



CHESTER J. CULVER
GOVERNOR

OFFICE OF THE GOVERNOR

PATTY JUDGE
LT. GOVERNOR

April 7, 2010

The Honorable Michael Mauro
Secretary of State
State Capitol Building
LOCAL

Dear Mr. Secretary:

I hereby transmit:

House File 726, an Act providing for unincorporated nonprofit associations, and providing for fees and penalties.

The above House File is hereby approved this date.

Sincerely,

A handwritten signature in black ink, appearing to read "Culver", with a long, sweeping horizontal line extending to the right.

Chester J. Culver
Governor

CJC:bdj

cc: Secretary of the Senate
Chief Clerk of the House





House File 726

AN ACT
PROVIDING FOR UNINCORPORATED NONPROFIT ASSOCIATIONS, AND
PROVIDING FOR FEES AND PENALTIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I
REVISED UNIFORM UNINCORPORATED
NONPROFIT ASSOCIATION ACT

Section 1. NEW SECTION. 501B.1 Short title.

This Act shall be known and may be cited as the "*Revised Uniform Unincorporated Nonprofit Association Act*".

Sec. 2. NEW SECTION. 501B.2 Definitions.

As used in this chapter:

1. "*Established practices*" means the practices used by an unincorporated nonprofit association without material change during the most recent five years of its existence, or if it has existed for less than five years, during its entire existence.

2. "*Governing principles*" means the agreements, whether oral, in a record, or implied from its established practices, that govern the purpose or operation of an unincorporated nonprofit association and the rights and obligations of its members and managers. "*Governing principles*" includes any amendment or restatement of the agreements constituting the governing principles.

3. "*Manager*" means a person that is responsible, alone or in concert with others, for the management of an unincorporated nonprofit association and includes but is not limited to persons

who may be designated as directors and officers or some other designation indicating that such persons would perform the duties of a manager.

4. "*Member*" means a person that, under the governing principles, may participate in the selection of persons authorized to manage the affairs of the unincorporated nonprofit association or in the development of the policies and activities of the association.

5. "*Person*" means an individual, corporation, business trust, statutory entity trust, estate, trust, partnership, limited liability company, cooperative, association, joint venture, public corporation, government or governmental subdivision, agency, or instrumentality, or any other legal or commercial entity.

6. "*Record*" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

7. "*State*" means a state of the United States, the District of Columbia, Puerto Rico, United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States.

8. "*Unincorporated nonprofit association*" or "*association*" means an unincorporated organization consisting of two or more members joined under an agreement that is oral, in a record, or implied from conduct, for one or more common, nonprofit purposes. "*Unincorporated nonprofit association*" does not include any of the following:

a. A trust.

b. A marriage, domestic partnership, common law domestic relationship, civil union, or other domestic living arrangement.

c. An organization formed under any other statute that governs the organization and operation of unincorporated associations.

d. A joint tenancy or tenancy in common even if the co-owners share use of the property for a nonprofit purpose.

e. A relationship under an agreement in a record that expressly provides that the relationship between the parties does not create an unincorporated nonprofit association.

Sec. 3. NEW SECTION. 501B.3 Relation to other law.

1. Principles of law and equity supplement this chapter unless displaced by a particular provision of this chapter.

2. A statute governing a specific type of unincorporated

nonprofit association prevails over an inconsistent provision in this chapter, to the extent of the inconsistency.

3. This chapter supplements the law of this state that applies to nonprofit associations operating in this state. If a conflict exists, that law applies.

Sec. 4. NEW SECTION. 501B.4 Governing law.

1. Except as otherwise provided in subsection 2, this chapter governs the operation in this state of all unincorporated nonprofit associations formed or operating in this state.

2. Unless the governing principles specify a different jurisdiction, the law of the jurisdiction in which an unincorporated nonprofit association has its main place of activities governs the internal affairs of the association.

Sec. 5. NEW SECTION. 501B.5 Legal entity — perpetual existence — powers.

1. An unincorporated nonprofit association is a legal entity distinct from its members and managers.

2. An unincorporated nonprofit association has perpetual duration unless the governing principles specify otherwise.

3. An unincorporated nonprofit association has the same powers as an individual to do all things necessary or convenient to carry on its purposes.

4. An unincorporated nonprofit association may engage in profit-making activities but profits from any activities must be used or set aside for the association's nonprofit purposes.

Sec. 6. NEW SECTION. 501B.6 Ownership and transfer of property.

1. An unincorporated nonprofit association may acquire, hold, encumber, or transfer in its name an interest in real or personal property.

2. An unincorporated nonprofit association may be a beneficiary of a trust or contract, a legatee, or a devisee.

Sec. 7. NEW SECTION. 501B.7 Statement of authority as to real property.

1. For purposes of this section, "statement of authority" means a statement authorizing a person to transfer an interest in real property held in the name of an unincorporated nonprofit association.

2. An interest in real property held in the name of an unincorporated nonprofit association may be transferred by a person authorized to do so in a statement of authority filed by the association in the office of the county recorder in which a

transfer of the property would be recorded.

3. A statement of authority must set forth all of the following:

- a.* The name of the unincorporated nonprofit association.
- b.* The address in this state, including the street address, if any, of the association or, if the association does not have an address in this state, its out-of-state address.
- c.* That the association is an unincorporated nonprofit association.
- d.* The name, title, or position of a person authorized to transfer an estate or interest in real property held in the name of the association.

4. A statement of authority must be executed in the same manner as an affidavit by a person other than the person authorized in the statement to transfer the interest.

5. The county recorder may collect a fee as provided in sections 331.604 and 331.605 for filing a statement of authority in the amount authorized for filing a transfer of real property.

6. A document amending, revoking, or canceling a statement of authority or stating that the statement is unauthorized or erroneous must meet the requirements for executing and filing an original statement.

7. Unless canceled earlier, a filed statement of authority and its most recent amendment expire five years after the date of the most recent filing.

8. If the record title to real property is in the name of an unincorporated nonprofit association and the statement of authority is filed in the office of the county recorder in which a transfer of the property would be filed, the authority of the person named in the statement to transfer is conclusive in favor of a person that gives value without notice that the person lacks authority.

Sec. 8. NEW SECTION. 501B.8 Liability.

1. For a debt, obligation, or other liability of an unincorporated nonprofit association, whether arising in contract, tort, or otherwise, all of the following apply:

- a.* It is solely the debt, obligation, or other liability of the association.
- b.* It does not become a debt, obligation, or other liability of a member, manager, employee, or volunteer solely because the member acts as a member, the manager acts as a manager, the employee acts as an employee, or a volunteer acts as a volunteer.

2. A person's status as a member, manager, employee, or volunteer does not prevent or restrict law other than this chapter from imposing liability on the person or the association because of the person's conduct.

3. A person who is a manager, member, employee, or volunteer is not personally liable in that capacity to the unincorporated nonprofit association or any of its members for any action taken or failure to take any action in the discharge of the person's duties except liability for any of the following:

a. The amount of any financial benefit to which the person is not entitled.

b. An intentional infliction of harm on the unincorporated nonprofit association or the members.

c. An intentional violation of criminal law.

d. Improper distributions.

Sec. 9. NEW SECTION. 501B.9 Assertion and defense of claims.

1. An unincorporated nonprofit association may sue or be sued in its own name.

2. A member or manager may assert a claim the member or manager has against the unincorporated nonprofit association. An association may assert a claim it has against a member or manager.

Sec. 10. NEW SECTION. 501B.10 Effect of judgment or order.

A judgment or order against an unincorporated nonprofit association is not by itself a judgment or order against a member or manager.

Sec. 11. NEW SECTION. 501B.11 Appointment of agent to receive service of process.

1. An unincorporated nonprofit association may file in the office of the secretary of state a statement appointing an agent authorized to receive service of process.

2. A statement appointing an agent must set forth all of the following:

a. The name of the unincorporated nonprofit association.

b. The name of the person in this state authorized to receive service of process and the person's address, including the street address, in this state.

3. A statement appointing an agent must be signed and acknowledged by a person authorized to manage the affairs of the unincorporated nonprofit association and by the person appointed as the agent. By signing and acknowledging the statement the person becomes the agent.

4. An amendment to or cancellation of a statement appointing an agent to receive service of process must meet the requirements for executing an original statement. An agent may resign by filing a resignation in the office of the secretary of state and giving notice to the association.

5. The secretary of state may collect a fee for filing a statement appointing an agent to receive service of process, an amendment, a cancellation, or a resignation in the amount charged for filing similar documents.

Sec. 12. NEW SECTION. 501B.12 Service of process.

In an action or proceeding against an unincorporated nonprofit association, process may be served on an agent authorized by appointment to receive service of process pursuant to section 501B.11, on a manager of the association, or in any other manner authorized by the law of this state.

Sec. 13. NEW SECTION. 501B.13 Action or proceeding not abated by change.

An action or proceeding against an unincorporated nonprofit association does not abate merely because of a change in its members or managers.

Sec. 14. NEW SECTION. 501B.14 Venue.

Unless otherwise provided by law other than this chapter, venue of an action against an unincorporated nonprofit association brought in this state is determined under the statutes applicable to an action brought in this state against a corporation under chapter 504.

Sec. 15. NEW SECTION. 501B.15 Member not agent.

A member is not an agent of an unincorporated nonprofit association solely by reason of being a member.

Sec. 16. NEW SECTION. 501B.16 Approval by members.

1. Except as otherwise provided in the governing principles, an unincorporated nonprofit association must have the approval of its members to do any of the following:

- a. Admit, suspend, dismiss, or expel a member.
- b. Select or dismiss a manager.
- c. Adopt, amend, or repeal the governing principles.
- d. Sell, lease, exchange, or otherwise dispose of all, or substantially all, of the association's property, with or without the association's goodwill, outside the ordinary course of its activities.
- e. Dissolve under section 501B.28, or merge under section 501B.30.
- f. Undertake any other act outside the ordinary course of

the association's activities.

g. Determine the policy and purposes of the association.

2. An unincorporated nonprofit association must have the approval of the members to do any other act or exercise a right that the governing principles require to be approved by members.

Sec. 17. NEW SECTION. 501B.17 Meetings of members — voting, notice, and quorum requirements.

1. Unless the governing principles provide otherwise all of the following apply:

a. Approval of a matter by members requires an affirmative majority of the votes cast at a meeting of members.

b. Each member is entitled to one vote on each matter that is submitted for approval by members.

2. Notice and quorum requirements for member meetings and the conduct of meetings of members are determined by the governing principles.

Sec. 18. NEW SECTION. 501B.18 Duties of member.

1. A member does not have a fiduciary duty to an unincorporated nonprofit association or to another member solely by being a member.

2. A member shall discharge the duties to the unincorporated nonprofit association and the other members and exercise any rights under this chapter consistent with the governing principles and the obligation of good faith and fair dealing.

Sec. 19. NEW SECTION. 501B.19 Admission, suspension, dismissal, or expulsion of members.

1. A person becomes a member and may be suspended, dismissed, or expelled in accordance with the association's governing principles. If there are no applicable governing principles, a person may become a member or be suspended, dismissed, or expelled from an association only by a vote of its members. A person may not be admitted as a member without the person's consent.

2. Unless the governing principles provide otherwise, the suspension, dismissal, or expulsion of a member does not relieve the member from any unpaid capital contribution, dues, assessments, fees, or other obligation incurred or commitment made by the member before the suspension, dismissal, or expulsion.

Sec. 20. NEW SECTION. 501B.20 Member's resignation.

1. A member may resign as a member in accordance with the governing principles. In the absence of applicable governing principles, a member may resign at any time.

2. Unless the governing principles provide otherwise, resignation of a member does not relieve the member from any unpaid capital contribution, dues, assessments, fees, or other obligation incurred or commitment made by the member before resignation.

