STAND. COM. REP. NO. 92-16

Honolulu, Hawaii Rommy II, 2016

RE: H.B. No. 2704 H.D. 1

Honorable Joseph M. Souki Speaker, House of Representatives Twenty-Eighth State Legislature Regular Session of 2016 State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 2704 entitled:

"A BILL FOR AN ACT RELATING TO CROWDFUNDING,"

begs leave to report as follows:

The purpose of this measure is to positively impact Hawaii's economy by providing a mechanism for start-up businesses based in Hawaii to obtain financing, including financing obtained through the use of popular online fundraising platforms. Specifically, this measure establishes a funding portal for business investment by establishing limited exemptions for crowdfunding from State securities exchange requirements.

The Chamber of Commerce Hawaii testified in support of this measure. The Department of Commerce and Consumer Affairs and United Public Workers testified in opposition to this measure.

Your Committee finds that crowdfunding is a popular fundraising trend using online fundraising platforms. Certain income and accreditation requirements often make it prohibitive for most individuals in Hawaii to invest in start-up businesses. Crowdfunding provides a mechanism for smaller, individual investors to become shareholders in Hawaii-based start-up businesses, as well as providing these start-up businesses with access to sources of funding previously unavailable to them, and will provide a boost to Hawaii's economy.



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However, your Committee recognizes the concerns raised by the Department of Commerce and Consumer Affairs regarding possible preemption by federal securities and exchange requirements.

Accordingly, your Committee has amended this measure to address these concerns by deleting its contents and inserting provisions amending section 485A-202(a), Hawaii Revised Statutes, to establish an exemption from Hawaii securities law for limited intrastate investments with Hawaii businesses not to exceed \$1,000,000 during a 12-month period.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2704, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2704, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.

> Respectfully submitted on behalf of the members of the Committee on Economic Development & Business,

DEREK S.K. KAWAKAMI, Chair



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State of Hawaii House of Representatives The Twenty-eighth Legislature



Record of Votes of the Committee on Economic Development & Business

| Bill/Resolution No.: HB 2704 ED | e Referral: B. CPC, F | | 4 Fee | 16 |
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| The committee is reconsidering its previous decision on the measury. | | | | |
| The recommendation is to: □ Pass, unamended (as is) □ Pass, with amendments (HD) □ Hold □ Pass short form bill with HD to recommit for future public hearing (recommit) | | | | |
| EDB Members | Ayes | Ayes (WR) | Nays | Excused |
| 1. KAWAKAMI, Derek S.K. (C) | | | | |
| | | | . · · · | |
| 2. KONG, Sam Satoru (VC) | | | | |
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| 3. BROWER, Tom | \checkmark | | | |
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| 4. CACHOLA, Romy M. | | | | |
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| 5. CHOY, Isaac W. | | | | |
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| 6. DeCOITE, Lynn | | A | | |
| 7. ITO, Ken | | | · · · · · · · · · · · · · · · · · · · | |
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| 8. OHNO, Takashi | | | | |
| | | | ${\bf r}_{\rm eff} = {\bf r}_{\rm eff} + {\bf r}_{\rm eff}$ | |
| 9. ONISHI, Richard H.K. | | | | |
| | • | l., | | |
| 10. TOKIOKA, James Kunane | | | | |
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| 11. TSUJI, Clift | | | | |
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| 12. WOODSON, Justin H. | | | | |
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| 13. MATSUMOTO, Lauren Kealohilani | | | | |
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| 14. WARD, Gene | · · · · · · · · · · · · · · · · · · · | | | |
| TOTAL (14) | 13 | | | |
| The recommendation is: Adopted If joint referral, did not support recommendation. | | | | |
| Vice Chair's or designee's signature: | | | | |
| Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO | | | | |