

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

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2015

Date: Tuesday, February 18, 2015
Time: 3:00 p.m.
Conference Room: 325

TESTIMONY ON HOUSE BILL NO. 1482 H.D.1
RELATING TO CROWDFUNDING

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR, AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to testify. My name is Tung Chan, Commissioner of Securities and head of the Business Registration Division (Division) of the Department of Commerce and Consumer Affairs.

This bill creates an intrastate crowdfunding exemption from state securities registration. The Department recognizes the increasing need to address investment crowdfunding at the state level. We have technical and substantive concerns regarding the bill in its current H.D.1 form. Our concerns include a number of clean up issues along with other matters. We have been working with interested parties on this bill and are happy to continue working with them and with this Committee to offer our regulatory and subject matter expertise to address outstanding concerns, if the Committee so wishes.

Testimony of Tung Chan
February 18, 2015
CPC Committee
HB 1482 H.D.1
Page 2 of 2

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



Hawaii Tech Exchange

808.495.0797 don@hitx.co 259 Haili Street, Hilo HI 96720

February 17, 2015

RE: Testimony in Support of HB 1482 Relating to Crowdfunding

To Chair McKelvey, Vice Chair Woodson and Members of the Committee:

I am Donald Kosak, founder of the Hawaii Tech Exchange. The Hawaii Tech Exchange is a community organization that fosters high impact new businesses in STEM fields on the Big Island.

I respectfully submit this testimony in strong support of HB 1482 Relating to Crowdfunding.

Funding is a major hurdle for many of the small tech companies I work with on a daily basis. The ability to go beyond "friends and family" and tap into the support of the local community would be invaluable to these innovative businesses.

Our local "Angel" community (accredited investors) is active, but fairly small and can only support a limited number of new businesses. This legislation would provide additional business growth and further our community's economic self sufficiency.

Thank you for the opportunity to submit testimony on this bill.

Sincerely yours,

Donald M. Kosak
Founder, Hawaii Tech Exchange
<http://hitx.co/>

TESTIMONY BY DR DAVID HOWLE
TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE
ON
HOUSE BILL NO. 1482

February 18, 2015

Good Morning Chair McKelvey and Members of the Committee:

My name is Dr. David Howle; I am the Executive Director and Campus Dean for Wayland Baptist University's Hawaii campus. I am writing to express the support of my faculty and staff for H.B.1482 – Relating to Crowdfunding.

As you may know, the only Hawaii residents allowed to become shareholders in start-up businesses with more than 25 investors are those who have been qualified as “accredited investors.” In order to qualify as an accredited investor, an individual must have an income which exceeds \$200,000 (or \$300,000 joint income with spouse) for the past two years with the reasonable expectation to maintain that income level in the current year; or have a net worth of over \$1 million dollars.

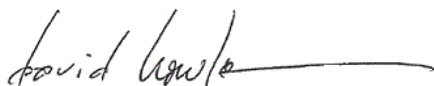
This high threshold makes it difficult for the majority of people within our state to invest in start-up businesses. It also increases the difficulty for businesses to raise money via online fundraising platforms, which is a growing trend.

H.B.1482 seeks to afford all Hawaii residents the opportunity to support local businesses by becoming shareholders in these startups. This bill would enable non-accredited investors to be given the chance to back businesses they believe in and provide businesses with access to sources of funding that were previously unavailable. Additionally, H.B.1482 provides certain measures to control for risk of investment. A business would not be able to raise more than \$1,000,000 in a twelve-month period through this process and a single investor's contribution would be capped at \$5,000.

Crowdfunding is not a new concept. Websites such as Kickstarter and IndieGoGo utilize a fundraising method typically classified as “rewards-based” crowdfunding. Those who donate to a project on a site like this receive certain rewards (e.g., a copy of the product they plan to manufacture) based on the amount of the contribution.

Equity crowdfunding, however, differs as it is a long-term business investment that allows potential investors to gain a stake in the business and receive shares in exchange for their contribution. Currently, 16 states have implemented rules or legislation to allow equity crowdfunding and 11 other states have introduced crowdfunding initiatives in 2014.

Equity crowdfunding provides Hawaii residents with the resources necessary to help foster small business creation and the entrepreneurial spirit. For these reasons, I respectfully ask the House Committee on Economic Development and Business to pass H.B.1482.



TESTIMONY BY _____ Dr. Tod Outlaw _____
TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE
ON
HOUSE BILL NO. 1482

February 18, 2015

Good Morning Chair McKelvey and Members of the Committee:

My name is Tod Outlaw _____ with **Wayland Baptist University**, and I am writing to express my support for H.B.1482 – Relating to Crowdfunding.

Currently, only accredited investors are allowed to become shareholders in start-up businesses with more than 25 investors. In order to qualify as an accredited investor, an individual must have an income which exceeds \$200,000 (or \$300,000 joint income with spouse) for the past two years with the reasonable expectation to maintain that income level in the current year; or have a net worth of over \$1 million dollars.

This high threshold makes it difficult for the majority of people within our state to invest in start-up businesses. It also makes it difficult for businesses to raise money via online fundraising platforms, which is an increasing trend.

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Crowdfunding is not a new concept. Websites such as Kickstarter and IndieGoGo utilize a fundraising method typically classified as "rewards-based" crowdfunding. When you donate to a project on a site like this, you receive certain rewards (eg. A copy of the product they plan to manufacture) based on the amount of your contribution.

