

TO THE HOUSE ECONOMIC REVITALIZATION & BUSINESS COMMITTEE
THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2011

Date: Thursday, February 10, 2011

Time: 8:00 am

Conference Room: 312

**TESTIMONY ON HOUSE BILL NO. 235
RELATING TO LIMITED LIABILITY COMPANIES**

TO THE HONORABLE ANGUS L.K. MCKELVEY & THE HONORABLE ISAAC W. CHOY,
CHAIRS, AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to testify. My name is Tung Chan, Commissioner of Securities of the Business Registration Division (BREG), Department of Commerce and Consumer Affairs ("Department"). The Department opposes this bill and requests that it be held.

This bill creates a new designation of limited liability companies ("LLCs") to be called "ingenuity companies." Any LLC that chooses to be designated as an ingenuity company is required to exercise the right to exclude conferred by a patent in which it has an interest through an assignment, license, lien, security agreement, or obligation. The right to exclude must also be used for the purpose of creating jobs in Hawaii and the U.S., strengthening labor laws, and enhancing environmental protections nationally and internationally.

While we appreciate that the bill attempts to further meritorious causes, we must oppose for the following reasons.

The bill does not confer any additional rights upon an LLC with the new designation beyond those already available for LLCs under the existing laws. For

all the legal inconsistencies and costs of implementing the bill, it offers no legal rights that are not already available. It is an impractical use of funds.

If the creation of the new designation is to confer special benefits on these special LLC's in the future, then the creation of the designation now is premature. It is at best imprudent to spend State funds on creating a new designation as a placeholder for possible benefits in the future. It sets a bad precedent and is unjustifiably costly for such a small field of applicants, especially in light of the fact that the broader public would be paying for this designation.

The bill also raises technical concerns. The designation is "irrevocable." If the designation is "irrevocable," and the new LLC does not continue the requisite activity, then what becomes of the entity? Who determines that the designation is no longer viable? Should it be administratively terminated by the Department? The bill is silent with respect to the consequences of not complying with its provisions and makes it confusing and difficult for the public to understand and for the Division to implement.

Finally, this bill is in direct opposition to the purposes of the uniform acts and the best practices of adopting such acts. Hawaii's LLC Act was based on uniform laws and our registry remains one of the best in the nation based in part on our efforts to work with the American Bar Association ("ABA"), the Hawaii State Bar Association ("HSBA"), the International Association of Commercial Administrators ("IACA") and the National Conference of Commissioners on

Uniform State Laws ("NCCUSL") in implementing best legal practices. This current bill has not been advocated by any of these organizations. In fact, IACA, NCCUSL and the ABA drafted the uniform LLC laws to be one of the most flexible entities in the country in order to accommodate a wide array of needs so that a proliferation of different designations would not be necessary. This designation would be the type of variation our uniform laws were established to avoid.

We estimate the cost to be \$125,000. Since the Division does not have the excess funds to implement this new designation, we would have to ask for an appropriation.

If the committee chooses to pass this measure, we respectfully request that the effective date be changed to July 1, 2012 to allow our staff and information technology specialists time to plan, implement and integrate the new designation into our complex registry system.

For the reasons above, we respectfully ask that this bill be held. Thank you for the opportunity to testify.

February 8, 2011

Representative Angus McKelvey
Chair, Committee on Economic Revitalization and Business
Representative Isaac Choy
Vice Chair, Committee on Economic Revitalization and Business
Hearing on HB235
State Capitol, Conference Room 312

Aloha Chair McKelvey, Vice Chair Choy, and Members,

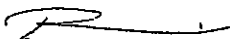
I am submitting my support for House Bill 235. As a lead economic development organization in the State of Hawaii, Enterprise Honolulu is actively engaged in activities to revitalize our Economy. Enterprise Honolulu, the Oahu Economic Development Board, is in the process of assembling and inventory of innovations that have made world wide impacts and some of the data is shocking. Clearly Hawaii fosters creativity and innovations which come from a perspective of solving problems to care for our people and our home.

