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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Economic Development & Business
Wednesday, February 5, 2020
9:35 a.m.
State Capitol, Conference Room 309**

**On the following measure:
H.B. 1895, RELATING TO AGRICULTURE**

Chair McKelvey, and Members of the Committee:

My name is Ty Nohara, and I am the Commissioner of Securities of the Department of Commerce and Consumer Affairs' (Department) Business Registration Division. The Department opposes section 37 of this bill to the extent it conflicts with the Hawaii Uniform Securities Act, Hawaii Revised Statutes (HRS) chapter 485A.

The purpose of this bill is to authorize agricultural entities to incorporate as general cooperatives.

HRS chapter 485A ensures the transparency and integrity of financial markets and the protection of investors. In general, all securities offered or sold in the State, including the person making the offer or sale, must be registered in the State. Registration of securities affords protection to investors by requiring that all material information be disclosed to the investor to assist the investor in making informed investment decisions. In addition, the securities laws prohibit fraudulent activity in connection with the issuance and sale of securities.

H.B. 1895 creates a blanket exemption from HRS chapter 485A with respect to securities issued or sold by a cooperative as described in the bill. Therefore, these securities would not be required to be registered with the State and would not be subject to any of the State's securities antifraud provisions. Consequently, investors would not receive the protection that HRS chapter 485A would otherwise afford to them.

This blanket exemption is unnecessary, as HRS section 485A-201(8) provides a limited registration exemption for securities issued or sold by a cooperative to its members or owners. Under this limited exemption, the assumption is that these investors would still be protected, because as members or owners of the cooperative, they would have access to material information regarding the securities to make informed investment decisions. Unlike the blanket exemption in this bill, exempt securities under HRS chapter 485A-201(8) would still be subject to the State's securities antifraud provision.

If the Committee chooses to pass this measure, the Department strongly urges that any exemption from the securities laws be consistent with the exemptions in HRS chapter 485A to best protect investors in the State.

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

HB-1895

Submitted on: 2/3/2020 11:43:37 PM

Testimony for EDB on 2/5/2020 9:35:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer Azuma Chrupalyk	Individual	Support	No

Comments: