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SENATE FILE 2244  
BY GIANNETTO

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to cooperative associations, by providing for the  
2 relationship between shareholders and members and their  
3 associations.

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

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S.F. 2244

1 Section 1. Section 499.19, Code 1995, is amended to read  
2 as follows:

3 499.19 CANCELLATION OF MEMBERSHIP OR STOCK.

4 If a common stockholder or member of a cooperative  
5 association dies, or becomes ineligible, or is expelled, that  
6 person's stock or membership shall forthwith be canceled. In  
7 cases-of-expulsion-the If a cooperative association, other  
8 than an agricultural association, expels a member or  
9 stockholder, the association shall pay the stockholder or  
10 member its value as shown by the books on the date of  
11 cancellation, but not more than its original issuing price,  
12 within sixty days thereafter. In cases of death or  
13 ineligibility, it shall pay such value to the stockholder or  
14 member or the stockholder's or member's personal  
15 representative within two years thereafter, without interest.  
16 If the cooperative association is an agricultural association,  
17 the association shall pay the member or shareholder the value  
18 of the person's interest in the association as provided in  
19 section 499.20.

20 Sec. 2. Section 499.20, Code 1995, is amended to read as  
21 follows:

22 499.20 WITHDRAWAL OF MEMBERS AND REDEMPTION.

23 The articles may permit and regulate voluntary withdrawal  
24 of members and the resulting cancellation of their common  
25 stock and memberships. However, if the cooperative  
26 association is an agricultural association, the articles shall  
27 provide for the voluntary withdrawal of members or  
28 shareholders, the redemption of a member's certificate of  
29 membership or a shareholder's stock, and the resulting  
30 cancellation of common stock and membership. The member or  
31 shareholder shall be paid in cash the fair value of that  
32 person's interest in the association as of the day of  
33 withdrawal. The fair value shall be determined as provided in  
34 section 499.66. The association shall pay the member or  
35 shareholder, upon surrender of that person's certificate of

1 membership or shares of stock.

2 Sec. 3. Section 499.30, subsection 1, Code Supplement  
3 1995, is amended to read as follows:

4 1. ~~To~~ Except as provided in subsection 2, to provide a  
5 reasonable reserve for depreciation, obsolescence, bad debts,  
6 or contingent losses or expenses.

7 Sec. 4. Section 499.30, subsection 2, paragraph b, Code  
8 Supplement 1995, is amended to read as follows:

9 b. If a cooperative association is an agricultural  
10 association which invests capital or borrows money by pledging  
11 assets of the association in an agricultural production  
12 enterprise, as provided in section 499.51, a member or  
13 shareholder of the association who has made a demand pursuant  
14 to section 499.51 may demand cash payment of the member's  
15 local patronage dividends, the redemption of the shareholder's  
16 stock, the cash payment of the shareholder's stock dividends,  
17 and the allocation of remaining net earnings into the member's  
18 account, after providing for a reasonable reserve for  
19 depreciation, obsolescence, bad debts, or contingent losses or  
20 expenses which are unrelated to the business of the  
21 agricultural production enterprise.

22 ~~b. c. To the extent that~~ If the cooperative association is  
23 not operating on a pooling basis as provided in ~~this~~  
24 subsection paragraph "a" or the cooperative association does  
25 not invest in an agricultural production enterprise engaged in  
26 an animal feeding operation or the production of value-added  
27 agricultural products as provided in paragraph "b", at least  
28 ten percent of the remaining earnings must be added to surplus  
29 until surplus equals either thirty percent of the total of all  
30 capital paid in for stock or memberships, plus all unpaid  
31 patronage dividends, plus certificates of indebtedness payable  
32 upon liquidation, earnings from nonmember business, and  
33 earnings arising from the earnings of other cooperative  
34 organizations of which the association is a member, or one  
35 thousand dollars, whichever is greater. No additions shall be

1 made to surplus when it exceeds either fifty percent of the  
2 total, or one thousand dollars, whichever is greater.

3 Sec. 5. NEW SECTION. 499.51 COOPERATIVE ASSOCIATION SAFE  
4 ACCOUNT.

5 1. As used in this section, "agricultural production  
6 enterprise" means a profit or nonprofit enterprise in which an  
7 interest may be held by an agricultural association, if the  
8 enterprise produces agricultural commodities or value-added  
9 products, including an animal feeding operation as defined in  
10 section 455B.161 or an ethanol production facility.

11 2. A member or shareholder of an agricultural association  
12 may submit to the board a written demand that assets of the  
13 member or shareholder which have been contributed to the  
14 association not be invested in an agricultural production  
15 enterprise or be pledged as security for a loan which is used  
16 to finance an agricultural production enterprise. The member  
17 or shareholder shall not be entitled to receive a return on  
18 the investment in the agricultural production enterprise. The  
19 association may issue different classes of membership or stock  
20 in order to administer this section. However, a member or  
21 stockholder shall not be deprived of any other right or  
22 interest in the cooperative association.

23 EXPLANATION

24 This bill amends chapter 499, relating to cooperative  
25 associations, and, specifically to agricultural associations.  
26 The bill provides that if the cooperative association is an  
27 agricultural association, the articles must provide for the  
28 voluntary withdrawal of members or shareholders and the  
29 redemption of a member's certificate of membership or a  
30 shareholder's stock, and the resulting cancellation of common  
31 stock and memberships.

32 The bill provides that if the agricultural association  
33 invests in agricultural production enterprises which are  
34 involved in livestock production or value-added processing, a  
35 member or stockholder may demand cash payment of the member's

1 local patronage dividends, the redemption of the shareholder's  
2 stock, the cash payment of the shareholder's stock dividends,  
3 and the allocation of remaining net earnings into the member's  
4 account, after providing for a reasonable reserve for  
5 depreciation, obsolescence, bad debts, or contingent losses or  
6 expenses which are unrelated to the business of the  
7 agricultural production enterprise.

8     The bill also provides that a member or shareholder of an  
9 agricultural association may submit to the board a written  
10 demand that assets of the member or shareholder which have  
11 been contributed to the association not be invested in an  
12 agricultural production enterprise.

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