.

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Thank you for the opportunity to testify in opposition to SB975. Island Film Group is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs.

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The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

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Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

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Island Film Group (IFG) is the largest local film and television production company in Hawaii. Since its formation in 2007, IFG has produced a television series, two television movies, 9 television commercials for the Japanese market and, most recently, a feature film based on the life of Princess Ka`iulani. Our projects have employed hundreds of Hawaii residents and spent millions of dollars on local goods and services. As union signatory, most of IFG's employees

receive wages and benefits far exceeding those paid in Hawaii's traditional economic sectors. All of IFG's film and television projects have been seen by audiences around the world, thus supporting Hawaii's visitor industry in a way that no other industry sector can do.

The proposed tax credit caps and the proposed allocation method would disrupt the free market allocation of limited investment dollars to those few companies that receive such allocations. Companies not lucky enough to receive a tax credit allocation will likely not receive local investment, even if they have a more compelling business plan.

While it may seem prudent to "cap" the amount of tax credits, it is important to remember that the current economic conditions will act as a natural "brake" on the amount of tax credit investments. Most, if not all, Act 221/215 companies seeking investment in 2008 were not able to complete their funding rounds. In fact, we estimate that the amount of Act 221/215 tax credits attributable to the "Performing Arts" sector will be reduced by \$60m in 2008 due to the slowing economy as well as the migration to Act 88 (the 15%-20% Production Tax Credit) by the fully-financed Hollywood studio projects.

Please don't make changes to this important economic stimulus that will only make the incentive less effective and less valuable to the economy of Hawaii.

Thank you for the opportunity to testify on this important bill.

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Sincerely,

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Ricardo S. Galindez

Island Film Group  
808-536-7955  
rgalindez@islandfilmgroup.com

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February 6, 2009

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. NetEnterprise believes the establishment of caps on Act 221/215 would hamper economic growth within the technology sector at a time when what Hawaii needs a stimulus to preserve and create new jobs. The proposed caps would reduce investment dollars and ward off potential investors that are needed to continue to support the growth of technology companies in Hawaii.

Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1 with more than \$1.2 billion invested in over 333 companies, which in total have spent more than \$1.4 billion in Hawaii at a cost of less than \$437 million in credits claimed from 1999 through 2007. Further, these figures do not take into account the additional State tax revenues generated by these companies, their employees and contractors.

NetEnterprise Inc., a Hawaii-based network services integrator with 45 employees.

Should you have any questions, please do not hesitate to contact me at 808-441-5000. Thank you for the opportunity to submit written testimony.

Respectfully,

A handwritten signature in black ink that reads "J. Toth".

J. Toth  
CEO

JT:cmp



*Oahu: 3375 Koapaka St, Ste F220-08  
Honolulu, HI 96819  
(808) 926-3299*

*Kauai: 3022 Peleke St., Ste 1  
Lihue HI, 96766  
(808) 246-9334*

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Jack Hendrickson  
CEO  
Mid Pacific Communications Inc

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Mid Pacific Communications is strongly opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Mid Pacific Communications currently employs 9 people, all in high skill jobs, and supports through our partnership with North Star Hawaii, another 10 high tech employees on various development projects Mid Pacific is currently engaged in. These projects have resulted in the filing of two patent applications in the US to date, with a third patent application soon to be filed.

We have attracted nearly a million dollars in mainland investment all of which has been spent in the State of Hawaii. We are launching our first production product, the AirLynx 1 and AirLynx I in May with expected world wide sales to exceed 10 million dollars within 24 months and 15 million within two years. Mid Pacific Communications as developed these products in Hawaii, employing graduates of the UH and will assemble and sell these products from the State of Hawaii employing high skilled personnel here in Hawaii.



*Mid Pacific Communications, Inc.*

---

*Oahu: 96-1367 Waihona St.  
Pearl City, HI 96782  
(808) 926-3299*

*Kauai: 3022 Peleke St., Ste 1  
Lihue HI, 96766  
(808) 246-9334*

Currently our 2009 revenues are projected to pass the one million dollar mark by the end of the year. The benefits Mid Pacific has received from the support of both Hawaii and mainland investors has made this possible. Without ACT 221 there would be at least 10 people at Mid Pacific and several more at North Star not currently employed.

