
A BILL FOR AN ACT

RELATING TO CROWDFUNDING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to establish a
2 limited intrastate crowdfunding exemption for businesses based
3 in Hawaii to connect with investors located in Hawaii, through
4 equity crowdfunding using the internet. This Act shall be
5 referred to as the "Hawaii Invests Local Act," to exempt certain
6 intrastate securities issuances from security registrations in
7 the State.

8 SECTION 2. Section 485A-202, Hawaii Revised Statutes, is
9 amended by amending subsections (a) and (b) to read as follows:

10 "(a) The following transactions are exempt from the
11 requirements of sections 485A-301 to 485A-305 and 485A-504:

12 (1) An isolated nonissuer transaction, whether or not
13 effected by or through a broker-dealer;

14 (2) A nonissuer transaction by or through a broker-dealer
15 registered or exempt from registration under this
16 chapter, and a resale transaction by a sponsor of a
17 unit investment trust registered under the Investment



1 Company Act of 1940, in a security of a class that has
2 been outstanding in the hands of the public for at
3 least ninety days, if, at the date of the transaction:
4 (A) The issuer of the security is engaged in
5 business, the issuer is not in the organizational
6 stage or in bankruptcy or receivership, and the
7 issuer is not a blank check, blind pool, or shell
8 company that has no specific business plan or
9 purpose or has indicated that its primary
10 business plan is to engage in a merger or
11 combination of the business with, or an
12 acquisition of, an unidentified person;
13 (B) The security is sold at a price reasonably
14 related to its current market price;
15 (C) The security does not constitute the whole or
16 part of an unsold allotment to, or a subscription
17 or participation by, the broker-dealer as an
18 underwriter of the security or a redistribution;
19 (D) A nationally recognized securities manual or its
20 electronic equivalent designated by rule adopted
21 or order issued under this chapter or a record



1 filed with the Securities and Exchange Commission
2 that is publicly available and contains:

3 (i) A description of the business and operations
4 of the issuer;

5 (ii) The names of the issuer's executive officers
6 and the names of the issuer's directors, if
7 any;

8 (iii) An audited balance sheet of the issuer as of
9 a date within eighteen months before the
10 date of the transaction or, in the case of a
11 reorganization or merger when the parties to
12 the reorganization or merger each had an
13 audited balance sheet, a pro forma balance
14 sheet for the combined organization; and

15 (iv) An audited income statement for each of the
16 issuer's two immediate previous fiscal years
17 or for the period of existence of the
18 issuer, whichever is shorter, or, in the
19 case of a reorganization or merger when each
20 party to the reorganization or merger had



1 audited income statements, a pro forma
2 income statement; and
3 (E) Any one of the following requirements is met:
4 (i) The issuer of the security has a class of
5 equity securities listed on a national
6 securities exchange registered under section
7 6 of the Securities Exchange Act of 1934 or
8 designated for trading on the National
9 Association of Securities Dealers' Automated
10 Quotation System;
11 (ii) The issuer of the security is a unit
12 investment trust registered under the
13 Investment Company Act of 1940;
14 (iii) The issuer of the security, including its
15 predecessors, has been engaged in continuous
16 business for at least three years; or
17 (iv) The issuer of the security has total assets
18 of at least \$2,000,000 based on an audited
19 balance sheet as of a date within eighteen
20 months before the date of the transaction
21 or, in the case of a reorganization or



1 merger when the parties to the
2 reorganization or merger each had such an
3 audited balance sheet, a pro forma balance
4 sheet for the combined organization;

5 (3) A nonissuer transaction by or through a broker-dealer
6 registered or exempt from registration under this
7 chapter in a security of a foreign issuer that is a
8 margin security defined in regulations or rules
9 adopted by the Board of Governors of the Federal
10 Reserve System;

11 (4) A nonissuer transaction by or through a broker-dealer
12 registered or exempt from registration under this
13 chapter in an outstanding security if the guarantor of
14 the security files reports with the Securities and
15 Exchange Commission under the reporting requirements
16 of section 13 or 15(d) of the Securities Exchange Act
17 of 1934 (15 U.S.C. 78m or 78o(d));

18 (5) A nonissuer transaction by or through a broker-dealer
19 registered or exempt from registration under this
20 chapter in a security that:



- 1 (A) Is rated at the time of the transaction by a
- 2 nationally recognized statistical rating
- 3 organization in one of its four highest rating
- 4 categories; or
- 5 (B) Has a fixed maturity or a fixed interest or
- 6 dividend, if:
 - 7 (i) A default has not occurred during the
 - 8 current fiscal year or within the three
 - 9 previous fiscal years or during the
 - 10 existence of the issuer and any predecessor
 - 11 if less than three fiscal years, in the
 - 12 payment of principal, interest, or dividends
 - 13 on the security; and
 - 14 (ii) The issuer is engaged in business, is not in
 - 15 the organizational stage or in bankruptcy or
 - 16 receivership, and is not and has not been
 - 17 within the previous twelve months a blank
 - 18 check, blind pool, or shell company that has
 - 19 no specific business plan or purpose or has
 - 20 indicated that its primary business plan is
 - 21 to engage in a merger or combination of the



- 1 business with, or an acquisition of, an
2 unidentified person;
- 3 (6) A nonissuer transaction by or through a broker-dealer
4 registered or exempt from registration under this
5 chapter effecting an unsolicited order or offer to
6 purchase;
- 7 (7) A nonissuer transaction executed by a bona fide
8 pledgee without the purpose of evading this chapter;
- 9 (8) A nonissuer transaction by a federal covered
10 investment adviser with investments under management
11 in excess of \$100,000,000, acting in the exercise of
12 discretionary authority in a signed record for the
13 account of others;
- 14 (9) A transaction between the issuer or other person on
15 whose behalf the offering is made and an underwriter,
16 or among underwriters;
- 17 (10) A transaction in a note, bond, debenture, or other
18 evidence of indebtedness secured by a mortgage or
19 other security agreement if:



- 1 (A) The note, bond, debenture, or other evidence of
2 indebtedness is offered and sold with the
3 mortgage or other security agreement as a unit;
- 4 (B) A general solicitation or general advertisement
5 of the transaction is not made; and
- 6 (C) A commission or other remuneration is not paid or
7 given, directly or indirectly, to a person not
8 registered under this chapter as a broker-dealer
9 or as an agent;
- 10 (11) A transaction by an executor, administrator of an
11 estate, personal representative, sheriff, marshal,
12 receiver, trustee in bankruptcy, guardian, or
13 conservator;
- 14 (12) A sale or offer to sell to:
- 15 (A) An institutional investor;
- 16 (B) A federal covered investment adviser; or
- 17 (C) Any other person exempted by rule adopted or
18 order issued under this chapter;
- 19 (13) Any transaction pursuant to a sale or an offer to sell
20 securities of an issuer, if the transaction is part of
21 an issue in which:



- 1 (A) There are no more than twenty-five purchasers
- 2 (other than those designated in paragraph (12)),
- 3 wherever located, during any twelve consecutive
- 4 months;

- 5 (B) The issuer reasonably believes that all
- 6 purchasers (other than those designated in
- 7 paragraph (12)), wherever located, are purchasing
- 8 for investment purposes and not with the view to,
- 9 or for sales in connection with, a distribution
- 10 of the security. The purchase shall be presumed
- 11 to be made with a view to distribute and not to
- 12 invest if any resale of a security sold in
- 13 reliance on this exemption is within twelve
- 14 months of sale, except a resale pursuant to a
- 15 registration statement effective under section
- 16 485A-301, or to an accredited investor pursuant
- 17 to an exemption available under this chapter;

- 18 (C) No commission, discount, or other remuneration is
- 19 paid or given, directly or indirectly, to a
- 20 person, other than a broker-dealer or agent

1 registered under this chapter, for soliciting a
2 prospective purchaser in this State; and
3 (D) The securities of the issuer are not offered or
4 sold by general solicitation or any general
5 advertisement or other advertising medium;
6 (14) A transaction under an offer to existing security
7 holders of the issuer, including persons who at the
8 date of the transaction are holders of convertible
9 securities, options, or warrants, if a commission or
10 other remuneration, other than a standby commission,
11 is not paid or given, directly or indirectly, for
12 soliciting a security holder in this State;
13 (15) (A) A transaction involving the offer or sale of a
14 security by an issuer to an accredited investor
15 that meets the following requirements:
16 (i) The issuer reasonably believes that the sale
17 is to persons who are accredited investors;
18 (ii) The issuer is not in the development stage,
19 without specific business plan or purpose;
20 (iii) The issuer has not indicated that the
21 issuer's business plan is to engage in a



