

# REPRINTED

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Place On Calendar

HOUSE FILE **2335**  
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 501)

Passed House, Date <sup>(p. 724)</sup> 3/16/98 Passed Senate, Date <sup>(p. 1122)</sup> 4-7-98  
Vote: Ayes 64 Nays 35 Vote: Ayes 45 Nays 0  
Approved April 16, 1998

## A BILL FOR

1 An Act relating to persons holding interests in agricultural land  
2 and providing penalties and an effective date.

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

4  
5

### HOUSE FILE 2335

#### H-8146

- 1 Amend House File 2335 as follows:
- 2 1. Page 1, by striking lines 16 through 19 and
- 3 inserting the following: "organized under chapter
- 4 497, 498, 499, or 501."
- 5 2. Page 11, by striking lines 19 through 23 and
- 6 inserting the following:
- 7 "\_\_\_\_\_. "Cooperative association" means the same as
- 8 defined in section 10.1."

H-8146 FILED MARCH 2, 1998

*lost 3/16/98 (p. 719)*

By GREINER of Washington  
*Motion to Rk by Dolegler 3/16/98*  
*Motion to Rk Lost*

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HF 2335

DIVISION I

LANDHOLDING RESTRICTIONS

SUBCHAPTER I -- GENERAL

Section 101. NEW SECTION. 10.1 DEFINITIONS.

As used in this chapter and in chapter 10B, unless the context otherwise requires:

1. "Actively engaged in farming" means the same as defined in section 9H.1.

2. "Agricultural land" means the same as defined in section 9H.1.

3. "Authorized entity" means an authorized farm corporation; authorized limited liability company; limited partnership, other than a family farm limited partnership; or an authorized trust as defined in section 9H.1.

4. "Cooperative association" means an entity which is structured and operated on a cooperative basis pursuant to 26 U.S.C. § 1381(a) and which meets the definitional requirements of an association as provided in 12 U.S.C. § 1141(j)(a) or 7 U.S.C. § 291.

5. "Family farm entity" means a family farm corporation, family farm limited liability company, family farm limited partnership, or family trust, as defined in section 9H.1.

6. "Farm estate" means the real and personal property of a decedent, a ward, or a trust as provided in chapter 633, if at least sixty percent of the gross receipts from the estate comes from farming.

7. "Farmers cooperative association" means an association organized under chapter 499, if seventy percent of the association's voting stock is held by qualified persons.

8. "Farmers cooperative limited liability company" means a limited liability company if all of the following apply:

a. One hundred percent of the voting membership interest is held by cooperative associations.

b. At least fifty-one percent of the stock and fifty-one percent of the voting stock is held by farmers cooperative

1 associations.

2 9. "Farmers entity" means a networking farmers entity,  
3 farmers cooperative limited liability company, or farmers  
4 cooperative association.

5 10. "Farming" means the same as defined in section 9H.1.

6 11. "Grain" means the same as defined in section 203.1.

7 12. "Livestock" means an animal belonging to the bovine,  
8 caprine, equine, ovine, or porcine species, ostriches, rheas,  
9 emus, farm deer as defined in section 481A.1, or poultry.

10 13. "Networking farmers corporation" means a corporation,  
11 other than a family farm corporation as defined in section  
12 9H.1, organized under chapter 490 if all of the following  
13 conditions are satisfied:

14 a. At least seventy percent of the corporation's stock is  
15 held by qualified persons.

16 b. At least seventy percent of the corporation's voting  
17 stock is held by qualified persons.

18 14. "Networking farmers entity" means a networking farmers  
19 corporation or networking farmers limited liability company.

20 15. "Networking farmers limited liability company" means a  
21 limited liability company, other than a family farm limited  
22 liability company as defined in section 9H.1, organized under  
23 chapter 490A if all of the following conditions are satisfied:

24 a. At least seventy percent of the membership interest is  
25 held by qualified persons.

26 b. At least seventy percent of votes that may be cast by  
27 members of the limited liability company is held by qualified  
28 persons.

29 16. "Qualified person" means any of the following:

30 a. A natural person actively engaged in farming.

31 b. A general partnership as provided in chapter 486 in  
32 which all partners are natural persons actively engaged in  
33 farming.

34 c. A family farm entity.

35 d. A person who owns at least one hundred fifty acres of

1 agricultural land and receives as rent a share of the crops or  
2 the animals raised on the land, provided that the person is a  
3 natural person or a general partnership as provided in chapter  
4 486 in which all persons are natural persons.

5 e. A farm estate.

6 Sec. 102. NEW SECTION. 10.2 INTERESTS DESCRIBED.

7 As used in this chapter, the following apply:

8 1. A person holds an interest in agricultural land if the  
9 person either directly or indirectly owns or leases the  
10 agricultural land in this state.

11 2. A person holds an interest in a farmers entity if the  
12 person holds an interest as any of the following:

13 a. A shareholder of a networking farmers corporation.

14 b. A member of a networking farmers limited liability  
15 company.

16 c. A member of a farmers cooperative association.

17 d. A member of a farmers cooperative limited liability  
18 company.

19 SUBCHAPTER II -- RESTRICTIONS

20 PART 1

21 NETWORKING FARMERS CORPORATIONS

22 Sec. 103. NEW SECTION. 10.3 LANDHOLDINGS RESTRICTED.

23 1. Notwithstanding section 9H.4, a networking farmers  
24 corporation may hold agricultural land in this state if it  
25 meets all of the following conditions:

26 a. The networking farmers corporation does not hold an  
27 interest in agricultural land of more than one thousand five  
28 hundred acres.

29 b. At least seventy-five percent of the networking farmers  
30 corporation's gross receipts are from the sale of livestock or  
31 livestock products.

32 2. a. An interest in agricultural land held by a  
33 networking farmers corporation shall be attributable as an  
34 interest in agricultural land held by a shareholder having a  
35 ten percent or greater interest in the networking farmers

1 corporation. The shareholder shall be deemed to hold an  
2 interest in agricultural land held by the networking farmers  
3 corporation in proportion to the interest that the shareholder  
4 holds in the networking farmers corporation.

5 b. Except to the extent provided in this paragraph, a  
6 shareholder holding agricultural land by attribution shall be  
7 subject to landholding restrictions imposed pursuant to the  
8 Code, including sections 9H.4, 9H.5, 501.103, and 567.3.

9 However, notwithstanding section 9H.4, a cooperative  
10 association may hold an interest in any number of farmers  
11 entities, if the total number of acres held by the farmers  
12 entities and attributable to the cooperative association is  
13 one thousand five hundred acres or less.

14 c. The shareholder's proportionate interest shall be  
15 calculated by multiplying the number of acres of agricultural  
16 land held by the networking farmers corporation by the  
17 percentage interest in the networking farmers corporation held  
18 by the shareholder.

19 3. In the event of a transfer of an interest in the  
20 networking farmers corporation by operation of law as a result  
21 of death, divorce, or bankruptcy, or pursuant to a security  
22 interest, the corporation may disregard the transfer for  
23 purposes of determining compliance with subsection 1 for a  
24 period of two years after the transfer.

25 Sec. 104. NEW SECTION. 10.4 MULTIPLE INTERESTS  
26 RESTRICTED.

27 1. A person who holds an interest in a networking farmers  
28 corporation holding an interest in agricultural land pursuant  
29 to section 10.3 shall not hold an interest in another farmers  
30 entity if any of the following applies:

31 a. The person holds a twenty-five percent or greater  
32 interest in a networking farmers corporation having six or  
33 fewer stockholders.

34 b. The person holds a fifteen percent or greater interest  
35 in a networking farmers corporation having seven or more

1 stockholders.

2 2. A person who holds a majority interest in an authorized  
3 entity shall not hold a majority interest in a networking  
4 farmers corporation.

5 PART 2

6 NETWORKING FARMERS

7 LIMITED LIABILITY COMPANIES

8 Sec. 105. NEW SECTION. 10.5 LANDHOLDINGS RESTRICTED.

9 1. Notwithstanding section 9H.4, a networking farmers  
10 limited liability company may hold agricultural land in this  
11 state if it meets all of the following conditions:

12 a. The networking farmers limited liability company does  
13 not hold an interest in agricultural land of more than one  
14 thousand five hundred acres.

15 b. At least seventy-five percent of the networking farmers  
16 limited liability company's gross receipts from farming are  
17 from the sale of livestock or livestock products.

18 2. a. An interest in agricultural land held by a  
19 networking farmers limited liability company shall be  
20 attributable as an interest in agricultural land held by a  
21 member having a ten percent or greater interest in the  
22 networking farmers limited liability company. The member  
23 shall be deemed to hold an interest in agricultural land held  
24 by the networking farmers limited liability company in  
25 proportion to the interest that the member holds in the  
26 networking farmers limited liability company.

27 b. Except to the extent provided in this paragraph, a  
28 member holding agricultural land by attribution shall be  
29 subject to landholding restrictions imposed pursuant to the  
30 Code, including sections 9H.4, 9H.5, 501.103, and 567.3.  
31 However, notwithstanding section 9H.4, a cooperative  
32 association may hold an interest in any number of farmers  
33 entities, if the total number of acres held by the farmers  
34 entities and attributable to the cooperative association is  
35 one thousand five hundred acres or less.

1 c. The member's proportionate interest shall be calculated  
2 by multiplying the number of acres of agricultural land held  
3 by the networking farmers limited liability company by the  
4 percentage interest in the networking farmers limited  
5 liability company held by the member.

6 3. In the event of a transfer of an interest in the  
7 networking farmers limited liability company by operation of  
8 law as a result of death, divorce, or bankruptcy, or pursuant  
9 to a security interest, the networking farmers limited  
10 liability company may disregard the transfer for purposes of  
11 determining compliance with subsection 1 for a period of two  
12 years after the transfer.

13 Sec. 106. NEW SECTION. 10.6 MULTIPLE INTERESTS  
14 RESTRICTED.

15 1. A person who holds an interest in a networking farmers  
16 limited liability company holding an interest in agricultural  
17 land pursuant to section 10.5 shall not hold an interest in  
18 another farmers entity, if any of the following applies:

19 a. The person holds a twenty-five percent or greater  
20 interest in a networking farmers limited liability company  
21 having six or fewer members.

22 b. The person holds a fifteen percent or greater interest  
23 in a networking farmers limited liability company having seven  
24 or more members.

25 2. A person who holds a majority interest in an authorized  
26 entity shall not hold a majority interest in a networking  
27 farmers limited liability company.

28 PART 3

29 FARMERS COOPERATIVE ASSOCIATIONS

30 Sec. 107. NEW SECTION. 10.7 LANDHOLDINGS RESTRICTED.

31 1. Notwithstanding section 9H.4, a farmers cooperative  
32 association may hold agricultural land in this state if it  
33 meets all of the following conditions:

34 a. The farmers cooperative association does not hold an  
35 interest in agricultural land of more than one thousand five

1 hundred acres.

2     b. The farmers cooperative association does not produce,  
3 including by planting or harvesting, grain or forage on  
4 agricultural land in which the farmers cooperative association  
5 has an interest. However, the farmers cooperative association  
6 may enter into an agreement under a lease or production  
7 contract with a person to produce the forage or grain, if the  
8 farmers cooperative association does not receive forage or  
9 grain in payment under the agreement. The lease or contract  
10 may specify the type of forage or crop that must be produced  
11 and provide that the farmers cooperative association has a  
12 right to purchase the forage or grain on the same terms and  
13 conditions as the highest bona fide offer received by the  
14 person for the forage or grain, within a period agreed to by  
15 the parties to the lease or production contract.

16     2. a. An interest in agricultural land held by a farmers  
17 cooperative association shall be attributable as an interest  
18 in agricultural land held by a member having a ten percent or  
19 greater interest in the farmers cooperative association. The  
20 member shall be deemed to hold an interest in agricultural  
21 land held by the farmers cooperative association in proportion  
22 to the interest that the member holds in the farmers  
23 cooperative association.

24     b. Except to the extent provided in this paragraph, a  
25 member holding agricultural land by attribution shall be  
26 subject to landholding restrictions imposed pursuant to the  
27 Code, including sections 9H.4, 9H.5, 501.103, and 567.3.  
28 However, notwithstanding section 9H.4, a cooperative  
29 association may hold an interest in any number of farmers  
30 entities, if the total number of acres held by the farmers  
31 entities and attributable to the cooperative association is  
32 one thousand five hundred acres or less.

33     c. The member's proportionate interest shall be calculated  
34 by multiplying the number of acres of agricultural land held  
35 by the farmers cooperative association by the percentage



1 interest in the farmers cooperative association held by the  
2 member.

3 3. In the event of a transfer of an interest in a farmers  
4 cooperative association by operation of law as a result of  
5 death, divorce, or bankruptcy, or pursuant to a security  
6 interest, the association may disregard the transfer for  
7 purposes of determining compliance with subsection 1 for a  
8 period of two years after the transfer.

9 Sec. 108. NEW SECTION. 10.8 MULTIPLE INTERESTS

10 RESTRICTED.

11 1. A person who holds an interest in a farmers cooperative  
12 association holding an interest in agricultural land pursuant  
13 to section 10.7 shall not hold an interest in another farmers  
14 entity if any of the following applies:

15 a. The person holds a twenty-five percent or greater  
16 interest in a farmers cooperative association having six or  
17 fewer members.

18 b. The person holds a fifteen percent or greater interest  
19 in a farmers cooperative association having seven or more  
20 members.

21 2. A person who holds a majority interest in an authorized  
22 entity shall not hold a majority interest in a farmers  
23 cooperative association.

24 PART 4

25 FARMERS COOPERATIVE LIMITED

26 LIABILITY COMPANIES

27 Sec. 109. NEW SECTION. 10.9 LANDHOLDINGS RESTRICTED.

28 1. Notwithstanding section 9H.4, a farmers cooperative  
29 limited liability company may hold agricultural land in this  
30 state if it meets all of the following conditions:

31 a. The farmers cooperative limited liability company does  
32 not hold an interest in agricultural land of more than one  
33 thousand five hundred acres.

34 b. The farmers cooperative limited liability company does  
35 not produce, including by planting or harvesting, grain or

1 forage on agricultural land in which the farmers cooperative  
2 limited liability company has an interest. However, the  
3 farmers cooperative limited liability company may enter into  
4 an agreement under a lease or production contract with a  
5 person to produce the forage or grain, if the farmers limited  
6 liability company does not receive forage or grain in payment  
7 under the agreement. The lease or contract may specify the  
8 type of forage or crop that must be produced and provide that  
9 the farmers cooperative limited liability company has a right  
10 to purchase the forage or grain on the same terms and  
11 conditions as the highest bona fide offer received by the  
12 person for the forage or grain, within a period agreed to by  
13 the parties to the lease or production contract.

14 2. a. An interest in agricultural land held by a farmers  
15 cooperative limited liability company shall be attributable as  
16 an interest in agricultural land held by a member cooperative  
17 association of the farmers cooperative limited liability  
18 company. The member cooperative association shall be deemed  
19 to hold an interest in agricultural land held by the farmers  
20 cooperative limited liability company in proportion to the  
21 interest that the member cooperative association holds in the  
22 limited liability company.

23 b. Except to the extent provided in this paragraph, a  
24 member holding agricultural land by attribution shall be  
25 subject to landholding restrictions imposed pursuant to the  
26 Code, including sections 9H.4, 9H.5, 501.103, and 567.3.  
27 However, notwithstanding section 9H.4, a cooperative  
28 association may hold an interest in any number of farmers  
29 entities, if the total number of acres held by the farmers  
30 entities and attributable to the cooperative association is  
31 one thousand five hundred acres or less.

32 c. The member cooperative association's proportionate  
33 interest shall be calculated by multiplying the number of  
34 acres of agricultural land held by the farmers cooperative  
35 limited liability company by the percentage interest in the

1 limited liability company held by the cooperative association  
2 as a member.

3 3. In the event of a transfer of an interest in the  
4 farmers cooperative limited liability company by operation of  
5 law as a result of bankruptcy, or pursuant to a security  
6 interest, the networking farmers cooperative limited liability  
7 company may disregard the transfer for purposes of determining  
8 compliance with subsection 1 for a period of two years after  
9 the transfer.

10 SUBCHAPTER III -- PENALTIES

11 Sec. 110. NEW SECTION. 10.10 LANDHOLDING RESTRICTIONS --  
12 PENALTIES.

13 A person violating the landholding restrictions in section  
14 10.3, 10.5, 10.7, or 10.9 shall be assessed a civil penalty of  
15 not more than ten thousand dollars and shall divest itself of  
16 any land held in violation of the section within one year  
17 after judgment is entered ordering the farmers entity to  
18 comply with that section, as provided in section 10.13.

19 Sec. 111. NEW SECTION. 10.11 MULTIPLE INTERESTS  
20 RESTRICTED -- PENALTIES.

21 1. A civil penalty of not more than one thousand dollars  
22 may be imposed on a person who becomes one of the following:

23 a. A stockholder of a networking farmers corporation as  
24 prohibited in section 10.4.

25 b. A member of a networking farmers limited liability  
26 company as prohibited in section 10.6.

27 c. A member of a farmers cooperative association as  
28 prohibited in section 10.8.

29 2. The person violating the section shall divest the  
30 interest held by the person in a farmers entity or authorized  
31 entity as is necessary to comply with this chapter, as  
32 provided in section 10.13.

33 Sec. 112. NEW SECTION. 10.12 DIVESTITURE PROCEEDINGS.

34 The court may determine the method of divesting an interest  
35 held by a person found to be in violation of this chapter. A

1 financial gain realized by a person who disposes of an  
2 interest held in violation of this chapter shall be forfeited  
3 to the state's general fund. All court costs and fees shall  
4 be paid by the person holding the interest in violation of the  
5 section.

6 Sec. 113. NEW SECTION. 10.13 INJUNCTIVE RELIEF.

7 The courts of this state may prevent and restrain  
8 violations of this chapter through the issuance of an  
9 injunction. The attorney general or a county attorney shall  
10 institute suits on behalf of the state to prevent and restrain  
11 violations of this chapter.

12 DIVISION II

13 REPORTS

14 Sec. 201. NEW SECTION. 10B.1 DEFINITIONS.

15 As used in this chapter, unless the context otherwise  
16 requires:

17 1. "Agricultural land" means the same as defined in  
18 section 9H.1.

19 2. "Cooperative association" means any entity organized on  
20 a cooperative basis, including an association of persons  
21 organized under chapter 497, 498, or 499; an entity composed  
22 of entities organized under those chapters; or a cooperative  
23 corporation organized under chapter 501.

24 3. "Corporation" means a domestic or foreign corporation,  
25 including an entity organized pursuant to chapter 490, or a  
26 nonprofit corporation.

27 4. "Farming" means the same as defined in section 9H.1.

28 5. "Foreign business" means the same as defined in section  
29 567.1.

30 6. "Foreign government" means the same as defined in  
31 section 567.1.

32 7. "Limited liability company" means a foreign or domestic  
33 limited liability company, including a limited liability  
34 company as defined in section 490A.102.

35 8. "Limited partnership" means a foreign or domestic

1 limited partnership, including a limited partnership as  
2 defined in section 487.101, subsection 7.

3 9. "Nonprofit corporation" means any of the following:

4 a. A corporation organized under the provisions of former  
5 chapter 504 or chapter 504A.

6 b. A corporation which qualifies under Title 26, section  
7 501, of the United States Code.

8 10. "Nonresident alien" means the same as defined in  
9 section 567.1.

10 11. "Reporting entity" means any of the following:

11 a. A corporation, other than a family farm corporation as  
12 defined in section 9H.1, including an authorized farm  
13 corporation or networking farmers corporation, holding an  
14 interest in agricultural land in this state.

15 b. A cooperative association holding an interest in  
16 agricultural land in this state.

17 c. A limited partnership, other than a family farm limited  
18 partnership as defined in section 9H.1, holding an interest in  
19 agricultural land in this state.

20 d. A person acting in a fiduciary capacity or as a trustee  
21 on behalf of a person, including a corporation, cooperative  
22 association, limited liability company, or limited  
23 partnership, which holds in a trust, other than through a  
24 family trust as defined in section 9H.1, including through an  
25 authorized trust, an interest in agricultural land in this  
26 state.

27 e. A limited liability company, other than a family farm  
28 limited liability company as defined in section 9H.1,  
29 including an authorized limited liability company, networking  
30 farmers limited liability company, or farmers cooperative  
31 limited liability company, holding an interest in agricultural  
32 land in this state.

33 f. A foreign business holding an interest in agricultural  
34 land in this state as provided in chapter 567.

35 g. A foreign government holding an interest in

1 agricultural land in this state as provided in chapter 567.

2 h. A nonresident alien holding an interest in agricultural  
3 land in this state as provided in chapter 567.

4 Sec. 202. NEW SECTION. 10B.2 INTERESTS DESCRIBED.

5 A reporting entity holds an interest in agricultural land  
6 if the reporting entity directly or indirectly owns or leases  
7 agricultural land in this state.

8 Sec. 203. NEW SECTION. 10B.3 PERSONS REQUIRED TO FILE  
9 REPORTS.

10 The reports required under section 10B.4 shall be signed  
11 and filed by the following individuals required to submit  
12 reports pursuant to that section for their respective  
13 reporting entities:

14 1. A person serving as the president or other officer or  
15 authorized representative of a corporation.

16 2. A person serving as the president or other officer or  
17 authorized representative of a cooperative association.

18 3. A person acting as the general partner of a limited  
19 partnership.

20 4. A person acting in a fiduciary capacity or as a trustee  
21 on behalf of a person.

22 5. A person who is a member, manager, or authorized  
23 representative of a limited liability company.

24 6. A person serving as the president or other officer or  
25 authorized representative of a foreign business.

26 7. A person authorized to make the report by a foreign  
27 government.

28 8. A nonresident alien or an agent, trustee, or fiduciary  
29 of the nonresident alien.

30 Sec. 204. NEW SECTION. 10B.4 REPORTING REQUIREMENTS.

31 1. An annual report shall be filed by a reporting entity  
32 with the secretary of state on or before March 31 of each year  
33 as required by rules adopted by the secretary of state  
34 pursuant to chapter 17A. The reports shall be filed on forms  
35 prepared and supplied by the secretary of state.

1        2. A report required pursuant to this section shall  
2 contain information for the last year regarding the reporting  
3 entity as required by the secretary of state which shall at  
4 least include all of the following:

5        a. The name and address of the reporting entity.

6        b. The name and address of the person supervising the  
7 daily operations on the agricultural land in which the  
8 reporting entity holds an interest.

9        c. The following information regarding each person who  
10 holds an interest in the reporting entity:

11        (1) The name and address of the person.

12        (2) The person's citizenship, if other than the United  
13 States.

14        (3) The percentage interest held by the person in the  
15 reporting entity, unless the person is a natural person who  
16 holds ten percent or less of a reporting entity.

17        d. The percentage interest that a reporting entity holds  
18 in another reporting entity, and the number of acres of  
19 agricultural land that is attributable to the reporting entity  
20 which holds an interest in another reporting entity as  
21 provided in chapter 10.

22        e. A certification that the reporting entity meets all of  
23 the requirements to lawfully hold agricultural land in this  
24 state.

25        f. The number of acres of agricultural land held by the  
26 reporting entity, including the following:

27        (1) The total number of acres in the state.

28        (2) The number of acres in each county identified by  
29 county name.

30        (3) The number of acres owned.

31        (4) The number of acres leased.

32        (5) The number of acres held other than by ownership or  
33 lease.

34        (6) The number of acres used for the production of row  
35 crops.

1 3. A reporting entity other than a foreign business,  
2 foreign government, or nonresident alien shall be excused from  
3 filing a report with the secretary of state during any year in  
4 which the reporting entity holds an interest in less than  
5 twenty acres of agricultural land in this state and the gross  
6 revenue produced from all farming on the land equals less than  
7 ten thousand dollars.

8 Sec. 205. NEW SECTION. 10B.5 USE OF REPORTS.

9 1. Notwithstanding chapter 22, reports required in this  
10 chapter shall be confidential reports except as to the  
11 attorney general for review and appropriate action when  
12 necessary, including the enforcement of chapter 9H, 501, or  
13 567.

14 2. The secretary of state shall notify the attorney  
15 general when the secretary of state has reason to believe a  
16 violation of this chapter has occurred.

17 3. Information provided in reports required in this  
18 chapter shall be made available to members of the general  
19 assembly and appropriate committees of the general assembly in  
20 order to determine the extent that agricultural land is held  
21 in this state by corporations and other business and foreign  
22 entities and the effect of such land ownership upon the  
23 economy of this state. The secretary of state shall assist  
24 any committee of the general assembly studying these issues.  
25 However, the secretary of state shall not reveal information  
26 which identifies a particular reporting entity.

27 Sec. 206. NEW SECTION. 10B.6 PENALTIES.

28 1. The failure to timely file a report or the filing of  
29 false information in a report as provided in section 10B.4 is  
30 punishable by a civil penalty not to exceed one thousand  
31 dollars.

32 2. The secretary of state shall notify a reporting entity  
33 which the secretary of state has reason to believe is required  
34 to file a report and who has not filed a timely report, that  
35 the person may be in violation of section 10B.4. The



1 secretary of state shall include in the notice a statement of  
2 the penalty which may be assessed if the required report is  
3 not filed within thirty days. The secretary of state shall  
4 refer to the attorney general any reporting entity which the  
5 secretary of state has reason to believe is required to report  
6 if, after thirty days from receipt of the notice, the  
7 reporting entity has not filed the required report. The  
8 attorney general may, upon referral from the secretary of  
9 state, file an action in district court to seek the assessment  
10 of a civil penalty of one hundred dollars for each day the  
11 report is not filed.

12 Sec. 207. SUSPENSION OF REPORTING REQUIREMENTS.

13 1. A person required to file a report with the secretary  
14 of state pursuant to this chapter is not required to file a  
15 report with the secretary of state pursuant to section 9H.5A  
16 or 501.103, subsection 3, or section 567.8.

17 2. This section is repealed on July 1, 2000.

