

STAND. COM. REP. NO.

1466

Honolulu, Hawaii

APR 06 2017

RE: H.B. No. 1027
H.D. 1
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Judiciary and Labor, to which was referred H.B. No. 1027, H.D. 1, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO NONPROFIT CORPORATIONS,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the nonprofit corporations law to:

- (1) Restore procedures that allow nonprofit corporations to convert into and out of domestic nonprofit corporations;
- (2) Impose a duty of loyalty on directors and officers of nonprofit corporations; and
- (3) Increase the length of time the Attorney General has to review proposed dissolutions of public benefit corporations.

Your Committee received testimony in support of this measure from the Department of the Attorney General, Association of Fundraising Professionals Aloha Chapter, Hawai'i Alliance of Nonprofit Organizations, and one individual.

Your Committee finds that Act 37, Session Laws of Hawaii 2012 (Act 37), repealed a provision in the Hawaii Revised Statutes that



allowed a domestic nonprofit corporation to convert to a foreign corporation or any other business entity. In hindsight, Act 37 went too far, as it effectively prevented domestic nonprofit corporations from converting to foreign nonprofit corporations. This measure restores the provision that allows nonprofit corporations to convert into and out of domestic nonprofit corporations, establishes the procedure for conversion, and specifies the effects of a conversion.

Your Committee further finds that although directors of nonprofit corporations have a duty of loyalty at common law, existing statute does not expressly recognize such a duty of loyalty. Accordingly, this measure establishes a duty of loyalty for directors and officers of nonprofit corporations.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1027, H.D. 1, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1027, H.D. 1, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,


GILBERT S.C. KEITH-AGARAN, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:* HB1027, HDI, SDI	Committee Referral: CPH, JDL	Date: 3/29/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEITH-AGARAN, Gilbert S.C. (C)	✓			
RHOADS, Karl (VC)	✓			
GABBARD, Mike				✓
KIM, Donna Mercado	✓			
THIELEN, Laura H.				✓
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Karl Rhoads</i>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes