

STAND. COM. REP. NO.

2699

Honolulu, Hawaii

MAR 11 2010

RE: H.B. No. 2136  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which  
was referred H.B. No. 2136 entitled:

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

begs leave to report as follows:

The purpose of this measure is to permit a nonprofit  
corporation to make financial distributions to its members or  
affiliates in a manner that is consistent with the purpose of the  
nonprofit corporation.

Your Committee received testimony in support of this measure  
from the Department of the Attorney General, The Queen's Health  
System, and Hawai'i Pacific Health. Written testimony presented to  
the Committee may be reviewed on the Legislature's website.

Your Committee finds that this measure will clarify state law  
to allow Hawaii nonprofit corporations that exist in whole or part  
to fund the activities of other nonprofit corporations to perform  
their intended function. Your Committee notes that this measure  
is consistent with federal law governing nonprofit corporations  
and resolves an ambiguity that has heretofore existed between  
state and federal law in this area. Your Committee further notes  
that the proponents of this measure have expressed their support  
for the amendments proposed by the Attorney General and adopted by  
your Committee.

Your Committee has amended this measure by:

2010-1449 SSCR SMA.doc



- (1) Adding a definition of "affiliate" to section 414D-14, Hawaii Revised Statutes, for the purpose of maintaining consistent organization throughout the relevant chapter;
- (2) Adding a new section to correct a typographical error in section 414D-245, Hawaii Revised Statutes;
- (3) Substituting the term "public benefits corporation" for "nonprofit corporation" in order to limit the scope of the measure to only nonprofit corporations that are operated for charitable, educational, or religious purposes, in conformity with federal law; and
- (4) Making nonsubstantive technical changes for the purposes of clarity and accuracy.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2136, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2136, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,



ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Fifth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <i>HB 2136</i>	Committee Referral: <i>CPN</i>	Date: <i>3/5/2010</i>		
<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
BAKER, Rosalyn H. (C)	✓			
IGE, David Y. (VC)	✓			
ESPERO, Will	✓			
GREEN, M.D., Josh	✓			
IHARA, Jr., Les				✓
SAKAMOTO, Norman				✓
HEMMINGS, Fred				✓
<b>TOTAL</b>	<b>4</b>			<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center;"><i>David Y. Ige</i></div>				
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\*Only one measure per Record of Votes