18 DIVISION III

19 EFFECTIVE DATE

20 Sec. 301. EFFECTIVE DATE. This Act, being deemed of  
21 immediate importance, takes effect upon enactment.

22 EXPLANATION

23 This bill creates new Code chapter 10, allowing several  
24 types of entities to hold agricultural land in this state, and  
25 Code chapter 10B which provides for uniform reporting  
26 requirements for entities previously required to report under  
27 chapters 9H, 501, and 567.

28 DIVISION I

29 Current Law

30 Generally, Code section 9H.4 prohibits entities, such as  
31 corporations (including cooperative associations), limited  
32 liability companies, and limited partnerships from holding  
33 agricultural land. Code Chapter 9H provides several  
34 exceptions to this prohibition. Specifically, two types of  
35 entities can hold agricultural land: family farm entities and

1 authorized entities. There is no restriction on the amount of  
2 agricultural land that a family farm entity may hold or the  
3 number of entities that a person can join as a stockholder. A  
4 family farm entity can be organized as a family farm  
5 corporation, family farm limited liability company, family  
6 farm limited partnership, or family trust. An authorized  
7 entity can be organized as an authorized farm corporation,  
8 authorized limited liability company, authorized trust, or  
9 limited partnership. An authorized entity such as an  
10 authorized corporation must also meet certain qualifications.  
11 An authorized entity is prohibited from holding more than  
12 1,500 acres of agricultural land. A person cannot hold an  
13 interest in two or more authorized entities.

14 Code chapter 567 prohibits persons who are nonresident  
15 aliens, foreign businesses, or foreign governments, from  
16 purchasing or otherwise acquiring agricultural land in this  
17 state.

18 Code chapter 501 provides that, notwithstanding Code  
19 chapter 9H, a cooperative corporation can hold agricultural  
20 land, but under somewhat different restrictions than provided  
21 under Code chapter 9H. The chapter provides that a person who  
22 owns 15 percent or more of the shares in a cooperative  
23 corporation cannot belong to another cooperative corporation.  
24 A cooperative corporation cannot hold more than 640 acres.

25 New Code chapter 10

26 Under this bill there are four ways in which an entity may  
27 hold agricultural land. Land may be held by networking  
28 farmers corporations and networking farmers limited liability  
29 companies which must comply with identical requirements. Land  
30 may be held by farmers cooperative associations (local  
31 cooperatives organized under Code chapter 499 meeting special  
32 requirements), and farmers cooperative limited liability  
33 companies which are made up of any number of cooperative  
34 associations, including local or regional cooperatives. All  
35 these entities are referred to as "farmers entities". The

1 bill provides restrictions upon the number of networking  
2 farmers entities that a person can belong to. The bill  
3 provides that membership in a farmers entity is not limited to  
4 individuals. A farmers entity cannot hold more than 1,500  
5 acres of agricultural land.

6 The bill provides that in order to qualify as a networking  
7 farmers entity a corporation or limited liability company must  
8 meet criteria requirements. For example, in the case of a  
9 networking farmers corporation, at least 70 percent of the  
10 corporation's stock must be held by qualified persons who are  
11 farmers, general partnerships made up of farmers, family farm  
12 entities, owners of land who receive crop share as rent, or  
13 farm estates. In addition, at least 75 percent of the  
14 corporation's receipts must come from livestock. A member of  
15 a networking farmers corporation can only be a member of  
16 another networking farmers corporation or a farmers  
17 cooperative association, if certain conditions exist. For  
18 networking farmers corporations with six or fewer members, a  
19 person who holds 25 percent or more of the shares in the  
20 corporation is prohibited from owning an interest in another  
21 networking farmers entity or farmers cooperative association.  
22 For networking farmers corporations with seven or more  
23 members, a person who holds 15 percent or more of the shares  
24 in the corporation is prohibited from owning an interest in  
25 another networking farmers entity or farmers cooperative  
26 association. A person who is a majority shareholder in an  
27 authorized entity cannot be a majority shareholder in a  
28 networking farmers corporation. A networking farmers  
29 corporation cannot hold more than 1,500 acres. In addition,  
30 landholdings that a networking farmers corporation holds are  
31 attributable to a shareholder holding a 10 percent or greater  
32 interest in the corporation based on the percentage of shares  
33 that the shareholder has in the corporation.

34 The bill provides a special exemption from attribution in  
35 cases involving shareholders which are cooperative

1 associations. A cooperative association, other than a farmers  
2 cooperative association or a "501" cooperative, is prohibited  
3 from holding any interest in agricultural land. This bill  
4 provides that a cooperative association may hold an interest  
5 in any number of farmers entities as long as the total acres  
6 attributed to the cooperative association are 1,500 or less.

7 All of the provisions that apply to networking farmers  
8 corporations apply to networking farmers limited liability  
9 companies. With some exceptions, these same provisions apply  
10 to farmers cooperative associations. In order to qualify as a  
11 farmers cooperative association, the cooperative association  
12 must be organized under Code chapter 499. Instead of the  
13 requirement that 75 percent of the gross receipts have to come  
14 from livestock or livestock products, the bill provides that  
15 the farmers cooperative association cannot be involved in the  
16 production of grain or forage on the agricultural land that it  
17 holds. However, it can contract or lease the land out and  
18 specify what is to be produced and have a first right of  
19 refusal.

20 Finally, the bill provides that an entity classified as a  
21 farmers cooperative limited liability company can hold  
22 agricultural land. Only cooperative associations can belong  
23 to this type of entity. Fifty-one percent of the stock has to  
24 be held by farmers cooperative associations. The other  
25 requirements are similar to requirements for farmers  
26 cooperative associations. Specifically, the rule that 75  
27 percent of gross receipts must come from livestock is replaced  
28 by a provision prohibiting the entity from producing grain or  
29 forage.

30 Penalties for violating the provisions of the chapter  
31 include the imposition of civil penalties. A person who holds  
32 more than 1,500 acres in violation of the bill is subject to a  
33 civil penalty of \$10,000. A person who holds multiple  
34 interests in farmers entities in violation of the bill's  
35 provisions is subject to a civil penalty of \$1,000. In

1 addition, the bill requires divestiture of the interest.  
2 Financial gains realized from a transaction must be forfeited.

3 DIVISION II

4 Code chapter 9H (governing domestic corporations), Code  
5 chapter 501 (governing cooperative corporations), and Code  
6 chapter 567 (governing foreign entities) all have separate  
7 reporting requirements. In each chapter, reports must be  
8 delivered annually to the secretary of state. This bill  
9 provides the same reporting requirements for all entities  
10 allowed to hold agricultural land under those chapters, and  
11 suspends other reporting requirements until July 1, 2000. The  
12 new requirements are based on the reporting requirements of  
13 Code chapters 9H and 501. The filing deadline of March 31  
14 remains the same as provided in the other chapters. A person  
15 who fails to report as provided in the chapter is subject to a  
16 civil penalty of \$1,000. Information in the reports is  
17 confidential except to the attorney general.

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## HOUSE FILE 2335

H-8303

- 1 Amend House File 2335 as follows:  
 2 1. Page 5, by inserting after line 4 the  
 3 following:  
 4 "\_\_\_\_. A person shall not hold an interest in more  
 5 than two farmers entities."  
 6 2. Page 6, by inserting after line 27 the  
 7 following:  
 8 "\_\_\_\_. A person shall not hold an interest in more  
 9 than two farmers entities."  
 10 3. Page 8, by inserting after line 23 the  
 11 following:  
 12 "\_\_\_\_. A person shall not hold an interest in more  
 13 than two farmers entities."  
 14 4. Page 10, by inserting after line 2, the  
 15 following:  
 16 "\_\_\_\_. A person shall not hold an interest in more  
 17 than two farmers entities."  
 18 5. By renumbering as necessary.

By WEIGEL of Chickasaw

H-8303 FILED MARCH 10, 1998

*Adopted 3/16/98 (p. 721)*

## HOUSE FILE 2335

H-8289

- 1 Amend House File 2335 as follows:  
 2 1. Page 2, line 14, by striking the word  
 3 "seventy" and inserting the following: "one hundred".  
 4 2. Page 2, line 16, by striking the word  
 5 "seventy" and inserting the following: "one hundred".  
 6 3. Page 2, line 24, by striking the word  
 7 "seventy" and inserting the following: "one hundred".  
 8 4. Page 2, line 26, by striking the word  
 9 "seventy" and inserting the following: "one hundred".

By WEIGEL of Chickasaw

H-8289 FILED MARCH 10, 1998

**WITHDRAWN** 3/16/98

## HOUSE FILE 2335

H-8334

- 1 Amend the amendment, H-8146, to House File 2335 as  
 2 follows:  
 3 1. Page 1, line 4, by inserting after the figure  
 4 "501." the following: "However, a cooperative  
 5 association shall not include an agricultural  
 6 association as defined in section 499.2."

By GREINER of Washington

H-8334 FILED MARCH 11, 1998

*Adopted*  
3/16/98 (p. 718)

HOUSE FILE 2335

H-8290

1 Amend House File 2335 as follows:

2 1. Page 8, by inserting after line 23 the  
3 following:

4 "Sec. \_\_\_\_ . NEW SECTION. 10.8A DISSENTING MEMBERS  
5 AND SHAREHOLDERS.

6 If a farmers cooperative association is acquiring  
7 agricultural land or acquiring an interest in a  
8 farmers entity, a member or shareholder of the farmers  
9 cooperative association may dissent, by filing a  
10 demand within twenty days after the farmers  
11 cooperative association acquires the agricultural land  
12 or the interest in the farmers entity. The farmers  
13 cooperative association shall pay to the member or  
14 shareholder, upon surrender of that person's  
15 certificate of membership or shares of stock, the fair  
16 value of that member's or shareholder's interest as  
17 provided in section 499.66 as if a member were  
18 dissenting to a merger or consolidation. A member or  
19 shareholder who fails to make demand within the  
20 twenty-day period is conclusively presumed to have  
21 consented to the acquisition."

By KOENIGS of Mitchell

H-8290 FILED MARCH 10, 1998

**WITHDRAWN** 3/16/98 (p.721)

HOUSE FILE 2335

H-8302

1 Amend House File 2335 as follows:

2 1. Page 3, by striking lines 2 through 4, and  
3 inserting the following: "the animals raised on the  
4 land, provided that all of the following apply:

5 a. The person is a natural person or a general  
6 partnership as provided in chapter 486 in which all  
7 persons are natural persons.

8 b. The person or a general partner in the general  
9 partnership was actively engaged in farming the land."

By WEIGEL of Chickasaw

H-8302 FILED MARCH 10, 1998

**WITHDRAWN**

3/16/98

(p.723)

H-8373

1 Amend House File 2335 as follows:  
 2 1. Page 8, by inserting after line 23 the  
 3 following:  
 4 "Sec. \_\_\_\_ . NEW SECTION. 10.8A PROCEDURE FOR  
 5 ACQUISITION -- MAJORITY VOTE OF THE MEMBERSHIP.  
 6 A farmers cooperative association shall not acquire  
 7 agricultural land or acquire an interest in a farmers  
 8 entity under this chapter, unless a resolution  
 9 authorizing the acquisition is adopted by a majority  
 10 vote of all the members of the farmers cooperative  
 11 association, at a meeting called for that purpose  
 12 according to the terms of the resolution which shall  
 13 be consistent with the articles of incorporation or  
 14 articles of association for the farmers cooperative  
 15 association."

By WEIGEL of Chickasaw

H-8373 FILED MARCH 12, 1998

*lost 3/16/98 (p.722)*

## HOUSE FILE 2335

H-8391

1 Amend House File 2335 as follows:  
 2 1. Page 8, by inserting after line 23 the  
 3 following:  
 4 "Sec. \_\_\_\_ . NEW SECTION. 10.8A DISSENTING MEMBERS  
 5 AND SHAREHOLDERS.  
 6 If a farmers cooperative association is acquiring  
 7 agricultural land or acquiring an interest in a  
 8 farmers entity, the farmers cooperative association  
 9 shall notify its members and shareholders prior to the  
 10 acquisition. The notice shall be delivered to each  
 11 member and shareholder in person or by mail directed  
 12 to each member's or shareholder's address as shown on  
 13 the books of the association. A member or shareholder  
 14 of the farmers cooperative association may dissent, by  
 15 filing a demand within twenty days after the farmers  
 16 cooperative association delivers the notice. The  
 17 farmers cooperative association shall pay to the  
 18 member or shareholder, upon surrender of that person's  
 19 certificate of membership or shares of stock, the fair  
 20 value of that member's or shareholder's interest as  
 21 provided in section 499.66 as if a member were  
 22 dissenting to a merger or consolidation. A member or  
 23 shareholder who fails to make demand within the  
 24 twenty-day period is conclusively presumed to have  
 25 consented to the acquisition."

By KOENIGS of Mitchell

H-8391 FILED MARCH 12, 1998

*lost 3/16/98 (p.723)*



H-8353

1 Amend House File 2335 as follows:

2 1. Page 8, by inserting after line 23 the  
3 following:

4 "Sec. \_\_\_\_ . NEW SECTION. 10.8A DISSENTING MEMBERS  
5 AND SHAREHOLDERS.

6 If a farmers cooperative association is acquiring  
7 agricultural land or acquiring an interest in a  
8 farmers entity, the farmers cooperative association  
9 shall notify its members and shareholders of the  
10 acquisition. The notice shall be delivered to each  
11 member and shareholder in person or by mail directed  
12 to each member's or shareholder's address as shown on  
13 the books of the association. A member or shareholder  
14 of the farmers cooperative association may dissent, by  
15 filing a demand within twenty days after the farmers  
16 cooperative association receives the notice. The  
17 farmers cooperative association shall pay to the  
18 member or shareholder, upon surrender of that person's  
19 certificate of membership or shares of stock, the fair  
20 value of that member's or shareholder's interest as  
21 provided in section 499.66 as if a member were  
22 dissenting to a merger or consolidation. A member or  
23 shareholder who fails to make demand within the  
24 twenty-day period is conclusively presumed to have  
25 consented to the acquisition."

By KOENIGS of Mitchell

H-8353 FILED MARCH 11, 1998

**WITHDRAWN**

3/16/98

HOUSE FILE 2335

H-8335

1 Amend the amendment, H-8302, to House File 2335, as  
2 follows:

3 1. Page 1, by inserting after line 9 the  
4 following:

5 " \_\_\_\_ . A natural person who leases agricultural  
6 land, if the person is actively engaged in farming the  
7 agricultural land."

By WEIGEL of Chickasaw

H-8335 FILED MARCH 11, 1998

*O/orden 3/16/98 (p.723)*

HOUSE FILE 2335

H-8336

1 Amend the amendment, H-8289, to House File 2335, as  
2 follows:

3 1. Page 1, by inserting after line 9 the  
4 following:

5 " \_\_\_\_ . Page 3, by inserting after line 5 the  
6 following:

7 " \_\_\_\_ . A natural person who leases agricultural  
8 land, if the person is actively engaged in farming the  
9 agricultural land.""

By WEIGEL of Chickasaw

H-8336 FILED MARCH 11, 1998

*O/orden 3/16/98 (p.719)*

## HOUSE FILE 2335

H-8408

1 Amend the amendment, H-8303, to House File 2335, as  
2 follows:  
3 1. Page 1, by striking lines 2 through 17 and  
4 inserting the following:  
5 "\_\_\_\_. By striking page 6, line 35, through page  
6 7, line 1, and inserting the following: "interest in  
7 agricultural land of more than six hundred and forty  
8 acres."  
9 "\_\_\_\_. Page 8, lines 32 and 33, by striking the  
10 words "one thousand five hundred" and inserting the  
11 following: "six hundred and forty"."

By WEIGEL of Chickasaw

H-8408 FILED MARCH 16, 1998

ADOPTED

(p. 720)

## HOUSE FILE 2335

H-8424

1 Amend the amendment, H-8303, to House File 2335, as  
2 follows:  
3 1. Page 1, by inserting before line 18, the  
4 following:  
5 "\_\_\_\_. Page 10, by inserting before line 10, the  
6 following:  
7 "SUBCHAPTER -- PUBLIC RIGHTS  
8 Sec. \_\_\_\_ . NEW SECTION. 10.9A PUBLIC RIGHTS.  
9 1. A farmers entity shall post a conspicuous  
10 notice on land which is held by a farmers entity. The  
11 notice shall identify that the land is held by a  
12 farmers entity and provide identifying information  
13 regarding the farmers entity as provided by rules  
14 adopted by the department of natural resources.  
15 2. Land which is held by a farmers entity shall be  
16 subject to special public rights. A person shall be  
17 allowed to hunt, fish, and camp on such land subject  
18 to rules adopted by the department of natural  
19 resources. However, a person shall comply with  
20 reasonable requirements established by the farmers  
21 entity relating to the time, place, and manner of  
22 public use. A person shall not discharge a firearm  
23 within one quarter of a mile from a building located  
24 on the land.""

25 2. By renumbering as necessary.

By SHOULTZ of Black Hawk

H-8424 FILED MARCH 16, 1998

NOT GERMANE

(p. 721)

H-8407

1 Amend the amendment, H-8373, to House File 2335 as  
2 follows:

3 1. Page 1, by striking lines 10 through 15 and  
4 inserting the following: "vote of the members of the  
5 farmers cooperative association present or represented  
6 having voting privileges, at an annual meeting or  
7 special meeting of the membership, provided that at  
8 least ten days' prior written notice of the impending  
9 membership vote has been mailed to all members of the  
10 association with a copy or summary of the resolution."  
By GREINER of Washington

H-8407 FILED MARCH 16, 1998

ADOPTED

(p.722)

-11/170 ~~agreement~~  
S-3/18/98 Amend/Do Pass  
W/S-5282

S-3/26/98 UNFINISHED BUSINESS CALENDAR

HOUSE FILE 2335  
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 501)

(As Amended and Passed by the House, March 16, 1998)

(p. 1436)  
Passed House, Date 4-9-98 Passed Senate, Date 4-7-98  
Vote: Ayes 75 Nays 20 Vote: Ayes 45 Nays 0  
Approved April 16, 1998

**A BILL FOR**

1 An Act relating to persons holding interests in agricultural land  
2 and providing penalties and an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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New Language \_\_\_\_\_

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## DIVISION I

2

## LANDHOLDING RESTRICTIONS

3

## SUBCHAPTER I -- GENERAL

4

Section 101. NEW SECTION. 10.1 DEFINITIONS.

5

6

As used in this chapter and in chapter 10B, unless the context otherwise requires:

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1. "Actively engaged in farming" means the same as defined in section 9H.1.

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2. "Agricultural land" means the same as defined in section 9H.1.

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3. "Authorized entity" means an authorized farm corporation; authorized limited liability company; limited partnership, other than a family farm limited partnership; or an authorized trust as defined in section 9H.1.

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4. "Cooperative association" means an entity which is structured and operated on a cooperative basis pursuant to 26 U.S.C. § 1381(a) and which meets the definitional requirements of an association as provided in 12 U.S.C. § 1141(j)(a) or 7 U.S.C. § 291.

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5. "Family farm entity" means a family farm corporation, family farm limited liability company, family farm limited partnership, or family trust, as defined in section 9H.1.

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6. "Farm estate" means the real and personal property of a decedent, a ward, or a trust as provided in chapter 633, if at least sixty percent of the gross receipts from the estate comes from farming.

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7. "Farmers cooperative association" means an association organized under chapter 499, if seventy percent of the association's voting stock is held by qualified persons.

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8. "Farmers cooperative limited liability company" means a limited liability company if all of the following apply:

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a. One hundred percent of the voting membership interest is held by cooperative associations.

b. At least fifty-one percent of the stock and fifty-one percent of the voting stock is held by farmers cooperative

1 associations.

2 9. "Farmers entity" means a networking farmers entity,  
3 farmers cooperative limited liability company, or farmers  
4 cooperative association.

5 10. "Farming" means the same as defined in section 9H.1.

6 11. "Grain" means the same as defined in section 203.1.

7 12. "Livestock" means an animal belonging to the bovine,  
8 caprine, equine, ovine, or porcine species, ostriches, rheas,  
9 emus, farm deer as defined in section 481A.1, or poultry.

10 13. "Networking farmers corporation" means a corporation,  
11 other than a family farm corporation as defined in section  
12 9H.1, organized under chapter 490 if all of the following  
13 conditions are satisfied:

14 a. At least seventy percent of the corporation's stock is  
15 held by qualified persons.

16 b. At least seventy percent of the corporation's voting  
17 stock is held by qualified persons.

18 14. "Networking farmers entity" means a networking farmers  
19 corporation or networking farmers limited liability company.

20 15. "Networking farmers limited liability company" means a  
21 limited liability company, other than a family farm limited  
22 liability company as defined in section 9H.1, organized under  
23 chapter 490A if all of the following conditions are satisfied:

24 a. At least seventy percent of the membership interest is  
25 held by qualified persons.

26 b. At least seventy percent of votes that may be cast by  
27 members of the limited liability company is held by qualified  
28 persons.

29 16. "Qualified person" means any of the following:

30 a. A natural person actively engaged in farming.

31 b. A general partnership as provided in chapter 486 in  
32 which all partners are natural persons actively engaged in  
33 farming.

34 c. A family farm entity.

35 d. A person who owns at least one hundred fifty acres of

1 agricultural land and receives as rent a share of the crops or  
2 the animals raised on the land, provided that the person is a  
3 natural person or a general partnership as provided in chapter  
4 486 in which all persons are natural persons.

5 e. A farm estate.

6 Sec. 102. NEW SECTION. 10.2 INTERESTS DESCRIBED.

7 As used in this chapter, the following apply:

8 1. A person holds an interest in agricultural land if the  
9 person either directly or indirectly owns or leases the  
10 agricultural land in this state.

11 2. A person holds an interest in a farmers entity if the  
12 person holds an interest as any of the following:

13 a. A shareholder of a networking farmers corporation.

14 b. A member of a networking farmers limited liability  
15 company.

16 c. A member of a farmers cooperative association.

17 d. A member of a farmers cooperative limited liability  
18 company.

19 SUBCHAPTER II -- RESTRICTIONS

20 PART 1

21 NETWORKING FARMERS CORPORATIONS

22 Sec. 103. NEW SECTION. 10.3 LANDHOLDINGS RESTRICTED.

23 1. Notwithstanding section 9H.4, a networking farmers  
24 corporation may hold agricultural land in this state if it  
25 meets all of the following conditions:

26 a. The networking farmers corporation does not hold an  
27 interest in agricultural land of more than one thousand five  
28 hundred acres.

29 b. At least seventy-five percent of the networking farmers  
30 corporation's gross receipts are from the sale of livestock or  
31 livestock products.

32 2. a. An interest in agricultural land held by a  
33 networking farmers corporation shall be attributable as an  
34 interest in agricultural land held by a shareholder having a  
35 ten percent or greater interest in the networking farmers

1 corporation. The shareholder shall be deemed to hold an  
2 interest in agricultural land held by the networking farmers  
3 corporation in proportion to the interest that the shareholder  
4 holds in the networking farmers corporation.

5 b. Except to the extent provided in this paragraph, a  
6 shareholder holding agricultural land by attribution shall be  
7 subject to landholding restrictions imposed pursuant to the  
8 Code, including sections 9H.4, 9H.5, 501.103, and 567.3.

9 However, notwithstanding section 9H.4, a cooperative  
10 association may hold an interest in any number of farmers  
11 entities, if the total number of acres held by the farmers  
12 entities and attributable to the cooperative association is  
13 one thousand five hundred acres or less.

14 c. The shareholder's proportionate interest shall be  
15 calculated by multiplying the number of acres of agricultural  
16 land held by the networking farmers corporation by the  
17 percentage interest in the networking farmers corporation held  
18 by the shareholder.

19 3. In the event of a transfer of an interest in the  
20 networking farmers corporation by operation of law as a result  
21 of death, divorce, or bankruptcy, or pursuant to a security  
22 interest, the corporation may disregard the transfer for  
23 purposes of determining compliance with subsection 1 for a  
24 period of two years after the transfer.

25 Sec. 104. NEW SECTION. 10.4 MULTIPLE INTERESTS  
26 RESTRICTED.

27 1. A person who holds an interest in a networking farmers  
28 corporation holding an interest in agricultural land pursuant  
29 to section 10.3 shall not hold an interest in another farmers  
30 entity if any of the following applies:

31 a. The person holds a twenty-five percent or greater  
32 interest in a networking farmers corporation having six or  
33 fewer stockholders.

34 b. The person holds a fifteen percent or greater interest  
35 in a networking farmers corporation having seven or more



1 stockholders.

2 2. A person who holds a majority interest in an authorized  
3 entity shall not hold a majority interest in a networking  
4 farmers corporation.

5 PART 2

6 NETWORKING FARMERS

7 LIMITED LIABILITY COMPANIES

8 Sec. 105. NEW SECTION. 10.5 LANDHOLDINGS RESTRICTED.

9 1. Notwithstanding section 9H.4, a networking farmers  
10 limited liability company may hold agricultural land in this  
11 state if it meets all of the following conditions:

12 a. The networking farmers limited liability company does  
13 not hold an interest in agricultural land of more than one  
14 thousand five hundred acres.

15 b. At least seventy-five percent of the networking farmers  
16 limited liability company's gross receipts from farming are  
17 from the sale of livestock or livestock products.

18 2. a. An interest in agricultural land held by a  
19 networking farmers limited liability company shall be  
20 attributable as an interest in agricultural land held by a  
21 member having a ten percent or greater interest in the  
22 networking farmers limited liability company. The member  
23 shall be deemed to hold an interest in agricultural land held  
24 by the networking farmers limited liability company in  
25 proportion to the interest that the member holds in the  
26 networking farmers limited liability company.

27 b. Except to the extent provided in this paragraph, a  
28 member holding agricultural land by attribution shall be  
29 subject to landholding restrictions imposed pursuant to the  
30 Code, including sections 9H.4, 9H.5, 501.103, and 567.3.  
31 However, notwithstanding section 9H.4, a cooperative  
32 association may hold an interest in any number of farmers  
33 entities, if the total number of acres held by the farmers  
34 entities and attributable to the cooperative association is  
35 one thousand five hundred acres or less.

1 c. The member's proportionate interest shall be calculated  
2 by multiplying the number of acres of agricultural land held  
3 by the networking farmers limited liability company by the  
4 percentage interest in the networking farmers limited  
5 liability company held by the member.

6 3. In the event of a transfer of an interest in the  
7 networking farmers limited liability company by operation of  
8 law as a result of death, divorce, or bankruptcy, or pursuant  
9 to a security interest, the networking farmers limited  
10 liability company may disregard the transfer for purposes of  
11 determining compliance with subsection 1 for a period of two  
12 years after the transfer.

13 Sec. 106. NEW SECTION. 10.6 MULTIPLE INTERESTS  
14 RESTRICTED.

15 1. A person who holds an interest in a networking farmers  
16 limited liability company holding an interest in agricultural  
17 land pursuant to section 10.5 shall not hold an interest in  
18 another farmers entity, if any of the following applies:

19 a. The person holds a twenty-five percent or greater  
20 interest in a networking farmers limited liability company  
21 having six or fewer members.

22 b. The person holds a fifteen percent or greater interest  
23 in a networking farmers limited liability company having seven  
24 or more members.

25 2. A person who holds a majority interest in an authorized  
26 entity shall not hold a majority interest in a networking  
27 farmers limited liability company.

28 PART 3

29 FARMERS COOPERATIVE ASSOCIATIONS

30 Sec. 107. NEW SECTION. 10.7 LANDHOLDINGS RESTRICTED.

31 1. Notwithstanding section 9H.4, a farmers cooperative  
32 association may hold agricultural land in this state if it  
33 meets all of the following conditions:

34 a. The farmers cooperative association does not hold an  
35 interest in agricultural land of more than six hundred and

1 forty acres.

2 b. The farmers cooperative association does not produce,  
3 including by planting or harvesting, grain or forage on  
4 agricultural land in which the farmers cooperative association  
5 has an interest. However, the farmers cooperative association  
6 may enter into an agreement under a lease or production  
7 contract with a person to produce the forage or grain, if the  
8 farmers cooperative association does not receive forage or  
9 grain in payment under the agreement. The lease or contract  
10 may specify the type of forage or crop that must be produced  
11 and provide that the farmers cooperative association has a  
12 right to purchase the forage or grain on the same terms and  
13 conditions as the highest bona fide offer received by the  
14 person for the forage or grain, within a period agreed to by  
15 the parties to the lease or production contract.

16 2. a. An interest in agricultural land held by a farmers  
17 cooperative association shall be attributable as an interest  
18 in agricultural land held by a member having a ten percent or  
19 greater interest in the farmers cooperative association. The  
20 member shall be deemed to hold an interest in agricultural  
21 land held by the farmers cooperative association in proportion  
22 to the interest that the member holds in the farmers  
23 cooperative association.

24 b. Except to the extent provided in this paragraph, a  
25 member holding agricultural land by attribution shall be  
26 subject to landholding restrictions imposed pursuant to the  
27 Code, including sections 9H.4, 9H.5, 501.103, and 567.3.  
28 However, notwithstanding section 9H.4, a cooperative  
29 association may hold an interest in any number of farmers  
30 entities, if the total number of acres held by the farmers  
31 entities and attributable to the cooperative association is  
32 one thousand five hundred acres or less.

33 c. The member's proportionate interest shall be calculated  
34 by multiplying the number of acres of agricultural land held  
35 by the farmers cooperative association by the percentage

1 interest in the farmers cooperative association held by the  
2 member.

3 3. In the event of a transfer of an interest in a farmers  
4 cooperative association by operation of law as a result of  
5 death, divorce, or bankruptcy, or pursuant to a security  
6 interest, the association may disregard the transfer for  
7 purposes of determining compliance with subsection 1 for a  
8 period of two years after the transfer.

9 Sec. 108. NEW SECTION. 10.8 MULTIPLE INTERESTS  
10 RESTRICTED.

11 1. A person who holds an interest in a farmers cooperative  
12 association holding an interest in agricultural land pursuant  
13 to section 10.7 shall not hold an interest in another farmers  
14 entity if any of the following applies:

15 a. The person holds a twenty-five percent or greater  
16 interest in a farmers cooperative association having six or  
17 fewer members.

18 b. The person holds a fifteen percent or greater interest  
19 in a farmers cooperative association having seven or more  
20 members.

21 2. A person who holds a majority interest in an authorized  
22 entity shall not hold a majority interest in a farmers  
23 cooperative association.

24 PART 4

25 FARMERS COOPERATIVE LIMITED

26 LIABILITY COMPANIES

27 Sec. 109. NEW SECTION. 10.9 LANDHOLDINGS RESTRICTED.

28 1. Notwithstanding section 9H.4, a farmers cooperative  
29 limited liability company may hold agricultural land in this  
30 state if it meets all of the following conditions:

31 a. The farmers cooperative limited liability company does  
32 not hold an interest in agricultural land of more than six  
33 hundred and forty acres.

34 b. The farmers cooperative limited liability company does  
35 not produce, including by planting or harvesting, grain or

1 forage on agricultural land in which the farmers cooperative  
2 limited liability company has an interest. However, the  
3 farmers cooperative limited liability company may enter into  
4 an agreement under a lease or production contract with a  
5 person to produce the forage or grain, if the farmers limited  
6 liability company does not receive forage or grain in payment  
7 under the agreement. The lease or contract may specify the  
8 type of forage or crop that must be produced and provide that  
9 the farmers cooperative limited liability company has a right  
10 to purchase the forage or grain on the same terms and  
11 conditions as the highest bona fide offer received by the  
12 person for the forage or grain, within a period agreed to by  
13 the parties to the lease or production contract.

14 2. a. An interest in agricultural land held by a farmers  
15 cooperative limited liability company shall be attributable as  
16 an interest in agricultural land held by a member cooperative  
17 association of the farmers cooperative limited liability  
18 company. The member cooperative association shall be deemed  
19 to hold an interest in agricultural land held by the farmers  
20 cooperative limited liability company in proportion to the  
21 interest that the member cooperative association holds in the  
22 limited liability company.

23 b. Except to the extent provided in this paragraph, a  
24 member holding agricultural land by attribution shall be  
25 subject to landholding restrictions imposed pursuant to the  
26 Code, including sections 9H.4, 9H.5, 501.103, and 567.3.  
27 However, notwithstanding section 9H.4, a cooperative  
28 association may hold an interest in any number of farmers  
29 entities, if the total number of acres held by the farmers  
30 entities and attributable to the cooperative association is  
31 one thousand five hundred acres or less.

32 c. The member cooperative association's proportionate  
33 interest shall be calculated by multiplying the number of  
34 acres of agricultural land held by the farmers cooperative  
35 limited liability company by the percentage interest in the

1 limited liability company held by the cooperative association  
2 as a member.

3 3. In the event of a transfer of an interest in the  
4 farmers cooperative limited liability company by operation of  
5 law as a result of bankruptcy, or pursuant to a security  
6 interest, the networking farmers cooperative limited liability  
7 company may disregard the transfer for purposes of determining  
8 compliance with subsection 1 for a period of two years after  
9 the transfer.

10 SUBCHAPTER III -- PENALTIES

11 Sec. 110. NEW SECTION. 10.10 LANDHOLDING RESTRICTIONS --  
12 PENALTIES.

13 A person violating the landholding restrictions in section  
14 10.3, 10.5, 10.7, or 10.9 shall be assessed a civil penalty of  
15 not more than ten thousand dollars and shall divest itself of  
16 any land held in violation of the section within one year  
17 after judgment is entered ordering the farmers entity to  
18 comply with that section, as provided in section 10.13.

19 Sec. 111. NEW SECTION. 10.11 MULTIPLE INTERESTS  
20 RESTRICTED -- PENALTIES.

21 1. A civil penalty of not more than one thousand dollars  
22 may be imposed on a person who becomes one of the following:

23 a. A stockholder of a networking farmers corporation as  
24 prohibited in section 10.4.

25 b. A member of a networking farmers limited liability  
26 company as prohibited in section 10.6.

27 c. A member of a farmers cooperative association as  
28 prohibited in section 10.8.

29 2. The person violating the section shall divest the  
30 interest held by the person in a farmers entity or authorized  
31 entity as is necessary to comply with this chapter, as  
32 provided in section 10.13.

33 Sec. 112. NEW SECTION. 10.12 DIVESTITURE PROCEEDINGS.

34 The court may determine the method of divesting an interest  
35 held by a person found to be in violation of this chapter. A

1 financial gain realized by a person who disposes of an  
2 interest held in violation of this chapter shall be forfeited  
3 to the state's general fund. All court costs and fees shall  
4 be paid by the person holding the interest in violation of the  
5 section.

6 Sec. 113. NEW SECTION. 10.13 INJUNCTIVE RELIEF.

7 The courts of this state may prevent and restrain  
8 violations of this chapter through the issuance of an  
9 injunction. The attorney general or a county attorney shall  
10 institute suits on behalf of the state to prevent and restrain  
11 violations of this chapter.

12 DIVISION II

13 REPORTS

14 Sec. 201. NEW SECTION. 10B.1 DEFINITIONS.

15 As used in this chapter, unless the context otherwise  
16 requires:

17 1. "Agricultural land" means the same as defined in  
18 section 9H.1.

19 2. "Cooperative association" means any entity organized on  
20 a cooperative basis, including an association of persons  
21 organized under chapter 497, 498, or 499; an entity composed  
22 of entities organized under those chapters; or a cooperative  
23 corporation organized under chapter 501.

24 3. "Corporation" means a domestic or foreign corporation,  
25 including an entity organized pursuant to chapter 490, or a  
26 nonprofit corporation.

27 4. "Farming" means the same as defined in section 9H.1.

28 5. "Foreign business" means the same as defined in section  
29 567.1.

30 6. "Foreign government" means the same as defined in  
31 section 567.1.

32 7. "Limited liability company" means a foreign or domestic  
33 limited liability company, including a limited liability  
34 company as defined in section 490A.102.

35 8. "Limited partnership" means a foreign or domestic

1 limited partnership, including a limited partnership as  
2 defined in section 487.101, subsection 7.

3 9. "Nonprofit corporation" means any of the following:

4 a. A corporation organized under the provisions of former  
5 chapter 504 or chapter 504A.

6 b. A corporation which qualifies under Title 26, section  
7 501, of the United States Code.

8 10. "Nonresident alien" means the same as defined in  
9 section 567.1.

10 11. "Reporting entity" means any of the following:

11 a. A corporation, other than a family farm corporation as  
12 defined in section 9H.1, including an authorized farm  
13 corporation or networking farmers corporation, holding an  
14 interest in agricultural land in this state.

15 b. A cooperative association holding an interest in  
16 agricultural land in this state.

17 c. A limited partnership, other than a family farm limited  
18 partnership as defined in section 9H.1, holding an interest in  
19 agricultural land in this state.

20 d. A person acting in a fiduciary capacity or as a trustee  
21 on behalf of a person, including a corporation, cooperative  
22 association, limited liability company, or limited  
23 partnership, which holds in a trust, other than through a  
24 family trust as defined in section 9H.1, including through an  
25 authorized trust, an interest in agricultural land in this  
26 state.

27 e. A limited liability company, other than a family farm  
28 limited liability company as defined in section 9H.1,  
29 including an authorized limited liability company, networking  
30 farmers limited liability company, or farmers cooperative  
31 limited liability company, holding an interest in agricultural  
32 land in this state.

33 f. A foreign business holding an interest in agricultural  
34 land in this state as provided in chapter 567.

35 g. A foreign government holding an interest in



1 agricultural land in this state as provided in chapter 567.

2 h. A nonresident alien holding an interest in agricultural  
3 land in this state as provided in chapter 567.

4 Sec. 202. NEW SECTION. 10B.2 INTERESTS DESCRIBED.

5 A reporting entity holds an interest in agricultural land  
6 if the reporting entity directly or indirectly owns or leases  
7 agricultural land in this state.

8 Sec. 203. NEW SECTION. 10B.3 PERSONS REQUIRED TO FILE  
9 REPORTS.

10 The reports required under section 10B.4 shall be signed  
11 and filed by the following individuals required to submit  
12 reports pursuant to that section for their respective  
13 reporting entities:

14 1. A person serving as the president or other officer or  
15 authorized representative of a corporation.

16 2. A person serving as the president or other officer or  
17 authorized representative of a cooperative association.

18 3. A person acting as the general partner of a limited  
19 partnership.

20 4. A person acting in a fiduciary capacity or as a trustee  
21 on behalf of a person.

22 5. A person who is a member, manager, or authorized  
23 representative of a limited liability company.

24 6. A person serving as the president or other officer or  
25 authorized representative of a foreign business.

26 7. A person authorized to make the report by a foreign  
27 government.

28 8. A nonresident alien or an agent, trustee, or fiduciary  
29 of the nonresident alien.

30 Sec. 204. NEW SECTION. 10B.4 REPORTING REQUIREMENTS.

31 1. An annual report shall be filed by a reporting entity  
32 with the secretary of state on or before March 31 of each year  
33 as required by rules adopted by the secretary of state  
34 pursuant to chapter 17A. The reports shall be filed on forms  
35 prepared and supplied by the secretary of state.

1 2. A report required pursuant to this section shall  
2 contain information for the last year regarding the reporting  
3 entity as required by the secretary of state which shall at  
4 least include all of the following:

5 a. The name and address of the reporting entity.

6 b. The name and address of the person supervising the  
7 daily operations on the agricultural land in which the  
8 reporting entity holds an interest.

9 c. The following information regarding each person who  
10 holds an interest in the reporting entity:

11 (1) The name and address of the person.

12 (2) The person's citizenship, if other than the United  
13 States.

14 (3) The percentage interest held by the person in the  
15 reporting entity, unless the person is a natural person who  
16 holds ten percent or less of a reporting entity.

17 d. The percentage interest that a reporting entity holds  
18 in another reporting entity, and the number of acres of  
19 agricultural land that is attributable to the reporting entity  
20 which holds an interest in another reporting entity as  
21 provided in chapter 10.

22 e. A certification that the reporting entity meets all of  
23 the requirements to lawfully hold agricultural land in this  
24 state.

25 f. The number of acres of agricultural land held by the  
26 reporting entity, including the following:

27 (1) The total number of acres in the state.

28 (2) The number of acres in each county identified by  
29 county name.

30 (3) The number of acres owned.

31 (4) The number of acres leased.

32 (5) The number of acres held other than by ownership or  
33 lease.

34 (6) The number of acres used for the production of row  
35 crops.

1 3. A reporting entity other than a foreign business,  
2 foreign government, or nonresident alien shall be excused from  
3 filing a report with the secretary of state during any year in  
4 which the reporting entity holds an interest in less than  
5 twenty acres of agricultural land in this state and the gross  
6 revenue produced from all farming on the land equals less than  
7 ten thousand dollars.

8 Sec. 205. NEW SECTION. 10B.5 USE OF REPORTS.

9 1. Notwithstanding chapter 22, reports required in this  
10 chapter shall be confidential reports except as to the  
11 attorney general for review and appropriate action when  
12 necessary, including the enforcement of chapter 9H, 501, or  
13 567.

14 2. The secretary of state shall notify the attorney  
15 general when the secretary of state has reason to believe a  
16 violation of this chapter has occurred.

17 3. Information provided in reports required in this  
18 chapter shall be made available to members of the general  
19 assembly and appropriate committees of the general assembly in  
20 order to determine the extent that agricultural land is held  
21 in this state by corporations and other business and foreign  
22 entities and the effect of such land ownership upon the  
23 economy of this state. The secretary of state shall assist  
24 any committee of the general assembly studying these issues.  
25 However, the secretary of state shall not reveal information  
26 which identifies a particular reporting entity.

27 Sec. 206. NEW SECTION. 10B.6 PENALTIES.

28 1. The failure to timely file a report or the filing of  
29 false information in a report as provided in section 10B.4 is  
30 punishable by a civil penalty not to exceed one thousand  
31 dollars.

32 2. The secretary of state shall notify a reporting entity  
33 which the secretary of state has reason to believe is required  
34 to file a report and who has not filed a timely report, that  
35 the person may be in violation of section 10B.4. The

1 secretary of state shall include in the notice a statement of  
2 the penalty which may be assessed if the required report is  
3 not filed within thirty days. The secretary of state shall  
4 refer to the attorney general any reporting entity which the  
5 secretary of state has reason to believe is required to report  
6 if, after thirty days from receipt of the notice, the  
7 reporting entity has not filed the required report. The  
8 attorney general may, upon referral from the secretary of  
9 state, file an action in district court to seek the assessment  
10 of a civil penalty of one hundred dollars for each day the  
11 report is not filed.

12 Sec. 207. SUSPENSION OF REPORTING REQUIREMENTS.

13 1. A person required to file a report with the secretary  
14 of state pursuant to this chapter is not required to file a  
15 report with the secretary of state pursuant to section 9H.5A  
16 or 501.103, subsection 3, or section 567.8.

17 2. This section is repealed on July 1, 2000.

18 DIVISION III

19 EFFECTIVE DATE

20 Sec. 301. EFFECTIVE DATE. This Act, being deemed of  
21 immediate importance, takes effect upon enactment.

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S-5420

- 1 Amend House File 2335, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 1, by striking lines 34 and 35, and  
4 inserting the following:  
5 "b. At least seventy percent of the membership  
6 interest and seventy percent of the voting membership  
7 interest is held by farmers cooperative".  
8 2. Page 2, by inserting after line 6, the  
9 following:  
10 "\_\_\_". "Intra-company loan agreement" means an  
11 agreement involving a loan, if the parties to the  
12 agreement are members of the same farmers cooperative  
13 limited liability company, and according to the terms  
14 of the loan a member which is a regional cooperative  
15 association directly or indirectly loans money to a  
16 member which is a farmers cooperative association, on  
17 condition that the money, including any interest, must  
18 be repaid by the member which is a farmers cooperative  
19 association to the regional cooperative association or  
20 another person. A loan agreement does not include an  
21 operating loan agreement, in which all of the  
22 following apply:  
23 a. The money is required to be repaid within one  
24 year from the date that the farmers cooperative  
25 association receives the money, and the money is  
26 actually repaid by that date.  
27 b. The money is used to pay for reasonable and  
28 ordinary expenses of the farmers cooperative  
29 association in conducting its affairs."  
30 3. Page 3, by inserting before line 6 the  
31 following:  
32 "\_\_\_". "Regional cooperative association" means a  
33 cooperative association other than a farmers  
34 cooperative association."  
35 4. Page 9, by inserting after line 13, the  
36 following:  
37 "c. Less than fifty percent of the interest in the  
38 farmers cooperative limited liability company is held  
39 by members who are parties to intra-company loan  
40 agreements."  
41 5. By renumbering as necessary.

By WILMER RENSINK

S-5420 FILED MARCH 30, 1998

*O/Order*  
*4-7-98*  
*(P. 1118)*

## HOUSE FILE 2335

S-5282

- 1 Amend House File 2335, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 1, line 27, by striking the word "an" and  
4 inserting the following: "a cooperative"  
5 2. Page 1, line 28, by inserting after the word  
6 "chapter" the following: "490 or".  
7 3. Page 4, line 13, by striking the words "one  
8 thousand five hundred" and inserting the following:  
9 "six hundred forty".  
10 4. Page 5, line 35, by striking the words "one  
11 thousand five hundred" and inserting the following:  
12 "six hundred forty".  
13 5. Page 7, line 32, by striking the words "one  
14 thousand five hundred" and inserting the following:  
15 "six hundred forty".  
16 6. Page 9, line 31, by striking the words "one  
17 thousand five hundred" and inserting the following:  
18 "six hundred forty".  
19 7. Page 10, line 18, by striking the figure  
20 "10.13" and inserting the following: "10.12".  
21 8. Page 10, line 32, by striking the figure  
22 "10.13" and inserting the following: "10.12".  
23 9. Page 14, line 16, by striking the words "ten  
24 percent or less of" and inserting the following:  
25 "less than a ten percent interest in".

By COMMITTEE ON AGRICULTURE  
WILMER RENSINK, Chairperson

S-5282 FILED MARCH 18, 1998

*O/ordw*  
*4-7-98*  
*(P 1118)*

## HOUSE FILE 2335

-5448

1 Amend House File 2335, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 8, by inserting after line 23 the  
4 following:

5 "Sec. \_\_\_\_ . NEW SECTION. 10.8A PROCEDURE FOR  
6 ACQUISITION -- MAJORITY VOTE OF THE MEMBERSHIP --  
7 DISSENT.

8 A farmers cooperative association shall not acquire  
9 agricultural land or acquire an interest in a farmers  
10 entity under this chapter, unless a resolution  
11 authorizing the acquisition is adopted by a majority  
12 vote of the members of the farmers cooperative  
13 association present or represented having voting  
14 privileges, at an annual meeting or special meeting of  
15 the membership, provided that at least ten days' prior  
16 written notice of the impending membership vote has  
17 been delivered to all members of the association with  
18 a copy or summary of the resolution. The notice shall  
19 be delivered to each member in person or by mail  
20 directed to each member's address as shown on the  
21 books of the association. A member may dissent by  
22 filing a demand within twenty days after the date that  
23 the resolution was adopted. The farmers cooperative  
24 association shall pay to the member, upon surrender of  
25 that member's certificate of membership, the fair  
26 value of that member's interest as provided in section  
27 499.66 as if a member were dissenting to a merger or  
28 consolidation. A member who fails to make demand  
29 within the twenty-day period is conclusively presumed  
30 to have consented to the acquisition."

31 2. By renumbering as necessary.

By H. KAY HEDGE  
EUGENE S. FRAISE  
JOHN P. KIBBIE

DERRYL McLAREN  
TOM VILSACK

S-5448 FILED MARCH 31, 1998

WITHDRAWN

4-7-98

(P. 1119)

## HOUSE FILE 2335

S-5447

1 Amend House File 2335, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking lines 7 and 8, and  
4 inserting the following:

5 "\_\_\_\_\_. "Actively engaged in farming" means that a  
6 natural person, including a shareholder or an officer,  
7 director, or employee of a corporation, or a member or  
8 manager of a limited liability company, does any of  
9 the following:

10 a. Inspects the production activities periodically  
11 and furnishes at least half of the value of the tools  
12 used for production and pays at least half the direct  
13 cost of production.

14 b. Regularly and frequently makes or takes an  
15 important part in making management decisions  
16 substantially contributing to or affecting the success  
17 of the farm operation.

18 c. Performs physical work which significantly  
19 contributes to crop or livestock production."

20 2. Page 1, by inserting after line 14, the  
21 following:

22 "\_\_\_\_\_. "Commodity share landlord" means a natural  
23 person or a general partnership as provided in chapter  
24 486 in which all partners are natural persons, which  
25 owns at least one hundred fifty acres of agricultural  
26 land and all of the following apply:

27 a. The owner receives rent on a commodity share  
28 basis, which may be either a share of the crops or  
29 livestock produced on the land.

30 b. The owner was actively engaged in farming the  
31 land or a family member of the owner is or was  
32 actively engaged in farming the land, if the family  
33 member is related to the owner as a spouse, parent,  
34 grandparent, lineal ascendant of a grandparent or  
35 spouse, or other lineal descendant of a grandparent or  
36 spouse."

37 3. Page 1, by striking lines 27 through 29, and  
38 inserting the following:

39 "\_\_\_\_\_. "Farmers cooperative association" means a  
40 cooperative association organized under chapter 490 or  
41 499, if qualified persons hold at least a seventy  
42 percent equity interest in the association, including  
43 seventy percent of all issued shares of the  
44 cooperative association. If more than one class of  
45 shares is authorized, qualified persons must hold at  
46 least seventy percent of all issued shares in each  
47 class. As used in this subsection, "issued shares"  
48 includes but is not limited to common stock or  
49 preferred stock, or each class of common stock or  
50 preferred stock, regardless of voting rights or a

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1 right to receive dividends or earning distributions.  
2 A security such as a warrant or option that may be  
3 converted to stock shall be considered as issued  
4 shares."

5 4. By striking page 1, line 31, through page 2,  
6 line 1, and inserting the following: "limited  
7 liability company if cooperative associations hold at  
8 least one hundred percent of all membership interests  
9 in the limited liability company. If more than one  
10 type of membership interest is established, including  
11 any series as provided in section 490A.305 or any  
12 class or group as provided in section 490A.307,  
13 cooperative associations must hold at least one  
14 hundred percent of all membership interests of that  
15 type. However, at least fifty-one percent of the  
16 voting membership interest, including in each type of  
17 membership type, must be held by farmers cooperative  
18 associations."

19 5. Page 2, by striking lines 14 through 17, and  
20 inserting the following:

21 "a. All of the following apply:

22 (1) Qualified farmers must hold at least fifty-one  
23 percent of all issued shares of the corporation. If  
24 more than one class of shares is authorized, qualified  
25 farmers must hold at least fifty-one percent of all  
26 issued shares in each class.

27 (2) Qualified persons must hold at least seventy  
28 percent of all issued shares of the corporation. If  
29 more than one class of shares is authorized, qualified  
30 persons must hold at least seventy percent of all  
31 issued shares in each class.

32 b. As used in paragraph "a", "issued shares"  
33 includes but is not limited to common stock or  
34 preferred stock, or each class of common stock or  
35 preferred stock, regardless of voting rights or a  
36 right to receive dividends or earning distributions.  
37 A security such as a warrant or option that may be  
38 converted to stock shall be considered as issued  
39 shares."

40 6. Page 2, by striking lines 24 through 28 and  
41 inserting the following:

42 "a. Qualified farmers must hold at least fifty-one  
43 percent of all membership interests in the limited  
44 liability company. If more than one type of  
45 membership interest is established, including any  
46 series as provided in section 490A.305 or any class or  
47 group as provided in section 490A.307, qualified  
48 farmers must hold at least fifty-one percent of all  
49 membership interests of that type.

50 b. Qualified persons must hold at least seventy

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1 percent of all membership interests in the limited  
2 liability company. If more than one type of  
3 membership interest is established, including any  
4 series as provided in section 490A.305 or any class or  
5 group as provided in section 490A.307, qualified  
6 persons must hold at least seventy percent of all  
7 membership interests of that type.