While we understand that political pressures have created the need to review ACT 221 I highly suggest you listen to the success stories directly from those of us who have taken the steps envisioned by the creators of this legislation. ACT 221 has clearly been the vehicle that has allowed us to reach these milestones and curtailing the investment allowances, in our view, will not only discredit Hawaii's commitment to the High Tech Sector but will create serious obstacles for those companies who are in the midst of their development cycle. We ask that you, the Senate stay committed to the objectives of ACT 221 as the incubation periods are now just beginning to bear fruit.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Jack R. Hendrickson  
President & CEO

A handwritten signature in black ink, appearing to read 'Jack R. Hendrickson', written over a white background.

Mid Pacific Communications Inc



# PUNAHELE PRODUCTIONS

**554 Paopua Loop**  
**Kailua, Hawai'i 96734**  
PH: (808) 261-1044  
Punahele @ hawaii.rr.com

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology The Honorable Carol Fukunaga,  
Chair The Honorable Rosalyn Baker, Vice Chair

FROM: James Linkner  
Sec/Treasurer  
Punahele Productions

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975.

Company Name is opposed to SB975 because the imposition of caps on Act

221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from

1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Punahele Productions is a small production company whose primary artist is Keali'i Reichel. It consists of Keali'i, myself and Fred Krauss. We started in 1994 with the release of *Kawaipunahele*, Keali'i's debut CD. Since then we have distributed many other local artists through our account at Warner Music Group.

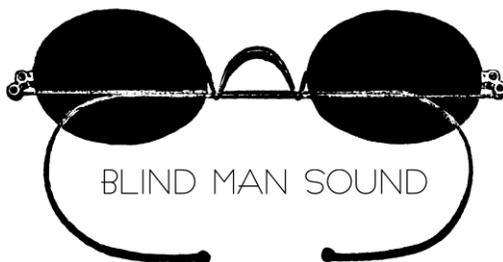
The music industry in Hawai'i thrived with physical sales in 1994, but with the decline of brick and mortar music stores beginning in the late 1990s and the increase of online piracy and internet downloads, physical sales are 20%-40% of what they were. Most album budgets range between \$20,000 and \$60,000...a big risk for a small business. Our recent *Kukahi* DVD project exceeded \$150,000. Keali'i Reichel is arguably the most successful living artist in Hawai'i, yet Punahele Productions has experienced tough times the past eighteen months, making many personal sacrifices to make ends meet. We deal with twenty other artists in our distribution network and see the ongoing struggle to maintain, much less invest in new recording projects and studio time.

Act 221 has served as a relief from some of these issues and has allowed many careers to continue, instead of failing due to financial needs. If repealed, I'm certain that many of these wonderful talents and small businesses will fall by the wayside. Grants and endowments usually serve a favored few. Act 221 is across the board and a more far-reaching approach. Take away Act 221 and much of our music will wither.

Thank you for the opportunity to testify on this important bill.

Sincerely,

James Linkner  
Sec/Treasurer  
Punahele Productions  
808-261-1044  
Punahele@hawaii.rr.com



**554 Paopua Loop . Kailua, Hawai'i 96734**

PH: (808) 261-1044

punahela@hawaii.rr.com

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology The Honorable Carol Fukunaga,  
Chair The Honorable Rosalyn Baker, Vice Chair

FROM: Jim Linkner  
Managing Member  
Blind Man Sound LLC

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975.

Company Name is opposed to SB975 because the imposition of caps on Act

221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from

1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Punahela Productions is a small production company whose primary artist is Keali'i Reichel. It consists of Keali'i, myself and Fred Krauss. We started in 1994 with the release of ***Kawaipunahela***, Keali'i's debut CD. Since then we have distributed many other local artists through our account at Warner Music Group.

The music industry in Hawai'i thrived with physical sales in 1994, but with the decline of brick and mortar music stores beginning in the late 1990s and the increase of online piracy and internet downloads, physical sales are 20%-40% of what they were. Most album budgets range between \$20,000 and \$60,000...a big risk for a small business. Our recent ***Kukahi*** DVD project exceeded

\$150,000. Keali'i Reichel is arguably the most successful living artist in Hawai'i, yet Punahale Productions has experienced tough times the past eighteen months, making many personal sacrifices to make ends meet. We deal with twenty other artists in our distribution network and see the ongoing struggle to maintain, much less invest in new recording projects and studio time.