Sec. 21. NEW SECTION. 501B.21 Membership interest not transferable.

Except as otherwise provided in the governing principles, a member's interest or any right under the governing principles is not transferable.

Sec. 22. NEW SECTION. 501B.22 Selection of managers — management rights of managers.

Except as otherwise provided in this chapter or the governing principles, all of the following apply:

1. Only the members may select a manager or managers.
2. A manager may be a member or a nonmember.
3. If a manager is not selected, all members are managers.
4. Each manager has equal rights in the management and conduct of the association's activities.
5. All matters relating to the association's activities shall be decided by its managers except for matters reserved for approval by members pursuant to section 501B.16.
6. A difference among managers is decided by a majority of the managers.

Sec. 23. NEW SECTION. 501B.23 Duties of managers.

1. A manager owes to the unincorporated nonprofit association and to its members the fiduciary duties of loyalty and care.

2. A manager shall manage the unincorporated nonprofit association in good faith, in a manner the manager reasonably believes to be in the best interests of the association, and with such care, including reasonable inquiry, as a prudent person would reasonably exercise in a similar position and under similar circumstances. A manager may rely in good faith upon any opinion, report, statement, or other information provided by another person that the manager reasonably believes is a competent and reliable source for the information.

3. After full disclosure of all material facts, a specific act or transaction that would otherwise violate the duty of loyalty by a manager may be authorized or ratified by a majority of the members that are not interested directly or indirectly in the act or transaction.

4. A manager that makes a business judgment in good faith

satisfies the duties specified in subsection 1 if all of the following conditions apply:

a. The manager is not interested, directly or indirectly, in the subject of the business judgment and is otherwise able to exercise independent judgment.

b. The manager is informed with respect to the subject of the business judgment to the extent the manager reasonably believes to be appropriate under the circumstances.

c. The manager believes that the business judgment is in the best interests of the unincorporated nonprofit association and in accordance with its purposes.

Sec. 24. NEW SECTION. 501B.24 Notice and quorum requirements for meetings of managers.

Notice and quorum requirements for meetings of managers and the conduct of meetings of managers are determined by the governing principles.

Sec. 25. NEW SECTION. 501B.25 Right of member or manager to information.

1. On reasonable notice, a member or manager of an unincorporated nonprofit association may inspect and copy during the unincorporated nonprofit association's regular operating hours, at a reasonable location specified by the association, any record maintained by the association regarding its activities, financial condition, or other circumstances, to the extent the information is material to the member's or manager's rights or duties under the governing principles.

2. An unincorporated nonprofit association may impose reasonable restrictions on access to and use of information to be furnished under this section, including designating the information confidential and imposing obligations of nondisclosure and safeguarding on the recipient.

3. An unincorporated nonprofit association may charge a person that makes a demand under this section reasonable copying costs, limited to the costs of labor and materials.

4. A former member or manager is entitled to information to which the member or manager was entitled while a member or manager if the information pertains to the period during which the person was a member or manager, the former member or manager seeks the information in good faith, and the former member or manager satisfies subsections 1 through 3.

Sec. 26. NEW SECTION. 501B.26 Distributions prohibited — compensation and other permitted payments.

1. Except as otherwise provided in subsection 2, an

unincorporated nonprofit association may not pay dividends or make distributions to a member or manager.

2. An unincorporated nonprofit association may do any of the following:

a. Pay reasonable compensation or reimburse reasonable expenses to a member or manager for services rendered.

b. Confer benefits on a member or manager in conformity with its nonprofit purposes.

c. Repurchase a membership and repay a capital contribution made by a member to the extent authorized by its governing principles.

d. Make distributions of property to members upon winding up and termination to the extent permitted by section 501B.29.

Sec. 27. NEW SECTION. 501B.27 Reimbursement — indemnification — advancement of expenses.

1. Except as otherwise provided in the governing principles, an unincorporated nonprofit association shall reimburse a member, manager, employee, or volunteer for authorized expenses reasonably incurred in the course of the member's, manager's, employee's, or volunteer's activities on behalf of the association.

2. An unincorporated nonprofit association may indemnify a member, manager, employee, or volunteer for any debt, obligation, or other liability incurred in the course of the member's, manager's, employee's, or volunteer's activities on behalf of the association if the person seeking indemnification has complied with section 501B.18 or 501B.23, or other law, as applicable. Governing principles in a record may broaden or limit indemnification.

3. If a person is made or threatened to be made a party in an action based on that person's activities on behalf of an unincorporated nonprofit association and the person makes a request in a record to the association, a majority of the disinterested managers may approve in a record advance payment, or reimbursement, by the association, of all or a part of the reasonable expenses, including attorney fees and costs, incurred by the person before the final disposition of the proceeding. To be entitled to an advance payment or reimbursement, the person must state in a record that the person has a good faith belief that the criteria for indemnification in subsection 2 have been satisfied and that the person will repay the amounts advanced or reimbursed if the criteria for payment have not been satisfied. Governing principles in a record may

broaden or limit the advance payments or reimbursements.

4. An unincorporated nonprofit association may purchase insurance on behalf of a member, manager, employee, or volunteer for liability asserted against or incurred by the member, manager, employee, or volunteer in the capacity of a member, manager, employee, or volunteer whether or not the association has authority under this chapter to reimburse, indemnify, or advance expenses to the member, manager, employee, or volunteer against the liability.

5. The rights of reimbursement, indemnification, and advancement of expenses under this section apply to a former member, manager, employee, or volunteer for an activity undertaken on behalf of the unincorporated nonprofit association while a member, manager, employee, or volunteer.

Sec. 28. NEW SECTION. 501B.28 Dissolution.

1. An unincorporated nonprofit association may be dissolved pursuant to any of the following:

a. If the governing principles provide a time or method for dissolution, at that time or by that method.

b. If the governing principles do not provide a time or method for dissolution, upon approval by the members.

c. If no member can be located and the association's operations have been discontinued for at least three years, by the managers or, if the association has no current manager, by its last manager.

d. By court order.

e. Under law other than this chapter.

2. After dissolution, an unincorporated nonprofit association continues in existence until its activities have been wound up and it is terminated pursuant to section 501B.29.

Sec. 29. NEW SECTION. 501B.29 Winding up and termination.

Winding up and termination of an unincorporated nonprofit association shall proceed in accordance with all of the following rules:

1. All known debts and liabilities must be paid or adequately provided for.

2. Any property subject to a condition requiring return to the person designated by the donor must be transferred to that person.

3. Any property subject to a trust must be distributed in accordance with the trust agreement.

4. Any remaining property must be distributed as follows:

a. As required by law other than this chapter that requires

assets of an association to be distributed to another person with similar nonprofit purposes.

b. In accordance with the association's governing principles or in the absence of applicable governing principles, to the members of the association per capita or as the members direct.

c. If neither paragraph "a" nor "b" applies, under chapter 556.

Sec. 30. NEW SECTION. 501B.30 **Mergers.**

1. For purposes of this section all of the following definitions apply:

a. "*Constituent organization*" means an organization that is merged with one or more other organizations including the surviving organization.

b. "*Nonsurviving organization*" means a constituent organization that is not the surviving organization.

c. "*Organization*" means an unincorporated nonprofit association; a general partnership, including a limited liability partnership; limited partnership, including a limited liability limited partnership; limited liability company; business or statutory trust; corporation; or any other legal or commercial entity having a statute governing its formation and operation. "*Organization*" includes a for-profit or nonprofit organization.

d. "*Surviving organization*" means an organization into which one or more other organizations are merged.

2. An unincorporated nonprofit association may merge with any organization that is authorized by law to merge with an unincorporated nonprofit association.

3. A merger involving an unincorporated nonprofit association is subject to the following rules:

a. Each constituent organization shall comply with its governing law.

b. Each party to the merger shall approve a plan of merger. The plan, which must be in a record, must include all of the following provisions:

(1) The name and form of each organization that is a party to the merger.

(2) The name and form of the surviving organization and, if the surviving organization is to be created by the merger, a statement to that effect.

(3) If the surviving organization is to be created by the merger, the surviving organization's organizational documents that are proposed to be in a record.

(4) If the surviving organization is not to be created by the merger, any amendments to be made by the merger to the surviving organization's organizational documents that are, or are proposed to be, in a record.

(5) The terms and conditions of the merger, including the manner and basis for converting the interests in each constituent organization into any combination of money, interests in the surviving organization, and other consideration except that the plan of merger may not permit members of an unincorporated nonprofit association to receive merger consideration if a distribution of such consideration would not be permitted in the absence of a merger under section 501B.26 or 501B.29.

c. The plan of merger must be approved by the members of each unincorporated nonprofit association that is a constituent organization in the merger. If a plan of merger would impose personal liability for an obligation of a constituent or surviving organization on a member of an association that is a party to the merger, the plan may not take effect unless it is approved in a record by the member.

d. Subject to the contractual rights of third parties, after a plan of merger is approved and at any time before the merger is effective, a constituent organization may amend the plan or abandon the merger as provided in the plan, or except as otherwise prohibited in the plan, with the same consent as was required to approve the plan.

e. Following approval of the plan, a merger under this section is effective as follows:

(1) If a constituent organization is required to give notice to or obtain the approval of a governmental agency or officer in order to be a party to a merger, when the notice has been given and the approval has been obtained.

(2) For the surviving organization the following apply:

(a) If the surviving organization is an unincorporated nonprofit association, as specified in the plan of merger and upon compliance by any constituent organization that is not an association with any requirements, including any required filings in the office of the secretary of state, of the organization's governing statute.

(b) If the surviving organization is not an unincorporated nonprofit association, as provided by the statute governing the surviving organization.

4. When a merger becomes effective all of the following

apply:

- a.* The surviving organization continues or comes into existence.
 - b.* Each constituent organization that merges into the surviving organization ceases to exist as a separate entity.
 - c.* All property owned by each constituent organization that ceases to exist vests in the surviving organization.
 - d.* All debts, obligations, or other liabilities of each nonsurviving organization continue as debts, obligations, or other liabilities of the surviving organization.
 - e.* An action or proceeding pending by or against any nonsurviving organization may be continued as if the merger had not occurred.
 - f.* Except as prohibited by law other than this chapter, all of the rights, privileges, immunities, powers, and purposes of each constituent organization that ceases to exist vest in the surviving organization.
 - g.* Except as otherwise provided in the plan of merger, the terms and conditions of the plan of merger take effect.
 - h.* The merger does not affect the personal liability, if any, of a member or manager of a constituent organization for a debt, obligation, or other liability incurred before the merger is effective.
 - i.* A surviving organization that is not organized in this state is subject to the jurisdiction of the courts of this state to enforce any debt, obligation, or other liability owed by a constituent organization, if before the merger the constituent organization was subject to suit in this state for the debt, obligation, or other liability.
5. Property held for a charitable purpose under the law of this state by a constituent organization immediately before a merger under this section becomes effective may not, as a result of the merger, be diverted from the objects for which it was given, unless, to the extent required by or pursuant to the law of this state concerning *cy pres* or other law dealing with nondiversion of charitable assets, the organization obtains an appropriate order from the district court specifying the disposition of the property.
6. A bequest, devise, gift, grant, or promise contained in a will or other instrument of donation, subscription, or conveyance that is made to a nonsurviving organization and that takes effect or remains payable after the merger inures to the surviving organization. A trust obligation that would

govern property if transferred to the nonsurviving organization applies to property that is transferred to the surviving organization under this section.

Sec. 31. NEW SECTION. 501B.31 Uniformity of application and construction.

In applying and construing this chapter, consideration shall be given to the need to promote uniformity of the law with respect to its subject matter among states that enact the revised uniform unincorporated nonprofit association Act as recommended by the national conference of commissioners on uniform state laws.

