

Senate Study Bill 175

Bill Text

PAG LIN

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.

3 12 LSB 2304SC 77

3 13 da/jw/5