Act 221 has served as a relief from some of these issues and has allowed many careers to continue, instead of failing due to financial needs. If repealed, I'm certain that many of these wonderful talents and small businesses will fall by the wayside. Grants and endowments usually serve a favored few. Act 221 is across the board and a more far-reaching approach. Take away Act 221 and much of our music will wither.

Thank you for the opportunity to testify on this important bill.

Sincerely,

James Linkner  
Managing Member  
Blind Man Sound LLC  
808-261-1044  
Punahale@hawaii.rr.com

**fukunaga4 - Michelle**

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**From:** Jay M. Fidell [fidell@lava.net]  
**Sent:** Friday, February 06, 2009 5:11 PM  
**To:** EDTTestimony  
**Subject:** Testimony Regarding SB975 being heard February 9, 2009, 1:15PM Conference room 016

**DATE:** February 9, 2009  
**TIME:** 1:15pm  
**PLACE:** Conference Room 016

**TO:** Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

**FROM:** Jay Fidell, President  
ThinkTech Hawaii, Inc.

**Re:** Testimony In Opposition to SB975

Dear Chair Fukunaga, Vice Chair Baker, and Members of the Committee:

On behalf of ThinkTech Hawaii, let me express my strong opposition to SB975. It is our fervent recommendation that this bill be killed. It not only contradicts point four of the administration's own "economic recovery" plan, which is to attract outside capital to Hawaii, especially for Renewable Energy companies, but it would essential curtail further investment in Hawaii's high tech sector which is growing faster and creating more jobs than any other sector of the economy. Act 221 is an effective economic stimulus as evidenced the Department of Taxation's own comprehensive analysis. This bill offers no reasonable alternative and in fact would intimidate investors from further investment in our technology sector. This is no time to stifle such an effective program as Act 221.

Thank you for your consideration of this testimony.

Sincerely,

*Jay*  
Jay Fidell  
President



SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Jim Sink  
Vice President of Business Development  
Avatar Reality

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Avatar Reality is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Act 221/215 has been a critical factor in building our business here in Hawaii. Without it, I'm not sure if we would have ever been founded. Our company is creating a massively multiplayer virtual worlds platform that offers game developers, digital entrepreneurs, educators, and corporations unique new ways to play, profit, learn, and collaborate. Using our software, businesses can develop their own virtual cities, games, digital goods, experiments, and social exhibitions for massive worldwide audiences. If we are successful, we could employ hundreds of people in well paying high tech jobs here in Hawaii. We already employ 22 people and are on track to grow throughout 2009. However, capping 221/215 could imperil our future growth and our plans of expansion here on the islands. Just to give you a more personal understanding of how important Act



Avatar Reality, Inc.

55 Merchant Street, Ste 1700, Honolulu, HI 96813  
Telephone: (808) 954-6150 Fax: (808) 954-6149

221/215 is to us, I've included a picture of some of the people the bill has help to employ here in the state.



Thank you for the opportunity to testify on this important bill.

Sincerely,

Jim Sink

Jim Sink  
VP Worldwide Business Development  
Avatar Reality, Inc.  
425-281-7720  
[jim@avatar-reality.com](mailto:jim@avatar-reality.com)

## fukunaga4 - Michelle

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**From:** jbreman@gmail.com on behalf of Joe Breman [info@oceanglobe.org]  
**Sent:** Friday, February 06, 2009 12:18 PM  
**To:** EDTTestimony  
**Subject:** Hearing for sB975

The Senate Committee on Economic Development and Technology (EDT) has scheduled a hearing on [SB975](#) relating to High Technology Business Investment Tax Credit (ACT 221) on:

**Monday, February 9**

**1:15pm**

**Conference Room 016**

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Joe Breman  
President  
International Underwater Explorations, (IUE) LLC

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Our company was capped at \$25,000 which is enough if I wanted to sell fruit in a stand on Maui. But unfortunately, I am interested in attracting investors to operate a High Tech Industry to service the renewable energy sector, and can't get it off the ground with these limitations.

Thank you for the opportunity to testify in opposition to SB975. IUE is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Our company was capped at \$25,000 which is enough if I wanted to sell fruit in a stand on Maui. But unfortunately, I am interested in attracting investors to operate a High Tech Industry to service the renewable energy sector, and can't get it off the ground with these limitations.

