



Creating A Better Hawaii
Through Private Enterprise

SMALL BUSINESS NEWS

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November 2011

State in Dire Financial Condition

By **Malia Zimmerman**
HawaiiReporter.com

Hawaii state government's financial situation is dire, mainly because of unfunded obligations that total in the billions of dollars.

That was the assessment from **Sheila Weinberg**, founder of the Chicago-based Institute for Truth in Accounting, during a presentation that she made to Hawaii lawmakers on Monday at the Hawaii state capitol.

Weinberg, whose organization strives for "truth" and "transparency" in government accounting, offered more detail to a first of its kind report that looks at state debt nationwide.

The institute reports that based on the

Continued on page 9.



State Budget & Finance Director Kalbert Young, Truth in Accounting President Sheila Weinberg, Maui Chamber of Commerce President Pamela Tumpap; and Economist Paul Brewbaker testified on Hawaii's financial condition at a capitol forum held in early October.

SBH MEMBER CALENDAR

PHONE 396-1724 • FAX: 396-1726

Saturday, November 12

"Lemon Ade" for Small Business
Iolani School

Monday, November 14

SBH Board of Directors Meeting
SBH Office • 12 noon

Thursday, November 17

SBH Sunrise Breakfast
Phyllis & Lois Shimabukuro
Macys' Pineapple Room
Ala Moana Center • 7 – 8:30 am

Wednesday, January 11, 2012

36th Annual SBH Conference
John Fund
Wall Street Journal
Ala Moana Hotel • 7 am – 2 pm

SmartBusiness
HAWAII

SBH Sunrise Slated for November 17

Phyllis Shimabukuro and sister **Lois**, family small business owners (Mikilua Poultry Farm, Inc., Island Fresh eggs) and community leaders, will speak on "Buying Local and the Challenges to Hawaii Agricultural Products" at the next SBH Sunrise Networking Breakfast forum, Thursday, November 17, 7 – 8:30 am at the Pineapple Room in Ala Moana Macy's.

This is the final Sunrise for 2011. It is held a week earlier than the usual last Thursday of the month because of Thanksgiving.

Phyllis, was one of three honorees cited on September 16 by the Small Business Hawaii Entrepreneurial Education Foundation as a "Successful Business All Star." She will discuss the family business and new product technology while sister Lois will detail the marketing of local agricultural products.

The public is welcome to the SBH Sunrise. Advance reservations are required.

SBH members and their guests pay \$25 (in advance) for networking, the program, a complete buffet breakfast and free parking.

Participants are all introduced and may bring promotional materials. The cost is \$35 at the door if space is available.

Marissa Capelouto of Oahu Express, Ltd. spoke at the October SBH Sunrise Networking Breakfast. She discussed "Shipping Costs' Impact on Your Business."

Call Darlyn at SBH 396-1724 for reservations or mail the reservations form from page 11. You may also register online: <http://smartbusinesshawaii.com/index.php/events/rsvp>.

"Lemonade Alley" Support Urged Page 3
"Occupy Wall Street" DemandsPage 3
Teamster Union Member Speaks Out....Page 4

GET Information Reporting Required... Page 5
Government as a Job Killer Page 7
Taking a Step Back Economically..... Page 8

Candidate Linda Lingle Outlines Senate Platform • Page 6



Smart Business Views

By Sam Slom, President – Smart Business Hawaii

Occupy This: Capitalism = Freedom; Socialism = Slavery. Are the “occupy” mobs

an antidote to the Tea Party? The Tea Party = Focused, patriotic, upholding law & The Constitution; The 1% Crowd = No Focus, Anti Freedom & Anarchy. Corporations, even with their shortcomings, create jobs; what do the occupiers create?

APEC is coming to Honolulu November 7-13. The Asia Pacific Economic Cooperation summit brings 21 heads of state here, including President Obama, and an estimated 20,000 visitors. Government officials are ecstatic, predicting millions of dollars of economic benefit and new business credibility. Security costs alone—most unreimbursed—are staggering. Protesters are already set. Hundreds of officials will get special tax-exempt cards. Small business that must collect or exempt taxes will be fined if they make any mistakes. Local businesses may be in lockdown: all general aviation activities are grounded on Oahu for two days; Ala Wai boaters have to stay in or out of the harbor, there are restrictions on local businesses near the Convention Center, Hale Koai and Ko Olina. Traffic will be a mess. City reps had this advice: “stay home.”

Everything good that could be said of Apple founder **Steve Jobs** who died October 5 was said. And earned. Look what he accomplished in spite of government; think what the cell phone would be like today if it had been under partisan government control, taxation and regulation.

The mass exodus of Gov. Abercrombie’s key appointees during October is sad; everyone realizing on the same day that “they need to spend more time with their children. “ Come on! Anyone who knows Neil—I have known him for 50 years—knows he is hard core, consistent, and resistant to change, new ideas and new people. The appointees were young, creative, idealistic and naïve; not unlike the Obama corps in 2008. Neil IS Neil. He is not an executive with executive leadership experience. You couldn’t work for him; unless you are old school, old boy. I just hope there will not be further resignations.

Sorry about the shutdown October 31 of the Makaha Resort and 100 lost jobs.

Hawaii’s unemployment climbed to 6.2% in September.

Bloomberg reported that former Bankoh

CEO (2000-2004), **Mike O’Neill**, 64, has been appointed by Citigroup, Inc., as Chairman of Citigroup. O’Neil served as CEO previously at Barclay’s PLC, Continental Bank and Bank of America

A Capitol panel October 11, with **Sheila Weinberg** of the Chicago Institute for Truth in Accounting (she also spoke for The Grassroot Institute), State Budget Director **Kal Young** and former Council of Revenues Chair, **Paul Brewbaker** examined Hawaii’s debt crisis. If you thought Hawaii’s spending and debt is bad; it’s worse than you thought. Weinberg’s organization identified Hawaii as a “sinkhole” state and ranked Hawaii 47th worst in the Nation.

Chai Chaowasaree, (whose legal name is **Vichai Sae Tung**) of Chai’s Island Bistro, a popular Thai Restaurant and favorite of Democrat elected officials, is writing business people seeking support for himself and the special legislation introduced on his behalf by Hawaii U.S. Senator **Dan Akaka**. Chai, who allegedly entered this country illegally, and has faced deportation for more than a decade, is seeking political help to stay here and become a permanent resident. He even sends a sample letter.

