

3/4/97 Approved

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FILED MAR 4 1997

SENATE FILE 292
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO SSB 175)

Passed Senate, Date 3-17-97 ^(P.629) Passed House, Date 3/26/97 ^(P.832)
Vote: Ayes 50 Nays 0 Vote: Ayes 98 Nays 0
Approved April 3, 1997

A BILL FOR

1 An Act relating to cooperative corporations, by providing for the
2 transfer of stock, the allocation of patronage dividends upon
3 termination of membership, and dissolution.

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

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S.F. 292

GENERAL

1 Section 1. Section 501.501, subsection 2, Code 1997, is
2 amended to read as follows:

3 2. A member may ~~shall not~~ sell or otherwise transfer
4 stock, ~~other than voting stock, to any other member or to any~~
5 ~~person who has been approved by the board for membership;~~
6 ~~subject to the limitations in the articles or bylaws on the~~
7 ~~amount of each class of stock that may be owned by one member.~~
8 A member may be restricted or limited from selling or
9 otherwise transferring any other class of stock of the
10 cooperative as provided by the cooperative's articles of
11 incorporation or bylaws or an agreement executed between the
12 cooperative and the member.

13 Sec. 2. Section 501.502, subsection 5, Code 1997, is
14 amended by striking the subsection and inserting in lieu
15 thereof the following:

16 5. In redeeming allocated patronage refunds, including
17 refunds of nonstock patronage and preferred stock issued by
18 the cooperative as patronage refunds, the cooperative shall
19 first redeem the allocated patronage refunds issued to a
20 deceased natural person and owned by the person at the time of
21 death.

22 Sec. 3. Section 501.604, Code 1997, is amended to read as
23 follows:

24 501.604 DISSOLUTION.

25 The provisions of sections 490.1401 through 490.1440 shall
26 apply to ~~cooperatives~~ a cooperative in the same manner as they
27 apply to ~~corporations~~ a corporation organized under chapter
28 490. However, notwithstanding any provision in those sections
29 to the contrary, upon the cooperative's dissolution, the
30 cooperative's assets shall first be used to pay expenses
31 necessary to carry out the dissolution and liquidation of
32 assets, then be used to pay the cooperative's obligations
33 other than the payment of patronage dividends or stock issued
34 as patronage dividends, and the remainder shall be paid in the
35 manner set forth in the cooperative's articles of

1 incorporation.

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EXPLANATION

3 In 1996, the general assembly enacted Senate File 2135
4 which provided for the organization of cooperative
5 corporations. This bill amends several of those provisions.

6 Code section 501.501 provides that a member may transfer
7 stock, other than voting stock, to any other member or to any
8 person who has been approved by the board for membership,
9 subject to the limitations in the articles or bylaws. This
10 bill amends the provision to prohibit the member from
11 transferring voting stock. It also provides that a member may
12 be restricted or limited from selling or otherwise
13 transferring any other class of stock of the cooperative as
14 provided by the cooperative's articles of incorporation or
15 bylaws or an agreement executed between the cooperative and
16 the member.

17 Code section 501.502 provides for the termination of a
18 membership. The section requires a cooperative to redeem all
19 of the terminated member's allocated patronage refunds and
20 preferred stock originally issued as allocated patronage
21 refunds for the issue price. The cooperative is required to
22 make this payment within a certain period of time, usually one
23 year after the termination of the membership, unless the
24 terminated member's current equity equals or exceeds 2 percent
25 of the cooperative's total members' equity. In that case, the
26 cooperative must redeem the terminated member's equity
27 according to a schedule. This bill strikes those provisions
28 and provides that in redeeming allocated patronage refunds,
29 including refunds of nonstock patronage and preferred stock
30 issued by the cooperative as patronage refunds, the
31 cooperative must first redeem the allocated patronage refunds
32 issued to a deceased natural person and owned by the person at
33 the time of death.

34 Code section 501.604 provides for the dissolution of a
35 cooperative. The section provides that the dissolution must

1 proceed as if it were a corporation organized under Code
2 chapter 490. This bill provides that the provisions in Code
3 chapter 490 do not apply in certain circumstances.
4 Specifically, the bill provides that upon the cooperative's
5 dissolution, the cooperative's assets must first be used to
6 pay expenses necessary to carry out the dissolution and
7 liquidation of assets, then to pay the cooperative's
8 obligations other than the payment of patronage dividends or
9 stock issued as patronage dividends, and finally, the
10 remainder must be paid as provided in the cooperative's
11 articles of incorporation.

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SENATE FILE 292

S-3132

1 Amend Senate File 292 as follows:

2 1. Page 1, by striking lines 13 through 21 and
3 inserting the following:

4 "Sec. ____ . Section 501.502, subsection 5, Code
5 1997, is amended to read as follows:

6 5. The cooperative shall redeem, without interest,
7 all of the terminated member's allocated patronage
8 refunds and preferred stock originally issued as
9 allocated patronage refunds for the issue price as
10 follows:

11 a. A If a terminated member's current equity is
12 less than two percent of the cooperative's total
13 members' equity, the cooperative shall make this
14 payment either redeem the terminated member's equity
15 within one year after the termination of the
16 membership or redeem the terminated member's equity in
17 annual amounts of not less than twenty percent of the
18 total amount provided that the entire amount must be
19 redeemed within five years after the termination of
20 the membership. However, if

21 b. If a terminated member's current equity equals
22 or exceeds two percent of the cooperative's total
23 members' equity, the cooperative shall redeem the
24 terminated member's equity in annual amounts of not
25 less than fifteen percent of the total amount provided
26 that the entire amount must be redeemed within seven
27 years after the termination of the membership."