Thank you for the opportunity to testify on this important bill.

Sincerely,

**IUE, International Underwater Explorations**

Tel. (808) 214-2326 | Fax. (808) 572-5080

[www.oceanglobeonline.com](http://www.oceanglobeonline.com)

[info@oceanglobe.org](mailto:info@oceanglobe.org)



700 Bishop Street, Suite 2000 Honolulu, HI 96813

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Joe Cooper, CFO  
Archinoetics LLC

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Archinoetics and our subsidiary, Fatigue Science, are opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth.

Archinoetics began operations in 2005 and has grown to 30 Hawaii based employees with a payroll of over \$2 million in 2008. We are a research company that develops intelligent human assistive technologies (i.e. we use sensors and computers to improve peoples' lives). Our subsidiary, Fatigue Science, is implementing an innovative fatigue risk management solution in Australia this month. This technology was an offshoot of a research program funded by the Hawaii Technology Development Venture 4 years ago. With a lot of work, and a little luck, we could grow to be a \$50 million company in another 4 years. It would be a tragic irony for Hawaii to lose a cutting edge technology that originated here. However, passage of this bill or other changes that create business uncertainty could very well sink this new company.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Joe Cooper  
CFO  
Archinoetics  
(808) 741-1684  
Joe@archinoetics.com

# MAKAI MOTION PICTURES

February 7 2009

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Makai Motion Pictures LLC is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

MAKAI MOTION PICTURES is an international film financing, development and production company based in Hawai'i. The company is committed to creating original, high-quality film and television programming for the international marketplace with a particular emphasis on stories and content originating from or in Hawai'i, Asia and the Pacific Rim Region. Makai Motion Pictures also forms co-production partnerships with filmmakers, production companies and original content creators around the Asia-Pacific Region and the globe.

Thank you for the opportunity to testify on this important bill.

Sincerely,



Johnson W. K. Choi, MBA, RFC.  
Executive VP and DFO



1600 Kapiolani Boulevard, Suite 900  
Honolulu, HI 96814  
(808) 949.8316 / (808) 942.4298 FAX  
www.decisionresearch.com

February 6, 2009

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

via email to: [EDTTestimony@Capitol.hawaii.gov](mailto:EDTTestimony@Capitol.hawaii.gov)

RE: Testimony in Opposition to SB975: Relating to High Technology Business Investment Tax Credit

Dear Ms. Chair, Ms. Vice Chair, and Members of the Committee:

Thank you for the opportunity to testify in regards to the above-referenced bill. DRC hereby voices its opposition to SB975. We disagree with the approach to impose caps on Act 221/215. Instead, we believe that Hawaii needs an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support growth.

Published Tax Department data shows more than \$1.2 billion has been invested in Act 221 companies. These organizations have spent more than \$1.4 billion in Hawaii, representing 87% of their expenses. They are buying local.

The cost of the credits is less than \$437 million from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Basically, this means that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1.



1600 Kapiolani Boulevard, Suite 900  
Honolulu, HI 96814  
(808) 949.8316 / (808) 942.4298 FAX  
[www.decisionresearch.com](http://www.decisionresearch.com)

DRC is a Hawaii based software development and professional services company. Founded in 1971, we employ nearly 50 individuals in Hawaii. We believe Act 221/215 to be beneficial to the local technology community as well as the state as a whole. The Act creates good jobs

Thank you for the opportunity to testify on this important bill.

Sincerely,

/s/ Karen Yamamoto  
Senior Vice President  
DRC  
(808) 949-8316  
[karenyamamoto@decisionresearch.com](mailto:karenyamamoto@decisionresearch.com)

/s/ John Agsalud  
Director of Professional Services  
DRC  
(808) 983-9171  
[johnagsalud@decisionresearch.com](mailto:johnagsalud@decisionresearch.com)

**fukunaga4 - Michelle**

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**From:** Kent Tsukamoto [kent.tsukamoto@accuityllp.com]  
**Sent:** Friday, February 06, 2009 1:09 PM  
**To:** EDTTestimony  
**Subject:** SB975: Relating to High Technology Business Investment Tax Credit

