

STAND. COM. REP. NO. 2237

Honolulu, Hawaii

FEB 12 2018

RE: S.B. No. 2747  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committees on Commerce, Consumer Protection, and Health and Judiciary, to which was referred S.B. No. 2747 entitled:

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

beg leave to report as follows:

The purpose and intent of this measure is to amend the Hawaii Nonprofit Corporations Act to:

- (1) Clarify that a public benefit corporation may not purchase its memberships;
- (2) Clarify that the term "director" only includes those who have the authority to vote as a member of a board;
- (3) Clarify that a corporation with members may provide for appointment by some other person, or designation, of some of its directors; and
- (4) Allow the Attorney General more time to review a proposed sale or other disposition of substantially all of the assets of a corporation, other than in the regular course of its activities.

Your Committees received testimony in support of this measure from the Department of the Attorney General.



Your Committees find that public benefit corporations are normally prohibited under existing law from making any distributions other than for charitable purposes. Unlike shareholders in profit corporations, members of a public benefit corporation do not have an economic ownership in that corporation. As such, a public benefit corporation's use of its charitable assets to purchase its memberships amounts to a distribution to its members. This measure therefore explicitly prohibits a public benefit corporation from purchasing its memberships and prevents charitable assets from being used for non-charitable purposes.


Your Committees further find that according to testimony from the Department of the Attorney General, there appears to be confusion regarding whether ex-officio directors, or individuals named as directors based on their position or status, who otherwise lack the authority to vote as a member of a board, are in fact directors of a nonprofit corporation. This measure therefore clarifies that directors, for purposes of the Hawaii Nonprofit Corporations Act, only include those who have the ability to vote as members of a board. This measure also makes other housekeeping amendments for consistency with the Revised Model Nonprofit Corporation Act (1987).

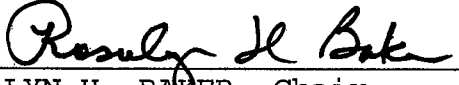
Your Committees have amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce, Consumer Protection, and Health and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2747, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2747, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on  
behalf of the members of the  
Committees on Commerce,  
Consumer Protection, and Health  
and Judiciary,

  
BRIAN T. TANIGUCHI, Chair

  
ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce, Consumer Protection, and Health**  
**CPH**

Bill / Resolution No.: <b>SB 2747</b>	Committee Referral: <b>CPH/JDC, WAM</b>	Date: <b>2/7/18</b>		
<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 checked="" type="checkbox"/> <b>Pass, unamended</b> 2312 <input checked="" type="checkbox"/> <b>Pass, with amendments</b> 2311 <input type="checkbox"/> <b>Hold</b> 2310 <input type="checkbox"/> <b>Recommit</b> 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TOKUDA, Jill N. (VC)				✓
CHANG, Stanley	✓			
ESPERO, Will	✓			
IHARA, Jr., Les				✓
NISHIHARA, Clarence K.	✓			
RUDERMAN, Russell E.				✓
<b>TOTAL</b>	<b>4</b>			<b>3</b>
Recommendation: <input checked="" type="checkbox"/> <b>Adopted</b> <input type="checkbox"/> <b>Not Adopted</b>				
Chair's or Designee's Signature:				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes

The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Judiciary**  
**JDC**

Bill / Resolution No.:* <i>SB2747</i>	Committee Referral: <i>CPH/JDC, WAM</i>	Date: <i>2/7/18</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				
<b>Members</b>	<b>Aye</b>	<b>Aye (WR)</b>	<b>Nay</b>	<b>Excused</b>
TANIGUCHI, Brian T. (C)	✓			
RHOADS, Karl (VC)	✓			
GABBARD, Mike	✓			
KIM, Donna Mercado	✓			
THIELEN, Laura H.				✓
<b>TOTAL</b>	<i>4</i>	<i>0</i>	<i>0</i>	<i>1</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Karl Rhoads</i>				
<b>Distribution:</b> Original                      Yellow                      Pink                      Goldenrod File with Committee Report    Clerk's Office            Drafting Agency        Committee File Copy				

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