Chrysler Corporation announced they will end production of the popular Dodge minivan. Dodge, along with the now defunct Plymouth, started the minivan market decades ago. I had a Dodge Caravan.

Former Governor **Linda Lingle** made it official in October on KSSK and KHVH radio, announcing her candidacy as a Republican for the U.S. Senate. The announcement was expected. Attorney **John Carroll** will challenge Lingle in the GOP primary. Congresswoman **Mazie Hirono** will battle former Congressman **Ed Case** for the Democrat Primary. Should Hirono and Lingle prevail, it will set up a rematch of 10 years ago when Lingle beat Hirono for Governor of Hawaii in 2002.

Phyllis Shimabukuro and sister **Lois**, Mikilua Poultry, Inc., will speak on “Buy Local: Challenges to Hawaii’s Agricultural Products” at the next SBH Sunrise Networking Breakfast forum, Thursday, November 17, 7 – 8:30 am at the Pineapple Room in Ala Moana Macy’s. This Sunrise is the last of 2011. The public is welcome. Advance reservations are required. Call Darlyn at SBH 396-1724 for reservations or download the attached reservations form. You may also register on our website.

A very Happy Thanksgiving wish for you, your family and all your employees.

Memminger’s New Book Coming Soon

Minotaur Books has signed a deal with Hawaii-based writer **Charles Memminger** to publish his first novel, “Kahala Road” and a sequel. The publication dates have not been set yet.

Memminger is best known as a national award-winning humor columnist and screenwriter who was a staff writer on the final season of “Baywatch Hawaii.” But he also spent years as a newspaper crime and investigative reporter. He drew on both his experiences in crime and humor to create “Kahala Road,” a light tropical thriller set on Oahu. It is an homage to John D. MacDonald’s celebrated “Travis McGee” series.

“I wanted to create a 21st century Travis McGee character set in Hawaii,” Memminger said. “The result is Stryker McBride, a former newspaper reporter-turned barefoot philosopher who withdrew to a houseboat in Kaneohe Bay after being shot by a rogue cop during an investigation of Honolulu organized crime. In ‘Kahala Road,’ Styker emerges from his self-imposed exile to find himself in drawn into a mystery whose roots reach back to the bombing of Pearl Harbor.”

SBH members will be notified when the book is published through this newsletter.

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Small Business Hawaii (SBH), was founded in 1975, by Lex Brodie. SBH is a private, independent, non-profit [501 (c) (6)] statewide association of nearly 2,000 business members.

SBH is dedicated to improving Hawaii’s business climate, creating a better Hawaii through private, competitive enterprise, and promoting, educating, and effectively representing small business, while advocating tax reduction, lower business costs and job creation incentives to diversify Hawaii’s economy.

SBH invites comment small business issues in Hawaii. Send them to Small Business Hawaii by the 10th of the month for the next issue. SBH accepts advertising only from SBH member firms. Call SBH for details on advertising.

Small Business Should Support Lemonade Alley

By Sam Slom

Lemonade Alley is a business & financial literacy contest for Hawai'i kids K-12. It's also a fund-raising event for Boys & Girls Club, Boy Scouts and YWCA of Hawaii. It's open to kids on all islands and is a free way for them to get biz-wise and street-smart.

The event takes place November 12, (the last day of APEC) with 32 Finalist Teams building lemonade stands on Iolani School's baseball field to make/sell lemonade and compete in 4 divisions each with \$1,000 in cash prizes and a potential bottling contract with Wailua Bottlers. During the finals, teams will be judged on the quality of a 1-page business plan, recipe, booth, standup oral pitch and amount of money donated to charity. Materials are being supplied by Whole Foods, Kualoa Ranch, OK Farms and Aloun Farms. Lemonade Alley is also a first-of-its-kind "green" (paperless) business plan competition featuring an online submission and judging process provided by presenting sponsor **BizGym.com**.

Lemonade Alley has also been identified by the APEC Host Committee on Communications as the go-to event for visiting APEC press to get local interest stories. Lemonade Alley is apparently the only major event happening outside of APEC.

Wally Amos and **Caroline Kim** are active volunteers. You can help too. Contact me (808-349-5438). Lemonade Alley is having a series of press events including a press kickoff party at ING Direct Cafe, fruit picking press junket to Kualoa Ranch, Fruit Drops for local residents to donate fruit and other soon to be announced photo ops.

Business Showcase and Craft Fair of 90 stalls has been added around the main competition area. For a donation of \$100 or more your business can have a tent exhibition area.

For more, see lemonadealley.com



From John Pritchett @ Pritchettcartoons.com as published in HawaiiReporter.com

Occupy Wall Street Demands

Now that the "demands" of the "Occupy Wall Street" mob have been published; the protests look even sillier.

Demand one: Restoration of the living wage. Another policy that must be instituted is raise the minimum wage to twenty dollars an hr.

Demand two: Institute a universal single payer healthcare system.
Demand three: Guaranteed living wage income regardless of employment.

Demand four: Free college education.

Demand five: Begin a fast track process to bring the fossil fuel economy to an end

Demand six: One trillion dollars in infrastructure (Water, Sewer, Rail, Roads and Bridges and Electrical Grid) spending.

Demand seven: One trillion dollars in ecological restoration planting forests, reestablishing wetlands and the natural flow of river systems and decommissioning of all of America's nuclear power plants.

Demand eight: Racial and gender equal rights amendment.

Demand nine: Open borders migration.

Demand ten: Bring American elections up to international standards
Demand eleven: Immediate across the board debt forgiveness for all. All debt must be stricken from the "Books." And I don't mean debt that is in default, I mean all debt on the entire planet period.

Demand twelve: Outlaw all credit reporting agencies.

Demand thirteen: Allow all workers to sign a ballot at any time during a union organizing campaign

These demands will create so many jobs it will be completely impossible to fill them without an open borders policy."

From habledash.com



State Legislature Unveils New Web Site

The Hawaii State Legislature's website at www.capitol.hawaii.gov is getting a major makeover this weekend in an attempt to make the site easier to use and packed with more features.

Among some of the new major features will be the ability to do just about everything from the home page. Users will be able to get bill status, search by keyword, get hearing notices by date, pick up the order of the day, search the Hawaii Revised Statutes, submit testimony, and set up personalized bill tracking with notes and custom bill lists all from links on the home page.

Users are also able to set up their own accounts and keep their legislative information (like custom bill lists) online. Frequent testifiers will not have to enter basic information every time they send in new testimony with a user login.

SBH/HMAA's new comprehensive medical plan became effective September 1. It is especially tailored for sole proprietors and independent contractors. Want details to see if this plan is good for you?

Contact Darlyn at SBH, 396-1724.

Local Teamster Union Member Speaks Out

Editor's Note: The following is an actual letter, sent to the national office of the Teamsters, as well as the office of local 996. The remarks are the sole property of **Dave Verret**, contributing writer to the Grassroot Institute of Hawaii.

I am a Teamster, a 22-year veteran of OTS, Inc. (TheBus), who is very angry at recent national events, specifically, the Teamsters Convention in Las Vegas, and Mr. Hoffa's speech on Labor Day. I take strong objection to what was said in the presence of Teamsters, and that no response to the contrary was offered.

Unions do some good. In terms of relationships within the work force and workplace and the workplace to company management dynamic, I believe that Unions have played a pivotal role in make our workplaces safer and our benefits enviable. But, when Unions get involved in the political arena, and the "you scratch my back and I'll scratch yours" expectation; with the anticipation of getting something in return from a political candidate, this is organized bribery. It eliminates a vital link in the chain, called competition. This I oppose.

I have attended two of the T.E.A. Party rallies. I believe in what it stands for, and applaud what it has accomplished thus far. We are Democrats, Republicans, Independents, Libertarians, etc., who want a smaller and thus less expensive government, accountability within that government, and a return to the Constitution. I will gladly contribute anything I can to the T.E.A. Party. I believe in this organization, regardless of what V.P. Joe Biden, and Teamsters President Jimmy Hoffa say about it. Further, given the hateful rhetoric coming from these people and others, I would much rather be identified as a member of the T.E.A. Party than a Teamster. I hope this letter is the beginning of changing that.

I will be addressing four specific complaints in this letter.

First, there is no better illustration of the "you scratch my back and I'll scratch yours" syndrome than union support of this President. The White House claims the Stimulus Bill "created or saved" 2.4 million jobs. Joe Biden, in the Summer of 2010, said "welcome to the Summer of Recovery," followed closely by Tim Geithner, who said, "welcome to the recovery."

The Stimulus Bill cost us \$878 billion. Thus, we paid \$278,000 for every job created. This comes from the Council of Economic Advisors - a board appointed, and then mostly ignored by our President. Included in that was a huge thank you in terms of payback for the UAW.

For a President who wants to "create jobs," I challenge his eliminating over 30,000 jobs from coastal Gulf States due to one BP oil rig, only later to give our tax money and drilling rights to Brazil to drill in those same area.

Does the Constitution say that the Federal government can tell me where I can build my product or set up my business? If Boeing wants to build part of a new airliner in South Carolina where production costs are less, so be it. This will likely be tied up in the courts for years. Meanwhile, airlines need new airplanes. They will get them.... from Airbus.

Geoffrey Emelt of GE, a Chief Economic Advisor has done a great job in creating jobs....in China. And after "card check" failed miserably in Congress, it's now being done through the back door.

Second, Joe Biden. In the '08 campaign, wasn't it he who told us that "Barack Obama lacks the qualifications to be President?" Once Biden was selected as the VP nominee, how did that make Obama suddenly more qualified? One would expect such rhetoric

during a campaign, I cannot excuse it after. At the most recent Teamsters Convention in Las Vegas he said, "this isn't supposed to be political but if you vote for somebody else, don't ask me to help you Jack!" Shame on the Teamsters for applauding such an ignorant statement. Shame on VP Biden for making it.

Third, Jimmy Hoffa's comments this past labor day. "President Obama, this is your Army. (Speaking of the TEA Party)... let's take these sons of bitches out...." The President of my union called me a son of a bitch. "Violent rhetoric" is applauded if you support this administration.

Last, Union thuggery in general. There was a SEIU beat-down of a person attending a health-care town hall meeting. What about the Longshoremen recently in Long Beach? And, who should be a guest of honor at the most recent speech before Congress? AFL-CIO union chief Richard Trumпка.

These specifics illustrate my point. Unions do their most good in the worker, workplace to company management dynamic. But, Unions have stepped out of that role.

I may be threatened or harmed by saying these things. The greater harm would come by not saying them. In WWII Germany, people ignored the step by step warnings of what their country was becoming. Later, while the trains went by carrying Jews and others to the camps, German Christians simply sang louder, thinking that if they somehow ignored the sound, they would be absolved of what they were intimidated to allow.

The alliance between Big Labor and politicians is a bully-pulpit, one where if arguments are not accepted on the playing field of ideas, are then forced upon others. Many workplace improvements have come

Continued on page 10.

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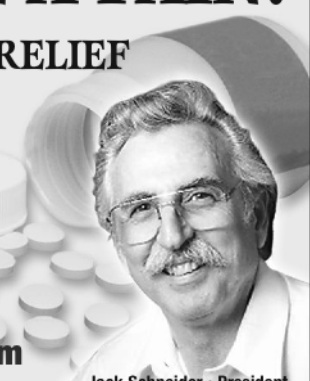
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New Tax Law Requires Additional Reporting

By **Natalie Iwasa**, CPA

Near the last page of Act 105, which went into effect July 1, is the little-known requirement that "The director of taxation shall require information reporting on ALL exclusions or exemptions of all amounts, persons, or transactions . . ." (emphasis added). (Act 105 is the one in which many general excise tax exemptions were suspended for a "temporary" period of two years.) There are a few exceptions to the reporting requirement, e.g., insurance proceeds, gifts and salaries and wages, but these are things most people wouldn't expect to pay general excise tax (GET) on in the first place.

So, just what information is the state going to gather under this law, and how will you know if your business is required to send additional information to the state? According to Department of Taxation Announcement No. 2011-26, in addition to the basic information such as business name, address, identification numbers, contact person, and general business data, the state is requiring the following:

- Gross proceeds, worldwide and Hawaii;
- Number of full-time and part-time employees, by specified wage range;
- Average wages for full-time employees;
- Number of temporary or seasonal workers and duration of their employment;
- Total exemptions and deductions claimed on Form G-49, Annual Return & Reconciliation of General Excise/Use Tax Return, for the tax year; and
- Amount of exemptions or deductions claimed under each section of law.

Taxpayers who claimed (or will claim) exemptions or deductions from general excise or use tax for tax years 2010, 2011 and 2012 are required to use Schedule GE-1 to report the requested information, unless the taxpayer is a nonprofit organization that does not have unrelated business income and exemptions. If you claimed exemptions on your 2010 (or 2009 if filing on a fiscal-year basis) annual GET return, you will likely receive a form letter from the state with information about this reporting requirement. The due date of Schedule GE-1 is December 1, 2011, for any tax year ending on or before July 31, 2011. For tax years

ending after July 31, 2011, the due date is the same as the annual GET return.

The schedule itself can only be filed online via the state's efile website. There are two challenges some businesses may face in their attempt to comply

with this part of the law. First, no extensions are allowed according to Taxpayer Services. It is not clear to me how businesses should handle reporting requirements if they have filed an extension for GET and income tax purposes as estimates are also not allowed, and a request for clarification by the state's Taxpayer Services was not received prior to submission of this article for publication.

The second challenge some businesses may encounter while completing the GE-1 is the section on exemptions and deductions – several exemptions are simply not listed as a choice, and there is no "other" to select from.

Note there is to requirement in the act that the reporting be easy. The tax department's number is 587-4242, and the act is posted online at www.capitol.hawaii.gov/session2011/bills/GM1208_.pdf.



Protecting Your Business: Property Insurance

Farmers Insurance Hawaii

This has been the year of global property catastrophes totaling in the billions of dollars. Here in Hawaii we continue to be in the "hurricane season" till the end of November.

As a small business owner, commercial property insurance is one of the least understood and purchased. And yet, you are exposed to a devastating economic impact on the business should a claim occur. Generally you face two types of property losses:

1. Direct property damage loss: Loss caused by fire, windstorm or a covered peril to your building or contents is a direct damage loss.

2. Time element loss: Loss of income or increase in expenses as the damaged property is unusable while it is being repaired or replaced.

Commercial property insurance is not a "cookie cutter – one size fits all" type of insurance policy. We would highly encourage you to consult with your insurance agent and review your property insurance program. Some important areas to cover are:

• **Policy forms** - Insurance companies offer varying levels of property coverage forms. Similar to purchasing an automobile – economy, mid-size or luxury – property coverage forms are generally categorized as basic, broad, or special forms. Your agent can assist you in assessing the coverages afforded in each category and the premium related to each form.

• **Valuation** - There are basically two types of valuation to select from in establishing the limit of property insurance to carry – actual cash value (ACV) or replacement cost. ACV is the cost to replace with materials of like kind and quality at the time of loss less physical depreciation and economic obsolescence.

• **Protection Devices** - Insurers offer various type of premium credits for protective devices on your premises such as fire alarm systems, sprinkler systems and fire extinguishers.

Working closely with your insurance agent will assist you to develop a comprehensive property insurance program for your business.

Contact Farmer's Insurance at 808 544-0436 or online @ www.farmershawaii.com.

Wanna Buy a Kauai Cabin?

The Department of Land and Natural Resources (DLNR), Division of State Parks announced that seventeen (17) vacant recreational residence leases in Kōke'e and Waimea State Parks on the island of Kaua'i are now scheduled for public auction.

"The revenues from these leases will go to supporting improvements on public lands by restoring recreational areas in the Hawai'i State Park System," DLNR Director **William Aila** said.

These 17 recreational residence leases will be sold by means of a three tiered public auction, as is required under Act 223 SLH 2008. The recreational lease is awarded to the highest bidder with a minimum upset price determined by appraisal. The deadline for applications is 4pm, November 7, 2011 and the first round of the auction will be held December 8, 2011.

Linda Lingle Lays Out Senate Platform

By **Malia Zimmerman**
HawaiiReporter.com

Republicans will have a better chance of taking control of the 100-member U.S. Senate in 2012 if Hawaii's Gov. **Linda Lingle** is elected.

With the political stakes so high, Democrats now hold 51 seats, including 23 of the 33 up for grabs, political and advocacy groups on both sides of the isle will battle over the next 13 months to take Hawaii's open U.S. Senate seat left vacant by U.S. Senator Daniel Akaka's retirement.

And these groups are expected to drive millions of dollars into Hawaii's advertising and media market as they launch attacks on the opposition.

"This won't be an easy race for me, with President Obama on the ballot," Lingle acknowledged today during her announcement that she plans to run.

But Lingle, 58, wasn't as focused on the \$8 million to \$10 million she expects to have to raise for this race to get out her message and defend herself against those attacks – or claims Democrats are already making about her record.

Instead, Lingle unveiled a new platform that she will spend the next several months pushing in talk stories and meetings around the state.

"My highest priority is job creation and economic growth for our nation and at home. This is especially important for our state because we are so reliant on tourism, and people only come here if they have discretionary income and confidence in the future," Lingle said.

Job creation will come as the business climate improves. Lingle wants to cut burdensome and unnecessary regulations. Her idea is to implement an impact statement process for new regulations proposed by the government, similar to an Environmental Impact Statement, which would determine how many jobs would be lost if the regulation became law. "If we lose a million jobs, it would not be worth it," she said.

She also spoke of her goal of becoming an advocate for tourism in America, using her experiences in Hawaii, a tourism dependent state, to make the visitor experience more enjoyable and less cumbersome, especially for foreign visitors.

"There is no one at the national level who speaks for tourism in America," she said.

Lingle said obtaining a visa to come to America from places like South Korea is

extremely difficult and can take hours in line at the only American embassy and days to months of waiting for a simple approval to get married in the islands.

"We would create 1.3 million new jobs if we restore our share of tourism to the level it was at in 2000," Lingle said. "After 9-11 we got scared, and clamped down on people visiting America, and this was an important issue to address, but we have simply gone too far. With our national policies, we are saying we really don't want you to come to America, but if you do, this is what you have to do to get here."

A big part of her focus would be on the nation's budget, which she said is in a crisis because of overspending – "money that is spend and gone" – with little to show for it.

She also called for more fairness and transparency in the nation's taxation policies.

She'd also focus on defense, and keeping defense forces funded, stable and staffed.

"I have strong feelings about defense," Lingle said, noting she chose Hawaii Adjunct General Robert Lee as her campaign manager for that very reason.

She said that terrorism, bio security, and cyber warfare, bring threatens to Hawaii and the nation.

"We have to maintain resources for our Pacific Command. It is in Hawaii's interest to have an appropriate level of military forces and at a high of readiness," Lingle said.

Legal immigration needs to be fair, transparent and have a common sense approach. She said student visas requiring students to leave America after they graduate from school here, and workers visas that force farm workers to move back home, need reform. She said if students move to America, like it here, and get a good education, they should be allowed to stay in America to work rather than being sent home to compete with Americans. For farm workers, she said the hardest working people with the greatest dedication to their families leave home to work in farms in America, and people with those qualities should be allowed to stay here. She also suggests a more family friendly immigration policies for people who want to bring family members here legally.

On education, Lingle said, like President



Linda Lingle

Barack Obama, she supports charter schools, a focus on math, science, engineering and technology and merit-based pay for teachers.

She pledged to keep fighting for the Akaka Bill, which is a controversial native Hawaiian sovereignty measure opposed by the majority of her political party delegates, but supported by most Democrats.

Lingle described herself as a moderate, and suggested that those holding political offices in both parties need to be serious and act like adults. "Both political parties acting in ways not in best ways for people of America," Lingle said without specifics.

Having had to work with Hawaii's predominantly Democratic political party, whether in the Maui county council, as mayor of Maui or as governor of the state from 2002 to 2010, Lingle said she has the skills to work in a bipartisan manner and focus not on what her political party asks of her, but on what the people want.

Lingle, who was elected in 2002 as the 6th governor of Hawaii and was easily re-elected in her second term in 2006, also served as a 5-term council member on Maui and two-term Mayor of Maui.

Republican state Senator John Carroll, a 81-year-old conservative who unsuccessfully has taken on Lingle before in the 2002 gubernatorial primary, will challenge Lingle in the Senate primary. He said today that he looks forward to debating Linda on the issues that are important to Hawaii's Republicans, and he took issue with some of her positions.

He said the Akaka Bill, which many consider divisive and even 'racist,' was actively promoted by Lingle.

Carroll also pointed to the Jones Act as an "archaic set of restrictive Federal shipping laws that raise Hawaii's cost of living." He added, "Lingle had eight years, as our governor, to fight this unfair law that costs Hawaii's people millions, and chose to do nothing."

While Democrat candidates Ed Case and Mazie Hirono sent out statements attacking Lingle's record and affiliation with the Republican party today, as detailed in an earlier story in Hawaii Reporter, Lingle had her supporters who spoke out on her behalf.

Former Congressman Charles Djou, who is serving in the U.S. Army in Afghanistan, can't issue his own statement while on active duty. But his campaign manager, former Republican Congresswoman Pat Saiki of Hawaii, said:

"Governor Lingle has the executive experience and leadership skills we need in our nation's capital. We look forward to seeing Linda Lingle elected to the U.S. Senate."

Government the Job Killer – Keep Washington Out of the Economy

By **John Stossel**, Fox Business News

President Obama says government will have to build the nation out of the economic trough.

“We’re the country that built the intercontinental railroad,” Obama says. “So how can we now sit back and let China build the best railroads?”

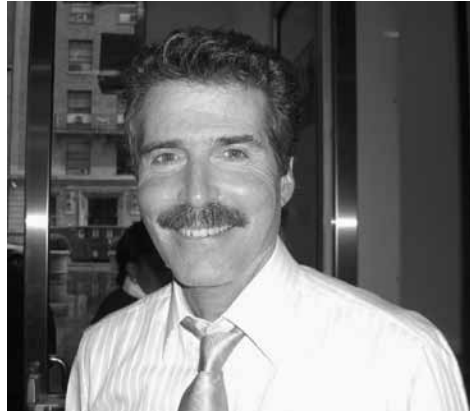
Ironic that he mentions the Chinese. Progressives used to complain that to build the railroad, bosses abused Chinese workers—called them “coolies” and treated them badly. Now this is big success?

I guess Obama doesn’t know that the transcontinental railroad was a Solyndra-like Big Government scandal. The railroad didn’t make economic sense at the time, so the government subsidized construction and gave the companies huge quantities of the best land on the continent. As we should expect, without market discipline—profit and loss—contractors ripped off the taxpayers. After all, if you get paid by the amount of track you lay, you’ll lay more track than necessary.

Credit Mobilier, the first rail construction company, made enormous profits by overcharging for its work. To keep the subsidies flowing, it made big contributions to congressmen.

Where have we heard that recently?

The transcontinental railroad lost tons of money. The government never covered its costs, and most rail lines that used the tracks



John Stossel

went bankrupt or continued to be subsidized by taxpayers. The Union Pacific and Northern Pacific—all those rail lines we learned about in history class—milked the taxpayer and then went broke.

One line worked. The Great Northern never went bankrupt. It was the railroad that got no subsidies.

We need infrastructure, but the beauty of leaving most of these things to the private sector—without subsidies, bailouts and other privileges—is that they would have to be justified by the profit-and-loss test. In a truly free market, when private companies make bad choices, investors lose their own money. This tends to make them careful.

By contrast, when government loses money, it just spends more and raises your taxes, or borrows more, or inflates. Building

giant government projects is no way to create jobs. When government spends on infrastructure, it takes money away from projects that consumers might think are more important.

When government isn’t killing jobs by sucking money out of the private sector, it kills jobs by smothering the private sector with regulation. I talked to Peter Schiff about all this. Schiff is a good authority because he was one of the few people to warn of the housing bust. Now he’s had a run-in with the federal government over job creation.

Schiff, who operates a brokerage firm with 150 employees, recently complained to Congress that “regulations are running up the cost of doing business, and a lot of companies never even get started because they can’t overcome that regulatory hurdle.”

Schiff claims he would have hired a thousand more people but for regulations.

“I had a huge plan to expand. I wanted to open up a lot of offices. I had some capital to do it. I had investors lined up. My business was doing really well. But unfortunately, because of the regulations in the security industry, I was not able to hire.”

So if he wants to hire an analyst, he can’t just hire him?

“I had to get permission to publish their research, which I didn’t get for years. And so I can’t pay analysts if I can’t sell their research.

People don’t appreciate the number of regulations entrepreneurs face. Schiff pays 10 people just to try to figure out if his company is obeying the rules.

“You can’t just act very quickly, because everything has to be done through this maze of compliance. Even my brokers ... find out that maybe 20 percent, 30 percent of their day is involved in compliance-related activity, activity that is inhibiting their productivity. ... All around the country, people are complying with regulations instead of producing, instead of investing and growing the economy. They’re trying to survive the regulations.”

This is no way to create jobs or wealth. Keynesian pundits and politicians can’t understand why businesses sit on cash rather than invest and hire unemployed workers. It’s really no mystery. Government is in the way.

John Stossel is host of *Stossel on the Fox Business Network*. He’s the author of *Give Me a Break and of Myth, Lies, and Downright Stupidity*. To find out more about John Stossel, visit his site at johnstossel.com. Copyright 2011 by JFS Productions, Inc. ; Distributed by Creators.com; Reprinted with permission from Reason.com.

Steve Jobs and American Exceptionalism

By **Edwin Feulner**

President – The Heritage Foundation

Steve Jobs, who died October 5 at the too-young age of 56, was a living refutation of all what liberals constantly tell us about our country -- that we’re falling behind others and live now in a “post-American world,” as one of Barack Obama’s favorite books puts it in its title.

As anyone who’s ever handled an Apple product or had his life improved by the technological innovations our system has produced in just a decade (that means all of us) will tell you, Jobs and innovators like him epitomize that immeasurable quality the left somehow finds most abject -- American exceptionalism.

The meme of the left is that drudgery and

mediocrity is not just our future but probably also our just desserts--for being too imperialistic, consumerist, wasteful, patriarchal, or what have you. (For an inexhaustible list of all our ills and sins, please check with the mob gathered at the “Occupy Wall Street” protest.) One should compare this deadened vision with the wonders Jobs wrought.

Apple Computer, the company Jobs founded at the age of 21 along with his friend Steve Wozniak, was valued at the close of business yesterday at \$350 billion and some change, more than \$100 billion ahead of Microsoft. General Electric, another American giant, weighed in at less than half the price, \$161 billion. Ford, GM and Volkswagen? Respectively, \$40 billion, \$35 billion and \$42

Continued on page 12.

Taking a Step Back on Nation's Economic Plan

By **Lowell Kalapa**, President, Tax Foundation of Hawaii

Here we go again with another round of spending in an attempt to convince voters that the national leadership knows what they are doing.

In an effort to secure reelection, the administration has strutted out a plan to create thousands of jobs by implementing a spending plan that will rely on tax increases and additional spending cuts. However, what should be even more disturbing to taxpayers, as well as to current and future beneficiaries, is the administration's proposal to extend the reduction in payroll taxes otherwise known as employee Social Security contributions.

As many will recall, in an attempt to turn the tables around and pull the country out of recession, the administration proposed, Congress obliged, and the amount paid by employees in FICA taxes was reduced for the current calendar year from 6.2% of gross pay to 4.2%.

Undoubtedly this move was predicated on the assumption that it would put more money in workers' paychecks and that it would then be spent to stimulate the economy. The reduction was to be temporary and would cost the system roughly around \$112 billion. The idea was also based on the assumption that the resulting stimulus would create new demand for goods and services and, therefore, new jobs that would result from that increased demand.

Well, as we all have watched, the national unemployment rate has not receded still hovering around 9% of all those unemployed and looking for work. While that statistic is alarming, it is for only those who are looking and who are unemployed. It does not include those who are "under-employed" or part-time workers who would like to secure a full-time job and those who have given up looking for a job. That rate has risen as high as 15%. But officials don't want to acknowledge that there is that many more looking for a job. The administration not only wants Congress to extend the payroll tax cut,



but reduce the rate even further to 3.1%, half the previous rate and half of what the employer still has to pay on payroll. So it doesn't sound like a bad idea until one realizes that it reduces the amount that would go toward paying benefits to current and future beneficiaries of the system. But wait, the administration will underwrite that loss and make the Social Security system whole by appropriating the amount of lost revenues from the federal general fund, a fund that is paid for by your income taxes. So while the plan looks responsible by filling the gap in Social Security contributions, it will do so by "stealing" money from the general fund.

The administration's cut in the payroll tax will apply to the first \$5 million in wages, providing broad tax relief to all businesses by targeting it to the 98% of firms with wages below this level. So it appears like this is a cut for "small businesses" or at least employees of these small businesses. In Hawaii where the bulk of businesses have fewer than 50 employees, it is projected that 30,000 firms will receive a payroll tax cut under the American Jobs Act.

So, instead of addressing the cost of Social Security and fixing the financial future of the system, this proposal, instead, jeopardizes its financial stability. Not only should current and future beneficiaries be alarmed, but the unemployed should ask how this payroll cut will create the jobs they need. As we have seen, the current payroll reduction hasn't stimulated the economy nor created the needed jobs. What this proposal does not recognize is that until employers regain the confidence that consumers will return to the marketplace and find the capital to support the expansion of their businesses, will there be no creation of new jobs.

The plan includes \$50 billion in spending for highways, transit, rail and aviation, which is projected to invest \$174 million in Hawaii resulting in about 2,300 local jobs. Another \$35 billion would be spent to prevent layoffs of up to 280,000 teachers and hiring law enforcement personnel and firefighters. Again, Hawaii's share is expected to provide \$122 million to support up to 1,500 educator and first responder jobs.

How does the administration expect to pay for these and other spending proposals? With tax increases on the "rich" like a tax on those who own their private jets or limiting the amount of itemized deductions high-income taxpayers can claim on their income tax return? Unfortunately, these proposals pander to the political and will indeed have undesirable consequences much like the proposal to impose higher taxes on yacht owners had on those who were employed to maintain these symbols of luxury or an earlier limit on itemized deductions had on generous contributions to charity. So much for setting the nation's economy back on course.

