STAND. COM. REP. NO.



Honolulu, Hawaii

## MAR 2 4 2011

RE: H.B. No. 235 H.D. 2 S.D. 1

Honorable Shan S. Tsutsui President of the Senate Twenty-Sixth State Legislature Regular Session of 2011 State of Hawaii

Sir:

Your Committee on Economic Development and Technology, to which was referred H.B. No. 235, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO LIMITED LIABILITY COMPANIES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- Allow a limited liability company to be designated as an "ingenuity company" by the Director of Commerce and Consumer Affairs; and
- (2) Require an ingenuity company to use the right to exclude, conferred by a patent in which the company has an interest, to create job opportunities, uphold fair labor standards, and enhance environmental protections.

Your Committee received testimony in support of this measure from Ingenuity Underwriters, L3C; Enterprise Honolulu; Manufacturing Policy Project, and two individuals. Your Committee received testimony in opposition to this measure from the Business Registration Division of the Department of Commerce and Consumer Affairs and three individuals. Your Committee received comments on this measure from one individual.

Your Committee finds that the proposal in this measure is one that has been considered previously by the Legislature. While there have been concerns raised regarding some of the provisions,



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Your Committee has amended this measure accordingly by deleting its contents and replacing them with language to establish a new chapter in the Hawaii Revised Statutes, entitled Sustainable Business Limited Liability Companies. As amended, this measure establishes:

- A purpose and findings, and definitions appropriate to the chapter;
- (2) A process for a domestic limited liability company to become a sustainable business limited liability company;
- (3) A process for a sustainable business limited liability company to terminate this status;
- (4) The requirement that a sustainable business limited liability company shall have among its purposes the creation of a public benefit;
- (5) Standards of conduct for directors of a sustainable business limited liability company;
- (6) The requirement that a board of directors shall include one director designated as a benefit director;
- (7) Standards of conduct for officers of a sustainable business limited liability company;
- (8) Rights of action for shareholders and directors;
- (9) The requirement for a comprehensive annual benefit report; and
- (10) A third-party standard for purposes of defining, reporting, and assessing the performance of a sustainable business limited liability company.

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Your Committee understands that this concept will require further consideration and has inserted an effective date of July 1, 2112, to allow for further discussion.

As affirmed by the record of votes of the members of your Committee on Economic Development and Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 235, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 235, H.D. 2, S.D. 1, and be referred to the Committee on Commerce and Consumer Protection.

> Respectfully submitted on behalf of the members of the Committee on Economic Development and Technology,

CAROL FUKUNIGA, Chair



## The Senate Twenty-Sixth Legislature State of Hawai'i

## Record of Votes Committee on Economic Development and Technology EDT

Bill / Resolution No.:*	Committee F		Dat	e:	(1)	
HB235 HOZ	- EDT, CPN 723/1					
The committee is reconsidering its previous decision on this measure.						
If so, then the previous decision was to:						
The Recommendation is:						
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313						
Members		Aye	Aye (WR)	Nay	Excused	
FUKUNAGA, Carol (C)		V				
WAKAI, Glenn (VC)		Y /				
BAKER, Rosalyn H.		V	•		10 a	
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TOTAL		4	Ý			
Recommendation:						
Chair's or Designee's Signature:						
Distribution: Original File with Committee Report Committee Drafting Agency Committee File Copy						
*Only one	*Only <u>one</u> measure per Record of Votes					