



PO Box 81515 Haiku, HI 96708
808-269-1031
df@mauiventure.net
<http://mauiventure.net>

Testimony in Support of Senate Concurrent Resolution 134
Hearing before the Committee on Commerce and Consumer Protection
Tuesday, March 29, 2011 – 9:00 a.m.
Conference Room 229, State Capitol
415 South Beretania Street, Honolulu, HI

Dear Chair Baker, Vice-Chair Taniguchi and Committee Members

My name is David Fisher and I am speaking in support of SCR 134.

I am one of the authors of the white paper on developing a local stock exchange and which recommended the creation of the proposed study group. My work is business consulting. I spent 19 years opening and operating the University of Hawaii Small Business Development Center on Maui, which I left in September '09 to form my own private practice. Prior to moving to Hawaii in 1989 I spent nine years doing business consulting and economic development in New York City. A high point for me over the last years was receiving a certificate of appreciation on the State Senate floor in 2006 for receiving the U.S. SBA Financial Services Advocate Award for the State of Hawaii. That helped to encourage me to stick with it, and here I am.

It is important to emphasize that we are not looking at an exchange that would compete with national or international exchanges. We are looking at Hawaii investors investing in Hawaii companies, and then being able to sell their shares at a later time to other Hawaii investors.

There are many benefits that I will attempt to simplify in to three major points:

First of all a local exchange will help Hawaii companies raise equity financing at an affordable cost. The costs of doing a direct public offering using the intra-state exclusions are likely to be dramatically lower than doing a national IPO, which does not make economic sense for all but a handful of large Hawaii companies. Once a company has a base of equity investment, it will be easier to also raise money from banks.

Secondly, a local exchange would encourage and support regular citizens to invest in a broader number of Hawaii companies beyond A&B, Maui Land & Pine, etc. Keep in mind that only 2% of all investors, i.e. qualified investors, were likely to invest in Act 221 companies. By going public on a local basis we would open up the opportunity to invest in Hawaii companies to the rest of the 98% of Hawaii investors. This is important

in that it will engage the broader community in developing our economy while giving the companies, in addition to lower cost financing, investors who will support the company in other ways, whether it be as employees, customers, or suppliers. The public nature of this process will also encourage and help more people to develop skills at entrepreneurial problem solving.

Thirdly, it could allow us to keep our savings, and retirement funds invested in Hawaii. Right now, most investment that does not go in to local real estate goes to Wall Street. I, like most of you have seen 30-40% of my retirement savings disappear over the last two years because of the casino culture that is Wall Street. I would prefer to have a larger proportion of my savings and retirement closer to home.

Over the last twenty years, the idea of even considering “going public” was never a possibility for any of my clients because it was prohibitively expensive and it would give control of the company to people who do not live here and would not have as a high priority the interests of the Hawaii management and stakeholders. Only in the last year have I learned about direct public offerings as a low cost option. We can do direct public offerings right now in Hawaii, but to the best of my knowledge none have taken place. It is not clear to me why this has not happened. Part of it is knowledge. Part may be because private offerings have been more attractive due to Act 221 with its focus on investors who can use tax credits. And finally part of the reason is because business advisers including management consultants, lawyers and accountants have been conditioned to not to investigate the possibility because the costs of the liability insurance.

We have a lot to learn and a lot of assumptions to examine. But I think it will be worth it. Fortunately, we are not alone. There are other communities who have been studying creating local exchanges and there are some operating local exchanges overseas. I recently learned about the Barbados exchange, which has been in existence for twenty years in an island nation one fifth the size of Hawaii.

Creating this study group is the kind of approach that Governor Abercrombie spoke about in his campaign. While the State does not have new money to invest in economic development, we can be innovative by creating public and private partnerships to look at and implement creative ways of encouraging businesses while at the same time protecting consumers. This is what the proposed resolution proposes.

I encourage you to support the resolution.

A handwritten signature in black ink that reads "David B. Fisher". The signature is written in a cursive, flowing style with a large initial "D".

David B. Fisher
Principal