Lowell Kalapa is president of the Tax Foundation of Hawaii.
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State in Dire Financial Condition; Hawaii Taxpayers Owe \$25,000 for Past Debt, Plus \$8,872 Per Year for State Expenditures

Continued from Page 1.

state's latest financial data (2009), Hawaii is rated as the 5th worst "sinkhole" state.

While Hawaii has \$19.5 billion worth of assets, only \$3.9 billion are available to pay \$15.4 billion of bills as they come due.

The Institute estimates that each person here - a state with just under 1.3 million residents - carries over \$25,000 in debt from past government spending.

There is a per capita burden of \$8,872 for Hawaii annually, which is in addition to the \$25,000 per person owed for state debt.

However, there are 459,268 people paying federal taxes in the state.

Nationally the figures are much higher. To pay off the nation's deficit, each person in the state would have to write a check for \$247,000, she said.

For Hawaii, there are two major unfunded obligations that Weinberg, two credit rating agencies, and Hawaii's State Budget and Finance Director **Kalbert Young**, have singled out as problematic - the state Employee Retirement System (ERS) and the Hawaii Employee-Union Health Benefits Trust Fund (EUTF).

While various studies show Hawaii's unfunded obligations at different amounts, Weinberg's group used the state's own numbers that show that \$3.9 billion is state's share of \$5.1 in unfunded liabilities; the counties owe the rest.

And because the EUTF is a pay as you go system, the state has no funding or assets to cover the \$7.2 billion needed to cover state and county retirees' healthcare as promised to them - and the costs keep rising. The state pays out about \$1.2 billion a year.

The Hawaii State Teachers Association needs another \$1.6 billion for teachers healthcare, but this is also a pay as you go system with no assets or funding set aside to cover the total.

Weinberg said just to pay off the EUTF obligation, Hawaii would have to stop paying all of its state workers for 4 years just to catch up.

Because the state is not paying off these debts in full - or even budgeting for them - Weinberg said taxpayers in the future are being burdened with this debt.

Weinberg was one of four people who testified before the House and Senate members, organized by House Minority Leader **Gene Ward**, that also included Budget & Finance Director Kalbert Young, Economist **Paul Brewbaker**, and Maui Chamber of Commerce director **Pamela Tumpap**.

Young, who manages the state budget, shares the concerns outlined by Weinberg and two state credit agencies, Moodys and Standard & Poors. He told lawmakers that some changes are being made to improve the state's financial conditions, but more needs to be done.

He confirmed what national studies show: Hawaii is one of, if not the most, generous states for government employee retirement benefits.

Young also provided more information to Hawaii Reporter on the state's debt and unfunded obligations.

The actuary report for July 1, 2009 (issued in May 2011), lists the Present Value of Benefits for the ERS at \$18.1 billion, but the actuarial liability is \$14.1 billion, he said. (The latter is the number indicative of the unfunded liability). The \$18.1 billion is the present value of the overall obligation discounted at a certain rate (in this case, 5%).

The \$14.1 billion quantifies the value of the obligation that was

made to government employees and retirees when they enter retirement - and all taxpayers are going to be impacted by this, Young said.

"The State and taxpayers have not been paying into the EUTF to fund up its future liabilities. Instead, the State and taxpayers have been content to pay only the yearly premium costs and expenses. Well, the cost of this coverage continues to increase at a rate faster than revenue is projected to increase. Since the liability is not being met, the liability is recorded on the State's financial statements, which reduce our asset position. In the end, the State and taxpayers will either have reduced services to fund growing health insurance premiums, or to begin funding the liability, or taxes and revenues will have to be increased to pay for either," Young said.

How can the state cover its debt? There really is only one way to make up the liability... and, that is to fund it, Young said.

"Now, we can continue as we have been doing for decades and fund it only for the current annual costs, but those costs are projected only to grow. They will grow because health insurance premiums are projected to increase annually, and the government work force is increasingly aging. Currently, there is 2-3 current employees for every current retiree."

How did the state get into this position with such as substantial unfunded liability? Young said it was unfunded the day the benefit of paying health insurance to retirees were promised and the State and taxpayers did not put the first \$1 aside to that future cost.

"This started decades ago. If previous taxpayers had put in their \$1 when they made that promise decades ago, current taxpayers would not have to contribute the \$10 that is needed today," Young said, confirming that the current arrangement is unsustainable into the future.

"At some point in the future, the expense for retiree health coverage will exceed health coverage cost for the government employers (the state and counties). This is because, under the current scenario, the employers pay 50% of current employees' health insurance premiums, but as soon as that employee retires, the employers pay 100% of the premium. And, for employees who were employed prior to 1996, their spouses are also covered 100%. That means it costs employers and taxpayers more to provide coverage to retirees than to current workers," Young said.

He added: "At that point, taxpayers should recognize and realize they are paying for costs where they are not receiving any benefit. That is why the current system of paying only annual expenses is not wise or sustainable. It is unlikely that this benefit can be changed for current retirees or current employees for when they retire. But, it is unlikely that we can continue offering this benefit to all future employees. I believe that's where we need to start changing the system."

The Administration has already begun trying to address what many analyst say is a dire situation, Young said.

"If you recall, we introduced a bill that would have stopped the practice of reimbursing retirees for Medicare Part B. This amounts to approximately \$40 million a year in FY11. It's projected to grow to \$47+ million in FY12. It also contributes to the unfunded liability. The public and the legislature argued against reducing this benefit for government retirees. If benefits can not be reduced for current retirees or current employees when they retire, then we are only left with changing this benefit for future not-yet-hired employees. This will reduce the unfunded liability in time - decades decades from now. It's

Continued on page 10.

Free Trade Agreement with Korea

The United States-Korea Free Trade Agreement Implementation Act was passed with bipartisan support (**H.R. 3080**).

The U.S. International Trade Commission, an independent and nonpartisan federal agency, says the Korea-U.S. free trade agreement (KORUS FTA) would increase America's goods exports by up to \$11 billion and increase our gross domestic product (GDP) by nearly \$12 billion. The agreement would also create as many as 70,000 new jobs for American workers.

Congresswoman **Colleen Hanabusa** supported the measure.

