



DEPARTMENT OF THE ATTORNEY GENERAL

News Release

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ATTORNEY GENERAL COMPLETES INQUIRY INTO ALLEGED LOANS TO DIRECTORS AND OFFICERS OF NON-PROFIT CORPORATIONS

HONOLULU-Attorney General Mark Bennett announced today that the Department has substantially completed an inquiry into alleged loans made to directors or officers of Hawaii nonprofit corporations. The inquiry resulted from an article published in the February 5, 2004 issue of the Chronicle of Philanthropy. As in many states, Hawaii's nonprofit corporation act specifically prohibits loans to directors or offices of nonprofit corporations.

Each of the organizations cooperated with the Attorney General's inquiry. The investigation revealed that one of the organizations was not a nonprofit corporation. In another instance, a loan was made, but not to an officer or director of the corporation. In a third instance, the "loan" resulted from the accounting treatment given to the overpayment of expense reimbursements.

In all of the other instances involving loans to officers or directors, the loans were documented by promissory notes. In all of the instances but one, the loans have been repaid, with interest.

The Attorney General has notified each of the nonprofit corporations that such loans are not permitted under Hawaii law and that future similar transactions could result in personal liability by directors and officers and result in enforcement action.

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