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HOUSE FILE 2257
BY COMMITTEE ON AGRICULTURE

WITHDRAWN
3/12/96
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(SUCCESSOR TO HSB 532)

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

A BILL FOR

1 An Act providing for the organization of cooperative
2 corporations, providing for fees, and providing for penalties.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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WITHDRAWN

HF 2257

1 Section 1. PURPOSE. The purpose of chapter 501 is to
2 provide an opportunity for producers of agricultural
3 commodities to contribute a portion of their production for a
4 single enterprise for purposes of enhancing the value of that
5 production and to restrict control of these enterprises to
6 agricultural producers.

7 Sec. 2. NEW SECTION. 203.1A COOPERATIVES GRAIN DEALER --
8 EXEMPTION.

9 A cooperative corporation organized under chapter 501 shall
10 not be a grain dealer as regulated under this chapter, and
11 shall not be required to obtain a license as provided in
12 section 203.3, if the cooperative purchases grain and obtains
13 from the seller a signed acknowledgement stating that the
14 seller has received notice that grain purchased by the
15 cooperative is not protected by the grain depositors and
16 sellers indemnity fund. The form for the acknowledgement
17 shall be prescribed by the department, and the grain dealer
18 and the seller shall each be provided a copy. The cooperative
19 must maintain a record of all acknowledgements.

20 SUBCHAPTER I

21 GENERAL PROVISIONS

22 Sec. 3. NEW SECTION. 501.101 DEFINITIONS.

23 As used in this chapter, unless the context requires
24 otherwise:

25 1. "Articles" means the cooperative's articles of
26 incorporation.

27 2. "Authorized person" means a person who is one of the
28 following:

29 a. A farming entity.

30 b. A person who is an individual or general partnership
31 that owns land used to raise crops or animals, if the person
32 receives as rent a share of the crops or animals raised on the
33 land, or receives payment for the use of the land to raise the
34 crops or animals.

35 c. An employee of the cooperative who performs at least

1 one thousand hours of service for the cooperative in each
2 calendar year.

3 3. "Board" means the cooperative's board of directors.

4 4. "Cooperative" means a cooperative corporation organized
5 under this chapter or converted to this chapter pursuant to
6 section 501.601.

7 5. "Farming" means the same as section 9H.1

8 6. "Farming entity" means any one of the following:

9 a. An individual or a fiduciary for an individual who
10 regularly participates in physical labor or operations
11 management in a farming operation and files schedule F as part
12 of the person's annual form 1040 or form 1041 filing with the
13 United States internal revenue service.

14 b. A family farm corporation, family farm limited
15 liability company, family farm limited partnership, or family
16 trust, as defined in section 9H.1.

17 c. A general partnership, limited partnership, or limited
18 liability partnership composed exclusively of individuals or
19 persons acting in a fiduciary capacity for the benefit of
20 individuals, which has received at least sixty percent of
21 gross income from farming over its entire duration or the last
22 consecutive three-year period, whichever is less.

23 7. "Internal Revenue Code" means the same as defined in
24 section 422.3.

25 8. "Member" means a person who owns voting stock in a
26 cooperative.

27 9. "Shareholder" means a person who owns stock in a
28 cooperative, whether or not that stock has voting rights.

29 10. "Voting stock" means stock in a cooperative that has
30 voting rights.

31 Sec. 4. NEW SECTION. 501.102 PURPOSES AND POWERS.

32 1. A cooperative organized under this chapter has the
33 purpose of engaging in any lawful business unless a more
34 limited purpose is set forth in the articles.

35 2. Unless its articles provide otherwise, a cooperative

1 has perpetual duration and succession in its corporate name
2 and has the same powers as an individual to do all things
3 necessary or convenient to carry out its business and affairs,
4 including, without limitation, all of the powers enumerated in
5 sections 490.302 and 490.303.

6 Sec. 5. NEW SECTION. 501.103 LIMITED FARMING ACTIVITIES.

7 1. Notwithstanding sections 9H.4 and 9H.5, a cooperative
8 may, directly or indirectly, acquire or otherwise obtain or
9 lease agricultural land in this state, for as long as the
10 cooperative continues to meet the following requirements:

11 a. Farming entities own a majority of the stock and are
12 eligible to cast a majority of the votes at member meetings.

13 b. Authorized persons own at least three-fourths of the
14 stock and are eligible to cast at least three-fourths of the
15 votes at member meetings.

16 c. The cooperative does not, either directly or
17 indirectly, acquire or otherwise obtain or lease agricultural
18 land, if the total agricultural land either directly or
19 indirectly owned or leased by the cooperative would then
20 exceed one thousand five hundred acres.

21 2. The cooperative is taxed as a cooperative under
22 subchapter T of the Internal Revenue Code as provided in
23 section 1381 of the Internal Revenue Code.

24 3. A cooperative that claims that it is exempt from the
25 restrictions as provided in subsection 1 shall file an annual
26 report with the secretary of state on or before March 31 of
27 each year on forms supplied by the secretary of state. The
28 report shall be signed by the president or the vice president
29 of the cooperative and shall contain the following:

30 a. The cooperative's name and address.

31 b. A certification that the cooperative meets both of the
32 requirements of subsection 1.

33 c. The number of acres of agricultural land owned, leased
34 or held by the cooperative, including the following:

35 (1) The total number of acres in the state.

1 (2) The number of acres in each county identified by
2 county name.

3 (3) The number of acres owned.

4 (4) The number of acres leased.

5 (5) The number of acres held other than by ownership or
6 lease.

7 (6) The number of acres used for the production of row
8 crops.

9 4. The president or the vice president of the cooperative
10 who falsifies a report shall be guilty of perjury as provided
11 in section 720.2.

12 5. In the event of a transfer of stock by operation of law
13 as a result of death, divorce, bankruptcy, or pursuant to a
14 security interest, the cooperative may disregard the transfer
15 for purposes of determining compliance with subsection 1 for a
16 period of two years after the transfer.

17 Sec. 6. NEW SECTION. 501.104 NAME.

18 The name of a cooperative organized under this chapter must
19 contain the word "cooperative", "coop", or "co-op", and the
20 name must be distinguishable from the names of cooperatives
21 organized under this chapter or another chapter, or foreign
22 cooperatives authorized to do business in this state.

23 Sec. 7. NEW SECTION. 501.105 EXECUTION AND FILING OF
24 DOCUMENTS.

25 1. The secretary of state may prescribe and furnish on
26 request forms for the proper administration of this chapter.
27 If the secretary of state has prescribed a mandatory form for
28 a document, then that form must be on the prescribed form.

29 2. Articles must be signed by all of the incorporates; and
30 all other documents filed with the secretary of state must be
31 signed by one of the cooperative's officers. The printed name
32 and capacity of each signatory must appear in proximity to the
33 signatory's signature. The secretary of state may accept a
34 document containing a copy of the signature. A document is
35 not required to contain a corporate seal, an acknowledgment,

1 or a verification.

2 3. The secretary of state shall collect the following
3 fees:

4 a. Twenty dollars upon the filing of original or amended
5 articles or articles of merger.

6 b. Five dollars upon the filing of all other required
7 documents.

8 c. Five dollars per document and fifty cents per page for
9 copying and certifying a document.

10 4. A document is effective at the later of the following
11 times:

12 a. The time of filing on the date it is filed, as
13 evidenced by the secretary of state's date and time
14 endorsement on the original document.

15 b. The delayed effective time and date specified in the
16 document. If a delayed effective date but no time is
17 specified in the document, the document is effective at the
18 close of business on that date. A delayed effective date for
19 a document shall not be later than the ninetieth day after the
20 date it is filed.

21 5. A document filed under this section may be corrected if
22 the document contains an incorrect statement or the execution
23 of the document was defective. A document is corrected by
24 filing with the secretary of state articles of correction
25 which describe the document to be corrected, including its
26 filing date or a copy of the document. The articles must
27 specify and correct the incorrect statement or defective
28 execution. Articles of correction are effective on the
29 effective date of the document it corrects except as to
30 persons relying on the original document and adversely
31 affected by the correction. As to those persons, articles of
32 correction are effective when filed.

33 6. The secretary of state shall forward for recording a
34 copy of each original, amended, and restated articles,
35 articles of merger, articles of consolidation, and articles of

1 dissolution to the recorder of the county in which the
2 cooperative has its principal place of business, or in the
3 case of a merger or consolidation, to the recorders of each of
4 the counties in which the merging or consolidating
5 cooperatives have their principal offices.

6 Sec. 8. NEW SECTION. 501.106 REGISTERED OFFICE.

7 1. A cooperative must continuously maintain in this state
8 a registered office that may be the same as any of its places
9 of business, and a registered agent, who may be any of the
10 following:

11 a. An individual who resides in this state and whose
12 business office is identical with the registered office.

13 b. A domestic corporation or not-for-profit domestic
14 corporation whose business office is identical with the
15 registered office.

16 c. A foreign corporation or not-for-profit foreign
17 corporation authorized to transact business in this state
18 whose business office is identical with the registered office.

19 2. A corporation may change its registered office or
20 registered agent by delivering to the secretary of state for
21 filing a statement of change that sets forth all of the
22 following:

23 a. The name of the cooperative.

24 b. The street address of its current registered office.

25 c. If the street address of the current registered office
26 is to be changed, the street address of the new registered
27 office.

28 d. The name of its current registered agent.

29 e. If the current registered agent is to be changed, the
30 name of the new registered agent and the new agent's written
31 consent, either on the statement or attached to it, to the
32 appointment.

33 f. That after the change or changes are made, the street
34 addresses of its registered office and the business office of
35 its registered agent will be identical.

1 3. a. If a registered agent changes the street address of
2 the registered agent's business office, the registered agent
3 may change the street address of the registered office of any
4 cooperative for which the person is the registered agent by
5 notifying the cooperative in writing of the change and
6 signing, either manually or in facsimile, and delivering to
7 the secretary of state for filing, a statement that provides
8 for a registered office and a registered agent as provided in
9 this section, and which recites that the cooperative has been
10 notified of the change.

11 b. If a registered agent changes the registered agent's
12 business address to another place, the registered agent may
13 change the business address and the address of the registered
14 agent by filing a statement as required in paragraph "a" for
15 each cooperative, or a single statement for all cooperatives
16 named in the notice, except that it need be signed only by the
17 registered agent or agents or be responsive to subsection 2,
18 paragraph "e". The statement must recite that a copy of the
19 statement has been mailed to each cooperative named in the
20 notice.

21 4. A cooperative may also change its registered office or
22 registered agent in its annual report.

23 Sec. 9. NEW SECTION. 501.107 RECORDS AND REPORTS.

24 The provisions of sections 490.1601 through 490.1622 shall
25 apply to cooperatives organized under this chapter in the same
26 manner as the provisions apply to corporations organized under
27 chapter 490.

28 Sec. 10. NEW SECTION. 501.108 QUO WARRANTO.

29 The attorney general alone shall have the right to inquire
30 into whether a cooperative has the right to exist or continue
31 under this chapter. If the secretary of state is informed
32 that a cooperative is not functioning as a cooperative, the
33 secretary of state shall notify the attorney general. If the
34 attorney general finds reasonable cause that the cooperative
35 is not functioning as provided under this chapter, the

1 attorney general shall bring action to wind up the affairs of
2 the cooperative.

3

SUBCHAPTER II

4

ARTICLES AND BYLAWS

5 Sec. 11. NEW SECTION. 501.201 INCORPORATION.

6 Three or more individuals may organize a cooperative under
7 this chapter by executing and delivering articles to the
8 secretary of state.

9 Sec. 12. NEW SECTION. 501.202 ARTICLES OF INCORPORATION.

10 1. The initial articles must set forth all of the
11 following:

12 a. The name, address, and occupation of each incorporator.

13 b. The names and addresses of the initial directors.

14 c. The street address of the cooperative's initial
15 registered office and the name of its initial registered agent
16 at that office.

17 2. The articles must set forth all of the following:

18 a. The name that satisfies the requirements of section
19 501.104.

20 b. A statement that it is organized under this chapter.

21 c. Its duration, which may be perpetual.

22 d. The classes of stock and the authorized number of
23 shares of each class.

24 e. The quorum required for each member meeting.

25 f. The member voting rules.

26 3. The articles may set forth any other provision
27 consistent with law.

28 Sec. 13. NEW SECTION. 501.203 AMENDED AND RESTATED
29 ARTICLES OF INCORPORATION.

30 1. A cooperative may amend its articles at any time to add
31 or change a provision that is required or permitted in the
32 articles or to delete a provision not required in the
33 articles.

34 2. A cooperative may restate its articles at any time. A
35 restatement of the articles must contain the information

1 required by section 501.202, subsection 2, and may set forth
2 any other provision consistent with law.

3 3. If the board recommends the amendment or restatement to
4 the members, the amendment or restatement must be adopted by
5 the members by a vote of two-thirds of the votes cast.

6 4. If the board does not recommend the amendment or
7 restatement to the members, then the amendment or restatement
8 must be adopted by the members by a vote of two-thirds of the
9 votes cast on a ballot in which a majority of all votes are
10 cast.

11 Sec. 14. NEW SECTION. 501.204 BYLAWS.

12 The board may adopt or amend the cooperative's bylaws by a
13 vote of three-fourths of the board. The members may adopt or
14 amend the cooperative's bylaws by a vote of three-fourths of
15 the votes cast on a ballot in which a majority of all votes
16 are cast. A bylaw provision adopted by the members shall not
17 be amended or repealed by the directors.

18 SUBCHAPTER III

19 MEMBERS

20 Sec. 15. NEW SECTION. 501.301 LIABILITY OF MEMBERS.

21 A member is not personally liable for the acts or debts of
22 the cooperative.

23 Sec. 16. NEW SECTION. 501.302 CALLING AND NOTICE OF
24 MEETINGS.

25 1. A cooperative shall hold an annual member meeting at a
26 time and place fixed in accordance with the bylaws.

27 2. The board may call special member meetings, and the
28 board shall call a special member meeting upon the written
29 demand of twenty percent of the members.

30 3. A cooperative shall give each member at least ten days
31 advanced notice of the time, place, and the issues to be
32 considered at each member meeting. This notice may be given
33 in person or by mail to the last known address of the member,
34 or the notice requirement may be met by the member waiving the
35 notice.

1 4. The record date for determining the members entitled to
2 notice of and to vote at a member meeting is the close of
3 business on the day before the first notices for the meeting
4 are delivered or mailed.

5 Sec. 17. NEW SECTION. 501.303 CONDUCT OF MEETINGS.

6 1. Only those issues included in the notice of a member
7 meeting may be considered at that meeting.

8 2. A member may vote at a member meeting in person or by
9 signed absentee ballot that specifies the issue and the
10 member's vote on that issue. If the board makes available an
11 absentee ballot form, then that form must be used to cast an
12 absentee ballot on that issue.

13 Sec. 18. NEW SECTION. 501.304 MEMBER INFORMATION.

14 The board shall adopt a policy which permits the
15 distribution of information to all of the members upon the
16 request of a member when the purpose of the request concerns
17 directly the action of the board. Upon receipt of the
18 information and the request of a member, the board shall
19 distribute the information to all of the members. The
20 cooperative may charge the requesting member the costs
21 incurred by the cooperative in distributing the information.

22 Sec. 19. NEW SECTION. 501.305 MULTIPLE MEMBERSHIP
23 PROHIBITED.

24 A member who owns fifteen percent or more of a cooperative
25 shall not be eligible to be a member of any other cooperative
26 organized under this chapter.

27 SUBCHAPTER IV

28 DIRECTORS AND OFFICERS

29 Sec. 20. NEW SECTION. 501.401 NUMBER AND ELECTION.

30 1. The affairs of a cooperative shall be managed by a
31 board of not less than three directors.

32 2. The members shall elect the directors as prescribed in
33 the articles or bylaws.

34 3. Each director shall serve the term prescribed in the
35 articles or bylaws. The terms may be staggered.

1 Sec. 21. NEW SECTION. 501.402 VACANCIES.

2 1. A director may resign at any time by delivering written
3 notice to the board chairperson or the board secretary. A
4 resignation is effective when the notice is delivered unless
5 the notice specifies a later effective date.

6 2. The members may remove one or more directors with or
7 without cause unless the articles provide that directors may
8 be removed only for cause.

9 3. The articles may authorize the board to remove a
10 director for a cause specified in the articles.

11 4. Unless the articles or bylaws provide otherwise, the
12 board shall fill each vacancy for the remainder of the vacant
13 term. If the directors remaining in office constitute fewer
14 than a quorum of the board, they may fill the vacancy by the
15 affirmative vote of a majority of all the directors remaining
16 in office.

17 Sec. 22. NEW SECTION. 501.403 BOARD ACTION.

18 1. The board may hold regular or special meetings in or
19 out of this state. A quorum of the board consists of a
20 majority of the directors.

21 2. Unless the articles or bylaws provide otherwise:

22 a. Regular board meetings may be held without notice of
23 the date, time, place, or purpose of the meeting.

24 b. Special board meetings must be preceded by at least two
25 days' notice of the date, time, and place of the meeting; but
26 the notice need not describe the purpose of the special
27 meeting.

28 c. The board may create one or more committees composed of
29 directors, and specify the duties and authority of each
30 committee.

31 d. The board may permit any number of directors to
32 participate in a regular or special meeting by, or conduct the
33 meeting through, the use of any means of communication by
34 which all directors participating may simultaneously hear each
35 other during the meeting.

1 e. Action required or permitted by this chapter to be
2 taken at a board meeting may be taken without a meeting if the
3 action is taken by all members of the board. The action must
4 be evidenced by one or more written consents describing the
5 action taken, signed by each director, and included in the
6 minutes or filed with the corporate records reflecting the
7 action taken. Action taken under this section is effective
8 when the last director signs the consent, unless the consent
9 specifies a different effective date. A consent signed under
10 this section has the effect of a meeting vote and may be
11 described as such in any document.

12 3. A director may waive any notice required by this
13 chapter, the articles, or the bylaws before or after the date
14 and time stated in the notice. The waiver must be in writing,
15 signed by the director entitled to the notice, and filed with
16 the minutes or corporate records. A director's attendance at
17 or participation in a meeting waives any required notice to
18 that director of the meeting unless the director at the
19 beginning of the meeting or promptly upon the director's
20 arrival objects to holding the meeting or transacting business
21 at the meeting and does not thereafter vote for or assent to
22 action taken at the meeting.

23 Sec. 23. NEW SECTION. 501.404 DIRECTOR CONFLICT OF
24 INTEREST.

25 1. A conflict of interest transaction is a transaction
26 with the cooperative in which a director has a direct or
27 indirect interest. A conflict of interest transaction is not
28 voidable by the cooperative solely because of the director's
29 interest in the transaction if any one of the following is
30 true:

31 a. The material facts of the transaction and the
32 director's interest were disclosed or known to the board or a
33 board committee and the board or committee authorized,
34 approved, or ratified the transaction. For purposes of this
35 paragraph, a conflict of interest transaction is authorized,

1 approved, or ratified if it receives the affirmative vote of a
2 majority of the directors on the board or on the committee who
3 have no direct or indirect interest in the transaction, but a
4 transaction may not be authorized, approved, or ratified under
5 this section by a single director. If a majority of the
6 directors who have no direct or indirect interest in the
7 transaction vote to authorize, approve, or ratify the
8 transaction, a quorum is present for the purpose of taking
9 action under this subsection. The presence of, or a vote cast
10 by, a director with a direct or indirect interest in the
11 transaction does not affect the validity of any action taken
12 under this subsection, if the transaction is otherwise
13 authorized, approved, or ratified as provided in this
14 subsection.

15 b. The material facts of the transaction and the
16 director's interest were disclosed or known to the
17 shareholders entitled to vote and they authorized, approved,
18 or ratified the transaction. For purposes of this subsection,
19 a conflict of interest transaction is authorized, approved, or
20 ratified if it receives a majority of the votes entitled to be
21 counted under this subsection. Shares owned by or voted under
22 the control of a director who has a direct or indirect
23 interest in the transaction, and shares owned by or voted
24 under the control of an entity described in paragraph "a",
25 shall not be counted in a vote of members to determine whether
26 to authorize, approve, or ratify a conflict of interest
27 transaction under this subsection. The vote of those shares,
28 however, is counted in determining whether the transaction is
29 approved under other sections of this chapter. A majority of
30 the votes, whether or not the shareholders are present, that
31 are entitled to be counted in a vote on the transaction under
32 this subsection constitutes a quorum for the purpose of taking
33 action under this subsection.

34 c. The transaction was fair to the cooperative.

35 2. For purposes of this section, a director of the

1 cooperative has an indirect interest in a transaction if
2 either:

3 a. Another entity in which the director has a material
4 financial interest is a party to the transaction.

5 b. Another entity of which the director is a director,
6 officer, or trustee is a party to the transaction and the
7 transaction is or should be considered by the board.

8 Sec. 24. NEW SECTION. 501.405 OFFICERS.

9 A cooperative shall have officers described in its bylaws
10 or appointed by the board in accordance with the bylaws. The
11 bylaws or the board shall delegate to one of the officers
12 responsibility for preparing minutes of the directors' and
13 members' meetings and for authenticating records of the
14 cooperative. Each officer has the authority and shall perform
15 the duties set forth in the bylaws or, to the extent
16 consistent with the bylaws, the duties prescribed by the
17 board. The same individual may simultaneously hold more than
18 one office.

19 Sec. 25. NEW SECTION. 501.406 STANDARDS OF CONDUCT.

20 1. A director or officer shall discharge the director's or
21 officer's duties in conformity with all of the following:

22 a. In good faith.

23 b. With the care an ordinarily prudent person in a like
24 position would exercise under similar circumstances.

25 c. In a manner the director or officer reasonably believes
26 to be in the best interests of the cooperative.

27 2. In discharging duties by a director or officer, the
28 director or officer is entitled to rely on information,
29 opinions, reports, or statements, including financial
30 statements and other financial data, if prepared or presented
31 by any of the following:

32 a. One or more officers or employees of the cooperative
33 whom the director or officer reasonably believes to be
34 reliable and competent in the matters presented.

35 b. A person, including but not limited to a legal counsel

1 or public accountant, regarding a matter that the director or
2 officer reasonably believes is within the person's
3 professional or expert competence.

4 c. A committee of the board of which the director or
5 officer is not a member if the director or officer reasonably
6 believes the committee merits confidence.

7 3. A director or officer is not acting in good faith if
8 the director or officer has knowledge concerning a matter in
9 question that makes reliance otherwise permitted by subsection
10 2 unwarranted.

11 4. A director or officer is not liable for any action
12 taken as a director or officer, or the failure to take action,
13 if the director or officer performs the duties of the office
14 in compliance with this section, or if, and to the extent
15 that, liability for the action or failure to act has been
16 limited by the articles pursuant to section 501.407.

17 Sec. 26. NEW SECTION. 501.407 PERSONAL LIABILITY.

18 The articles may contain a provision eliminating or
19 limiting the personal liability of a director, officer, or a
20 shareholder of the cooperative for monetary damages for breach
21 of a fiduciary duty as a director, officer, or shareholder,
22 provided that the provision does not eliminate or limit
23 liability for any of the following:

24 1. A breach of the duty of loyalty to the cooperative or
25 its shareholders.

26 2. An act or omission not in good faith or which involves
27 intentional misconduct or a knowing violation of law.

28 3. A transaction from which the director, officer, or
29 shareholder derives an improper personal benefit.

30 4. An act or omission occurring prior to the date when the
31 provision in the articles becomes effective.

32 Sec. 27. NEW SECTION. 501.408 INDEMNIFICATION.

33 A cooperative may indemnify a present or former director,
34 officer, employee, or agent in the manner and in the instances
35 authorized in sections 490.850 through 490.858, provided that

1 where these sections provide for action by the shareholders
2 these sections are applicable to actions by the members, and
3 where these sections refer to the cooperative these sections
4 are applicable to a cooperative.

5 SUBCHAPTER V
6 CAPITAL STRUCTURE

7 Sec. 28. NEW SECTION. 501.501 ISSUANCE AND TRANSFER OF
8 STOCK.

9 1. A cooperative may issue the number of shares of each
10 class authorized by its articles. A cooperative may issue
11 fractional shares. Stock may be represented by certificates
12 or by entry on the cooperative's stock record books.

13 2. A member may sell or otherwise transfer stock to any
14 other member or to any person who has been approved by the
15 board for membership, subject to the limitations in the
16 articles or bylaws on the amount of each class of stock that
17 may be owned by one member.

18 3. A cooperative may acquire its own stock, and shares so
19 acquired constitute authorized but unissued shares.

20 Sec. 29. NEW SECTION. 501.502 TERMINATION OF MEMBERSHIP.

21 1. The articles or bylaws may authorize the board to
22 terminate a membership for any of the following reasons:

23 a. The member has attempted to transfer stock to a person
24 who is not a member and has not been approved for membership.

25 b. The member has failed to meet the member's commitment
26 to provide products to the cooperative or to buy the
27 cooperative's products.

28 c. The member is no longer an authorized person.

29 d. The member is no longer a farming entity.

30 2. A member's right to vote at member meetings shall cease
31 upon notification to the member of the board action. The
32 cooperative shall redeem, without interest, the voting stock
33 of a terminated member within two years after the termination
34 decision for the value set in the articles or bylaws.

35 Sec. 30. NEW SECTION. 501.503 DISTRIBUTION OF NET

1 SAVINGS.

2 The board shall annually dispose of the cooperative's
3 earnings in excess of its operating expenses as follows:

4 1. If the articles authorize the payment of dividends on a
5 class of stock, then the directors may declare dividends
6 pursuant to the articles. Dividends may not exceed eight
7 percent of the value of the stock in each fiscal year. The
8 members may control the amount that is allocated under this
9 subsection.

10 2. To provide a reasonable reserve for depreciation,
11 obsolescence, bad debts, or contingent losses or expenses.
12 The members may control the amount that is allocated under
13 this subsection.

14 3. To increase the cooperative's retained savings to the
15 extent determined by the board to be necessary based on its
16 evaluation of the future needs and the competitive position of
17 the cooperative.

18 4. The cooperative shall have an unconditional binding
19 obligation to distribute to the members all remaining net
20 savings as determined under the United States Internal Revenue
21 Code. These net savings shall be allocated to each member in
22 proportion to the business the member did with the cooperative
23 during the preceding fiscal year. The net savings may be
24 separately calculated for two or more categories of business,
25 and allocated to the members on the basis of business done
26 within each of these categories. Net savings shall be
27 distributed in the form of cash or stock, or a combination of
28 cash and stock, as determined by the board.

29 SUBCHAPTER VI

30 CONVERSION, MERGER, SALE, AND DISSOLUTION

31 Sec. 31. NEW SECTION. 501.601 EXISTING CORPORATIONS.

32 1. As used in this section:

33 a. "Dissenting member" means a voting member who votes in
34 opposition to the plan of conversion and who makes a demand
35 for payment as provided in this section not later than the

1 deadline for members to cast ballots on the vote to approve
2 the plan of conversion.

3 b. "Issue price" means the amount paid for an interest in
4 the association or the value stated in a notice of allocation
5 of patronage refunds.

6 2. An association organized under chapter 497, 498, or 499
7 may adopt this chapter pursuant to the following procedures:

8 a. The board must adopt a plan of conversion that
9 specifies the changes in the articles to comply with this
10 chapter, the affect of the conversion on the association's
11 outstanding members' equity, and the option or options
12 available to the equity holders who do not want to continue
13 their investment in the association.

14 b. The members must approve the plan of conversion by the
15 vote of two-thirds of the votes cast on a ballot in which a
16 majority of all votes are cast.

17 3. a. The cooperative shall redeem all of the members'
18 equity held by dissenting members at its issue price within
19 sixty days after the conversion to this chapter is effective.
20 At the time of redemption, the cooperative shall pay to each
21 dissenting member in cash the amount paid in cash by that
22 member for the member's interest in the old association. The
23 cooperative shall pay the remainder of the issue price without
24 interest in ten annual equal payments, with the final payment
25 being made not later than fifteen years after the conversion
26 becomes effective. The cooperative shall reflect the unpaid
27 portion as a liability in the records of the cooperative. The
28 cooperative shall pay the unpaid portion to the estate of a
29 dissenting member who is an individual who dies before the
30 entire issue price has been paid with the same priority as if
31 the person was a member at the time of death.

