

HOUSE BILL No. 4831

May 16, 1989, Middaugh, Alley, Stacey, Bennett, Randall, Giese, Dunaskiss, Griffin, Dutko and Niederstadt and referred to the Committee on Corporations and Finance.

A bill to amend Act No. 269 of the Public Acts of 1974, entitled as amended

"Franchise investment law,"

as amended, being sections 445.1501 to 445.1546 of the Michigan Compiled Laws, by adding section 4a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 269 of the Public Acts of 1974, as
2 amended, being sections 445.1501 to 445.1546 of the Michigan
3 Compiled Laws, is amended by adding section 4a to read as
4 follows:

5 SEC. 4A. THIS ACT SHALL NOT APPLY TO A NONPROFIT ORGANI-
6 ZATION OPERATED ON A COOPERATIVE BASIS BY AND FOR INDEPENDENT
7 RETAILERS TO WHICH ALL OF THE FOLLOWING APPLY:

8 (A) CONTROL AND OWNERSHIP OF EACH MEMBER IS SUBSTANTIALLY
9 EQUAL.

1 (B) MEMBERSHIP IS LIMITED TO THOSE WHO USE THE SERVICES
2 FURNISHED BY THE ORGANIZATION.

3 (C) TRANSFER OF OWNERSHIP IS PROHIBITED OR LIMITED.

4 (D) MEMBERS RECEIVE NO RETURN ON CAPITAL INVESTMENT.

5 (E) SUBSTANTIALLY EQUAL ECONOMIC BENEFITS PASS TO THE MEM-
6 BERS ON THE BASIS OF PATRONAGE IN THE ORGANIZATION.

7 (F) MEMBERS ARE NOT PERSONALLY LIABLE FOR OBLIGATIONS OF THE
8 ORGANIZATION IN THE ABSENCE OF A DIRECT UNDERTAKING OR AUTHORIZA-
9 TION BY THE MEMBERS.

10 (G) THE WHOLESALE GOODS AND SERVICES OF THE ORGANIZATION ARE
11 FURNISHED PRIMARILY TO THE MEMBERS.

12 (H) NO PART OF THE RECEIPTS, INCOME, OR PROFIT OF THE ORGA-
13 NIZATION ARE PAID TO ANY PROFIT-MAKING ENTITY EXCEPT FOR
14 ARMS-LENGTH PAYMENTS FOR NECESSARY GOODS AND SERVICES.

15 (I) MEMBERS ARE NOT REQUIRED TO PURCHASE GOODS OR SERVICES
16 THROUGH ANY PROFIT-MAKING ENTITY.