Sec. 32. NEW SECTION. 501B.32 Relation to electronic signatures in global and national commerce Act.

This chapter modifies, limits, and supersedes the federal Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001, et seq., but does not modify, limit, or supersede section 101(c) of that Act, 15 U.S.C. § 7001(c), or authorize electronic delivery of any of the notices described in section 103(b) of that Act, 15 U.S.C. § 7003(b).

Sec. 33. *Savings clause*. This division of this Act does not affect an action or proceeding commenced or right accrued before the effective date of this division of this Act.

DIVISION II

OTHER AMENDMENTS

Sec. 34. Section 9H.1, Code 2009, is amended by adding the following new subsections:

NEW SUBSECTION. 5A. "*Authorized unincorporated nonprofit association*" means an unincorporated nonprofit association to which all of the following apply:

- a. The members do not exceed twenty-five in number.
- b. The members are all natural persons or persons acting in a fiduciary capacity for the benefit of a natural person or unincorporated nonprofit association.

NEW SUBSECTION. 11A. "*Family farm unincorporated nonprofit association*" means an unincorporated nonprofit association to which all of the following apply:

- a. The association is founded for the purpose of farming and the ownership of agricultural land and the majority of the members are persons related to each other as spouse, parent, grandparent, lineal ascendants of grandparents or their spouses and other lineal descendants of the grandparents or their spouses, or persons acting in a fiduciary capacity for persons so related.

b. All of its members are natural persons or persons acting in a fiduciary capacity for the benefit of natural persons or family trusts.

c. Sixty percent of the gross revenues of the unincorporated nonprofit association over the last consecutive three-year period comes from farming.

NEW SUBSECTION. 23. "*Unincorporated nonprofit association*" means the same as defined in section 501B.2.

Sec. 35. Section 9H.4, subsection 1, unnumbered paragraph 1, Code Supplement 2009, is amended to read as follows:

A corporation, limited liability company, ~~or~~ trust, or unincorporated nonprofit association, other than a family farm corporation, authorized farm corporation, family farm limited liability company, authorized limited liability company, family trust, authorized trust, revocable trust, ~~or~~ testamentary trust, family farm unincorporated nonprofit association, or authorized unincorporated nonprofit association shall not, either directly or indirectly, acquire or otherwise obtain or lease any agricultural land in this state. However, the restrictions provided in this section shall not apply to the following:

Sec. 36. Section 9H.4, subsection 1, Code Supplement 2009, is amended by adding the following new paragraph:

NEW PARAGRAPH. 1. Agricultural land that is owned, leased, or otherwise held by an unincorporated nonprofit association on the effective date of this Act, as long as the unincorporated nonprofit association continues to hold or lease such agricultural land.

Sec. 37. Section 9H.4, subsection 2, Code Supplement 2009, is amended to read as follows:

2. A corporation, limited liability company, ~~or~~ trust, or unincorporated nonprofit association, other than a family farm corporation, authorized farm corporation, family farm limited liability company, authorized limited liability company, family trust, authorized trust, revocable trust, ~~or~~ testamentary trust, family farm unincorporated nonprofit association, or authorized unincorporated nonprofit association, violating this section shall be assessed a civil penalty of not more than twenty-five thousand dollars and shall divest itself of any land held in violation of this section within one year after judgment. The courts of this state may prevent and restrain violations of this section through the issuance of an injunction. The attorney general or a county attorney shall

institute suits on behalf of the state to prevent and restrain violations of this section.

