

A Bill for an Act Relating to the Hawaii Business Development Corporation.  
*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Section 420-1, Hawaii Revised Statutes, is amended to read:

**“Sec. 420-1 Definitions.** As used in this chapter, the following words and phrases, unless differently defined or described, shall have the meanings and references as follows:

- (1) ‘Corporation’: A business development corporation created under this chapter.
- (2) ‘Financial institution’: Any banking corporation or trust company, building and loan association, insurance company, or related corporation, partnership, foundation, or other institution engaged primarily in lending or investing funds.
- (3) ‘Member’: Any person, corporation, company, association, partnership, foundation, or other institution, including any financial institution, which or who undertakes to lend money to a corporation created under this chapter, upon its call, and in accordance with this chapter, but not including the Small Business Administration and any other federal agency.
- (4) ‘Board of directors’: The board of directors of the corporation created under this chapter.
- (5) ‘Loan limit’: For any member, the maximum amount permitted to be outstanding at one time on loans made by the members to the corporation, as determined under this chapter.
- (6) ‘Pacific Islands’: The State of Hawaii, American Samoa, Guam, and the Trust Territories of the Pacific, either collectively or individually.”

SECTION 2. Section 420-2, Hawaii Revised Statutes, is amended to read:

**“Sec. 420-2 Creation of corporation; purposes.** Any number of persons not less than five, a majority of whom shall be residents of the State, who may desire to create a business development corporation under this chapter, for the purpose of promoting, developing, and advancing the prosperity and economic welfare of the Pacific Islands and, to that end, to exercise the powers and privileges hereinafter provided, may be incorporated in the following manner; such persons shall, by articles of incorporation filed with the director of regulatory agencies, under their hands and seals, set forth:

- (1) The name of the corporation, which shall include the words ‘Business Development Corporation’.
- (2) The location of the principal office of the corporation, but the corporation may have offices in such other places within the State as may be fixed by the board of directors.

- (3) The purpose for which the corporation is founded, which shall include the following:

The purposes of the corporation shall be to promote, stimulate, develop, and advance the business prosperity and economic welfare of the Pacific Islands and their citizens; to encourage and assist through loans, investments, or other business transactions, in the location of new business and industry in the Pacific Islands and to rehabilitate and assist existing business and industry; and so to stimulate and assist in the expansion of all kinds of business activity which will tend to promote the business development and maintain the economic stability of the Pacific Islands, provide maximum opportunities for employment, encourage thrift, and improve the standard of living of the citizens of the Pacific Islands; similarly, to cooperate and act in conjunction with other organizations, public or private, in the promotion and advancement of industrial, commercial, agricultural, and recreational developments in the Pacific Islands; and to provide financing for the promotion, development, and conduct of all kinds of business activity in the Pacific Islands.

In furtherance of these purposes and in addition to the powers conferred on business corporations by chapter 416, the corporation shall, subject to the restrictions and limitations herein contained, have the following powers:

- (1) To elect, appoint, and employ officers, agents and employees; to make contracts and incur liabilities for any of the purposes of the corporation; provided that the corporation shall not incur any secondary liability by way of guaranty or endorsement of the obligations of any person, firm, corporation, joint-stock company, association, or trust, or in any other manner.
- (2) To borrow money from the members and others, including the Small Business Administration and other federal agencies, for any of the purposes of the corporation; to issue therefor its bonds, debentures, notes, or other evidences of indebtedness, whether secured or unsecured, and to secure the same by mortgage, pledge, deed of trust, or other lien on its property, franchises, rights and privileges of every kind and nature of any part thereof or interest therein, without securing stockholder or member approval.
- (3) To make loans to any person, firm, corporation, joint-stock company, association, or trust, and to establish and regulate the terms and conditions with respect to the loans and the charges for interest and service connected therewith; provided, that the corporation shall not approve any application for a loan unless and until the person applying for the loan shows that he has applied for the loan through ordinary banking channels and that the loan has been refused by at least one bank or other financial institution.
- (4) To purchase, receive, hold, lease, or otherwise acquire, and to sell, convey, transfer, lease, or otherwise dispose of real and personal property, together with such rights and privileges as may be incidental and appurtenant thereto and the use thereof, including, but not

restricted to, any real or personal property acquired by the corporation from time to time in the satisfaction of debts or enforcement of obligations.

