

MAR 21 1995

Place On Calendar

*Substituted by
SF 377 (P. 1304) 4-6-95*

HOUSE FILE 503

BY COMMITTEE ON COMMERCE AND
REGULATION

(SUCCESSOR TO HSB 273)

WITHDRAWN

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

A BILL FOR

1 An Act relating to the payment of patronage dividends by
2 cooperative associations which are public utilities.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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HOUSE FILE 503

H-3445

1 Amend House File 503 as follows:
2 1. Page 1, line 18, by inserting after the word
3 "outstanding." the following: "Notwithstanding the
4 twenty percent allocation limitation, the directors of
5 a cooperative association or the articles of
6 incorporation or bylaws of the association may specify
7 any percentage or amount to be currently paid in cash
8 to the estates of deceased natural persons who were
9 members."

By SUKUP of Franklin

H-3445 FILED MARCH 23, 1995

Adopted 4-6-95

HF 503

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WITHDRAWN

1 Section 1. Section 499.30, subsection 5, Code 1995, is
2 amended to read as follows:

3 5. Notwithstanding an association's articles of
4 incorporation, for each taxable year of the association, the
5 association shall allocate all remaining net earnings to the
6 account of each member, including subscribers described in
7 section 499.16, ratably in proportion to the business the
8 member did with the association during that year. The
9 directors shall determine, or the articles of incorporation or
10 bylaws of the association may specify, the percentage or the
11 amount of the allocation ~~that to be~~ currently shall be paid in
12 cash. However, ~~so long as there are unpaid local deferred~~
13 ~~patronage dividends of deceased members for prior years~~ for a
14 cooperative association other than a public utility as defined
15 in section 476.1, the amount to be currently payable in cash
16 shall not exceed twenty percent of the allocation during any
17 period when unpaid local deferred patronage dividends of
18 deceased members for prior years are outstanding. All the
19 remaining allocation not paid in cash shall be transferred to
20 a revolving fund as provided in section 499.33 and credited to
21 the members and subscribers. The credits in the revolving
22 fund are referred to in this chapter as deferred patronage
23 dividends.

24 Sec. 2. Section 499.33, Code 1995, is amended to read as
25 follows:

26 499.33 USE OF REVOLVING FUND.

27 1. The directors may use ~~the~~ a revolving fund to pay the
28 obligations or add to the capital of the association or retire
29 its preferred stock. In that event the deferred patronage
30 dividends credited to members constitute a charge on the
31 revolving fund, on future additions to the revolving fund, and
32 on the corporate assets, subordinate to existing or future
33 creditors and preferred stockholders. ~~Deferred~~ Except as
34 otherwise provided in subsection 2, deferred patronage
35 dividends for any year have priority over those for subsequent

1 years. However, ~~prior~~

2 2. a. Prior to other payments of deferred patronage
3 dividends or redemption of preferred stock held by members,
4 the directors of ~~cooperative-associations~~ a cooperative
5 association, other than ~~those-cooperative-associations~~ a
6 cooperative association which ~~are~~ is a public utilities
7 utility as defined in section 476.1, shall pay local deferred
8 patronage dividends and redeem local deferred patronage
9 preferred stock of deceased natural persons who were members,
10 and may pay deferred patronage dividends or may redeem
11 preferred stock of deceased natural persons who were members
12 or of members who become ineligible, without reference to the
13 order of priority. ~~Directors~~

14 b. The directors of ~~cooperative-associations~~ a cooperative
15 association which ~~are~~ is a public utilities utility as defined
16 in section 476.1 may pay deferred patronage dividends and
17 redeem preferred stock of deceased natural persons who were
18 members, and may pay all other deferred patronage dividends or
19 redeem preferred stock of members ~~who-become-ineligible~~
20 without reference to priority.

21 3. Payment of deferred patronage dividends or the
22 redemption of preferred stock ~~of-ineligible-members~~ shall be
23 carried out to the extent and in the manner specified in the
24 bylaws of the association.

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EXPLANATION

26 This bill amends several provisions in chapter 499 which
27 regulates the organization and administration of cooperative
28 associations, which are utilities which furnish gas,
29 electricity, water, or telephone service.

30 Section 499.30 provides for the annual distribution of
31 earnings. After earnings are distributed for purposes of
32 building or maintaining reserves, paying debts and expenses,
33 special purposes and the payment of dividends, remaining
34 earnings are deposited into the account of each member,
35 ratably in proportion to the business the member did with the

1 association during that year. The section provides that the
2 board of directors determine, or the articles of incorporation
3 or bylaws of the association may specify, the percentage or
4 the amount of the allocation to be paid in cash. However, so
5 long as there are unpaid local deferred patronage dividends of
6 deceased members for prior years, the amount payable in cash
7 cannot exceed 20 percent of the allocation. The bill provides
8 that the 20 percent requirement does not apply to cooperative
9 associations which are utilities.

10 Section 499.30 provides that the remaining allocation not
11 paid in cash must be transferred to a revolving fund and
12 credited to the members and subscribers. The credits in the
13 revolving fund are referred to as deferred patronage
14 dividends. Section 499.33 provides for the use of the
15 revolving fund. The section provides that deferred patronage
16 dividends for a current year have priority over those for
17 subsequent years. The section also provides for cases where
18 the priority rule does not apply. In cases not involving
19 public utilities, prior to other payments of deferred
20 patronage dividends or redemption of preferred stock held by
21 members, the directors of a cooperative association must pay
22 local deferred patronage dividends and redeem local deferred
23 patronage preferred stock of deceased natural persons who were
24 members, and may pay deferred patronage dividends or may
25 redeem preferred stock of deceased natural persons who were
26 members or of members who become ineligible. In cases
27 involving a cooperative association which is a utility, the
28 directors may set aside the rule of priority to pay deferred
29 patronage dividends and redeem preferred stock of deceased
30 natural persons who were members, and may pay deferred
31 patronage dividends or redeem preferred stock of members who
32 become ineligible without reference to priority. This bill
33 provides that the directors may pay all deferred patronage
34 dividends or redeem preferred stock of members without
35 reference to priority.

HSB 273

COMMERCE • REGULATION

Sukup, Chair
Renken
Nelson

HOUSE FILE 503
BY (PROPOSED COMMITTEE ON
COMMERCE AND REGULATION
BILL BY CHAIRPERSON
METCALF)

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