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# 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 via third-party internet portals. This Act  
5 shall be referred to as the "Hawaii Invests Local Exemption  
6 Act," to exempt certain intrastate securities issuances from  
7 security registrations in 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 (17 C.F.R. 230.147), including, but not limited  
15 to, the requirements for determining whether an  
16 offeree or purchaser is a resident of this State;

17 (C) If a purchaser of a security that is exempt under  
18 this paragraph resells that security, within nine  
19 months after the closing of the particular  
20 offering in which the purchaser obtained that  
21 security, to a person that is not a resident of



1           this State, the issuer may recover damages from  
2           the misrepresenting offeree or purchaser. These  
3           damages include, but are not limited to, the  
4           issuer's expenses in resolving the  
5           misrepresentation. However, damages described in  
6           this subparagraph shall not exceed the amount of  
7           the person's investment in the security;

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

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





1           the Securities Exchange Act of 1934 in making a  
2           determination that the purchaser is an accredited  
3           investor;

4           (F) At least ten days before an offer of securities  
5           is made in reliance on this exemption, the issuer  
6           files a notice with the commissioner, in writing  
7           or in electronic form as specified by the  
8           commissioner, that contains all of the following:

9           (i) A notice of claim of exemption from  
10           registration, specifying that the issuer  
11           intends to conduct an offering in reliance  
12           on this exemption, accompanied by the filing  
13           fee specified in this section;

14           (ii) A copy of the disclosure statement to be  
15           provided to prospective investors in  
16           connection with the offering. The disclosure  
17           statement shall meet all criteria set forth  
18           in paragraph (a) (27) (G); and

19           (iii) An escrow agreement with a bank or other  
20           depository institution located in this  
21           state, in which the purchaser funds will be



1           deposited, that provides that all offering  
2           proceeds will be released to the issuer only  
3           when the aggregate capital raised from all  
4           purchasers is equal to or greater than the  
5           minimum target offering amount specified in  
6           the disclosure statement as necessary to  
7           implement the business plan and that all  
8           purchasers will receive a return of their  
9           subscription funds if that target offering  
10          amount is not raised by the time stated in  
11          the disclosure statement. The bank or other  
12          depository institution may contract with the  
13          issuer to collect reasonable fees for its  
14          escrow services regardless of whether the  
15          target offering amount is reached;

16          (G) The issuer shall provide a copy of the disclosure  
17          statement provided to the commissioner under  
18          subparagraph (F)(ii) to each prospective  
19          purchaser at the time the offer of securities is  
20          made to the prospective investors in connection



1                   with the offering. Disclosure statements shall  
2                   include the following criteria:

3                   (i) A description of the issuer, including its  
4                   type of entity, the address and telephone  
5                   number of its principal office, its  
6                   formation history, its business plan, and  
7                   the intended use of the offering proceeds,  
8                   including any amounts to be paid, as  
9                   compensation or otherwise, to any owner,  
10                   executive officer, director, managing  
11                   member, or other person occupying a similar  
12                   status or performing similar functions on  
13                   behalf of the issuer;

14                   (ii) The identity of each person who owns more  
15                   than ten per cent of the ownership interests  
16                   of any class of securities of the issuer;

17                   (iii) The identity of the executive officers,  
18                   directors, and managing members of the  
19                   issuer, and any other individuals who occupy  
20                   similar status or perform similar functions  
21                   in the name of and on behalf of the issuer,



1                   including their titles and their prior  
2                   experience;

3           (iv) The terms and conditions of the securities  
4                   being offered and of any outstanding  
5                   securities of the issuer, the minimum and  
6                   maximum amount of securities being offered,  
7                   if any, and either the percentage ownership  
8                   of the issuer represented by the offered  
9                   securities or the valuation of the issuer  
10                   implied by the price of the offered  
11                   securities;

12           (v) The identity of any person whom the issuer  
13                   has retained or intends to retain to assist  
14                   the issuer in conducting the offering and  
15                   sale of the securities, including such  
16                   person's Financial Industry Regulatory  
17                   Authority, Inc. central registration  
18                   depository number, but excluding any person  
19                   acting solely as an accountant or attorney  
20                   and any employees whose primary job  
21                   responsibilities involve operating the



1 business of the issuer rather than assisting  
2 the issuer in raising capital, and for each  
3 person identified in response to this  
4 clause, a description of the consideration  
5 being paid to that person for that  
6 assistance;

7 (vi) A description of any litigation or legal  
8 proceedings involving the issuer or its  
9 management;

10 (vii) The name and address of any website that the  
11 issuer intends to use in connection with the  
12 offering, including its uniform resource  
13 locator or URL. If the issuer has not  
14 engaged a website described in this clause  
15 at the time the issuer files the disclosure  
16 statement with the commissioner under this  
17 paragraph, but subsequently does engage a  
18 website for use in connection with the  
19 offering, the issuer shall provide the  
20 information described in this subparagraph



1                   to the commissioner by filing a supplemental  
2                   notice; and  
3           (viii) Additional information material to the  
4                   offering, including, where appropriate, a  
5                   discussion of significant factors that make  
6                   the offering speculative or risky. This  
7                   discussion shall be concise and organized  
8                   logically and should not present risks that  
9                   could apply to any issuer or any offering;  
10          (H) The issuer informs each prospective purchaser  
11                   that the securities are not registered under  
12                   federal or state securities laws and that the  
13                   securities are subject to limitations on transfer  
14                   or resale and displays the following legend  
15                   conspicuously on the cover page of the disclosure  
16                   statement:  
17                   "IN MAKING AN INVESTMENT DECISION, PURCHASERS  
18                   MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER  
19                   AND THE TERMS OF THE OFFERING, INCLUDING THE  
20                   MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE  
21                   NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE

1           SECURITIES COMMISSION OR REGULATORY AUTHORITY.  
2           FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT  
3           CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY  
4           OF THIS DOCUMENT. ANY REPRESENTATION TO THE  
5           CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES  
6           ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY  
7           AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD  
8           EXCEPT AS PERMITTED BY SUBSECTION (E) OF RULE 147  
9           (17 CFR 230.147(E)), AS PROMULGATED UNDER THE  
10          SECURITIES ACT OF 1933, AS AMENDED, AND THE  
11          APPLICABLE STATE SECURITIES LAWS, PURSUANT TO  
12          REGISTRATION OR EXEMPTION THEREFROM. PURCHASERS  
13          SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO  
14          BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR  
15          AN INDEFINITE PERIOD OF TIME." ;  
16          (I) The issuer requires each purchaser to certify in  
17          writing, and to include as part of that  
18          certification the purchaser's signature, and the  
19          purchaser's initials next to each paragraph of  
20          the certification, as follows:



1           "I understand and acknowledge that: I am  
2           investing in a high-risk, speculative business  
3           venture. I may lose all of my investment, and I  
4           can afford the loss of my investment. This  
5           offering has not been reviewed or approved by any  
6           state or federal securities commission or other  
7           regulatory authority and no regulatory authority  
8           has confirmed the accuracy or determined the  
9           adequacy of any disclosure made to me relating to  
10          this offering. The securities I am acquiring in  
11          this offering are illiquid, the securities are  
12          subject to possible dilution, there is no ready  
13          market for the sale of those securities, it may  
14          be difficult or impossible for me to sell or  
15          otherwise dispose of this investment, and  
16          accordingly, I may be required to hold this  
17          investment indefinitely. I may be subject to tax  
18          on my share of the taxable income and losses of  
19          the issuer, whether or not I have sold or  
20          otherwise disposed of my investment or received  
21          any dividends or other distributions from the





1 issuer. By entering into this transaction with  
2 the issuer, I am affirmatively representing  
3 myself as being a Hawaii resident at the time  
4 that this contract is formed, and if this  
5 representation is subsequently shown to be false,  
6 it may be considered fraud.";

7 (J) Issuers may disseminate information through a  
8 website in a manner that is in compliance with  
9 section 3(a)(11) of the Securities Act of 1933  
10 (15 U.S.C. 77c(a)(11)) and Rule 147 (17 C.F.R.  
11 230.147);

12 (K) All payments for the purchase of securities are  
13 directed to and held by the bank or depository  
14 institution subject to the provisions of  
15 subparagraph (F)(ii);

16 (L) Offers or sales of a security are not made  
17 through an internet website unless the website  
18 has filed the written notice required under  
19 subparagraph (F) with the commissioner;

20 (M) No commission, discount, or other remuneration is  
21 paid or given, directly or indirectly, to a



1 person, other than a broker-dealer or agent  
2 registered under this chapter, for soliciting a  
3 prospective purchaser;

4 (N) The term of the offering does not exceed twelve  
5 months after the date of the first offer;

6 (O) The issuer is not, either before or as a result  
7 of the offering, an investment company, as  
8 defined in section 3 of the Investment Company  
9 Act of 1940 (15 U.S.C 80a-3), or an entity that  
10 would be an investment company but for the  
11 exclusions provided in subsection (c) of that  
12 section, or subject to the reporting requirements  
13 of section 13 or 15(d) of the Securities Exchange  
14 Act of 1934 (15 U.S.C 78m and 78o(d));

