

Honolulu, Hawaii

APR - 5 2019

RE: H.B. No. 944
H.D. 1
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred H.B. No. 944, 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:

- (1) Prohibit a public benefits corporation from purchasing its own memberships;
- (2) Clarify that a person who does not have authority to vote as a member of the board is not a director;
- (3) Clarify that a corporation with members may designate its directors;
- (4) Authorize a board of directors to take action without a board meeting through electronic means;
- (5) Increase the length of time that the Attorney General has to review for a proposed sale of substantially all of the assets of public benefit corporations other than in the regular course of its activities; and
- (6) Make other housekeeping amendments.




Your Committee received testimony in support of this measure from the Department of the Attorney General, University of Hawaii Foundation, and Hawai'i Alliance of Nonprofit Organizations.

Your Committee finds that numerous laws pertaining to public benefit corporations are in need of clarification. Your Committee further finds that although it is possible to infer that a public benefit corporation should not be able to purchase its memberships from the rule against distributing charitable assets for non-charitable purposes, there is no clear prohibition against the practice in existing law. Your Committee additionally finds that existing law is unclear as to whether ex-officio directors, or individuals named as directors based on their position or status, who do not have any authority to vote as members of the board, are in fact directors of a public benefit corporation. Your Committee also finds that although boards of directors of public benefit corporations are authorized to take actions outside of meetings in some situations, no provisions of existing law authorize electronic signatures by board members. This measure clarifies and updates laws pertaining to public benefit corporations in these areas.

Your Committee has amended this measure by clarifying the definition of "written consent" for the purpose of actions taken by a board of directors of a public benefit corporation.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 944, 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. 944, H.D. 1, S.D. 2.

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

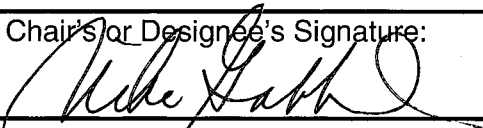


KARL RHOADS, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary
JDC

Bill / Resolution No.:*	Committee Referral:	Date:		
HB944, HD1, SD1	CPH, JDC	3/28/19		
<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
RHOADS, Karl (C)	✓			
WAKAI, Glenn (VC)				✓
GABBARD, Mike	✓			
KIM, Donna Mercado	✓			
FEVELLA, Kurt				✓
TOTAL	3	—	—	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes