

CHAPTER 1196
COOPERATIVE ASSOCIATIONS
H.F. 2448

AN ACT relating to cooperative associations.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 499.2, Code 1985, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. "Local deferred patronage dividends" of an association means that portion of each member's deferred patronage dividends described in section 499.30 which the board of directors of the association has determined arise from earnings of the association other than earnings which have been allocated to the association but which have not been paid in cash to the association by other cooperative organizations of which the association is a member. However, if the board of directors fails to make a determination with respect to a deceased member's deferred patronage dividends prior to the member's death, then "local deferred patronage dividends" means that portion of the member's deferred patronage dividends which is proportional to the deferred patronage dividends described in section 499.30 less the amount of undistributed net earnings which have been allocated to the association by other cooperative organizations of which the association is a member, compared to all deferred patronage dividends of the association.

NEW UNNUMBERED PARAGRAPH. "Local deferred patronage preferred stock" of an association means preferred stock, if any, of an association which has been issued in exchange for local deferred patronage dividends. If preferred stock has been issued in exchange for deferred patronage dividends prior to the time the board of directors of the association has determined the portion of each member's deferred patronage dividend which represents local deferred patronage dividends, then the board of directors may reasonably determine what portion of the preferred stock was issued in exchange for local deferred patronage dividends and the portion which was issued for other deferred patronage dividends.

Sec. 2. Section 499.30, unnumbered paragraph 3, Code 1985, is amended to read as follows:

At least ten percent of the remaining earnings must be added to surplus until surplus equals either thirty percent of the total of all capital paid in for stock or memberships, plus all unpaid patronage dividends, plus certificates of indebtedness payable upon liquidation, earnings from nonmember business, and earnings arising from the earnings of other cooperative organizations of which the association is a member, or one thousand dollars, whichever is greater. No additions shall be made to surplus ~~whenever~~ when it exceeds either fifty percent of ~~such~~ the total, or one thousand dollars, whichever is greater.

Sec. 3. Section 499.30, unnumbered paragraph 6, Code 1985, is amended to read as follows:

Notwithstanding the articles of incorporation of any association ~~now in effect~~, for each taxable year of the association beginning after December 31, 1962, all remaining net earnings shall be allocated to the account of each member, including subscribers described in section 499.16, ratably in proportion to the business the member ~~had done~~ did with the association during ~~such~~ that year. The directors shall determine, or the articles of incorporation or bylaws of the association may specify, the percentage or the amount of ~~said~~ the allocation that currently shall be paid in cash, ~~provided that so long as~~. However, so long as there are unpaid local deferred patronage dividends of deceased members for prior years, the amount currently payable in cash shall not exceed twenty percent of ~~said~~ the allocation. All ~~said~~ the remaining allocation not ~~so~~ paid in cash shall be transferred to a revolving fund and credited to ~~said~~ the members and subscribers. ~~Such~~ The credits in the revolving fund are ~~herein~~ referred to in this chapter as deferred patronage dividends.

Sec. 4. Section 499.33, Code 1985, is amended to read as follows:
499.33 USE OF REVOLVING FUND.

The directors may use the revolving fund to pay the obligations or add to the capital of the association or retire its preferred stock. In such that event the deferred patronage dividends credited to members shall constitute a charge on the revolving fund, and on future additions thereto to the revolving fund, and on the corporate assets, subordinate to existing or future creditors and preferred stockholders then or thereafter existing. Deferred patronage dividends for any year shall have priority over those for any subsequent year years. However, prior to any other payments of deferred patronage dividends or redemption of preferred stock held by members, the directors of co-operative associations, other than those co-operative associations which are public utilities as defined in section 476.1 and other than those co-operative associations which are public utilities which are exempt from rate regulation as provided in that section, shall pay local deferred patronage dividends and redeem local deferred patronage preferred stock, of deceased natural persons who were members, and may pay deferred patronage dividends or may redeem preferred stock of deceased natural persons who were members or of members who become ineligible, without reference to the order of priority. Directors of co-operative associations which are public utilities as defined in section 476.1 and directors of co-operative associations which are public utilities exempt from rate regulation as provided in that section, may pay deferred patronage dividends and redeem preferred stock, of deceased natural persons who were members, and may pay deferred patronage dividends or redeem preferred stock of members who become ineligible without reference to priority. Payment of deferred patronage dividends or the redemption of preferred stock of ineligible members shall be carried out to the extent and in the manner specified in the bylaws of the association.

Sec. 5. Section 499.36, subsection 4, Code 1985, is amended to read as follows:

4. Directors shall be elected by districts, if the articles specify the districts, the number of directors from each district, the manner of nomination, redistricting, or reapportionment, and whether directors shall are to be directly elected by the members or by delegates chosen by them. Districts shall be ~~so~~ formed and redistricting shall be ordered, from time to time, so that the districts contain as nearly as possible an equal number of members. The bylaws shall describe the district boundaries currently in effect.

Sec. 6. Section 499.48, Code 1985, is amended by striking the section and inserting in lieu thereof the following:

499.48 DISTRIBUTION IN LIQUIDATION.

On dissolution or liquidation, the assets of the association shall be used to pay liquidation expenses first, next the association's obligations other than patronage dividends or patronage dividend certificates which it has issued, and the remainder shall be distributed in the following priority:

1. To pay to each person the full amount originally paid by that person in cash for stock or other equity interest in the association.

2. To pay to each person in proportion to the total of each person's revolving fund, stock, or other equity interest in the association remaining after the payment under subsection 1.

In applying subsections 1 and 2, all classes of stock, all revolving funds, and all other equity interests in the association shall be treated equally based on their stated values. However, an association may establish its own method of distributing the assets remaining, after paying liquidation expenses and obligations other than patronage dividends or patronage dividend certificates which it has issued, in articles of incorporation adopted, amended, or restated after the effective date of this Act.

Sec. 7. Section 499.65, Code 1985, is amended to read as follows:

499.65 OBJECTION OF MEMBERS — PURCHASE OF SHARE.

If a voting member or voting shareholder of a co-operative association which is a party to a merger or consolidation files with the co-operative association, prior to or at the meeting of members at which the plan is submitted to a vote, a written objection to the plan of merger or consolidation, and ~~does not vote in favor of~~ votes in opposition to the plan, and ~~such the~~ member or shareholder, within twenty days after the merger or consolidation is approved by the other members, makes written demand on the surviving or new association for payment of the fair value of that member's or shareholder's interest as of the day prior to the date on which the vote was taken approving the merger or consolidation, the surviving or new association shall pay to ~~such the~~ member or shareholder, upon surrender of that person's certificate of membership or shares of stock, the fair value of that person's interest. ~~Any A~~ member or shareholder ~~failing who fails to~~ make demand within the twenty-day period ~~shall be is~~ conclusively presumed to have consented to the merger or consolidation and ~~shall be is~~ bound by its terms.

In the event ~~any that a~~ dissenting member or shareholder ~~shall apply for membership in~~ does business with the surviving or new association, before payment has been made for that person's membership or stock, the dissenting member or shareholder ~~shall be is~~ deemed to have consented to the merger or consolidation and to have waived all further rights as a dissenting member or shareholder.

Sec. 8. Section 499.66, Code 1985, is amended by striking the section and inserting in lieu thereof the following:

499.66 VALUE DETERMINED.

1. As used in this section:

a. "Dissenting member" means a voting member who votes in opposition to the plan of merger or consolidation and who makes a demand for payment of the fair value under section 499.65.

b. "Old association" means the association in which the member owns or owned a membership.

c. "New association" means the surviving or new association after the merger or consolidation.

d. "Issue price" means the amount paid for an interest in the old association or the amount stated in a notice of allocation of patronage dividends.

e. "Fair market value" means the lesser of the cash price that would be paid by a willing buyer to a willing seller, neither being under any compulsion to buy or sell, or the issue price of the dissenting member's membership or common stock, deferred patronage dividends, and preferred stock.

2. Within twenty days after the merger or consolidation is effected, the new association shall make a written offer to each dissenting member to pay a specified sum deemed by the new association to be the fair value of that dissenting member's interest in the old association. This offer shall be accompanied by a balance sheet of the old association as of the latest available date, a profit and loss statement of the old association for the twelve-month period ending on the date of this balance sheet, and a list of the dissenting member's interests in the old association. If the dissenting member does not agree that the sum stated in this notice represents the fair value of the member's interest, then the member may file a written objection with the new association within twenty days after receiving this notice. A dissenting member who fails to file this objection within the twenty-day period is conclusively presumed to have consented to the fair value stated in the notice.

If the surviving or new association receives any objections to fair values, then within ninety days after the merger or consolidation is effected, the new association shall file a petition in the Iowa district court asking for a finding and determination of the fair value of each type of equity. The action shall be prosecuted as an equitable action.

The fair value shall be determined as of the day preceding the merger or consolidation by subtracting the old association's debts from the fair market value of the old association's assets, and dividing the remainder by the total issue price of all memberships, common stock, preferred stock, and revolving funds. The quotient from this division shall be multiplied by the total issue price of a dissenting member's membership, common stock, preferred stock, and revolving fund interest to determine the fair value of that dissenting member's interest in the old association.

3. The new association shall pay to each dissenting member in cash within sixty days after the merger or consolidation the amount paid in cash by the dissenting member for that member's interest in the old association. The new association shall pay the remainder of each dissenting member's fair value at the same time other payments of deferred patronage dividends or redemption of preferred stock are made, but in any event within fifteen years after the merger or consolidation. A dissenting member who is a natural person who dies before receiving the fair value shall have all of the person's fair value paid with the same priority as if the person was a member at the time of death.

Approved May 20, 1986

CHAPTER 1197

AGRICULTURAL GRAIN MARKETING COMPACT

H.F. 2488

AN ACT relating to agricultural grain marketing, by adopting the interstate compact on agricultural grain marketing, and providing an effective date.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. **NEW SECTION. 182.1 INTERSTATE COMPACT ON AGRICULTURAL GRAIN MARKETING.**

The interstate compact on agricultural grain marketing is enacted into law and entered into with all other states which legally join in the compact in substantially the following form:

INTERSTATE COMPACT ON AGRICULTURAL GRAIN MARKETING

ARTICLE I. — PURPOSE

It is the purpose of this compact to protect, preserve, and enhance:

- a. The economic and general welfare of citizens of the joining states engaged in the production and sale of agricultural grains.
- b. The economies and very existence of local communities in such states, the economies of which are dependent upon the production and sale of agricultural grains.
- c. The continued production of agricultural grains in such states in quantities necessary to feed the increasing population of the United States and the world.

ARTICLE II. — DEFINITIONS

As used in this compact:

- a. "State" means any state of the United States in which agricultural grains are produced for the markets of the nation and world.
- b. "Agricultural grains" means wheat, durum, spelt, triticale, oats, rye, corn, barley, buckwheat, flaxseed, safflower, sunflower seed, soybeans, sorghum grains, peas, and beans.

ARTICLE III. — COMMISSION

a. Organization and management

1. There is hereby created an agency of the member states to be known as the interstate agricultural grain marketing commission, hereinafter called the commission. The commission shall consist of three residents of each member state who shall have an agricultural