1 merger or acquisition with an unidentified
2 company or companies, or other entity or
3 person; and
4 (iv) The issuer reasonably believes that all
5 purchasers are purchasing for investment
6 purposes and not with the view to, or for
7 sales in connection with, a distribution of
8 the security. The purchase shall be
9 presumed to be made with a view to
10 distribute and not to invest if any resale
11 of a security sold in reliance on this
12 exemption is within twelve months of sale,
13 except a resale pursuant to a registration
14 statement effective under section 485A-301,
15 or to an accredited investor pursuant to an
16 exemption available under this chapter;
17 (B) The exemption under this paragraph shall not
18 apply to an issuer if the issuer; any affiliated
19 issuer; any beneficial owner of ten per cent or
20 more of any class of the issuer's equity
21 securities; any issuer's predecessor, director,



1 officer, general partner, or promoter presently
2 connected in any capacity with the issuer; and
3 any underwriter or partner, director, or officer
4 of the underwriter of the securities to be
5 offered:

6 (i) Within the last five years has filed a
7 registration statement that is the subject
8 of a currently effective registration stop
9 order entered by any state securities
10 administrator or the Securities and Exchange
11 Commission;

12 (ii) Within the last five years has been
13 convicted of any criminal offense in
14 connection with the offer, purchase, or sale
15 of any security, or involving fraud or
16 deceit;

17 (iii) Is currently subject to any state or federal
18 administrative enforcement order or judgment
19 entered within the last five years, finding
20 fraud or deceit in connection with the
21 purchase or sale of any security; or



- 1 (iv) Is currently subject to any order, judgment,
2 or decree of any court of competent
3 jurisdiction, entered within the last five
4 years, temporarily, preliminarily, or
5 permanently restraining or enjoining such
6 party from engaging in or continuing to
7 engage in any conduct or practice involving
8 fraud or deceit in connection with the
9 purchase or sale of any security;
- 10 (C) Subparagraph (B) shall not apply if:
- 11 (i) The party subject to the disqualification is
12 licensed or registered to conduct
13 securities-related business in the state in
14 which the order, judgment, or decree
15 creating the disqualification was entered
16 against such party;
- 17 (ii) Before the first offer under this exemption,
18 the commissioner, or the court or regulatory
19 authority that entered the order, judgment,
20 or decree waives the disqualifications; or



1 (iii) The issuer establishes that the issuer did
 2 not know and in the exercise of reasonable
 3 care, based on a factual inquiry, could not
 4 have known that a disqualification existed
 5 under this paragraph; and

6 (D) An issuer claiming the exemption under this
 7 paragraph, no later than fifteen days after the
 8 first sale in this State, shall file with the
 9 commissioner a notice of transaction, a consent
 10 to service of process, a copy of the offering
 11 circular or similar document provided to the
 12 accredited investor and a \$200 filing fee.

13 For the purposes of this paragraph, "accredited
 14 investor" shall have the same meaning as provided in
 15 rule 501(a) adopted under the Securities Act of 1933
 16 (17 C.F.R. 230.501(a));

17 (16) An offer to sell, but not a sale, of a security not
 18 exempt from registration under the Securities Act of
 19 1933 if:

20 (A) A registration or offering statement or similar
 21 record as required under the Securities Act of



- 1 1933 has been filed, but is not effective, or the
2 offer is made in compliance with Rule 165 adopted
3 under the Securities Act of 1933 (17 C.F.R.
4 230.165); and
- 5 (B) A stop order of which the offeror is aware has
6 not been issued against the offeror by the
7 commissioner or the Securities and Exchange
8 Commission, and an audit, inspection, or
9 proceeding that is public and that may culminate
10 in a stop order is not known by the offeror to be
11 pending;
- 12 (17) An offer to sell, but not a sale, of a security exempt
13 from registration under the Securities Act of 1933 if:
- 14 (A) A registration statement has been filed under
15 this chapter, but is not effective;
- 16 (B) A solicitation of interest is provided in a
17 record to offerees in compliance with a rule
18 adopted by the commissioner under this chapter;
19 and
- 20 (C) A stop order of which the offeror is aware has
21 not been issued by the commissioner under this



1 chapter and an audit, inspection, or proceeding
2 that may culminate in a stop order is not known
3 by the offeror to be pending;

4 (18) A transaction involving the distribution of the
5 securities of an issuer to the security holders of
6 another person in connection with a merger,
7 consolidation, exchange of securities, sale of assets,
8 or other reorganization to which the issuer, or its
9 parent or subsidiary and the other person, or its
10 parent or subsidiary, are parties;

11 (19) A rescission offer, sale, or purchase under section
12 485A-510;

13 (20) An offer or sale of a security to a person not a
14 resident of this State and not present in this State
15 if the offer or sale does not constitute a violation
16 of the laws of the state or foreign jurisdiction in
17 which the offeree or purchaser is present and is not
18 part of an unlawful plan or scheme to evade this
19 chapter;

20 (21) Employees' stock purchase, savings, option, profit-
21 sharing, pension, or similar employees' benefit plan,



1 including any securities, plan interests, and
2 guarantees issued under a compensatory benefit plan or
3 compensation contract, contained in a record,
4 established by the issuer, its parents, its majority-
5 owned subsidiaries, or the majority-owned subsidiaries
6 of the issuer's parent for the participation of their
7 employees, including offers or sales of such
8 securities to:

9 (A) Directors; general partners; trustees, if the
10 issuer is a business trust; officers;
11 consultants; and advisors;

12 (B) Family members who acquire the securities from
13 those persons through gifts or domestic relations
14 orders;

15 (C) Former employees, directors, general partners,
16 trustees, officers, consultants, and advisors if
17 those individuals were employed by or providing
18 services to the issuer when the securities were
19 offered; and

20 (D) Insurance agents who are exclusive insurance
21 agents of the issuer, or the issuer's



1 subsidiaries or parents, or who derive more than
2 fifty per cent of their annual income from those
3 organizations;

4 (22) A transaction involving:

5 (A) A stock dividend or equivalent equity
6 distribution, whether or not the corporation or
7 other business organization distributing the
8 dividend or equivalent equity distribution is the
9 issuer, if nothing of value is given by
10 stockholders or other equity holders for the
11 dividend or equivalent equity distribution other
12 than the surrender of a right to a cash or
13 property dividend if each stockholder or other
14 equity holder may elect to take the dividend or
15 equivalent equity distribution in cash, property,
16 or stock;

17 (B) An act incident to a judicially approved
18 reorganization in which a security is issued in
19 exchange for one or more outstanding securities,
20 claims, or property interests, or partly in such
21 exchange and partly for cash; or



1 (C) The solicitation of tenders of securities by an
2 offeror in a tender offer in compliance with Rule
3 162 adopted under the Securities Act of 1933 (17
4 C.F.R. 230.162);

5 (23) A nonissuer transaction in an outstanding security by
6 or through a broker-dealer registered or exempt from
7 registration under this chapter, if the issuer is a
8 reporting issuer in a foreign jurisdiction designated
9 by this paragraph or by rule adopted or order issued
10 under this chapter; has been subject to continuous
11 reporting requirements in the foreign jurisdiction for
12 not less than one hundred eighty days before the
13 transaction; and the security is listed on the foreign
14 jurisdiction's securities exchange that has been
15 designated by this paragraph or by rule adopted or
16 order issued under this chapter, or is a security of
17 the same issuer that is of senior or substantially
18 equal rank to the listed security or is a warrant or
19 right to purchase or subscribe to any of the
20 foregoing. For purposes of this paragraph, Canada,
21 together with its provinces and territories, is a



1 designated foreign jurisdiction and the Toronto Stock
2 Exchange, Inc., is a designated securities exchange.
3 After an administrative hearing in accordance with
4 chapter 91, the commissioner, by rule adopted or order
5 issued under this chapter, may revoke the designation
6 of a securities exchange under this paragraph, if the
7 commissioner finds that revocation is necessary or
8 appropriate in the public interest and for the
9 protection of investors;

