



Hundredth Legislature - First Session - 2007
Introducer's Statement of Intent
LB 368

Chairperson: Rich Pahls
Committee: Banking, Commerce and Insurance
Date of Hearing: February 26, 2007

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 368 creates the Nebraska Limited Cooperative Association Act, a new business model for Nebraska .

The traditional cooperative business model limits participation to patron members only. Patrons are those who use the services of the cooperative by buying from or selling to the cooperative. State and federal laws applicable to traditional cooperatives limit return on investment and voting control in such a manner so as to restrict the ability of traditional cooperatives to seek investment capital to fund start up costs, expansion or other activities that require equity capital.

A limited cooperative association would combine the tradition cooperative elements of patron ownership, control and distribution of profits based upon business done by the patron with the ability to raise investment capital. Investor members earn a return on their investment without participating in the enterprise as a patron. LB 368 sets restrictions on allocating voting control and distribution of profits between patron participants and investor participants.

Five states: Wyoming, Minnesota, Iowa, Wisconsin and Tennessee, currently have similar acts. The National Council of Commissioners on Uniform State Laws (NCCUSL) is in the process of developing a similar uniform law to be presented to all of the states for enactment. LB 368 is largely based upon the current NCCUSL draft.

The potential applications for a limited cooperative association include value added agricultural projects as well as non-agricultural enterprises, including, but not limited to, information technology sharing, housing cooperatives, food retailing, distribution associations and management systems. LB 368 expressly provides, however, that a limited cooperative association may not be a bank or insurance company as defined by Nebraska statutes regulating those industries.

Principal Introducer: _____
Senator Philip Erdman