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**TO THE HOUSE COMMITTEE ON FINANCE
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016**

Date: Wednesday, February 24, 2016
Time: 3:00 p.m.
Conference Room: 308

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

TO THE HONORABLE SYLVIA LUKE, CHAIR,
THE HONORABLE SCOTT Y. NISHIMOTO, VICE CHAIR,
AND MEMBERS OF THE COMMITTEE:

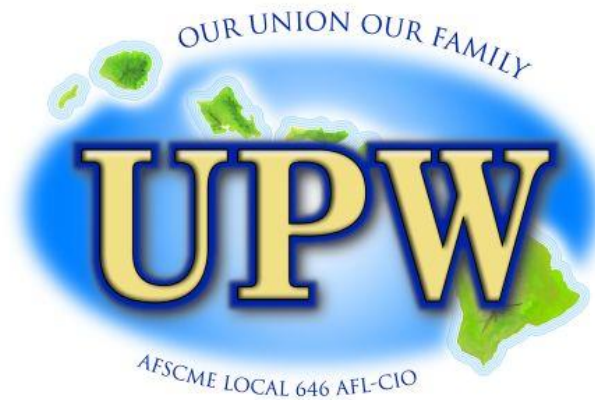
Thank you for the opportunity to testify. My name is Ty Nohara, Commissioner of Securities of the Department of Commerce and Consumer Affairs (Department). The Department supports the intent of this bill to create an intrastate crowdfunding exemption through rulemaking, and would like to provide the 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 HOUSE OF REPRESENTATIVES
The Twenty-Eighth Legislature
Regular Session of 2016

COMMITTEE ON FINANCE

The Honorable Sylvia J. Luke, Chair
The Honorable Scott Y. Nishimoto, Vice Chair

DATE OF HEARING: Wednesday, February 24, 2016
TIME OF HEARING: 3:00 p.m.
PLACE OF HEARING: State Capitol
415 South Beretania Street
Conference Room 308

TESTIMONY IN OPPOSITION TO HB2704, HD2 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, 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, HD2 creates exemptions from the Hawaii securities law for limited intrastate investment schemes with Hawaii businesses. The UPW believes that the purpose of crowdfunding has not changed with HD2704, HD2 such that the intent is still to attract as many investors quickly as possible on the basis of caveat emptor. It has been suggested that

rule making will provide the details of the process after enactment of a law. But nothing is said about protecting the consumer.

We understand that for the protection of the consumer, in the selling of securities or acquisition of capital, sufficient and adequate information should be provided to the public before hand about the company and its activities. Further, the process should be stopped if there is an investigation of fraudulent or other criminal activities involving the company or person promoting the investment.

In the ordinary world of buying and selling in retail, if a consumer is not satisfied with a product's quality or performance, the buyer can return it. Would the investor be able to have his or her investment returned quickly if the promoter or product does not meet his performance obligations in crowdfunding?

Consumers have little or no experience in reading company financial statements or business plans. There is no third party to advise the investor in this scheme. There is no one with the fiduciary responsibility to protect the investor even from himself. Crowdfunding consumers need protection from fraud, potential deception or unfair marketing.

The UPW **opposes** HB2704, HD2. Thank you for the opportunity to submit this testimony.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Finance
Wednesday, February 24, 2016 at 3:00 P.M.
Conference Room 308, State Capitol**

RE: HOUSE BILL 2704 HD 2 RELATING TO CROWDFUNDING

Chair Luke, Vice Chair Nishimoto, 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.



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

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TO: COMMITTEE ON FINANCE
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Wednesday, February 24, 2016
TIME: 3:00 p.m.
PLACE: Conference Room 308

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.



Before the House Committee on Finance

DATE: February 24, 2016
TIME: 3:00 P.M.
PLACE: Conference Room 308
Re: **HB 2704, HD2, Relating to Crowdfunding**

Testimony of Melissa Pavlicek for NFIB Hawaii

We are testifying on behalf of the National Federation of Independent Business (NFIB) in support of HB 2704, HD2, Relating to Crowdfunding. NFIB Hawaii respectfully **supports** this measure.

HB 2704, HD2, establishes exemptions from Hawaii securities law for limited intrastate investments with Hawaii businesses. NFIB supports innovative funding mechanisms, as well as measures which promote positive interaction between Hawaii's small businesses and the local consumers from the communities in which they are rooted.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents nearly 1,000 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business in America. NFIB also provides timely information designed to help small businesses succeed.

We look forward to engaging in continued conversation and mahalo the legislature for its consideration.