

# House Study Bill 181

## Bill Text

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1 1 Section 1. Section [501.501](#), subsection 2, Code 1997, is  
1 2 amended to read as follows:  
1 3 2. A member

~~may~~  
- ~~shall not~~ sell or otherwise transfer  
1 4

~~stock, other than~~  
- voting stock

~~, to any other member or~~  
- to any  
1 5 person

~~who has been approved by the board for membership,~~  
-  
1 6

~~subject to the limitations in the articles or bylaws on the~~  
-  
1 7

~~amount of each class of stock that may be owned by one member~~  
-

1 8 A member may be restricted or limited from selling or  
1 9 otherwise transferring any other class of stock of the  
1 10 cooperative as provided by the cooperative's articles of  
1 11 incorporation or bylaws or an agreement executed between the  
1 12 cooperative and the member.

1 13 Sec. 2. Section [501.502](#), subsection 5, Code 1997, is  
1 14 amended by striking the subsection and inserting in lieu  
1 15 thereof the following:

1 16 5. In redeeming allocated patronage refunds, including  
1 17 refunds of nonstock patronage and preferred stock issued by  
1 18 the cooperative as patronage refunds, the cooperative shall  
1 19 first redeem the allocated patronage refunds issued to a  
1 20 deceased natural person and owned by the person at the time of  
1 21 death.

1 22 Sec. 3. Section [501.604](#), Code 1997, is amended to read as  
1 23 follows:

1 24 501.604 DISSOLUTION.

1 25 The provisions of sections 490.1401 through 490.1440 shall  
1 26 apply to

~~cooperatives~~  
- a cooperative in the same manner as they  
1 27 apply to

~~corporations~~  
- a corporation organized under chapter  
1 28 490. However, notwithstanding any provision in those sections  
1 29 to the contrary, upon the cooperative's dissolution, the  
1 30 cooperative's assets shall first be used to pay expenses  
1 31 necessary to carry out the dissolution and liquidation of  
1 32 assets, then be used to pay the cooperative's obligations

1 33 other than the payment of patronage dividends or stock issued  
1 34 as patronage dividends, and the remainder shall be paid in the  
1 35 manner set forth in the cooperative's articles of  
2 1 incorporation.

2 2 EXPLANATION

2 3 In 1996, the general assembly enacted Senate File 2135  
2 4 which provided for the organization of cooperative  
2 5 corporations. This bill amends several of those provisions.  
2 6 Code section 501.501 provides that a member may transfer  
2 7 stock, other than voting stock, to any other member or to any  
2 8 person who has been approved by the board for membership,  
2 9 subject to the limitations in the articles or bylaws. This  
2 10 bill amends the provision to prohibit the member from  
2 11 transferring voting stock. It also provides that a member may  
2 12 be restricted or limited from selling or otherwise  
2 13 transferring any other class of stock of the cooperative as  
2 14 provided by the cooperative's articles of incorporation or  
2 15 bylaws or an agreement executed between the cooperative and  
2 16 the member.

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

2 34 Code section 501.604 provides for the dissolution of a  
2 35 cooperative. The section provides that the dissolution must  
3 1 proceed as if it were a corporation organized under Code  
3 2 chapter 490. This bill provides that the provisions in Code  
3 3 chapter 490 do not apply in certain circumstances.  
3 4 Specifically, the bill provides that upon the cooperative's  
3 5 dissolution, the cooperative's assets must first be used to  
3 6 pay expenses necessary to carry out the dissolution and  
3 7 liquidation of assets, then to pay the cooperative's  
3 8 obligations other than the payment of patronage dividends or  
3 9 stock issued as patronage dividends, and finally, the  
3 10 remainder must be paid as provided in the cooperative's  
3 11 articles of incorporation.

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