15 (P) The issuer shall provide a quarterly report to  
16 the issuer's purchasers until none of the  
17 securities issued under this paragraph are  
18 outstanding. All of the following apply to the  
19 quarterly report described in this subparagraph:

20 (i) The issuer shall provide the report free of  
21 charge to the purchasers;



- 1           (ii) An issuer may satisfy the report requirement  
2           under this paragraph by making the  
3           information available on an internet website  
4           if the information is made available within  
5           forty-five days after the end of each fiscal  
6           quarter and remains available until the next  
7           quarterly report is issued;
- 8           (iii) The issuer shall file each report with the  
9           commissioner and shall provide a written  
10           copy of the report to any purchaser on  
11           request; and
- 12           (iii) The report shall include the compensation  
13           received by each director and executive  
14           officer of the issuer, including cash  
15           compensation earned since the previous  
16           report and on an annual basis and any  
17           bonuses, stock options, other rights to  
18           receive securities of the issuer or any  
19           affiliate of the issuer, or other  
20           compensation received, as well as an  
21           analysis by management of the issuer of the



1                   business operations and financial condition  
2                   of the issuer;

3           (Q) The exemption provided in this paragraph shall  
4           not be used in conjunction with any other  
5           exemption under this article, except offers and  
6           sales to controlling persons shall not count  
7           toward the limitation in subparagraph (E);

8           (R) The exemption described in this section does not  
9           apply if any disqualifying event described in  
10           subsection (b) would apply;

11           (S) The commissioner shall charge a nonrefundable  
12           filing fee of \$100 for filing an exemption notice  
13           required under paragraph (F) (i). The fees paid to  
14           the commissioner under this paragraph shall be  
15           used to pay the costs incurred in administering  
16           and enforcing this act;

17           (T) A violation of this paragraph, shall be a  
18           violation of subsection 485A-501(a) (3);

19           (U) As used in this paragraph, "controlling person"  
20           means an officer, director, partner, or trustee,  
21           or another individual who has similar status or



1           performs similar functions, of or for the issuer  
2           or to a person who owns ten per cent or more of  
3           the outstanding shares of any class or classes of  
4           securities of the issuer; and

5           (V) Any other requirement established by rule adopted  
6           or order issued under this chapter to carry out  
7           this section.

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

10          (1) The exemption shall not apply to an issuer if the  
11           issuer; any affiliated issuer; any beneficial owner of  
12           ten per cent or more of any class of the issuer's  
13           equity securities; any issuer's predecessor, director,  
14           officer, general partner, or promoter presently  
15           connected in any capacity with the issuer; and any  
16           underwriter or partner, director, or officer of the  
17           underwriter of the securities to be offered:

18          (A) Within the last five years has filed a  
19           registration statement that is the subject of a  
20           currently effective registration stop order  
21           entered by any state securities administrator or



1 the United States Securities and Exchange  
2 Commission;

3 (B) Within the last five years has been convicted of  
4 any criminal offense in connection with the  
5 offer, purchase, or sale of any security, or  
6 involving fraud or deceit;

7 (C) Is currently subject to any state or federal  
8 administrative enforcement order or judgment  
9 entered within the last five years, finding fraud  
10 or deceit in connection with the purchase or sale  
11 of any security; or

12 (D) Is currently subject to any order, judgment, or  
13 decree of any court of competent jurisdiction,  
14 entered within the last five years, temporarily,  
15 preliminarily, or permanently restraining or  
16 enjoining such party from engaging in or  
17 continuing to engage in any conduct or practice  
18 involving fraud or deceit in connection with the  
19 purchase or sale of any security; and

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



1           (A) The party subject to the disqualification is  
2           licensed or registered to conduct securities-  
3           related business in the state in which the order,  
4           judgment, or decree creating the disqualification  
5           was entered against such party;

6           (B) Before the first offer under this exemption, the  
7           commissioner, or the court or regulatory  
8           authority that entered the order, judgment, or  
9           decree waives the disqualifications; or

10          (C) The issuer establishes that the issuer did not  
11          know and in the exercise of reasonable care,  
12          based on a factual inquiry, could not have known  
13          that a disqualification existed under this  
14          paragraph."

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

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

21          SECTION 5. This shall take effect on February 19, 2025.



**Report Title:**

Crowdfunding; Hawaii Invests Local Exemption 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. Effective January 1, 2016.  
(HB1482 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