10 (24) Any offer or sale by or through a real estate broker
11 or real estate salesperson licensed under the laws of
12 this State, of a security issued on or after July 1,
13 1961, by a corporation organized under the laws of
14 this State, the holder of which is entitled solely by
15 reason of the holder's ownership thereof, to occupy
16 for dwelling purposes a house, or an apartment in a
17 building, owned or leased by such corporation;
18 provided that the issuer of the security shall apply
19 for the exemption to the commissioner on such form and
20 containing such information as the commissioner may
21 prescribe. If the commissioner finds that the



1 business applicant's proposed plan and the proposed
2 issuance of securities are fair, just, and equitable,
3 that the applicant intends to transact its business
4 fairly and honestly, and that the securities that the
5 applicant proposes to issue and the method to be used
6 by the applicant in issuing or disposing of the
7 securities will not, in the opinion of the
8 commissioner, work a fraud upon the purchaser thereof,
9 the commissioner shall issue to the applicant a permit
10 authorizing the applicant to issue and dispose of the
11 securities in this State in the manner provided herein
12 and in such amounts and for such consideration as the
13 commissioner may provide in the permit. Otherwise,
14 the commissioner shall deny the application and refuse
15 the permit and notify the applicant of the decision in
16 writing, subject to appeal as provided in section
17 485A-609. In any permit issued under this paragraph,
18 the commissioner may require the deposit in escrow or
19 impoundment of any or all securities, the proceeds
20 from the sale thereof, approval of advertising
21 material, and any of the conditions as set forth in



1 section 485A-304(f). The commissioner may act as
 2 escrow holder for securities required to be deposited
 3 in escrow by the commissioner's order or as a
 4 necessary signatory on any account in which impounded
 5 proceeds from the sale of escrowed securities are
 6 deposited;

7 (25) Any offer or sale by or through a real estate broker
 8 or real estate salesperson licensed under the laws of
 9 this State of an apartment or unit in a condominium
 10 project, and a rental management contract relating to
 11 the apartment or unit, including an interest in a
 12 partnership formed for the purpose of managing the
 13 rental of apartments or units if the rental management
 14 contract or the interest in the partnership is offered
 15 at the same time as the apartment or unit is offered.

16 For the purposes of this paragraph, the terms
 17 "apartment", "unit", "condominium", and "project"
 18 shall have the meanings prescribed in section 514A-3
 19 or 514B-3; [and]

20 (26) Any transaction not involving a public offering within
 21 the meaning of section 4(2) of the Securities Act of



1 1933 (15 U.S.C. 77d), but not including any
2 transaction specified in the rules and regulations
3 thereunder[-]; and

4 (27) An offer or sale of a security by an issuer, if the
5 offer or sale meets all of the following requirements:

6 (A) The issuer of the security is an entity that is
7 incorporated or organized under the laws of this
8 State and is authorized to do business in this
9 State;

10 (B) The transaction meets the requirements for the
11 federal exemption for intrastate offerings under
12 section 3(a)(11) of the Securities Act of 1933
13 (15 U.S.C. 77c(a)(11)), and pursuant to Rule 147
14 adopted under the Securities Act of 1933 (17
15 C.F.R. 230.147), including, but not limited to,
16 the requirements for determining whether an
17 offeree or purchaser is a resident of this State;

18 (C) For a period of nine months from the date of the
19 last sale by the issuer of securities offered in
20 reliance on this exemption, all resales of any
21 part of the issue, by any person, shall be made



1 only to persons residing within this State and
2 shall be in compliance with Rule 147 adopted
3 under the Securities Act of 1933 (17 C.F.R.
4 230.147);

5 (D) The sum of all cash and other consideration to be
6 received for all sales of the security in
7 reliance on this exemption does not exceed
8 \$1,000,000, less the aggregate amount received
9 for all sales of securities by the issuer within
10 the twelve months before the first offer or sale
11 made in reliance on this exemption;

12 (E) The issuer has not accepted more than \$5,000 from
13 any single purchaser unless the purchaser is an
14 accredited investor as defined by Rule 501,
15 regulation D, (17 CFR 230.501) of the Securities
16 Act of 1933. The issuer may rely on confirmation
17 that the purchaser is an accredited investor from
18 a broker-dealer registered under this chapter or
19 the Securities Exchange Act of 1934 in making a
20 determination that the purchaser is an accredited
21 investor;



