

Am. S. 1121. Gen. 4/2  
Do. Pass. 4/5 (p. 1347)

FILED MAR 21 1979

SENATE FILE 442

By COMMITTEE ON AGRICULTURE  
*approved 4/20 (p. 907)*

Passed Senate, Date 3-28-79 (p. 984) Passed House, Date 4-19-79 (p. 1637)  
Vote: Ayes 45 Nays 0 Vote: Ayes 75 Nays 14  
Approved May 3, 1979

### A BILL FOR

1 An Act relating to the distribution of earnings of corpora-  
2 tions which are cooperative associations.

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

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1 Section 1. Section four hundred ninety-nine point twenty-  
2 four (499.24), Code 1979, is amended to read as follows:

3 499.24 PREFERRED STOCK. Preferred stock shall bear  
4 cumulative or noncumulative dividends as fixed by the articles,  
5 not exceeding eight percent per annum. It shall have no vote.  
6 It shall be issued and be transferable without regard to  
7 eligibility or membership, and be is redeemable on terms  
8 specified in the articles and as provided for in this chapter.

9 The directors shall determine the time and amount of its  
10 issue.

11 Sec. 2. Section four hundred ninety-nine point thirty  
12 (499.30), unnumbered paragraph six (6), Code 1979, is amended  
13 to read as follows:

14 Notwithstanding the articles of incorporation of any  
15 association now in effect, for each taxable year of the  
16 association beginning after December 31, 1962, all remaining  
17 net earnings shall be allocated to the account of each member,  
18 including subscribers described in section 499.16 ratably  
19 in proportion to the business he the member had done with  
20 the association during such year. The directors shall  
21 determine, or the articles of incorporation or bylaws of the  
22 association may specify, the percentage or the amount of said  
23 allocation that currently shall be paid in cash, provided  
24 that so long as there are unpaid deferred patronage dividends  
25 of deceased members for prior years the amount currently  
26 payable in cash shall not exceed twenty percent of said  
27 allocation. All said remaining allocation not so paid in  
28 cash shall be transferred to a revolving fund and credited  
29 to said members and subscribers. Such credits in the revolving  
30 fund are herein referred to as deferred patronage dividends.

31 Sec. 3. Section four hundred ninety-nine point thirty-  
32 three (499.33), Code 1979, is amended to read as follows:

33 499.33 USE OF REVOLVING FUND. The directors may use the  
34 revolving fund to pay the obligations or add to the capital  
35 of the association or retire its preferred stock. In such

1 event the deferred patronage dividends credited to members  
2 shall constitute a charge on the revolving fund and future  
3 additions thereto, and on the corporate assets, subordinate  
4 to creditors and preferred stockholders then or thereafter  
5 existing. Deferred patronage dividends for any year shall  
6 have priority over those for any subsequent year, ~~except that.~~  
7 However, prior to any other payments of deferred patronage  
8 dividends or redemption of preferred stock held by members,  
9 the directors may, at their discretion, of cooperative  
10 associations, other than those cooperative associations which  
11 are public utilities defined in section four hundred seventy-  
12 six point one (476.1) of the Code and other than those  
13 cooperative associations which are public utilities which  
14 are exempt from rate regulation as provided in that section,  
15 shall pay deferred patronage dividends and redeem preferred  
16 stock, of deceased members or patrons, and natural persons  
17 who were members, and may pay deferred patronage dividends  
18 or redeem preferred stock of members who become ineligible  
19 without reference to the order of priority herein-prescribed.  
20 Directors of cooperative associations which are public  
21 utilities defined in section four hundred seventy-six point  
22 one (476.1) of the Code and directors of cooperative  
23 associations which are public utilities exempt from rate  
24 regulation as provided in that section, may pay deferred  
25 patronage dividends and redeem preferred stock, of deceased  
26 natural persons who were members, and may pay deferred  
27 patronage dividends or redeem preferred stock members who  
28 become ineligible without reference to priority. Payment  
29 of deferred patronage dividends or the redemption of preferred  
30 stock of ineligible members shall be carried out to the extent  
31 and in the manner specified in the bylaws of the association.

32 Sec. 4. This Act is effective January first following  
33 its enactment.

34 EXPLANATION

35 Section 499.30 of the Code provides for a system of

1 priorities for the disposition of the annual net earnings  
2 of Chapter 499 cooperative associations. After certain  
3 requirements of the section are complied with, an association  
4 must distribute its net earnings as provided in subsection  
5 6 of the section. In this regard Section 2 of the bill makes  
6 less restrictive cash allocations to members insofar as the  
7 bill applies the twenty percent cash limitation only when  
8 there are unpaid deferred patronage dividends of deceased  
9 members for prior years. Presently under the Code the  
10 restriction on cash allocation applies when there are unpaid  
11 past deferred dividends owed to either living or dead members.

12 Section 3 of the bill changes the directors' obligations  
13 to pay deferred patronage dividends to deceased members and  
14 members who become ineligible. Presently, the directors may  
15 pay these deferred patronage dividends without regard to the  
16 section's priority system. Under the bill, except in the  
17 case of public utility cooperatives, the directors must pay  
18 deferred patronage dividends of deceased natural persons who  
19 were members and redeem the persons' preferred stock before  
20 any other deferred patronage dividends are paid or preferred  
21 stock is redeemed. Directors of public utility cooperatives  
22 are not mandated but may likewise opt to do so. Also under  
23 the bill ineligible members' rights concerning these matters  
24 are determined in the particular association's bylaws.

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1 Amend H-3888 to Senate File 442 as follows:

2 1. Page 1, line 3, by striking the words "sixty-  
3 five" and inserting in lieu thereof the words  
4 "seventy".

5 2. Page 1, by inserting after line 7 the follow-  
6 ing:

7 "2. Page 1, line 30, by inserting after the word  
8 "dividends." the following: "Individual members of  
9 associations other than those cooperative associations  
10 which are public utilities defined in section four  
11 hundred seventy-six point one (476.1) of the Code,  
12 who are credited with unpaid deferred patronage  
13 dividends and who are ineligible because they stopped  
14 producing products marketed by the association, may  
15 on reaching the age of seventy years or older, request  
16 that their deferred patronage dividends be paid.  
17 Upon such a request, the association shall within  
18 two years of the request commence payment of the  
19 member's deferred patronage dividends in cash in  
20 approximately equal annual increments over a period  
21 of ten years and the ineligible member shall receive  
22 interest computed on the unpaid balance at the rate  
23 of six percent annually."

24 3. Page 1, line 9, by striking the words "sixty-  
25 five" and inserting in lieu thereof the words  
26 "seventy".

27 4. Page 1, by inserting after line 15 the follow-  
28 ing:

29 "4. Page 2, line 19, by inserting after the word  
30 "prescribed." the following: "Individual members  
31 of associations other than those cooperative  
32 associations which are public utilities defined in  
33 section four hundred seventy-six point one (476.1)  
34 of the Code, who are credited with unpaid deferred  
35 patronage dividends, who are ineligible because they  
36 stopped producing products marketed by the association,  
37 who are seventy years of age or older, and who request  
38 the payment of their deferred patronage dividends,  
39 shall be paid as provided for in section four hundred  
40 ninety-nine point thirty (499.30) of the Code, without  
41 reference to the order of priority."

H-3984 FILED *H. D. Brown 4/19 (1627)* BY HOWELL of Floyd  
APRIL 18, 1979

SENATE FILE 442

H-3994

1 Amend amendment H-3888 to Senate File 442 as  
2 follows:\_\_\_

3 1. Page 1, line 3, by striking the word "and"  
4 and inserting in lieu thereof the word "or".

5 2. Page 1, line 7, by inserting after the word  
6 "Code" the words "or of former stockholders or their  
7 successors of corporations which have been dissolved".

8 3. Page 1, line 9, by striking the word "and"  
9 and inserting in lieu thereof the word "or".

10 4. Page 1, line 13, by inserting after the word  
11 "Code" the words "or of former stockholders or their  
12 successors of corporations which have been dissolved".

H-3994 FILED *Adley 4/19 (1622)* BY VANS of Grundy  
APRIL 19, 1979

## SENATE FILE 442

H-3888

1 Amend Senate File 442 as follows:

- 2 1. Page 1, line 25, by inserting after the word  
 3 "members" the words "and persons sixty-five years  
 4 of age or older who are no longer eligible because  
 5 they do not meet the qualifications required in section  
 6 four hundred ninety-nine point thirteen (499.13) of  
 7 the Code".
- 8 2. Page 2, line 17, by inserting after the word  
 9 "members" the words "and persons sixty-five years  
 10 of age or older who are no longer eligible because  
 11 they do not meet the qualifications required in section  
 12 four hundred ninety-nine point thirteen (499.13) of  
 13 the Code".
- 14 3. Page 2, line 18, by inserting after the word  
 15 "of" the word "other".

BY HUMMEL of Benton  
 PELLETT of Cass  
 HUSAK of Tama  
 ANDERSON of Audubon  
 HOWELL of Floyd  
 SWEARINGEN of Keokuk  
 JOHNSON of Howard  
 SMALLEY of Polk  
 WELLS of Linn  
 BYERLY of Polk  
 MILLER of Buchanan  
 TYRRELL of Iowa  
 SCHROEDER of Pottawattamie

H-3888

*Sen 4/19 (p. 1627)*  
 APRIL 12, 1979

## SENATE FILE 442

H-3966

1 Amend Senate File 442 as follows:

- 2 1. Page 2, by striking lines 12 through 14, and  
 3 inserting in lieu thereof the following: "six point one  
 4 (476.1) of the Code".
- 5 2. Page 2, line 16, by striking the word "stock,"  
 6 and inserting in lieu thereof the word "stock".
- 7 3. Page 2, by striking lines 22 through 24, and  
 8 inserting in lieu thereof the following: "one (476.1)  
 9 of the Code may pay deferred".
- 10 4. Page 2, line 25, by striking the comma.
- 11 5. Page 2, line 27, by inserting after the word  
 12 "stock" the word "of".

H-3966 FILED

*Sen 4/19 (p. 1635)*  
 APRIL 18, 1979

BY RITSEMA of Sioux

## SENATE FILE 442

H-3972

1 Amend Senate File 442 as passed by the Senate as  
 2 follows:

- 3 1. Page 1, line 25, by striking the words "of  
 4 deceased members".

H-3972 FILED

*Sen 4/19 (p. 1637)*  
 APRIL 18, 1979

BY HOWELL of Floyd

## SENATE FILE 442

## AN ACT

RELATING TO THE DISTRIBUTION OF EARNINGS OF CORPORATIONS  
WHICH ARE COOPERATIVE ASSOCIATIONS.

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

Section 1. Section four hundred ninety-nine point twenty-four (499.24), Code 1979, is amended to read as follows:

499.24 PREFERRED STOCK. Preferred stock shall bear cumulative or noncumulative dividends as fixed by the articles, not exceeding eight percent per annum. It shall have no vote. It shall be issued and be transferable without regard to eligibility or membership, and be is redeemable on terms specified in the articles and as provided for in this chapter. The directors shall determine the time and amount of its issue.

Sec. 2. Section four hundred ninety-nine point thirty (499.30), unnumbered paragraph six (6), Code 1979, 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 he the member had done with the association during such year. The directors shall determine, or the articles of incorporation or bylaws of the association may specify, the percentage or the amount of said allocation that currently shall be paid in cash, provided that so long as there are unpaid deferred patronage dividends of deceased members for prior years the amount currently payable in cash shall not exceed twenty percent of said allocation. All said remaining allocation not so paid in cash shall be transferred to a revolving fund and credited to said members and subscribers. Such credits in the revolving

fund are herein referred to as deferred patronage dividends.

Sec. 3. Section four hundred ninety-nine point thirty-three (499.33), Code 1979, 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 event the deferred patronage dividends credited to members shall constitute a charge on the revolving fund and future additions thereto, and on the corporate assets, subordinate to creditors and preferred stockholders then or thereafter existing. Deferred patronage dividends for any year shall have priority over those for any subsequent year, ~~except that.~~ However, prior to any other payments of deferred patronage dividends or redemption of preferred stock held by members, the directors may, at their discretion, of cooperative associations, other than those cooperative associations which are public utilities defined in section four hundred seventy-six point one (476.1) of the Code and other than those cooperative associations which are public utilities which are exempt from rate regulation as provided in that section, shall pay deferred patronage dividends and redeem preferred stock, of deceased members or patrons, and natural persons who were members, and may pay deferred patronage dividends or redeem preferred stock of members who become ineligible without reference to the order of priority herein prescribed. Directors of cooperative associations which are public utilities defined in section four hundred seventy-six point one (476.1) of the Code and directors of cooperative 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 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. 4. This Act is effective January first following its enactment.

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TERRY E. BRANSTAD  
President of the Senate

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FLOYD H. MILLEN  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 442, Sixty-eighth General Assembly.

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FRANK J. STORK  
Secretary of the Senate

Approved May 3, 1979

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ROBERT D. RAY  
Governor