8 \_\_\_\_\_. "Operation of law" means a transfer by  
9 inheritance, devise, or bequest, court order,  
10 dissolution decree, order in bankruptcy, insolvency,  
11 replevin, foreclosure, execution sale, the execution  
12 of a judgment, the foreclosure of a real estate  
13 mortgage, the forfeiture of a real estate contract, or  
14 a transfer resulting from a decree for specific  
15 performance."

16 7. Page 2, line 29, by striking the word "person"  
17 and inserting the following: "farmer".

18 8. By striking page 2, line 34, through page 3,  
19 line 5, and inserting the following:

20 "\_\_\_\_\_. A farm estate.

21 \_\_\_\_\_. "Qualified person" means a person who is any  
22 of the following:

- 23 a. A qualified farmer.
- 24 b. A family farm entity.
- 25 c. A commodity share renter."

26 9. Page 3, lines 27 and 28, by striking the words  
27 "one thousand five hundred" and inserting the  
28 following: "six hundred forty".

29 10. Page 3, lines 34 and 35, by striking the  
30 words "a ten percent or greater" and inserting the  
31 following: "an".

32 11. Page 4, by striking lines 20 through 22, and  
33 inserting the following: "networking farmers  
34 corporation by operation of law, the corporation may  
35 disregard the transfer for".

36 12. Page 5, by inserting after line 4 the  
37 following:

38 "\_\_\_\_\_. A commodity share landlord who owns an  
39 interest in a networking farmers corporation must rent  
40 an additional one hundred fifty acres of agricultural  
41 land on a commodity share basis for each farmers  
42 entity in which the commodity share landlord acquires  
43 an interest."

44 13. Page 5, lines 13 and 14, by striking the  
45 words "one thousand five hundred" and inserting the  
46 following: "six hundred forty".

47 14. Page 5, line 21, by striking the words "a ten  
48 percent or greater" and inserting the following:  
49 "an".

50 15. Page 6, by striking lines 8 and 9, and

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Page 4

- 1 inserting the following: "law, the networking farmers  
2 limited".  
3 16. Page 6, by inserting after line 27 the  
4 following:  
5 "\_\_\_\_. A commodity share landlord who owns an  
6 interest in a networking farmers limited liability  
7 company must rent an additional one hundred fifty  
8 acres of agricultural land on a commodity share basis  
9 for each farmers entity in which the commodity share  
10 landlord acquires an interest."  
11 17. Page 7, lines 18 and 19, by striking the  
12 words "a ten percent or greater" and inserting the  
13 following: "an".  
14 18. Page 8, by striking lines 4 through 6, and  
15 inserting the following: "cooperative association by  
16 operation of law, the association may disregard the  
17 transfer for".  
18 19. Page 8, by inserting after line 23 the  
19 following:  
20 "\_\_\_\_. A commodity share landlord who owns an  
21 interest in a farmers cooperative association must  
22 rent an additional one hundred fifty acres of  
23 agricultural land on a commodity share basis for each  
24 farmers entity in which the commodity share landlord  
25 acquires an interest."  
26 20. Page 10, by striking lines 5 and 6, and  
27 inserting the following: "law, the networking farmers  
28 cooperative limited liability".  
29 21. Page 15, by striking lines 9 through 13.  
30 22. Page 15, by striking lines 25 and 26.  
31 23. By renumbering as necessary.

By TOM VILSACK

S-5447 FILED MARCH 31, 1998

*O/Order*  
*4.7.98*  
*(p.1119)*

## HOUSE FILE 2335

S-5472

1 Amend the amendment, S-5447, to House File 2335, as  
2 amended, passed, and reprinted by the House, as  
3 follows:

4 1. Page 2, line 7, by inserting before the word  
5 "cooperative" the following: "farmers".

6 2. Page 2, lines 7 and 8, by striking the words  
7 "at least".

8 3. Page 2, line 13, by inserting before the word  
9 "cooperative" the following: "farmers".

10 4. Page 2, by striking lines 15 through 18 and  
11 inserting the following: "type."

12 5. Page 3, by inserting after line 31 the  
13 following:

14 "\_\_\_\_. Page 4, line 9, by inserting before the  
15 word "cooperative" the following: "farmers".

16 \_\_\_\_\_. Page 4, line 13, by striking the words "one  
17 thousand five hundred" and inserting the following:  
18 "six hundred forty".

19 6. Page 3, line 39, by inserting after the word  
20 "corporation" the following: "holding agricultural  
21 land under section 10.3".

22 7. Page 3, line 42, by inserting after the word  
23 "entity" the following: "holding agricultural land  
24 under this chapter."

25 8. Page 3, by inserting before line 50 the  
26 following:

27 "\_\_\_\_. Page 5, line 31, by inserting before the  
28 word "cooperative" the following: "farmers".

29 \_\_\_\_\_. Page 5, line 35, by striking the words "one  
30 thousand five hundred" and inserting the following:  
31 "six hundred forty".

32 9. Page 4, line 7, by inserting after the word  
33 "company" the following: "holding agricultural land  
34 under section 10.7."

35 10. Page 4, line 9, by inserting after the word  
36 "entity" the following: "holding agricultural land  
37 under this chapter."

38 11. Page 4, by inserting after line 13 the  
39 following:

40 "\_\_\_\_. Page 7, line 28, by inserting before the  
41 word "cooperative" the following: "farmers".

42 \_\_\_\_\_. Page 7, line 32, by striking the words "one  
43 thousand five hundred" and inserting the following:  
44 "six hundred forty".

45 12. Page 4, line 21, by inserting after the word  
46 "association" the following: "holding agricultural  
47 land under section 10.9."

48 13. Page 4, line 24, by inserting after the word  
49 "entity" the following: "holding agricultural land  
50 under this chapter."

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- 1 14. Page 4, by inserting after line 25 the  
2 following:  
3 "\_\_\_\_". Page 9, line 27, by inserting before the  
4 word "cooperative" the following: "farmers".  
5 \_\_\_\_\_. Page 9, line 31, by striking the words "one  
6 thousand five hundred" and inserting the following:  
7 "six hundred forty".  
8 15. Page 4, by inserting after line 28 the  
9 following:  
10 "\_\_\_\_". Page 10, line 18, by striking the figure  
11 "10.13" and inserting the following: "10.12".  
12 \_\_\_\_\_. Page 10, line 32, by striking the figure  
13 "10.13" and inserting the following: "10.12".  
14 \_\_\_\_\_. Page 14, line 16, by striking the words "ten  
15 percent or less of" and inserting the following:  
16 "less than a ten percent interest in".  
17 16. By renumbering as necessary.

By TOM VILSACK

S-5472 FILED APRIL 1, 1998

*O/Order*  
*4/7/98*  
*(p. 1119)*

HOUSE FILE 2335

S-5478

1 Amend House File 2335, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 8, by inserting after line 23 the  
4 following:

5 "Sec. \_\_\_\_ . NEW SECTION. 10.8B DISSENTING MEMBERS  
6 AND SHAREHOLDERS.

7 If a farmers cooperative association is acquiring  
8 agricultural land or acquiring an interest in a  
9 farmers entity, the farmers cooperative association  
10 shall notify its members prior to the acquisition.  
11 The notice shall state the date that the farmers  
12 cooperative association will acquire the agricultural  
13 land or an interest in a farmers entity. The notice  
14 shall be delivered to each member in person or by mail  
15 directed to each member's address as shown on the  
16 books of the farmers cooperative association. A  
17 member of the farmers cooperative association may  
18 dissent, by filing a demand with the board of  
19 directors of the farmers cooperative association  
20 within twenty days after the date of acquisition as  
21 provided in the notice. The farmers cooperative  
22 association shall pay to the member, upon surrender of  
23 that person's certificate of membership, the fair  
24 value of that member's interest as provided in section  
25 499.66 as if a member were dissenting to a merger or  
26 consolidation. The farmers cooperative association is  
27 not required to honor a demand if the farmers  
28 cooperative association does not acquire the  
29 agricultural land or an interest in the farmers  
30 entity. A member who fails to make demand within the  
31 twenty-day period is conclusively presumed to have  
32 consented to the acquisition."

33 2. By renumbering as necessary.

By DERRYL McLAREN  
H. KAY HEDGE

JOHN P. KIBBIE  
EUGENE S. FRAISE

S-5478 FILED APRIL 1, 1998

HTIW

**WITHDRAWN**

4-7-98

(P. 1119)

## HOUSE FILE 2335

S-5477

1 Amend House File 2335, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 8, by inserting after line 23 the  
4 following:  
5 "Sec. \_\_\_\_ . NEW SECTION. 10.8A PROCEDURE FOR  
6 ACQUISITION -- REFERENDUM.  
7 A farmers cooperative association shall not acquire  
8 agricultural land or acquire an interest in a farmers  
9 entity under this chapter, unless the board of  
10 directors of the farmers cooperative association  
11 adopts a resolution authorizing the acquisition. The  
12 resolution shall not become effective for thirty days  
13 following the delivery of a notice of the adoption by  
14 the board of the resolution to the members of the  
15 farmers cooperative association. The notice shall be  
16 delivered to each member in person or by mail directed  
17 to each member's address as shown on the books of the  
18 association. If, within the thirty-day period, at  
19 least twenty percent of the members of the farmers  
20 cooperative association file a petition with the board  
21 of directors for a referendum under this section, the  
22 resolution shall not become effective unless the  
23 resolution is adopted by a majority vote of the  
24 members of the farmers cooperative association present  
25 or represented having voting privileges. The  
26 referendum shall be conducted at an annual meeting or  
27 special meeting of the membership, provided that at  
28 least ten days' prior written notice of the impending  
29 referendum has been mailed to all members of the  
30 association with a copy or summary of the resolution."  
31 2. By renumbering as necessary.

By H. KAY HEDGE  
JOHN P. KIBBIE

DERRYL McLAREN  
EUGENE S. FRAISE

S-5477 FILED APRIL 1, 1998

**WITHDRAWN**

4-1-98

(p.1119)

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TIW

## HOUSE FILE 2335

S-5496

1 Amend House File 2335, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking lines 7 and 8, and  
4 inserting the following:

5 "\_\_\_\_\_. "Actively engaged in farming" means that a  
6 natural person, including a shareholder or an officer,  
7 director, or employee of a corporation, or a member or  
8 manager of a limited liability company, does any of  
9 the following:

10 a. Inspects the production activities periodically  
11 and furnishes at least half of the value of the tools  
12 used for production and pays at least half the direct  
13 cost of production.

14 b. Regularly and frequently makes or takes an  
15 important part in making management decisions  
16 substantially contributing to or affecting the success  
17 of the farm operation.

18 c. Performs physical work which significantly  
19 contributes to crop or livestock production."

20 2. Page 1, by inserting after line 14, the  
21 following:

22 "\_\_\_\_\_. "Commodity share landlord" means a natural  
23 person or a general partnership as provided in chapter  
24 486 in which all partners are natural persons, which  
25 owns at least one hundred fifty acres of agricultural  
26 land and all of the following apply:

27 a. The owner receives rent on a commodity share  
28 basis, which may be either a share of the crops or  
29 livestock produced on the land.

30 b. The owner was actively engaged in farming the  
31 land or a family member of the owner is or was  
32 actively engaged in farming the land, if the family  
33 member is related to the owner as a spouse, parent,  
34 grandparent, lineal ascendant of a grandparent or  
35 spouse, or other lineal descendant of a grandparent or  
36 spouse."

37 3. Page 1, by striking lines 27 through 29, and  
38 inserting the following:

39 "\_\_\_\_\_. "Farmers cooperative association" means a  
40 cooperative association organized under chapter 490 or  
41 499, if qualified persons hold at least a seventy  
42 percent equity interest in the association, including  
43 seventy percent of all issued shares of the  
44 cooperative association. If more than one class of  
45 shares is authorized, qualified persons must hold at  
46 least seventy percent of all issued shares in each  
47 class. As used in this subsection, "issued shares"  
48 includes but is not limited to common stock or  
49 preferred stock, or each class of common stock or  
50 preferred stock, regardless of voting rights or a

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1 right to receive dividends or earning distributions.  
 2 A security such as a warrant or option that may be  
 3 converted to stock shall be considered as issued  
 4 shares. For purposes of this subsection, a person who  
 5 was a qualified person within the last ten years shall  
 6 be treated as a qualified person."

7 4. By striking page 1, line 31, through page 2,  
 8 line 1, and inserting the following: "limited  
 9 liability company if farmers cooperative associations  
 10 hold one hundred percent of all membership interests  
 11 in the limited liability company. If more than one  
 12 type of membership interest is established, including  
 13 any series as provided in section 490A.305 or any  
 14 class or group as provided in section 490A.307,  
 15 farmers cooperative associations must hold at least  
 16 one hundred percent of all membership interests of  
 17 that type."

18 5. Page 2, by striking lines 14 through 17, and  
 19 inserting the following:

20 "a. All of the following apply:

21 (1) Qualified farmers must hold at least fifty-one  
 22 percent of all issued shares of the corporation. If  
 23 more than one class of shares is authorized, qualified  
 24 farmers must hold at least fifty-one percent of all  
 25 issued shares in each class.

26 (2) Qualified persons must hold at least seventy  
 27 percent of all issued shares of the corporation. If  
 28 more than one class of shares is authorized, qualified  
 29 persons must hold at least seventy percent of all  
 30 issued shares in each class.

31 b. As used in paragraph "a", "issued shares"  
 32 includes but is not limited to common stock or  
 33 preferred stock, or each class of common stock or  
 34 preferred stock, regardless of voting rights or a  
 35 right to receive dividends or earning distributions.  
 36 A security such as a warrant or option that may be  
 37 converted to stock shall be considered as issued  
 38 shares."

39 6. Page 2, by striking lines 24 through 28 and  
 40 inserting the following:

41 "a. Qualified farmers must hold at least fifty-one  
 42 percent of all membership interests in the limited  
 43 liability company. If more than one type of  
 44 membership interest is established, including any  
 45 series as provided in section 490A.305 or any class or  
 46 group as provided in section 490A.307, qualified  
 47 farmers must hold at least fifty-one percent of all  
 48 membership interests of that type.

49 b. Qualified persons must hold at least seventy  
 50 percent of all membership interests in the limited

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1 liability company. If more than one type of  
2 membership interest is established, including any  
3 series as provided in section 490A.305 or any class or  
4 group as provided in section 490A.307, qualified  
5 persons must hold at least seventy percent of all  
6 membership interests of that type.

7 \_\_\_\_\_. "Operation of law" means a transfer by  
8 inheritance, devise, or bequest, court order,  
9 dissolution decree, order in bankruptcy, insolvency,  
10 replevin, foreclosure, execution sale, the execution  
11 of a judgment, the foreclosure of a real estate  
12 mortgage, the forfeiture of a real estate contract, or  
13 a transfer resulting from a decree for specific  
14 performance."

15 7. Page 2, line 29, by striking the word "person"  
16 and inserting the following: "farmer".

17 8. By striking page 2, line 34, through page 3,  
18 line 5, and inserting the following:

19 " \_\_\_\_\_. A farm estate.

20 \_\_\_\_\_. "Qualified person" means a person who is any  
21 of the following:

22 a. A qualified farmer.

23 b. A family farm entity.

24 c. A commodity share renter."

25 9. Page 3, lines 27 and 28, by striking the words  
26 "one thousand five hundred" and inserting the  
27 following: "six hundred forty".

28 10. Page 3, lines 34 and 35, by striking the  
29 words "a ten percent or greater" and inserting the  
30 following: "an".

31 11. Page 4, line 9, by inserting before the word  
32 "cooperative" the following: "farmers".

33 12. Page 4, line 13, by striking the words "one  
34 thousand five hundred" and inserting the following:  
35 "six hundred forty".

36 13. Page 4, by striking lines 20 through 22, and  
37 inserting the following: "networking farmers  
38 corporation by operation of law, the corporation may  
39 disregard the transfer for".

40 14. Page 5, by inserting after line 4 the  
41 following:

42 " \_\_\_\_\_. A commodity share landlord who owns an  
43 interest in a networking farmers corporation holding  
44 agricultural land under section 10.3 must rent an  
45 additional one hundred fifty acres of agricultural  
46 land on a commodity share basis for each farmers  
47 entity holding agricultural land under this chapter in  
48 which the commodity share landlord acquires an  
49 interest."

50 15. Page 5, lines 13 and 14, by striking the

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- 1 words "one thousand five hundred" and inserting the  
2 following: "six hundred forty".
- 3 16. Page 5, line 21, by striking the words "a ten  
4 percent or greater" and inserting the following:  
5 "an".
- 6 17. Page 5, line 31, by inserting before the word  
7 "cooperative" the following: "farmers".
- 8 18. Page 5, line 35, by striking the words "one  
9 thousand five hundred" and inserting the following:  
10 "six hundred forty".
- 11 19. Page 6, by striking lines 8 and 9, and  
12 inserting the following: "law, the networking farmers  
13 limited".
- 14 20. Page 6, by inserting after line 27 the  
15 following:  
16 "\_\_\_\_\_. A commodity share landlord who owns an  
17 interest in a networking farmers limited liability  
18 company holding agricultural land under section 10.5  
19 must rent an additional one hundred fifty acres of  
20 agricultural land on a commodity share basis for each  
21 farmers entity holding agricultural land under this  
22 chapter in which the commodity share landlord acquires  
23 an interest."
- 24 21. Page 7, lines 18 and 19, by striking the  
25 words "a ten percent or greater" and inserting the  
26 following: "an".
- 27 22. Page 7, line 28, by inserting before the word  
28 "cooperative" the following: "farmers".
- 29 23. Page 7, line 32, by striking the words "one  
30 thousand five hundred" and inserting the following:  
31 "six hundred forty".
- 32 24. Page 8, by striking lines 4 through 6, and  
33 inserting the following: "cooperative association by  
34 operation of law, the association may disregard the  
35 transfer for".
- 36 25. Page 8, by inserting after line 23 the  
37 following:  
38 "\_\_\_\_\_. A commodity share landlord who owns an  
39 interest in a farmers cooperative association holding  
40 agricultural land under section 10.7 must rent an  
41 additional one hundred fifty acres of agricultural  
42 land on a commodity share basis for each farmers  
43 entity holding agricultural land under this chapter in  
44 which the commodity share landlord acquires an  
45 interest."
- 46 26. Page 9, line 27, by inserting before the word  
47 "cooperative" the following: "farmers".
- 48 27. Page 9, line 31, by striking the words "one  
49 thousand five hundred" and inserting the following:  
50 "six hundred forty".

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- 1 28. Page 10, by striking lines 5 and 6, and
- 2 inserting the following: "law, the networking farmers
- 3 cooperative limited liability".
- 4 29. Page 10, line 18, by striking the figure
- 5 "10.13" and inserting the following: "10.12".
- 6 30. Page 10, line 32, by striking the figure
- 7 "10.13" and inserting the following: "10.12".
- 8 31. Page 14, line 16, by striking the words "ten
- 9 percent or less of" and inserting the following:
- 10 "less than a ten percent interest in".
- 11 32. Page 15, by striking lines 9 through 13.
- 12 33. Page 15, by striking lines 25 and 26.
- 13 34. By renumbering as necessary.

By TOM VILSACK

S-5496 FILED APRIL 2, 1998

*O/Order*  
*4-7-98*

*(p. 1119)*

## HOUSE FILE 2335

S-5558

1 Amend House File 2335, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking lines 7 and 8 and  
4 inserting the following:

5 "\_\_\_\_\_. "Actively engaged in farming" means that a  
6 natural person, including a shareholder or an officer,  
7 director, or employee of a corporation, or a member or  
8 manager of a limited liability company, does any of  
9 the following:

10 a. Inspects the production activities periodically  
11 and furnishes at least half of the value of the tools  
12 used for crop or livestock production and pays at  
13 least half the direct cost of crop or livestock  
14 production.

15 b. Regularly and frequently makes or takes an  
16 important part in making management decisions  
17 substantially contributing to or affecting the success  
18 of the farm operation.

19 c. Performs physical work which significantly  
20 contributes to crop or livestock production."

21 2. Page 1, by inserting after line 14 the  
22 following:

23 "\_\_\_\_\_. "Commodity share landlord" means a natural  
24 person or a general partnership as provided in chapter  
25 486 in which all partners are natural persons, who  
26 owns at least one hundred fifty acres of agricultural  
27 land, if the owner receives rent on a commodity share  
28 basis, which may be either a share of the crops or  
29 livestock produced on the land."

30 3. Page 1, by striking lines 27 through 29 and  
31 inserting the following:

32 "\_\_\_\_\_. "Farmers cooperative association" means a  
33 cooperative association organized under chapter 490 or  
34 499, if all of the following conditions are satisfied:

35 a. All of the following apply:

36 (1) Qualified farmers must hold at least a fifty-  
37 one percent equity interest in the cooperative  
38 association, including fifty-one percent of each class  
39 of members' equity.

40 (2) The following persons must hold at least a  
41 seventy percent equity interest in the cooperative  
42 association, including seventy percent of each class  
43 of members' equity:

44 (a) A qualified farmer.

45 (b) A family farm entity.

46 (c) A commodity share landlord.

47 b. As used in this subsection, "members' equity"  
48 includes but is not limited to issued shares,  
49 including common stock or preferred stock, regardless  
50 of a right to receive dividends or earning

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1 distributions. However, "members' equity" does not  
2 include nonvoting common stock or nonvoting membership  
3 interests. A security such as a warrant or option  
4 that may be converted to voting stock shall be  
5 considered as issued shares.

6 c. For purposes of this subsection, a person who  
7 was a qualified person within the last ten years shall  
8 be treated as a qualified person."

9 4. By striking page 1, line 31, through page 2,  
10 line 1, and inserting the following: "limited  
11 liability company organized under chapter 490A, if  
12 cooperative associations hold one hundred percent of  
13 all membership interests in the limited liability  
14 company. Farmers cooperative associations must hold  
15 at least seventy percent of all membership interests  
16 in the limited liability company. If more than one  
17 type of membership interest is established, including  
18 any series as provided in section 490A.305 or any  
19 class or group as provided in section 490A.307,  
20 farmers cooperative associations must hold at least  
21 seventy percent of all membership interests of that  
22 type."

23 5. Page 2, by inserting after line 6 the  
24 following:

25 "     . "Intra-company loan agreement" means an  
26 agreement involving a loan, if the parties to the  
27 agreement are members of the same farmers cooperative  
28 limited liability company, and according to the terms  
29 of the loan a member which is a regional cooperative  
30 association directly or indirectly loans money to a  
31 member which is a farmers cooperative association, on  
32 condition that the money, including any interest, must  
33 be repaid by the member which is a farmers cooperative  
34 association to the regional cooperative association or  
35 another person. A loan agreement does not include an  
36 operating loan agreement, in which all of the  
37 following apply:

38 a. The money is required to be repaid within  
39 ninety days from the date that the farmers cooperative  
40 association receives the money, and the money is  
41 actually repaid by that date.

42 b. The money is used to pay for reasonable and  
43 ordinary expenses of the farmers cooperative  
44 association in conducting its affairs."

45 6. Page 2, by striking lines 14 through 17 and  
46 inserting the following:

47 "a. All of the following apply:

48 (1) Qualified farmers must hold at least fifty-one  
49 percent of all issued shares of the corporation. If  
50 more than one class of shares is authorized, qualified

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1 farmers must hold at least fifty-one percent of all  
2 issued shares in each class.

3 (2) Qualified persons must hold at least seventy  
4 percent of all issued shares of the corporation. If  
5 more than one class of shares is authorized, qualified  
6 persons must hold at least seventy percent of all  
7 issued shares in each class.

8 b. As used in paragraph "a", "issued shares"  
9 includes but is not limited to common stock or  
10 preferred stock, or each class of common stock or  
11 preferred stock, regardless of voting rights or a  
12 right to receive dividends or earning distributions.  
13 A security such as a warrant or option that may be  
14 converted to stock shall be considered as issued  
15 shares."

16 7. Page 2, by striking lines 24 through 28 and  
17 inserting the following:

18 "a. Qualified farmers must hold at least fifty-one  
19 percent of all membership interests in the limited  
20 liability company. If more than one type of  
21 membership interest is established, including any  
22 series as provided in section 490A.305 or any class or  
23 group as provided in section 490A.307, qualified  
24 farmers must hold at least fifty-one percent of all  
25 membership interests of that type.

26 b. Qualified persons must hold at least seventy  
27 percent of all membership interests in the limited  
28 liability company. If more than one type of  
29 membership interest is established, including any  
30 series as provided in section 490A.305 or any class or  
31 group as provided in section 490A.307, qualified  
32 persons must hold at least seventy percent of all  
33 membership interests of that type.

34 \_\_\_\_\_. "Operation of law" means a transfer by  
35 inheritance, devise, or bequest, court order,  
36 dissolution decree, order in bankruptcy, insolvency,  
37 replevin, foreclosure, execution sale, the execution  
38 of a judgment, the foreclosure of a real estate  
39 mortgage, the forfeiture of a real estate contract, or  
40 a transfer resulting from a decree for specific  
41 performance."

42 8. Page 2, line 29, by striking the word "person"  
43 and inserting the following: "farmer".

44 9. By striking page 2, line 34, through page 3,  
45 line 5, and inserting the following:

46 " \_\_\_\_\_. A farm estate.

47 \_\_\_\_\_. "Qualified commodity share landlord" means a  
48 commodity share landlord, if the owner of the  
49 agricultural land was actively engaged in farming the  
50 land or a family member of the owner is or was

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1 actively engaged in farming the land, if the family  
2 member is related to the owner as a spouse, parent,  
3 grandparent, lineal ascendant of a grandparent or  
4 spouse, or other lineal descendant of a grandparent or  
5 spouse.

6 \_\_\_\_\_. "Qualified person" means a person who is any  
7 of the following:

8 a. A qualified farmer.

9 b. A family farm entity.

10 c. A qualified commodity share landlord."

