

STAND. COM. REP. NO

977

Honolulu, Hawaii

MAR 24 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:

- (1) 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,



your Committee finds that the integrated approach would provide an opportunity for Hawaii to expand its economic base. Your Committee understands that the stakeholders with an interest in this concept have come to some agreement on an alternative means of achieving its purpose.

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:

- (1) 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.



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 FUKUNAGA, Chair