"The United States has worked closely with South Korea to create a level playing field for this trading agreement," said Congresswoman Hanabusa. "Along with giving the economy a much needed boost, the FTA will reinforce our relationship with South Korea, a key ally in the Pacific. I believe this partnership is vital to our country's defense posture and our economic stability."

Before casting her vote, Congresswoman Hanabusa supported the improvements President Obama made to the bill, which ensure accountability and fairness while protecting workers' rights and the environment.

She also supported the passage of **H.R. 2832** – which extends the Trade Adjustment Assistance Act (TAA) for workers, farmers, and firms through December 31, 2013. TAA programs offer necessary retraining opportunities, health insurance assistance, and other crucial support to U.S. workers should they lose their jobs due to the negative effects of international trade.

Press release from U.S. Rep. Colleen Hanabusa's office.

State Budget in Dire Straits

Continued from page 9.

a start. The Administration intends to continue pressing for reform that will slow the growth in the liability and eventually address it. I don't know what the legislature collectively would offer towards this problem."

The state's financial woes have had an impact on its bond rating - the State was recently downgraded by both Moody's and Fitch, with both citing the large unfunded liability in the EUTF as one of the four top reasons for the downgrade and they also cited that the liability is growing.

"This is because we are doing nothing to address its growth," Young said. "I believe given the statistics on Hawaii's liability relative to other states, Hawaii could be faced with future credit action if we do not pro-actively begin to address this matter. Credit downgrades impact taxpayers because they translate to higher interest rates and borrowing costs. As a result, taxpayers will have to pay more for government or they will have to accept a larger portion of their taxes going towards debt."

Teamsters *Continued from page 4.*

because of Unions. The Teamsters have done many good things locally, especially in the way of scholarships for students and in helping other needy people. The smile that was inside my heart because of those things has been removed and replaced with shame and disgust. I hope this letter is the first step in making the Teamsters something I can be proud of. Let's not remain silent as the trains go by.

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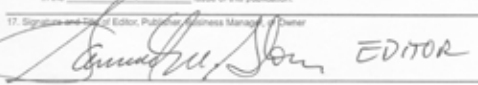
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CBS' Hawaii Five-0 Creates Exposure and Business

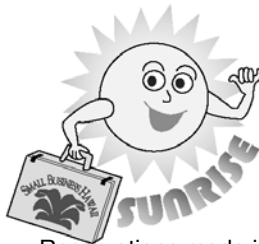
The CBS hit television series Hawaii Five-0 will soon feature more than just island scenery. Since the first season, local musicians such as Na Leo Pilimehana and Hapa have been part of the soundtrack. In season two, more island artists are included, expanding the reach of Hawaii's rich musical heritage to millions of viewers in prime time television.

As part of its mission to emphasize collaboration between creative sectors, the Creative Industries Division at the Department of Business, Economic Development & Tourism (CID) partnered with the Kauai Music Festival this past July to support panels and workshops with music supervisors, including **Liza Richardson**, the Los Angeles based Music Supervisor for Hawaii Five-0 and other television and film projects.

As a result, several local musicians have had their music placed in two network series.

This fall, Fox Searchlight's feature film "The Descendants", based on the book by Hawaii author **Kaui Hart Hemmings**, written and directed by Alexander Payne and starring George Clooney features a predominantly all Hawaii music soundtrack.

— **Georja Skinner**, DBEDT



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Steve Jobs Continued from Page 7.

billion. That should give some idea of where we are in the 21st century.

That beauty contest, how much a company is worth, is a result of decisions made by millions of investors voting with people's savings (that is, for most of us, the sweat of our brow and our hedge against an uncertain future). Investors voted for Jobs' company because consumers loved its products, and consumers bought Apple products not because they were ordered to do so by central planners but because they saw them as magic.

From computing to music to journalism, Jobs changed the way the world did its business and leisure. Very little of what we do today has not been impacted somehow by Jobs and his company. He certainly changed my life from my first Apple III with floppy discs almost 30 years ago, costing about \$6000 and possessing a small fraction of the capabilities of my streamlined new iPad 2, all at less than 10 percent of the cost of that early dinosaur.

Macs, with their trademark coloring and sleek design, transformed the way people came to see computers, from gizmos only nerds understood or liked to things almost as organic as the partly bitten apples of the ever-present logos. Creative designing and thinking flowed naturally from a Mac, powering the creativity and productivity that have become the hallmark of the American economy, our present problems notwithstanding. In music, Jobs changed the industry by taking it digital.

As for journalism and reading in general, we have now gone back to where we started: the biblical tablet. The elegant slab we take with us wherever we go can do the same for us and take us, no matter where we are, anywhere in the universe our imagination wants to visit.

All this was the result of the happy coincidence of genius in an individual and a system. Jobs was an individual with special DNA, no question. But this half-Arab boy who was given up for adoption at birth and went on to drop out of college was able to transform the lives of individuals across the world because he lived and worked in this country.



The genius of the American system is comprised of the rule of law, respect for private property and the freedom of the individual to strive to be better than himself and his neighbor and reap the rewards that come from his innate abilities and effort. All of these and many other liberties are safeguarded in our Constitution. It is all part of what makes us an exceptional country.

This is not to say that we don't have problems. We are indeed falling behind -- not behind other countries but behind our promise and potential. Our government spends too much, tries to tell us how to run our private lives, and ties down in red tape the genius that brought you Apple. The great and sometimes cacophonous debate we are having in our country at the moment results from the fact that Americans have finally woken up to the threat our system confronts and are doing something about it.

This is not what you hear. Daily we are told by our government leaders, the media, and academia that we are as exceptional only in the way that is every other country on the U.N. roll, from Albania to Zimbabwe, is exceptional. We are told that we have to manage our decline as a power and that the great debate over ideas that we're having is evidence that "our politics is broken." Typically, a columnist from a Manhattan paper has titled his most recent book *That Used to Be Us*, a line, we're sad to say, that came straight from a speech by Barack Obama.

This is nonsense. Steve Jobs may have given to liberal causes and politicians throughout his life, but his life proved the existence of the American Dream. As anyone who's Googled something in her iPad and then Tweeted about it will tell you, Steve Jobs and those like him symbolize American Exceptionalism every day.

Photo: Steve Jobs & the white iPhone 4 introduced in 2010.
