

WITHDRAWN

MAR 17 1997
Place On Calendar

*Substituted for
SF 292
(p. 831) 3/26/97*

HOUSE FILE **538**
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 181)

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

A BILL FOR

1 An Act relating to cooperative corporations, by providing for the
2 transfer of stock, the allocation of patronage refunds, and the
3 _____ on

HOUSE FILE 538

H-1262

1 Amend House File 538 as follows:
2 1. Page 1, by striking lines 13 through 25 and
3 inserting the following:
4 "Sec. ____ . Section 501.502, subsection 5, Code
5 1997, is amended to read as follows:
6 5. The cooperative shall redeem, without interest,
7 all of the terminated member's allocated patronage
8 refunds and preferred stock originally issued as
9 allocated patronage refunds for the issue price: as
10 follows:
11 a. If a terminated member's current equity is
12 less than two percent of the cooperative's total
13 members' equity, the cooperative shall make this
14 payment either redeem the terminated member's equity
15 within one year after the termination of the
16 membership or redeem the terminated member's equity in
17 annual amounts of not less than twenty percent of the
18 total amount provided that the entire amount must be
19 redeemed within five years after the termination of
20 the membership. However, if
21 b. If a terminated member's current equity equals
22 or exceeds two percent of the cooperative's total
23 members' equity, the cooperative shall redeem the
24 terminated member's equity in annual amounts of not
25 less than fifteen percent of the total amount provided
26 that the entire amount must be redeemed within seven
27 years after the termination of the membership."

HF 538

By HUSEMAN of Cherokee

H-1262 FILED MARCH 19, 1997
Adopted 3/26/97 (p. 831)

TL5B 2304HV 11

da/jw/5

WITHDRAWN

1 Section 1. Section 501.501, subsection 2, Code 1997, is
2 amended to read as follows:

3 2. A member ~~may~~ shall not sell or otherwise transfer
4 ~~stock, other than voting stock, to any other member or~~ to any
5 ~~person who has been approved by the board for membership,~~
6 ~~subject to the limitations in the articles or bylaws on the~~
7 ~~amount of each class of stock that may be owned by one member.~~
8 A member may be restricted or limited from selling or
9 otherwise transferring any other class of stock of the
10 cooperative as provided by the cooperative's articles of
11 incorporation or bylaws or an agreement executed between the
12 cooperative and the member.

13 Sec. 2. Section 501.502, subsection 5, Code 1997, is
14 amended to read as follows:

15 5. The cooperative shall redeem, without interest, all of
16 the terminated member's allocated patronage refunds and
17 preferred stock originally issued as allocated patronage
18 refunds for the issue price. A cooperative shall make this
19 payment within ~~one year~~ five years after the termination of
20 the membership. However, if a terminated member's current
21 equity equals or exceeds two percent of the cooperative's
22 total members' equity, the cooperative shall redeem the
23 terminated member's equity in annual amounts of not less than
24 fifteen percent of the total amount provided that the entire
25 amount must be redeemed within seven years.

26 Sec. 3. Section 501.604, Code 1997, is amended to read as
27 follows:

28 501.604 DISSOLUTION.

29 The provisions of sections 490.1401 through 490.1440 shall
30 apply to ~~cooperatives~~ a cooperative in the same manner as they
31 apply to ~~corporations~~ a corporation organized under chapter
32 490. However, notwithstanding any provision in those sections
33 to the contrary, upon the cooperative's dissolution, the
34 cooperative's assets shall first be used to pay expenses
35 necessary to carry out the dissolution and liquidation of

1 assets, then be used to pay the cooperative's obligations
2 other than the payment of patronage dividends or stock issued
3 as patronage dividends, and the remainder shall be paid in the
4 manner set forth in the cooperative's articles of
5 incorporation.

6 EXPLANATION

7 In 1996, the general assembly enacted Senate File 2135
8 which provided for the organization of cooperative
9 corporations. This bill amends several of those provisions.

10 Code section 501.501 provides that a member may transfer
11 stock, other than voting stock, to any other member or to any
12 person who has been approved by the board for membership,
13 subject to the limitations in the articles or bylaws. This
14 bill amends the provision to prohibit the member from
15 transferring voting stock. It also provides that a member may
16 be restricted or limited from selling or otherwise
17 transferring any other class of stock of the cooperative as
18 provided by the cooperative's articles of incorporation or
19 bylaws or an agreement executed between the cooperative and
20 the member.

21 Code section 501.502 provides for the termination of a
22 membership. The section requires a cooperative to redeem all
23 of the terminated member's allocated patronage refunds and
24 preferred stock originally issued as allocated patronage
25 refunds for the issue price. The cooperative is required to
26 make this payment within a certain period of time, usually one
27 year after the termination of the membership, unless the
28 terminated member's current equity equals or exceeds 2 percent
29 of the cooperative's total members' equity. In that case, the
30 cooperative must redeem the terminated member's equity
31 according to a schedule in seven years. This bill increases
32 the period of time required to make an unscheduled payment
33 from one to five years.