11 10. Page 3, by inserting before line 6 the  
12 following:

13 "\_\_\_\_\_. "Regional cooperative association" means a  
14 cooperative association other than a farmers  
15 cooperative association."

16 11. Page 3, lines 27 and 28, by striking the  
17 words "one thousand five hundred" and inserting the  
18 following: "six hundred forty".

19 12. Page 3, lines 34 and 35, by striking the  
20 words "a ten percent or greater" and inserting the  
21 following: "an".

22 13. Page 4, line 13, by striking the words "one  
23 thousand five hundred" and inserting the following:  
24 "six hundred forty".

25 14. Page 4, by striking lines 20 through 22 and  
26 inserting the following: "networking farmers  
27 corporation by operation of law, the corporation may  
28 disregard the transfer for".

29 15. Page 5, by inserting after line 4 the  
30 following:

31 "\_\_\_\_\_. A qualified commodity share landlord who  
32 owns an interest in a networking farmers corporation  
33 holding agricultural land under section 10.3 must rent  
34 an additional one hundred fifty acres of agricultural  
35 land on a commodity share basis for each farmers  
36 entity holding agricultural land under this chapter in  
37 which the commodity share landlord acquires an  
38 interest."

39 16. Page 5, lines 13 and 14, by striking the  
40 words "one thousand five hundred" and inserting the  
41 following: "six hundred forty".

42 17. Page 5, line 21, by striking the words "a ten  
43 percent or greater" and inserting the following:  
44 "an".

45 18. Page 5, line 35, by striking the words "one  
46 thousand five hundred" and inserting the following:  
47 "six hundred forty".

48 19. Page 6, by striking lines 8 and 9 and  
49 inserting the following: "law, the networking farmers  
50 limited".

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- 1 20. Page 6, by inserting after line 27 the  
2 following:  
3 "\_\_\_\_. A qualified commodity share landlord who  
4 owns an interest in a networking farmers limited  
5 liability company holding agricultural land under  
6 section 10.5 must rent an additional one hundred fifty  
7 acres of agricultural land on a commodity share basis  
8 for each farmers entity holding agricultural land  
9 under this chapter in which the commodity share  
10 landlord acquires an interest."  
11 21. Page 7, line 3, by striking the words "grain  
12 or forage" and inserting the following: "forage or  
13 grain".  
14 22. Page 7, line 5, by striking the word "has"  
15 and inserting the following: "holds".  
16 23. Page 7, line 10, by striking the word "crop"  
17 and inserting the following: "grain".  
18 24. Page 7, line 16, by striking the word "An"  
19 and inserting the following: "Except as provided in  
20 this section, an".  
21 25. Page 7, lines 18 and 19, by striking the  
22 words "a ten percent or greater" and inserting the  
23 following: "an".  
24 26. Page 7, by striking line 28 and inserting the  
25 following: "However, notwithstanding section 9H.4,  
26 all of the following shall apply:  
27 (1) A cooperative".  
28 27. Page 7, line 32, by striking the words "one  
29 thousand five hundred" and inserting the following:  
30 "six hundred forty".  
31 28. Page 7, by inserting after line 32 the  
32 following:  
33 "(2) An interest in agricultural land held by a  
34 farmers cooperative association shall not be  
35 attributable to a member who is an entity organized  
36 under state law, if the entity holds a five percent or  
37 less interest in the farmers cooperative association."  
38 29. Page 8, by striking lines 4 through 6 and  
39 inserting the following: "cooperative association by  
40 operation of law, the association may disregard the  
41 transfer for".  
42 30. Page 8, by inserting after line 23 the  
43 following:  
44 "Sec. \_\_\_\_ . NEW SECTION. 10.8A PROCEDURE FOR  
45 ACQUISITION -- REVERSE REFERENDUM; DISSENT.  
46 A farmers cooperative association shall not acquire  
47 an interest in agricultural land or in a farmers  
48 entity, unless all of the following apply:  
49 1. The board of directors of the farmers  
50 cooperative association adopts a resolution

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1 authorizing the acquisition. Except as provided in  
2 this section, the resolution shall become effective  
3 thirty-one days from the date that the resolution was  
4 adopted. The farmers cooperative association is not  
5 required to comply with the procedures of this section  
6 for as long as the resolution remains in effect. The  
7 resolution shall contain all of the following:

8 a. A declaration stating that the farmers  
9 cooperative association reserves the right to acquire  
10 agricultural land or an interest in a farmers entity  
11 under this chapter.

12 b. A description of a planned acquisition, if any,  
13 including the location of agricultural land planned to  
14 be acquired, the identity of any farmers entity in  
15 which the farmers cooperative association plans to  
16 acquire an interest, and the nature of any farming  
17 operation which is planned to occur on land acquired  
18 by the farmers cooperative association or conducted by  
19 the farmers entity.

20 c. The date that the resolution was adopted and  
21 the date that it will take effect.

22 2. Within five days following the date that the  
23 resolution authorizing the farmers cooperative  
24 association to acquire an interest in agricultural  
25 land or acquire an interest in a farmers entity is  
26 adopted, the farmers cooperative association must  
27 provide notice of the resolution as provided in this  
28 section. The notice shall be in the following form:

## NOTICE

30 MEMBERS OF THE (INSERT NAME OF THE FARMERS  
31 COOPERATIVE ASSOCIATION)  
32 THE (INSERT NAME OF THE FARMERS COOPERATIVE  
33 ASSOCIATION) IS PLANNING ON ACQUIRING AN INTEREST IN  
34 AGRICULTURAL LAND WHICH MAY BE USED FOR FARMING OR  
35 ACQUIRING AN INTEREST IN A BUSINESS THAT OWNS  
36 AGRICULTURAL LAND THAT MAY BE USED FOR FARMING. UNDER  
37 IOWA CODE CHAPTER 10, THE (INSERT NAME OF THE FARMERS  
38 COOPERATIVE ASSOCIATION) IS A FARMERS COOPERATIVE  
39 ASSOCIATION. WITHIN A LIMITED TIME PERIOD: (1)  
40 VOTING MEMBERS MAY PETITION A FARMERS COOPERATIVE  
41 ASSOCIATION TO REQUIRE A MEMBERSHIP VOTE TO APPROVE  
42 THE ACQUISITION; AND (2) ALL HOLDERS OF MEMBERS'  
43 EQUITY MAY DEMAND PAYMENT OF THE FAIR VALUE OF THEIR  
44 INTERESTS.

45 a. The notice must be published in a newspaper  
46 having a general circulation in the county where the  
47 farmers cooperative association is located as provided  
48 in section 618.3. The notice shall be printed as  
49 provided in section 618.17.

50 b. The notice shall be delivered to all holders of  
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1 members' equity in the farmers cooperative  
2 association, including members and shareholders, by  
3 mailing the notice to the holder's last known address  
4 as shown on the books of the farmers cooperative  
5 association. The notice shall be accompanied by a  
6 copy of the resolution adopted by the board pursuant  
7 to this section, and a copy of this section.

8 3. Within thirty days following the date that the  
9 resolution authorizing the farmers cooperative  
10 association to acquire an interest in agricultural  
11 land or acquire an interest in a farmers entity is  
12 adopted, at least twenty percent of the voting members  
13 of the farmers cooperative association may file a  
14 petition with the board of directors demanding a  
15 referendum under this subsection.

16 a. If a valid petition is filed, the board of  
17 directors shall call a special referendum of voting  
18 members at a regular or special meeting, as provided  
19 in section 499.27. The filing of the petition  
20 suspends the effectiveness of the resolution until a  
21 referendum is conducted as provided in this  
22 subsection.

23 b. The resolution shall not become effective as  
24 otherwise provided in this section, until the  
25 resolution is approved by a majority vote of the  
26 voting members of the farmers cooperative association  
27 casting ballots at the meeting to conduct the  
28 referendum.

29 4. a. Within thirty days following the date that  
30 the resolution authorizing the farmers cooperative  
31 association to acquire an interest in agricultural  
32 land or acquire an interest in a farmers entity is  
33 adopted, a holder of members' equity, including a  
34 member or shareholder, may dissent to an acquisition  
35 as expressed in the resolution adopted by the board of  
36 directors under this section.

37 b. The holder of members' equity shall dissent by  
38 filing a demand with the board of directors. The  
39 farmers cooperative association shall pay the holder  
40 the fair value of that holder's interest as if the  
41 holder were a member dissenting to a merger or  
42 consolidation, as provided in section 499.66, upon  
43 surrender of the holder's evidence of equity in the  
44 farmers cooperative association, including a  
45 certificate of membership or shares.

46 c. The farmers cooperative association is not  
47 required to pay the holder of members' equity the fair  
48 value of that holder's interest as provided in this  
49 subsection, if the resolution provided for in this  
50 section does not become effective."

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1 31. Page 8, line 35, by striking the words "grain  
2 or" and inserting the following: "forage or grain".

3 32. Page 9, line 1, by striking the word  
4 "forage".

5 33. Page 9, line 2, by striking the word "has"  
6 and inserting the following: "holds".

7 34. Page 9, line 8, by striking the word "crop"  
8 and inserting the following: "grain".

9 35. Page 9, by inserting after line 13 the  
10 following:

11 "c. Less than fifty percent of the interest in the  
12 farmers cooperative limited liability company is held  
13 by members which are parties to intra-company loan  
14 agreements. If more than one type of membership  
15 interest is established, including any series as  
16 provided in section 490A.305 or any class or group as  
17 provided in section 490A.307, less than fifty percent  
18 of the interest in each type of membership shall be  
19 held by members which are parties to intra-company  
20 loan agreements.

21 d. The farmers cooperative limited liability  
22 company does not own swine or contract for the care  
23 and feeding of swine, if a member of the farmers  
24 cooperative limited liability company is a regional  
25 cooperative association."

26 36. Page 9, line 31, by striking the words "one  
27 thousand five hundred" and inserting the following:  
28 "six hundred forty".

29 37. Page 10, by striking lines 5 and 6 and  
30 inserting the following: "law, the farmers  
31 cooperative limited liability".

32 38. Page 10, line 18, by striking the figure  
33 "10.13" and inserting the following: "10.12".

34 39. Page 10, line 32, by striking the figure  
35 "10.13" and inserting the following: "10.12".

36 40. Page 12, by striking line 13 and inserting  
37 the following: "corporation as defined in section  
38 9H.1 or networking farmers corporation as defined in  
39 section 10.1, holding an".

40 41. Page 12, by striking lines 29 through 31 and  
41 inserting the following: "including an authorized  
42 limited liability company as defined in section 9H.1,  
43 or a networking farmers limited liability company or  
44 farmers cooperative limited liability company as  
45 defined in section 10.1, holding an interest in  
46 agricultural".

47 42. Page 14, line 16, by striking the words "ten  
48 percent or less of" and inserting the following:  
49 "less than a ten percent interest in".

50 43. Page 15, by striking lines 9 through 13.

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1 44. Page 15, by striking lines 25 and 26.

2 45. By renumbering as necessary.

By TOM VILSACK  
DERRYL McLAREN

(P. 1118)

## SENATE AMENDMENT TO HOUSE FILE 2335

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1 Amend House File 2335, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking lines 7 and 8 and  
4 inserting the following:

5 "\_\_\_\_\_. "Actively engaged in farming" means that a  
6 natural person, including a shareholder or an officer,  
7 director, or employee of a corporation, or a member or  
8 manager of a limited liability company, does any of  
9 the following:

10 a. Inspects the production activities periodically  
11 and furnishes at least half of the value of the tools  
12 used for crop or livestock production and pays at  
13 least half the direct cost of crop or livestock  
14 production.

15 b. Regularly and frequently makes or takes an  
16 important part in making management decisions  
17 substantially contributing to or affecting the success  
18 of the farm operation.

19 c. Performs physical work which significantly  
20 contributes to crop or livestock production."

21 2. Page 1, by inserting after line 14 the  
22 following:

23 "\_\_\_\_\_. "Commodity share landlord" means a natural  
24 person or a general partnership as provided in chapter  
25 486 in which all partners are natural persons, who  
26 owns at least one hundred fifty acres of agricultural  
27 land, if the owner receives rent on a commodity share  
28 basis, which may be either a share of the crops or  
29 livestock produced on the land."

30 3. Page 1, by striking lines 27 through 29 and  
31 inserting the following:

32 "\_\_\_\_\_. "Farmers cooperative association" means a  
33 cooperative association organized under chapter 490 or  
34 499, if all of the following conditions are satisfied:

35 a. All of the following apply:

36 (1) Qualified farmers must hold at least a fifty-  
37 one percent equity interest in the cooperative  
38 association, including fifty-one percent of each class  
39 of members' equity.

40 (2) The following persons must hold at least a  
41 seventy percent equity interest in the cooperative  
42 association, including seventy percent of each class  
43 of members' equity:

44 (a) A qualified farmer.

45 (b) A family farm entity.

46 (c) A commodity share landlord.

47 b. As used in this subsection, "members' equity"  
48 includes but is not limited to issued shares,  
49 including common stock or preferred stock, regardless  
50 of a right to receive dividends or earning

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1 distributions. However, "members' equity" does not  
2 include nonvoting common stock or nonvoting membership  
3 interests. A security such as a warrant or option  
4 that may be converted to voting stock shall be  
5 considered as issued shares.

6 c. For purposes of this subsection, a person who  
7 was a qualified person within the last ten years shall  
8 be treated as a qualified person."

9 4. By striking page 1, line 31, through page 2,  
10 line 1, and inserting the following: "limited  
11 liability company organized under chapter 490A, if  
12 cooperative associations hold one hundred percent of  
13 all membership interests in the limited liability  
14 company. Farmers cooperative associations must hold  
15 at least seventy percent of all membership interests  
16 in the limited liability company. If more than one  
17 type of membership interest is established, including  
18 any series as provided in section 490A.305 or any  
19 class or group as provided in section 490A.307,  
20 farmers cooperative associations must hold at least  
21 seventy percent of all membership interests of that  
22 type."

23 5. Page 2, by inserting after line 6 the  
24 following:

25 "\_\_\_". "Intra-company loan agreement" means an  
26 agreement involving a loan, if the parties to the  
27 agreement are members of the same farmers cooperative  
28 limited liability company, and according to the terms  
29 of the loan a member which is a regional cooperative  
30 association directly or indirectly loans money to a  
31 member which is a farmers cooperative association, on  
32 condition that the money, including any interest, must  
33 be repaid by the member which is a farmers cooperative  
34 association to the regional cooperative association or  
35 another person. A loan agreement does not include an  
36 operating loan agreement, in which all of the  
37 following apply:

38 a. The money is required to be repaid within  
39 ninety days from the date that the farmers cooperative  
40 association receives the money, and the money is  
41 actually repaid by that date.

42 b. The money is used to pay for reasonable and  
43 ordinary expenses of the farmers cooperative  
44 association in conducting its affairs."

45 6. Page 2, by striking lines 14 through 17 and  
46 inserting the following:

47 "a. All of the following apply:

48 (1) Qualified farmers must hold at least fifty-one  
49 percent of all issued shares of the corporation. If  
50 more than one class of shares is authorized, qualified

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Page 3

1 farmers must hold at least fifty-one percent of all  
2 issued shares in each class.

3 (2) Qualified persons must hold at least seventy  
4 percent of all issued shares of the corporation. If  
5 more than one class of shares is authorized, qualified  
6 persons must hold at least seventy percent of all  
7 issued shares in each class.

8 b. As used in paragraph "a", "issued shares"  
9 includes but is not limited to common stock or  
10 preferred stock, or each class of common stock or  
11 preferred stock, regardless of voting rights or a  
12 right to receive dividends or earning distributions.  
13 A security such as a warrant or option that may be  
14 converted to stock shall be considered as issued  
15 shares."

16 7. Page 2, by striking lines 24 through 28 and  
17 inserting the following:

18 "a. Qualified farmers must hold at least fifty-one  
19 percent of all membership interests in the limited  
20 liability company. If more than one type of  
21 membership interest is established, including any  
22 series as provided in section 490A.305 or any class or  
23 group as provided in section 490A.307, qualified  
24 farmers must hold at least fifty-one percent of all  
25 membership interests of that type.

26 b. Qualified persons must hold at least seventy  
27 percent of all membership interests in the limited  
28 liability company. If more than one type of  
29 membership interest is established, including any  
30 series as provided in section 490A.305 or any class or  
31 group as provided in section 490A.307, qualified  
32 persons must hold at least seventy percent of all  
33 membership interests of that type.

34 \_\_\_\_\_. "Operation of law" means a transfer by  
35 inheritance, devise, or bequest, court order,  
36 dissolution decree, order in bankruptcy, insolvency,  
37 replevin, foreclosure, execution sale, the execution  
38 of a judgment, the foreclosure of a real estate  
39 mortgage, the forfeiture of a real estate contract, or  
40 a transfer resulting from a decree for specific  
41 performance."

42 8. Page 2, line 29, by striking the word "person"  
43 and inserting the following: "farmer".

44 9. By striking page 2, line 34, through page 3,  
45 line 5, and inserting the following:

46 "\_\_\_\_\_. A farm estate.

47 \_\_\_\_\_. "Qualified commodity share landlord" means a  
48 commodity share landlord, if the owner of the  
49 agricultural land was actively engaged in farming the  
50 land or a family member of the owner is or was

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Page 4

1 actively engaged in farming the land, if the family  
2 member is related to the owner as a spouse, parent,  
3 grandparent, lineal ascendant of a grandparent or  
4 spouse, or other lineal descendant of a grandparent or  
5 spouse.

6 \_\_\_\_\_. "Qualified person" means a person who is any  
7 of the following:

- 8 a. A qualified farmer.
- 9 b. A family farm entity.
- 10 c. A qualified commodity share landlord."

11 10. Page 3, by inserting before line 6 the  
12 following:

13 "\_\_\_\_\_. "Regional cooperative association" means a  
14 cooperative association other than a farmers  
15 cooperative association."

16 11. Page 3, lines 27 and 28, by striking the  
17 words "one thousand five hundred" and inserting the  
18 following: "six hundred forty".

19 12. Page 3, lines 34 and 35, by striking the  
20 words "a ten percent or greater" and inserting the  
21 following: "an".

22 13. Page 4, line 13, by striking the words "one  
23 thousand five hundred" and inserting the following:  
24 "six hundred forty".

25 14. Page 4, by striking lines 20 through 22 and  
26 inserting the following: "networking farmers  
27 corporation by operation of law, the corporation may  
28 disregard the transfer for".

29 15. Page 5, by inserting after line 4 the  
30 following:

31 "\_\_\_\_\_. A qualified commodity share landlord who  
32 owns an interest in a networking farmers corporation  
33 holding agricultural land under section 10.3 must rent  
34 an additional one hundred fifty acres of agricultural  
35 land on a commodity share basis for each farmers  
36 entity holding agricultural land under this chapter in  
37 which the commodity share landlord acquires an  
38 interest."

39 16. Page 5, lines 13 and 14, by striking the  
40 words "one thousand five hundred" and inserting the  
41 following: "six hundred forty".

42 17. Page 5, line 21, by striking the words "a ten  
43 percent or greater" and inserting the following:  
44 "an".

45 18. Page 5, line 35, by striking the words "one  
46 thousand five hundred" and inserting the following:  
47 "six hundred forty".

48 19. Page 6, by striking lines 8 and 9 and  
49 inserting the following: "law, the networking farmers  
50 limited".

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Page 5

1 20. Page 6, by inserting after line 27 the  
2 following:

3 "\_\_\_\_. A qualified commodity share landlord who  
4 owns an interest in a networking farmers limited  
5 liability company holding agricultural land under  
6 section 10.5 must rent an additional one hundred fifty  
7 acres of agricultural land on a commodity share basis  
8 for each farmers entity holding agricultural land  
9 under this chapter in which the commodity share  
10 landlord acquires an interest."

11 21. Page 7, line 3, by striking the words "grain  
12 or forage" and inserting the following: "forage or  
13 grain".

14 22. Page 7, line 5, by striking the word "has"  
15 and inserting the following: "holds".

16 23. Page 7, line 10, by striking the word "crop"  
17 and inserting the following: "grain".

18 24. Page 7, line 16, by striking the word "An"  
19 and inserting the following: "Except as provided in  
20 this section, an".

21 25. Page 7, lines 18 and 19, by striking the  
22 words "a ten percent or greater" and inserting the  
23 following: "an".

24 26. Page 7, by striking line 28 and inserting the  
25 following: "However, notwithstanding section 9H.4,  
26 all of the following shall apply:

27 (1) A cooperative".

28 27. Page 7, line 32, by striking the words "one  
29 thousand five hundred" and inserting the following:  
30 "six hundred forty".

31 28. Page 7, by inserting after line 32 the  
32 following:

33 "(2) An interest in agricultural land held by a  
34 farmers cooperative association shall not be  
35 attributable to a member who is an entity organized  
36 under state law, if the entity holds a five percent or  
37 less interest in the farmers cooperative association."

38 29. Page 8, by striking lines 4 through 6 and  
39 inserting the following: "cooperative association by  
40 operation of law, the association may disregard the  
41 transfer for".

42 30. Page 8, by inserting after line 23 the  
43 following:

44 "Sec. \_\_\_\_ . NEW SECTION. 10.8A PROCEDURE FOR  
45 ACQUISITION -- REVERSE REFERENDUM; DISSENT.

46 A farmers cooperative association shall not acquire  
47 an interest in agricultural land or in a farmers  
48 entity, unless all of the following apply:

49 1. The board of directors of the farmers  
50 cooperative association adopts a resolution

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Page 6

1 authorizing the acquisition. Except as provided in  
2 this section, the resolution shall become effective  
3 thirty-one days from the date that the resolution was  
4 adopted. The farmers cooperative association is not  
5 required to comply with the procedures of this section  
6 for as long as the resolution remains in effect. The  
7 resolution shall contain all of the following:

8 a. A declaration stating that the farmers  
9 cooperative association reserves the right to acquire  
10 agricultural land or an interest in a farmers entity  
11 under this chapter.

12 b. A description of a planned acquisition, if any,  
13 including the location of agricultural land planned to  
14 be acquired, the identity of any farmers entity in  
15 which the farmers cooperative association plans to  
16 acquire an interest, and the nature of any farming  
17 operation which is planned to occur on land acquired  
18 by the farmers cooperative association or conducted by  
19 the farmers entity.

20 c. The date that the resolution was adopted and  
21 the date that it will take effect.

22 2. Within five days following the date that the  
23 resolution authorizing the farmers cooperative  
24 association to acquire an interest in agricultural  
25 land or acquire an interest in a farmers entity is  
26 adopted, the farmers cooperative association must  
27 provide notice of the resolution as provided in this  
28 section. The notice shall be in the following form:

## NOTICE

30 MEMBERS OF THE (INSERT NAME OF THE FARMERS  
31 COOPERATIVE ASSOCIATION)  
32 THE (INSERT NAME OF THE FARMERS COOPERATIVE  
33 ASSOCIATION) IS PLANNING ON ACQUIRING AN INTEREST IN  
34 AGRICULTURAL LAND WHICH MAY BE USED FOR FARMING OR  
35 ACQUIRING AN INTEREST IN A BUSINESS THAT OWNS  
36 AGRICULTURAL LAND THAT MAY BE USED FOR FARMING. UNDER  
37 IOWA CODE CHAPTER 10, THE (INSERT NAME OF THE FARMERS  
38 COOPERATIVE ASSOCIATION) IS A FARMERS COOPERATIVE  
39 ASSOCIATION. WITHIN A LIMITED TIME PERIOD: (1)  
40 VOTING MEMBERS MAY PETITION A FARMERS COOPERATIVE  
41 ASSOCIATION TO REQUIRE A MEMBERSHIP VOTE TO APPROVE  
42 THE ACQUISITION; AND (2) ALL HOLDERS OF MEMBERS'  
43 EQUITY MAY DEMAND PAYMENT OF THE FAIR VALUE OF THEIR  
44 INTERESTS.

45 a. The notice must be published in a newspaper  
46 having a general circulation in the county where the  
47 farmers cooperative association is located as provided  
48 in section 618.3. The notice shall be printed as  
49 provided in section 618.17.

50 b. The notice shall be delivered to all holders of

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1 members' equity in the farmers cooperative  
2 association, including members and shareholders, by  
3 mailing the notice to the holder's last known address  
4 as shown on the books of the farmers cooperative  
5 association. The notice shall be accompanied by a  
6 copy of the resolution adopted by the board pursuant  
7 to this section, and a copy of this section.

8 3. Within thirty days following the date that the  
9 resolution authorizing the farmers cooperative  
10 association to acquire an interest in agricultural  
11 land or acquire an interest in a farmers entity is  
12 adopted, at least twenty percent of the voting members  
13 of the farmers cooperative association may file a  
14 petition with the board of directors demanding a  
15 referendum under this subsection.

16 a. If a valid petition is filed, the board of  
17 directors shall call a special referendum of voting  
18 members at a regular or special meeting, as provided  
19 in section 499.27. The filing of the petition  
20 suspends the effectiveness of the resolution until a  
21 referendum is conducted as provided in this  
22 subsection.

23 b. The resolution shall not become effective as  
24 otherwise provided in this section, until the  
25 resolution is approved by a majority vote of the  
26 voting members of the farmers cooperative association  
27 casting ballots at the meeting to conduct the  
28 referendum.

29 4. a. Within thirty days following the date that  
30 the resolution authorizing the farmers cooperative  
31 association to acquire an interest in agricultural  
32 land or acquire an interest in a farmers entity is  
33 adopted, a holder of members' equity, including a  
34 member or shareholder, may dissent to an acquisition  
35 as expressed in the resolution adopted by the board of  
36 directors under this section.

37 b. The holder of members' equity shall dissent by  
38 filing a demand with the board of directors. The  
39 farmers cooperative association shall pay the holder  
40 the fair value of that holder's interest as if the  
41 holder were a member dissenting to a merger or  
42 consolidation, as provided in section 499.66, upon  
43 surrender of the holder's evidence of equity in the  
44 farmers cooperative association, including a  
45 certificate of membership or shares.

46 c. The farmers cooperative association is not  
47 required to pay the holder of members' equity the fair  
48 value of that holder's interest as provided in this  
49 subsection, if the resolution provided for in this  
50 section does not become effective."

