

HB2704 HD2

Measure Title: RELATING TO CROWDFUNDING.

Report Title: Crowdfunding; Funding Portal; Stock; Small Business; Securities

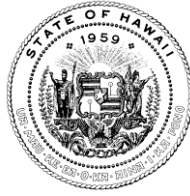
Description: Establishes exemptions from Hawaii securities law for limited intrastate investments with Hawaii businesses. (HB2704 HD2)

Companion:

Package: None

Current Referral: CPH, WAM

Introducer(s): FUKUMOTO CHANG, LUKE, MCKELVEY, SAIKI



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

**TO THE SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH**

**THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016**

Date: Wednesday, March 16, 2016
Time: 9:00 a.m.
Conference Room: 229

**TESTIMONY ON HOUSE BILL NO. 2704 HD2
RELATING TO CROWDFUNDING**

TO THE HONORABLE ROSALYN H. BAKER, CHAIR,
THE HONORABLE MICHELLE N. KIDANI, VICE CHAIR,
AND MEMBERS OF THE COMMITTEE:

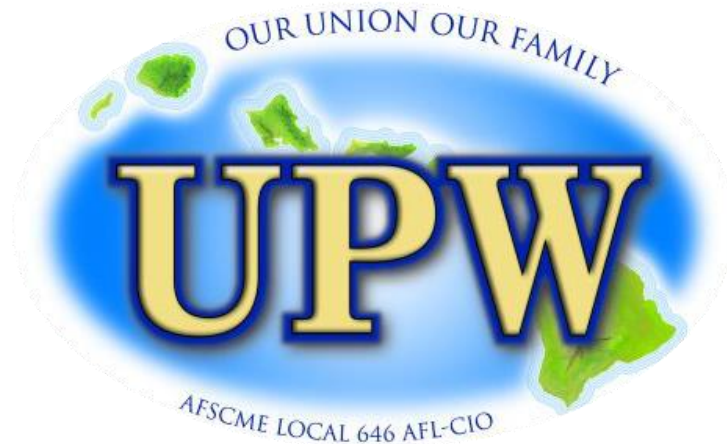
Thank you for the opportunity to testify. My name is Ty Nohara, Commissioner of Securities of the Department of Commerce and Consumer Affairs (Department). The Department supports the intent of this bill to create an intrastate crowdfunding exemption through rulemaking, and would like to provide the following comments for the Committee's consideration.

The current draft of this bill amends the state's Uniform Securities Act to provide explicit statutory authority for the adoption of an intrastate crowdfunding exemption through rulemaking. The Department would like to note it is continuing its current ongoing

efforts to adopt such an exemption through the creation of administrative rules¹. The Department appreciates the guidance provided by the House Draft 2 of this measure, and, as such, the Department would plan to incorporate the purpose of the bill as part of its ongoing rules process for an intrastate crowdfunding exemption. The Department believes that the purposes of this measure can be satisfied through the ongoing rules process, which would also allow for more timely adjustments to any such exemption should the need arise in the future.

Thank you for the opportunity to testify. I am happy to answer any questions the Committee may have.

¹Existing section 203 of the state's Uniform Securities Act currently provides for the adoption of transactional exemptions, such as those contemplated by this measure, through rule or order. The Department has progressed under this authority pursuant to section 485A-203, Hawaii Revised Statutes, in establishing rules for an intrastate crowdfunding exemption. Therefore, the intent of this bill can be realized without making any amendments to Hawaii's Uniform Securities Act.



The Hawaii State Senate
The Twenty-Eighth Legislature
Regular Session of 2016

**COMMITTEE ON COMMERCE AND CONSUMER
PROTECTION AND HEALTH**

The Honorable Rosalyn H. Baker, Chair
The Honorable Michelle N. Kidani, Vice Chair

DATE OF HEARING: Wednesday, March 16, 2016

TIME OF HEARING: 9:00 a.m.

PLACE OF HEARING: Conference Room 229

TESTIMONY ON HB2704 HD2 RELATING TO CROWDFUNDING

By Dayton M. Nakanelua,
State Director of the United Public Workers,
AFSCME, Local 646, AFL-CIO

My name is Dayton M. Nakanelua, state director of the United Public Workers, AFSCME, Local 646, and AFL-CIO (UPW). The UPW is the exclusive representative for approximately 11,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties.

HB2704, HD2 attempts to establish another method outside the traditional financial system to raise capital quickly through the investment of many individuals in a short space of time. It functions by means of an Internet website engaged exclusively in interstate offers and sales of securities in Hawaii. Many people are able to participate in an interstate "venture" that could be profitable to them or risk losing all their investment. There are many success stories as there failures.

Crowd funding has a very high-risk level in a weak enforcement framework. The individual investor must perform his or her due diligence to determine the soundness of any investment. And this is where people fall short due to investing emotionally rather than logically through investigation and information gathering. Giving money to strangers through the Internet may not be wise thing.

The cost of living is very high in Hawaii. The middle and low-income workers are living day-to-day, paycheck-to-paycheck. The quest for quick riches through tempting investment schemes hurt people and families more than make them rich. For these reasons, the UPW cannot support this bill because, "working families really matter".

Thank you for the opportunity to submit this testimony.



Executive Officers:

Derek Kurisu, KTA Superstores - Chairperson
John Erickson, Young's Market Company – Vice Chair
Bob Stout, Times Supermarkets – Secretary/Treasurer
Lauren Zirbel, Executive Director

1050 Bishop St. PMB 235
Honolulu, HI 96813
Fax : 808-791-0702
Telephone : 808-533-1292

TO: COMMITTEE ON COMMERCE, CONSUMER PROTECTION & HEALTH
Senator Rosalyn H. Baker, Chair
Senator Michelle N. Kidani, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Wednesday, March 16, 2016
TIME: 9:00 a.m.
PLACE: Conference Room 229

RE: HB2704, HD2

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

We support this bill because it provides an avenue for local investors to invest in local projects.

Thank you for the opportunity to testify.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Commerce, Consumer Protection, and
Health**

**Wednesday, March 16, 2016 at 9:00 A.M.
Conference Room 229, State Capitol**

RE: HOUSE BILL 2704 HD 2 RELATING TO CROWDFUNDING

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

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2704 HD 2 which establishes exemptions from Hawaii securities law for limited intrastate investments with Hawaii businesses.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports opportunities for local investors to invest in local small businesses. HB 2704 HD 2 would allow local investors, with no requirements of income, to make an equity investment in a local startup. This bill would fundamentally develop the startup and innovation sector in Hawaii, and provide a helpful boost to the economy.

Thank you for the opportunity to testify.