Equity crowdfunding, however, differs as it is a long-term business investment that allows potential investors to gain a stake in the business and receive shares in exchange for their contribution. Currently, 16 states have implemented rules or legislation to allow equity crowdfunding; and 11 other states have introduced crowdfunding initiatives in 2014.

Equity crowdfunding provides Hawaii residents with the resources necessary to help foster small business creation and the entrepreneurial spirit. For these reasons, I respectfully ask the House Committee on Economic Development and Business to pass H.B.1482.

woodson2-Rachel

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 17, 2015 1:49 PM
To: CPCtestimony
Cc: sn35@hawaii.edu
Subject: *Submitted testimony for HB1482 on Feb 18, 2015 15:00PM*

HB1482

Submitted on: 2/17/2015

Testimony for CPC on Feb 18, 2015 15:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Stephen Nishihara	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Consumer Protection
Wednesday, February 18, 2015 at 3:00 P.M.
Conference Room 325, State Capitol**

LATE

RE: HOUSE BILL 1482 HD1 RELATING TO CROWDFUNDING

Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports the intent of** HB 1482 HD1, which 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.

The Chamber is the largest business organization in Hawaii, 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 1482 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.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 17, 2015 5:41 PM
To: CPCtestimony
Cc: lho@hawaiiublicpolicy.com
Subject: *Submitted testimony for HB1482 on Feb 18, 2015 15:00PM*



HB1482

Submitted on: 2/17/2015

Testimony for CPC on Feb 18, 2015 15:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Melissa Pavlicek	NFIB Hawaii	Support	Yes

Comments:

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LATE

TESTIMONY BY PHILLIP HASHA
TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE
ON
HOUSE BILL NO. 1482

February 18, 2015

Good Morning Chair McKelvey and Members of the Committee:

My name is Phillip Hasha, owner of The Redmont Group, LLC and I am writing to express my support for H.B.1482 – Relating to Crowdfunding.

Currently, only accredited investors are allowed to become shareholders in start-up businesses with more than 25 investors. In order to qualify as an accredited investor, an individual must have an income which exceeds \$200,000 (or \$300,000 joint income with spouse) for the past two years with the reasonable expectation to maintain that income level in the current year; or have a net worth of over \$1 million dollars.

This high threshold makes it difficult for the majority of people within our state to invest in start-up businesses. It also makes it difficult for businesses to raise money via online fundraising platforms, which is an increasing trend.

H.B.1482 seeks to afford all Hawaii residents with the opportunity to support local businesses by become shareholders in these startups. This bill would enable non-accredited investors to be given the chance to back businesses they believe in and provide businesses with access to sources of funding that were previously unavailable. Additionally, H.B.1482 provides certain measures to control for risk of investment. A business would not be able to raise more than \$1,000,000 in a twelve month period and a single investor's contribution would be capped at \$5,000.

Crowdfunding is not a new concept. Websites such as Kickstarter and IndieGoGo utilize a fundraising method typically classified as "rewards-based" crowdfunding. When you donate to a project on a site like this, you receive certain rewards (eg. A copy of the product they plan to manufacture) based on the amount of your contribution.

Equity crowdfunding, however, differs as it is a long-term business investment that allows potential investors to gain a stake in the business and receive shares in exchange for their contribution. Currently,

INVESTMENT

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225 Queen Street, Suite 20-E Honolulu, HI 96813 • 1215 2nd Avenue North, Birmingham, AL 35205

www.redmontgroup.com



16 states have implemented rules or legislation to allow equity crowdfunding; and 11 other states have introduced crowdfunding initiatives in 2014.

Equity crowdfunding provides Hawaii residents with the resources necessary to help foster small business creation and the entrepreneurial spirit. For these reasons, I respectfully ask the House Committee on Economic Development and Business to pass H.B.1482.

Mahalo for your time,

Phillip Hasha
Principal
The Redmont Group, LLC

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 18, 2015 12:21 AM
To: CPCtestimony
Cc: bchua@hibeam.org
Subject: Submitted testimony for HB1482 on Feb 18, 2015 15:00PM



HB1482

Submitted on: 2/18/2015

Testimony for CPC on Feb 18, 2015 15:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Bee Leng Chua, PhD	Individual	Support	No

Comments: TESTIMONY BY BEE LENG CHUA TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS ON HOUSE BILL NO. 1482 February 10, 2015 Good Morning Chair Kawakami and Members of the Committee: My name is BEE LENG CHUA with HIBEAM, and I am writing to express my support for H.B.1482 – Relating to Crowdfunding. H.B. 1482 would create an avenue for any Hawaii resident to make small investments in local businesses. As of now only accredited investors, individuals who earn more than \$200,000 a year or are worth more than \$1 million, can make equity investments in start-up businesses. While there are some exceptions, it can be unclear and difficult to navigate. This measure would create a process by which any local investor, regardless of income, can make an equity investment in a local business. H.B.1482 provides all residents, regardless of income, the ability to foster the entrepreneurial spirit and support business growth in Hawaii. In particular, this bill provides a viable funding avenue for young business owners, who have the ideas but not the capital; and an unique opportunity for young investors, who would like to contribute to business but lack the significant funding needed to be considered an "accredited investor" and invest through the current system. Equity crowdfunding is the next wave for future business growth and opportunity, especially for our young entrepreneurs. It not only promotes economic growth but providing for a long-term equitable return, instead of a one-time reward. As such, I urge your support of H.B.1482. Thanks for the opportunity to testify. Sincerely, Bee Leng Chua

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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