One of the key factors for supporting this legislation is that this bill is meant to encourage the deployment in the market place of these creations for their intended purpose and at the same time, include the support of creating and protecting jobs for Hawaii. This integrated approach for this legislation is critical to Hawaii successfully leading the world to policies which cross boundaries of industry and in the process builds healthy community. We look upon this legislation as historical and we pledge our support to assist in finding the best solutions to accomplish what this bill is intended to fulfill.

I ask for your consideration to support HB235.

Please feel free to contact me directly should you have any questions.

Sincerely,



Pono Shim
President & CEO
Enterprise Honolulu, Oahu Economic Development Board



ENTERPRISE
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THE BUSINESS CLIMATE OF PARADISE

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Committee on Economic Revitalization and Business

Rep. Angus L.K. McKelvey, Chair

Rep. Isaac W. Choy, Vice Chair

HEARING DATE:

Thursday, February 10, 2011

8:00am in conference room 312

Testimony supporting House Bill 235
Relating to Limited Liability Companies

Chairman McKelvey and Vice-Chairman Choy:

My name is Aaron Johnson and I serve as managing member of Ingenuity Underwriters, L3C. I write to you in support of the Ingenuity Companies bill, HB235, currently before your legislature.

Ingenuity Underwriters is a Low-Profit Limited Liability Company (L3C) incorporated under the laws of Michigan. Our purpose is to develop intellectual property-based capital strategies which will lead to the creation and retention of good jobs in the United States. We recognize that broad-based job creation relies on the inventiveness of individuals and businesses. Our approach uses the legal rights granted by the constitution through the US Patent system, to keep manufacturing, service and creative jobs in emerging technologies within the United States and to make the necessary connections among inventors, producers and capital.

Ingenuity Underwriters uses our expertise in evaluating the economic potential and legal hazards of intellectual property to identify opportunities for regional growth. Our partner, Intellectual Property Insurance Services Corp. (IPISC), has over twenty years of experience evaluating the legal, business and economic merits of patents in order to provide insurance solutions to companies with and without patents. We use this experience to identify the latent and underutilized inventive assets of a region to secure good jobs with sustainable business practices.

Ingenuity Underwriters took advantage of the unique legal structure in Michigan because the laws governing an L3C promote socially-minded entrepreneurs who seek to pursue the public good. The motivation of the Michigan state legislature, in creating the L3C structure, is in solid agreement with Ingenuity Underwriters' core public-purpose principals. HB235 now brings the same focus on invention for the public good – the same focus which inspires our efforts – to the Hawaii legislature.

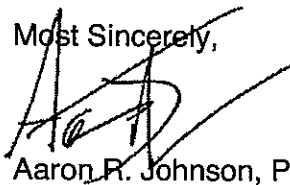
By creating the Ingenuity Company designation, Hawaii has an opportunity, through HB235, to step ahead of an already-growing movement to recognize that the intellectual efforts of our nation's citizens constitute an underutilized economic asset and an engine for growth. Ingenuity Underwriters would welcome the opportunity to continue our national efforts as a Hawaii Ingenuity Company.

Bob Fletcher, president of IPISC, is no stranger to the State of Hawaii. Mr. Fletcher, together with Ian Chan Hodges, has been involved in efforts to make Hawaii the epicenter for intellectual property financing and economic development. We view HB235 as an exciting, timely and important step towards that goal.

Recognizing that the manner in which one chooses to exercise the exclusive rights of a patent can be used to promote environmental standards, basic human rights and sustainable business practices, Ingenuity Underwriters and IPISC seek to form a bridge between America's inventive spirit and the practices which animate our core values.

We recognize that clear, consistent and committed effort is required to fully enlist our nation's patent assets to anchor jobs, foster entrepreneurship, and fund commercial expansion and we couldn't be more enthusiastic in our support of this bill.

