

ACT 257

H.B. NO. 2565-82

A Bill for an Act Relating to Agricultural Coop Association.

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

SECTION 1. Section 421-11, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

“(c) Net [margin] margins in excess of dividends and additions to reserves and excess shall be distributed [to members and nonmembers] on the basis of patronage, and [the] if the bylaws so provide, distribution of such net margins may be restricted to members or may be made at the same or different rate for members and nonmembers. The books of the association shall show the interest of members and nonmembers in the reserves and excess. The bylaws may provide that any distribution to a nonmember, eligible for membership, may be credited to the nonmember until the amount thereof equals the value of a membership certificate or a share of the association’s common stock. The distribution credited to the account of a nonmember may be transferred to the reserve fund at the option of the board if, after two years, the amount is less than the value of the membership certificate or a share of common stock.”

SECTION 2. Section 421-9, Hawaii Revised Statutes, is amended to read as follows:

**"§421-9 Powers.** (a) An association formed under this chapter, or an association which might be formed under this chapter and which existed at the time this chapter took effect, shall have the capacity to act possessed by natural persons, but the association shall have the authority to perform only such acts as are necessary or proper to accomplish the purposes as set forth in its articles and which are not repugnant to law.

(b) Without limiting or enlarging the grant of authority contained in subsection (a), every association shall have authority:

- (1) To act as agent, broker, or attorney in fact for its members, and for any subsidiary or affiliated association, and otherwise to assist or join with associations engaged in any one or more of the activities authorized by its articles, and to hold title for its members and for subsidiary and affiliated associations to property handled or managed by the association on their behalf.
- (2) To make contracts, and to exercise by its board or duly authorized officers or agents, all such incidental powers as may be necessary, suitable, or proper for the accomplishment of the purposes of the association and not inconsistent with law or its articles, and that may be conducive to or expedient for the interest or benefit of the association.
- (3) To make loans or advances to members or producer-patrons or to the members of an association which is itself a member or subsidiary thereof; to purchase or otherwise acquire, endorse, discount, or sell any evidence of debt, obligation, or security, but it shall not engage in banking.
- (4) To establish and accumulate reserves to capital.
- (5) To own and hold membership in or shares of the capital stock of other associations and corporations and the bonds or other obligations thereof, engaged in any related activity; or, in producing, warehousing, or marketing any of the products handled by the association; or, in financing its activities, and while the owner thereof, to exercise all the rights of ownership, including the right to vote thereon.
- (6) To acquire, hold, sell, dispose of, pledge, or mortgage, any property which its purposes may require, subject to any limitation prescribed by law or its articles.
- (7) To borrow money and to give its notes, bonds, or other obligations therefor and secure the payment thereof by mortgage or pledge.
- (8) To deal in agricultural products and handle agricultural machinery, equipment, and supplies, and perform services for nonmembers to an amount not greater in annual value than such as are dealt in, handled, or performed for or on behalf of its members.
- (9) To have a corporate seal and to alter it at pleasure.
- (10) To continue as a corporation for the time limit in its articles, which may be perpetual.
- (11) To sue and be sued in its corporate name.
- (12) To conduct business in this State and elsewhere as may be permitted by

law.

(13) To dissolve and wind up its affairs.

(14) To charge differential rates on the sale of its goods and services to members and nonmembers, as provided for in its bylaws."

SECTION 3. Section 421-1, Hawaii Revised Statutes, is amended to read as follows:

"§421-1 **Definitions.** As used in this chapter, unless the context or subject matter requires otherwise:

- (1) "Agricultural products" includes floricultural, horticultural, viticultural, forestry, nut, coffee, dairy, livestock, poultry, bee, and any farm or plantation products.
- (2) "Association" means any corporation organized under this chapter for the mutual benefit of its members, as agricultural producers, and which confines its operations to purposes authorized by this chapter and restricts the return on the stock or membership capital and the amount of its business with nonmembers to the limits placed thereon by this chapter for associations organized hereunder.
- (3) "Domestic association" means an association or corporation formed under the laws of the State.
- (4) Association shall be classified as and deemed to be nonprofit corporations, inasmuch as their primary object is not to pay dividends on invested capital, but to render service and provide means and facilities by or through which the producers of agricultural products may receive a reasonable and fair return for their products.
- (5) "Member" includes the holder of a membership in an association without capital stock or the holder of common stock in association organized with capital stock.
- (6) "Person" includes individuals, partnerships, corporations, and associations.
- (7) "Board" means the board of directors.
- (8) "Articles" means the articles of association.]
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- (3) "Association" means any corporation organized under this chapter for the mutual benefit of its members, as agricultural producers, and which confines its operations to purposes authorized by this chapter and restricts the return on the stock or membership capital and the amount of its business with nonmembers to the limits placed thereon by this chapter for associations organized hereunder. Association shall be classified as and deemed to be nonprofit corporations, inasmuch as their primary object is not to pay dividends on invested capital, but to render service and provide means and facilities by or through which the producers of agricultural products may receive a reasonable and fair return for their products.
- (4) "Board" means the board of directors.
- (5) "Domestic association" means an association or corporation formed under the laws of the State.
- (6) "Member" includes the holder of a membership in an association

without capital stock or the holder of common stock in association organized with capital stock.

- (7) "Membership capital" means that capital paid to a nonstock association by a member in order to be a member and have the rights of membership in the association.
- (8) "Person" includes individuals, partnerships, corporations, and associations."

SECTION 4. Statutory material to be repealed is bracketed. New material is underscored.

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

(Approved June 16, 1982.)