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- 1 31. Page 8, line 35, by striking the words "grain
- 2 or" and inserting the following: "forage or grain".
- 3 32. Page 9, line 1, by striking the word
- 4 "forage".
- 5 33. Page 9, line 2, by striking the word "has"
- 6 and inserting the following: "holds".
- 7 34. Page 9, line 8, by striking the word "crop"
- 8 and inserting the following: "grain".
- 9 35. Page 9, by inserting after line 13 the
- 10 following:
- 11 "c. Less than fifty percent of the interest in the
- 12 farmers cooperative limited liability company is held
- 13 by members which are parties to intra-company loan
- 14 agreements. If more than one type of membership
- 15 interest is established, including any series as
- 16 provided in section 490A.305 or any class or group as
- 17 provided in section 490A.307, less than fifty percent
- 18 of the interest in each type of membership shall be
- 19 held by members which are parties to intra-company
- 20 loan agreements.
- 21 d. The farmers cooperative limited liability
- 22 company does not own swine or contract for the care
- 23 and feeding of swine, if a member of the farmers
- 24 cooperative limited liability company is a regional
- 25 cooperative association."
- 26 36. Page 9, line 31, by striking the words "one
- 27 thousand five hundred" and inserting the following:
- 28 "six hundred forty".
- 29 37. Page 10, by striking lines 5 and 6 and
- 30 inserting the following: "law, the farmers
- 31 cooperative limited liability".
- 32 38. Page 10, line 18, by striking the figure
- 33 "10.13" and inserting the following: "10.12".
- 34 39. Page 10, line 32, by striking the figure
- 35 "10.13" and inserting the following: "10.12".
- 36 40. Page 12, by striking line 13 and inserting
- 37 the following: "corporation as defined in section
- 38 9H.1 or networking farmers corporation as defined in
- 39 section 10.1, holding an".
- 40 41. Page 12, by striking lines 29 through 31 and
- 41 inserting the following: "including an authorized
- 42 limited liability company as defined in section 9H.1,
- 43 or a networking farmers limited liability company or
- 44 farmers cooperative limited liability company as
- 45 defined in section 10.1, holding an interest in
- 46 agricultural".
- 47 42. Page 14, line 16, by striking the words "ten
- 48 percent or less of" and inserting the following:
- 49 "less than a ten percent interest in".
- 50 43. Page 15, by striking lines 9 through 13.

- 1 44. Page 15, by striking lines 25 and 26.
- 2 45. By renumbering as necessary.

RECEIVED FROM THE SENATE

*Howe Concurred*  
4.9.98 (p. 1435)

*Greig Ch.  
Greig  
Mundie*

Submitted By \_\_\_\_\_

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL BY CHAIR-  
PERSON EDDIE)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to persons holding interests in agricultural land  
2 and providing penalties.

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

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ARTICLE XII

NETWORKING FARMERS LIMITED PARTNERSHIPS

Section 1. NEW SECTION. 487.1201 DEFINITIONS.

As used in this Article, unless the context otherwise requires:

1. "Actively engaged in farming" means the same as defined in section 9H.1.

2. "Agricultural land" means the same as defined in section 9H.1.

3. "Authorized entity" means an authorized farm corporation; authorized limited liability company; limited partnership, other than a family farm limited partnership; or an authorized trust, as defined in section 9H.1.

4. "Family farm entity" means a family farm corporation, family farm limited liability company, family farm limited partnership, or family trust, as defined in section 9H.1.

5. "Farm estate" means the real and personal property of a decedent, a ward, or a trust as provided in chapter 633, if at least sixty percent of the gross income from the estate comes from farming.

6. "Farmers cooperative association" means the same as defined in section 499.91.

7. "Farmers cooperative limited liability company" means the same as defined in section 490A.1701.

8. "Farmers entity" means a networking farmers entity, farmers cooperative limited liability company, or farmers cooperative association.

9. "Farming" means the same as defined in section 9H.1.

10. "Livestock" means an animal belonging to the bovine, caprine, equine, ovine, or porcine species, ostriches, rheas, emus, farm deer as defined in section 481A.1, or poultry.

11. "Networking farmers corporation" means the same as defined in section 490.1711.

12. "Networking farmers entity" means a networking farmers limited partnership, networking farmers corporation, or

1 networking farmers limited liability company.

2 13. "Networking farmers limited liability company" means  
3 the same as defined in section 490A.1701.

4 14. "Networking farmers limited partnership" means a  
5 limited partnership organized under this chapter if all of the  
6 following conditions are satisfied:

7 a. At least seventy percent of the partnership interest is  
8 held by qualified persons.

9 b. At least seventy percent of votes that may be cast by  
10 general partners is held by qualified persons.

11 15. "Qualified person" means any of the following:

12 a. A natural person actively engaged in farming.

13 b. A general partnership as provided in chapter 486 in  
14 which all partners are natural persons actively engaged in  
15 farming.

16 c. A family farm entity.

17 d. A person who owns at least one hundred fifty acres of  
18 agricultural land and receives as rent a share of the crops or  
19 the animals raised on the land, provided that the person is a  
20 natural person or a general partnership as provided in chapter  
21 486 in which all persons are natural persons.

22 e. A farm estate.

23 Sec. 2. NEW SECTION. 487.1202 INTERESTS DESCRIBED.

24 As used in this Article, the following apply:

25 1. A person holds an interest in agricultural land if the  
26 person directly or indirectly owns, leases, or has a legal or  
27 equitable interest in agricultural land.

28 2. A person holds an interest in a farmers entity if the  
29 person holds an interest as any of the following:

30 a. A member of a farmers cooperative association.

31 b. A member of a farmers cooperative limited liability  
32 company.

33 c. A shareholder of a networking farmers corporation.

34 d. A member of a networking farmers limited liability  
35 company.

1 e. A general partner or limited partner of a networking  
2 farmers limited partnership.

3 Sec. 3. NEW SECTION. 487.1203 LANDHOLDINGS RESTRICTED.

4 1. Notwithstanding section 9H.5, a networking farmers  
5 limited partnership may hold agricultural land in this state  
6 if it meets all of the following conditions:

7 a. The limited partnership does not hold an interest in  
8 agricultural land of more than one thousand five hundred  
9 acres.

10 b. At least seventy-five percent of the limited  
11 partnership's gross income from farming is from the sale of  
12 livestock or livestock products.

13 2. a. Notwithstanding section 9H.5, if a person holds an  
14 interest in a networking farmers limited partnership, that  
15 interest shall not be treated as an interest in agricultural  
16 land.

17 b. Notwithstanding section 9H.5, if an authorized entity  
18 holds an interest in a networking farmers limited partnership,  
19 the number of acres of agricultural land in which the limited  
20 partnership holds an interest shall not be attributable to the  
21 authorized entity when calculating the number of acres of  
22 agricultural land that the entity may hold under section 9H.5.

23 3. In the event of a transfer of an interest in the  
24 networking farmers limited partnership by operation of law as  
25 a result of death, divorce, or bankruptcy, or pursuant to a  
26 security interest, the limited partnership may disregard the  
27 transfer for purposes of determining compliance with  
28 subsection 1 for a period of two years after the transfer.

29 Sec. 4. NEW SECTION. 487.1204 MULTIPLE INTERESTS  
30 RESTRICTED.

31 A person who holds an interest in a networking farmers  
32 limited partnership holding an interest in agricultural land  
33 pursuant to section 487.1203 shall not hold an interest in  
34 another farmers entity if any of the following applies:

35 1. The person holds a twenty-five percent or greater



1 interest in a networking farmers limited partnership with six  
2 or fewer limited partners.

3 2. The person holds a fifteen percent or greater interest  
4 in a networking farmers limited partnership with seven or more  
5 limited partners.

6 Sec. 5. NEW SECTION. 487.1205 REPORTING REQUIREMENTS.

7 1. A networking farmers limited partnership that claims it  
8 is exempt from the restrictions of section 9H.5 pursuant to  
9 section 487.1203 shall file an annual report with the  
10 secretary of state on or before March 31 of each year on forms  
11 adopted pursuant to chapter 17A and supplied by the secretary  
12 of state.

13 2. The report shall be signed by a general partner or  
14 other officer or authorized representative of the limited  
15 partnership.

16 3. The report shall contain information for the last year  
17 regarding the limited partnership, including all of the  
18 following:

19 a. The name and address of the limited partnership.

20 b. The name and address of the person supervising the  
21 daily operations on the agricultural land.

22 c. The name, address, and citizenship, if other than  
23 United States citizenship, of each general partner and limited  
24 partner.

25 d. A certification that the limited partnership meets all  
26 of the requirements of a networking farmers limited  
27 partnership.

28 e. The number of acres of agricultural land held by the  
29 limited partnership, including the following:

30 (1) The total number of acres in the state.

31 (2) The number of acres in each county identified by  
32 county name.

33 (3) The number of acres owned.

34 (4) The number of acres leased.

35 (5) The number of acres held other than by ownership or

1 lease.

2 (6) The number of acres used for the production of row  
3 crops.

4 (7) The approximate animal weight capacity of the  
5 livestock operation.

6 4. A networking farmers limited partnership shall be  
7 excused from filing a report with the secretary of state  
8 during any year in which the limited partnership holds an  
9 interest in less than twenty acres of agricultural land in  
10 this state and the gross revenue produced from all farming on  
11 the land equals less than ten thousand dollars. If a  
12 networking farmers limited partnership is excused from filing  
13 a report with the secretary of state as provided in this  
14 subsection in the immediately prior reporting year, the  
15 secretary of state is not required to deliver a form to the  
16 limited partnership for the current reporting year, unless  
17 requested by the limited partnership.

18 5. A report required pursuant to this section shall be in  
19 lieu of any report which is also required by a networking  
20 farmers limited partnership which holds agricultural land  
21 pursuant to section 9H.5A.

22 6. Notwithstanding chapter 22, reports required in this  
23 section shall be confidential reports except as to the  
24 attorney general for review and appropriate action when  
25 necessary.

26 7. The secretary of state shall assist any committee of  
27 the general assembly studying the effects of this Article and  
28 the practices this Article regulates, to the same extent  
29 required pursuant to section 9H.14.

30 Sec. 6. NEW SECTION. 487.1206 PENALTIES.

31 1. a. A networking farmers limited partnership violating  
32 section 487.1203 shall be assessed a civil penalty of not more  
33 than ten thousand dollars and shall divest itself of any land  
34 held in violation of that section within one year after  
35 judgment is entered ordering the limited partnership to comply

1 with that section.

2 b. A civil penalty of not more than one thousand dollars  
3 may be imposed on a person who becomes a member of a limited  
4 partnership in violation of section 487.1204. The person  
5 violating the section shall divest the interest held by the  
6 person in a farmers entity or authorized entity as is  
7 necessary to comply with that section.

8 2. The court may determine the method of divesting an  
9 interest held by a person found to be in violation of section  
10 487.1203 or 487.1204. A financial gain realized by a person  
11 who disposes of an interest held in violation of those  
12 sections shall be forfeited to the state's general fund. All  
13 court costs and fees shall be paid by the person holding the  
14 interest in violation of the section.

15 3. The courts of this state may prevent and restrain  
16 violations of this Article or section 487.1203 or 487.1204  
17 through the issuance of an injunction. The attorney general  
18 or a county attorney shall institute suits on behalf of the  
19 state to prevent and restrain violations of this Article or  
20 section 487.1203 or 487.1204.

21 4. a. The failure to timely file a report or the filing  
22 of false information in a report as provided in section  
23 487.1205 is punishable by a civil penalty not to exceed one  
24 thousand dollars.

25 b. The secretary of state shall notify a person who the  
26 secretary has reason to believe is required to file a report  
27 as provided by this Article and who has not filed a timely  
28 report, that the person may be in violation of section  
29 487.1205. The secretary of state shall include in the notice  
30 a statement of the penalty which may be assessed if the  
31 required report is not filed within thirty days. The  
32 secretary of state shall refer to the attorney general any  
33 person who the secretary has reason to believe is required to  
34 report if, after thirty days from receipt of the notice, the  
35 person has not filed the required report. The attorney

1 general may, upon referral from the secretary of state, file  
2 an action in district court to seek the assessment of a civil  
3 penalty of one hundred dollars for each day the report is not  
4 filed.

5 DIVISION XVIII

6 NETWORKING FARMERS CORPORATIONS

7 Sec. 7. NEW SECTION. 490.1711 DEFINITIONS.

8 As used in this division, unless the context otherwise  
9 requires:

10 1. "Actively engaged in farming" means the same as defined  
11 in section 9H.1.

12 2. "Agricultural land" means the same as defined in  
13 section 9H.1.

14 3. "Authorized entity" means an authorized farm  
15 corporation; authorized limited liability company; limited  
16 partnership, other than a family farm limited partnership; or  
17 an authorized trust as defined in section 9H.1.

18 4. "Family farm entity" means a family farm corporation,  
19 family farm limited liability company, family farm limited  
20 partnership, or family trust, as defined in section 9H.1.

21 5. "Farm estate" means the real and personal property of a  
22 decedent, a ward, or a trust as provided in chapter 633, if at  
23 least sixty percent of the gross income from the estate comes  
24 from farming.

25 6. "Farmers cooperative association" means the same as  
26 defined in section 499.91.

27 7. "Farmers cooperative limited liability company" means  
28 the same as defined in section 490A.1701.

29 8. "Farmers entity" means a networking farmers entity,  
30 farmers cooperative limited liability company, or farmers  
31 cooperative association.

32 9. "Farming" means the same as defined in section 9H.1.

33 10. "Livestock" means an animal belonging to the bovine,  
34 caprine, equine, ovine, or porcine species, ostriches, rheas,  
35 emus, farm deer as defined in section 481A.1, or poultry.

1 11. "Networking farmers corporation" means a corporation  
2 organized under this chapter if all of the following  
3 conditions are satisfied:

4 a. At least seventy percent of the corporation's stock is  
5 held by qualified persons.

6 b. At least seventy percent of the corporation's voting  
7 stock is held by qualified persons.

8 12. "Networking farmers entity" means a networking farmers  
9 corporation, networking farmers limited partnership, or  
10 networking farmers limited liability company.

11 13. "Networking farmers limited liability company" means  
12 the same as defined in section 490A.1701.

13 14. "Networking farmers limited partnership" means the  
14 same as defined in section 487.1201.

15 15. "Qualified person" means any of the following:

16 a. A natural person actively engaged in farming.

17 b. A general partnership as provided in chapter 486 in  
18 which all partners are natural persons actively engaged in  
19 farming.

20 c. A family farm entity.

21 d. A person who owns at least one hundred fifty acres of  
22 agricultural land and receives as rent a share of the crops or  
23 the animals raised on the land, provided that the person is a  
24 natural person or a general partnership as provided in chapter  
25 486 in which all persons are natural persons.

26 e. A farm estate.

27 Sec. 8. NEW SECTION. 490.1712 INTERESTS DESCRIBED.

28 As used in this division, the following apply:

29 1. A person holds an interest in agricultural land if the  
30 person directly or indirectly owns, leases, or has a legal or  
31 equitable interest in agricultural land.

32 2. A person holds an interest in a farmers entity if the  
33 person holds an interest as any of the following:

34 a. A member of a farmers cooperative association.

35 b. A member of a farmers cooperative limited liability

1 company.

2 c. A shareholder of a networking farmers corporation.

3 d. A member of a networking farmers limited liability  
4 company.

5 e. A general partner or a limited partner in a networking  
6 farmers limited partnership.

7 Sec. 9. NEW SECTION. 490.1713 LANDHOLDINGS RESTRICTED.

8 1. Notwithstanding section 9H.4, a networking farmers  
9 corporation may hold agricultural land in this state if it  
10 meets all of the following conditions:

11 a. The corporation does not hold an interest in  
12 agricultural land of more than one thousand five hundred  
13 acres.

14 b. At least seventy-five percent of the corporation's  
15 gross income from farming is from the sale of livestock or  
16 livestock products.

17 2. a. Notwithstanding section 9H.4, if a person holds an  
18 interest in a networking farmers corporation, that interest  
19 shall not be treated as an interest in agricultural land.

20 b. Notwithstanding section 9H.5, if an authorized entity  
21 holds an interest in a networking farmers corporation, the  
22 number of acres of agricultural land in which the corporation  
23 holds an interest shall not be attributable to the authorized  
24 entity when calculating the number of acres of agricultural  
25 land that the entity may hold under section 9H.5.

26 3. In the event of a transfer of an interest in the  
27 networking farmers corporation by operation of law as a result  
28 of death, divorce, or bankruptcy, or pursuant to a security  
29 interest, the cooperative may disregard the transfer for  
30 purposes of determining compliance with subsection 1 for a  
31 period of two years after the transfer.

32 Sec. 10. NEW SECTION. 490.1714 MULTIPLE INTERESTS  
33 RESTRICTED.

34 A person who holds an interest in a networking farmers  
35 corporation holding an interest in agricultural land pursuant

1 to section 487.1203 shall not hold an interest in another  
2 farmers entity if any of the following applies:

3 1. The person holds a twenty-five percent or greater  
4 interest in a networking farmers corporation having six or  
5 fewer stockholders.

6 2. The person holds a fifteen percent or greater interest  
7 in a networking farmers corporation having seven or more  
8 stockholders.

9 Sec. 11. NEW SECTION. 490.1715 REPORTING REQUIREMENTS.

10 1. A networking farmers corporation that claims it is  
11 exempt from the restrictions of section 9H.4 pursuant to  
12 section 490.1713 shall file an annual report with the  
13 secretary of state on or before March 31 of each year on forms  
14 adopted pursuant to chapter 17A and supplied by the secretary  
15 of state.

16 2. The report shall be signed by the president or other  
17 officer or authorized representative of the corporation.

18 3. The report shall contain information for the last year  
19 regarding the corporation, including all of the following:

20 a. The name and address of the corporation.

21 b. The name and address of the person supervising the  
22 daily operations on the agricultural land.

23 c. The name, address, and citizenship, if other than  
24 United States citizenship, of each stockholder.

25 d. A certification that the corporation meets all of the  
26 requirements of a networking farmers corporation.

27 e. The number of acres of agricultural land held by the  
28 corporation, including the following:

29 (1) The total number of acres in the state.

30 (2) The number of acres in each county identified by  
31 county name.

32 (3) The number of acres owned.

33 (4) The number of acres leased.

34 (5) The number of acres held other than by ownership or  
35 lease.

1 (6) The number of acres used for the production of row  
2 crops.

3 (7) The animal weight capacity of the livestock operation.

4 4. A networking farmers corporation shall be excused from  
5 filing a report with the secretary of state during any year in  
6 which the corporation holds an interest in less than twenty  
7 acres of agricultural land in this state and the gross revenue  
8 produced from all farming on the land equals less than ten  
9 thousand dollars. If a networking farmers corporation is  
10 excused from filing a report with the secretary of state as  
11 provided in this subsection in the immediately prior reporting  
12 year, the secretary of state is not required to deliver a form  
13 to the corporation for the current reporting year, unless  
14 requested by the corporation.

15 5. A report required pursuant to this section shall be in  
16 lieu of any report which is also required by a networking  
17 farmers corporation which qualifies as an authorized  
18 corporation pursuant to section 9H.5A.

19 6. Notwithstanding chapter 22, reports required in this  
20 section shall be confidential reports except as to the  
21 attorney general for review and appropriate action when  
22 necessary.

23 7. The secretary of state shall assist any committee of  
24 the general assembly studying the effects of this division and  
25 the practices this division regulates, to the same extent  
26 required pursuant to section 9H.14.

27 Sec. 12. NEW SECTION. 490.1716 PENALTIES.

28 1. a. A networking farmers corporation violating section  
29 490.1713 shall be assessed a civil penalty of not more than  
30 ten thousand dollars and shall divest itself of any land held  
31 in violation of that section within one year after judgment is  
32 entered ordering the corporation to comply with that section.

33 b. A civil penalty of not more than one thousand dollars  
34 may be imposed on a person who becomes a stockholder of a  
35 networking farmers corporation in violation of section



1 490.1714. The person violating the section shall divest the  
2 interest held by the person in a farmers entity or authorized  
3 entity as is necessary to comply with that section.

4 2. The court may determine the method of divesting an  
5 interest held by a person found to be in violation of section  
6 490.1713 or 490.1714. A financial gain realized by a person  
7 who disposes of an interest held in violation of those  
8 sections shall be forfeited to the state's general fund. All  
9 court costs and fees shall be paid by the person holding the  
10 interest in violation of the section.

11 3. The courts of this state may prevent and restrain  
12 violations of section 490.1713 or 490.1714 through the  
13 issuance of an injunction. The attorney general or a county  
14 attorney shall institute suits on behalf of the state to  
15 prevent and restrain violations of section 490.1713 or  
16 490.1714.

17 4. a. The failure to timely file a report or the filing  
18 of false information in a report as provided in section  
19 490.1715 is punishable by a civil penalty not to exceed one  
20 thousand dollars.

21 b. The secretary of state shall notify a person who the  
22 secretary has reason to believe is required to file a report  
23 as provided by this division and who has not filed a timely  
24 report, that the person may be in violation of section  
25 490.1715. The secretary of state shall include in the notice  
26 a statement of the penalty which may be assessed if the  
27 required report is not filed within thirty days. The  
28 secretary of state shall refer to the attorney general any  
29 person who the secretary has reason to believe is required to  
30 report if, after thirty days from receipt of the notice, the  
31 person has not filed the required report. The attorney  
32 general may, upon referral from the secretary of state, file  
33 an action in district court to seek the assessment of a civil  
34 penalty of one hundred dollars for each day the report is not  
35 filed.

1 SUBCHAPTER XVII

2 FARMERS LIMITED LIABILITY COMPANIES

3 Sec. 13. NEW SECTION. 490A.1701 DEFINITIONS.

4 As used in this subchapter, unless the context otherwise  
5 requires:

6 1. "Actively engaged in farming" means the same as defined  
7 in section 9H.1.

8 2. "Agricultural land" means the same as defined in  
9 section 9H.1.

10 3. "Authorized entity" means an authorized farm  
11 corporation; authorized limited liability company; limited  
12 partnership, other than a family farm limited partnership; or  
13 authorized trust, as defined in section 9H.1.

14 4. "Family farm entity" means a family farm corporation,  
15 family farm limited liability company, family farm limited  
16 partnership, or family trust, as defined in section 9H.1.

17 5. "Farm estate" means the real and personal property of a  
18 decedent, a ward, or a trust as provided in chapter 633, if at  
19 least sixty percent of the gross income from the estate comes  
20 from farming.

21 6. "Farmers cooperative association" means the same as  
22 defined in section 499.91.

23 7. "Farmers cooperative limited liability company" means a  
24 limited liability company if all of the following apply:

25 a. One hundred percent of the voting membership interest  
26 is held by associations which operate on a cooperative basis.

27 b. At least fifty percent of the stock and fifty percent  
28 of the voting stock is held by farmers cooperative  
29 associations.

30 8. "Farmers entity" means a networking farmers entity,  
31 farmers cooperative limited liability company, or farmers  
32 cooperative association.

33 9. "Farmers limited liability company" means a networking  
34 farmers limited liability company or a farmers cooperative  
35 limited liability company.

1 10. "Farming" means the same as defined in section 9H.1.

2 11. "Livestock" means an animal belonging to the bovine,  
3 caprine, equine, ovine, or porcine species, ostriches, rheas,  
4 emus, farm deer as defined in section 481A.1, or poultry.

5 12. "Networking farmers entity" means a networking farmers  
6 corporation, networking farmers limited liability company, or  
7 networking farmers limited partnership.

8 13. "Networking farmers limited liability company" means a  
9 limited liability company organized under this chapter if all  
10 of the following conditions are satisfied:

11 a. At least seventy percent of the membership interest is  
12 held by qualified persons.

13 b. At least seventy percent of votes that may be cast by  
14 members of the limited liability company is held by qualified  
15 persons.

16 14. "Networking farmers limited partnership" means the  
17 same as defined in section 487.1201.

18 15. "Qualified person" means any of the following:

19 a. A natural person actively engaged in farming.

20 b. A general partnership as provided in chapter 486 in  
21 which all partners are natural persons actively engaged in  
22 farming.

23 c. A family farm entity.

24 d. A person who owns at least one hundred fifty acres of  
25 agricultural land and receives as rent a share of the crops or  
26 the animals raised on the land, provided that the person is a  
27 natural person or a general partnership as provided in chapter  
28 486 in which all persons are natural persons.

29 e. A farm estate.

30 Sec. 14. NEW SECTION. 490.1702 INTERESTS DESCRIBED.

31 As used in this subchapter, the following apply:

32 1. A person holds an interest in agricultural land if the  
33 person directly or indirectly owns, leases, or has a legal or  
34 equitable interest in agricultural land.

35 2. A person holds an interest in a farmers entity if the

1 person holds an interest as any of the following:

2 a. A member of a farmers cooperative association.

3 b. A member of a farmers cooperative limited liability  
4 company.

5 c. A shareholder of a networking farmers corporation.

6 d. A member of a networking farmers limited liability  
7 company.

8 e. A general partner or limited partner of a networking  
9 farmers limited partnership.

10 Sec. 15. NEW SECTION. 490A.1703 LANDHOLDINGS RESTRICTED.

11 1. Notwithstanding section 9H.4, a farmers limited  
12 liability company may hold agricultural land in this state if  
13 it meets all of the following conditions:

14 a. The farmers limited liability company does not hold an  
15 interest in agricultural land of more than one thousand five  
16 hundred acres.

17 b. At least seventy-five percent of the farmers limited  
18 liability company's gross income from farming is from the sale  
19 of livestock or livestock products.

20 2. a. Notwithstanding section 9H.4, the following shall  
21 apply:

22 (1) If a person holds an interest in a networking farmers  
23 limited liability company, that interest shall not be treated  
24 as an interest in agricultural land.

25 (2) Except as provided in section 499.93, if a person  
26 holds an interest in a farmers cooperative limited liability  
27 company, that interest shall not be treated as an interest in  
28 agricultural land.

29 b. Notwithstanding section 9H.5, if an authorized entity  
30 holds an interest in a farmers limited liability company, the  
31 number of acres of agricultural land in which the limited  
32 liability company holds an interest shall not be attributable  
33 to the authorized entity when calculating the number of acres  
34 of agricultural land that the authorized entity may hold under  
35 section 9H.5.

1 3. In the event of a transfer of an interest in the  
2 farmers limited liability company by operation of law as a  
3 result of death, divorce, or bankruptcy, or pursuant to a  
4 security interest, the networking farmers limited liability  
5 company may disregard the transfer for purposes of determining  
6 compliance with subsection 1 for a period of two years after  
7 the transfer.

8 Sec. 16. NEW SECTION. 490A.1704 MULTIPLE INTERESTS  
9 RESTRICTED.

10 A person who holds an interest in a networking farmers  
11 limited liability company holding an interest in agricultural  
12 land pursuant to section 490A.1703 shall not hold an interest  
13 in another farmers entity, if any of the following applies:

14 1. The person holds a twenty-five percent or greater  
15 interest in a networking farmers limited liability company  
16 having six or fewer limited members.

17 2. The person holds a fifteen percent or greater interest  
18 in a networking farmers limited liability company having seven  
19 or more members.

20 Sec. 17. NEW SECTION. 490A.1705 REPORTING REQUIREMENTS.

21 1. A farmers limited liability company that claims it is  
22 exempt from the restrictions of section 9H.4 pursuant to  
23 section 490A.1703 shall file an annual report with the  
24 secretary of state on or before March 31 of each year on forms  
25 adopted pursuant to chapter 17A and supplied by the secretary  
26 of state.

27 2. The report shall be signed by the manager or authorized  
28 representative of the farmers limited liability company.

29 3. The report shall contain information for the last year  
30 regarding the farmers limited liability company, including all  
31 of the following:

32 a. The name and address of the limited liability company.

33 b. The name and address of the person supervising the  
34 daily operations on the agricultural land.

35 c. The name, address, and citizenship, if other than

1 United States citizenship, of each member.

2 d. A certification that the farmers limited liability  
3 company meets all of the requirements of a networking farmers  
4 limited liability company or a farmers cooperative limited  
5 liability company.

6 e. The number of acres of agricultural land held by the  
7 farmers limited liability company, including the following:

8 (1) The total number of acres in the state.

9 (2) The number of acres in each county identified by  
10 county name.

11 (3) The number of acres owned.

12 (4) The number of acres leased.

13 (5) The number of acres held other than by ownership or  
14 lease.

15 (6) The number of acres used for the production of row  
16 crops.

17 (7) The animal weight capacity of the livestock  
18 operations.

19 4. A farmers limited liability company shall be excused  
20 from filing a report with the secretary of state during any  
21 year in which the farmers limited liability company holds an  
22 interest in less than twenty acres of agricultural land in  
23 this state and the gross revenue produced from all farming on  
24 the land equals less than ten thousand dollars. If a farmers  
25 limited liability company is excused from filing a report with  
26 the secretary of state as provided in this subsection in the  
27 immediately prior reporting year, the secretary of state is  
28 not required to deliver a form to the farmers limited  
29 liability company for the current reporting year, unless  
30 requested by the farmers limited liability company.

31 5. A report required pursuant to this section shall be in  
32 lieu of any report which is also required by a farmers limited  
33 liability company which qualifies as an authorized limited  
34 liability company pursuant to section 9H.5A.

35 6. Notwithstanding chapter 22, reports required in this

1 section shall be confidential reports except as to the  
2 attorney general for review and appropriate action when  
3 necessary.

4 7. The secretary of state shall assist any committee of  
5 the general assembly studying the effects of this subchapter  
6 and the practices this subchapter regulates, to the same  
7 extent required pursuant to section 9H.14.

8 Sec. 18. NEW SECTION. 490A.1706 PENALTIES.

9 1. a. A farmers limited liability company violating  
10 section 490A.1703 shall be assessed a civil penalty of not  
11 more than ten thousand dollars and shall divest itself of any  
12 land held in violation of that section within one year after  
13 judgment is entered ordering the limited liability company to  
14 comply with that section.

15 b. A civil penalty of not more than one thousand dollars  
16 may be imposed on a person who becomes a member of a  
17 networking farmers limited liability company in violation of  
18 section 490A.1704. The person violating the section shall  
19 divest the interest held by the person in a farmers entity or  
20 authorized entity as is necessary to comply with that section.

21 2. The court may determine the method of divesting an  
22 interest held by a person found to be in violation of section  
23 490A.1703 or 490A.1704. A financial gain realized by a person  
24 who disposes of an interest held in violation of those  
25 sections shall be forfeited to the state's general fund. All  
26 court costs and fees shall be paid by the person holding the  
27 interest in violation of the section.

28 3. The courts of this state may prevent and restrain  
29 violations of section 490A.1703 or 490A.1704 through the  
30 issuance of an injunction. The attorney general or a county  
31 attorney shall institute suits on behalf of the state to  
32 prevent and restrain violations of section 490A.1703 or  
33 490A.1704.

34 4. a. The failure to timely file a report or the filing  
35 of false information in a report as provided in section

1 490A.1705 is punishable by a civil penalty not to exceed one  
2 thousand dollars.

3 b. The secretary of state shall notify a person who the  
4 secretary has reason to believe is required to file a report  
5 as provided by this subchapter and who has not filed a timely  
6 report, that the person may be in violation of section  
7 490A.1705. The secretary of state shall include in the notice  
8 a statement of the penalty which may be assessed if the  
9 required report is not filed within thirty days. The  
10 secretary of state shall refer to the attorney general any  
11 person who the secretary has reason to believe is required to  
12 report if, after thirty days from receipt of the notice, the  
13 person has not filed the required report. The attorney  
14 general may, upon referral from the secretary of state, file  
15 an action in district court to seek the assessment of a civil  
16 penalty of one hundred dollars for each day the report is not  
17 filed.

18 SUBCHAPTER II

19 FARMERS COOPERATIVE ASSOCIATIONS

20 Sec. 19. NEW SECTION. 499.91 DEFINITIONS.

21 As used in this subchapter, unless the context otherwise  
22 requires:

23 1. "Actively engaged in farming" means the same as defined  
24 in section 9H.1.

25 2. "Agricultural land" means the same as defined in  
26 section 9H.1.

27 3. "Authorized entity" means an authorized farm  
28 corporation; authorized limited liability company; limited  
29 partnership, other than a family farm limited partnership; or  
30 authorized trust, as defined in section 9H.1.

31 4. "Family farm entity" means a family farm corporation,  
32 family farm limited liability company, family farm limited  
33 partnership, or family trust, as defined in section 9H.1.

34 5. "Farm estate" means the real and personal property of a  
35 decedent, a ward, or a trust as provided in chapter 633, if at



1 least sixty percent of the gross income from the estate comes  
2 from farming.

3 6. "Farmers cooperative association" means an association  
4 organized under this chapter, if seventy percent of the  
5 association's voting stock is held by qualified persons.

6 7. "Farmers cooperative limited liability company" means  
7 the same as defined in section 490A.1701.

8 8. "Farmers entity" means a networking farmers entity,  
9 farmers cooperative limited liability company, or farmers  
10 cooperative association.

11 9. "Farming" means the same as defined in section 9H.1.

12 10. "Livestock" means an animal belonging to the bovine,  
13 caprine, equine, ovine, or porcine species, ostriches, rheas,  
14 emus, farm deer as defined in section 481A.1, or poultry.

15 11. "Networking farmers entity" means a networking farmers  
16 corporation, networking farmers limited liability company, or  
17 networking farmers limited partnership.

18 12. "Networking farmers limited liability company" means  
19 the same as defined in section 490A.1701.

20 13. "Networking farmers limited partnership" means the  
21 same as defined in section 487.1201.

22 14. "Qualified person" means any of the following:

23 a. A natural person actively engaged in farming.

24 b. A general partnership as provided in chapter 486 in  
25 which all partners are natural persons actively engaged in  
26 farming.

27 c. A family farm entity.

28 d. A person who owns at least one hundred fifty acres of  
29 agricultural land and receives as rent a share of the crops or  
30 the animals raised on the land, provided that the person is a  
31 natural person or a general partnership as provided in chapter  
32 486 in which all persons are natural persons.

33 e. A farm estate.

34 Sec. 20. NEW SECTION. 499.92 INTERESTS DESCRIBED.

35 As used in this subchapter, the following apply:

1 1. A person holds an interest in agricultural land if the  
2 person directly or indirectly owns, leases, or has a legal or  
3 equitable interest in agricultural land.

4 2. A person holds an interest in a farmers entity if the  
5 person holds an interest as any of the following:

6 a. A member of a farmers cooperative association.

7 b. A member of a farmers cooperative limited liability  
8 company.

9 c. A shareholder of a networking farmers corporation.

10 d. A member of a networking farmers limited liability  
11 company.

12 e. A general partner or a limited partner in a networking  
13 farmers limited partnership.

14 Sec. 21. NEW SECTION. 499.93 LANDHOLDINGS RESTRICTED.

15 1. Notwithstanding section 9H.4, a farmers cooperative  
16 association may hold agricultural land in this state if it  
17 meets all of the following conditions:

18 a. The farmers cooperative association does not hold an  
19 interest in agricultural land of more than one thousand five  
20 hundred acres.

21 b. At least seventy-five percent of the farmers  
22 cooperative association's gross income from farming is from  
23 the sale of livestock or livestock products.

24 2. a. Notwithstanding section 9H.4, if a person holds an  
25 interest in a farmers cooperative association, that interest  
26 shall not be treated as an interest in agricultural land.

27 b. Notwithstanding section 9H.5, if an authorized entity  
28 holds an interest in a farmers cooperative association, the  
29 number of acres of agricultural land in which the association  
30 holds an interest shall not be attributable to the authorized  
31 entity when calculating the number of acres of agricultural  
32 land that the entity may hold under section 9H.5.

33 3. a. If a farmers cooperative association is a member of  
34 a networking farmers cooperative limited liability company as  
35 provided in section 490A.1701, the association shall be deemed

1 to hold an interest in agricultural land held by the limited  
2 liability company in proportion to the interest that the  
3 association holds in the limited liability company. The  
4 association's proportionate interest shall be calculated by  
5 multiplying the number of acres of agricultural land held by  
6 the networking farmers cooperative limited liability company  
7 by the percentage interest in the limited liability company  
8 held by the association as a member.

9 b. If a farmers cooperative association holds an interest  
10 in a networking farmers entity, that interest shall not be  
11 treated as an interest in agricultural land.

12 4. In the event of a transfer of an interest in a farmers  
13 cooperative association by operation of law as a result of  
14 death, divorce, or bankruptcy, or pursuant to a security  
15 interest, the association may disregard the transfer for  
16 purposes of determining compliance with subsection 1 for a  
17 period of two years after the transfer.

18 Sec. 22. NEW SECTION. 499.94 MULTIPLE INTERESTS  
19 RESTRICTED.

20 A person who holds an interest in a farmers cooperative  
21 association holding an interest in agricultural land pursuant  
22 to section 499.93 shall not hold an interest in another  
23 farmers entity if any of the following applies:

24 1. The person holds a twenty-five percent or greater  
25 interest in a farmers cooperative association having six or  
26 fewer members.

27 2. The person holds a fifteen percent or greater interest  
28 in a farmers cooperative association having seven or more  
29 stockholders.

30 Sec. 23. NEW SECTION. 499.95 REPORTING REQUIREMENTS.

31 1. A farmers cooperative association that claims that it  
32 is exempt from the restrictions of section 9H.4 pursuant to  
33 section 499.93 shall file an annual report with the secretary  
34 of state on or before March 31 of each year on forms adopted  
35 pursuant to chapter 17A and supplied by the secretary of

1 state.

2 2. The report shall be signed by the president or an  
3 authorized representative of the farmers cooperative  
4 association.

5 3. The report shall contain information for the last year  
6 regarding the farmers cooperative association, including all  
7 of the following:

8 a. The name and address of the farmers cooperative  
9 association.

10 b. The name and address of the person supervising the  
11 daily operations on the agricultural land.

12 c. The name, address, and citizenship, if other than  
13 United States citizenship, of each member.

14 d. A certification that the farmers cooperative  
15 association meets all of the requirements of a farmers  
16 cooperative association.

17 e. The number of acres of agricultural land held by the  
18 farmers cooperative association, including the following:

19 (1) The total number of acres in the state.

20 (2) The number of acres in each county identified by  
21 county name.

22 (3) The number of acres owned.

23 (4) The number of acres leased.

24 (5) The number of acres held other than by ownership or  
25 lease.

26 (6) The number of acres used for the production of row  
27 crops.

28 (7) The animal weight capacity of the livestock operation.

29 4. A farmers cooperative association shall be excused from  
30 filing a report with the secretary of state during any year in  
31 which the farmers cooperative association holds an interest in  
32 less than twenty acres of agricultural land in this state and  
33 the gross revenue produced from all farming on the land equals  
34 less than ten thousand dollars. If the farmers cooperative  
35 association is excused from filing a report with the secretary

1 of state as provided in this subsection in the immediately  
2 prior reporting year, the secretary of state is not required  
3 to deliver a form to the farmers cooperative association for  
4 the current reporting year, unless requested by the  
5 association.

6 5. A report required pursuant to this section shall be in  
7 lieu of any report which is also required by a farmers  
8 cooperative association which qualifies as an authorized  
9 corporation pursuant to section 9H.5A.

10 6. Notwithstanding chapter 22, reports required in this  
11 section shall be confidential reports except as to the  
12 attorney general for review and appropriate action when  
13 necessary.

14 7. The secretary of state shall assist any committee of  
15 the general assembly studying the effects of this subchapter  
16 and the practices this subchapter regulates, to the same  
17 extent required pursuant to section 9H.14.

18 Sec. 24. NEW SECTION. 499.96 PENALTIES.

19 1. a. A farmers cooperative association violating section  
20 499.93 shall be assessed a civil penalty of not more than ten  
21 thousand dollars and shall divest itself of any land held in  
22 violation of that section within one year after judgment is  
23 entered ordering the association to comply with that section.

24 b. A civil penalty of not more than one thousand dollars  
25 may be imposed on a person who becomes a member of a farmers  
26 cooperative association in violation of section 499.94. The  
27 person violating the section shall divest the interest held by  
28 the person in a farmers entity or authorized entity as is  
29 necessary to comply with that section.

30 2. The court may determine the method of divesting an  
31 interest held by a person found to be in violation of section  
32 499.93 or 499.94. A financial gain realized by a person who  
33 disposes of an interest held in violation of those sections  
34 shall be forfeited to the state's general fund. All court  
35 costs and fees shall be paid by the person holding the

1 interest in violation of the section.

2 3. The courts of this state may prevent and restrain  
3 violations of section 499.93 or 499.94 through the issuance of  
4 an injunction. The attorney general or a county attorney  
5 shall institute suits on behalf of the state to prevent and  
6 restrain violations of section 499.93 or 499.94.

7 4. a. The failure to timely file a report or the filing  
8 of false information in a report filed pursuant to section  
9 499.95 is punishable by a civil penalty not to exceed one  
10 thousand dollars.

11 b. The secretary of state shall notify a person who the  
12 secretary has reason to believe is required to file a report  
13 as provided by section 499.95 and who has not filed a timely  
14 report, that the person may be in violation of section 499.95.  
15 The secretary of state shall include in the notice a statement  
16 of the penalty which may be assessed if the required report is  
17 not filed within thirty days. The secretary of state shall  
18 refer to the attorney general any person who the secretary has  
19 reason to believe is required to report under this chapter if,  
20 after thirty days from receipt of the notice, the person has  
21 not filed the required report. The attorney general may, upon  
22 referral from the secretary of state, file an action in  
23 district court to seek the assessment of a civil penalty of  
24 one hundred dollars for each day the report is not filed.

25

#### EXPLANATION

26 This bill allows several types of entities to hold  
27 agricultural land in this state. Generally, Code section 9H.5  
28 prohibits entities, such as corporations, limited liability  
29 companies, limited partnerships, and cooperative associations,  
30 from holding agricultural land. Chapter 9H provides several  
31 exceptions to this prohibition. Specifically, the chapter  
32 provides that two types of entities can hold agricultural  
33 land: family farm entities and authorized entities.

34 There is no restriction on the amount of agricultural land  
35 that a family farm entity may hold or the number of entities

1 that a person can join as a stockholder. A family farm entity  
2 can be organized as a family farm corporation, family farm  
3 limited liability company, family farm limited partnership, or  
4 family trust. A family farm entity must meet certain  
5 qualifications. For example, a family farm corporation must  
6 be founded for the purpose of farming and the ownership of  
7 agricultural land, a majority of the voting stock must be held  
8 by relatives and a majority of the voting stockholders must be  
9 relatives, all of the stockholders must be natural persons,  
10 and 60 percent of the corporation's gross revenues over the  
11 last consecutive three-year period must come from farming.  
12 Similar requirements apply to other types of family farm  
13 entities.

14 An authorized entity can be organized as an authorized farm  
15 corporation, authorized limited liability company, authorized  
16 trust, or limited partnership. An authorized entity such as  
17 an authorized corporation must also meet certain  
18 qualifications. An authorized corporation must be founded for  
19 the purpose of farming and the ownership of agricultural land,  
20 it must be composed of 25 or fewer stockholders, and the  
21 stockholders must be natural persons. These same types of  
22 qualifications apply to other authorized entities, other than  
23 limited partnerships. However, an authorized entity,  
24 including a limited partnership, is prohibiting from holding  
25 more than 1,500 acres of agricultural land. A person cannot  
26 hold an interest in two or more authorized entities.

27 This bill amends several chapters providing for the  
28 organization of corporations, limited liability companies,  
29 limited partnerships, and cooperative associations by  
30 providing that these entities can hold agricultural land if  
31 they meet certain qualifications. An entity which meets these  
32 qualifications is referred to as a farmers entity. A farmers  
33 entity can be a networking farmers entity (meaning it can be  
34 organized as a networking farmers corporation, networking  
35 farmers limited liability company, or networking limited

1 partnership), a farmers cooperative limited liability company,  
2 or a farmers cooperative association.

3 The qualifications for each of these entities are similar.  
4 For example, to qualify as a networking farmers corporation,  
5 70 percent of all stock must be held by qualified persons who  
6 are natural persons actively engaged in farming, a general  
7 partnership, a family farm corporation or similar entity,  
8 natural person or general partnership that receives rent on a  
9 share basis, or a farm estate. In addition, at least 70  
10 percent of the corporation's voting stock must be held by  
11 qualified persons. The same qualifications apply to  
12 networking farmers limited liability companies and networking  
13 farmers limited partnerships. In the case of farmers  
14 cooperative associations, there is a requirement that 70  
15 percent of the cooperative's voting stock must be held by  
16 qualified persons. However, there is no requirement that a  
17 percentage of all stock must be held by qualified persons.  
18 The bill provides also for a special kind of limited liability  
19 company composed of cooperative associations, referred to as a  
20 farmers cooperative limited liability company. In that case,  
21 all of the membership interest must be held by cooperative  
22 associations and 50 percent of the voting interest must be  
23 held by farmers cooperative associations.

24 The bill provides that a farmers entity such a qualifying  
25 corporation (i.e., a networking farmers corporation) may hold  
26 up to 1,500 acres of agricultural land as long as 75 percent  
27 of the entity's gross income from farming comes from the sale  
28 of livestock or livestock products.

29 The bill provides that if a person holds an interest in a  
30 farmers entity such as a networking farmers corporation, the  
31 person's own interest in agricultural land is treated  
32 separately. For example, an authorized corporation holding  
33 1,500 acres of land can own shares in a networking farmers  
34 corporation which also holds 1,500 acres of land. There is  
35 one exception. In counting land held by a farmers cooperative



1 association which is a member of a farmers cooperative limited  
2 liability company, the bill requires that some land held by  
3 the limited liability company is attributable to the  
4 association. The amount attributable equals the amount  
5 calculated by multiplying the number of acres of land held by  
6 the company by the percentage interest in the company held by  
7 the association. The bill contains an antipyridding  
8 provision which limits the number of farmers entities to which  
9 a person can belong. The prohibition is triggered by owning a  
10 15 or 25 percent interest in the entity, depending on the size  
11 of the entity. A person who holds a 25 percent or greater  
12 interest in a networking farmers corporation with six or fewer  
13 shareholders cannot hold an interest in another farmers  
14 entity. If the corporation has more than six shareholders,  
15 the person cannot hold an interest in another farmers entity,  
16 if the person's interest in the corporation is 15 percent or  
17 more. There is one exception. A cooperative association can  
18 hold an interest in multiple farmers cooperative limited  
19 liability companies. However, as discussed, land owned by the  
20 limited liability company is to some extent attributable to a  
21 farmers cooperative limited liability company.

22 The bill provides a number of reporting requirements for  
23 farmers entities. The entity must file an annual report with  
24 the secretary of state on or before March 31 of each year.  
25 The report is similar to reports required to be filed by  
26 authorized entities, like authorized corporations under  
27 chapter 9H. The report must contain information for the last  
28 year regarding the corporation, including information about  
29 the activities of the entity, the entity's land holdings, and  
30 agricultural commodities produced on the land. The bill  
31 excuses an entity from filing a report during any year in  
32 which the entity holds an interest in less than 20 acres of  
33 agricultural land or the entity files a duplicate report as an  
34 authorized entity. The reports are confidential.

35 A farmers entity such as a networking farmers corporation

1 and a person holding an interest in a farmers entity such as a  
2 shareholder are subject to penalties for violating the bill's  
3 provisions. The entity can be assessed a civil penalty of not  
4 more than \$10,000 and must divest itself of any land held in  
5 violation of the bill's acreage restrictions. A civil penalty  
6 of not more than \$1,000 may be imposed on a person who holds  
7 interest in several entities in violation of the bill's  
8 antipyridding rule. The person in violation must divest the  
9 interest held by the person in a farmers entity or authorized  
10 entity as is necessary to comply with the section. A  
11 financial gain realized by a person who disposes of an  
12 interest held in violation of the bill is forfeited to the  
13 state's general fund. The bill authorizes courts to issue  
14 injunctions. The attorney general or a county attorney is  
15 authorized to institute suits on behalf of the state to  
16 prevent and restrain violations of the bill. The failure to  
17 timely file a report or the filing of false information in a  
18 report is punishable by a civil penalty not to exceed \$1,000,  
19 following notice to correct a deficiency by the secretary of  
20 state.

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HOUSE FILE 2335

AN ACT  
RELATING TO PERSONS HOLDING INTERESTS IN AGRICULTURAL  
LAND AND PROVIDING PENALTIES AND AN EFFECTIVE DATE.

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

DIVISION I  
LANDHOLDING RESTRICTIONS  
SUBCHAPTER I -- GENERAL

Section 101. NEW SECTION. 10.1 DEFINITIONS.

As used in this chapter and in chapter 10B, unless the context otherwise requires:

1. "Actively engaged in farming" means that a natural person, including a shareholder or an officer, director, or employee of a corporation, or a member or manager of a limited liability company, does any of the following:
  - a. Inspects the production activities periodically and furnishes at least half of the value of the tools used for crop or livestock production and pays at least half the direct cost of crop or livestock production.
  - b. Regularly and frequently makes or takes an important part in making management decisions substantially contributing to or affecting the success of the farm operation.
  - c. Performs physical work which significantly contributes to crop or livestock production.

2. "Agricultural land" means the same as defined in section 9H.1.

3. "Authorized entity" means an authorized farm corporation; authorized limited liability company; limited partnership, other than a family farm limited partnership; or an authorized trust as defined in section 9H.1.

4. "Commodity share landlord" means a natural person or a general partnership as provided in chapter 486 in which all partners are natural persons, who owns at least one hundred fifty acres of agricultural land, if the owner receives rent on a commodity share basis, which may be either a share of the crops or livestock produced on the land.

5. "Cooperative association" means an entity which is structured and operated on a cooperative basis pursuant to 26 U.S.C. § 1381(a) and which meets the definitional requirements of an association as provided in 12 U.S.C. § 1141(j)(a) or 7 U.S.C. § 291.

6. "Family farm entity" means a family farm corporation, family farm limited liability company, family farm limited partnership, or family trust, as defined in section 9H.1.

7. "Farm estate" means the real and personal property of a decedent, a ward, or a trust as provided in chapter 633, if at least sixty percent of the gross receipts from the estate comes from farming.

8. "Farmers cooperative association" means a cooperative association organized under chapter 490 or 499, if all of the following conditions are satisfied:

- a. All of the following apply:
  - (1) Qualified farmers must hold at least a fifty-one percent equity interest in the cooperative association, including fifty-one percent of each class of members' equity.
  - (2) The following persons must hold at least a seventy percent equity interest in the cooperative association, including seventy percent of each class of members' equity:
    - (a) A qualified farmer.

(b) A family farm entity.

(c) A commodity share landlord.

b. As used in this subsection, "members' equity" includes but is not limited to issued shares, including common stock or preferred stock, regardless of a right to receive dividends or earning distributions. However, "members' equity" does not include nonvoting common stock or nonvoting membership interests. A security such as a warrant or option that may be converted to voting stock shall be considered as issued shares.

c. For purposes of this subsection, a person who was a qualified person within the last ten years shall be treated as a qualified person.

9. "Farmers cooperative limited liability company" means a limited liability company organized under chapter 490A, if cooperative associations hold one hundred percent of all membership interests in the limited liability company. Farmers cooperative associations must hold at least seventy percent of all membership interests in the limited liability company. If more than one type of membership interest is established, including any series as provided in section 490A.305 or any class or group as provided in section 490A.307, farmers cooperative associations must hold at least seventy percent of all membership interests of that type.

10. "Farmers entity" means a networking farmers entity, farmers cooperative limited liability company, or farmers cooperative association.

11. "Farming" means the same as defined in section 9H.1.

12. "Grain" means the same as defined in section 203.1.

13. "Intra-company loan agreement" means an agreement involving a loan, if the parties to the agreement are members of the same farmers cooperative limited liability company, and according to the terms of the loan a member which is a regional cooperative association directly or indirectly loans money to a member which is a farmers cooperative association,

on condition that the money, including any interest, must be repaid by the member which is a farmers cooperative association to the regional cooperative association or another person. A loan agreement does not include an operating loan agreement, in which all of the following apply:

a. The money is required to be repaid within ninety days from the date that the farmers cooperative association receives the money, and the money is actually repaid by that date.

b. The money is used to pay for reasonable and ordinary expenses of the farmers cooperative association in conducting its affairs.

14. "Livestock" means an animal belonging to the bovine, caprine, equine, ovine, or porcine species, ostriches, rheas, emus, farm deer as defined in section 481A.1, or poultry.

15. "Networking farmers corporation" means a corporation, other than a family farm corporation as defined in section 9H.1, organized under chapter 490 if all of the following conditions are satisfied:

a. All of the following apply:

(1) Qualified farmers must hold at least fifty-one percent of all issued shares of the corporation. If more than one class of shares is authorized, qualified farmers must hold at least fifty-one percent of all issued shares in each class.

(2) Qualified persons must hold at least seventy percent of all issued shares of the corporation. If more than one class of shares is authorized, qualified persons must hold at least seventy percent of all issued shares in each class.

b. As used in paragraph "a", "issued shares" includes but is not limited to common stock or preferred stock, or each class of common stock or preferred stock, regardless of voting rights or a right to receive dividends or earning distributions. A security such as a warrant or option that may be converted to stock shall be considered as issued shares.

16. "Networking farmers entity" means a networking farmers corporation or networking farmers limited liability company.

17. "Networking farmers limited liability company" means a limited liability company, other than a family farm limited liability company as defined in section 9H.1, organized under chapter 490A if all of the following conditions are satisfied:

a. Qualified farmers must hold at least fifty-one percent of all membership interests in the limited liability company. If more than one type of membership interest is established, including any series as provided in section 490A.305 or any class or group as provided in section 490A.307, qualified farmers must hold at least fifty-one percent of all membership interests of that type.

b. Qualified persons must hold at least seventy percent of all membership interests in the limited liability company. If more than one type of membership interest is established, including any series as provided in section 490A.305 or any class or group as provided in section 490A.307, qualified persons must hold at least seventy percent of all membership interests of that type.

18. "Operation of law" means a transfer by inheritance, devise, or bequest, court order, dissolution decree, order in bankruptcy, insolvency, replevin, foreclosure, execution sale, the execution of a judgment, the foreclosure of a real estate mortgage, the forfeiture of a real estate contract, or a transfer resulting from a decree for specific performance.

19. "Qualified farmer" means any of the following:

- a. A natural person actively engaged in farming.
- b. A general partnership as provided in chapter 486 in which all partners are natural persons actively engaged in farming.
- c. A farm estate.

20. "Qualified commodity share landlord" means a commodity share landlord, if the owner of the agricultural land was actively engaged in farming the land or a family member of the

owner is or was actively engaged in farming the land, if the family member is related to the owner as a spouse, parent, grandparent, lineal ascendant of a grandparent or spouse, or other lineal descendant of a grandparent or spouse.

21. "Qualified person" means a person who is any of the following:

- a. A qualified farmer.
- b. A family farm entity.
- c. A qualified commodity share landlord.

22. "Regional cooperative association" means a cooperative association other than a farmers cooperative association.

Sec. 102. NEW SECTION. 10.2 INTERESTS DESCRIBED.

As used in this chapter, the following apply:

1. A person holds an interest in agricultural land if the person either directly or indirectly owns or leases the agricultural land in this state.

2. A person holds an interest in a farmers entity if the person holds an interest as any of the following:

- a. A shareholder of a networking farmers corporation.
- b. A member of a networking farmers limited liability company.
- c. A member of a farmers cooperative association.
- d. A member of a farmers cooperative limited liability company.

#### SUBCHAPTER II -- RESTRICTIONS

##### PART 1

##### NETWORKING FARMERS CORPORATIONS

Sec. 103. NEW SECTION. 10.3 LANDHOLDINGS RESTRICTED.

1. Notwithstanding section 9H.4, a networking farmers corporation may hold agricultural land in this state if it meets all of the following conditions:

- a. The networking farmers corporation does not hold an interest in agricultural land of more than six hundred forty acres.

b. At least seventy-five percent of the networking farmers corporation's gross receipts are from the sale of livestock or livestock products.

2. a. An interest in agricultural land held by a networking farmers corporation shall be attributable as an interest in agricultural land held by a shareholder having an interest in the networking farmers corporation. The shareholder shall be deemed to hold an interest in agricultural land held by the networking farmers corporation in proportion to the interest that the shareholder holds in the networking farmers corporation.

b. Except to the extent provided in this paragraph, a shareholder holding agricultural land by attribution shall be subject to landholding restrictions imposed pursuant to the Code, including sections 9H.4, 9H.5, 501.103, and 567.3. However, notwithstanding section 9H.4, a cooperative association may hold an interest in any number of farmers entities, if the total number of acres held by the farmers entities and attributable to the cooperative association is six hundred forty acres or less.

c. The shareholder's proportionate interest shall be calculated by multiplying the number of acres of agricultural land held by the networking farmers corporation by the percentage interest in the networking farmers corporation held by the shareholder.

3. In the event of a transfer of an interest in the networking farmers corporation by operation of law, the corporation may disregard the transfer for purposes of determining compliance with subsection 1 for a period of two years after the transfer.

**Sec. 104. NEW SECTION. 10.4 MULTIPLE INTERESTS RESTRICTED.**

1. A person who holds an interest in a networking farmers corporation holding an interest in agricultural land pursuant to section 10.3 shall not hold an interest in another farmers entity if any of the following applies:

a. The person holds a twenty-five percent or greater interest in a networking farmers corporation having six or fewer stockholders.

b. The person holds a fifteen percent or greater interest in a networking farmers corporation having seven or more stockholders.

2. A person who holds a majority interest in an authorized entity shall not hold a majority interest in a networking farmers corporation.

3. A qualified commodity share landlord who owns an interest in a networking farmers corporation holding agricultural land under section 10.3 must rent an additional one hundred fifty acres of agricultural land on a commodity share basis for each farmers entity holding agricultural land under this chapter in which the commodity share landlord acquires an interest.

**PART 2  
NETWORKING FARMERS**

**LIMITED LIABILITY COMPANIES**

**Sec. 105. NEW SECTION. 10.5 LANDHOLDINGS RESTRICTED.**

1. Notwithstanding section 9H.4, a networking farmers limited liability company may hold agricultural land in this state if it meets all of the following conditions:

a. The networking farmers limited liability company does not hold an interest in agricultural land of more than six hundred forty acres.

b. At least seventy-five percent of the networking farmers limited liability company's gross receipts from farming are from the sale of livestock or livestock products.

2. a. An interest in agricultural land held by a networking farmers limited liability company shall be attributable as an interest in agricultural land held by a member having an interest in the networking farmers limited liability company. The member shall be deemed to hold an interest in agricultural land held by the networking farmers

limited liability company in proportion to the interest that the member holds in the networking farmers limited liability company.

b. Except to the extent provided in this paragraph, a member holding agricultural land by attribution shall be subject to landholding restrictions imposed pursuant to the Code, including sections 9H.4, 9H.5, 501.103, and 567.3. However, notwithstanding section 9H.4, a cooperative association may hold an interest in any number of farmers entities, if the total number of acres held by the farmers entities and attributable to the cooperative association is six hundred forty acres or less.

c. The member's proportionate interest shall be calculated by multiplying the number of acres of agricultural land held by the networking farmers limited liability company by the percentage interest in the networking farmers limited liability company held by the member.

3. In the event of a transfer of an interest in the networking farmers limited liability company by operation of law, the networking farmers limited liability company may disregard the transfer for purposes of determining compliance with subsection 1 for a period of two years after the transfer.

Sec. 106. NEW SECTION. 10.6 MULTIPLE INTERESTS RESTRICTED.

1. A person who holds an interest in a networking farmers limited liability company holding an interest in agricultural land pursuant to section 10.5 shall not hold an interest in another farmers entity, if any of the following applies:

a. The person holds a twenty-five percent or greater interest in a networking farmers limited liability company having six or fewer members.

b. The person holds a fifteen percent or greater interest in a networking farmers limited liability company having seven or more members.

2. A person who holds a majority interest in an authorized entity shall not hold a majority interest in a networking farmers limited liability company.

3. A qualified commodity share landlord who owns an interest in a networking farmers limited liability company holding agricultural land under section 10.5 must rent an additional one hundred fifty acres of agricultural land on a commodity share basis for each farmers entity holding agricultural land under this chapter in which the commodity share landlord acquires an interest.

PART 3

FARMERS COOPERATIVE ASSOCIATIONS

Sec. 107. NEW SECTION. 10.7 LANDHOLDINGS RESTRICTED.

1. Notwithstanding section 9H.4, a farmers cooperative association may hold agricultural land in this state if it meets all of the following conditions:

a. The farmers cooperative association does not hold an interest in agricultural land of more than six hundred and forty acres.

b. The farmers cooperative association does not produce, including by planting or harvesting, forage or grain on agricultural land in which the farmers cooperative association holds an interest. However, the farmers cooperative association may enter into an agreement under a lease or production contract with a person to produce the forage or grain, if the farmers cooperative association does not receive forage or grain in payment under the agreement. The lease or contract may specify the type of forage or grain that must be produced and provide that the farmers cooperative association has a right to purchase the forage or grain on the same terms and conditions as the highest bona fide offer received by the person for the forage or grain, within a period agreed to by the parties to the lease or production contract.

2. a. Except as provided in this section, an interest in agricultural land held by a farmers cooperative association

shall be attributable as an interest in agricultural land held by a member having an interest in the farmers cooperative association. The member shall be deemed to hold an interest in agricultural land held by the farmers cooperative association in proportion to the interest that the member holds in the farmers cooperative association.

b. Except to the extent provided in this paragraph, a member holding agricultural land by attribution shall be subject to landholding restrictions imposed pursuant to the Code, including sections 9H.4, 9H.5, 501.103, and 567.3. However, notwithstanding section 9H.4, all of the following shall apply:

(1) A cooperative association may hold an interest in any number of farmers entities, if the total number of acres held by the farmers entities and attributable to the cooperative association is six hundred forty acres or less.

(2) An interest in agricultural land held by a farmers cooperative association shall not be attributable to a member who is an entity organized under state law, if the entity holds a five percent or less interest in the farmers cooperative association.

c. The member's proportionate interest shall be calculated by multiplying the number of acres of agricultural land held by the farmers cooperative association by the percentage interest in the farmers cooperative association held by the member.

3. In the event of a transfer of an interest in a farmers cooperative association by operation of law, the association may disregard the transfer for purposes of determining compliance with subsection 1 for a period of two years after the transfer.

Sec. 108. NEW SECTION. 10.8 MULTIPLE INTERESTS RESTRICTED.

1. A person who holds an interest in a farmers cooperative association holding an interest in agricultural land pursuant

to section 10.7 shall not hold an interest in another farmers entity if any of the following applies:

a. The person holds a twenty-five percent or greater interest in a farmers cooperative association having six or fewer members.

b. The person holds a fifteen percent or greater interest in a farmers cooperative association having seven or more members.

2. A person who holds a majority interest in an authorized entity shall not hold a majority interest in a farmers cooperative association.

Sec. 109. NEW SECTION. 10.8A PROCEDURE FOR ACQUISITION -- REVERSE REFERENDUM; DISSENT.

A farmers cooperative association shall not acquire an interest in agricultural land or in a farmers entity, unless all of the following apply:

1. The board of directors of the farmers cooperative association adopts a resolution authorizing the acquisition. Except as provided in this section, the resolution shall become effective thirty-one days from the date that the resolution was adopted. The farmers cooperative association is not required to comply with the procedures of this section for as long as the resolution remains in effect. The resolution shall contain all of the following:

a. A declaration stating that the farmers cooperative association reserves the right to acquire agricultural land or an interest in a farmers entity under this chapter.

b. A description of a planned acquisition, if any, including the location of agricultural land planned to be acquired, the identity of any farmers entity in which the farmers cooperative association plans to acquire an interest, and the nature of any farming operation which is planned to occur on land acquired by the farmers cooperative association or conducted by the farmers entity.



c. The date that the resolution was adopted and the date that it will take effect.

2. Within five days following the date that the resolution authorizing the farmers cooperative association to acquire an interest in agricultural land or acquire an interest in a farmers entity is adopted, the farmers cooperative association must provide notice of the resolution as provided in this section. The notice shall be in the following form:

NOTICE

MEMBERS OF THE (INSERT NAME OF THE FARMERS  
COOPERATIVE ASSOCIATION)

THE (INSERT NAME OF THE FARMERS COOPERATIVE ASSOCIATION) IS PLANNING ON ACQUIRING AN INTEREST IN AGRICULTURAL LAND WHICH MAY BE USED FOR FARMING OR ACQUIRING AN INTEREST IN A BUSINESS THAT OWNS AGRICULTURAL LAND THAT MAY BE USED FOR FARMING. UNDER IOWA CODE CHAPTER 10, THE (INSERT NAME OF THE FARMERS COOPERATIVE ASSOCIATION) IS A FARMERS COOPERATIVE ASSOCIATION. WITHIN A LIMITED TIME PERIOD: (1) VOTING MEMBERS MAY PETITION A FARMERS COOPERATIVE ASSOCIATION TO REQUIRE A MEMBERSHIP VOTE TO APPROVE THE ACQUISITION; AND (2) ALL HOLDERS OF MEMBERS' EQUITY MAY DEMAND PAYMENT OF THE FAIR VALUE OF THEIR INTERESTS.

a. The notice must be published in a newspaper having a general circulation in the county where the farmers cooperative association is located as provided in section 618.3. The notice shall be printed as provided in section 618.17.

b. The notice shall be delivered to all holders of members' equity in the farmers cooperative association, including members and shareholders, by mailing the notice to the holder's last known address as shown on the books of the farmers cooperative association. The notice shall be accompanied by a copy of the resolution adopted by the board pursuant to this section, and a copy of this section.

3. Within thirty days following the date that the resolution authorizing the farmers cooperative association to acquire an interest in agricultural land or acquire an interest in a farmers entity is adopted, at least twenty percent of the voting members of the farmers cooperative association may file a petition with the board of directors demanding a referendum under this subsection.

a. If a valid petition is filed, the board of directors shall call a special referendum of voting members at a regular or special meeting, as provided in section 499.27. The filing of the petition suspends the effectiveness of the resolution until a referendum is conducted as provided in this subsection.

b. The resolution shall not become effective as otherwise provided in this section, until the resolution is approved by a majority vote of the voting members of the farmers cooperative association casting ballots at the meeting to conduct the referendum.

4. a. Within thirty days following the date that the resolution authorizing the farmers cooperative association to acquire an interest in agricultural land or acquire an interest in a farmers entity is adopted, a holder of members' equity, including a member or shareholder, may dissent to an acquisition as expressed in the resolution adopted by the board of directors under this section.

b. The holder of members' equity shall dissent by filing a demand with the board of directors. The farmers cooperative association shall pay the holder the fair value of that holder's interest as if the holder were a member dissenting to a merger or consolidation, as provided in section 499.66, upon surrender of the holder's evidence of equity in the farmers cooperative association, including a certificate of membership or shares.

c. The farmers cooperative association is not required to pay the holder of members' equity the fair value of that

holder's interest as provided in this subsection, if the resolution provided for in this section does not become effective.

PART 4  
FARMERS COOPERATIVE LIMITED  
LIABILITY COMPANIES

Sec. 110. NEW SECTION. 10.9 LANDHOLDINGS RESTRICTED.

1. Notwithstanding section 9H.4, a farmers cooperative limited liability company may hold agricultural land in this state if it meets all of the following conditions:

a. The farmers cooperative limited liability company does not hold an interest in agricultural land of more than six hundred and forty acres.

b. The farmers cooperative limited liability company does not produce, including by planting or harvesting, forage or grain on agricultural land in which the farmers cooperative limited liability company holds an interest. However, the farmers cooperative limited liability company may enter into an agreement under a lease or production contract with a person to produce the forage or grain, if the farmers limited liability company does not receive forage or grain in payment under the agreement. The lease or contract may specify the type of forage or grain that must be produced and provide that the farmers cooperative limited liability company has a right to purchase the forage or grain on the same terms and conditions as the highest bona fide offer received by the person for the forage or grain, within a period agreed to by the parties to the lease or production contract.

c. Less than fifty percent of the interest in the farmers cooperative limited liability company is held by members which are parties to intra-company loan agreements. If more than one type of membership interest is established, including any series as provided in section 490A.305 or any class or group as provided in section 490A.307, less than fifty percent of the interest in each type of membership shall be held by members which are parties to intra-company loan agreements.

d. The farmers cooperative limited liability company does not own swine or contract for the care and feeding of swine, if a member of the farmers cooperative limited liability company is a regional cooperative association.

2. a. An interest in agricultural land held by a farmers cooperative limited liability company shall be attributable as an interest in agricultural land held by a member cooperative association of the farmers cooperative limited liability company. The member cooperative association shall be deemed to hold an interest in agricultural land held by the farmers cooperative limited liability company in proportion to the interest that the member cooperative association holds in the limited liability company.

b. Except to the extent provided in this paragraph, a member holding agricultural land by attribution shall be subject to landholding restrictions imposed pursuant to the Code, including sections 9H.4, 9H.5, 501.103, and 567.3. However, notwithstanding section 9H.4, a cooperative association may hold an interest in any number of farmers entities, if the total number of acres held by the farmers entities and attributable to the cooperative association is six hundred forty acres or less.

c. The member cooperative association's proportionate interest shall be calculated by multiplying the number of acres of agricultural land held by the farmers cooperative limited liability company by the percentage interest in the limited liability company held by the cooperative association as a member.

3. In the event of a transfer of an interest in the farmers cooperative limited liability company by operation of law, the farmers cooperative limited liability company may disregard the transfer for purposes of determining compliance with subsection 1 for a period of two years after the transfer.

SUBCHAPTER III -- PENALTIES

Sec. 111. NEW SECTION. 10.10 LANDHOLDING RESTRICTIONS -- PENALTIES.

A person violating the landholding restrictions in section 10.3, 10.5, 10.7, or 10.9 shall be assessed a civil penalty of not more than ten thousand dollars and shall divest itself of any land held in violation of the section within one year after judgment is entered ordering the farmers entity to comply with that section, as provided in section 10.12.

Sec. 112. NEW SECTION. 10.11 MULTIPLE INTERESTS RESTRICTED -- PENALTIES.

1. A civil penalty of not more than one thousand dollars may be imposed on a person who becomes one of the following:

- a. A stockholder of a networking farmers corporation as prohibited in section 10.4.
- b. A member of a networking farmers limited liability company as prohibited in section 10.6.
- c. A member of a farmers cooperative association as prohibited in section 10.8.

2. The person violating the section shall divest the interest held by the person in a farmers entity or authorized entity as is necessary to comply with this chapter, as provided in section 10.12.

Sec. 113. NEW SECTION. 10.12 DIVESTITURE PROCEEDINGS.

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 the section.

Sec. 114. NEW SECTION. 10.13 INJUNCTIVE RELIEF.

The courts of this state may prevent and restrain violations of this chapter 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 chapter.

DIVISION II  
REPORTS

Sec. 201. NEW SECTION. 10B.1 DEFINITIONS.

As used in this chapter, unless the context otherwise requires:

1. "Agricultural land" means the same as defined in section 9H.1.
2. "Cooperative association" means any entity organized on a cooperative basis, including an association of persons organized under chapter 497, 498, or 499; an entity composed of entities organized under those chapters; or a cooperative corporation organized under chapter 501.
3. "Corporation" means a domestic or foreign corporation, including an entity organized pursuant to chapter 490, or a nonprofit corporation.
4. "Farming" means the same as defined in section 9H.1.
5. "Foreign business" means the same as defined in section 567.1.
6. "Foreign government" means the same as defined in section 567.1.
7. "Limited liability company" means a foreign or domestic limited liability company, including a limited liability company as defined in section 490A.102.
8. "Limited partnership" means a foreign or domestic limited partnership, including a limited partnership as defined in section 487.101, subsection 7.
9. "Nonprofit corporation" means any of the following:
  - a. A corporation organized under the provisions of former chapter 504 or chapter 504A.
  - b. A corporation which qualifies under Title 26, section 501, of the United States Code.
10. "Nonresident alien" means the same as defined in section 567.1.
11. "Reporting entity" means any of the following:

a. A corporation, other than a family farm corporation as defined in section 9H.1, including an authorized farm corporation as defined in section 9H.1 or networking farmers corporation as defined in section 10.1, holding an interest in agricultural land in this state.

b. A cooperative association holding an interest in agricultural land in this state.

c. A limited partnership, other than a family farm limited partnership as defined in section 9H.1, holding an interest in agricultural land in this state.

d. A person acting in a fiduciary capacity or as a trustee on behalf of a person, including a corporation, cooperative association, limited liability company, or limited partnership, which holds in a trust, other than through a family trust as defined in section 9H.1, including through an authorized trust, an interest in agricultural land in this state.

e. A limited liability company, other than a family farm limited liability company as defined in section 9H.1, including an authorized limited liability company as defined in section 9H.1, or a networking farmers limited liability company or farmers cooperative limited liability company as defined in section 10.1, holding an interest in agricultural land in this state.

f. A foreign business holding an interest in agricultural land in this state as provided in chapter 567.

g. A foreign government holding an interest in agricultural land in this state as provided in chapter 567.

h. A nonresident alien holding an interest in agricultural land in this state as provided in chapter 567.

**Sec. 202. NEW SECTION. 10B.2 INTERESTS DESCRIBED.**

A reporting entity holds an interest in agricultural land if the reporting entity directly or indirectly owns or leases agricultural land in this state.

**Sec. 203. NEW SECTION. 10B.3 PERSONS REQUIRED TO FILE REPORTS.**

The reports required under section 10B.4 shall be signed and filed by the following individuals required to submit reports pursuant to that section for their respective reporting entities:

1. A person serving as the president or other officer or authorized representative of a corporation.
2. A person serving as the president or other officer or authorized representative of a cooperative association.
3. A person acting as the general partner of a limited partnership.
4. A person acting in a fiduciary capacity or as a trustee on behalf of a person.
5. A person who is a member, manager, or authorized representative of a limited liability company.
6. A person serving as the president or other officer or authorized representative of a foreign business.
7. A person authorized to make the report by a foreign government.
8. A nonresident alien or an agent, trustee, or fiduciary of the nonresident alien.

**Sec. 204. NEW SECTION. 10B.4 REPORTING REQUIREMENTS.**

1. An annual report shall be filed by a reporting entity with the secretary of state on or before March 31 of each year as required by rules adopted by the secretary of state pursuant to chapter 17A. The reports shall be filed on forms prepared and supplied by the secretary of state.

2. A report required pursuant to this section shall contain information for the last year regarding the reporting entity as required by the secretary of state which shall at least include all of the following:

- a. The name and address of the reporting entity.
- b. The name and address of the person supervising the daily operations on the agricultural land in which the reporting entity holds an interest.

c. The following information regarding each person who holds an interest in the reporting entity:

- (1) The name and address of the person.
- (2) The person's citizenship, if other than the United States.
- (3) The percentage interest held by the person in the reporting entity, unless the person is a natural person who holds less than a ten percent interest in a reporting entity.

d. The percentage interest that a reporting entity holds in another reporting entity, and the number of acres of agricultural land that is attributable to the reporting entity which holds an interest in another reporting entity as provided in chapter 10.

e. A certification that the reporting entity meets all of the requirements to lawfully hold agricultural land in this state.

f. The number of acres of agricultural land held by the reporting entity, including the following:

- (1) The total number of acres in the state.
- (2) The number of acres in each county identified by county name.
- (3) The number of acres owned.
- (4) The number of acres leased.
- (5) The number of acres held other than by ownership or lease.
- (6) The number of acres used for the production of row crops.

3. A reporting entity other than a foreign business, foreign government, or nonresident alien shall be excused from filing a report with the secretary of state during any year in which the reporting entity holds an interest in less than twenty acres of agricultural land in this state and the gross revenue produced from all farming on the land equals less than ten thousand dollars.

Sec. 205. NEW SECTION. 10B.5 USE OF REPORTS.

1. The secretary of state shall notify the attorney general when the secretary of state has reason to believe a violation of this chapter has occurred.

2. Information provided in reports required in this chapter shall be made available to members of the general assembly and appropriate committees of the general assembly in order to determine the extent that agricultural land is held in this state by corporations and other business and foreign entities and the effect of such land ownership upon the economy of this state. The secretary of state shall assist any committee of the general assembly studying these issues.

Sec. 206. NEW SECTION. 10B.6 PENALTIES.

1. The failure to timely file a report or the filing of false information in a report as provided in section 10B.4 is punishable by a civil penalty not to exceed one thousand dollars.

2. The secretary of state shall notify a reporting entity which the secretary of state has reason to believe is required to file a report and who has not filed a timely report, that the person may be in violation of section 10B.4. The secretary of state shall include in the notice a statement of the penalty which may be assessed if the required report is not filed within thirty days. The secretary of state shall refer to the attorney general any reporting entity which the secretary of state has reason to believe is required to report if, after thirty days from receipt of the notice, the reporting entity has not filed the required report. The attorney general may, upon referral from the secretary of state, file an action in district court to seek the assessment of a civil penalty of one hundred dollars for each day the report is not filed.

Sec. 207. SUSPENSION OF REPORTING REQUIREMENTS.

1. A person required to file a report with the secretary of state pursuant to this chapter is not required to file a report with the secretary of state pursuant to section 9H.5A or 501.103, subsection 3, or section 567.8.

2. This section is repealed on July 1, 2000.

DIVISION III

EFFECTIVE DATE

Sec. 301. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

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RON J. CORBETT  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2335, Seventy-seventh General Assembly.

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ELIZABETH ISAACSON  
Chief Clerk of the House

Approved April 16, 1998

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TERRY E. BRANSTAD  
Governor