Most Sincerely,

A handwritten signature in black ink, appearing to read 'A. Johnson', with a large, sweeping flourish extending to the right.

Aaron R. Johnson, PhD

House Committee on Economic Revitalization & Business

Rep. Angus L.K. McKelvey, Chair

Rep. Isaac W. Choy, Vice Chair

Thursday, February 10, 2011

8:00AM

State Capitol, Conference Room 312

in consideration of HB235

TESTIMONY IN STRONG SUPPORT OF HB235

RELATING TO LIMITED LIABILITY COMPANIES

This measure allows a limited liability company to be designated as an "ingenuity company" by the Director of Commerce and Consumer Affairs. Requires an ingenuity company to use the right to exclude, conferred by a patent in which the company has an interest, to create job opportunities, strengthen labor, and enhance environmental protections.

Aloha Chair McKelvey, Vice Chair Choy, and Members of the Committee,

My name is Michael Snyder and I represent a Hawai'i based Renewable Energy Integration and Computer Networking and Security company. Respectfully we submit this testimony as a statement of our support for HB235.

We believe that in this ever increasing competitive global economy that it is imperative for Governments, Businesses and Individuals to work together to protect Intellectual Property and strengthen Patent Holder rights. In addition, if Hawai'i is going to meet its' goals and challenges of having a more sustainable environment, an improved competitive business climate and to create jobs we believe that it is critical to enact legislation such as HB 235.

As an Aeronautical and Aerospace Engineer, and having worked in the Defense, Telecommunications, and Information Technology Industries for almost 40 years, I know the importance and critical role that Intellectual Property and Patents play in keeping the United States at the forefront. If Hawai'i truly wants to be a leader and diversify its economy, please pass HB235 to not only protect Patent Holders rights, create jobs, and protect the environment but to invite entrepreneurs and inventors to do business in Hawai'i and let them know that we are a State that wants to be at the leading edge of 21st Century innovations.

I am also currently starting a new venture with Electric Vehicles and supporting infrastructure here in Hawai'i. We will be developing, testing and deploying the latest EV's, Charging Station Network, Energy Storage and Smart Grid Distribution Systems and related Electric Transportation technologies and discoveries. We will synergize Hawaii's unique geography, scale and abundant renewable energy resources as a test bed and platform for new EV products and services while creating scores of good jobs. Because we will be utilizing Patents and proprietary Intellectual Property in our business, we are very interested in becoming one of the first LLC's designated as an "Ingenuity Company". This legislation provides us with an opportunity to lead by example and highlight our, and the State's, commitment to develop new avenues for business growth with the dedication to doing what's right for its' 'aina and people. It is our responsibility to prepare the foundation and provide our keiki with the tools required so that they can lead us into the future. As Galileo said:

"All truths are easy to understand once they are discovered; the point is to discover them."

Mahalo Mr. Chairman, Mr. Vice Chaiman and Committee Members for your thoughtful consideration.

Very respectfully,

Michael Snyder

Testimony in support of House Bill 235
Relating to Limited Liability Companies

COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS
Rep. Angus L.K. McKelvey, Chair
Rep. Isaac W. Choy, Vice Chair

HEARING DATE:
Thursday, February 10, 2011
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Aloha Chair McKelvey, Vice-Chair Choy and members of the Committee,

My name is Ian Chan Hodges and I have appeared before the legislature in previous sessions to provide testimony in support of creating an entity that would enable Hawaii to champion and support the rights of inventors as well as utilize patents for public purposes. In past sessions this body has received testimony from prominent inventors, entrepreneurs and top labor leaders from around the nation in support of the Ingenuity Company bills.

With the Chair's permission I would like to spend a few minutes providing you with an overview of the benefits of House Bill 235 using a one-page diagram as a visual guide.

Mahalo for your time and consideration.

Ian Chan Hodges