34 Code section 501.604 provides for the dissolution of a
35 cooperative. The section provides that the dissolution must

1 proceed as if it were a corporation organized under Code
2 chapter 490. This bill provides that the provisions in Code
3 chapter 490 do not apply in certain circumstances.
4 Specifically, the bill provides that upon the cooperative's
5 dissolution, the cooperative's assets must first be used to
6 pay expenses necessary to carry out the dissolution and
7 liquidation of assets, then to pay the cooperative's
8 obligations other than the payment of patronage dividends or
9 stock issued as patronage dividends, and finally, the
10 remainder must be paid as provided in the cooperative's
11 articles of incorporation.

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HSB 181

Agriculture

Husman de
Klemme
Mandie

HOUSE FILE ~~SF/HF~~ Succeeded By 538
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 relating to cooperative corporations, by providing for the
2 transfer of stock, the allocation of patronage dividends upon
3 termination of membership, and dissolution.

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

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1 Section 1. Section 501.501, subsection 2, Code 1997, is
2 amended to read as follows:

3 2. A member ~~may~~ shall not sell or otherwise transfer
4 ~~stock, other than voting stock, to any other member or to any~~
5 ~~person who has been approved by the board for membership,~~
6 ~~subject to the limitations in the articles or bylaws on the~~
7 ~~amount of each class of stock that may be owned by one member.~~
8 A member may be restricted or limited from selling or
9 otherwise transferring any other class of stock of the
10 cooperative as provided by the cooperative's articles of
11 incorporation or bylaws or an agreement executed between the
12 cooperative and the member.

13 Sec. 2. Section 501.502, subsection 5, Code 1997, is
14 amended by striking the subsection and inserting in lieu
15 thereof the following:

16 5. In redeeming allocated patronage refunds, including
17 refunds of nonstock patronage and preferred stock issued by
18 the cooperative as patronage refunds, the cooperative shall
19 first redeem the allocated patronage refunds issued to a
20 deceased natural person and owned by the person at the time of
21 death.

22 Sec. 3. Section 501.604, Code 1997, is amended to read as
23 follows:

24 501.604 DISSOLUTION.

25 The provisions of sections 490.1401 through 490.1440 shall
26 apply to ~~cooperatives~~ a cooperative in the same manner as they
27 apply to ~~corporations~~ a corporation organized under chapter
28 490. However, notwithstanding any provision in those sections
29 to the contrary, upon the cooperative's dissolution, the
30 cooperative's assets shall first be used to pay expenses
31 necessary to carry out the dissolution and liquidation of
32 assets, then be used to pay the cooperative's obligations
33 other than the payment of patronage dividends or stock issued
34 as patronage dividends, and the remainder shall be paid in the
35 manner set forth in the cooperative's articles of

1 incorporation.

2 EXPLANATION

3 In 1996, the general assembly enacted Senate File 2135
4 which provided for the organization of cooperative
5 corporations. This bill amends several of those provisions.

6 Code section 501.501 provides that a member may transfer
7 stock, other than voting stock, to any other member or to any
8 person who has been approved by the board for membership,
9 subject to the limitations in the articles or bylaws. This
10 bill amends the provision to prohibit the member from
11 transferring voting stock. It also provides that a member may
12 be restricted or limited from selling or otherwise
13 transferring any other class of stock of the cooperative as
14 provided by the cooperative's articles of incorporation or
15 bylaws or an agreement executed between the cooperative and
16 the member.

17 Code section 501.502 provides for the termination of a
18 membership. The section requires a cooperative to redeem all
19 of the terminated member's allocated patronage refunds and
20 preferred stock originally issued as allocated patronage
21 refunds for the issue price. The cooperative is required to
22 make this payment within a certain period of time, usually one
23 year after the termination of the membership, unless the
24 terminated member's current equity equals or exceeds 2 percent
25 of the cooperative's total members' equity. In that case, the
26 cooperative must redeem the terminated member's equity
27 according to a schedule. This bill strikes those provisions
28 and provides that in redeeming allocated patronage refunds,
29 including refunds of nonstock patronage and preferred stock
30 issued by the cooperative as patronage refunds, the
31 cooperative must first redeem the allocated patronage refunds
32 issued to a deceased natural person and owned by the person at
33 the time of death.

34 Code section 501.604 provides for the dissolution of a
35 cooperative. The section provides that the dissolution must

1 proceed as if it were a corporation organized under Code
2 chapter 490. This bill provides that the provisions in Code
3 chapter 490 do not apply in certain circumstances.
4 Specifically, the bill provides that upon the cooperative's
5 dissolution, the cooperative's assets must first be used to
6 pay expenses necessary to carry out the dissolution and
7 liquidation of assets, then to pay the cooperative's
8 obligations other than the payment of patronage dividends or
9 stock issued as patronage dividends, and finally, the
10 remainder must be paid as provided in the cooperative's
11 articles of incorporation.

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