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

**Testimony In Opposition to SB975**

Chair Fukunaga, Vice Chair Baker , and Members of the Committee,

My name is Kent K. Tsukamoto and I am the managing partner of Accuity LLP, a Hawaii based, locally owned full service CPA firm. I have been a practicing CPA in Hawaii for over 31 years. Thank you for the opportunity to testify in opposition to SB975. Accuity LLP is opposed to SB975 because we believe that the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is additional economic stimulus to preserve and create new jobs. The proposed caps reduce available investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Accuity LLP and its predecessor firms in Hawaii, PricewaterhouseCoopers LLP and Coopers & Lybrand is a full service CPA firm with 90 employees. We provide accounting and services to numerous Act 221 companies and have witnessed significant growth in the Tech Sector arising directly from the passage of Act 221 and 215. We believe that SB975 would be counterproductive to capital formation and the creation of jobs by these companies.

Thank you for the opportunity to testify on our strong opposition to this bill.

Sincerely,

**Kent K. Tsukamoto**

Managing Partner

Accuity LLP

999 Bishop Street, Suite 1900 | Honolulu, HI 96813-4427

☎: 808.531.3462 | 📠: 808.531.3433 | ✉: [kent.tsukamoto@accuityllp.com](mailto:kent.tsukamoto@accuityllp.com) Private Fax 808.531.3478

Pursuant to the provisions of Treasury Circular 230 and comparable State law, any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or any comparable state law, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

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## fukunaga4 - Michelle

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**From:** Lishan Chong [lishan@clearwire.net]  
**Sent:** Friday, February 06, 2009 1:54 PM  
**To:** EDTTestimony  
**Subject:** Testimony In Opposition to SB975

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Lishan Chong  
President & CEO  
Edutainment Resources, Inc.

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Edutainment Resources, Inc. is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Edutainment Resources, Inc. integrates digital media in education - specifically developing learning English as a second language (ESL) multimedia materials delivered via iPhone, DVD and Internet platforms to users around the world. We are headquartered in Hawaii and have been able to work with over 50 independent contractors during our peak production. We were the first company to launch ESL Apps (applications) in December 2008 on iPhone 3G and within weeks our ESL Apps were used by learners from over 30 countries. We are confident this initial strong response from the market will lead to revenue generation that in return will benefit our economy.

Since we started several years ago, we have been able to raise money through the Act 221 tax credit program to conduct R&D and product development. Although we have made significant progress, we still need additional capital to continue our development until enough revenue can be generated to sustain our operation. Without Act 221, we would not have been able to raise the funding to get us to where we are - closer to fruition of our hard work and a success that will benefit all of us in Hawaii!

Thank you for the opportunity to testify on this important bill.

Sincerely,

Lishan Chong  
President and CEO  
808-778-6348  
[Lishan@EdutainmentResources.com](mailto:Lishan@EdutainmentResources.com)

## **fukunaga4 - Michelle**

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**From:** Brooke S. Loughridge [b\_schim@yahoo.com]  
**Sent:** Saturday, February 07, 2009 12:37 PM  
**To:** EDTTestimony  
**Cc:** Mark Loughridge  
**Subject:** SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology The Honorable Carol Fukunaga,  
Chair The Honorable Rosalyn Baker, Vice Chair

FROM: Mark Loughridge  
Aloha Island, Inc.  
1035 University Ave. #202  
Honolulu, HI 96826  
808-945-7745

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Company Name is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Aloha Island, Inc. is a digital media company that develops games and content for educational and entertainment software. We have 8 employees and would not exist if Act 221 does not exist.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Mark Loughridge  
President  
Aloha Island, Inc.  
808-945-7745  
[b\\_schim@yahoo.com](mailto:b_schim@yahoo.com)



# **C**ellular **B**ioengineering, **I**nc.

*Invent. Disrupt. Inspire.*

SB975: Relating to High Technology Business Investment Tax Credit

Date: February 9, 2009

Time: 1:15 p.m.

Place: Conference Room 016

To: Senate Committee on Economic Development and Technology

The Honorable Carol Fukunaga, Chair

The Honorable Rosalyn Baker, Vice Chair

From: Michael J. Coy, Vice President, Cellular Bioengineering, Inc.(CBI)

Re: Testimony in Opposition to SB875

Aloha Chair, Vice Chair and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. CBI is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new job. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data show that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data show more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007.

