

MAR 8 2006
Place On Calendar

HOUSE FILE 2719
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 759)

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

A BILL FOR

1 An Act providing for the conversion of cooperative associations,
2 and providing for an effective date.

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

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HF 2719

TLSB 6550HV 81

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1 Section 1. Section 499.43A, Code 2005, is amended to read
2 as follows:

3 499.43A EXISTING COOPERATIVES ORGANIZED UNDER CHAPTER 497
4 OR 498 -- CONVERSION OPTION.

5 1. As used in this section, "cooperative association"
6 means any of the following:

7 a. An association organized under chapter 497, regardless
8 of whether it is referred to as an "association", "company",
9 "corporation", "exchange", "society", or "union" as provided
10 in that chapter.

11 b. A cooperative association organized under chapter 498,
12 regardless of whether it is referred to as an "association",
13 "exchange", "society", or "union" as provided in that chapter.

14 2. A cooperative association ~~organized under chapter 498~~
15 may elect to be governed by and to comply with the provisions
16 of this chapter. The election shall be governed by the
17 following procedures:

18 ± a. The board of directors and members must adopt a
19 resolution reciting that the cooperative association elects to
20 be governed by and to comply with this chapter. The
21 cooperative association, to the extent necessary, shall change
22 its name to comply with the provisions of this chapter. The
23 resolution shall be adopted according to the same procedures
24 as provided in section 499.41. Upon the adoption of the
25 resolution, the cooperative association shall execute an
26 instrument on forms prescribed by the secretary of state. The
27 instrument must be signed by the president and secretary and
28 verified by one of the officers signing the instrument. The
29 instrument shall include all of the following:

30 a- (1) The name of the cooperative association, before
31 and after this election.

32 b- (2) A description of each resolution adopted by the
33 cooperative association pursuant to this section, including
34 the date each resolution was adopted.

35 2- b. The instrument shall be filed with the secretary of

1 state. The cooperative association shall amend its articles
2 of incorporation pursuant to section 499.41 to comply with the
3 provisions of this chapter. The secretary of state shall not
4 file the instrument unless the cooperative association
5 organized under chapter 497 is in compliance with the
6 provisions of chapter 497 at the time of filing. The
7 secretary of state shall not file the instrument unless the
8 cooperative association organized under chapter 498 is in
9 compliance with the provisions of chapter 498 at the time of
10 filing. A cooperative association shall file a biennial
11 report which is due pursuant to section 499.49.

12 3. Upon filing the instrument with the secretary as
13 required in this section, all of the following shall apply:

14 a. The cooperative association shall be deemed to be
15 organized under this chapter and the provisions of this
16 chapter shall apply to the cooperative association.

17 b. The secretary of state shall issue a certificate to the
18 cooperative association acknowledging that it is deemed to be
19 organized under this chapter.

20 ~~3.~~ 4. The application of this chapter to the cooperative
21 association does not affect any of the following:

22 a. For a cooperative association organized under chapter
23 497, a right accrued or established, or liability or penalty
24 incurred, pursuant to chapter 497 prior to the filing of the
25 instrument with the secretary of state as required in this
26 section.

27 b. For a cooperative association organized under chapter
28 498, a right accrued or established, or liability or penalty
29 incurred, pursuant to chapter 498, prior to the filing of the
30 instrument with the secretary of state as required in this
31 section.

32 Sec. 2. Section 499.43, Code 2005, is repealed.

33 Sec. 3. EFFECTIVE DATE. This Act, being deemed of
34 immediate importance, takes effect upon enactment.

35

EXPLANATION

1 Three types of traditional cooperative associations are
2 recognized under Iowa law and specifically under Code chapters
3 497, 498, and 499. Code chapter 499 is the most modern
4 chapter, enacted in 1935 (1935 Acts, ch. 94), and all
5 traditional cooperative associations formed on and after July
6 4, 1935, must be organized under that Code chapter (Code
7 section 499.1). It governs farmer cooperatives, petroleum
8 cooperatives, utility cooperatives, and consumer food
9 cooperatives (Code section 499.2). Code chapter 499 does not
10 require older cooperative associations to convert into a "499
11 cooperative" but does provide conversion procedures for a "497
12 cooperative" and a "498 cooperative".

