

STAND. COM. REP. NO.

199

Honolulu, Hawaii

February 13, 2015

RE: H.B. No. 1482
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 1482 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 limited intrastate crowdfunding exemption from state securities registration to be referred to as the Hawaii Invests Local Exemption Act.

The Redmont Group, LLC testified in support of this measure. The Business Registration Division of the Department of Commerce and Consumer Affairs provided comments.

Your Committee finds that, according to testimony received, only accredited investors are allowed to become shareholders in start-up businesses with more than 25 investors and that to qualify as an accredited investor, an individual must either have an income which exceeds \$200,000 annually over a two-year period with a reasonable expectation to maintain that income level throughout the year or a net worth net worth of over \$1,000,000. This high threshold makes it prohibitive for most individuals in Hawaii to invest in start-up businesses. It also makes it difficult for start-up businesses to raise capital using a popular

HB1482 HD1 HSCR EDB HMS 2015-1797



fundraising trend, online fundraising platforms, also known as crowdfunding.

Your Committee finds that this measure seeks to address this issue by providing non-accredited investors with the opportunity 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.

However, your Committee recognizes the concerns raised by the Business Registration Division of the Department of Commerce and Consumer Affairs regarding certain regulatory and technical provisions contained in this measure. Although this measure is a work in progress, it has the potential to positively impact Hawaii's economy and deserves further consideration.

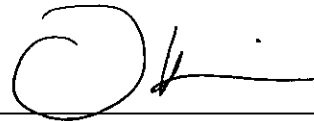
Your Committee has amended this measure by, among other things:

- (1) Deleting the amendment to Act 229, Session Laws of Hawaii 2006, which established an intrastate crowdfunding initiative as a new section under the Hawaii Uniform Securities Act, as this may be interpreted to apply retroactively to 2008;
- (2) Conforming this measure to current statutory provisions relating to transaction exemptions contained in the Hawaii Uniform Securities Act under section 485A-202(a), Hawaii Revised Statutes;
- (3) Conforming exemptions for intrastate offerings to exemptions provided for under federal law;
- (4) Deleting provisions requiring the regulation of websites by the Office of the Securities Commissioner;
- (5) Changing its effective date to February 19, 2025, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for clarity, consistency, and style.



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. 1482, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1482, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

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



DEREK S.K. KAWAKAMI, Chair



State of Hawaii
House of Representatives
The Twenty-eighth Legislature

HSCR 199

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: HB 1482	Committee Referral: EOB, CPC, FIN	Date: 10 FEB 15
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The committee is reconsidering its previous decision on the measure.

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)	✓			
3. BROWER, Tom	✓			
4. CACHOLA, Romy M.	✓			
5. CHOY, Isaac W.	✓			
6. ITO, Ken				✓
7. OHNO, Takashi	✓			
8. ONISHI, Richard H.K.	✓			
9. TOKIOKA, James Kunane	✓			
10. TSUJI, Clift	✓			
11. WOODSON, Justin H.	✓			
12. MATSUMOTO, Lauren Kealohilani	✓			
13. WARD, Gene	✓			
TOTAL (13)	12			1

The recommendation is: Adopted Not Adopted
 If joint referral, _____ did not support recommendation.
committee acronym(s)

Vice Chair's or designee's signature: *Samuel S. King*

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