With help from Act 221, CBI has grown from 3 employees in 2003 to 30; has invented and commercialized an industrial decontamination technology in less than three years; and has recently completed a successful first-in-human pilot study to restore sight to 10 individuals suffering from corneal dysfunctions. Without Act 221, CBI's progress would most likely have been slower or reduced.

Thank you for the opportunity to testify on this bill.

Sincerely,



1946 Young Street, Suite 288 · Honolulu, Hawaii 96826

Ph: 808.949.2208 · Fax: 808.949.2209

[www.cellularbioengineering.com](http://www.cellularbioengineering.com)



SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Michael Kramer, Managing Partner, Natural Investments LLC

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Natural Investments LLC is opposed to SB975 because the imposition of caps on Act 221/215 will deter investors from helping to further diversify our economy and create jobs when we desperately need them. I can tell you, since I represent investors who have supported start-up businesses here in Hawaii, these investors would not have invested without these tax credits. I realize that the state needs more revenue, but this particular bill and strategy is ill-timed and will prevent job creation, which will have a more negative effect than the positive benefit of increasing revenue to the general fund by capping these credits. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1.

Natural Investments LLC is an independent investment advisor and is not a direct beneficiary of Act 221/215, but as a conduit for the flow of capital into our economy, I can tell you without a doubt that SB975 will slow investment into Hawaii, and this will cause far more problems. Thank you for the opportunity to testify on this important bill.

Sincerely,

Michael Kramer

Michael Kramer, M.Ed.

*Financial Advisor, Accredited Investment Fiduciary™*

[michael@naturalinvesting.com](mailto:michael@naturalinvesting.com) [www.naturalinvesting.com](http://www.naturalinvesting.com)

PO Box 390595, Keauhou, HI 96739

808.331.0910 · 888.779.1500

*"Put Your Money Where Your Heart Is"*



## **fukunaga4 - Michelle**

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**From:** Mike Curtis [mcurtis@hawaii.rr.com]  
**Sent:** Friday, February 06, 2009 2:31 PM  
**To:** EDTTestimony  
**Subject:** Testimony Regarding: B975: Relating to High Technology Business Investment Tax Credit

B975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Mike Curtis  
Investor and Entrepreneur

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. I am opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Act 221/215 continues to be important legislation supporting the development of our local technology industry and it is succeeding in its intended purpose of diversifying our economy. While these are indeed difficult times on the revenue front, let's make sure that we make wise long-term decisions while we work through our short-term challenges.

Please take time to consider the fact that this legislation is part of a continuum of investments that we have made in developing a high-tech industry...investments that begin in the primary education system and extend through the University of Hawaii, the development of tech parks, the establishment of the High Tech Development Corporation and many other programs. Curtailing the Act 221/215 incentives for capital formation would weaken a critical link in this chain and possibly make the entire chain ineffective.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Mike Curtis

808-292-6862

[mcurtis@hawaii.rr.com](mailto:mcurtis@hawaii.rr.com)



SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Norman Wayne Karo  
CEO  
Pipeline Micro

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Pipeline Micro is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth.

Hawaii-based Pipeline Micro is the developer of the world's smallest and most efficient liquid cooling systems for consumer electronics, including computers, laptops, and video graphics cards. Liquid cooling systems developed by the company use a patented thermal system design that dramatically improves heat transfer, stabilizes temperature, and enables products to run faster, perform longer, and use less energy.

Pipeline Micro grew from 5 to 13 employees in 2008, and will grow to over 20 employees in 2009. We hire UH graduates and are bringing world renowned talent into the State. Our customers are global electronics giants from the Mainland and Japan. Act 221/215 has enabled us to take a "holy grail", breakthrough invention from the University of Hawaii and make products that are in high demand even in this recession.