13 Code section 499.43 enacted with the 1935 law provides that
14 any cooperative association, including a 497 cooperative or a
15 498 cooperative, could by a "majority vote of all its members"
16 convert to a 499 cooperative (1935 Acts, ch. 94, § 43). It
17 also provides rights for dissenting members to sell their
18 stock to the cooperative at its real value within two years
19 from the date of the vote.

20 In 1992, the general assembly enacted legislation which
21 limited the procedure in Code section 499.43 to the conversion
22 of 497 cooperatives and enacted new provisions in Code section
23 499.43A for the conversion of 498 cooperative associations.
24 That section provides for transitional procedures, including
25 for adopting and recording a resolution reciting the intention
26 of the cooperative association to be governed under Code
27 chapter 499 by a vote of 66 and two-thirds percent of the
28 members present or represented by mailed ballots. Code
29 section 499.43A does not provide for the right of dissenting
30 members to sell their stock back to the cooperative.

31 This section eliminates the conversion provisions for 497
32 cooperatives as provided in Code section 499.43 and requires
33 that 497 cooperatives convert to a 499 cooperative in the same
34 manner as 498 cooperatives.

35 The bill takes effect upon enactment.

Alons, Chair
Huseman
Frevett

HSB 759
Agriculture

HOUSE FILE ^{IF} 2719
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON DRAKE)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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7 a. An association organized under chapter 497, regardless
8 of whether it is referred to as an "association", "company",
9 "corporation", "exchange", "society", or "union" as provided
10 in that chapter.

11 b. A cooperative association organized under chapter 498,
12 regardless of whether it is referred to as an "association",
13 "exchange", "society", or "union" as provided in that chapter.

14 2. A cooperative association ~~organized under chapter 498~~
15 may elect to be governed by and to comply with the provisions
16 of this chapter. The election shall be governed by the
17 following procedures:

18 1- a. The board of directors and members must adopt a
19 resolution reciting that the cooperative association elects to
20 be governed by and to comply with this chapter. The
21 cooperative association, to the extent necessary, shall change
22 its name to comply with the provisions of this chapter. The
23 resolution shall be adopted according to the same procedures
24 as provided in section 499.41. Upon the adoption of the
25 resolution, the cooperative association shall execute an
26 instrument on forms prescribed by the secretary of state. The
27 instrument must be signed by the president and secretary and
28 verified by one of the officers signing the instrument. The
29 instrument shall include all of the following:

30 a- (1) The name of the cooperative association, before
31 and after this election.

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33 cooperative association pursuant to this section, including
34 the date each resolution was adopted.

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1 state. The cooperative association shall amend its articles
2 of incorporation pursuant to section 499.41 to comply with the
3 provisions of this chapter. The secretary of state shall not
4 file the instrument unless the cooperative association
5 organized under chapter 497 is in compliance with the
6 provisions of chapter 497 at the time of filing. The
7 secretary of state shall not file the instrument unless the
8 cooperative association organized under chapter 498 is in
9 compliance with the provisions of chapter 498 at the time of
10 filing. A cooperative association shall file a biennial
11 report which is due pursuant to section 499.49.

12 3. Upon filing the instrument with the secretary as
13 required in this section, all of the following shall apply:

14 a. The cooperative association shall be deemed to be
15 organized under this chapter and the provisions of this
16 chapter shall apply to the cooperative association.

17 b. The secretary of state shall issue a certificate to the
18 cooperative association acknowledging that it is deemed to be
19 organized under this chapter.

20 ~~3.~~ 4. The application of this chapter to the cooperative
21 association does not affect any of the following:

22 a. For a cooperative association organized under chapter
23 497, a right accrued or established, or liability or penalty
24 incurred, pursuant to chapter 497 prior to the filing of the
25 instrument with the secretary of state as required in this
26 section.

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