32 b. An equity holder who is not a voting member shall have
33 the same rights as a dissenting member if the equity holder
34 makes a demand for payment pursuant to paragraph "a" not later
35 than the deadline for members to cast ballots on the vote to

1 approve the plan of conversion.

2 c. The association shall notify all equity holders of
3 their rights pursuant to paragraph "a" at the same time the
4 association notifies the members of the member meeting to vote
5 on the plan of conversion.

6 Sec. 32. NEW SECTION. 501.602 MERGER AND CONSOLIDATION.

7 A cooperative organized under this chapter may merge or
8 consolidate with one or more other cooperatives organized
9 under this chapter. The provisions of sections 499.61 through
10 499.70 shall apply to such a merger or consolidation.

11 Sec. 33. NEW SECTION. 501.603 SALE OF ASSETS.

12 1. A cooperative may, on the terms and conditions and for
13 the consideration determined by the board, mortgage, pledge,
14 or otherwise encumber any or all of its property.

15 2. A cooperative may sell, lease, exchange, or otherwise
16 dispose of all, or substantially all, of its property, with or
17 without the good will, on the terms and conditions and for the
18 consideration determined by the board, which consideration may
19 include the preferred stock of another cooperative, if the
20 board recommends the proposed transaction to the members, and
21 the members approve it by the vote of two-thirds of the votes
22 cast on a ballot in which a majority of all votes are cast.
23 The board may condition its submission of the proposed
24 transaction on any basis.

25 Sec. 34. NEW SECTION. 501.604 DISSOLUTION.

26 The provisions of sections 490.1401 through 490.1440 shall
27 apply to cooperatives in the same manner as they apply to
28 corporations organized under chapter 490.

29 EXPLANATION

30 This bill provides for the organization of cooperative
31 corporations which are eligible to hold agricultural land.

32 The bill provides for the organization of cooperative
33 corporations based in part on provisions contained in chapter
34 499, the chapter providing for the organization of cooperative
35 associations, and chapter 490, the chapter providing for the

1 organization of corporations. The bill provides as follows:

2 Section 203.1A provides that a cooperative organized under
3 the bill is not regulated as a grain dealer, if the
4 cooperative purchases grain and obtains from the seller a
5 signed acknowledgement notifying the seller that the seller is
6 not covered by the grain depositors and sellers indemnity
7 fund.

8 Section 501.101 provides definitions, including a
9 definition of "authorized person" to mean a farming entity, an
10 individual or general partnership that owns land and receives
11 as rent a share of the crops or the animals raised on the land
12 or payment for the use of the land to raise crops or animals,
13 or an employee of the cooperative who performs at least 1,000
14 hours of service for the cooperative in a calendar year. A
15 "farming entity" is defined to mean a natural person or a
16 fiduciary for a natural person who regularly participates in
17 physical labor or management in a farming operation; a family
18 farm corporation, family farm limited liability company,
19 family farm limited partnership, or family trust, as defined
20 in Iowa's corporate farming law; or a general partnership,
21 limited partnership, or limited liability partnership composed
22 exclusively of natural persons or persons acting in a
23 fiduciary capacity for the benefit of natural persons, which
24 has received at least 60 percent of gross income over the last
25 consecutive three-year period from farming.

26 Section 501.102 provides that a cooperative organized under
27 the chapter may have any purpose so long as it is lawful, and
28 may have perpetual duration, and has the same general powers
29 as provided to corporations organized under chapter 490.

30 Section 501.103 provides that a cooperative may, directly
31 or indirectly, acquire or otherwise obtain or lease
32 agricultural land in this state for as long as farming
33 entities own a majority of the stock and are eligible to cast
34 a majority of the votes at member meetings, and authorized
35 persons own at least three-fourths of the stock and are

1 eligible to cast at least three-fourths of the votes at member
2 meetings. The cooperative must be taxed as a cooperative
3 under subchapter T of the Internal Revenue Code. The
4 cooperative claiming that it is exempt from the restrictions
5 of sections 9H.4 and 9H.5 must file an annual report with the
6 secretary of state on or before March 31. The report must
7 include information relating to the cooperative and its land
8 holdings. The section provides that an officer who falsifies
9 a report is guilty of perjury which is punishable as class "D"
10 felony. The section provides that a cooperative is prohibited
11 from holding more than 1,500 acres of agricultural land.

12 Section 501.104 provides that the name of the cooperative
13 must identify it as a cooperative.

14 Section 501.105 provides for the execution and filing of
15 documents, including providing for standard forms by the
16 secretary of state, the execution and filing of cooperative
17 documents, including the payment of filing fees, and
18 corrective documents.

19 Section 501.106 provides that the cooperative must maintain
20 a registered office and an agent in the state.

21 Section 501.107 provides that a cooperative must provide
22 for records and reports as does a corporation organized
23 pursuant to chapter 490.

24 Section 501.108 provides that the attorney general alone
25 has the right to inquire into whether a cooperative has the
26 right to exist or continue under chapter 501. The attorney
27 general is provided the authority to bring an action to wind
28 up the affairs of a cooperative not functioning as provided in
29 the bill.

30 Section 501.201 provides for the incorporation of the
31 cooperative by three or more individuals.

32 Section 501.202 provides for filing the initial articles of
33 incorporation, including specific information that must be
34 included in the articles.

35 Section 501.203 provides for amending and restating the

1 articles of incorporation. The bill provides that a
2 cooperative may amend its articles at any time to add or
3 change a provision that is required or permitted in the
4 articles or to delete a provision not required in the
5 articles, or to restate its articles at any time. The
6 amendment or restatement must be adopted by the members by a
7 vote of two-thirds.

8 Section 501.204 provides for the cooperative's bylaws. The
9 bill provides that the board or members may adopt or amend the
10 cooperative's bylaws by a vote of three-fourths of the board.

11 Section 501.301 provides that a member is not personally
12 liable for the acts or debts of the cooperative.

13 Section 501.302 provides procedures for calling and holding
14 meetings, including providing for annual and special meetings.
15 The bill provides for notice to members, and determining
16 whether members are entitled to vote.

17 Section 501.303 provides for the conduct of meetings. The
18 bill provides for member voting, including absentee voting.

19 Section 501.304 provides for the distribution of
20 information to members of the cooperative.

21 Section 501.305 prohibits a member who owns 15 percent or
22 more of a cooperative to be a member of another cooperative
23 organized under this chapter.

24 Section 502.401 provides for the management of a
25 cooperative by a board of directors, which is elected and
26 serves terms as prescribed in the articles or bylaws.

27 Section 502.402 provides for vacancies occurring on the
28 board, including by resignation and removal, and for filling
29 vacancies by the board or as otherwise provided by the
30 articles of incorporation or bylaws.

31 Section 502.403 provides for board action, including
32 providing for quorum requirements, regular board meetings,
33 special board meetings, the establishment of committees, the
34 conduct of meetings, and action that may be taken without a
35 meeting.

1 Section 502.404 provides for resolving conflicts of
2 interest. The bill provides that if a conflict occurs, the
3 board may take action if the conflict was known to other board
4 members and the members without a conflict approve the
5 measure, or the transaction is fair to the cooperative.

6 Section 502.405 provides that the cooperative must
7 establish officers and their duties.

8 Section 502.406 provides that a director or officer must
9 discharge duties in good faith, with the care of an ordinarily
10 prudent person, and in the best interests of the cooperative.
11 The bill provides that the director or officer is entitled to
12 rely on information prepared by reliable sources. A director
13 or officer who performs duties as required under the section
14 cannot be held liable for an action or a failure to act.

15 Section 501.407 provides that the articles of incorporation
16 may contain a provision eliminating or limiting the personal
17 liability of a director or officer or its shareholders. The
18 bill provides that the section does not apply to a breach of
19 the duty of loyalty, an act or omission made in bad faith or
20 misconduct, an action which constitutes improper enrichment,
21 or an act or omission occurring prior to the date when the
22 provision excusing the conduct becomes effective.

23 Section 501.408 provides that a cooperative may indemnify a
24 present or former director, officer, employee, or agent.

25 Section 501.501 provides for the issuance and transfer of
26 stock, including the issuance of different classes of stock,
27 and fractional shares. The bill provides that a member may
28 sell or otherwise transfer stock to any other member or to any
29 person who has been approved by the board for membership.

30 Section 501.502 provides for the termination of membership
31 by the articles of incorporation or bylaws. The bill provides
32 for termination if a member transfers stock to a person who is
33 not a member and has not been approved for membership, the
34 member fails to meet the member's commitment to provide
35 products to the cooperative or to buy the cooperative's

1 products, or the member is no longer an authorized person or a
2 farming entity. The bill provides for the redemption of the
3 terminated member's stock.

4 Section 501.503 provides for the distribution of the
5 cooperative's net earnings. The bill provides that the board
6 must annually dispose of the cooperative's earnings in excess
7 of its operating expenses, including the payment of dividends,
8 the reserve for depreciation, and to increase the
9 cooperative's retained savings. The bill provides that a
10 cooperative has an unconditional binding obligation to
11 distribute to the members all remaining net savings as
12 determined under the United States Internal Revenue Code.

13 Section 501.601 provides for conversion, including a demand
14 for payment for a member who votes in opposition to the plan
15 of conversion. The bill provides that a cooperative
16 association may convert to an organization under this chapter.
17 The bill provides that the board and the members must approve
18 the plan of conversion.

19 Section 501.602 provides that a cooperative may merge or
20 consolidate with one or more other cooperatives organized
21 under chapter 501. The bill provides that sections relating
22 to mergers applicable to cooperative associations as provided
23 in sections 499.61 through 499.70 apply to a merger or
24 consolidation under chapter 501.

25 Section 501.603 provides for the sale of a cooperative's
26 assets. The bill provides that a cooperative may mortgage,
27 pledge, encumber, sell, lease, exchange, or otherwise dispose
28 of its property as determined by the board. If a cooperative
29 disposes of all of its property, the members must approve it
30 by the vote of two-thirds.

31 Section 501.604 provides for the dissolution of the
32 cooperative in the same manner as provided for a corporation
33 in sections 490.1401 through 490.1440.

34

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HSB 532
Agriculture

Succeeded By
SF (HF) 2257

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON EDDIE)

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

A BILL FOR

1 An Act providing for the organization of cooperative
2 corporations, providing for fees, and providing for penalties.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. PURPOSE. The purpose of chapter 501 is to
2 provide an opportunity for producers of agricultural
3 commodities to contribute a portion of their production for a
4 single enterprise for purposes of enhancing the value of that
5 production and to restrict control of these enterprises to
6 agricultural producers.

7 Sec. 2. Section 203.1, subsection 8, Code Supplement 1995,
8 is amended to read as follows:

9 8. "Grain dealer" means a person who buys during any
10 calendar month five hundred bushels of grain or more from the
11 producers of the grain for purposes of resale, milling, or
12 processing. However, "grain dealer" does not include a any of
13 the following:

14 a. A producer of grain who is buying grain for the
15 producer's own use as seed or feed~~†-a.~~

16 b. A person solely engaged in buying grain future
17 contracts on the board of trade~~†-a.~~

18 c. A person who purchases grain only for sale in a
19 registered feed~~†-a.~~

20 d. A person who purchases grain for sale in a
21 nonregistered customer-formula feed regulated by chapter 198,
22 who purchases less than a total of fifty thousand bushels of
23 grain annually from producers, and who is also exempt as an
24 incidental warehouse operator under chapter 203C~~†-a.~~

25 e. A person engaged in the business of selling
26 agricultural seeds regulated by chapter 199~~†-a.~~

27 f. A person buying grain only as a farm manager~~†-an.~~

28 g. An executor, administrator, trustee, guardian, or
29 conservator of an estate~~†-a.~~

30 h. A bargaining agent as defined in section 203A.1; or a
31 custom livestock feeder.

32 i. A cooperative corporation organized under chapter 501
33 that does not buy any grain from producers who are not members
34 and does not sell any grain.

35

SUBCHAPTER I

1 consecutive three-year period, whichever is less.

2 7. "Member" means a person who owns voting stock in a
3 cooperative.

4 8. "Shareholder" means a person who owns stock in a
5 cooperative, whether or not that stock has voting rights.

6 9. "Voting stock" means stock in a cooperative that has
7 voting rights.

8 Sec. 4. NEW SECTION. 501.102 PURPOSES AND POWERS.

9 1. A cooperative organized under this chapter has the
10 purpose of engaging in any lawful business unless a more
11 limited purpose is set forth in the articles.

12 2. Unless its articles provide otherwise, a cooperative
13 has perpetual duration and succession in its corporate name
14 and has the same powers as an individual to do all things
15 necessary or convenient to carry out its business and affairs,
16 including, without limitation, all of the powers enumerated in
17 sections 490.302 and 490.303.

18 Sec. 5. NEW SECTION. 501.103 LIMITED FARMING ACTIVITIES.

19 1. Notwithstanding section 9H.4, a cooperative may,
20 directly or indirectly, acquire or otherwise obtain or lease
21 agricultural land in this state, for as long as the
22 cooperative continues to meet the following requirements:

23 a. Farming entities own a majority of the stock and are
24 eligible to cast a majority of the votes at member meetings.

25 b. Authorized persons own at least three-fourths of the
26 stock and are eligible to cast at least three-fourths of the
27 votes at member meetings.

28 c. The cooperative does not, either directly or
29 indirectly, acquire or otherwise obtain or lease agricultural
30 land, if the total agricultural land either directly or
31 indirectly owned or leased by the cooperative would then
32 exceed one thousand five hundred acres.

33 2. A cooperative that claims that it is exempt from the
34 restrictions of section 9H.4 pursuant to subsection 1 shall
35 file an annual report with the secretary of state on or before

1 March 31 of each year on forms supplied by the secretary of
2 state. The report shall be signed by the president or the
3 vice president of the cooperative and shall contain the
4 following:

5 a. The cooperative's name and address.

6 b. A certification that the cooperative meets both of the
7 requirements of subsection 1.

8 c. The number of acres of agricultural land owned, leased
9 or held by the cooperative, including the following:

10 (1) The total number of acres in the state.

11 (2) The number of acres in each county identified by
12 county name.

13 (3) The number of acres owned.

14 (4) The number of acres leased.

15 (5) The number of acres held other than by ownership or
16 lease.

17 (6) The number of acres used for the production of row
18 crops.

19 3. The president or the vice president of the cooperative
20 who falsifies a report shall be guilty of perjury as provided
21 in section 720.2.

22 4. In the event of a transfer of stock by operation of law
23 as a result of death, divorce, bankruptcy, or pursuant to a
24 security interest, the cooperative may disregard the transfer
25 for purposes of determining compliance with subsection 1 for a
26 period of two years after the transfer.

27 Sec. 6. NEW SECTION. 501.104 NAME.

28 The name of a cooperative organized under this chapter must
29 contain the word "cooperative", "coop", or "co-op", and the
30 name must be distinguishable from the names of cooperatives
31 organized under this chapter or another chapter, or foreign
32 cooperatives authorized to do business in this state.

33 Sec. 7. NEW SECTION. 501.105 EXECUTION AND FILING OF
34 DOCUMENTS.

35 1. The secretary of state may prescribe and furnish on

1 request forms for the proper administration of this chapter.
2 If the secretary of state has prescribed a mandatory form for
3 a document, then that form must be on the prescribed form.

4 2. Articles must be signed by all of the incorporates; and
5 all other documents filed with the secretary of state must be
6 signed by one of the cooperative's officers. The printed name
7 and capacity of each signatory must appear in proximity to the
8 signatory's signature. The secretary of state may accept a
9 document containing a copy of the signature. A document is
10 not required to contain a corporate seal, an acknowledgment,
11 or a verification.

12 3. The secretary of state shall collect the following
13 fees:

14 a. Twenty dollars upon the filing of original or amended
15 articles or articles of merger.

16 b. Five dollars upon the filing of all other required
17 documents.

18 c. Five dollars per document and fifty cents per page for
19 copying and certifying a document.

20 4. A document is effective at the later of the following
21 times:

22 a. The time of filing on the date it is filed, as
23 evidenced by the secretary of state's date and time
24 endorsement on the original document.

25 b. The delayed effective time and date specified in the
26 document. If a delayed effective date but no time is
27 specified in the document, the document is effective at the
28 close of business on that date. A delayed effective date for
29 a document shall not be later than the ninetieth day after the
30 date it is filed.

31 5. A document filed under this section may be corrected if
32 the document contains an incorrect statement or the execution
33 of the document was defective. A document is corrected by
34 filing with the secretary of state articles of correction
35 which describe the document to be corrected, including its

1 filing date or a copy of the document. The articles must
2 specify and correct the incorrect statement or defective
3 execution. Articles of correction are effective on the
4 effective date of the document it corrects except as to
5 persons relying on the original document and adversely
6 affected by the correction. As to those persons, articles of
7 correction are effective when filed.

8 6. The secretary of state shall forward for recording a
9 copy of each original, amended, and restated articles,
10 articles of merger, articles of consolidation, and articles of
11 dissolution to the recorder of the county in which the
12 cooperative has its principal place of business, or in the
13 case of a merger or consolidation, to the recorders of each of
14 the counties in which the merging or consolidating
15 cooperatives have their principal offices.

16 Sec. 8. NEW SECTION. 501.106 REGISTERED OFFICE.

17 1. A cooperative must continuously maintain in this state
18 a registered office that may be the same as any of its places
19 of business, and a registered agent, who may be any of the
20 following:

21 a. An individual who resides in this state and whose
22 business office is identical with the registered office.

23 b. A domestic corporation or not-for-profit domestic
24 corporation whose business office is identical with the
25 registered office.

26 c. A foreign corporation or not-for-profit foreign
27 corporation authorized to transact business in this state
28 whose business office is identical with the registered office.

29 2. A corporation may change its registered office or
30 registered agent by delivering to the secretary of state for
31 filing a statement of change that sets forth all of the
32 following:

33 a. The name of the cooperative.

34 b. The street address of its current registered office.

35 c. If the street address of the current registered office

1 is to be changed, the street address of the new registered
2 office.

3 d. The name of its current registered agent.

4 e. If the current registered agent is to be changed, the
5 name of the new registered agent and the new agent's written
6 consent, either on the statement or attached to it, to the
7 appointment.

8 f. That after the change or changes are made, the street
9 addresses of its registered office and the business office of
10 its registered agent will be identical.