1 (F) At least ten days before an offer of securities
2 is made in reliance on this exemption, the issuer
3 files a notice with the commissioner, in writing
4 or in electronic form as specified by the
5 commissioner, that contains all of the following:
6 (i) A notice of claim of exemption from
7 registration, specifying that the issuer
8 intends to conduct an offering in reliance
9 on this exemption, accompanied by the filing
10 fee specified in this section;
11 (ii) A copy of the disclosure statement required
12 to be provided to each prospective purchaser
13 under subparagraph (a) (27) (G); and
14 (iii) An escrow agreement with a bank or other
15 depository institution located in this
16 state, in which the purchaser funds will be
17 deposited, that provides that all offering
18 proceeds will be released to the issuer only
19 when the aggregate capital raised from all
20 purchasers is equal to or greater than the
21 minimum target offering amount specified in



1 the disclosure statement as necessary to
2 implement the business plan and that all
3 purchasers will receive a return of their
4 subscription funds if that target offering
5 amount is not raised by the time stated in
6 the disclosure statement. The bank or other
7 depository institution may contract with the
8 issuer to collect reasonable fees for its
9 escrow services regardless of whether the
10 target offering amount is reached;

11 (G) The issuer shall provide a copy of the disclosure
12 statement provided to the commissioner under
13 subparagraph (F)(ii) to each prospective
14 purchaser at the time the offer of securities is
15 made to the prospective purchaser in connection
16 with the offering. The disclosure statements
17 shall include the following information:

18 (i) A description of the issuer, including its
19 type of entity, the address and telephone
20 number of its principal office, its
21 formation history, its business plan, and



- 1 the intended use of the offering proceeds,
2 including any amounts to be paid, as
3 compensation or otherwise, to any owner,
4 executive officer, director, managing
5 member, or other person occupying a similar
6 status or performing similar functions on
7 behalf of the issuer;
- 8 (ii) The identity of each person who owns more
9 than ten per cent of the ownership interests
10 of any class of securities of the issuer;
- 11 (iii) The identity of the executive officers,
12 directors, and managing members of the
13 issuer, and any other individuals who occupy
14 similar status or perform similar functions
15 in the name of and on behalf of the issuer,
16 including their titles and their prior
17 experience;
- 18 (iv) The terms and conditions of the securities
19 being offered and of any outstanding
20 securities of the issuer, the minimum and
21 maximum amount of securities being offered,



1 if any, and either the percentage ownership
2 of the issuer represented by the offered
3 securities or the valuation of the issuer
4 implied by the price of the offered
5 securities;

6 (v) The identity of any person whom the issuer
7 has retained or intends to retain to assist
8 the issuer in conducting the offering and
9 sale of the securities, including such
10 person's Financial Industry Regulatory
11 Authority, Inc., central registration
12 depository number, but excluding any person
13 acting solely as an accountant or attorney
14 and any employees whose primary job
15 responsibilities involve operating the
16 business of the issuer rather than assisting
17 the issuer in raising capital, and for each
18 person identified in response to this
19 clause, a description of the consideration
20 being paid to that person for that
21 assistance;



- 1 (vi) A description of any litigation or legal
- 2 proceedings involving the issuer or its
- 3 management;
- 4 (vii) The name and address of any website that the
- 5 issuer intends to use in connection with the
- 6 offering, including its uniform resource
- 7 locator or URL. If the issuer has not used a
- 8 website described in this clause at the time
- 9 the issuer files the disclosure statement
- 10 with the commissioner under this paragraph,
- 11 but subsequently does use a website for use
- 12 in connection with the offering, the issuer
- 13 shall provide the information described in
- 14 this subparagraph to the commissioner by
- 15 filing a supplemental notice; and
- 16 (viii) Additional information material to the
- 17 offering, including, where appropriate, a
- 18 discussion of significant factors that make
- 19 the offering speculative or risky. This
- 20 discussion shall be concise and organized



1 logically and should not present risks that
2 could apply to any issuer or any offering;