Sincerely,

Norman Wayne Karo  
CEO  
Pipeline Micro  
(808) 292-0131  
wayne.karo@pipelinemicro.com



**Pamela Miller**  
Project Developer

SB975: Relating to High Technology Business Investment Tax Credit

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO:

Senate Committee on Economic Development and Technology

The Honorable Carol Fukunaga, Chair

The Honorable Rosalyn Baker, Vice Chair

FROM:

Pamela S. Miller

Vice President, Project Development

Pacific Light and Power, LLP

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Pacific Light and Power is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Pacific Light and Power is a Kauai-based renewable energy company working with resource-constrained grids through the Hawaiian islands and the Pacific Rim. Because island grids have special challenges, it is necessary to use unconventional technologies in order to make renewable energy feasible. These technologies are difficult to finance

***Pacific Light and Power, LLC***  
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Phone 808-634-8866  
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**Pamela Miller**  
Project Developer

and Act 221 gives investors incentive to invest in these projects and technologies. Due to the reduced tax base, it is highly possible that the tax credit appetite will also be reduced.

Pacific Light and Power is developing more than one project. Just one 10 megawatt renewable energy project will create approximately 100 construction jobs and between 4 and 10 permanent jobs, while contributing to the Hawaiian Clean Energy Initiative and Renewable Portfolio Standard targets for energy produced by renewable means. This also reduces the island's dependence on oil as a power generation fuel, keeping the money on island.

Act 221 is a good incentive for development on Hawaii and should not be constrained.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Pamela S. Miller  
Vice President, Project Development  
Pacific Light and Power, LLP  
Tel: 808.826.1965  
Direct: 808.634.8866  
Email: [pam@pacificlightandpower.com](mailto:pam@pacificlightandpower.com)

DATE: 9 February 2009  
TIME: 1.15pm  
PLACE: Conference Room 016

TO: *Senate Committee on Economic Development and Technology*  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

**RE: Testimony In Opposition to SB975**

Aloha Chair, Vice Chair and Members of the Committee

Thank you for the opportunity to testify in opposition to SB975. Pacific LightNet is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Pacific LightNet serves customers on Oahu, Maui, Kauai, the Big Island, Molokai and Lanai through its undersea cable and land-based fiber network, offering a full range of integrated telecommunications products and services, including local dial tone, high-speed Internet access, dedicated and switched long distance, collocation, special access and enhanced data services.

Thank you for the opportunity to testify on this important bill.

Respectfully



Patrick Bustamante  
President

FEB 06 2009



February 6, 2009

**SB975: Relating to High Technology Business Investment Tax Credit**

DATE: February 9, 2009

TIME: 1:15pm

PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
 The Honorable Carol Fukunaga, Chair  
 The Honorable Rosalyn Baker, Vice Chair

FROM: Rick Holasek, President and CEO, NovaSol

**RE: Testimony In Opposition to SB975**

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. NovaSol is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

NovaSol is a local Hawaii-based high technology firm working in the aerospace/defense sector. Established in 1998, we specialize in reconnaissance camera systems and free space optical communications.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Rick Holasek, PhD  
 President and CEO, NovaSol  
 808-441-3666  
 rick@nova-sol.com

[www.nova-sol.com](http://www.nova-sol.com)

## CORPORATE OFFICE

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*Kauai: 3022 Peleke St., Ste 1  
Lihue HI, 96766  
(808) 246-9334*

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Jack Hendrickson  
CEO  
Mid Pacific Communications Inc

RE: Testimony In Opposition to SB975

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Mid Pacific Communications is strongly opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

Mid Pacific Communications currently employs 9 people, all in high skill jobs, and supports through our partnership with North Star Hawaii, another 10 high tech employees on various development projects Mid Pacific is currently engaged in. These projects have resulted in the filing of two patent applications in the US to date, with a third patent application soon to be filed.

We have attracted nearly a million dollars in mainland investment all of which has been spent in the State of Hawaii. We are launching our first production product, the AirLynx 1 and AirLynx I in May with expected world wide sales to exceed 10 million dollars within 24 months and 15 million within two years. Mid Pacific Communications as developed these products in Hawaii, employing graduates of the UH and will assemble and sell these products from the State of Hawaii employing high skilled personnel here in Hawaii.



*Mid Pacific Communications, Inc.*

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Currently our 2009 revenues are projected to pass the one million dollar mark by the end of the year. The benefits Mid Pacific has received from the support of both Hawaii and mainland investors has made this possible. Without ACT 221 there would be at least 10 people at Mid Pacific and several more at North Star not currently employed.

