



THE HAWAII STATE HOUSE OF REPRESENTATIVES  
The Twenty-Eighth Legislature  
Regular Session of 2016

COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

The Honorable Angus L.K. McKelvey, Chair  
The Honorable Justin Woodson, Vice Chair

DATE OF HEARING: Wednesday, February 17, 2016  
TIME OF HEARING: 2:05 p.m.  
PLACE OF HEARING: State Capitol, 415 South Beretania Street  
Conference Room 325

TESTIMONY ON HOUSE BILL 2704, HD1 RELATING TO CROWDFUNDING

By DAYTON M. NAKANELUA,  
State Director of the United Public Workers (UPW),  
AFSCME Local 646, AFL-CIO

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, and AFL-CIO. The UPW is the exclusive bargaining representative for approximately 12,000 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. The UPW also represents about 1,500 members of the private sector.

HB2704, HD1 established exemptions from Hawaii Securities law for limited intrastate Investments with Hawaii businesses, not to exceed \$1,000,000 during a 12-month period.

The UPW opposes this measure.

Thank you for the opportunity to submit this testimony.





Chamber of Commerce HAWAII  
*The Voice of Business*

**Testimony to the House Committee on Consumer Protection & Commerce  
Wednesday, February 17, 2016 at 2:05 P.M.  
Conference Room 325, State Capitol**

**RE: HOUSE BILL 2704 HD 1 RELATING TO CROWDFUNDING**

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

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2704 HD 1 which establishes a crowdfunding exemption and funding portal for limited intrastate investments between Hawaii residents and Hawaii businesses, not to exceed \$1,000,000 raised over a twelve month period or \$100,000 per investor. Includes disclaimer requirements.

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 1 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.



**LATE TESTIMONY**

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

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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
THE TWENTY-EIGHTH LEGISLATURE  
REGULAR SESSION OF 2016

Date: Wednesday, February 17, 2016  
Time: 2:05 p.m.  
Conference Room: 325

**TESTIMONY ON HOUSE BILL NO. 2704 HD1  
RELATING TO CROWDFUNDING**

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,  
THE HONORABLE JUSTIN H. WOODSON, 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 provides 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 rules<sup>1</sup>. The Department appreciates the guidance provided by

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<sup>1</sup>Existing 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.

the House Draft 1 of this measure, and, as such, the Department would plan to incorporate the purpose of such provisions 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. The intent of this bill can, therefore, be realized without making any amendments to Hawaii's Uniform Securities Act.

Should the Committee move this bill forward, the Department respectfully requests an extension of the effective date to January 1, 2018 to facilitate rulemaking and that the following technical amendments be adopted:

1. Page 23: at line 9, replace the language "17 CRF section 230-147;" with "17 C.F.R. 230.147;"
2. Page 23: at line 10 replace "considerations" with "consideration" and
3. Page 23: at line 12, delete the following language " , less the aggregate amount received for all sales and securities by the issuer within the twelve months before the first offer or sale made in reliance upon this paragraph".

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