3 (H) The issuer informs each prospective purchaser
4 that the securities are not registered under
5 federal or state securities laws and that the
6 securities are subject to limitations on transfer
7 or resale and displays the following legend
8 conspicuously on the cover page of the disclosure
9 statement:

10 "IN MAKING AN INVESTMENT DECISION, PURCHASERS
11 MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER
12 AND THE TERMS OF THE OFFERING, INCLUDING THE
13 MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE
14 NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE
15 SECURITIES COMMISSION OR REGULATORY AUTHORITY.
16 FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT
17 CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY
18 OF THIS DOCUMENT. ANY REPRESENTATION TO THE
19 CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES
20 ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY
21 AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD



1 EXCEPT AS PERMITTED BY SUBSECTION (E) OF RULE 147
2 (17 CFR 230.147(E)), AS PROMULGATED UNDER THE
3 SECURITIES ACT OF 1933, AS AMENDED, AND THE
4 APPLICABLE STATE SECURITIES LAWS, PURSUANT TO
5 REGISTRATION OR EXEMPTION THEREFROM. **PURCHASERS**
6 **SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO**
7 **BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR**
8 **AN INDEFINITE PERIOD OF TIME."**;

9 (I) The issuer requires each purchaser to certify in
10 writing, and to include as part of that
11 certification the purchaser's signature, and the
12 purchaser's initials next to each paragraph of
13 the certification, as follows:
14 "I understand and acknowledge that: **I am**
15 **investing in a high-risk, speculative business**
16 **venture. I may lose all of my investment, and I**
17 **can afford the loss of my investment. This**
18 offering has **not** been reviewed or approved by any
19 state or federal securities commission or other
20 regulatory authority and no regulatory authority
21 has confirmed the accuracy or determined the



1 adequacy of any disclosure made to me relating to
2 this offering. The securities I am acquiring in
3 this offering are illiquid, the securities are
4 subject to possible dilution, there is no ready
5 market for the sale of those securities, it may
6 be difficult or impossible for me to sell or
7 otherwise dispose of this investment, and
8 accordingly, I may be required to hold this
9 investment indefinitely. I may be subject to tax
10 on my share of the taxable income and losses of
11 the issuer, whether or not I have sold or
12 otherwise disposed of my investment or received
13 any dividends or other distributions from the
14 issuer.";

15 (J) Issuers may disseminate information through a
16 website in a manner that is in compliance with
17 section 3(a)(11) of the Securities Act of 1933
18 (15 U.S.C. 77c(a)(11)) and Rule 147 adopted under
19 the Securities Act of 1933 (17 C.F.R. 230.147);

20 (K) All payments for the purchase of securities are
21 directed to and held by the bank or depository



- 1 institution subject to the provisions of
2 subparagraph (a) (27) (F) (iii);
- 3 (L) Offers or sales of a security are not made
4 through an internet website unless the website
5 has filed the written notice required under
6 subparagraph (F) with the commissioner;
- 7 (M) No commission, discount, or other remuneration is
8 paid or given, directly or indirectly, to a
9 person, other than a broker-dealer or agent
10 registered under this chapter, for soliciting a
11 prospective purchaser;
- 12 (N) The term of the offering does not exceed twelve
13 months after the date of the first offer;
- 14 (O) The issuer is not, either before or as a result
15 of the offering, an investment company, as
16 defined in section 3 of the Investment Company
17 Act of 1940 (15 U.S.C 80a-3), or an entity that
18 would be an investment company but for the
19 exclusions provided in subsection (c) of that
20 section, or subject to the reporting requirements



1 of section 13 or 15(d) of the Securities Exchange
2 Act of 1934 (15 U.S.C 78m and 78o(d));

3 (P) The issuer shall provide a quarterly report to
4 the issuer's purchasers until none of the
5 securities issued under this paragraph are
6 outstanding. All of the following apply to the
7 quarterly report described in this subparagraph:

8 (i) The issuer shall provide the report free of
9 charge to the purchasers;

10 (ii) An issuer may satisfy the report requirement
11 under this paragraph by making the
12 information available on an internet website
13 if the information is made available within
14 forty-five days after the end of each fiscal
15 quarter and remains available until the next
16 quarterly report is issued;