While we understand that political pressures have created the need to review ACT 221 I highly suggest you listen to the success stories directly from those of us who have taken the steps envisioned by the creators of this legislation. ACT 221 has clearly been the vehicle that has allowed us to reach these milestones and curtailing the investment allowances, in our view, will not only discredit Hawaii's commitment to the High Tech Sector but will create serious obstacles for those companies who are in the midst of their development cycle. We ask that you, the Senate stay committed to the objectives of ACT 221 as the incubation periods are now just beginning to bear fruit.

Thank you for the opportunity to testify on this important bill.

Sincerely,

Jack R. Hendrickson  
President & CEO

A handwritten signature in black ink, appearing to read 'Jack R. Hendrickson', written over a white background.

Mid Pacific Communications Inc



# STEINER & ASSOCIATES

Business and Management Consulting  
www.SteinerAssoc.com

702 Kanaha Street  
Kailua, HI 96734

808-221-5955

February 6, 2009

The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair  
Senate Committee on Economic Development and Technology  
State Capitol  
Honolulu, Hawaii 96813

RE: SB975: Relating to High Technology Business Investment Tax Credit  
Hearing Date: February 9, 2009, 1:15 p.m., Conference Room 016  
Testimony In Opposition to SB975

Dear Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. Steiner & Associates is opposed to SB975 as the imposition of caps on Act 221/215 is not the best strategy when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion has been invested in at least 333 Act 221 companies. These companies have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, again before State tax revenues generated by Act 221 companies.

Steiner & Associates is a consulting firm that provides business and management expertise to entrepreneurs, start-ups and professional service firms. Through my association with Act 221 companies, I have seen the dedication and desire of these firms to bring innovation, business and jobs to the State of Hawaii. Relying on tourism for so long has left Hawaii without a fall back industry. Act 221 incentives will provide the impetus to attract and retain new viable business which will produce jobs and provide a much needed source of revenue.

Thank you for the opportunity to testify on this important bill.

Sincerely,



Michael Steiner, CLM, Principal  
Steiner & Associates

Telephone: (808) 221-5955

Email: [MSteiner@SteinerAssoc.com](mailto:MSteiner@SteinerAssoc.com)

**fukunaga4 - Michelle**

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**From:** kailuakona3000@gmail.com on behalf of Guy Toyama [guy@h2-techs.com]  
**Sent:** Sunday, February 08, 2009 1:45 PM  
**To:** EDTTestimony  
**Subject:** SB975: Relating to High Technology Business Investment Tax Credit

**SB975: Relating to High Technology Business Investment Tax Credit**

DATE: February 9, 2009  
TIME: 1:15pm  
PLACE: Conference Room 016

TO: Senate Committee on Economic Development and Technology  
The Honorable Carol Fukunaga, Chair  
The Honorable Rosalyn Baker, Vice Chair

FROM: Guy Toyama  
Chief Operating Officer  
H2 Technologies, Inc.

RE: Testimony In Opposition to SB975

Aloha Chair Fukunaga, Vice Chair Baker, and Members of the Committee,

Thank you for the opportunity to testify in opposition to SB975. H2 Technologies is opposed to SB975 because the imposition of caps on Act 221/215 is the wrong strategy at a time when what Hawaii needs is an economic stimulus to preserve and create new jobs. The proposed caps reduce investment dollars at a time when Hawaii's growing tech sector needs to attract sources of investment to continue to support company growth. Tax Department data shows that the benefits of Act 221 have already exceeded its costs by a factor of at least 3:1, and this is even before State tax revenues generated by Act 221 companies, their activities, employees and contractors have been computed.

Published Tax Department data shows more than \$1.2 billion invested in at least 333 Act 221 companies, which have spent more than \$1.4 billion in Hawaii, at a cost of less than \$437 million in credits claimed from 1999 through 2007, and this is before State tax revenues generated by these Act 221 companies, and their activities employees and contractors have been included.

H2 Technologies is a QHTB in the State of Hawaii and is involved with alternative transportation fuels here in Hawaii. We have raised money from Japan and will raise more thanks to Act 221. However, our investment tax credit has already been capped at \$2 million per year which limits our availability to raise enough funds and severely hampers our development.

Thank you for the opportunity to testify on this important bill.

Sincerely,  
Guy Toyama  
Chief Operating Officer  
H2 Technologies, Inc.  
(808) 938-6325