By DERRYL McLAREN
JOHN P. KIBBIE
WILMER RENSINK

S-3132 FILED MARCH 17, 1997

ADOPTED

(P.629)

H. 3/19/97 Agriculture

Substituted for
H.F. 538

SENATE FILE 292
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO SS3 175)

(AS AMENDED AND PASSED BY THE SENATE MARCH 17, 1997)

_____ - New Language by the Senate

Passed Senate, Date _____ Passed House, Date 3/26/97 (p. 532)
Vote: Ayes _____ Nays _____ Vote: Ayes 98 Nays 0
Approved April 3, 1997

A BILL FOR

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SF. 292

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2 amended to read as follows:

3 2. A member ~~may~~ shall not sell or otherwise transfer
4 ~~stock, other than voting stock, to any other member or to any~~
5 ~~person who has been approved by the board for membership~~
6 ~~subject to the limitations in the articles or bylaws on the~~
7 ~~amount of each class of stock that may be owned by one member.~~

8 A member may be restricted or limited from selling or
9 otherwise transferring any other class of stock of the
10 cooperative as provided by the cooperative's articles of
11 incorporation or bylaws or an agreement executed between the
12 cooperative and the member.

13 Sec. 2. Section 501.502, subsection 5, Code 1997, is
14 amended to read as follows:

15 5. The cooperative shall redeem, without interest, all of
16 the terminated member's allocated patronage refunds and
17 preferred stock originally issued as allocated patronage
18 refunds for the issue price as follows:

19 a. If a terminated member's current equity is less than
20 two percent of the cooperative's total members' equity, the
21 cooperative shall make cash payment either redeem the
22 terminated member's equity within one year after the
23 termination of the membership or redeem the terminated
24 member's equity in annual amounts of not less than twenty
25 percent of the total amount provided that the entire amount
26 must be redeemed within five years after the termination of
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28 b. If a terminated member's current equity equals or
29 exceeds two percent of the cooperative's total members'
30 equity, the cooperative shall redeem the terminated member's
31 equity in annual amounts of not less than fifteen percent of
32 the total amount provided that the entire amount must be
33 redeemed within seven years after the termination of the
34 membership.

35 Sec. 3. Section 501.604, Code 1997, is amended to read as

1 follows:

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4 apply to ~~cooperatives~~ a cooperative in the same manner as they
5 apply to ~~corporations~~ a corporation organized under chapter
6 490. However, notwithstanding any provision in those sections
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Hedge, chair
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SSB 175

Agriculture

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON RENSINK)

Succeeded By
(SF) HF 292

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

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Sec. 2. Section 501.502, subsection 5, Code 1997, is amended to read as follows:

5. The cooperative shall redeem, without interest, all of the terminated member's allocated patronage refunds and preferred stock originally issued as allocated patronage refunds for the issue price as follows:

a. A if a terminated member's current equity is less than two percent of the cooperative's total members' equity, the cooperative shall make this payment either redeem the terminated member's equity within one year after the termination of the membership or redeem the terminated member's equity in annual amounts of not less than twenty percent of the total amount provided that the entire amount must be redeemed within five years after the termination of the membership. However, if

b. If a terminated member's current equity equals or exceeds two percent of the cooperative's total members' equity, the cooperative shall redeem the terminated member's equity in annual amounts of not less than fifteen percent of the total amount provided that the entire amount must be redeemed within seven years after the termination of the membership.

Sec. 3. Section 501.604, Code 1997, is amended to read as follows:

501.604 DISSOLUTION.

The provisions of sections 490.1401 through 490.1440 shall apply to cooperatives a cooperative in the same manner as they apply to corporations a corporation organized under chapter 490. However, notwithstanding any provision in those sections to the contrary, upon the cooperative's dissolution, the cooperative's assets shall first be used to pay expenses necessary to carry out the dissolution and liquidation of assets, then be used to pay the cooperative's obligations other than the payment of patronage dividends or stock issued as patronage dividends, and the remainder shall be paid in the

SENATE FILE 292

AN ACT

RELATING TO COOPERATIVE CORPORATIONS, BY PROVIDING FOR THE TRANSFER OF STOCK, THE ALLOCATION OF PATRONAGE DIVIDENDS UPON TERMINATION OF MEMBERSHIP, AND DISSOLUTION.

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

Section 1. Section 501.501, subsection 2, Code 1997, is amended to read as follows:

2. A member may shall not sell or otherwise transfer ~~stock, other than voting stock, to any other member or to any person who has been approved by the board for membership, subject to the limitations in the articles or bylaws on the amount of each class of stock that may be owned by one member.~~ A member may be restricted or limited from selling or otherwise transferring any other class of stock of the cooperative as provided by the cooperative's articles of incorporation or bylaws or an agreement executed between the cooperative and the member.

manner set forth in the cooperative's articles of
incorporation.

MARY E. KRAMER
President of the Senate

RON J. CORBETT
Speaker of the House

I hereby certify that this bill originated in the Senate and
is known as Senate File 292, Seventy-seventh General Assembly.

MARY PAT GUNDERSON
Secretary of the Senate

Approved April 3, 1997

TERRY E. BRANSTAD
Governor