Sec. 38. Section 9H.5, subsection 1, Code 2009, is amended to read as follows:

1. An authorized farm corporation, authorized limited liability company, or authorized trust shall not, on or after July 1, 1987, ~~and~~ a limited partnership other than a family farm limited partnership shall not, on or after July 1, 1988, and an authorized unincorporated nonprofit association shall not, on or after the effective date of this Act, either directly or indirectly, acquire or otherwise obtain or lease agricultural land, if the total agricultural land either directly or indirectly owned or leased by the authorized farm corporation, authorized limited liability company, limited partnership, ~~or authorized trust,~~ or authorized unincorporated nonprofit association would then exceed one thousand five hundred acres.

a. However, the restrictions provided in this subsection do not apply to agricultural land that is leased by an authorized farm corporation, authorized trust, ~~or limited partnership,~~ or authorized unincorporated nonprofit association to the immediate prior owner of the land for the purpose of farming, as defined in section 9H.1. Upon cessation of the lease to the immediate prior owner, the authorized farm corporation, authorized trust, ~~or limited partnership,~~ or authorized unincorporated nonprofit association shall, within three years following the date of the cessation, sell or otherwise dispose of the agricultural land leased to the immediate prior owner.

b. This subsection also does not apply to land that is held or acquired and maintained by an authorized farm corporation, authorized trust, ~~or limited partnership,~~ or authorized unincorporated nonprofit association to protect significant elements of the state's natural open space heritage, including but not limited to significant river, lake, wetland, prairie, forest areas, other biologically significant areas, land containing significant archaeological, historical, or cultural value, or fish or wildlife habitats, as defined in rules adopted by the department of natural resources.

Sec. 39. Section 9H.5, Code 2009, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. a. A person shall not, after the effective date of this Act, become a member of an authorized unincorporated nonprofit association, that owns or leases agricultural land if the person is also any of the following:

- (1) A stockholder of an authorized farm corporation.
- (2) A beneficiary of an authorized trust.
- (3) A limited partner in a limited partnership which owns or leases agricultural land.
- (4) A member of an authorized limited liability company.
- (5) A member of another authorized unincorporated nonprofit association.

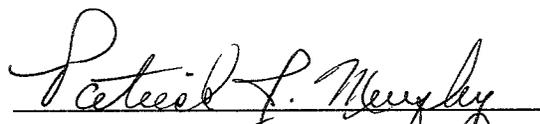
b. A person shall not, after the effective date of this Act, become a stockholder of an authorized farm corporation, a beneficiary of an authorized trust, a limited partner in a limited partnership, or a member of an authorized limited liability company that owns or leases agricultural land, if the person is a member of an authorized unincorporated nonprofit association.

c. This subsection shall not apply to limited partners in a family farm limited partnership.

Sec. 40. Section 9H.5, subsection 3, paragraph a, Code 2009, is amended to read as follows:

a. An authorized farm corporation, authorized trust, authorized limited liability company, ~~or~~ limited partnership, or authorized unincorporated nonprofit association violating this section shall be assessed a civil penalty of not more than twenty-five thousand dollars and shall divest itself of any land held in violation of this section within one year after judgment. A civil penalty of not more than one thousand dollars may be imposed on a person who becomes a stockholder of an authorized farm corporation, beneficiary of an authorized trust, member of an authorized limited liability company, ~~or~~ limited partner in a limited partnership, or member in an authorized unincorporated nonprofit association in violation of this section. The person shall divest the interest held by the person in the corporation, trust, limited liability company, ~~or~~ limited partnership, or authorized unincorporated nonprofit association to comply with this section. The court may determine the method of divesting an interest held by a person found to be in violation of this chapter. A financial gain realized by a person who disposes of an interest held in violation of this chapter shall be forfeited to the state's

general fund. All court costs and fees shall be paid by the person holding the interest in violation of this chapter.

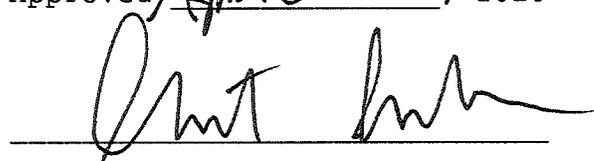

PATRICK J. MURPHY
Speaker of the House


JOHN P. KIBBIE
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 726, Eighty-third General Assembly.


MARK BRANDSGARD
Chief Clerk of the House

Approved April 7th, 2010


CHESTER J. CULVER
Governor