A BILL FOR AN ACT

RELATING TO THE HAWAII BUSINESS CORPORATION ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 414-44, Hawaii Revised Statutes, is amended to read as follows:

"[+]§414-44[+] Ultra vires. (a) Except as provided in subsection (b), the validity of corporate action may not be challenged on the ground that the corporation lacks or lacked power to act.

(b) A corporation's power to act may be challenged:

(1) In a proceeding by a shareholder against the corporation to enjoin the act;

(2) In a proceeding by the corporation, directly, derivatively, or through a receiver, trustee, or other legal representative, against an incumbent or former director, officer, employee, or agent of the corporation; or

(3) In a proceeding by the attorney general under section 414-411.
(c) In a shareholder's proceeding under subsection (b)(1) to enjoin an unauthorized corporate act, the court may enjoin or set aside the act, if equitable and if all affected persons are parties to the proceeding, and may award damages for loss (other than anticipated profits) suffered by the corporation or another party because of enjoining the unauthorized act.

(d) A corporation's political activities in any form shall be deemed to constitute an ultra vires act for purposes of this section if the corporation:

(1) Does not describe in writing to shareholders, including in any proxy, consent, or authorization, the specific nature and total amount of anticipated expenditures for political activities for the forthcoming fiscal year; and

(2) Does not provide for prior approval by a majority vote in a separate vote of shareholders of outstanding shares for any expenditure under paragraph (1)."

SECTION 2. New statutory material is underscored.
SECTION 3. This Act shall take effect upon its approval.

INTRODUCED BY:

[Signatures]
Report Title:
Hawaii Corporations; Political Activities; Shareholder Approval

Description:
Deems a corporation's political activity in any form to constitute an ultra vires act if undertaken without prior shareholder notification and approval.

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