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TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS  
THE TWENTY-EIGHTH LEGISLATURE  
REGULAR SESSION OF 2016

Date: Friday, February 5, 2016  
Time: 9:01 a.m.  
Conference Room: 312

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

TO THE HONORABLE DEREK S.K. KAWAKAMI, CHAIR,  
THE HONORABLE SAM SATORU KONG, 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). Although the Department supports the broad intent of this bill to establish an intrastate crowdfunding exemption, we respectfully oppose H.B. 2704 in its current form. This bill conflicts with federal securities laws and exceeds the state's authority.

This bill amends the state's Uniform Securities Act by creating a new exemption for securities sold pursuant to section 4(a)(6) of the Securities Act of 1933 (federal crowdfunding exemption) and imposes state qualification requirements on those securities. The U.S. Securities and Exchange Commission recognized in its crowdfunding rule release that states are preempted from imposing registration or

qualification requirements on securities sold under the federal crowdfunding exemption pursuant to section 18(b) of the Securities Act of 1933. Therefore, the additional state qualification requirements of H.B. 2704 exceed the state's authority and put this bill in conflict with federal law.

The Department believes it is unnecessary to create a state-level exemption for issuers using the federal crowdfunding exemption as current state law per HRS section 485A-201(6) already provides an exemption for securities covered by section 18(b) of the Securities Act of 1933. Thus, the Department is concerned that instead of providing additional benefits for issuers using the federal crowdfunding exemption, this bill actually imposes additional restrictions on them.

HRS section 485A-203 provides clear and broad statutory authority to adopt an exemption by rule. The Department is currently working on a rule to create an intrastate crowdfunding exemption that would satisfy the general intent of this bill and would work in conjunction with the federal intrastate exemption. The proposed rule would provide local businesses with the opportunity to raise up to \$1 million from a large number of local investors, regardless of whether they are accredited and will include provisions to balance the risks to investors. The Department believes this measure's purpose can be best achieved through the creation of administrative rules, and we ask the Committee to allow the Department the opportunity to undergo that process.

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



Chamber of Commerce HAWAII  
*The Voice of Business*

**Testimony to the House Committee on Economic Development & Business  
Friday, February 5, 2016 at 9:01 A.M.  
Conference Room 312, State Capitol**

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

Chair Kawakami, Vice Chair Kong, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2704 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 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.

kong2 - Christie

**LATE**

From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 04, 2016 2:41 PM  
To: edbtestimony  
Cc: zabal7@upwhawaii.org  
Subject: Submitted testimony for HB2704 on Feb 5, 2016 09:01AM  
Attachments: TestimonY HB2704 Crowdfunding

**HB2704**

Submitted on: 2/4/2016

Testimony for EDB on Feb 5, 2016 09:01AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Al Lardizabal	United Public Workers	Oppose	No

Comments:

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