17 (iii) The issuer shall file each report with the
18 commissioner and shall provide a written
19 copy of the report to any purchaser on
20 request; and



1 (iv) The report shall include the compensation
2 received by each director and executive
3 officer of the issuer, including cash
4 compensation earned since the previous
5 report and on an annual basis and any
6 bonuses, stock options, other rights to
7 receive securities of the issuer or any
8 affiliate of the issuer, or other
9 compensation received, as well as an
10 analysis by management of the issuer of the
11 business operations and financial condition
12 of the issuer;

13 (Q) The exemption provided in this paragraph shall
14 not be used in conjunction with any other
15 exemption under this article, except offers and
16 sales to officers, directors, partners, trustees,
17 or other individuals who have similar status or
18 perform similar functions, of or for the issuer
19 or to persons who own ten per cent or more of the
20 outstanding shares of any class or classes of

- 1 securities of the issuer shall not count toward
2 the limitation in subparagraph (a)(27)(E);
3 (R) The exemption described in this section does not
4 apply if any disqualifying event described in
5 subsection (b) would apply;
6 (S) The commissioner shall charge a nonrefundable
7 filing fee of \$100 for filing an exemption notice
8 required under paragraph (F)(i). The fees paid
9 to the commissioner under this paragraph shall be
10 used to pay the costs incurred in administering
11 and enforcing this act;
12 (T) A violation of this paragraph, shall be a
13 violation of subsection 485A-501(a)(3); and
14 (U) Any other requirement established by rule adopted
15 or order issued under this chapter to carry out
16 this section.

17 (b) With respect to the [~~exemption~~] exemptions under
18 [~~paragraph (a)(13)~~] subsection (a)(13) and (27):

- 19 (1) [~~The~~] Neither exemption shall [~~not~~] apply to an issuer
20 if the issuer; any affiliated issuer; any beneficial
21 owner of ten per cent or more of any class of the



1 issuer's equity securities; any issuer's predecessor,
2 director, officer, general partner, or promoter
3 presently connected in any capacity with the issuer;
4 and any underwriter or partner, director, or officer
5 of the underwriter of the securities to be offered:

6 (A) Within the last five years has filed a
7 registration statement that is the subject of a
8 currently effective registration stop order
9 entered by any state securities administrator or
10 the United States Securities and Exchange
11 Commission;

12 (B) Within the last five years has been convicted of
13 any criminal offense in connection with the
14 offer, purchase, or sale of any security, or
15 involving fraud or deceit;

16 (C) Is currently subject to any state or federal
17 administrative enforcement order or judgment
18 entered within the last five years, finding fraud
19 or deceit in connection with the purchase or sale
20 of any security; or



1 (D) Is currently subject to any order, judgment, or
2 decree of any court of competent jurisdiction,
3 entered within the last five years, temporarily,
4 preliminarily, or permanently restraining or
5 enjoining such party from engaging in or
6 continuing to engage in any conduct or practice
7 involving fraud or deceit in connection with the
8 purchase or sale of any security; and

9 (2) Paragraph (1) shall not apply if:

10 (A) The party subject to the disqualification is
11 licensed or registered to conduct securities-
12 related business in the state in which the order,
13 judgment, or decree creating the disqualification
14 was entered against such party;

15 (B) Before the first offer under this exemption, the
16 commissioner, or the court or regulatory
17 authority that entered the order, judgment, or
18 decree waives the disqualifications; or

19 (C) The issuer establishes that the issuer did not
20 know and in the exercise of reasonable care,
21 based on a factual inquiry, could not have known



1 that a disqualification existed under this
2 paragraph."

3 SECTION 3. Statutory material to be replaced is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 4. This Act shall not be applied so as to impair
6 any contract existing as of the effective date of this Act in a
7 manner violative of either the Hawaii State Constitution or
8 Article I, section 10, of the United States Constitution.

9 SECTION 5. This Act shall take effect on February 19,
10 2025.



Report Title:

Crowdfunding; Hawaii Invests Local Act

Description:

Establishes a crowdfunding exemption for limited intrastate investments between Hawaii residents and Hawaii businesses, limited to no more than \$1,000,000 raised over a twelve month period, and no more than \$5,000 per investor. Includes disclaimer requirements. (HB1482 HD2)

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