11 3. a. If a registered agent changes the street address of
12 the registered agent's business office, the registered agent
13 may change the street address of the registered office of any
14 cooperative for which the person is the registered agent by
15 notifying the cooperative in writing of the change and
16 signing, either manually or in facsimile, and delivering to
17 the secretary of state for filing, a statement that provides
18 for a registered office and a registered agent as provided in
19 this section, and which recites that the cooperative has been
20 notified of the change.

21 b. If a registered agent changes the registered agent's
22 business address to another place, the registered agent may
23 change the business address and the address of the registered
24 agent by filing a statement as required in paragraph "a" for
25 each cooperative, or a single statement for all cooperatives
26 named in the notice, except that it need be signed only by the
27 registered agent or agents or be responsive to subsection 2,
28 paragraph "e". The statement must recite that a copy of the
29 statement has been mailed to each cooperative named in the
30 notice.

31 4. A cooperative may also change its registered office or
32 registered agent in its annual report.

33 Sec. 9. NEW SECTION. 501.107 RECORDS AND REPORTS.

34 The provisions of sections 490.1601 through 490.1622 shall
35 apply to cooperatives organized under this chapter in the same

1 manner as the provisions apply to corporations organized under
2 chapter 490.

3 Sec. 10. NEW SECTION. 501.108 QUO WARRANTO.

4 The attorney general alone shall have the right to inquire
5 into whether a cooperative has the right to exist or continue
6 under this chapter. If the secretary of state is informed
7 that a cooperative is not functioning as a cooperative, the
8 secretary of state shall notify the attorney general. If the
9 attorney general finds reasonable cause that the cooperative
10 is not functioning as provided under this chapter, the
11 attorney general shall bring action to wind up the affairs of
12 the cooperative.

13 SUBCHAPTER II

14 ARTICLES AND BYLAWS

15 Sec. 11. NEW SECTION. 501.201 INCORPORATION.

16 Three or more individuals may organize a cooperative under
17 this chapter by executing and delivering articles to the
18 secretary of state.

19 Sec. 12. NEW SECTION. 501.202 ARTICLES OF INCORPORATION.

20 1. The initial articles must set forth all of the
21 following:

22 a. The name, address, and occupation of each incorporator.

23 b. The names and addresses of the initial directors.

24 c. The street address of the cooperative's initial
25 registered office and the name of its initial registered agent
26 at that office.

27 2. The articles must set forth all of the following:

28 a. The name that satisfies the requirements of section
29 501.104.

30 b. A statement that it is organized under this chapter.

31 c. Its duration, which may be perpetual.

32 d. The classes of stock and the authorized number of
33 shares of each class.

34 e. The quorum required for each member meeting.

35 f. The member voting rules.

1 3. The articles may set forth any other provision
2 consistent with law.

3 Sec. 13. NEW SECTION. 501.203 AMENDED AND RESTATED
4 ARTICLES OF INCORPORATION.

5 1. A cooperative may amend its articles at any time to add
6 or change a provision that is required or permitted in the
7 articles or to delete a provision not required in the
8 articles.

9 2. A cooperative may restate its articles at any time. A
10 restatement of the articles must contain the information
11 required by section 501.202, subsection 2, and may set forth
12 any other provision consistent with law.

13 3. If the board recommends the amendment or restatement to
14 the members, the amendment or restatement must be adopted by
15 the members by a vote of two-thirds of the votes cast.

16 4. If the board does not recommend the amendment or
17 restatement to the members, then the amendment or restatement
18 must be adopted by the members by a vote of two-thirds of the
19 votes cast on a ballot in which a majority of all votes are
20 cast.

21 Sec. 14. NEW SECTION. 501.204 BYLAWS.

22 The board may adopt or amend the cooperative's bylaws by a
23 vote of three-fourths of the board. The members may adopt or
24 amend the cooperative's bylaws by a vote of three-fourths of
25 the votes cast on a ballot in which a majority of all votes
26 are cast. A bylaw provision adopted by the members shall not
27 be amended or repealed by the directors.

28 SUBCHAPTER III

29 MEMBERS

30 Sec. 15. NEW SECTION. 501.301 LIABILITY OF MEMBERS.

31 A member is not personally liable for the acts or debts of
32 the cooperative.

33 Sec. 16. NEW SECTION. 501.302 CALLING AND NOTICE OF
34 MEETINGS.

35 1. A cooperative shall hold an annual member meeting at a

1 time and place fixed in accordance with the bylaws.

2 2. The board may call special member meetings, and the
3 board shall call a special member meeting upon the written
4 demand of twenty percent of the members.

5 3. A cooperative shall give each member at least ten days
6 advanced notice of the time, place, and the issues to be
7 considered at each member meeting. This notice may be given
8 in person or by mail to the last known address of the member,
9 or the notice requirement may be met by the member waiving the
10 notice.

11 4. The record date for determining the members entitled to
12 notice of and to vote at a member meeting is the close of
13 business on the day before the first notices for the meeting
14 are delivered or mailed.

15 Sec. 17. NEW SECTION. 501.303 CONDUCT OF MEETINGS.

16 1. Only those issues included in the notice of a member
17 meeting may be considered at that meeting.

18 2. A member may vote at a member meeting in person or by
19 signed absentee ballot that specifies the issue and the
20 member's vote on that issue. If the board makes available an
21 absentee ballot form, then that form must be used to cast an
22 absentee ballot on that issue.

23 Sec. 18. NEW SECTION. 501.304 MEMBER INFORMATION.

24 The board shall adopt a policy which permits the
25 distribution of information to all of the members upon the
26 request of a member when the purpose of the request concerns
27 directly the action of the board. Upon receipt of the
28 information and the request of a member, the board shall
29 distribute the information to all of the members. The
30 cooperative may charge the requesting member the costs
31 incurred by the cooperative in distributing the information.

32 SUBCHAPTER IV

33 DIRECTORS AND OFFICERS

34 Sec. 19. NEW SECTION. 502.401 NUMBER AND ELECTION.

35 1. The affairs of a cooperative shall be managed by a

1 board of not less than three directors.

2 2. The members shall elect the directors as prescribed in
3 the articles or bylaws.

4 3. Each director shall serve the term prescribed in the
5 articles or bylaws. The terms may be staggered.

6 Sec. 20. NEW SECTION. 502.402 VACANCIES.

7 1. A director may resign at any time by delivering written
8 notice to the board chairperson or the board secretary. A
9 resignation is effective when the notice is delivered unless
10 the notice specifies a later effective date.

11 2. The members may remove one or more directors with or
12 without cause unless the articles provide that directors may
13 be removed only for cause.

14 3. The articles may authorize the board to remove a
15 director for a cause specified in the articles.

16 4. Unless the articles or bylaws provide otherwise, the
17 board shall fill each vacancy for the remainder of the vacant
18 term. If the directors remaining in office constitute fewer
19 than a quorum of the board, they may fill the vacancy by the
20 affirmative vote of a majority of all the directors remaining
21 in office.

22 Sec. 21. NEW SECTION. 502.403 BOARD ACTION.

23 1. The board may hold regular or special meetings in or
24 out of this state. A quorum of the board consists of a
25 majority of the directors.

26 2. Unless the articles or bylaws provide otherwise:

27 a. Regular board meetings may be held without notice of
28 the date, time, place, or purpose of the meeting.

29 b. Special board meetings must be preceded by at least two
30 days' notice of the date, time, and place of the meeting; but
31 the notice need not describe the purpose of the special
32 meeting.

33 c. The board may create one or more committees composed of
34 directors, and specify the duties and authority of each
35 committee.

1 d. The board may permit any number of directors to
2 participate in a regular or special meeting by, or conduct the
3 meeting through, the use of any means of communication by
4 which all directors participating may simultaneously hear each
5 other during the meeting.

6 e. Action required or permitted by this chapter to be
7 taken at a board meeting may be taken without a meeting if the
8 action is taken by all members of the board. The action must
9 be evidenced by one or more written consents describing the
10 action taken, signed by each director, and included in the
11 minutes or filed with the corporate records reflecting the
12 action taken. Action taken under this section is effective
13 when the last director signs the consent, unless the consent
14 specifies a different effective date. A consent signed under
15 this section has the effect of a meeting vote and may be
16 described as such in any document.

17 3. A director may waive any notice required by this
18 chapter, the articles, or the bylaws before or after the date
19 and time stated in the notice. The waiver must be in writing,
20 signed by the director entitled to the notice, and filed with
21 the minutes or corporate records. A director's attendance at
22 or participation in a meeting waives any required notice to
23 that director of the meeting unless the director at the
24 beginning of the meeting or promptly upon the director's
25 arrival objects to holding the meeting or transacting business
26 at the meeting and does not thereafter vote for or assent to
27 action taken at the meeting.

28 Sec. 22. NEW SECTION. 502.404 DIRECTOR CONFLICT OF
29 INTEREST.

30 1. A conflict of interest transaction is a transaction
31 with the cooperative in which a director has a direct or
32 indirect interest. A conflict of interest transaction is not
33 voidable by the cooperative solely because of the director's
34 interest in the transaction if any one of the following is
35 true:

1 a. The material facts of the transaction and the
2 director's interest were disclosed or known to the board or a
3 board committee and the board or committee authorized,
4 approved, or ratified the transaction. For purposes of this
5 paragraph, a conflict of interest transaction is authorized,
6 approved, or ratified if it receives the affirmative vote of a
7 majority of the directors on the board or on the committee who
8 have no direct or indirect interest in the transaction, but a
9 transaction may not be authorized, approved, or ratified under
10 this section by a single director. If a majority of the
11 directors who have no direct or indirect interest in the
12 transaction vote to authorize, approve, or ratify the
13 transaction, a quorum is present for the purpose of taking
14 action under this subsection. The presence of, or a vote cast
15 by, a director with a direct or indirect interest in the
16 transaction does not affect the validity of any action taken
17 under this subsection, if the transaction is otherwise
18 authorized, approved, or ratified as provided in this
19 subsection.