- (5) To acquire the good will, business, rights, real and personal property, and other assets, or any part thereof, or interest therein, of any persons, firms, corporations, joint-stock companies, associations, or trusts, and to assume, undertake, or pay the obligations, debts, and liabilities of any such person, firm, corporation, joint-stock company, association, or trust; to acquire improved or unimproved real estate for the purpose of constructing industrial plants or other business establishments thereon or for the purpose of disposing of the real estate to others for the construction of industrial plants or other business establishments; and to acquire, construct, or reconstruct, alter, repair, maintain, operate, sell, convey, transfer, lease, or otherwise dispose of industrial plants or business establishments.
- (6) To acquire, subscribe for, own, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of the stock, shares, bonds, debentures, notes, or other securities and evidences of interest in, or indebtedness of, any person, firm, corporation, joint-stock company, association, or trust, and while the owner or holder thereof to exercise all of the rights, powers, and privileges of ownership, including the right to vote thereon.
- (7) To mortgage, pledge, or otherwise encumber any property, right, or thing of value, acquired pursuant to the powers contained in paragraphs (4), (5), or (6), as security for the payment of any part of the purchase price thereof.
- (8) To cooperate with and avail itself of the facilities of the department of planning and economic development and any similar governmental agencies; and to cooperate with and assist, and otherwise encourage organizations in the various communities of the Pacific Islands in the promotion, assistance, and development of the business prosperity and economic welfare of the communities or of the Pacific Islands or of any part thereof.
- (9) To avail itself of any loan or other assistance from nonmembers, including the Small Business Administration or any other federal agencies.
- (10) To do all acts and things necessary or convenient to carry out the powers expressly granted in this chapter."

SECTION 3. Section 420-6, Hawaii Revised Statutes, is amended to read:

**"Sec. 420-6 Financial institutions; memberships; etc.** Notwithstanding any rule at common law or any provision of any general or special law or any provision in their respective charters, agreements of association, articles of organizations, or trust indentures:

- (1) All domestic corporations organized for the purpose of carrying on business within the Pacific Islands, including without implied limitation any public utility companies and insurance and casualty com-

- panies and foreign corporations licensed to do business in the Pacific Islands, and all trusts, may acquire, purchase, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of any bonds, securities, or other evidences of indebtedness created by, or the shares of the capital stock of, the corporation, and while owners of the stock exercise all the rights, powers, and privileges of ownership, including the right to vote thereon, all without the approval of any regulatory authority of the Pacific Islands;
- (2) All financial institutions may become members of the corporation and make loans to the corporation as provided herein;
  - (3) A financial institution which does not become a member of the corporation shall not be permitted to acquire any share of the capital stock of the corporation; and
  - (4) Except as to financial institutions which are to continue to be subject to the limitations contained in (3) herein, each member of the corporation may acquire, purchase, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, any bonds, securities, or other evidences of indebtedness created by, or the shares of the capital stock of the corporation, and while owners of the stock exercise all the rights, powers, and privileges of ownership, including the right to vote thereon, all without the approval of any regulatory authority of the Pacific Islands; provided, that the amount of the capital stock of the corporation which may be acquired by any member pursuant to the authority granted herein shall not exceed fifty per cent of the loan limit of the member. The amount of capital stock of the corporation which any member is authorized to acquire pursuant to the authority granted herein is in addition to the amount of capital stock in corporations which such member may otherwise be authorized to acquire.”

SECTION 4. Statutory material to be repealed is bracketed. New material is underscored. In printing this act, the revisor of statutes need not include the brackets, the bracketed material or the underscoring.\*

SECTION 5. This Act shall take effect upon its approval.

(Approved June 3, 1974.)

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\*Edited accordingly.