

ACT 67

H.B. NO. 498

A Bill for an Act Relating to the Powers of Boards of Directors.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Chapter 416, Hawaii Revised Statutes, is amended by adding a new section, to be appropriately designated and to read as follows:

“Sec. 416- Powers of the board of directors. (a) All corporate powers shall be exercised by or under the authority of, and the business and affairs of a corporation shall be managed under, the direction of the board of directors, except as may be otherwise provided in the articles of incorporation or charter. If any such provision is made in the articles of incorporation or charter, the powers and duties conferred or imposed upon a board of directors by this section shall be exercised or performed to such extent and by such person or persons as shall be provided in the articles of incorporation or charter.

“(b) The board of directors shall have authority to fix the compensation of directors unless otherwise provided in the articles of incorporation, charter or by-laws.

“(c) A director shall perform his duties as a director, including his duties as a member of any committee of the board of directors upon which he may serve, in good faith and in a manner he reasonably believes to be in the best interests of the corporation, and with such care as an ordinarily prudent person in a like position would use in similar circumstances.

“(d) In performing his duties, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

- (1) One or more officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the matters presented,
- (2) Counsel, public accountants, appraisers or other persons as to matters which the director reasonably believes to be within such person’s professional or expert competence, or

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(3) A committee of the board upon which he does not serve, duly designated in accordance with a provision of the articles of incorporation, charter or the bylaws, as to matters within its designated authority, which committee the director reasonably believes to merit confidence.

“(e) A director shall not be considered to be acting in good faith if he has or should have knowledge concerning the matter in question that would cause such reliance described in subsection (c) to be unwarranted.

“(f) A person who performs his duties in compliance with this section shall have no liability by reason of being or having been a director of the corporation or a member of any committee of the board of directors of the corporation.”

SECTION 2. New statutory material is underscored.*

SECTION 3. This Act shall take effect upon its approval.

(Approved May 16, 1979.)

*The text has been edited pursuant to HRS §23G-16.5, authorizing omission of the brackets, bracketed material, and underscoring.