20 b. The material facts of the transaction and the
21 director's interest were disclosed or known to the
22 shareholders entitled to vote and they authorized, approved,
23 or ratified the transaction. For purposes of this subsection,
24 a conflict of interest transaction is authorized, approved, or
25 ratified if it receives a majority of the votes entitled to be
26 counted under this subsection. Shares owned by or voted under
27 the control of a director who has a direct or indirect
28 interest in the transaction, and shares owned by or voted
29 under the control of an entity described in paragraph "a",
30 shall not be counted in a vote of members to determine whether
31 to authorize, approve, or ratify a conflict of interest
32 transaction under this subsection. The vote of those shares,
33 however, is counted in determining whether the transaction is
34 approved under other sections of this chapter. A majority of
35 the votes, whether or not the shareholders are present, that

1 are entitled to be counted in a vote on the transaction under
2 this subsection constitutes a quorum for the purpose of taking
3 action under this subsection.

4 c. The transaction was fair to the cooperative.

5 2. For purposes of this section, a director of the
6 cooperative has an indirect interest in a transaction if
7 either:

8 a. Another entity in which the director has a material
9 financial interest is a party to the transaction.

10 b. Another entity of which the director is a director,
11 officer, or trustee is a party to the transaction and the
12 transaction is or should be considered by the board.

13 Sec. 23. NEW SECTION. 502.405 OFFICERS.

14 A cooperative shall have officers described in its bylaws
15 or appointed by the board in accordance with the bylaws. The
16 bylaws or the board shall delegate to one of the officers
17 responsibility for preparing minutes of the directors' and
18 members' meetings and for authenticating records of the
19 cooperative. Each officer has the authority and shall perform
20 the duties set forth in the bylaws or, to the extent
21 consistent with the bylaws, the duties prescribed by the
22 board. The same individual may simultaneously hold more than
23 one office.

24 Sec. 24. NEW SECTION. 502.406 STANDARDS OF CONDUCT.

25 1. A director or officer shall discharge the director's or
26 officer's duties in conformity with all of the following:

27 a. In good faith.

28 b. With the care an ordinarily prudent person in a like
29 position would exercise under similar circumstances.

30 c. In a manner the director or officer reasonably believes
31 to be in the best interests of the cooperative.

32 2. In discharging duties by a director or officer, the
33 director or officer is entitled to rely on information,
34 opinions, reports, or statements, including financial
35 statements and other financial data, if prepared or presented

1 by any of the following:

2 a. One or more officers or employees of the cooperative
3 whom the director or officer reasonably believes to be
4 reliable and competent in the matters presented.

5 b. A person, including but not limited to a legal counsel
6 or public accountant, regarding a matter that the director or
7 officer reasonably believes is within the person's
8 professional or expert competence.

9 c. A committee of the board of which the director or
10 officer is not a member if the director or officer reasonably
11 believes the committee merits confidence.

12 3. A director or officer is not acting in good faith if
13 the director or officer has knowledge concerning a matter in
14 question that makes reliance otherwise permitted by subsection
15 2 unwarranted.

16 4. A director or officer is not liable for any action
17 taken as a director or officer, or the failure to take action,
18 if the director or officer performs the duties of the office
19 in compliance with this section, or if, and to the extent
20 that, liability for the action or failure to act has been
21 limited by the articles pursuant to section 501.407.

22 Sec. 25. NEW SECTION. 501.407 PERSONAL LIABILITY.

23 The articles may contain a provision eliminating or
24 limiting the personal liability of a director, officer, or a
25 shareholder of the cooperative for monetary damages for breach
26 of a fiduciary duty as a director, officer, or shareholder,
27 provided that the provision does not eliminate or limit
28 liability for any of the following:

29 1. A breach of the duty of loyalty to the cooperative or
30 its shareholders.

31 2. An act or omission not in good faith or which involves
32 intentional misconduct or a knowing violation of law.

33 3. A transaction from which the director, officer, or
34 shareholder derives an improper personal benefit.

35 4. An act or omission occurring prior to the date when the

1 provision in the articles becomes effective.

2 Sec. 26. NEW SECTION. 501.408 INDEMNIFICATION.

3 A cooperative may indemnify a present or former director,
4 officer, employee, or agent in the manner and in the instances
5 authorized in sections 490.850 through 490.858, provided that
6 where these sections provide for action by the shareholders
7 these sections are applicable to actions by the members, and
8 where these sections refer to the cooperative these sections
9 are applicable to a cooperative.

10

SUBCHAPTER V

11

CAPITAL STRUCTURE

12 Sec. 27. NEW SECTION. 501.501 ISSUANCE AND TRANSFER OF
13 STOCK.

14 1. A cooperative may issue the number of shares of each
15 class authorized by its articles. A cooperative may issue
16 fractional shares. Stock may be represented by certificates
17 or by entry on the cooperative's stock record books.

18 2. A member may sell or otherwise transfer stock to any
19 other member or to any person who has been approved by the
20 board for membership, subject to the limitations in the
21 articles or bylaws on the amount of each class of stock that
22 may be owned by one member.

23 3. A cooperative may acquire its own stock, and shares so
24 acquired constitute authorized but unissued shares.

25 Sec. 28. NEW SECTION. 501.502 TERMINATION OF MEMBERSHIP.

26 1. The articles or bylaws may authorize the board to
27 terminate a membership for any of the following reasons:

28 a. The member has attempted to transfer stock to a person
29 who is not a member and has not been approved for membership.

30 b. The member has failed to meet the member's commitment
31 to provide products to the cooperative or to buy the
32 cooperative's products.

33 c. The member is no longer an authorized person.

34 d. The member is no longer a farming entity.

35 2. A member's right to vote at member meetings shall cease

1 upon notification to the member of the board action. The
2 cooperative shall redeem, without interest, the voting stock
3 of a terminated member within two years after the termination
4 decision for the value set in the articles or bylaws.

5 Sec. 29. NEW SECTION. 501.503 DISTRIBUTION OF NET
6 SAVINGS.

7 The board shall annually dispose of the cooperative's
8 earnings in excess of its operating expenses as follows:

9 1. If the articles authorize the payment of dividends on a
10 class of stock, then the directors may declare dividends
11 pursuant to the articles. Dividends may not exceed eight
12 percent of the value of the stock in each fiscal year. The
13 members may control the amount that is allocated under this
14 subsection.

15 2. To provide a reasonable reserve for depreciation,
16 obsolescence, bad debts, or contingent losses or expenses.
17 The members may control the amount that is allocated under
18 this subsection.

19 3. To increase the cooperative's retained savings to the
20 extent determined by the board to be necessary based on its
21 evaluation of the future needs and the competitive position of
22 the cooperative.

23 4. The cooperative shall have an unconditional binding
24 obligation to distribute to the members all remaining net
25 savings as determined under the United States Internal Revenue
26 Code. These net savings shall be allocated to each member in
27 proportion to the business the member did with the cooperative
28 during the preceding fiscal year. The net savings may be
29 separately calculated for two or more categories of business,
30 and allocated to the members on the basis of business done
31 within each of these categories. Net savings shall be
32 distributed in the form of cash or stock, or a combination of
33 cash and stock, as determined by the board.

34 SUBCHAPTER VI
35 CONVERSION, MERGER, SALE, AND DISSOLUTION

1 Sec. 30. NEW SECTION. 501.601 EXISTING CORPORATIONS.

2 1. As used in this section:

3 a. "Dissenting member" means a voting member who votes in
4 opposition to the plan of conversion and who makes a demand
5 for payment as provided in this section not later than the
6 deadline for members to cast ballots on the vote to approve
7 the plan of conversion.

8 b. "Issue price" means the amount paid for an interest in
9 the association or the value stated in a notice of allocation
10 of patronage refunds.

11 2. An association organized under chapter 497, 498, or 499
12 may adopt this chapter pursuant to the following procedures:

13 a. The board must adopt a plan of conversion that
14 specifies the changes in the articles to comply with this
15 chapter, the affect of the conversion on the association's
16 outstanding members' equity, and the option or options
17 available to the equity holders who do not want to continue
18 their investment in the association.

19 b. The members must approve the plan of conversion by the
20 vote of two-thirds of the votes cast on a ballot in which a
21 majority of all votes are cast.

22 3. a. The cooperative shall redeem all of the members'
23 equity held by dissenting members at its issue price within
24 sixty days after the conversion to this chapter is effective.
25 At the time of redemption, the cooperative shall pay to each
26 dissenting member in cash the amount paid in cash by that
27 member for the member's interest in the old association. The
28 cooperative shall pay the remainder of the issue price without
29 interest in ten annual equal payments, with the final payment
30 being made not later than fifteen years after the conversion
31 becomes effective. The cooperative shall reflect the unpaid
32 portion as a liability in the records of the cooperative. The
33 cooperative shall pay the unpaid portion to the estate of a
34 dissenting member who is a natural person who dies before the
35 entire issue price has been paid with the same priority as if

1 the person was a member at the time of death.

2 b. An equity holder who is not a voting member shall have
3 the same rights as a dissenting member if the equity holder
4 makes a demand for payment pursuant to paragraph "a" not later
5 than the deadline for members to cast ballots on the vote to
6 approve the plan of conversion.

7 c. The association shall notify all equity holders of
8 their rights pursuant to paragraph "a" at the same time the
9 association notifies the members of the member meeting to vote
10 on the plan of conversion.

11 Sec. 31. NEW SECTION. 501.602 MERGER AND CONSOLIDATION.

12 A cooperative organized under this chapter may merge or
13 consolidate with one or more other cooperatives organized
14 under this chapter. The provisions of sections 499.61 through
15 499.70 shall apply to such a merger or consolidation.

16 Sec. 32. NEW SECTION. 501.603 SALE OF ASSETS.

17 1. A cooperative may, on the terms and conditions and for
18 the consideration determined by the board, mortgage, pledge,
19 or otherwise encumber any or all of its property.

20 2. A cooperative may sell, lease, exchange, or otherwise
21 dispose of all, or substantially all, of its property, with or
22 without the good will, on the terms and conditions and for the
23 consideration determined by the board, which consideration may
24 include the preferred stock of another cooperative, if the
25 board recommends the proposed transaction to the members, and
26 the members approve it by the vote of two-thirds of the votes
27 cast on a ballot in which a majority of all votes are cast.
28 The board may condition its submission of the proposed
29 transaction on any basis.

30 Sec. 33. NEW SECTION. 501.604 DISSOLUTION.

31 The provisions of sections 490.1401 through 490.1440 shall
32 apply to cooperatives in the same manner as they apply to
33 corporations organized under chapter 490.

34 EXPLANATION

35 This bill provides for the organization of cooperative

1 corporations which are eligible to hold agricultural land.

2 The bill provides for the organization of cooperative
3 corporations based in part on provisions contained in chapter
4 499, the chapter providing for the organization of cooperative
5 associations, and chapter 490, the chapter providing for the
6 organization of corporations. The bill provides as follows:

7 Section 203.1 defines a grain dealer for purposes of
8 chapter 203, the grain dealers law. The bill amends the
9 definition to exclude a cooperative corporation organized
10 under chapter 501, if the cooperative does not buy grain from
11 producers who are not members and does not sell any grain.

12 Section 501.101 provides definitions, including a
13 definition of "authorized person" to mean a farming entity, an
14 individual or general partnership that owns land and receives
15 as rent a share of the crops or the animals raised on the
16 land, or an employee of the cooperative who performs at least
17 1,000 hours of service for the cooperative in a calendar year.
18 A "farming entity" is defined to mean a natural person or a
19 fiduciary for a natural person who regularly participates in
20 physical labor or management in a farming operation; a family
21 farm corporation, family farm limited liability company,
22 family farm limited partnership, or family trust, as defined
23 in Iowa's corporate farming law; or a general partnership,
24 limited partnership, or limited liability partnership composed
25 exclusively of natural persons or persons acting in a
26 fiduciary capacity for the benefit of natural persons, which
27 has received at least 60 percent of gross income over the last
28 consecutive three-year period from farming.

29 Section 501.102 provides that a cooperative organized under
30 the chapter may have any purpose so long as it is lawful, and
31 may have perpetual duration, and has the same general powers
32 as provided to corporations organized under chapter 490.

33 Section 501.103 provides that a cooperative may, directly
34 or indirectly, acquire or otherwise obtain or lease
35 agricultural land in this state for as long as farming

1 entities own a majority of the stock and are eligible to cast
2 a majority of the votes at member meetings, and authorized
3 persons own at least three-fourths of the stock and are
4 eligible to cast at least three-fourths of the votes at member
5 meetings. The cooperative claiming that it is exempt from the
6 restrictions of section 9H.4 must file an annual report with
7 the secretary of state on or before March 31. The report must
8 include information relating to the cooperative and its land
9 holdings. The section provides that an officer who falsifies
10 a report is guilty of perjury which is punishable as class "D"
11 felony. The section provides that a cooperative is prohibited
12 from holding more than 1,500 acres of agricultural land.

13 Section 501.104 provides that the name of the cooperative
14 must identify it as a cooperative.

15 Section 501.105 provides for the execution and filing of
16 documents, including providing for standard forms by the
17 secretary of state, the execution and filing of cooperative
18 documents, including the payment of filing fees, and
19 corrective documents.

20 Section 501.106 provides that the cooperative must maintain
21 a registered office and an agent in the state.

22 Section 501.107 provides that a cooperative must provide
23 for records and reports as does a corporation organized
24 pursuant to chapter 490.

25 Section 501.108 provides that the attorney general alone
26 has the right to inquire into whether a cooperative has the
27 right to exist or continue under chapter 501. The attorney
28 general is provided the authority to bring an action to wind
29 up the affairs of a cooperative not functioning as provided in
30 the bill.

31 Section 501.201 provides for the incorporation of the
32 cooperative by three or more individuals.

33 Section 501.202 provides for filing the initial articles of
34 incorporation, including specific information that must be
35 included in the articles.

1 Section 501.203 provides for amending and restating the
2 articles of incorporation. The bill provides that a
3 cooperative may amend its articles at any time to add or
4 change a provision that is required or permitted in the
5 articles or to delete a provision not required in the
6 articles, or to restate its articles at any time. The
7 amendment or restatement must be adopted by the members by a
8 vote of two-thirds.

9 Section 501.204 provides for the cooperative's bylaws. The
10 bill provides that the board or members may adopt or amend the
11 cooperative's bylaws by a vote of three-fourths of the board.

12 Section 501.301 provides that a member is not personally
13 liable for the acts or debts of the cooperative.

14 Section 501.302 provides procedures for calling and holding
15 meetings, including providing for annual and special meetings.
16 The bill provides for notice to members, and determining
17 whether members are entitled to vote.

18 Section 501.303 provides for the conduct of meetings. The
19 bill provides for member voting, including absentee voting.

20 Section 501.304 provides for the distribution of
21 information to members of the cooperative.

22 Section 502.401 provides for the management of a
23 cooperative by a board of directors, which is elected and
24 serves terms as prescribed in the articles or bylaws.

25 Section 502.402 provides for vacancies occurring on the
26 board, including by resignation and removal, and for filling
27 vacancies by the board or as otherwise provided by the
28 articles of incorporation or bylaws.

29 Section 502.403 provides for board action, including
30 providing for quorum requirements, regular board meetings,
31 special board meetings, the establishment of committees, the
32 conduct of meetings, and action that may be taken without a
33 meeting.

34 Section 502.404 provides for resolving conflicts of
35 interest. The bill provides that if a conflict occurs, the

1 board may take action if the conflict was known to other board
2 members and the members without a conflict approve the
3 measure, or the transaction is fair to the cooperative.

4 Section 502.405 provides that the cooperative must
5 establish officers and their duties.

6 Section 502.406 provides that a director or officer must
7 discharge duties in good faith, with the care of an ordinarily
8 prudent person, and in the best interests of the cooperative.
9 The bill provides that the director or officer is entitled to
10 rely on information prepared by reliable sources. A director
11 or officer who performs duties as required under the section
12 cannot be held liable for an action or a failure to act.

13 Section 501.407 provides that the articles of incorporation
14 may contain a provision eliminating or limiting the personal
15 liability of a director or officer or its shareholders. The
16 bill provides that the section does not apply to a breach of
17 the duty of loyalty, an act or omission made in bad faith or
18 misconduct, an action which constitutes improper enrichment,
19 or an act or omission occurring prior to the date when the
20 provision excusing the conduct becomes effective.

21 Section 501.408 provides that a cooperative may indemnify a
22 present or former director, officer, employee, or agent.

23 Section 501.501 provides for the issuance and transfer of
24 stock, including the issuance of different classes of stock,
25 and fractional shares. The bill provides that a member may
26 sell or otherwise transfer stock to any other member or to any
27 person who has been approved by the board for membership.

28 Section 501.502 provides for the termination of membership
29 by the articles of incorporation or bylaws. The bill provides
30 for termination if a member transfers stock to a person who is
31 not a member and has not been approved for membership, the
32 member fails to meet the member's commitment to provide
33 products to the cooperative or to buy the cooperative's
34 products, or the member is no longer an authorized person or a
35 farming entity. The bill provides for the redemption of the

1 terminated member's stock.

2 Section 501.503 provides for the distribution of the
3 cooperative's net earnings. The bill provides that the board
4 must annually dispose of the cooperative's earnings in excess
5 of its operating expenses, including the payment of dividends,
6 the reserve for depreciation, and to increase the
7 cooperative's retained savings. The bill provides that a
8 cooperative has an unconditional binding obligation to
9 distribute to the members all remaining net savings as
10 determined under the United States Internal Revenue Code.

11 Section 501.601 provides for conversion, including a demand
12 for payment for a member who votes in opposition to the plan
13 of conversion. The bill provides that a cooperative
14 association may convert to an organization under this chapter.
15 The bill provides that the board and the members must approve
16 the plan of conversion.

17 Section 501.602 provides that a cooperative may merge or
18 consolidate with one or more other cooperatives organized
19 under chapter 501. The bill provides that sections relating
20 to mergers applicable to cooperative associations as provided
21 in sections 499.61 through 499.70 apply to a merger or
22 consolidation under chapter 501.

23 Section 501.603 provides for the sale of a cooperative's
24 assets. The bill provides that a cooperative may mortgage,
25 pledge, encumber, sell, lease, exchange, or otherwise dispose
26 of its property as determined by the board. If a cooperative
27 disposes of all of its property, the members must approve it
28 by the vote of two-thirds.

29 Section 501.604 provides for the dissolution of the
30 cooperative in the same manner as provided for a corporation
31 in sections 490.1401 through 490.1440.

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